

**Board of Directors Special Meeting**

**Friday March 12, 2021, 7:00 a.m.**

**Location: Idaho Falls Auditorium District Office/Zoom Videoconference**

<https://zoom.us/j/8694715148>

**467 Constitution Way, Idaho Falls, Idaho 83402**

**Attendees: Terri Gazdik, Bob Nitschke, Steve Vucovich, Mike Carpenter, Rob Spear, Mark Fuller, Mike Clements, Blake Davis, Ron Warnecke, Rebecca Casper, Chris Nations**

**Agenda**

1. **Action Item** - Call to Order 7:01a
2. **Action Item** - Accept the Agenda. Nitschke asked why the agenda looked like a typical Board Meeting agenda and thought only the early submittal items would be discussed and not the Hunden study. Spear said that he had hoped to have minutes completed and wanted to reserve space on the agenda in case there were other issues. Spear said he wanted to be more inclusive than exclusive. Carpenter mentioned that the Hunden report was discussed last meeting as being an agenda item. Vucovich moved to accept the agenda. Carpenter seconded. Motion passed.
3. **Action Item** - Accept the Consent Agenda – There was no consent agenda to approve.
	1. Meeting Minutes 3-9-21
	2. Review of the Payables/Financials
4. **Discussion Item** –Public Comment (Any member of the public is welcome to take three minutes and share concerns or questions with the Board). There was no public comment.
5. **Action Item** – Review and accept Hunden report on future Transient Room Tax Projections. Gazdik said the report is quite lengthy and asked if Spear has had a chance to review. Spear said that he has been through the report twice and said there is some redundancy in the main areas. Gazdik asked how this compares to the 2017 Hunden report. Spear said the biggest change is in the executive summary and the table that was updated. Spear said the report was based on interviews that Hunden conducted with local individuals and data taken from the Hunden database (hotel room night data, rom displacement data, economic impact). Spear said the management section of the facility was updated to reflect the agreement with Centennial Management. Spear said he was prepared to provide a detailed overview, a summary or just allow the Board to ask questions. Gazdik wanted to understand what the primary differences were from the 2017 study and how this plays into the financing package. Gazdik said she has only looked at the Executive Summary. Carpenter said he has reviewed and is mostly interested in how this plays into the financing plan because there appears there is underlying strength in this report that could bolster the financing plan. This includes positive demographic data that indicates within a 120 radius of Idaho Falls, there are 600,000 people.

Spear shared the 2017 Hunden report for the Board and pointed out the projections in current 2021 report are lower ($2.66M) that what Hunden had originally projected for 2021 in 2017 (2.8M). Spear said many things have changed since 2017, notably the addition of new hotels and the capturing of marketplace facilitator revenue. Spear said based on the comparison of the tables, specifically in the year 2025, it shows an estimate of $3.7M in 2017 and $3.3M in 2021. Spear concluded that Hunden is more conservative in the 2021 report than in the 2017 report.

Nitschke said he has not had a chance to review the report and thought we would get a draft to review and stated he didn’t know what the original scope of work was. Nitschke said he thought Hunden was going to present ranges for the future projections and does not know that they have done that. Gazdik also thought that there was an agreement to include a range.

Gazdik asked if all Board members had the 2017 Hunden study. Spear said he would share with the Board and encouraged the Board to read the new study and especially focus on the appreciation Hunden showed for the area.

Spear said the reason the report is on the agenda as an action item is that he thought the Board would have reviewed in enough in order for him to get approval to share it with Laura Lewis. Spear shared with the Board a comparison of the revenue estimates in the Nuveen coverage schedule with the Hunden revenue estimates. Spear said he compared the 10-year cumulative totals from the Hunden report (and conservatively used the numbers without the Event Center) with the 10-year total from the Nuveen coverage sheet. Overall, the District will see $6M more in revenue over that timeframe based on the Hunden report. Spear asked if there were questions.

Gazdik said she needs time to review and would agree to send to Lewis as long as it was not released. Spear said he hoped the Board would have reviewed this as it ties directly into the next agenda item that the Board needs to take action on.

