



C.L. "Butch" Otter, Governor

Megan Ronk, Director

### **Economic Advisory Council Meeting**

**Thursday, July 20, 2017**

### **Idaho Department of Commerce**

North Idaho College – Edminster Student Union Building (SUB) – Driftwood Bay #118  
1000 West Garden Avenue, Coeur d'Alene, ID 83814

#### **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*  
Bobbi-Jo Meuleman, *Chief Operations Officer*  
Susan Davidson, *Business Attraction Manager*  
Dennis Porter, *Community Development  
Program Manager*  
Tony Tenne, *Community Development Specialist*  
Audra Fink, *Administrative Assistant*

#### **Commerce Staff Present Via Phone:**

Cindy Lee, *Grants & Contracts Manager*  
Jake Reynolds, *Business Retention & Expansion Manager*  
Autumn Braase, *Senior Business Attraction Specialist*  
Eric Forsch, *Senior Business Attraction Specialist*  
Patrick Watson, *Senior Research Analyst*

#### **Guests Present:**

Rilie Beatty, *Panhandle Area Council (PAC)*  
Jim Birdsall, *James H. Birdsall & Associates*  
Rob Dickerson, *Washington County*  
Matt Gillis, *Welch Comer Engineers*  
Kathleen Knoles, *Business Owner*  
Laurel Knoles, *City of Priest River*  
Dorian Komberec, *Panhandle Area Council (PAC)*  
Barbara Kraber, *Business Owner*  
Devin Limb, *Intrinsic Organics*  
Nancy Mabile, *Panhandle Area Council (PAC)*  
Jim Martin, *City of Priest River*  
Kerri Martini, *Business Owner*  
Nate Marvin, *Washington County Commissioner*

#### **Call to Order**

Chairman Arlen Wittrock called the meeting to order at 8:11 a.m.

#### **Approval of June Meeting Minutes:**

Chairman Wittrock noted that the minutes for the June 22, 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:** Mark Young

**Seconded by:** Margie Watson

**All in favor. No discussion.**

**Motion approved.**

**Welcome**

Megan Ronk welcomed the council to Coeur d’Alene and stated that the meeting would be one of reflection as Arlen Wittrock’s and Margie Watson’s terms expire on July 31, 2017.

The Economic Advisory Council’s vacant position in Region VII will likely be filled by Dave Wilson, the former mayor of Sun Valley. Dave currently serves on a federal banking board and is a strong and capable candidate. Dave’s appointment awaits Governor Otter’s confirmation.

Rick Phillips, Public Affairs Manager for Simplot, has been appointed to fill Arlen’s position in Region V.

Megan and Bobbi-Jo are still looking to fill Margie’s at-large position and appreciate any suggestions the council may provide.

**Election of New Chair and Vice Chair**

Mark Young moved to elect Steve Meyer as Chairman and Robin Woods as Vice-Chairman as of August 1, 2017 for a one year term with Robin Woods to replace Steve Meyer as Chairman as of August 1, 2018. John Craner seconds.

**All in favor. No discussion.  
Motion Approved.**

**Community Development Block Grant Update and Application Review**

**Agenda Items for CDBG and RCBG Programs**

- Update Block Grant Funding (CDBG & RCBG) Levels  
Congress has passed the T-HUD (CDBG) funding bill, so Idaho CDBG 2017 allocation will be \$7,461,397
- Review 2017 Public Facility (stand-by) Projects (5)
  - Staff will present
- Review 2017 Downtown Revitalization Project (1)
  - City of Priest River will present their project
- Review 2018 RCBG Job Creation Project (1)
  - Washington County will present their project

**CDBG PY 2017 Allocation with 2016 Roll-Over Dollars (04/01/2017 to 03/31/2018)**

- |   |             |
|---|-------------|
| • State (2017) Allocation                   | \$7,461,397 |
| (\$99,914 less than last year’s allocation) |             |
| • Admin & Tech Assistance                   | \$323,841   |
| • Imminent Threat                           | \$300,000   |
| • SR/CC Centers & Public Parks              | \$746,139   |
| • Public Facilities                         | \$3,045,708 |
| • Economic Development:                     | \$3,045,708 |

