



Minutes: Thursday, October 26, 2017, 7:00 a.m.

City of Moscow Council Chambers • 206 E 3<sup>rd</sup> Street • Moscow, ID 83843

Commissioners Present	Commissioners Absent	Also in Attendance
Steve McGeehan, Chair	Ron Smith	Bill Belknap, MURA Executive Director
Art Bettge		Gary Riedner, Interim Treasurer
Steve Drown		Anne Peterson, MURA Clerk
Dave McGraw		
Brandy Sullivan		
John Weber		

Chair McGeehan called the meeting to order at 7:02 a.m.

1. **Consent Agenda** - Any item will be removed from the consent agenda at the request of any member of the Board and that item will be considered separately later.

*A. Minutes from October 5, 2017*

*B. September 2017 Payables*

*C. September 2017 Financials*

**ACTION:** Approve the consent agenda or take such other action deemed appropriate.

Bettge moved approval of the consent agenda, seconded by Weber. Motion passed unanimously.

2. **Public Comment for items *not on agenda*:** Three minute limit.

Garrett Thompson, 1024 Pinecrest Road, Moscow, said he supports URA efforts but had concerns about price being considered for the Sixth & Jackson property and that the Sangria Downtown LLC proposal has changed significantly since the RFP award three years ago. (Full comments attached.)

3. **Announcements**

None.

4. **Sangria Downtown LLC Development and Disposition and Owner Participation Agreements – Bill Belknap**

*On April 24, 2015, the Agency entered into an Exclusive Negotiation Agreement (ENA) with Sangria Downtown LLC to acquire and develop the Agency's Sixth and Jackson property. The ENA contained a schedule of performance for the negotiations that required the completion of certain tasks by specific dates. The schedule of performance was formally extended by the Board on January 21, 2016, June 16, 2016, and March 2, 2017 due to both delays in the environmental remediation of the property as well as the development design process that Sangria Downtown has undertaken. At the Board's October 5<sup>th</sup> meeting the ENA was extended to November 10, 2017. The fair use appraisal has been completed for the two remnant triangles located on both sides of the Hello Walk (one of approximately 16,000 square feet and one of approximately 11,000 square feet) by Gem Valley Appraisal and the Disposition and Development Agreement (DDA) had been prepared for the Board's consideration. Under the DDA, Sangria Downtown LLC is required to construct the project as previously approved by the Board which includes construction of a 15,421 square foot building including 6,107 square feet of ground floor*

*commercial space, 12 lofted residential units and associated site improvements. Sangria Downtown is required to secure their final financing approval within 120 days and initiate construction by no later than May 31, 2018 and complete construction by no later than June 30, 2019. In consideration these restrictions and conditions the remnant triangles on either side of the Hello Walk would be sold to the Sangria Downtown for \$100,000, which is above the remnant property's appraisal's fair use value of \$25,503. The property conveyance would not occur until the developer's financing and final construction plans have been approved by the Board. Sangria has also requested reimbursement of the frontage improvements on Jackson Street which would include street, curb and sidewalk reconstruction and installation of decorative pavers, street trees and lights with an estimated total cost of \$97,448 through a standard Owner Participation Agreement (OPA) where Sangria would fund the improvements and would be reimbursed from tax increment received from their project. Staff has prepared the OPA agreement for the Board's review.*

**ACTIONS:**

1. *Approve the proposed Disposition and Development Agreement and with Sangria Downtown LLC; or take other action as deemed appropriate.*
2. *Approve the proposed Owner Participation Agreement and associated Resolution with Sangria Downtown LLC; or take other action as deemed appropriate.*

Sullivan recused herself from this agenda item to prevent any perceived conflict of interest because Carly Lilly serves as Sullivan's City Council election campaign treasurer.

