



**BOARD MEETING MINUTES**  
**WEDNESDAY JUNE 15, 2011 4:00 P.M.**  
**COEUR D'ALENE PUBLIC LIBRARY COMMUNITY ROOM**

1. CALL TO ORDER

Chairman Denny Davis called the LCDC Board meeting to order at 4:00 p.m.

LCDC Board members present: Davis, Hoskins, Goodlander, Hassell, Patzer, Jordan, Colwell. LCDC staff present: Berns. LCDC legal counsel present: Quade (Hawley Troxell).

2. PLEDGE OF ALLEGIANCE

3. PUBLIC COMMENT

Guests Present: Tom Hasslinger, Mike Gridley, Eric Heringer, Mic Armon, Chris Hollibaugh, Jim Pierce, Nelson Gourley, Alison Boggs.

Public Comment: no public comment given.

4. APPROVAL OF MINUTES

- May 18, 2011 Board Meeting Minutes
- May 31, 2011 Board Special Call Meeting Minutes

**Motion by Commissioner Hoskins, seconded by Commissioner Colwell to approve the May 18, 2011 Board Meeting Minutes, as modified with minor edit involving the KYRO / City of CDA annexation discussion. Motion carried.**

**Motion by Commissioner Goodlander, seconded by Commissioner Hoskins to approve the May 31, 2011 Board Special Call Meeting Minutes. Motion carried.**

5. RESOLUTION 11-01: NORTH IDAHO CENTENNIAL TRAIL FOUNDATION (NICTF) MODIFICATION OF LOAN AGREEMENT & DEED OF TRUST NOTE

Chairman Davis introduced the issue of the LCDC Board needing to consider modifying LCDC's existing North Idaho Centennial Trail Foundation (NICTF) loan documents via the proposed "NICTF Modification of Loan Agreement and Deed of Trust Note" ("Agreement") document because the Burlington Northern Santa Fe (BNSF) railroad (RR) abandonment process has taken longer than originally anticipated. Commissioner Davis also welcomed Mike Gridley to the Board meeting. Mr. Gridley attended the Board meeting on behalf of the NICTF, on which he has served as a past Board member.

Mr. Gridley shared a summary of the LCDC-NICTF arrangement highlighting the following parameters:

Background:

- *The original 2006 NICTF-LCDC contract arrangement calls for the LCDC to pay NICTF \$3.7M in total for a land transaction which ultimately conveys to LCDC land controlled by the Bureau of Land Management (BLM) along Northwest Boulevard (the abandoned BNSF RR right-of-way).*
- *In December of 2006, LCDC loaned NICTF \$2.5M to acquire the abandoned Union Pacific RR line (now the "Prairie Trail") that would ultimately be traded to the BLM, with NICTF agreeing to pay 7.0% interest on borrowed funds to LCDC.*
- *LCDC borrowed \$2.5M from Washington Trust Bank (WTB) to provide the loan funds to NICTF. LCDC's loan with WTB is an interest only payment loan. The WTB loan is at a 4.52% interest rate, with the loan maturing and payoff of principal due on December 21, 2011.*
- *LCDC's contract with NICTF allows LCDC to credit interest payments towards the \$3.7M owed by LCDC to NICTF, with the interest payments applied to the variance of owed funds totaling \$1.2M (i.e. \$3.7M-\$2.5M = \$1.2M).*
- *Procedurally, LCDC has been applying the WTB interest payments over the past 4 years towards the \$1.2M owed amount at the 4.52% cost of funds interest rate, and not the 7.0% interest rate. As of February, 2011, LCDC has accrued \$477,893 in interest payments on the WTB loan that have been procedurally applied to the \$1.2M NICTF loan contract variance, thus leaving approximately \$700,000 in new funds owed by LCDC to NICTF.*
- *The 2006 NICTF-LCDC Deed of Trust contract note **expires on December 20, 2011** and calls for NICTF to repay LCDC the \$2.5M in borrowed funds.*

The Agreement to the Board proposes to:

1. extend the LCDC-NICTF Deed of Trust contract note consummation deadline to December, 20 2014 hopefully providing ample time for the NICTF-BLM-LCDC trade to occur.

