

KETCHUM URBAN RENEWAL BOARD MEETING AGENDA

REGULAR MEETING

**December 14, 2016, beginning at 2:00 p.m.
480 East Avenue, North, Ketchum, Idaho**



1. 2:00 PM- CALL TO ORDER
2. CONSENT CALENDAR
 - a. Approval of Minutes:
 1. November 7, 2016 Regular Meeting
 - b. Approval of Current Bills: see packet
3. COMMUNICATIONS FROM THE BOARD OF COMMISSIONERS
4. COMMUNICATIONS FROM THE PUBLIC
5. NEW BUSINESS
 - a. Fiscal Year 2015-16 Financial Audit presentation (Grant Gager, Finance Director)
 - b. Discussion and approval of amended lease between the Ketchum Urban Renewal Agency and Cairde Group for commercial space at 491 Sun Valley Road (Ryan Armbruster)
 - c. Discussion and approval of preliminary cost estimates for an Owner Participation Agreement with Trail Creek Fund LLC (Micah Austin)
 - d. Discussion and workshop on KURA role in power undergrounding projects
 - e. Discussion and approval of proposed MOU between the KURA and the City Council for redevelopment of property owned by the Agency and the City (Ryan Armbruster)
 - f. Discussion of paving the dollhouse lot for paid public parking (Micah)
6. OLD BUSINESS
7. LEGISLATIVE UPDATES (Ryan Armbruster, KURA Attorney)
8. STAFF REPORTS
9. ADJOURNMENT

Any person needing special accommodations to participate in the above noticed meeting should contact the Ketchum Urban Renewal Agency prior to the meeting at (208) 726-3841. This agenda is subject to revisions and additions. NOTE: Revised portions of the agenda are underlined in bold. Public information on agenda items is available in the Clerk's Office located at 480 East Ave. N in Ketchum or (208) 726-3841.

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Ketchum Urban Renewal Agency

480 East Avenue North
Ketchum, ID 83340

<http://ketchumidaho.org/>

Regular Meeting

~ Minutes ~

Baird Gourlay
208-726-3841

Monday, November 7, 2016

2:00 pm

Ketchum City Hall

Present: Chairman Baird Gourlay
Vice Chair Tim Eagan
Commissioner Mark Nieves
Commissioner Jim Slanetz
Commissioner Gary Lipton – by phone
Commissioner Jae Hill

Absent: Commissioner Shelley Seibel

Staff Present: Micah Austin, Director of Planning and Building
URA Attorney Ryan Armbruster – by phone
URA Attorney Matt Parks – by phone

1. 2:00 PM- CALL TO ORDER

Chair Baird Gourlay called the meeting called to order at 2:05 pm.

2. CONSENT CALENDAR

a. Approval of Minutes:

1. October 17, 2016 Regular Meeting

b. Approval of Current Bills: see packet

Motion to approve the Consent Calendar.

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Jim Slanetz, Commissioner
SECONDER:	Jae Hill, Commissioner
AYES:	Gourlay, Slanetz, Lipton, Eagan, Nieves
ABSENT:	Jae Hill, Shelley Seibel

3. COMMUNICATIONS FROM THE BOARD OF COMMISSIONERS

Commissioner Gary Lipton asked for clarification in regards to what was agreed on and the money that has been given to Paul Conrad. Director of Planning & Building Micah Austin outlined where they are in the process and he clarified that no money has been distributed at this time.

Commissioner Jae Hill arrived at 2:09 p.m.

4. COMMUNICATIONS FROM THE PUBLIC

No communication from the public.

Director of Planning & Building Micah Austin advised that the agenda needed to be amended. URA Attorney, Ryan Armbruster clarified that the Commission needed to make a motion and second and make a formal vote and advise as to the reason why this wasn't on the agenda when the agenda was posted.

Motion to add Auberge Resort to the agenda for Board consideration of the updated funding request from Trail Creek Fund LLC and the reason for not having this on the agenda is because the numbers were just received from Idaho Power.

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Baird Gourlay, Chair
SECONDER:	Mark Nieves, Commissioner
RECUSED:	Tim Egan, Commissioner
AYES:	Lipton, Nieves, Hill, Gourlay
ABSENT:	Jim Slanetz, Shelley Seibel

Director of Planning & Building Micah Austin talked to the board about the need to decide on the owner participation agreement, about the terms of the contract and updated the under-grounding utility numbers as of today.

Jack Barriteau gave an update on the project and explained that the under grounding of the power lines is key. Jack Barriteau presented the cost of \$680,000 to underground from River St. to Gem St. He outlined exactly where the power lines would run and said it would be \$160,000 to underground an additional 500 linear feet. Jack Barriteau would like to submit a formal request to get the undergrounding started.

Commissioner Jim Slanetz arrived at 2:18 p.m.

Chair Baird Gourlay voiced that for a difference for \$160,000 they should look at this.

Director of Planning & Building Micah Austin explained how the property tax reimbursement will work. Chair Baird Gourlay questioned the additional section and who would pay for that. Micah Austin clarified that the URA could pay for it and the reimbursement would be on the same schedule. Micah Austin outlined what needs to be done prior to going to a vote.

Chair Baird Gourlay asked for questions from the Commission. Commissioner Jae Hill questioned what Idaho Power will be doing. Paul Conrad explained the Idaho Power plan and where this would stop and start. Commissioner Jim Slanetz questioned the boundaries. Jack Barriteau talked about the reasons for the Gem Street Property Line. Paul Conrad talked about previous conversations and the percentages of refund and when the refunding would take place. Director of Planning & Building Micah Austin would like more time to prepare this study and bring it back to the board.

Commissioner Gary Lipton questioned Jack Barriteau as to homeowners participating in the payment of this. Chair Baird Gourlay explained that would take an LID and needs to be discussed at the council level.

Chair Baird Gourlay directed staff to move forward with the Auberge group and get an agreement for the meeting in December.

5. NEW BUSINESS

a. Roles and Responsibilities of urban renewal board members (Ryan Armbruster, KURA Attorney)

This will be continued to a meeting when Attorney Ryan Armbruster is present.

b. Discussion and approval of Contract for Services with Ketchum Community Development Corporation (KCDC)

Director of Planning & Building Micah Austin presented the proposed contract for services. Attorney Ryan Armbruster and Executive Director Jon Duval have both reviewed the contract. Micah Austin outlined what the URA has dedicated to projects that are site or project based or dedicated to procuring services we can't provide on our own. He went over the deliverables in the contract and explained each of them. He went over the KCDC goals. Attorney Ryan Armbruster added that the contract complies with the Agency.

Commissioner Jae Hill commented that the corrected title is Ketchum Innovation Center. He reported that the matrix is not in packet and asked why. Director of Planning & Building Micah Austin explained they would be in the packet quarterly. Jae Hill asked for more clarification on the tracking matrix in the quarterly report. Chair Baird Gourlay voiced his concern about this tracking and suggested trying it this way this time and changing it in the future if need be. Jae Hill explained his reasoning for his concern but agreed that they could move forward as is for now.

Commissioner Mark Nieves agreed that the questions will come after the first report. He would like the URA mentioned in section A to show a partnership. Chair Baird Gourlay agreed and suggested this could be passed with adding the verbiage showing a partnership. Director of Planning & Building Micah Austin said the Resolutions should be approved at the Joint Session.

Commissioner Gary Lipton agreed with Commissioner Mark Nieves and would like to move forward.

c. Discussion and approval of Contract for Services with Sun Valley Economic Development (SVED)

Director of Planning & Building Micah Austin gave a definition of what SVED does and what they will be doing for the URA. He said they would be giving a quarterly report and outlined the projects that SVED is currently working on and the cost of the contract for services which is \$15,000.

Commissioner Gary Lipton suggested that the KURA's name be listed in the contract like in the KIC contract.

Commissioner Jae Hill reiterated his feelings on a specific Matrix. Chair Baird Gourlay suggested creating a matrix after the first quarterly report. Jae Hill voiced his concerns about stagnant projects and the need for tracking. Chair Baird Gourlay gave suggestions on how to move forward with a score sheet. Jae Hill said that he does not think that what they've seen in the past answers the questions he is looking for. Micah Austin agrees with Commissioner Hill and explained what the board will be responsible for and what information will be expected. Chair Baird Gourlay reiterated that after the first quarterly report we could develop the matrix.

Director of Planning & Building Micah Austin explained both resolutions that are up for approval. KCDC URA-7 and SVED - URA-8.