Belknap presented historical background of the property and said the Hello Walk concept began with UI's 1908 Campus Masterplan which called for "the land to the east be improved so that the main group of University buildings would forever have a handsome, dignified frontage...kept open to view from the railroad and the city." That same vision was included in the 2002 Downtown Revitalization Plan as well as 2007-2008 architecture student projects. In 2010 the MURA purchased the high-profile Sixth & Jackson parcel specifically for Hello Walk with the stated intention of selling the remnant triangle pieces to help pay off the debt. Design Guidelines adopted in 2012 were intended to guide the redevelopment of the former agricultural industrial Legacy Crossing area, and pedestrian connectivity--including the envisioned Hello Walk Corridor--was addressed in these Guidelines. In 2015 Sangria Downtown LLC was chosen in response to a required public Request for Proposals and entered into an Exclusive Negotiation Agreement (ENA) with the Agency. Belknap described Sangria Group's mixed-use project that includes the quality of construction desired by the Agency on that site. Ground remediation on the parcel delayed Sangria's project because under terms of the Brownfields grant, ownership could not be conveyed until remediation was complete. The Agency has also participated with the City in realignment of the Sixth Street frontage to improve an unsafe intersection and to bury all utility lines.

Belknap explained the Disposition and Development Agreement (DDA) serves as the purchase sale contract and governs development of the property. Idaho Code specifies sale of Agency property must be "not less than fair market value for uses in accordance with the urban renewal plan" and the Agency shall take into consideration the uses provided in the plan and the obligations being placed on the developer, and how those affect the fair use value of the property. Basic components of determining residual land value include market rental rates, operating expenses, construction costs, and capitalization rates. Belknap illustrated how construction costs and land value tend to work against each other, because as project quality (construction cost) increases, the available land value decreases. He said this is the standard process used by all Agencies throughout the state, with each analysis being unique to each project, and the overall analysis is also sensitive to the cap rate selected. The MURA engaged Gem State Appraisals to analyze the Sangria project and their report indicates a residual land value of \$25,503. Palouse Commercial conducted a third-party review and noted Gem State's expense ratios and cap rates

appeared to be below common market rates. Their analysis included developer fees, TI allowances and more conservative operational expenses, which resulted in a residual land value of -\$441,446. Sangria Downtown LLC is proposing \$100,000 purchase price and they are willing to take a lower developer fee. They would like Agency assistance on the frontage improvements through a standard Owner Participation Agreement. The DDA requires the developer to obtain final approval of construction drawings by December 31, conveyance and construction commencement by May 31, 2018, and construction completion by June 30, 2018. Belknap concluded by reporting that the Finance Committee met on October 24<sup>th</sup> to review the proposed DDA and OPA and they recommended approval.

Brian Foisy, representing the Finance Committee, said they spent significant time deliberating the DDA and OPA and believe their recommendation for approval of both is consistent with the Agency's initial acquisition of the property, and that it never intended to recapture the investment of the land. This project helps fulfill the goals and objectives of the District Plan and will serve as a catalyst for further development. The committee's recommendation is consistent with legal requirements for establishing fair use value, and the committee believes the Agency will be able to fulfill its obligations under the DDA and OPA. Foisy added if the goal was to maximize return on investment the Agency would relax all standards and sell to a national franchise, but the result would not meet the purposes of the Agency nor the community vision for the area. Sangria Downtown LLC is offering more than the calculated fair use value, will forego a developer fee, and has agreed to a below-market rate of return.

McGraw said it was important to remember the role of the URA is to address urban blight and make property available for private development that would not otherwise occur. Drown agreed, saying the value of the project and it being a catalyst for further development makes it worth doing. He acknowledged the property would sell for much more on the open market but he believed in the purposes of the URA and taking on these responsibilities. Weber said he is very conservative but he agreed the URA's job is to assist in Moscow's development. Although he wished the sale price was higher, he supported the project. Bettge commented that a conventional developer wouldn't have waited out the lengthy remediation project. He added that developing two triangle pieces is very difficult and he thought this project serves as a great capstone into Legacy Crossing that he continues to support. McGeehan agreed with all the comments and said the project fulfills the original intent of the RFP. Bettge moved approval of the DDA with Sangria Downtown, LLC. Drown seconded the motion which carried unanimously by roll call vote.

