



Ketchum Urban Renewal Agency

P.O. Box 2315 | 191 5th Street | Ketchum, ID 83340

March 18, 2024

Chair and Commissioners
Ketchum Urban Renewal Agency
Ketchum, Idaho

RECOMMENDATION TO ADOPT RESOLUTION 24-URA06 APPROVING THE METHODOLOGY FOR CALCULATING THE CAPITAL CONTRIBUTION FOR THE FIRST STREET AND WASHINGTON PROJECT

Introduction/History

At the February 20, 2024 meeting, the KURA approved Resolution 24-URA04 approving a not to exceed amount of \$8,000,000 for eligible expenses for the First and Washinton Project. In discussions with Wood River Community Housing Trust (WRCHT) representatives, they requested KURA approve the methodology used to calculate the KURA contribution. While the Board and staff have been discussing the methodology with WRCHT throughout the negotiation process, WRCHT asked that the methodology be memorialized so there is no confusion in the future.

Resolution 24-URA06 memorializes the methodology for calculating the contribution KURA would make towards eligible capital costs.

Methodology

As originally proposed, the financing interest rate for the senior project debt was 4% and the junior debt interest rate was 2%. This resulted in a weighted average cost of capital of \$944,000. The proposed methodology divides \$944,000 by the actual weighted average cost of capital for the project and subtracts that amount from the final total construction cost. In no event can the amount exceed \$8,000,000. Depending on the amount, KURA has agreed to fund \$4,000,000 of the capital contribution at the time construction financing is secured. The balance, if any, would be paid when the project construction is complete.

KURA and WRCHT will be entering into a separate funding agreement once project financing and project costs are finalized. KURA would only provide funding for eligible capital improvements.

Recommendation and Motion

Staff recommends the Board make the following motion:

“I move to approve Resolution 24-URA06 approving the calculation for determine the KURA capital contribution to the First and Washinton Project.”

Attachment: Resolution 24-URA06

RESOLUTION NO. 24-URA06

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 METHODOLOGY FOR THE CAPITAL CONTRIBUTION AMOUNT CALCULATION WHICH WILL BE USED TO DETERMINE THE URBAN RENEWAL AGENCY OF KETCHUM'S FUNDING CONTRIBUTION FOR THE PROJECT COMMONLY REFERRED TO AS THE FIRST AND WASHINGTON AFFORDABLE WORKFORCE HOUSING PROJECT ("PROJECT"), SUCH FUNDING TO BE PROVIDED TOWARDS ELIGIBLE PUBLIC INFRASTRUCTURE AND PUBLIC PURPOSE EXPENSES ASSOCIATED WITH THE COST OF CONSTRUCTION OF THE PROJECT, WHICH PROJECT IS BEING DEVELOPED ON LAND OWNED BY THE AGENCY AND FOR WHICH THE AGENCY WILL ASSUME OWNERSHIP OF THE PROJECT AT THE EXPIRATION OF THE LEASEHOLD INTEREST IN SAID PROJECT; AND PROVIDING AN EFFECTIVE DATE.

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

WHEREAS, the 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; and

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 "2010 Plan"); and

WHEREAS, the 2010 Plan identified the "revitalization, redesign, and development of undeveloped areas which are stagnate or improperly utilized especially through the creation of affordable workforce housing, a central town plaza and parking lots and structures" as a central purpose of the 2010 Plan; and

WHEREAS, in order to achieve the objectives of the 2010 Plan, the Agency is authorized to acquire real property for the revitalization of areas within the 2010 Plan boundaries; and,

WHEREAS, the Agency owns certain real property addressed as 211 E. 1st Avenue, Ketchum (Parcel RPK00000190070), and real property unaddressed as Lot 5, Block 19 (Parcel

RPK0000019005B), and Lot 6, Block 19 (Parcel RPK0000019006B) (the “Site”); and

WHEREAS, in accordance with Idaho Code § 50-2011, Disposal of Property in Urban Renewal Area, the Agency issued a Request for Proposals (“RFP”) on May 26, 2022, seeking to initiate a redevelopment project to construct affordable workforce housing within the 2010 Plan boundary area in compliance with the 2010 Plan through redevelopment of the Site as contemplated in the 2010 Plan; and