Motion to approve KCDC Resolution URA -7

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Jae Hill, Commissioner
SECONDER:	Gary Lipton, Commissioner
AYES:	Eagan, Lipton, Nieves, Hill, Gourlay, Slanetz
ABSENT:	Shelley Siebel

Motion to approve SVED Resolution URA-8

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Baird Gourlay, Chair
SECONDER:	Tim Eagan, Vice Chair
AYES:	Eagan, Lipton, Nieves, Hill, Gourlay, Slanetz
ABSENT:	Shelley Siebel

d. Discussion and approval of revised lease requirements with Cairde Group for property owned by the KURA at 491 Sun Valley Road.

Chair Baird Gourlay explained the amount of work that has been done over the weekend. Attorney Matt Parks gave an update on what he has received. He explained the process they went thru after receiving the 3 bids and talked about what the Cairde Group would agree to. He went over the issues of cleanliness and maintenance of the property. An Annual increase was discussed. He outlined what was agreed on and what still needs to be discussed. Daily janitorial responsibilities were discussed. SVMA Alliance and Windermere group leases are up. Director of Planning & Building Micah Austin explained that they have not mentioned they would like to renew their lease, however, they have paid and are up to date. Matt Parks explained that these are other issues that need to be ironed out prior to finalizing the lease with Cairde Group. Chair Baird Gourlay would like to tie these leases into the Cairde Group lease. He talked about the CPI's not being included in the proposed lease.

Vice-Chair Tim Eagan asked Attorney Matt Parks for his opinion. Matt Parks would like to move on from here and address how specific services and costs should be allocated. Tim Eagan talked about the terms of the deal and asked for clarification on the fees in the contract. Director of Planning & Building Micah Austin clarified the current deal and explained what we're now looking at. Tim Eagan questioned the scope of the common areas and Micah Austin responded that the URA's responsibility has not changed for common areas and suggested we go back to them with the CPI. Tim Eagan questioned the improvements that are being asked for and Micah Austin outlined the areas. Micah Austin reiterated that the building is not unsafe and Tim Eagan went over what a tenant should be responsible for and explained that we should not be putting money into this unless it is a life safety issue.

There was a discussion regarding the CPI with Matt Parks and how they want him to move forward.

Commissioner Gary Lipton talked about the storage room and asked if the square footage has been added to the formula. He questioned if the tables in the city area are included and said he does not want to spend money on hand driers. Director of Planning & Building Micah Austin addressed the

square footage and explained that it is not included. Vice Chair Tim Eagan voiced his opinion that we should not move backwards but to move forward. Tim Eagan talked about re-platting this property and what will happen with that property moving forward.

The CPI was discussed. Attorney Matt Parks would like to use the storage space as a bartering tool and will be following up with Director of Planning & Building Micah Austin on the two expired leases. Vice Chair Tim Eagan told Matt Parks that he does not want to see any improvement in the contract that will cost the URA anything. Micah Austin would like a meeting by phone to approve the new lease when it is ready. Matt Parks agreed that a special meeting in the next 10 days would be best.

6. OLD BUSINESS

No old business

7. LEGISLATIVE UPDATES (Ryan Armbruster, KURA Attorney)

No legislative updates

8. STAFF REPORTS

Director of Planning & Building Micah Austin advised that the tennis courts are done for the season. The crew will be back in the Spring to finish.

The re-plat is done but not recorded. We need to do a quit claim deed and that will be ready before the next meeting. Chair Baird Gourlay will be placing this on the next agenda.

The meeting will be moved to December 12, 2016 at 2:00 pm.

Motion to change next meeting from December 19, 2016 to December 12, 2016.

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Baird Gourlay, Chair
SECONDER:	Tim Eagan, Vice Chair
AYES:	Eagan, Lipton, Nieves, Hill, Gourlay, Slanetz
ABSENT:	Shelley Siebel

9. EXECUTIVE SESSION PURSUANT TO: Idaho Code Sections 74-206(1)(f), to communicate with legal counsel to discuss the legal ramifications of and legal options for pending litigation or controversies not yet being litigated but imminently likely to be litigated and 74-206(1)(c) to acquire an interest in real property not owned by a public agency.

10. ADJOURNMENT

Motion to adjourn

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Baird Gourlay, Chair
SECONDER:	Tim Eagan, Vice Chair
AYES:	Eagan, Lipton, Nieves, Hill, Gourlay, Slanetz
ABSENT:	Shelley Siebel

Baird Gourlay, Chair

Sandra E. Cady
Secretary/Treasurer

Report Criteria:

Invoices with totals above \$0 included.

Paid and unpaid invoices included.

[Report].GL Account Number = "961000000"- "9848009999"

Vendor Name	Invoice Number	Description	Net Invoice Amount
URBAN RENEWAL AGENCY			
98-3700-2000 RENT			
CITY OF KETCHUM	26	Sotheby's paid the City water bill to the KURA	55.97
Total :			55.97
URBAN RENEWAL EXPENDITURES			
98-4410-4200 PROFESSIONAL SERVICES			
BROWN, DENNIS R., CPA	112316	Audited Financials for the KURA	1,750.00
CENTURY LINK	2087275084 11	2087275084 111116	359.00
KETCHUM COMPUTERS, INC.	13397	Computer Support and Maintenance	125.00
ELAM & BURKE	111516	General Representation	2,352.50
98-4410-5200 UTILITIES			
CITY OF KETCHUM	192 103116	192 103116	260.86
CITY OF KETCHUM	514 103116	514 103116	10.44
CLEAR CREEK DISPOSAL	0001011697	952418 103116	408.97
CLEAR CREEK DISPOSAL	0001017024	952418 112516	408.97
IDAHO POWER	2202522062 11	2202522062 111816	357.91
INTERMOUNTAIN GAS	57271230005 1	57271230005 121216	95.01
98-4410-5910 REPAIR & MAINT. - 491 SV RD			
ALLSTAR PROPERTY MANAGE	5658	November Janitorial Service	486.00
ALLSTAR PROPERTY MANAGE	5666	November 2016 Janitorial	221.00
BLAINE COUNTY TAX COLLECT	219916	LRK00000240050	1,574.19
BOULDER MOUNTAIN HEATING	12168	Starbucks Service	130.00
CHATEAU DRUG CENTER	1647274	Lights @ Starbucks	24.68
GEM STATE PAPER & SUPPLY	1081069	Supplies for Starbucks Bldg	253.76
GEM STATE PAPER & SUPPLY	1089442	Paper and cleaning supplies	245.92
LUTZ RENTALS	64933-1	Boom Lift	285.12
AEP CONSULTING	2002-012	Monthly Maintenance	1,800.00
98-4410-7110 ECONOMIC DEVELOPMENT PROJECTS			
SYRINGA NETWORKS	20158 111116	Ethernet Bandwidth	25,000.00
Total URBAN RENEWAL EXPENDITURES:			36,149.33
Total URBAN RENEWAL AGENCY:			36,205.30
Grand Totals:			36,205.30



Ketchum Urban Renewal Agency

P.O. Box 2315 | 480 East Ave. N. | Ketchum, ID 83340

December 14, 2016

Chairman Gourlay and Board of Commissioners
Ketchum Urban Renewal Agency
Ketchum, Idaho

Chairman Gourlay and Board of Commissioners:

Recommendation to Accept the Audited FY15-16 Financial Statements

Introduction/History

The Ketchum Urban Renewal Agency has contracted with Dennis R. Brown, CPA for auditing services for the Fiscal Years ending September 30, 2016.

Current Report

Dennis Brown has completed the audit for FY15-16 and will be presenting it to the Board of Commissioners for adoption. The Ending Fund Balance for FY15-16 is \$1,689,057. *(See Page 6 of Financial Statements.)*

Financial Requirement/Impact

The cost for auditing services for the FY15-16 is \$1,750 .

Recommendation

I respectfully recommend the Board of Commissioners accept the Audited FY15-16 Financial Statements.

Recommended Motion

"I move to accept the Audited FY15-16 Financial Statements."

Sincerely,

Grant Gager
Director of Finance and Internal Services

KETCHUM URBAN RENEWAL AGENCY

KETCHUM, IDAHO

**Financial Statements
at September 30, 2016**

**KETCHUM URBAN RENEWAL AGENCY
KETCHUM, IDAHO**

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828 Blue Lakes Boulevard North • P.O. Box 2367 • Twin Falls, Idaho 83303 • (208) 733-1161 • Fax: (208) 733-6100

INDEPENDENT AUDITOR'S REPORT

November 17, 2016

To the Board of Commissioners
Ketchum Urban Renewal Agency
Ketchum, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Ketchum Urban Renewal Agency, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Ketchum Urban Renewal Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Ketchum Urban Renewal Agency, as of September 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on page 12 be presented to supplement the basic financial statements. Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

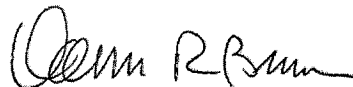
Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information on page 16 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information along with the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2016, on our consideration of the Ketchum Urban Renewal Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ketchum Urban Renewal Agency's internal control over financial reporting and compliance.



