



C.L. "Butch" Otter, Governor

Megan Ronk, Director

Economic Advisory Council Meeting
Tuesday, April 18, 2017
City Center Plaza
777 W. Main Street, Boise, ID 83702
Third Floor, Suite 362

Members Present:

Steve Meyer, *Region 1*
Robin Woods, *Region 2*
Mike Reynoldson, *Region 3*
John Craner, *Region 4*
Arlen Wittrock, *Region 5*
Mark Young, *Region 6*
Margaret Watson, *At-Large*

Commerce Staff Present:

Megan Ronk, *Director*
Susan Davidson, *Program Manager*
Cindy Lee, *Grants & Contracts Manager*
Dennis Porter, *Community Development Program Manager*
Jake Reynolds, *Business Retention and Expansion Manager*
Autumn Braase, *Senior Business Attraction Specialist*
Eric Forsch, *Senior Business Attraction Specialist*
Randy Shroll, *Senior Development Specialist*
Patrick Watson, *Senior Research Analyst*
Amanda Ames, *Community Development Specialist*
Sharon Deal, *Community Development Specialist*
Megan Hill, *Public Information Specialist*
Tony Tenne, *Community Development Specialist*
Andrea Vlassis-Zahn, *Business Attraction Specialist*
Audra Fink, *Administrative Assistant*

Call to Order & Welcome

Chairman Arlen Wittrock called the meeting to order at 9:04 a.m.

Council Vote on Approval of Minutes:

Chairman Wittrock noted that the minutes for the March 23, 2017 Economic Advisory Council (EAC) meeting had been distributed and if there are no corrections he would entertain a motion to approve the minutes as distributed.

Moved by: Margie Watson

Seconded by: Mark Young

All in favor. No discussion.

Motion approved.

Welcome and Legislative Update

Megan welcomed the council and gave a brief overview of the 2017 Legislative Session.

Commerce requested \$3 million dollars for the Idaho Opportunity Fund and was ultimately granted \$2 million dollars by the Idaho legislature.

Commerce also requested \$3.5 million dollars in additional spending authority for the tourism promotion fund. The Legislature approved \$2.5 million dollars.

An additional 1,800 hotel rooms will open throughout the State of Idaho in 2017.

Airbnb recently reached an agreement with the Idaho Tax Commission to begin collecting Idaho's 2% bed tax at the point of sale.

There was an effort this year to expand Idaho's property tax exemption. Previously, County Commissioners could grant a 5 year tax exemption to any manufacturing related business that provided \$3 million dollars to net new investment. The Legislature passed an updated exemption, set to begin on July 1, 2017, that will open the exemption to any industry that provides \$500,000 in net new investment. Idaho County Commissioners will still have the authority to determine the net new investment required to receive the exemption but will now be able to consider any industry with a minimum net new investment of \$500,000 dollars.

Megan will send the EAC council an example document of how the property tax exemption has been applied in counties throughout Idaho.

The Legislature did not approve Commerce's "micro" community designation for the Tax Reimbursement Incentive (TRI) and the proposed legislation did not receive a hearing. ([RS24841](#))

The Legislature also did not approve Commerce's bill that would have exempted sales tax associated with the sale of conduits, storage servers, and equipment related to broadband. Idaho currently has tax exemptions for roughly 40 industries including: funeral caskets, airport parts, and research and development. 35 states throughout the United States either have no sales tax or offer various rebate exemptions.

The Legislature did approve a 3% Change in Employee Compensation (CEC) effective April 2017.

Community Development Block Grant Program Update and Applications Review – Dennis Porter

We are expecting to receive \$7.5 million, however, the T-HUD (CDBG) funding bill has not yet been passed by Congress, so currently only 2016 roll-over amount available = \$6,776,606

- Will not commit funds we do not have
- Amount and timeline of 2017 CDBG allocation uncertain
 - Three options:
 - Pass the funding bill – then question becomes the CDBG allocation, indication that CDBG could be cut by 50%
 - Another continuing resolution
 - Shut-down government

This is the CDBG budget as of now

Set-asides	Budget	Today's Request	Remaining
Imminent Threat	\$0	\$100,000	-\$100,000
SR/CC & Parks	\$0	\$684,150	-\$684,150
Public Facilities	\$3,388,303	\$8,329,550	-\$4,941,247
Economic Develop (jobs & downtown)	\$3,388,303	\$500,000	\$2,888,303
Totals	\$6,776,606	\$9,613,700	-\$2,837,094

Note: EAC can move dollars within the set-asides.