2. Revise the Deed of Trust contract note's existing interest rate variable of 7% as follows:
  - The revised contract interest rate on the NICTF Note shall be 4.52% per annum commencing December 20, 2006, through a maximum term date of December 20, 2011. Commencing \_\_\_\_ (date to be determined), interest shall accrue on the outstanding principal balance of the Deed of Trust contract note until paid at the higher of a) 4.5% per annum; or b) in the event the NICTF debt obligation is refinanced by LCDC, the rate of interest will be in the amount of the actual cost of funds for such a refinancing up to 7% per annum.

Mr. Gridley also shared that he has recently met with BLM representatives on the proposed trade sequence and that the BLM still fully supports the proposed trade initiative.

- Commissioner Patzer asked Commissioner Colwell (LCDC Finance Committee chair) if the proposed change in the NICTF contract interest rate will affect the LCDC's balance sheet in any fashion?
  - Commissioner Colwell shared that the proposed interest rate change will have no impact on the LCDC's balance sheet.

**Motion by Commissioner Patzer, seconded by Commissioner Goodlander approving Resolution 11-01 which authorizes the NICTF Modification of Loan Agreement & Deed of Trust Note as proposed and presented.**

**Roll Call:**

<b>Elder</b>	<b>Absent</b>	<b>Goodlander</b>	<b>Yes</b>	<b>Davis</b>	<b>Yes</b>
<b>Hassell</b>	<b>Yes</b>	<b>Colwell</b>	<b>Yes</b>	<b>Patzer</b>	<b>Yes</b>
<b>Jordan</b>	<b>Yes</b>	<b>Hoskins</b>	<b>Yes</b>		

**Motion carried.**

6. COMMITTEE REPORTS

- ❖ Education Corridor ad hoc Committee: Commissioner Scott Hoskins. Commissioner Hoskins shared that the phase 1 groundbreaking event occurred on Friday June 10<sup>th</sup> and was very well attended. Phase 1 construction is underway, with the contractor having full expectations of meeting the project timelines. Commissioner Hoskins also shared that North Idaho College is sending out email "blasts" to interested stakeholders and is establishing a website to help facilitate information sharing re. the project's progress.

❖ Finance Committee – Commissioner Rod Colwell

Lake & River District Monthly Financials

Lake & River District Payables

Finance Committee Chair Rod Colwell reviewed and discussed the May Lake and River District financial files, and the May/June account payables sheet, with the Board.

**Motion by Commissioner Hassell, seconded by Commissioner Patzer, to approve the May financial packets and the May/June accounts payables for the Lake & River Districts as presented.**

**Recusal** – Commissioner Davis recused himself from voting on the Jobs Plus payable since he is a member of the Jobs Plus Board of Directors.

**Motion carried.**

Seattle/Northwest Securities Corp (SNW) Financial Analysis: Eric Heringer

*Background: Please refer to the January 19, 2011 & April 20, 2011 Board meeting minutes for background re. this initiative.*

Commissioner Patzer welcomed Eric Heringer of SNW to the Board meeting and provided background on the initiative. Mr. Heringer reviewed the Lake District financial analysis process to date, and discussed the following bank financing proposal summary sheet:

LAKE CITY DEVELOPMENT CORPORATION  
BANK REQUEST  
May 31, 2011

Institution:	<u>Mountain West</u>	<u>Washington Trust</u>	<u>Bank of America</u>
Contact Name:	Alison Gonsalves	Nelson Gourley Jim Pierce	Doug Bowsby
Amount:	\$16,750,000	\$16,750,000	\$16,750,000
Lead:	Yes	Yes	Yes
10-Year Fixed:	Yes	No	Yes
Interest Rate Estimate:	Range of - 4.00% - 4.31%	3.75% fixed for 5 years subject to reset after 5 years with floor of 3.75% and ceiling of 5.75%.	4.70%
All-In TIC <sup>(1)</sup>	4.36%	4.19%	4.70%
Loan Fee:	\$167,500 (1.00%) plus hard costs and bank counsel fees	\$41,875 (0.25%) plus hard costs. Estimated bank counsel fee of \$7,000 to \$8,000	\$5,000 plus hard costs. Estimated bank counsel fee of \$10,000.
Reserve:	Yes	Yes	Yes
Prepayment Penalty:	None	None	Yes
Other:		Proposed a "Reducing Revolver Note." For discussion	

- Inland Northwest and US Bank declined to respond. Panhandle State Bank interested as participant, but not as lead.