DENNIS R BROWN
Certified Public Accountant
Twin Falls, Idaho

KETCHUM URBAN RENEWAL AGENCY
Statement of Net Position
at September 30, 2016

	<u>Total Primary Government</u>	<u>Total Reporting Entity</u>
<u>ASSETS</u>		
Cash and Deposits	\$ 1,128,878	\$ 1,128,878
Restricted Cash and Deposits	549,717	549,717
Accounts and Property Tax Receivable	10,462	10,462
Total	<u>1,689,057</u>	<u>1,689,057</u>
Capital Assets:		
Land, Buildings and Improvements	5,672,705	5,672,705
Fourth Street Corridor Improvements	1,000,000	1,000,000
Less Accumulated Depreciation	(275,592)	(275,592)
Total Capital Assets	<u>6,397,113</u>	<u>6,397,113</u>
Total Assets	<u>8,086,170</u>	<u>8,086,170</u>
<u>LIABILITIES</u>		
Accrued Interest Payable	142,841	142,841
Long-term Liabilities:		
Portion due or payable within one year:		
Bonds Payable	120,000	120,000
Portion due or payable after one year:		
Bonds Payable	5,920,000	5,920,000
Unamortized Bond Discounts	(131,926)	(131,926)
Unamortized Pre-Issuance Bond Costs	(61,644)	(61,644)
Total Liabilities	<u>5,989,271</u>	<u>5,989,271</u>
<u>NET POSITION</u>		
Invested in Capital Assets - net of related debt	550,683	550,683
Restricted For:		
Capital Projects	0	0
Debt Service	549,717	549,717
Affordable Housing	996,499	996,499
Unrestricted	<u>0</u>	<u>0</u>
Total Net Position	<u>\$ 2,096,899</u>	<u>\$ 2,096,899</u>

The accompanying notes are a part of these financial statements.

KETCHUM URBAN RENEWAL AGENCY
Statement of Activities
For the Year Ended September 30, 2016

<u>Activities:</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenues and</u>	
		<u>Fees, Fines,</u>	<u>Capital</u>	<u>Changes in Net Position</u>	
<u>Governmental:</u>	<u>Expenses</u>	<u>and Charges</u>	<u>Grants and</u>	<u>Governmental</u>	<u>Total</u>
		<u>for Services</u>	<u>Contributions</u>	<u>Activities</u>	
General Government	\$ 1,178,415	\$ 72,160	\$ 0	(1,106,255)	\$ (1,106,255)
Total Governmental Activities	<u>1,178,415</u>	<u>72,160</u>	<u>0</u>	<u>(1,106,255)</u>	<u>(1,106,255)</u>

General Revenues:

Property Taxes	1,026,852	1,026,852
Penalty and Interest on Taxes	4,764	4,764
Refunds and Reimbursements	25,343	25,343
Interest	4,985	4,985
Total general revenues and transfers	<u>1,061,944</u>	<u>1,061,944</u>
Changes in net position	(44,311)	(44,311)
Net Position - Beginning	<u>2,141,210</u>	<u>2,141,210</u>
Net Position - Ending	<u>\$ 2,096,899</u>	<u>\$ 2,096,899</u>

The accompanying notes are a part of these financial statements.

KETCHUM URBAN RENEWAL AGENCY

Balance Sheet

Governmental Funds

at September 30, 2016

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and Cash Equivalents	\$ 646,194	\$ 482,684	\$ 1,128,878
Reserved Cash		549,717	549,717
Taxes Receivable	9,412	0	9,412
Due From Other Sources	<u>1,050</u>	<u>0</u>	<u>1,050</u>
 Total Assets	 <u>\$ 656,656</u>	 <u>\$ 1,032,401</u>	 <u>\$ 1,689,057</u>
LIABILITIES:			
Accounts and Accrued Payables	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
 Total Liabilities	 <u>0</u>	 <u>0</u>	 <u>0</u>
FUND BALANCE:			
Non-spendable	0	0	0
Restricted	0	549,717	549,717
Committed	0	0	0
Assigned	0	0	0
Unassigned	<u>656,656</u>	<u>482,684</u>	1,139,340
 Total Fund Balance	 <u>656,656</u>	 <u>1,032,401</u>	
 Total Liabilities and Fund Balance	 <u>\$ 656,656</u>	 <u>\$ 1,032,401</u>	

Amounts reported for governmental activities in the Statement of Net Position (page 3) are different because:

Government fund capital assets are not financial resources and therefore are not reported in the funds. The costs of assets is \$ 6,672,705 and the accumulated depreciation is \$ 275,592 6,397,113

Bond discounts and pre-issuance costs are not financial resources and therefore are not reported in the funds. 193,570

Long-term liabilities, including bonds, compensated absences and loans are not payable in the current period and therefore are not reported in the governmental funds (6,182,841)

Net Position of Governmental Funds \$ 2,096,899

The accompanying notes are a part of these financial statements.

KETCHUM URBAN RENEWAL AGENCY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
for the year ended September 30, 2016

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUE:			
Tax Levy Revenue	\$ 1,031,616	\$	\$ 1,031,616
Rent Revenue	72,160		72,160
Refunds and Reimbursements	25,343		25,343
Interest Income	3,029	1,956	4,985
	<u>1,132,148</u>	<u>1,956</u>	<u>1,134,104</u>
Total Revenue			
EXPENDITURES:			
Office Expense	1,309		1,309
Professional Fees	33,240	1,600	34,840
Advertising and Publications	410		410
Insurance	2,476		2,476
Utilities	17,721		17,721
Administration	31,000		31,000
Repairs	40,029		40,029
Reimburse Ketchum City - General	92,912		92,912
Reimburse Ketchum City - In Lieu Housing	74,200		74,200
Capital Projects	512,319		512,319
Debt service		423,319	423,319
	<u>805,616</u>	<u>424,919</u>	<u>1,230,535</u>
Total Expenditures			
EXCESS REVENUE (EXPENDITURES)	326,532	(422,963)	(96,431)
OTHER FINANCING SOURCES (USES):			
Transfers In (Out)	(424,919)	424,919	0
NET CHANGE IN FUND BALANCES	(98,387)	1,956	(96,431)
FUND BALANCE - BEGINNING	<u>755,043</u>	<u>1,030,445</u>	<u>1,785,488</u>
FUND BALANCE - ENDING	<u>\$ 656,656</u>	<u>\$ 1,032,401</u>	<u>\$ 1,689,057</u>

The accompanying notes are a part of these financial statements.

KETCHUM URBAN RENEWAL AGENCY
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
for the year ended September 30, 2016

Net Change in Fund Balance - Total Governmental Funds (Page 6) \$ (96,431)

Governmental funds report capital outlays as current year expenditures.

In the Statement of Activities the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount of current capital outlay for new fixed assets.

This is the amount of current year depreciaton. (49,330)

This is the amount of current year amortization. (10,188)

This is the amount of new Governmental Fund assets. 0

Long term liabilities are not recorded in the Governmental funds. Capital lease payments are expensed in the period that the payments are paid. Capital leases are recorded as liabilities in the Statement of Net Position. Current year payments reduce the amount of the debt.

This is the change in accrued interest on the outstanding debt. 1,638

This is the amount of current year payments of long term debt 110,000

Change in Net Position of Governmental Activities (Page 4) \$ (44,311)

The accompanying notes are a part of these financial statements.

**KETCHUM URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The Ketchum Urban Renewal Agency (the Agency) was created for the purpose of redeveloping and rehabilitating certain deteriorating areas in the City of Ketchum, Idaho, and was established by a resolution from the Ketchum City Council dated April 3, 2006. The Agency is authorized under provisions of the Idaho Urban Renewal Law of 1965 (Chapter 20, Title 50, Idaho Code).

The Agency is a component unit, as defined by generally accepted accounting principles, of the City of Ketchum, Idaho, because of its operational and financial responsibility with the City. The City of Ketchum appoints the governing body of the Agency.

The financial statements of the Ketchum Urban Renewal Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Boards (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net position) report information on all of the non-fiduciary activities of the Agency.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to patrons who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The Agency's activities and general administrative services are classified as governmental activities. The Agency has no business-type activities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the Agency receives cash.

The Agency reports the following major governmental funds:

- The *General Fund* is the Agency's primary operating fund. It accounts for all financial resources of the Agency.
- The *Debt Service Fund* is the Agency's fund used to account for the payments of long term debt.

**KETCHUM URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Continued—

Budgetary Policy

The Agency prepares a budget for its general fund operations. The statement of revenues and expenditures and changes in fund balances and actual-general fund presents comparison of the legally adopted budget with the actual data on a budgetary basis.