Based on upcoming staff recommendations this is the proposed CDBG budget

Set-asides	Budget	Obligated	Remaining
Imminent Threat	\$100,000	\$100,000	\$0
SR/CC & Parks	\$521,500	\$521,500	\$0
Public Facilities	\$5,912,239	\$5,912,239	\$0
Economic Develop (jobs & downtown)	\$242,867	*\$0	\$242,867
Totals	\$6,776,606	\$6,533,739	\$242,867

*Priest River downtown application

Will Request:

- Approval of 13 public facilities projects = \$5,912,239
- Stand-by five (5) public facilities projects
- What does stand-by mean?
Applicant will have two options:
 1. Rescind their application – OR –
 2. Application placed on stand-by
 - a) No guarantee the project will receive funding
 - b) Application will be brought back to the EAC for consideration once Commerce is confident that it will receive a 2017 CDBG allocation
 - c) Timeline of when Commerce will receive 2017 funding is unknown

Will Request:

- Approval of four (4) senior/community center projects = \$521,500
- Decline one (1) senior/community center project
- Approval of the imminent threat = \$100,000

RCBG (State funded) Infrastructure to Jobs Program

- July 1, 2017 – will start with \$770,000 in the state rural initiative grant programs (RCBG & Gem). An additional \$50,000 to the RCBG per the state legislature.

Block Grant Application Review – Public Facilities

Summary of Applications:

1. City of Blackfoot: Wastewater Improvement Project for \$500,000
 - a. Staff recommends approving application for funding
2. City of Filer: Arsenic Mitigation in Municipal Water System for \$500,000
 - a. Staff recommends approving application for funding with \$5,000 shifted into the engineering budget line item
3. City of Ashton: Wastewater Improvement Project for \$500,000
 - a. Staff recommends approving application for funding
4. City of Kellogg: Wastewater Project for \$500,000
 - a. Staff recommends approving application for funding
5. City of Stites: Wastewater Project for \$375,000
 - a. Staff recommends approving application for funding

Council Discussion:

Steve suggested that Megan invite the Director of the Department of Environmental Quality (DEQ), John Tippetts, to an upcoming meeting to discuss various issues including community wide systems vs. individual septic.

Steve voiced concern over upgrading sewer systems in small towns where their population is slowly declining. According to Dennis, every city should be considered on a case by case basis.

Robin and Mark discussed the philosophy of the block grant's low to moderate income requirement and stated that these funds are designated to help grow and advance Idaho's small towns. For Margie, the problem with small towns, whose future population growth or loss is unknown, is that money is put into infrastructure and then even more money is needed to hire a consultant to properly manage the newly acquired infrastructure.

According to Steve, small struggling Idaho cities might be better served by having septic tanks installed.

John suggested building a component into the application process whereby small towns designate their plan to grow and keep their community viable.

Robin inquired of Dennis as to whether there is any evaluation of the engineering firms cities use? Per Dennis, the CDBG application requires and incentivizes (if CDBG is paying fees) cities to complete a Request for Proposal (RFP) and answer whether or not their city is reviewing proposals and interviewing firms. Dennis and team remind cities that there should be a competitive atmosphere for hiring engineering firms but ultimately the responsibility lies with the city.

6. City of Shelley: Water Improvement Project for \$500,000
 - a. Staff recommends reducing application request \$100,000 dollars due to not having meters installed. Staff recommends approving application for funding but at a reduced amount of \$400,000

Council Discussion:

John questioned how reducing the application request to \$400,000 dollars incentivizes the city to install meters as a meter requirement was not in place at the time of the city's application. The

city has installed meters at the pump but has no way of monitoring how much water is being used for commercial vs. residential purposes. The city also has no way to monitor how much water is lost through leakage. Therefore, the council inquired of Dennis and team whether or not the City of Shelley would share how they are managing their water consumption and how they are breaking down the cost per resident.

Margie suggested changing the point system so that cities that do have meters installed at the time of application, or plan on installing at a later time, would score higher. Perhaps the council could create a mandate, to go into effect in 2018, that would specify that cities must have metered water in order to receive full funding.

According to Mark, the City of Shelley is monitoring their water usage and all of their wells, commercial sites, and new developments have meters.

Council Vote on Public Facility Block Grant Project Scoring

Motion: For Dennis and staff to bring to the July 2017 meeting recommendations for adjusting the scoring system to incent applicants to install water meters.

Moved by: Steve Meyer

Seconded by: Margie Watson

Discussion: Robin reminded the council that they can always make the decision, if they are uncomfortable with a city not having water meters, to vote not to fund the project. Dennis and staff informally communicate to cities and counties that the EAC Council strongly believes in metering water and prefers to see meters installed whenever possible. According to Dennis, changing the point scoring system is a lengthy process that would require a change to IDAPA code. Therefore, Dennis recommends making an informal change to the agency viability scoring column so that a score may be adjusted if the city does not have water meters installed.

All in favor.

Motion Approved.