(1) All-In TIC includes proposed Loan Fee only, all other costs (including bank counsel) are excluded. Mountain West uses 4.15% rate (midpoint); Washington Trust assumes rate adjusts to 5.75% ceiling after 5th year.

Mr. Heringer shared that he was impressed with the strong proposals submitted by the two local banks (Washington Trust Bank and Mountain West Bank). Mr. Heringer shared that the SNW analysis indicated that the Washington Trust Bank proposal was the best offer submitted, and thus recommended to the Board that LCDC choose the Washington Trust Bank proposal for the Lake District financing initiative.

- Commissioner Jordan asked a clarifying question re. the "all in TIC" calculation.
  - Mr. Heringer reviewed the "all in TIC" calculation methodology for the Board.
- Commissioner Hassell asked if there were any proposed prepayment penalties?
  - Mr. Heringer shared that the only bank proposing a prepayment penalty was Bank of America.

Mr. Heringer also shared that SNW performed a calculation testing the potential rate that could be received if this debt obligation was placed in the public bond market. He shared that this type of analysis is somewhat tricky when based on a tax increment financing product. SNW's public bond market analysis indicated that the potential interest rate for this proposed offering would be a bit higher than the rates provided by the banks in the private placement venue. An additional demerit on the public market front is the loss of flexibility by having to 1) take all of the bond proceeds at one time up front, and 2) work with numerous non-local bond holders vs. just working with one bank lender.

Commissioner Patzer shared with the Board that the Finance Committee concurs with SNW's recommendation of proceeding with the Washington Trust Bank financing proposal, and so recommends the Washington Trust Bank proposal to the Board for consideration.

**Motion by Commissioner Hoskins, seconded by Commissioner Hassell, selecting Washington Trust Bank as the lending institution for the proposed Lake District financing initiative, authorizing LCDC's Executive Director to prepare the necessary documents, negotiate the necessary terms, and to consummate a loan agreement with Washington Trust Bank as per their submitted loan proposed parameters. Motion carried.**

**Recusal: Commissioner Colwell indicated that due to a potential / perceived conflict of interest, he left the June Finance Committee meeting prior to the Committee's discussion of the bank proposals, recusing himself from the issue/discussion. Commissioner Colwell also recused himself from the Board's discussion re. this agenda item.**

#### Financial Consultant Contract Extension (Eric Heringer)

The Finance Committee recommended that the Board extend the existing contract with Eric Heringer to a sum not to exceed \$20,000. This recommendation will equate to the Board authorizing an additional \$8,750 (\$20,000 - \$11,250 existing contract amount) for Mr. Heringer's financial consulting assistance to be billed @ \$225/hour. The Finance Committee feels that it is important to have Mr. Heringer's and Seattle Northwest's talents focused on the Lake District financing initiative to make sure LCDC enters any debt obligation in a strategic fashion.

**Motion by Commissioner Patzer, seconded by Commissioner Jordan, to approve the extension of Eric Heringer's Lake District financial consulting contract, including an increase in the**

**consulting fee cap from \$11,250 to an amount not to exceed \$20,000, to be billed at a rate of \$225/hour. Motion carried.**

❖ Housing Committee – Commissioner Jim Elder

LCDC Ex. Director Berns, in Commissioner Elder’s stead, shared that the two Whitewater Creek affordable housing projects are both under construction in the LCDC’s River District. The Mill River Seniors project located on Seltice Way is nearing completion, and construction of the Riverstone Family Apartments project located in Riverstone West Phase 2 started a few weeks ago. Board members were encouraged to drive by and see the progress associated with both construction projects.