Under Idaho Code, the Agency's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, except as allowed by the Code for certain events.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Agency because it is not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

Capital Assets

Capital Assets, which include land, building and improvements, and furniture and equipment, are reported in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

The Agency's capital assets are being depreciated using the straight line method over their useful lives.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Entity Classifications

- A. City-Wide Financial Statements – The City reports net assets in three categories – invested in capital assets, restricted and unrestricted.
- B. Fund Financial Statements – The City has adopted GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB 54) which defines how fund balances of the governmental funds are presented in the financial statements. There are five classifications of fund balances as presented below:

**KETCHUM URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Continued—

Non-spendable – These funds are not available for expenditures based on legal or contractual requirements. In this category, one would see inventory, long-term receivables, unless proceeds are restricted, committed, or assigned and legally or contractually required to be maintained intact (corpus or a permanent fund).

Restricted – These funds are governed by externally enforceable restrictions. In this category, one would see restricted purpose grant funds, debt service or capital projects.

Committed – Fund balances in this category are limited by the governments' highest level of decision making. Any changes of designation must be done in the same manner that it was implemented and should occur prior to end of the fiscal year, though the exact amount may be determined subsequently.

Assigned – These funds are intended to be used for specific purposes, intent is expressed by; governing body or an official delegated by the governing body.

Unassigned – This classification is the default for all funds that do not fit into the other categories. This, however, should not be a negative number for the general fund. If it is, the assigned fund balance must be adjusted.

Order of Use of Fund Balance – The City's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined.

2. PROPERTY TAXES

Property taxes are billed and collected within the same period in which the taxes are levied. The Agency does not levy property taxes; however, it is entitled to the taxes levied on the increase in assessed valuation of real and personal property within its jurisdiction that occur after January 1, 2006.

In accordance with Idaho law, property taxes are levied in September for each calendar year. All personal taxes and one-half of real property taxes are due by December 20. The second half of the real property taxes is due by June 20. Tax levies on such assessed values are certified to the County prior to the commencement of the fiscal year.

Taxes are collected by Blaine County and remitted to the Agency primarily in January and July of the fiscal year. The Agency defers recognition of property taxes assessed but not collected within 60 days of the fiscal year-end. Such amounts have been recognized as revenues as they are deemed immaterial to the financial statements taken as a whole.

3. CASH AND DEPOSITS

Deposits: Custodial credit risk, in the case of deposits, is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Agency has no deposit policy for custodial credit risk. At year end, \$250,000 of the Agency's bank balance was not exposed to custodial credit risk because it was insured by the FDIC and the remaining \$303,729 was exposed to custodial credit risk.

**KETCHUM URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

Continued—

Investments: Custodial credit risk, in the case of investments, is the risk that in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the Agency held the following investments:

Investment Type

Idaho State Local Government Investment Pool \$ 1,178,536.

These investments are unrated external investment pools sponsored by the Idaho State Treasurer's Office. They are classified as "Investments in an External Investment Pool" and are exempt from custodial credit risk and concentration of credit risk reporting. Interest rate risk is summarized as follows: Asset-backed securities are reported using weighted average life to more accurately reflect the projected term of the security, considering interest rates and repayment factors.

The elected Idaho State Treasurer, following Idaho Code, Section 67-2328, is authorized to sponsor an investment pool in which the Agency voluntarily participates. The Pool is not registered with the Securities and Exchange Commission or any other regulatory body - oversight is with the State Treasurer, and Idaho Code defines allowable investments. All investments are entirely insured or collateralized with securities held by the Pool or by its agent in the Pool's name. And the fair value of the Agency's position in the external investment pool is the same as the value of the pool shares.

Credit Risk: The Agency's policy is to comply with Idaho State statutes which authorize the Agency to invest in obligations of the United States, obligations of the State or any taxing district in the State, obligations issued by the Farm Credit System, obligations of public corporations of the State of Idaho, repurchase agreements, tax anticipation notes of the State or taxing district in the State, time deposits, savings deposits, revenue bonds of institutions of higher education, and the State Treasurer's Pool.

Interest rate risk and concentration of credit risk: The Agency has no policy regarding these two investment risk categories.

The Agency maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is presented on the combined balance sheet as "Cash and Deposits".

Cash and Deposits are comprised of the following at the financial statement date:

Cash on Hand	\$	0
Deposits with financial institutions:		
Demand deposits		500,060
State of Idaho Investment Pool		<u>1,178,536</u>
Total		<u>\$1,678,595</u>

4. RESTRICTED ASSETS AND BOND DISCOUNTS

On August 19, 2010 the Agency created restricted cash deposits for bond contingencies (See Note 6). Additionally, the bonds were sold at a discount that will be amortized with bond originating costs over the life of the bonds.

**KETCHUM URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Continued -

In fiscal year ended September 30, 2007, the URA purchased real property formerly known as the Dollhouse located at 1st & Washington in Ketchum for the sum of \$2.25 million. The down payment for the purchase of this property of \$707,914 was obtained by the URA as a transfer from the City of Ketchum's restricted In Lieu Affordable Housing Fund. Since that time, the City of Ketchum's restricted In Lieu Affordable Housing Fund has transferred to the URA an additional \$147,916 to pay interest on the debt associated with this property as well as to make necessary property repairs.

In fiscal year ended September 30, 2008, the URA purchased real property formerly known as the Mountain West Bank building located at Sun Valley Rd. and East Ave. in Ketchum for the sum of \$3.2 million. The down payment for the purchase of the Mountain West Bank building property of \$640,000 was obtained by the URA as a transfer from the City of Ketchum's restricted In Lieu Affordable Housing Fund.

On April 12, 2011, \$640,000 of restricted fund value was transferred to the 1st & Washington property from the Mountain West Bank Building, leaving no further restriction on the value of the Mountain West Bank Building.

Accordingly, \$1,495,830 of the value of the 1st & Washington property continues to be restricted to future affordable housing purposes. In 2016 the Agency has determined to pay this amount back to the City of Ketchum over the next several years as funds are available. This amount is not accrued in the Agency's records, but will be expensed when paid. During the current period the Agency paid the City of Ketchum a sum of \$74,200, leaving the restricted amount of \$1,421,630.

5. GENERAL FIXED ASSETS

Capital asset activity for the year ended September 30, 2016 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital Assets not being depreciated:</i>				
Land - Sun Valley Road	\$ 1,200,000	\$	\$	\$ 1,200,000
Land - First & Washington	2,294,746			2,294,746
Fourth Street Corridor Improvements	1,000,000			1,000,000
Total	<u>4,494,746</u>	<u>0</u>	<u>0</u>	<u>4,494,746</u>
<i>Capital Assets being depreciated:</i>				
Building - Sun Valley Road	2,000,000			2,000,000
Improvements - Sun Valley Road	141,099			141,099
Digital Signage and Improvements	36,860			36,860
Total	<u>2,177,959</u>	<u>0</u>	<u>0</u>	<u>2,177,959</u>
Less: Accumulated Depreciation:	<u>226,262</u>	<u>49,330</u>		<u>275,592</u>
Total Net Depreciated Assets	<u>1,951,697</u>	<u>-49,330</u>	<u>0</u>	<u>1,902,367</u>
 Governmental capital assets, net	 <u>\$ 6,446,443</u>	 <u>\$ -49,330</u>	 <u>\$ 0</u>	 <u>\$ 6,397,113</u>

**KETCHUM URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Continued—

6. LONG-TERM DEBT

On August 19, 2010 the Agency sold \$ 6,440,000 of Revenue Allocation (Tax Increment) Refinancing Bonds, Series 2010. The proceeds from this bond issuance paid three notes held previously in the Agency. The bond servicing agent is U.S. Bank N.A. A summary of future payments of principle and interest follows the notes to these financial statements. The bond ordinance created restricted cash for a reserve in the amount of \$ 549,625 for payments of principle and interest in the event of default by the agency.

Long-term debt at September 30, 2016 is as follows:

	<u>Interest Rate</u>	<u>Fiscal Year</u>	<u>Balance</u>
Bonds payable	Var. 2 – 5.5%	2017-2035	\$ 6,040,000

The following is a summary of the principal due over the next four and subsequent five year increments:

2017	\$	120,000
2018		140,000
2019		160,000
2020		180,000
2021		200,000
2022-2026		1,430,000
2027-2031		1,895,000
2032-2035		<u>1,915,000</u>
Total	\$	<u>6,040,000</u>

7. LABOR AND ASSOCIATED COSTS

The Agency does not currently employ any staff and contracts with the City of Ketchum for administrative duties. Labor and associated costs are allocated to the Agency for reimbursement purposes. Because of the nature of the reimbursement, the Agency does not report any payroll or retirement liabilities.