2016 Roll-over = \$6,824,106 split 50:50 into PF and ED (\$3,412,053)  
\$270,367 needs to be committed by November 8, 2017

- Public Facilities: \$3,045,708 + \$3,412,053 = \$6,457,761
- Economic Dev: \$3,045,708 + \$3,412,053 = \$6,457,761

**CDBG PY 2017 Allocation with 2016 roll-over dollars (4/01/2017 to 3/31/2018)**

- Admin & Tech Assistance \$323,841
- Imminent Threat \$300,000
- Senior/Community Center \$746,139
- Public Facilities \$6,457,761
- Economic Dev: \$6,457,761

Total = \$14,285,502

Council Discussion

According to Margie, small communities throughout Idaho need guidelines in order to properly plan their infrastructure. Mark, in agreement, noted that the Economic Advisory Council should play a role in helping small towns create broader infrastructure plans by helping them gain access to local and affordable expertise.

Last month John attended an Association of Idaho Cities meeting and stated that a large portion of the meeting was devoted to the topic of water rights. John noted that many of Idaho's smaller communities do not send attendees to the Association of Idaho Cities meetings because they cannot afford to do so. Margie expressed concern that representatives from Idaho's small towns are not in attendance and stated that a mechanism should be in place to help ensure these communities have a voice and are in attendance.

According to John, the water rights of many small Idaho cities may one day be trumped by agricultural interests. Therefore, it remains imperative that cities know who ultimately holds the senior water rights and from where the water is sourced.

Dennis communicated to the council that his team strongly encourages Idaho cities to create facilities plans.

**CDBG PY2017 Amounts & Today's Request (4/01/2017 to 3/31/2018)**

Set-asides	Budget	Obligated	Current Budget
Imminent Threat	\$300,000	\$100,000	\$200,000
Senior/Community	\$746,139	\$521,500	\$224,640
Public Facilities	\$6,457,761	\$5,912,239	\$545,521
Economic Develop (jobs & downtown)	\$6,457,761	\$0	\$6,457,761
<b>Totals</b>	<b>\$13,961,661</b>	<b>\$6,533,739</b>	<b>\$7,427,922</b>

Note: the next two funding rounds will only be for parks, jobs, or imminent threat.

## **CDBG PY2017 Amounts & Today's Request (4/01/2017 to 3/31/2018)**

<u>Set-asides</u>	<u>Current Budget</u>	<u>Today's Request</u>	<u>Remaining if requests funded</u>
Imminent Threat	\$200,000	\$0	\$200,000
SR/CC & Parks	\$224,640	\$0	\$224,640
Public Facilities	\$545,521	\$2,292,000	- \$1,746,479
Economic Develop (jobs & downtown)	\$6,457,761	\$500,000	\$5,957,760
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Totals	\$7,427,922	\$2,792,000	\$4,635,921

EAC can move dollars within the set-asides.

### **RCBG (State funded) Infrastructure to Jobs Program**

- July 1, 2017 – Started with \$770,000 in the state rural initiative grant programs (RCBG & Gem). An additional \$50,000 to the RCBG per the state legislature.
- To Date:
  - RCBG has obligated = \$0
  - Gem Funds
    - Have obligated = \$0
    - One project currently under review - \$6,900 request

### **CDBG & RCBG Job Creation Demand**

- Possible future Job Creation Projects:
  - City of Fruitland/Woodgrain Mill – road intersection improvements
- Also possible imminent threat
  - City of Hailey – post flooding issues at lift station site

### **Block Grant Application Review – Public Facilities**

Summary of Application:

1. City of Rigby: Water Improvement Project for \$500,000
  - a. Staff recommends reducing application request \$100,000 due to not having meters installed. Approve application for funding at \$400,000.
2. City of Weston: Water Improvement Project for \$500,000
  - a. Staff recommends approving application for funding.
3. City of Melba: Water System Improvements for \$452,000
  - a. Staff recommends approving application for funding.
4. City of Spirit Lake: Water System Improvements for \$500,000
  - a. Staff recommends approving application for funding.
5. City of Bonners Ferry: Wastewater project for \$340,000
  - a. Staff recommends approving application for funding.