Bettge said the OPA would be the perfect mechanism to complete the project and goals of the URA. McGraw stated that he believed the project accomplishes the role of the URA. Bettge moved approval of the OPA and associated Resolution of Sangria Downtown, LLC, and was seconded by Drown. Motion carried unanimously by roll call vote.

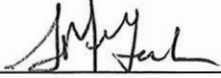
## **5. General Agency Updates – Bill Belknap**

- Legacy Crossing District
  - Thompson invited Agency members to join him and DEQ on a tour of his Spotswood property on November 2 and hopes to have remediation completed for property conveyance by the end of the year.
- Alturas District
  - Belknap attended the Alturas Association meeting last week where the annual expenses were reviewed. A main topic was the higher-than-normal snow removal costs, which the Agency is excluded from under the Covenants. Belknap may bring a future proposal for how the Agency could possibly help during large snow events.



- General Agency Business
  - Nothing further.

The meeting adjourned at 7:55 AM.



Steve McGeehan, Agency Chair

1-18-18

Date

Good Morning URA Agency Commissioners,

Thank you for your time this morning. I appreciate the opportunity to comment. First, I would like to say that I wholeheartedly support the economic development and diversification in Moscow and your efforts to promote both. I do have some questions on the Sangria Development LLC project and am hopeful that in your discussion this morning you will address them so that I can better understand the process and decision making when it comes to this particular project.

I understand that in 2008 the URA paid \$450,000 to purchase the property; some or all of which was financed. An additional \$50,000 was paid to demolish existing buildings and another \$54,000 was paid for environmental remediation. So, not counting debt servicing, the URA has paid over \$550,000 for this property. Then there are the infrastructure improvements that have been installed this past summer, plus a possibility of another \$85,000 or more of improvements along Jackson Street for Sangria Development LLC. This is a significant and substantial investment.

I have two main issues of concerns and questions:

I understand the proposal is to sell the property to Sangria Development LLC for \$100,000. How do you justify selling that property for \$100,000 after investing over \$550,000. What am I missing? No business would make that decision. Even if an appraisal was done that valued the property less; why isn't it on the open market?

This leads me to my second set of questions:

Sangria Development, LLC was selected as the developer for the property based upon their initial proposal nearly three years ago. That is nowhere close to the proposal you have in front of you today. I understand financing is an issue for them. However, how do you justify not putting out a new request for proposals based upon the changes proposed by Sangria and the investment made by the URA? Is there really no provision in the Exclusive Negotiation Agreement (ENA) that allows the URA to terminate based upon Sangria's obvious inability to even stand by their original proposal? It seems from the outside looking in; that there is a bait and switch going on here by Sangria. I can't imagine that the URA would sign an agreement that would put it in this position.

If in fact the Agreement provides for the URA to terminate in the event Sangria is not able to substantially comply with the proposal for which the agreement was predicated upon; then the URA should exercise that right and put the property back out for bid.

It would help also if you could explain how this significant investment is repaid. I understand that it is repaid through taxes from all of the properties within that URA district. If that is the case, then those property owners within the district are essentially paying for Sangria's private development and I can't imagine many of those property owners would be happy with that. If that is the case, I believe it is the URA's mandate to maximize what it can get out of the property. If the URA follows through on this proposed sale to Sangria, then the URA is failing at its mandate. One thing I can say for sure is if it is other property owners within the district, Crites Seed Inc. is not happy about it, and if my great grandfather Willis L. Crites was here today his eyes would be rolling just as mine are.

The optics of this look gravely wrong, this whole scenario is erroneous.