8. LITIGATION

The Agency, at the financial statement date, is not involved in any material disputes as either plaintiff or defendant.

9. RISK MANAGEMENT

The Agency is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; injuries to the general public; and natural disasters. The Agency carries commercial insurance coverage for these risks to the extent deemed prudent by the board of commissioners.

10. SUBSEQUENT EVENTS

Subsequent events were evaluated through the date of the auditor's report, which is the date the Financial statements were available to be issued.

**OTHER
SUPPLEMENTARY INFORMATION**

KETCHUM URBAN RENEWAL AGENCY
Budgetary Comparison Schedule
General Fund
for the year ended September 30, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
REVENUES:			
Property taxes - Tax Increment Revenues	\$ 879,000	\$ 1,031,616	\$ 152,616
Rent Revenue	66,000	72,160	6,160
Miscellaneous Revenue	30,000	25,343	(4,657)
Earnings on investments	1,000	3,029	2,029
	<u>976,000</u>	<u>1,132,148</u>	<u>156,148</u>
EXPENDITURES:			
Office Expense	3,550	1,309	2,241
Professional Fees	50,000	33,240	16,760
Advertising/Publications	4,000	410	3,590
Insurance	2,476	2,476	0
Utilities	16,900	17,721	(821)
Administrative Expenses	33,000	31,000	2,000
Miscellaneous/Contingency			0
Repairs	28,000	40,029	(12,029)
Reimburse Ketchum City - General Expense	92,912	92,912	0
Reimburse Ketchum City - In Lieu Housing	74,200	74,200	0
Interest Expense			0
Payment on Principle Debt/Depreciation			0
Capital Outlay	667,800	512,319	155,481
	<u>972,838</u>	<u>805,616</u>	<u>167,222</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,162</u>	<u>326,532</u>	<u>323,370</u>
OTHER FINANCING SOURCES (USES):			
Transfer to URA Debt Service Fund	(424,919)	(424,919)	0
NET CHANGE IN FUND BALANCE	(421,757)	(98,387)	\$ <u><u>323,370</u></u>
FUND BALANCE - BEGINNING	<u>755,043</u>	<u>755,043</u>	
FUND BALANCE - ENDING	\$ <u><u>333,286</u></u>	\$ <u><u>656,656</u></u>	

The accompanying notes are a part of these financial statements.

KETCHUM URBAN RENEWAL AGENCY
Budgetary Comparison Schedule
Debt Service Fund
for the year ended September 30, 2016

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
REVENUES:			
Property taxes - Tax Increment Revenues	\$	\$	\$ 0
Penalty and Interest on Taxes			0
Rent Revenue			0
Miscellaneous Revenue			0
Earnings on investments	0	1,956	1,956
Total revenues	0	1,956	1,956
EXPENDITURES:			
Labor and Taxes			0
Labor Benefits			0
Professional Fees	1,600	1,600	0
Advertising/Publications			0
Insurance			0
Utilities			0
Administrative Expenses			0
Miscellaneous			0
Repairs			0
Office Expense			0
Interest Expense	313,443	313,319	124
Payment on Principle Debt	110,000	110,000	0
Capital Outlay			0
Total expenditures	425,043	424,919	124
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(425,043)	(422,963)	2,080
OTHER FINANCING SOURCES (USES):			
Transfer from URA General Fund	424,919	424,919	0
NET CHANGE IN FUND BALANCE	(124)	1,956	\$ 2,080
FUND BALANCE - BEGINNING	1,030,445	1,030,445	
FUND BALANCE - ENDING	\$ 1,030,321	\$ 1,032,401	

The accompanying notes are a part of these financial statements.

**REQUIRED
SUPPLEMENTARY INFORMATION**

KETCHUM URBAN RENEWAL AGENCY
Bond-Future Principal and Interest Requirements
at September 30, 2016

				<u>Annual Payment</u>		
				<u>Principal</u>	<u>Interest</u>	
				<u>Payment</u>	<u>Payment</u>	
<u>Interest</u>	<u>Rate</u>	<u>Fiscal</u>				
				<u>Year</u>		
\$6,440,000 Revenue Allocation Refinancing						
Bonds, Series 2010						
2.0% - 5.5%						
	3.50%	2017	\$	120,000	\$	309,555
	4.00%	2018		140,000		304,655
	4.25%	2019		160,000		298,455
	4.50%	2020		180,000		291,005
	4.50%	2021		200,000		282,455
	4.75%	2022		240,000		272,255
	4.80%	2023		260,000		260,315
	5.00%	2024		295,000		246,700
	5.00%	2025		310,000		231,575
	5.30%	2026		325,000		215,212
	5.30%	2027		340,000		197,590
	5.30%	2028		360,000		179,040
	5.30%	2029		375,000		159,562
	5.30%	2030		400,000		139,025
	5.50%	2031		420,000		116,875
	5.50%	2032		440,000		93,225
	5.50%	2033		465,000		68,338
	5.50%	2034		490,000		42,075
	5.50%	2035		520,000		14,300
				<u>\$ 6,040,000</u>	<u>\$ 3,722,212</u>	

The accompanying notes are a part of these financial statements.



828 Blue Lakes Boulevard North • P.O. Box 2367 • Twin Falls, Idaho 83303 • (208) 733-1161 • Fax: (208) 733-6100

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

November 17, 2016

To the Board of Commissioners
Ketchum Urban Renewal Agency
Ketchum, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of the Ketchum Urban Renewal Agency, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Ketchum Urban Renewal Agency's basic financial statements, and have issued our report thereon dated November 17, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Ketchum Urban Renewal Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ketchum Urban Renewal Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ketchum Urban Renewal Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

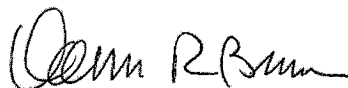
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ketchum Urban Renewal Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Report Continued—

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



DENNIS R. BROWN
Certified Public Accountant
Twin Falls, Idaho



Ketchum Urban Renewal Agency

P.O. Box 2315 | 480 East Ave. N. | Ketchum, ID 83340

December 14, 2016

Chairman and Commissioners
Ketchum Urban Renewal Agency
Ketchum, Idaho

Chairman and URA Commissioners:

Discussion and approval of amended lease between the Ketchum Urban Renewal Agency and Cairde Group for commercial space at 491 Sun Valley Road

Introduction/History

The KURA signed a Lease Agreement with Cairde Group on August 4, 2011 which authorized the primary tenant of 491 Sun Valley Road, Starbucks, to conduct business on the property, subject to the lease. The term of the lease was five (5) year with two five-year options for a total of 15 years called out in the lease for tenant to occupy the property, if they exercised both renewals in the lease. The first five year term concludes on November 1, 2016 and, according to the lease, the Base Rent shall be recalculated prior to the commencement of any additional five-year terms. The current Base Rent, as established in 2011, is \$1.50 per square foot of interior space and \$0.60 per square foot of outside space. Additionally, the tenant pays their proportional share of utilities, landscape maintenance, snow removal, and taxes as set forth in the lease.

Current Report

After months of negotiation between the KURA board and Cairde Group, the parties have come to an agreement on a new base rent and revisions to the lease. The attached lease amendment is recommended for approval and has been reviewed and approved by the KURA attorney. At the time of this writing, Cairde Group had not given a final approval of the lease amendment

The new proposed base rent would be \$2.82/square foot gross. This would change the lease from a default net lease to a gross lease and Common Area Maintenance (CAM) charges would no longer be calculated. This is the primary change in the lease, however the attorney will go over other minor changes that are recommended with this amendment.

Financial Requirement/Impact

Currently, the KURA collects \$3,000 per month from Cairde Group (Starbucks) for leasing 491 Sun Valley Road. This does not include CAMs. CAMs are \$1,840 per month currently. Following the amendment, KURA will collect \$5,640.00 per month, gross.

Recommendation

Staff recommends adopting the lease amendment or directing staff and the Chair to execute the lease with minor changes. Staff does not recommend bringing this issue back to board and seek resolution before the year concludes.

Recommended Motion

"I move to authorize Chair Baird Gourlay to sign and execute the proposed lease amendment with Cairde Group."

Attachments:

1. Amendment to Lease Agreement with Cairde Group

AMENDMENT TO LEASE AGREEMENT

This Amendment ("Amendment") is made by and between the Cairde Group, an Idaho limited liability company ("Tenant"), and the Ketchum Urban Renewal Agency, a public body corporate and politic ("Landlord", and together with Tenant, the "Parties").

Recitals. This Amendment is made in contemplation of the following facts and purposes:

A. Tenant and Landlord are parties to a Lease, dated April 4, 2011 ("Lease"), under and by virtue of which Tenant leased a portion of the real property commonly known as 491 Sun Valley Road, Ketchum, Idaho as more particularly described in the Lease.