### **Council Vote on Public Facility Block Grant Applications**

**Motion:** To fund the following applications: City of Rigby at \$400,000, City of Weston at \$500,000, City of Melba at \$452,000, City of Spirit Lake at \$500,000, and City of Bonners Ferry at \$340,000

**Moved by:** Mark Young

**Seconded by:** Robin Woods

**All in favor. No discussion.**

**Motion approved.**

### **Block Grant Application Review – Downtown Revitalization**

Summary of Application:

1. City of Priest River: Economic Development – Downtown Revitalization for \$500,000

### **PY2017 CDBG Projects:**

#### **City of Priest River, CDBG Grant Application Presentation**

#### Visitors:

Jim Martin, *City of Priest River Mayor*

Matt Gillis, *Welch Comer Engineers*

Barbara Kraber, *Business Owner*

Nancy Mabile, *Panhandle Area Council (PAC)*

#### Highlights:

- The City of Priest River is requesting \$500,000 in CDBG funds to revitalize their downtown by bringing old sidewalks up to ADA compliance, restoring deteriorating infrastructure, and installing lighting to improve safety and aesthetics.
- Revitalizing Priest River's downtown will expand current business while simultaneously creating opportunity for new business.
- The City of Priest River's total projected project cost is \$885,442.
- The City of Priest River, located on the International Selkirk Loop, has a long history as a lumber and tourist community.
- The City of Priest River boasts many assets including: mountains, lakes, rivers, recreational opportunities, annual festivals, and special events.
- The City of Priest River has strong community support for the project and has partnered with the Chamber of Commerce, Priest River Economic Development Council, and many volunteers.
- The City of Priest River in preparation for the project created a downtown steering committee, conducted surveys, held two public open houses, created a preliminary design, and secured local matching dollars.
- The Commerce staff recommends approving the project for funding.

#### Group Discussion:

- The City of Priest River had an urban renewal district in place for the last 10 years and have recently extended it as a way to attract people to their downtown.

- The City of Priest River lost over 350 jobs when the recession hit in 2008. Due to the city's strong industrial park and lumber mills, many of the lost incomes have been replaced.
- While the City of Priest River's downtown revitalization plan does not include a plan to create bicycle lanes, the city hopes to develop a wider sidewalk with a dedicated path for cyclists. The city also hopes to eventually create a bike path from the Idaho/Washington border to Sandpoint and beyond.
- The City of Priest River someday hopes to be the first city of their size to bring fiber to residential homes.
- Mayor Jim Martin understands the importance of keeping the city's infrastructure up-to-date. He reassured the council that he will be replacing water meters and will continue to update curbs, gutters, sidewalks, and the city's storm water system as needed.

### **Council Vote on Downtown Revitalization Grant Application**

**Motion:** To fund the City of Priest River at \$500,000

**Moved by:** Mark Young

**Seconded by:** Steve Meyer

**All in favor. No discussion.**

**Motion approved.**

### **Block Grant Application Review – Job Creation**

Summary of Application:

1. Washington County: Infrastructure to Jobs for \$66,548

### **PY2017 CDBG Projects:**

### **Washington County, RCBG Grant Application Presentation**

#### Visitors:

Nate Marvin, *Washington County Commissioner*

Rob Dickerson, *Washington County*

Devon Limb, *Intrinsic Organics*

Jim Birdsall, *James H. Birdsall & Associates*

#### Highlights:

- Washington County is requesting \$66,548 for the construction of a new roadway called "Organic Way" to service the Intrinsic Organics facility. The County is requesting funding in order to bid out for the construction of the base/asphalt preparation and the asphalt overlay. The roadway will also service nearby companies.
- Intrinsic Organics was founded in 2017 and has an exclusive license to grow and process a proprietary tuber crop called SunSpuds. Intrinsic Organics is the only company in the US to domestically produce organic inulin.
- SunSpuds are naturally processed in Washington County.
- SunSpud's produce 100% organic and domestic inulin which have many nutritional benefits in food and beverages.