❖ Parking Committee – Commissioner Jim Elder

LCDC Ex. Director Berns, in Commissioner Elder’s stead, shared that there was no parking update; the Parking Commission is waiting to see how the parking element in the McEuen park plan develops.

❖ Communication Committee – Commissioner Dave Patzer

Commissioner Patzer shared that a takeaway from last April’s Board strategic planning session was to arrange a visit with John Austin to discuss ideas for enhanced LCDC community communication efforts. Mr. Austin has been involved with urban renewal endeavors for two decades, recently working for the Panhandle Area Council on numerous urban renewal initiatives in smaller northern Idaho communities (e.g. Harrison, Dover, Bonners Ferry).

Members of the Communication Committee met with Mr. Austin recently to gain a better understanding of the history involving CDA’s urban renewal agency (the LCDC which Mr. Austin helped to form in 1997), as well as learn from his experience gained from working with numerous other urban renewal agencies. A result of the committee visit with Mr. Austin is that Mr. Austin suggested that he compose a recurring column in the CDA Press that would help to objectively communicate the pros, cons, and tenets of urban renewal as practiced in Idaho. Mr. Austin plans to work the idea of such a recurring column with leadership of the CDA Press to test their interest.

## 7. EXECUTIVE DIRECTOR’S REPORT

LCDC Executive Director Berns shared the following item with the Board:

Centra Consulting (Teresa Molitor) Contract Renewal

Ex. Director Berns shared that the annual agreement with Centra Consulting (Teresa Molitor) is up for renewal. Renewal of the Centra Consulting government relations contract was discussed at the May Board meeting, with the Board postponing consideration of the contract pending clarification of a few matters. Ex. Director Berns shared that he has visited with Board members concerning matters raised at the May Board meeting, and recommends approval of the Centra Consulting Contract as presented.

Commissioner Goodlander shared that she spent time recently with Ms. Molitor and feels very comfortable that Ms. Molitor is providing LCDC excellent service in her advocacy role.

Commissioner Davis shared that the legislators need to have the expertise of government relation advocates to help them better understand the issues at hand. Some organizations have in-house advocates to help with government relations; LCDC does not, and thus needs to engage external expertise as offered by Ms. Molitor. Commissioner Davis shared that based on his time as a state senator in the legislature, the public is well served by having knowledgeable advocates involved in the legislative process.

**Motion by Commissioner Goodlander, seconded by Commissioner Hoskins authorizing approval of the 2011-2012 Centra Consulting Contract as presented. Motion carried.**

#### 8. PUBLIC COMMENT

No public comment provided.

Commissioner Davis, on behalf of the LCDC Board, thanked Chris Hollibaugh for his work on behalf of the LCDC over the past two plus years, and wished him well in his next endeavor.

#### 9. EXECUTIVE SESSION – Idaho Code Section 67-2345(1)

Subsection C: acquiring an interest in real property not owned by a public agency.

**Motion by Goodlander, seconded by Hoskins to convene an Executive Session, as provided by Idaho Code Section 67-2345(1) Subsection C: acquiring an interest in real property not owned by a public agency.**

**Roll Call:**

**Hoskins Yes**  
**Colwell Yes**

**Goodlander Yes**  
**Patzer Yes**

**Hassell Yes**  
**Jordan Yes**

**Elder      AbsentDavis      Yes**

**Motion carried.**

The LCDC Board entered into Executive Session at 4:39 p.m. Those present were the LCDC Board of Commissioners, LCDC legal counsel Danielle Quade, North Idaho College Board of Trustee Mic Armon, and LCDC Executive Director Tony Berns.

Deliberations were conducted concerning the acquisition of an interest in real property which is not owned by a public agency.

No action was taken in Executive Session and the LCDC Board returned to regular session at 5:29 p.m.

10. ADJOURN

**Motion by Commissioner Hoskins, seconded by Commissioner Colwell to adjourn. Motion carried.**

The LCDC Board meeting adjourned at 5:30 p.m. Minutes prepared and submitted by Tony Berns.