B. On or about January 28, 2016, pursuant to §4.2 of the Lease, Tenant notified Landlord in writing that it was exercising its right to extend the original term for an additional five years. Thereafter, the Parties completed the process under Section 4.1 of the Lease to establish the Rent for the first extended term.

C. The Parties now desire to amend and supplement the Lease as hereinafter provided in order to clarify the description of the Premises, memorialize the extension of the Term, provide their respective addresses for notice, and to establish the Rent amounts for the first extended term.

Amendments. In view of the foregoing, the Parties agree to amend and supplement the Lease, as follows:

1. The Parties incorporate the above recitals into this Amendment and affirm such recitals are true and correct.

2. Section 1.1 of the Lease is supplemented by adding the following address for notice to Landlord: "Post Office Box 2315, Ketchum, Idaho 83340."

3. Section 1.2 of the Lease is supplemented by adding the following address for notice to Tenant: "Post Office Box 6336, Ketchum, Idaho 83340."

4. The site plan referenced in Section 1.3 and attached as Exhibit A to the Lease is deleted and the site plan attached to this Amendment as Exhibit A is substituted therefore. The Premises are depicted in yellow on Exhibit A and the Common Area is depicted in salmon color on Exhibit A. Tenant may use the storage area without charge until notified by Landlord it requires use of the storage area.

5. Section 1.4 of the Lease is supplemented by adding the following language: "Landlord and Tenant acknowledge and agree that Tenant has duly exercised its right to extend the original term for five years commencing on November 1, 2016 and ending on October 31, 2021, unless further extended pursuant to Section 4.2."

6. The reference to November 1, 2016 in Section 1.7 is deleted and October 31, 2021 is substituted therefore.

7. Section 1.8 is deleted and the following substituted therefore:

- "Rent: \$ 5,640.00 per month. Monthly Rent is calculated at \$2.82 per sq/ft for the interior of the Premises (1900 sq/ft) and \$2.82 x .4 per sq/ft for the exterior of the Premises (250 sq/ft)."
8. The Section 1.13 is deleted and the following substituted therefore:
- **"Separately Metered Utilities; Other Expenses.** Tenant shall pay for the separately metered utilities serving the Premises. All other expenses, unless otherwise stated herein, are included in the Rent."
9. The first paragraph of Section 4.1 is deleted and the following substituted therefore:
- **Rent.** Beginning with the Rent Commencement Date, Tenant shall pay to Landlord, at the address set forth in Section 1.1 until notified in writing by Landlord, on the first day of each month, in advance, Rent in accordance with the schedule set forth in Section 1.8. Rent for any partial month at the beginning or end of the Term shall be pro-rated. Provided there is no default by Landlord under this Lease, all payments of Rent shall be made without deduction, set off, discount, or abatement in lawful money of the United States in good and immediately available funds.
10. The first sentence of Section 6.1 is deleted and the following substituted therefore:
- "Tenant shall pay the real property taxes assessed against the Premises."
11. Section 11.3 is deleted and the following substituted therefore:
- **"Separately Metered Utilities and Janitorial Serving the Premises.** Tenant shall be responsible for all separately metered utilities serving the Premises and janitorial service for the Premises. Separately metered utilities serving the Premises and janitorial service serving the Premises are not included in the Rent."
12. Section 11.4 is deleted.
13. Section 11.5 is amended to include snow removal and landscape maintenance as services to be provided by the Landlord.
14. All references to "Base Rent" in the Lease are amended and replaced with "Rent".
15. All references to Additional Rent in the Lease are deleted.
16. No Further Amendments. Except as amended by this Amendment, the Lease remains unchanged and in full force and effect. If there is any conflict between the provisions of the Lease and the provisions of this Amendment, the provisions of this Amendment shall control.
17. Effective Date. This Amendment is effective as of the date on which the last of Landlord and Tenant execute this Amendment, and such date will be set forth in the first paragraph of this Amendment where indicated. Landlord and Tenant have no rights with respect to this Amendment until Landlord and Tenant have both executed this Amendment.

18. Rule of Construction. Landlord and Tenant acknowledge they and, if they so choose, their respective counsel have reviewed and revised this Amendment and the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party will not be employed in the interpretation of the Lease, this Amendment or any exhibits, attachments and addenda to the Lease and/or this Amendment. All capitalized terms in the Agreement shall have the meaning in the Agreement when used in this Amendment, unless otherwise defined herein.

19. Brokers. Landlord and Tenant represent and warrant to the other that they have not had any dealings with any real estate brokers or agents in connection with the negotiation of this Amendment. Each party agrees to indemnify and hold the other harmless from and against any and all liability and cost that the indemnified party may suffer in connection with any real estate brokers claiming by, through, or under the indemnifying party seeking any commission, fee or payment in connection with this Amendment.

20. Counterparts. This Amendment may be executed in multiple counterparts, each of which taken together shall constitute one and the same agreement binding upon the parties. Signatures transmitted by facsimile or via e-mail in a ".pdf" format shall have the same force and effect as original signatures on this Amendment.

This Amendment is executed as of the date first above written.

Ketchum Urban Renewal Agency

By: _____

Name: _____

Its: _____

Date: _____

Cairde Group, an Idaho limited liability

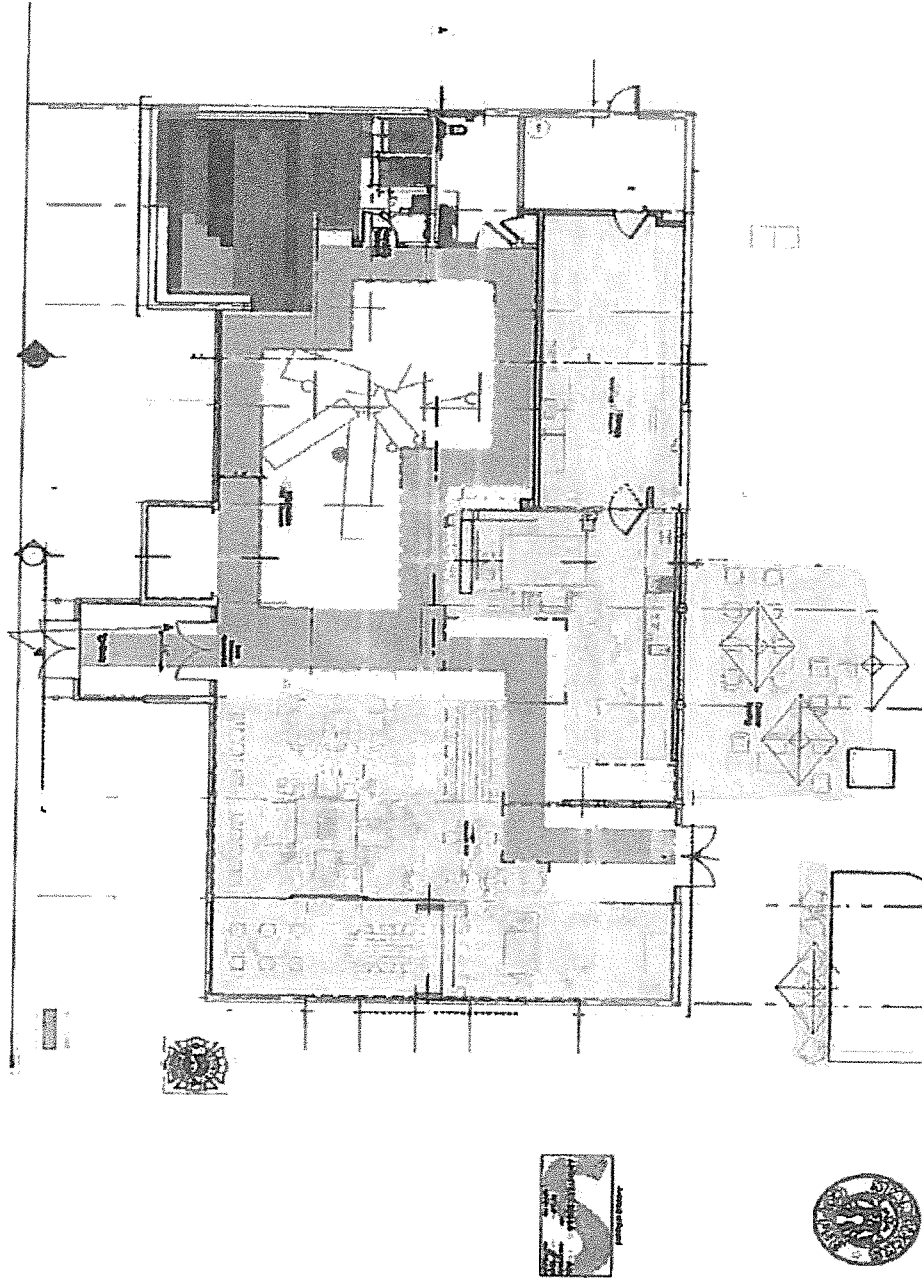
By: _____

Name: _____

Its: _____

Date: _____

EXHIBIT A
(Site Plan)