- Intrinsic Organic's current facility will grow to produce 1.2 million pounds per year of organic inulin and is projected to expand to 5 million pounds per year in the future.
- Intrinsic Organics hopes to create 20 jobs within the first year of operation, 25 jobs within three years, and 50 jobs within the first five years.
- Intrinsic Organics will contribute \$5,700,000 in private investment which will pay for their land, buildings, process equipment, and working capital.
- Within three years, Intrinsic Organic's payroll will be \$1,220,434.
- Washington County is providing Intrinsic Organics with: a tax incentive for five years valued at \$300,000, a building permit fee waiver valued at \$5,143, and road improvements valued at \$42,487.
- The Commerce staff recommends approving the project for funding.

Group Discussion:

- Intrinsic Organics will draw their water from a pond and re-use the circulated water.
- Intrinsic Organics will cash lease their land.
- Intrinsic Organics received a Tax Reimbursement Incentive (TRI) in May 2017.
- SunSpuds will create a diversification in agricultural output that will add growth and stability to the region.
- Washington County will provide construction oversight.
- Washington County currently has the second highest unemployment rate in Southwest Idaho at 5.5%.

**Council Vote on Job Creation Grant Application**

**Motion:** To fund Washington County at \$66,548

**Moved by:** Steve Meyer

**Seconded by:** Robin Woods

**All in favor. No discussion.**

**Motion approved.**

**Water Meter Scoring**

Dennis explained the water meter scoring system within the grantee financial profile. Currently, when an applicant requests CDBG funds for a water project they are required to complete the water system section of the application's financial profile page. The page specifically asks if all system users are on water meters, although no points are provided for the question. Staff does however provide 10 points for adequate completion of the financial profile page and 5 points if the water rates have been increased in the last four years.

Dennis proposed three options to the council regarding water meter scoring:

- **Option 1:** Informal Scoring Change – An informal change is a change to the method of scoring that would not require amending the CDBG rules under the IDAPA code.
- **Option 2:** Formal Scoring Change – A formal scoring change would require an amendment to the IDAPA code. Amending of the IDAPA code would require: approval by the Division of Financial Management and the Governor's Policy Advisors, if approved; then a public comment period

(with possible hearing); and then Commerce would present changes to the house and senate sub-committees for their review and approval.

- **Option 3:** No Change – Staff will continue to score as they have been and present if meters are installed. This method provides for a fair amount of flexibility and gives EAC a little more discretion to adjust the CDBG award amount.

Council Discussion:

Robin would prefer not to reduce EAC's flexibility in any capacity. Therefore, her preference would be to reduce cities' grant awards by at least \$100,000 if water meters have not been installed.

Steve suggested creating questions that the CDBG team could use as a tool to gauge cities' financial reserves, what portion of the project they intend to fund, and what they are expecting to replace over the next 10 years.

According to Dennis, forecasting is difficult for cities and counties as they are often times dealing with immediate issues and do not have the time or resources to project future needs.

**Council Vote on CDBG Water Meter Scoring**

**Motion:** For the CDBG team to use subjective information on their applications, relating to water meters, as criteria for judging award amounts through the following questions related to water management policy:

1. Do you have water meters?
2. Do you have a 10 year replacement program for your water system?
3. Do you have annual needed replacement costs? How much are you putting in to your replacement fund?
4. What is your reserve percentage in the rate calculation?
5. Is the replacement being funded by the rate payer?
6. What is the actual amount that has been placed in replacement reserves over the last five years?

**Moved by:** Mark Young

**Seconded by:** John Craner

**All in favor. No discussion.**

**Motion Approved**

**Block Grants Review**

- CDBG projects – 2014, 2015, and 2016 status review
- RCBG projects – 2014, 2015, and 2016 status review

**Tax Reimbursement Incentive Application Review**

**Motion to Move to Executive Session**

Chairman Wittrock announced the Council will review the details of one application for refundable tax credit under the Idaho Reimbursement Incentive Act that has been



received by the Director and submitted to this Council for review. The application contains 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 application.