7. City of Rigby: Water Improvement Project for \$500,000
 - a. Staff recommends placing the application on 2017 stand-by because property acquisition is required and will take a number of months to complete. If however, the Council wants to fund at this time the staff recommendation is to reduce the application request by \$100,000 due to not having meters installed. The staff recommends approving the application for funding at \$400,000
8. City of Garden City – Life’s Kitchen: Infrastructure to Culinary & Life Skills Training Center for \$500,000
 - a. Staff recommends approving application for funding at \$474,689
9. City of Donnelly: Water System Improvements Project for \$500,000
 - a. Staff recommends approving application for funding
10. City of Weston: Water Improvement Project for \$500,000
 - a. Staff recommends placing the application on 2017 stand-by because property acquisition is required and will take a number of months, if not a year to complete
11. City of Melba: Water System Improvements for \$452,000
 - a. Staff recommends moving application to 2017 stand-by status

12. City of Grangeville: New construction of Kids Klub youth facility. Kids Klub, Inc., a 501 (c) (3) non-profit, provides programs consisting primarily of K-6th after school care, pre-school instruction and summer camps for children. The facility opened in 1996. The request is for \$400,000
 - a. Staff recommends approving application for funding
13. City of Basalt: Wastewater Improvement Project for \$350,000
 - a. Staff recommends approving application for \$350,000 for construction activities only
14. Benewah County, Fernwood Water and Sewer District: Water System Project for \$500,000
 - a. Staff recommends approving application for funding
15. City of Preston: Water System Improvement Project for \$500,000
 - a. Staff recommends approving application for funding

Council Discussion:

Dennis will put together a list of cities and counties that have received the most Community Development Block Grant funding in the past and will bring the information to the July 2017 meeting.

16. City of Hazelton: Water System Improvements Project for \$412,550
 - a. Staff recommends approving application for funding
17. City of Spirit Lake: Water System Improvements for \$500,000
 - a. Staff recommends placing on 2017 stand-by list
18. City of Bonners Ferry: Wastewater Project for \$340,000
 - a. Staff recommends placing on 2017 stand-by list

Council Vote on Public Facilities Block Grant Applications:

Motion: To fund the following applications: City of Blackfoot, City of Filer, City of Ashton, City of Kellogg, City of Stites, City of Garden City – Life’s Kitchen, City of Donnelly, City of Grangeville, City of Basalt, Benewah County, City of Preston, and City of Hazelton and to put the following applications on stand-by per staff recommendation: City of Rigby, City of Weston, City of Melba, and City of Spirit Lake

Moved by: Margie Watson

Seconded by: Mark Young

All in favor. No discussion.

Motion approved.

Council Vote on Public Facilities Block Grant Application:

Motion: To fund the City of Shelley at \$500,000

Moved by: Mark Young

Seconded by: John Craner

Discussion: Margie, Robin, and Steve are more comfortable with funding the City of Shelley at \$400,000 dollars to leave remaining funds for imminent threat applications since funding levels for next year are unknown. Mark would prefer not to penalize the city for their lack of water meters since they are making an effort to monitor their water consumption.

John Craner – Aye
Steve Meyer - Nay
Mike Reynoldson - Nay
Margie Watson – Nay
Arlen Wittrock – Aye
Robin Woods - Nay
Mark Young – Aye

Motion Fails

Council Vote on Public Facilities Block Grant Application:

Motion: To fund the City of Shelley at \$400,000

Moved by: Margie Watson

Seconded by: Mike Reynoldson

John Craner – Nay
Steve Meyer - Aye
Mike Reynoldson - Aye
Margie Watson – Aye
Arlen Wittrock – Aye
Robin Woods - Aye
Mark Young – Nay

Motion approved

Idaho Community Development Block Grant Application Review – Senior Centers

Summary of Applications:

1. City of Mountain Home: Senior Center Kitchen Improvements for \$150,000
 - a. Staff recommends approving application for funding
2. City of Power County: Senior Center Remodel Project for \$150,000
 - a. Staff recommends approving application for funding
3. Caribou County: Senior Center Remodel Project for \$150,000
 - a. Staff recommends approving application for funding at reduced amount of \$137,350
4. City of Rupert: Senior Center Improvements for \$150,000
 - a. Staff recommends not approving application for funding
5. City of Kimberly: Senior Center Improvements for \$84,150
 - a. Staff recommends approving application for funding

Council Vote on Senior Centers Block Grant Applications:

Motion: To fund the City of Mountain Home, Power County, Caribou County, and City of Kimberly and to reject the City of Rupert per staff recommendation.

Moved by: Robin Woods

Seconded by: John Craner

All in favor. No discussion.

Motion approved.

Idaho Community Development Block Grant Application Review – Imminent Threat

Summary of Application:

1. Shoshone County on behalf of the Pinehurst Water District: Emergency Water Line Repairs for \$100,000
 - a. Staff recommends approving application for funding

Council Discussion:

According to Steve, the standard is to bury pipes four feet in the ground. Therefore, he wonders if some of the pipes were only buried 18 or 24 inches deep and that is why they froze.