BY THE BOARD OF COMMISSIONERS OF THE URBAN RENEWAL AGENCY OF KETCHUM, IDAHO:

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE URBAN RENEWAL AGENCY OF KETCHUM, IDAHO, APPROVING THE LEASE AGREEMENT BETWEEN THE KETCHUM URBAN RENEWAL AGENCY AND CAIRDE GROUP; AUTHORIZING THE CHAIR OR VICE-CHAIR AND SECRETARY, RESPECTIVELY, TO EXECUTE AND ATTEST SAID LEASE AGREEMENT SUBJECT TO CERTAIN CONDITIONS; AUTHORIZING THE CHAIR OR VICE-CHAIR AND SECRETARY TO EXECUTE ALL NECESSARY DOCUMENTS REQUIRED TO IMPLEMENT THE LEASE AGREEMENT AND TO MAKE ANY NECESSARY TECHNICAL CHANGES TO THE LEASE AGREEMENT SUBJECT TO CERTAIN CONDITIONS, INCLUDING SUBSTANTIVE CHANGES; AND PROVIDING AN AFFECTIVE DATE.

THIS RESOLUTION, made on the date hereinafter set forth by the Urban Renewal Agency of Ketchum, Idaho, also known as the Ketchum Urban Renewal Agency, an independent public body, corporate and politic, authorized under the authority of the Idaho Urban Renewal Law of 1965, Chapter 20, Title 50, Idaho Code, as amended (hereinafter the “Law”) and the Local Economic Development Act, Chapter 29, Title 50, Idaho Code, as amended (hereinafter the “Act”), a duly created and functioning urban renewal agency for Ketchum, Idaho, hereinafter referred to as the “Agency.”

WHEREAS, the City Council (“City Council”) of the City of Ketchum (the “City”) by adoption of Ordinance No. 992 on November 15, 2006, duly adopted the Ketchum Urban Renewal Plan (the “2006 Plan”) to be administered by the Agency;

WHEREAS, upon the approval of Ordinance No. 1077 adopted by the City Council on November 15, 2010, and deemed effective on November 24, 2010, the Agency began implementation of the amended Ketchum Urban Renewal Plan (the “Amended Plan”);

WHEREAS, the Agency and Cairde Group (“Tenant”) entered into a Lease Agreement on August 4, 2011, for the lease of space of the premises located at 491 Sun Valley Road, Ketchum, Idaho (“Premises”);

WHEREAS, under the Lease Agreement, the lease may be renewed subject to certain conditions under the Lease Agreement to establish the rental rate and other terms;

WHEREAS, the Agency and Tenant have commenced negotiations concerning the renewal of the Lease Agreement;

WHEREAS, Agency staff, Agency Chair, Agency Counsel, and Developer representative and its counsel have prepared a proposed Lease Agreement between Agency and Tenant for the lease of the Premises, a copy of which is attached hereto as Exhibit A and incorporated by reference;

WHEREAS, Agency staff has reviewed the Lease Agreement and recommends approval of the Lease Agreement subject to certain conditions;

WHEREAS, the Board of Commissioners finds it in the best public interest to approve the Lease Agreement and to authorize the Chair or Vice-Chair to execute and attest the Lease Agreement, subject to certain conditions, and to execute all necessary documents to implement the transaction, subject to the conditions set forth below.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE BOARD OF COMMISSIONERS OF THE KETCHUM URBAN RENEWAL AGENCY OF THE CITY OF KETCHUM, IDAHO, AS FOLLOWS:

Section 1: That the above statements are true and correct.

Section 2: That the Lease Agreement, attached hereto as Exhibit A, is hereby incorporated herein and made a part hereof by reference and are hereby approved and accepted, recognizing technical changes or corrections which may be required prior to execution of the Lease Agreement.

Section 3. That the Chair or Vice-Chair and Secretary of the Agency are hereby authorized to sign and enter into the Lease Agreement and, further, are hereby authorized to execute all necessary documents required to implement the actions contemplated by the Lease Agreement subject to representations by the Agency staff and Agency legal counsel that all conditions precedent to and any necessary technical changes to the Lease Agreement or other documents are acceptable upon advice from the Agency's legal counsel that said changes are consistent with the provisions of the Lease Agreement and the comments and discussions received at the December 14, 2016, Agency Board meeting, including any substantive changes discussed and approved at that meeting.

Section 4: That this Resolution shall be in full force and effect immediately upon its adoption and approval.

PASSED By the Urban Renewal Agency of Ketchum, Idaho, on December 14, 2016. Signed by the Chair of the Board of Commissioners, and attested by the Secretary to the Board of Commissioners, on December 14, 2016.

URBAN RENEWAL AGENCY OF KETCHUM

By _____
Baird Gourlay, Chair

ATTEST:

By _____
Secretary

4819-4321-8493, v. 1



Ketchum Urban Renewal Agency

P.O. Box 2315 | 480 East Ave. N. | Ketchum, ID 83340

December 14, 2016

Chairman and Commissioners
Ketchum Urban Renewal Agency
Ketchum, Idaho

Chairman and URA Commissioners:

Discussion of KURA funding request from Trail Creek Fund LLC for funding eligible public infrastructure improvements necessary for the Auberge Resort Hotel

Introduction/History

On July 15, 2015, Trail Creek Fund LLC submitted an application for funding from the KURA for a total funding request of \$1,000,000 to \$1,500,000. The KURA board held a discussion on the funding request on August 17, 2015. At that time, the application did not contain all the information required to make a determination on a funding request, however the Board proceeded with a general discussion on the merits of the application. Minutes of the meeting indicate that the board did not agree to any amount and there was discussion on keeping the amount to \$1,000,00 or less but to stay within the bounds of the Tax Reimbursement Matrix. The board also wanted to fund only distribution lines associated with the Auberge project and not apply any funding towards Idaho Power's redundant power line project.

The applicant, Trail Creek Fund LLC, has now updated their application with revised cost estimates and project valuations. The revised project is valued at \$88,000,000. This will significantly change the reimbursement amounts, based on the Tax Reimbursement Matrix. These number are updated below.

In addition to an updated application, Trail Creek Fund LLC has also finalized their cost estimates for public infrastructure related to the project. Staff has reviewed these costs with the Public Works Director, Robyn Mattison, and will summarize staff's recommendation at the meeting.

Current Report

Trail Creek Fund LLC, represented by Jack Bariteau, has submitted an updated request with cost estimates for the public infrastructure associated with the Auberge Resort Hotel. Trail Creek Fund has submitted two separate requests with the only difference being the extent of undergrounding powerlines outside of the project area. The first request is for \$1,885,971 and includes all public infrastructure, including powerlines, directly adjacent to the project. The second request is for \$2,697,292 and includes underground an additional length of powerline from the project site to Gem Street. The following table summarizes the request:

Table 1: Summary of Funding Request

Applicant	Complete Application	Public Infrastructure	Within URA District	Project in Plan	Section of Plan	Amount Requested
Trail Creek Fund LLC	Yes: <input checked="" type="checkbox"/> No: <input type="checkbox"/>	Undergrounding Power lines, sidewalks, sewer lines, water lines, drainage, and site preparation	Yes: <input checked="" type="checkbox"/> No: <input type="checkbox"/>	Yes: <input type="checkbox"/> No: <input checked="" type="checkbox"/>	Not identified as a specific project in the plan	1. \$1,885,971 2. \$2,697,292
					Total	\$2,697,292

The request is broken down into the following categories:

Table 2: Public Infrastructure Cost Category for Request 1

Category	Cost
General Conditions	\$68,050.00
Sitework	\$983,156.63
Concrete	\$35,041.90
Masonry	\$426,000.00
Mechanical	\$228,969.60
Total	\$1,885,971.22

Table 3: Public Infrastructure Cost Category for Request 2

Category	Cost
General Conditions	\$68,050.00
Sitework	\$1,144,563.63
Concrete	\$35,041.90
Masonry	\$426,000.00
Mechanical	\$228,969.60
Total	\$2,057,062.64

The only difference between the two estimates is an additional \$171,091 for undergrounding powerlines from the project site to Gem Street along Highway 75.

Staff has reviewed the line item request and most items are public infrastructure within the public right of way. The only items that are not public infrastructure are cost associated with design, engineering, surveying, and "fees." All together, these non-infrastructure items are \$182,207.51.