WHEREAS, the Agency ultimately selected Wood River Community Housing Trust Inc. and its subsidiary First + Washington Properties LLC, and deChase 1st + Washington Development Services LLC (collectively referred to for purposes of this resolution as “Developer”) to develop and construct an affordable workforce housing project (“Project”) at the Site; and

WHEREAS, Developer and Agency approved a Disposition and Development Agreement (“DDA”) on February 20, 2024, via Resolution No. 2024-URA02, which will govern the development and construction of the Site and also includes a draft long-term ground lease (“Ground Lease”) which will govern the operation of the Site; and

WHEREAS, the terms of the DDA and Ground Lease contemplate the Developer developing the Project on the Site and operating the Project under a fifty (50) year ground lease, at which point at the expiration of the Ground Lease the Project and associated improvements will revert to the Agency or its successor; and

WHEREAS, the Project contemplates affordable workforce housing units which are restricted to average median income (“AMI”) levels and geographical workforce criteria to help resolve the affordable workforce housing crisis in the local community; and

WHEREAS, because the Project is being developed for affordable workforce housing and being that the units will be rent restricted, the Project requires additional funding sources to make the Project financially viable; and

WHEREAS, the Developer, a non-profit entity with the mission to develop, acquire, own, and manage rental units that will be rented to qualifying local residents who are actively working and living in the local community, has requested funding participation from the Agency for certain aspects of the construction of the Project; and

WHEREAS, on February 20, 2024, via Resolution No. 2024-URA04, the Agency committed to providing a funding amount not to exceed Eight Million Dollars (\$8,000,000.00) towards eligible infrastructure costs for the construction of the Project, such specific amount to be determined upon review and analysis by the Executive Director of information provided by the Developer supporting the capital construction costs of the Project and the required evidence of financing submission as described in the DDA; and

WHEREAS, based on unknown variables such as interest rates, potential in-kind contributions, and donations, the Developer is unable to ascertain with specificity the funding amount that will be needed by the Agency to help make this Project financially viable; and

WHEREAS, the Agency and Developer have agreed upon a methodology that will be used to calculate the capital contribution from the Agency that will be necessary to make the Project financially viable; and

WHEREAS, the Agency and Developer will enter into a separate funding agreement for such eligible infrastructure costs at the time the funding is requested by the Developer and provided by the Agency; and

WHEREAS, the Agency Board finds it in the best interest of the Agency to approve the agreed upon Capital Contribution Amount Calculation (“CCAC”) which will be used to ascertain the Developer’s requested capital contribution from the Agency.

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 Agency does hereby approve the CCAC attached hereto as **Exhibit A**, which will be used by the Developer and Agency to calculate the necessary capital contribution from the Agency in order to ensure the financial viability of the Project.

Section 3: The Agency and Developer will enter into a separate funding agreement for such eligible infrastructure costs at the time funding is provided by the Agency.

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 March 18, 2024. Signed by the Chair of the Board of Commissioners and attested by the Secretary to the Board of Commissioners on March 18, 2024.

URBAN RENEWAL AGENCY OF KETCHUM

By _____
Susan Scovell, Chair

ATTEST:

By _____
Secretary

EXHIBIT A
CAPITAL CONTRIBUTION AMOUNT CALCULATION

4861-9970-4493, v. 1

Capital Contribution Amount Calculation (“CCAC”) is the portion of the overall Project cost that will be paid for by KURA to make the Project financially viable. The quantum of the CCAC will be calculated by dividing \$944,000 by the Actual Weighted Average Cost of Capital of the Project and subtracting that amount from the Final Total Construction Cost, provided that in no event will the CCAC and KURA’s contribution exceed \$8.0 Million. The parties understand that KURA will fund \$4.0 million of the CCAC at the time construction financing is secured and the balance, if any, will be calculated and paid when Project construction is complete and permanent financing has been secured.

Actual Weighted Average Cost of Capital means the cost of the permanent senior debt of the Project times 70% plus the cost of the junior capital of the Project times 30%.

Final Project Cost means the total cost to build the Project including all hard and soft costs, as well as construction interest expense.