Margie Watson 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 1:22 p.m.

### **Return to Public Session**

Chairman Wittrock noted that the Council returned to the public session at 1:58 p.m.

Chairman Wittrock indicated the Council

1. Reviewed and discussed the application submitted for refundable tax credit; and
2. Closed the Executive Session after discussions were concluded. The motion to close the Executive Session was made by Robin Woods, seconded by Mike Reynoldson.

Margie Watson recused herself from the discussion and vote.

### **Review of Tax Reimbursement Incentive for PROJECT SUGAR**

Chairman Wittrock entertained a motion for Project Sugar.

#### **Motion:**

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

- A post-performance refundable tax credit which represents 24% for twelve years.
- No less than 50 new jobs or 70% of the total annual projected jobs, whichever is greater.
- Average annual wages must equal or exceed the Canyon County average wage of \$32,847.
- Subject to confirmation of the proposed property tax exemption pledged as match.

The motion was made by Mike Reynoldson, seconded by Mark Young.

Roll call vote to approve the TRI application for Project Sugar:

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

With a unanimous vote, the Tax Reimbursement Incentive of 24% for twelve (12) years for Project Sugar was approved and the Council asked the Director to proceed in negotiating the final contract.

The company name will be announced when the company decides to make a formal announcement.

### **Commerce Updates and Policy Discussion**

Director Megan Ronk updated the council on the status of the lawsuit that has been brought against the TRI program. Employer's Resource appealed the case and on August 16, 2017 Commerce is scheduled to appear before the Idaho Supreme Court for oral arguments.

In June, Governor C.L. "Butch" Otter and Megan Ronk led a delegation of 11 Idaho companies to the Paris Air Show to promote Idaho's aerospace industry. The show was extremely successful with companies already reporting \$3 million in sales. Governor Otter and Megan also toured Materne and Lactalis as both companies have facilities in Idaho. Additionally, Megan spent a day in the Basque country to promote greater relations between the State of Idaho and the Basque government.

The Governor's Workforce Development Task Force recently delivered their report with nine recommendations to Governor Otter by their July 1, 2017 deadline. The report called for the strengthening of career advising dollars, the enhancement of Idaho's workforce readiness centers, and continued talk about the development of apprenticeship programs throughout the state. Megan will send the council a copy of the published report.

Megan and Bobbi-Jo are building momentum, through industry support, on the proposed computer data legislation that would exempt sales tax associated with the sale of conduits, storage servers, and equipment related to broadband. Megan and Bobbi-Jo remain hopeful that they can re-introduce the bill during the 2018 Legislative Session. The data center bill passed the House but failed in the Senate during the 2017 Legislative Session.

According to Bobbi-Jo, Idaho's three most consistent issues are affordable housing, workforce, and broadband. Bobbi-Jo is researching to see how other states are handling these issues and whether or not there is a role for Idaho state government to play.

Megan discussed the business advantage tax incentive which may currently be claimed if a business invests at least \$500,000 in new facilities and creates at least 10 new jobs

averaging \$40,000 a year with benefits. Commerce has been working with the Idaho State Tax Commission to produce metrics on the incentive which will sunset in 2020. Megan will most likely attempt to extend the sunset.

During the 2017 legislative session the legislature approved a \$2 million dollar infusion into the Idaho Opportunity Fund. Megan typically leverages the grant for projects that may not have qualified for the Tax Reimbursement Incentive (TRI) but have still showed significant investment in Idaho. Megan will send the council the latest numbers showing to which companies the dollars have thus far been committed.

### **Closing Remarks**

Arlen and Margie expressed their gratitude to everyone on the council and the Commerce staff for making their time on the EAC Council valuable and worthwhile.

### **Motion:**

Margie Watson moved to close the meeting. John Craner seconded.

**All in favor. No discussion.**

**Motion approved.**

Chairman Wittrock adjourned the meeting at 2:55 p.m.