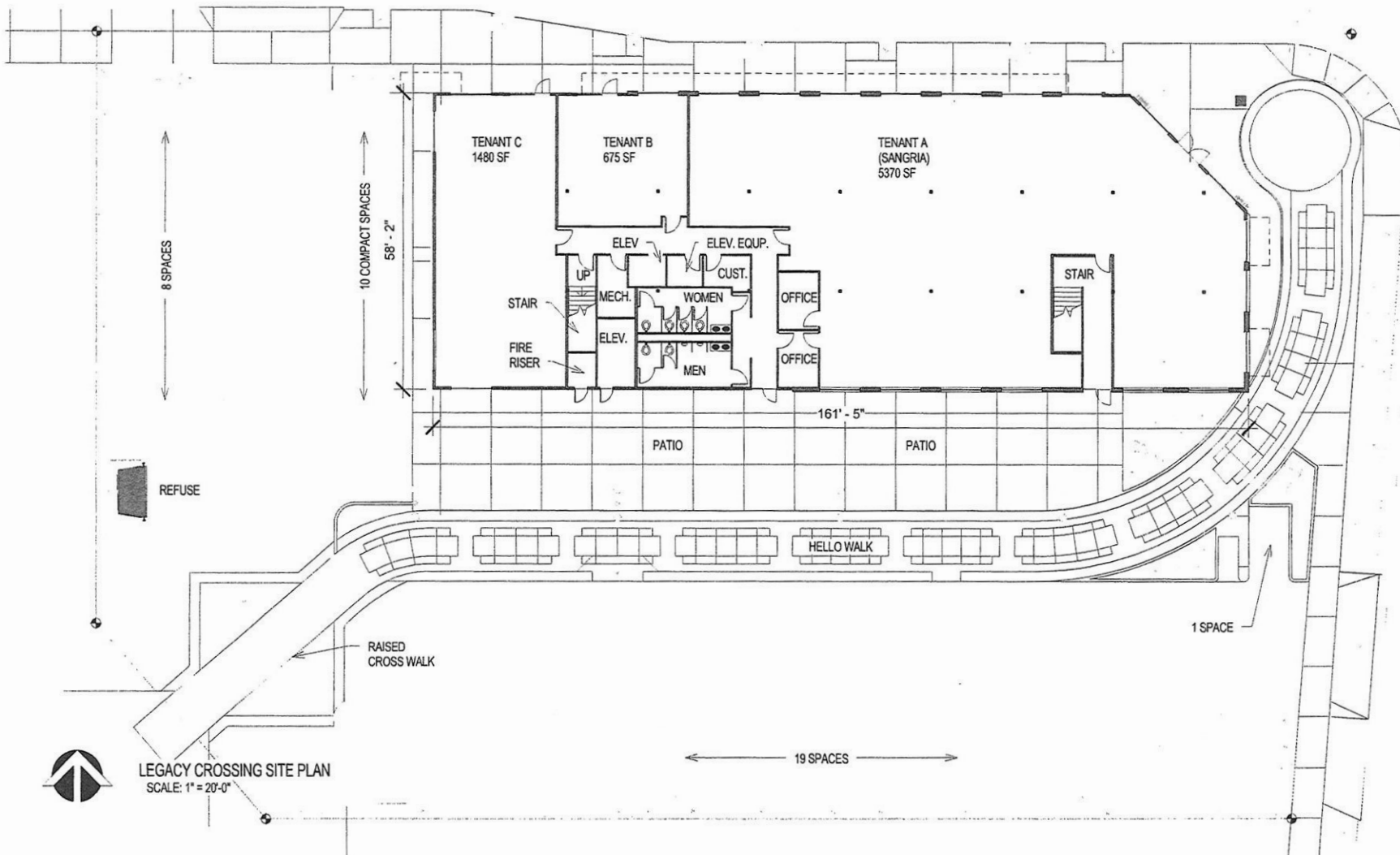




**LEGACY CROSSING**



SIXTH STREET



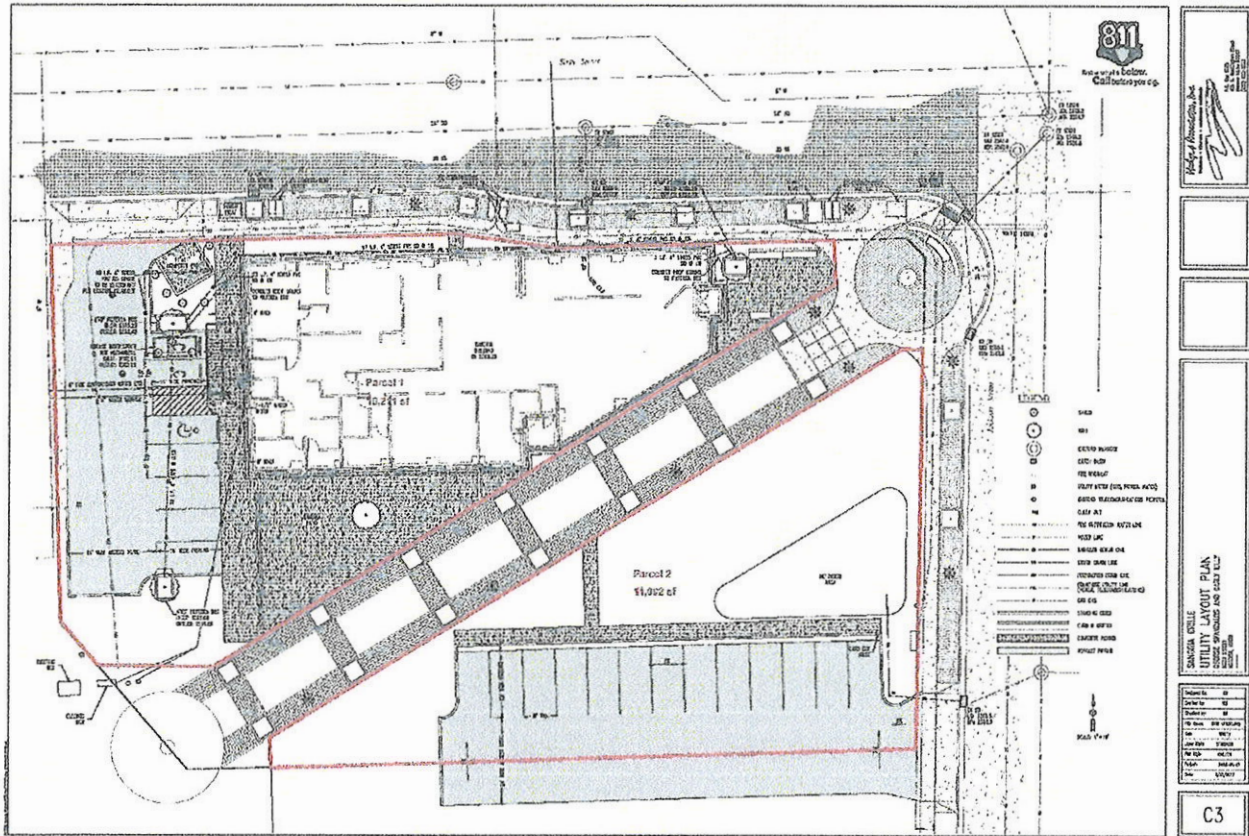
JACKSON STREET



LEGACY CROSSING SITE PLAN  
SCALE: 1" = 20'-0"



## Property Description



### Legal Description:

A parcel of land located in the NENE of Section 18, Township 39 North, Range 5 West, B.M., and as shown on Record of Survey recorded under Recorder's Fee No. 506752 and being more particularly described as follows:

BEGINNING at the northeast corner of said Section 18; thence S.  $87^{\circ}45'28''$  W., 363.92 feet (record 355.69 feet) along the north line of said Section 18; thence S.  $00^{\circ}45'10''$  W., 40.19 feet, to a point on the west right-of-way line of Jackson Street and the TRUE POINT OF BEGINNING, thence S.  $00^{\circ}45'10''$  W., 153.39 feet; thence S.  $88^{\circ}17'28''$  W., 207.70 feet (record 216.18 feet); thence N.  $40^{\circ}29'13''$  W., 53.83 feet; thence N.  $01^{\circ}42'23''$  W., 111.29 feet; thence N.  $88^{\circ}17'28''$  E., 248.00 feet (record 256.27 feet) to the TRUE POINT OF BEGINNING.

TOGETHER WITH an easement as more fully set out in that certain Grant of Easements recorded under Recorder's Fee No. 487236.

Description is the entire site, not the two non-contiguous parcels being analyzed in this analysis totaling 27,223 SF of useable site area bisected by Hello Walk

**Project Name:** 6th & Jackson Development Site aka "Hello Walk"