Carpenter stated that he reviewed the main areas of the report and believes it clearly demonstrates a trajectory that supports moving forward. Our financing looks good in respect to this report. Carpenter further stated it would be gross negligence to not proceed forward baring some unforeseen issue.

Fuller commented that he has read the report and compared it to the 2017 report. The purpose of the Hunden report was to project additional revenues from the construction of the Event Center and whether new hotels would result from the construction of the Event Center. Fuller said the report indicated that the quality of the facilities being developed now are being absorbed into the market rather than cannibalizing the existing market. Fuller said the Board had been concerned that new facilities would not generate any additional room nights and thus no additional tax dollars. Fuller said the report stated $859K of new revenue would result from the construction of the event center over a 10-year period. Fuller said the most important line of the study is on page 12, “Hunden believes that the Project will induce substantial overnight visitation and generate strong room night demand

to hotels in Idaho Falls. There is an adequate supply of quality lodging options that are currently positioned to benefit from the development of a premier event center.” Fuller said the study indicates that when built it will be a positive $859k.

Spear stated that another purpose of the study was to provide support for the financing plan. Gazdik asked if Nuveen was requesting the Hunden study. Spear said not at this time. Spear also pointed out that the other TRT tax revenue was based on other charges assessed to the customer like room cancellations, early departure, meeting room rentals. Spear said this is another area of tax that he will work with the State Tax Commission to ensure compliance.

Spear requested that the Board members to provide comments back so he could provide to Hunden and have another revised draft for the Board to review at the 3-23-21 meeting. Carpenter asked about the scope of work. Spear showed the Board the scope of work that the Board approved for Hunden to provide.

1. **Action Item** – Approve early submittal and possible early payment for steel procurement, concrete, site preparation, precast and submittal materials for mechanical, electrical, plumbing, fire suppression, and ice rink system.

Spear introduced the topic and asked that Clements, Davis, and Nations provide comments. Spear said a bid opening was conducted on Tuesday 3-9-21 and although it is very preliminary at this point in time, Spear stated the Guaranteed Maximum Price (GMP) was doable. However, Bateman Hall Hogan will evaluate the bids for accuracy; existence of a bid bond, use tax is calculated correctly and that the bidders have the right qualifications.

Spear then presented an updated early submittal plan that was developed based on the results of the GMP. Spear said it is critical for the Board to approve the items listed in order to protect the GMP. The risk to the Board is that the Board may be subject to a restocking fee on steel. The amounts listed would probably not be spent until after the financing plan was in place.

Gazdik asked about whether approving this now is acceptable with the investor (Nuveen). Spear said the ability spend funding on steel is included in the term sheet. Spear then showed the Board the Nuveen term sheet and specifically referenced section H that IFAD can use funds on hand.

Carpenter asked Clements, Davis, and Nations if there is a critical date the Board needs to make this decision by. Spear stated the Board needs make a decision soon to protect the GMP and the schedule moving forward. This decision could be as important as the financing plan decision because of the work that needs to be complete before winter. If the schedule is delayed, there is a potential impact to the overall project cost.

Davis said this gives Bateman Hall Hogan the ability to enter into contracts. A subcontractor will not lock a number in if they are not under contract. Davis said the lead time for steel is so far out he would be surprised to see a bill for steel in April. Davis said the bill would likely come after the financing plan is approved. Davis said no one will assume any risk without a contract. Davis said steel prices increased 2% this week and are due to increase 2% the following week.

Nations said it is important that the Board realizes they are at a very critical point and in a good position to see this project move forward. Three main components are in place; a doable GMP, financing with a single buyer and a schedule that works. This is merely an approval to help confirm the GMP. Nations said he recommends that this step be approved by the Board and allow the financing to close in mid-April.

Nitschke said there were great expectations that the GMP would be less this time than in 2020 but it looks like it is $1M higher and there were several packages in which there was only one bid. Spear said it is actually an advantage to the Construction Manager (CM) when no one bids a package because then you can go out and negotiate. When there is just one bidder you lose that flexibility. However, Bateman Hall is prepared to reject those bids and rebid those one bid packages. Spear said that the GMP should be around $51M and that the construction account will have $52M deposited into it. Assuming the construction can be performed at $51M or below, this would give the District $1M to spend toward Furniture, Fixtures and Equipment (FF&E). FF&E is estimated to be around $4M.