Council Vote on Imminent Threat Block Grant Application:

Motion: To fund Shoshone County on behalf of the Pinehurst Water District for \$100,000

Moved by: Steve Meyer

Seconded by: Mark Young

All in favor. No discussion.

Motion approved.

Dennis thanked Margie and Arlen for their time, recommendations, and dedication to the Economic Advisory Council.

Motion to Move to Executive Session

Chairman Wittrock announced the Council will review the details of two applications for refundable tax credit under the Idaho Reimbursement Incentive Act that have been received by the Director and submitted to this Council for review. **The applications contain records and information exempt from public disclosure under Idaho Code §§ 9-340D(6) and 67-4708. Chairman Wittrock entertained a motion under Idaho Code § 67-2345(1)(d) to go into executive session to review the applications.**

Steve Meyer moved to enter into executive session. Robin Woods seconded.

Roll call vote to move into executive session:

John Craner - Aye

Steve Meyer - Aye

Margie Watson – Aye

Mike Reynoldson - Aye

Arlen Wittrock – Aye

Robin Woods – Aye

Mark Young – Aye

With all in favor of moving into executive session, the Council moved into executive session at 1:31 p.m.

Return to Public Session

Chairman Wittrock noted that the Council returned to the public session at 2:16 p.m.

Chairman Wittrock indicated the Council

1. Reviewed and discussed the applications submitted for refundable tax credits; and

2. Closed the Executive Session after discussions were concluded. The motion to close the Executive Session was made by Margie Watson, seconded by Robin Woods.

Review of Tax Reimbursement Incentive for PROJECT SHINGLE

Chairman Wittrock entertained a motion for PROJECT SHINGLE.

Motion:

In the matter of the application for PROJECT SHINGLE, I move that the Council approve the application and instruct the Director to enter into an agreement with PROJECT SHINGLE upon the following terms:

- A post-performance refundable tax credit which represents 14% of new state revenue for seven years.
- No less than 20 new jobs or 60% of the total annual project jobs, whichever is greater.
- Average annual wages must equal or exceed the Bonner County average wage of \$33,531.
- Tax credit certificate issued post-performance upon review and verification by Commerce.
- Company must maintain operations in Idaho for the term of the agreement.
- Any additional terms deemed necessary by the Director not otherwise conflicting with the above conditions, including allowance for a maximum two-year construction phase during the term of the agreement, if applicable.

The motion was made by Steve Meyer, seconded by Robin Woods.

Roll call vote to approve the TRI application for PROJECT SHINGLE:

John Craner – Aye
Steve Meyer - Aye
Mike Reynoldson - Aye
Margie Watson – Aye
Arlen Wittrock – Aye
Robin Woods - Aye
Mark Young – Aye

Review of Tax Reimbursement Incentive for PROJECT MINT

Chairman Wittrock entertained a motion for PROJECT MINT.

Motion:

In the matter of the application for PROJECT MINT, I move that the Council approve the application and instruct the Director to enter into an agreement with PROJECT MINT upon the following terms:

- A post-performance refundable tax credit which represents 20% of new state revenue for eight years.
- No less than 50 new jobs or 60% of the total annual project jobs, whichever is greater.
- Average annual wages must equal or exceed the Ada County average wage of \$44,870.
- Subject to the confirmation of type and value of community match.

- Subject to all net new jobs being employed directly by the company. Jobs created by the Professional Employer Organization Co-Employer are not eligible for the incentive.
- Tax credit certificate issued post-performance upon review and verification by Commerce.
- Company must maintain operations in Idaho for the term of the agreement.
- Any additional terms deemed necessary by the Director not otherwise conflicting with the above conditions, including allowance for a maximum two-year construction phase during the term of the agreement, if applicable.

The motion was made by Mike Reynoldson, seconded by Margie Watson.

Roll call vote to approve the TRI application for PROJECT MINT:

John Craner – Aye
Steve Meyer - Aye
Mike Reynoldson - Aye
Margie Watson – Aye
Arlen Wittrock – Aye
Robin Woods - Aye
Mark Young – Aye

Final Thoughts

The next in-person EAC meeting will be held July 20-21 in Coeur d’Alene. The council may potentially tour Kochava and Quest Aviation in Sandpoint.

The Economic Advisory Council has a vacant position in Region VII. Eligible applicants must reside in Blaine, Custer, Lemhi, Butte, or Camas County and be registered with the Democratic Party. Megan has a shortlist of candidates but has yet to make a decision.

Motion:

Mark Young moved to close the meeting. John Craner seconded.

All in favor. No discussion.

Motion approved.

Chairman Wittrock adjourned the meeting at 2:33 p.m.