The total valuation for the project is listed at \$88,000,000 on the application. Based on the July 25, 2015 meeting, the Board wanted the requests to stay within the amounts indicated in the

Funding Reimbursement Matrix. Based on a valuation of \$88,000,000 and a five year reimbursement agreement, the total recommended amount for the project is \$804,151.50. The table below provides a summary of this calculation.

Table 4: Tax Increment Funding Reimbursement Matrix (excerpt)

Net Assessed Project Value	2015 Levy	Annual Tax Yield to KURA	Max % Reimburse	Years to Reimburse	Recommended Maximum Reimbursement (based on 5 year/50%)
\$88,000,000	0.0064332120	\$566,123	50%	5	<u>\$1,415,307</u>

Please refer to the full Funding Reimbursement Matrix (attached) for more details on how this calculation was derived.

Based on Resolution 16-URA3 that the Board has adopted, this request complies with the "General Funding Criteria for All Projects." This project falls under Category 1 of the Project Funding Categories. The two most relevant criteria for determining the funding amount are in items (c) and (d), excerpted below:

1. *Reimbursement to Private Entities for Public Infrastructure*
 - a. *Tax increment funds generated by a project within the Revenue Allocation Area may be allocated for reimbursement of public infrastructure expenses incurred by the private development.*
 - b. *Reimbursement for public infrastructure shall commence after the project is generating a tax increment benefit to the Agency.*
 - c. *No more than 50% of the total tax increment revenue generated from a project may be used for reimbursement to the project developer*
 - d. *Except in circumstances that warrant longer timelines, commitments for reimbursement in Owner Participation Agreements shall not be greater than five years from the time the project is generating property tax revenue to the Agency.*

Financial Requirement/Impact

Financial commitment will depend on whether the KURA Board’s discussion of this funding request. If the Board choose to fund any amount of the request, staff recommends entering into an Owner Participation Agreement that would specify the terms of the reimbursement agreement.

Recommendation

If the KURA chooses to consider the funding requests, Staff recommends continuing the item to a later date so that the applicant and staff can work together on an owner participate agreement.

Recommended Motion

Approval:

"I move to approve the funding request from Trail Creek Fund LLC in the amount of _____ and direct staff to begin drafting an owner participation agreement with the applicant."

Denial:

"I move to deny the request from Trail Creek Fund LLC for funding of public infrastructure."

Attachments:

1. UPDATED Trail Creek Fund LLC request for KURA funding

**MEMORANDUM OF UNDERSTANDING BETWEEN
THE CITY OF KETCHUM AND THE KETCHUM URBAN RENEWAL AGENCY**

THIS MEMORANDUM OF UNDERSTANDING (“MOU”) is effective on the date last executed below by and between the city of Ketchum (“City”) and the Ketchum Urban Renewal Agency (“Agency”).

RECITALS

A. City is a duly organized and existing municipal corporation of the state of Idaho, located in Blaine County, Idaho.

B. Agency is an independent public body corporate and politic, organized and existing pursuant to Idaho Code § 50-2001 *et seq.*

C. Pursuant to Idaho Code §§ 50-2007(f) and 50-2015, City and Agency are authorized and empowered to enter into such contracts as may be necessary to carry out the purposes of the Idaho Urban Renewal Law.

D. The City owns an undeveloped lot located at _____ Ketchum, Idaho (the “City Site”) and is interested in cooperating with the Agency in the formal disposition process of the City Site under Idaho Code Section 50-2011.

E. The Agency owns an undeveloped lot located at _____ Ketchum, Idaho (the “Agency Site”) and is interested in cooperating with the City in the formal disposition process of the Agency Site under Idaho Code Section 50-2011.

F. The City Site and Agency Site are collectively referred to as the Two Sites.

G. Idaho Code § 50-2015, allows a City to dispose of property to the Agency without appraisal, public notice, advertisement or public bidding.

H. In order to provide an opportunity for interested developers to consider redevelopment of the Two Sites, the City, upon selection of a qualified developer, as set forth below, and a commitment by the developer to develop the parcel under the terms of a disposition and development agreement (“DDA”), and subject to all the conditions of the DDA for conveyance, the City shall transfer the City Site to the Agency for no monetary consideration.

I. Agency shall dispose of the Two Sites to the developer in compliance with Idaho Code § 50-2011 concerning the fair reuse value of the Site.

J. Nothing herein shall be deemed to impede, hinder, or prevent either the Agency or the City to render its discretion in the property disposition process.

K. The City and the Agency have, during duly noticed public meetings, authorized execution of this MOU.

AGREEMENT

NOW, THEREFORE, it is understood between City and Agency as follows:

1. Agency shall commence the process of preparing a Request for Proposals (“RFP”) for redevelopment of the Two Sites by issuing an RFP in a form substantially as set forth in Exhibit A attached hereto. City shall provide Agency with its comments of the RFP no later than 10 days prior to the issuance of the RFP by the Agency. The RFP shall solicit redevelopment proposals for a mixed use project that shall include certain public use including public parking and public transit facilities.
2. Agency intends to solicit the RFP by formal publication notice as required by Idaho Code § 50-2011, as well as other distribution methods to reach those developers who may have previously expressed interest, developers known to the Agency who may be interested, and any additional efforts to broaden the scope of interested developers.
3. City shall appoint a representative to participate in the review process of any proposals received in response to the RFP. The City representative shall participate in the review process established by the Agency. Presently, the Agency anticipates a review process to assist in the analysis of the proposals by providing the Agency Board with its findings concerning the responses. The review panel will not be charged with providing a formal recommendation. The City representative shall serve on the review panel, recognizing the potential requirement concerning disclosure of any proprietary information deemed protected by the developer making the proposal.
4. Agency Board shall select the most qualified developer as set forth in the RFP and announce the decision at a Board meeting properly noticed as an open meeting. City shall be entitled to provide comments to the Agency Board through that open meeting process.
5. Upon selection of the developer, the Agency shall proceed with the negotiation and approval of an Agreement to Negotiate Exclusively (“ERN”) for the Two Sites with the selected developer and ultimately the DDA.
6. Agency shall inform and notify the City representative of the status of those agreements and open meetings scheduled to consider those agreements.
7. Prior to the time the City Site would be disposed to the developer as set out in the DDA, the Agency and City shall commence the formal transfer and disposition of the Site to the Agency, without monetary consideration.
8. The Agency shall address the submittal and review of development drawings for the Site in the ERN or the DDA. City shall have the opportunity to comment on those development drawings in similar fashion to the Agency’s review of those development drawings. Developer shall be required to comply with all applicable City ordinances concerning development, including, but not limited to, the City’s zoning ordinance, building code, comprehensive land use plan, and any other City provision which would govern development of the Two Sites.

9. The term of this MOU shall be for a period of twelve (12) months or until City and Agency mutually agree to terminate this MOU or terminate the property disposition process. Upon mutual agreement by the City and Agency, this MOU may be extended for an additional six month period.

10. This MOU shall be deemed terminated and of no further force and effect in the event the Agency does not enter into a DDA with a qualified developer.

11. This MOU constitutes the entire agreement between the parties and supersedes all other agreements and understandings, written and oral, between the parties with respect to the subject matter hereof. The parties hereto may, at any time hereafter, modify or amend this MOU by a subsequent written agreement executed by both parties. This MOU may not, however, be modified or amended orally, nor shall this MOU be deemed modified or amended in any way by any act of either of the parties hereto.

12. All parties hereto are or have been afforded the opportunity to be represented by counsel in the course of the negotiations for and the preparation of this MOU; accordingly, in all cases, the language of this MOU will be construed simply, according to its fair meaning, and not strictly for or against any party.

13. No covenant, term, or condition, or breach thereof, shall be deemed waived, except by written consent of the party against whom waiver is claimed, and any waiver of the breach of any covenant, term, or condition shall not be deemed to be a waiver of any other covenant, term, or condition herein or of any future breach of the provision in question. Acceptance by a party of any performance by another party after the time the same shall have become due shall not constitute a waiver by the first party of the breach or default of any such covenant, term, or condition unless otherwise expressly agreed to in writing by the first party.

14. This MOU may be executed in counterparts, and once so executed by both parties hereto, each such counterpart shall be deemed to be an original, but all such counterparts together shall constitute but one agreement.

15. If any provision of this MOU or its application to any person or circumstance is held invalid, the remainder of this MOU or the application to other persons or circumstances shall not be affected.

16. The Parties represent and warrant that they are authorized to execute this Agreement on behalf of the entities indicated below.

[signatures on following page]

CITY

AGENCY

Nina Jonas, Mayor

Baird Gourlay, Chair

Date signed: _____

Date signed: _____

Attested:

Attested:

_____, City Clerk

Secretary

4830-4440-2225, v. 2