Spear stated that this project is suffering from “project fatigue” and said it is important for the Board and himself to be put into a position strength. The circumstances that have surrounded this project; high expectations of the community, over promising and under delivering, for so long, have hindered the project. Now the Board has an opportunity to move the project forward that will put the District, Board, and Spear in a position of strength. This will be invaluable when presenting this project to the community and getting community support.

Nitschke asked why the District didn’t proceed when the 2020 GMP was less. Spear said the Board had a financing plan in place, however COVID hit and there was just no way to proceed forward with the financing plan.

Gazdik asked what a motion would look like. Spear suggested a motion, to approve Bateman Hall Hogan to proceed with early submittals for steel procurement, concrete, site preparation, precast and submittal materials for mechanical, electrical, plumbing, fire suppression, and ice rink system contingent upon an acceptable GMP.

Carpenter asked Fuller for his thoughts. Fuller said he understands that in order to hold the GMP, the order for these materials must be placed now so that steel and related materials can be placed in the queue. IFAD is not agreeing to pay for it now but is making a commitment that once the materials are produced that they will be paid for. If the GMP is not acceptable and if the materials are already produced, then IFAD will be subject to a restocking fee but can probably resell the steel. Fuller said IFAD is making a financial commitment but we are not paying for the $3.2M now but will be responsible for paying for steel once it is produced. Clements said it is just like last year when the Board authorized the early submittal items to get going up front. Clements said IFAD would be responsible to pay for the submittals and restocking fees if the project did not move forward. Clements said these materials will not be completed within the next two months, so the Board’s risk is minimal. It is important to get contracts prepared and into the system.

Fuller asked about the parking lot below the canal and whether or not that will be completed before the GMP. Clements said it would not. The date to start is May 3 but the sub-contractor would like to start earlier than that.

Nitschke asked Clements to comment on his confidence level of getting to a GMP of $44,363,469. Clements said they are working on that right now and feel they have some things that are going to go down and some that are going to go up. This is an extensive process and Bateman Hall is contacting all subcontractors to ensure they all understand the scope. Nitschke says he understands that it is not a trivial task and the review is necessary. Nitschke stated that the GMP is not firmed, yet Nitschke hears that we have a good GMP. How much higher can it go before our financing falls apart?

Spear said the financing plan will provide $52M for construction and if the GMP is $51M the Board has an opportunity to proceed. Spear said he is not sure if the Board will have this opportunity to construct again. Nitschke asked about how the $44M compares to the $51M. Spear explained the $51M includes Bateman Hall General Conditions, construction amounts, Bateman Hall allowances, Bateman contingencies and Bateman Hall’s 6% CM fee. It does not include FF&E. By pulling FF&E out IFAD saves the 6% fee on the FF&E amount.

Clements said the $44K is just the amount for the subcontractors and that the other costs that helped make the last GMP of $50.252M have remained the same. Spear then showed the breakdown of the last GMP. Davis said they are 90% confident that they will be within the $51M number. Nitschke said he just wants to understand how close we are. Davis said he has a high confidence level that they will fall within the $51M number and expects several packages to be rebid. Nitschke expressed caution that right now the project is at $51M and he does not know how much more of an increase will it take to jeopardize financing. Gazdik said it is $1M because there is $52M available for financing. Spear said the budget is tight and will require a lot of work and a lot of additional fundraising. However, there will be benefits for the District by putting itself in a position of strength. Spear said he admits that if the GMP comes in at $52M the District probably can’t proceed. Spear said if the GMP is acceptable, the Board must consider moving forward.

Gazdik suggested a motion, to approve acceptance of the early submittal packages listed on the revised post bid spreadsheet dated 3-11-21. Fuller suggested that the spreadsheet be attached to the motion. Nitschke asked if this would be a “not to exceed” or a limit placed? Gazdik said it would be based on the amounts listed in the revised post bid spreadsheet dated 3-11-21.

Fuller asked about the City of Idaho Falls power fees. Clements said that is for the permanent power that will be supplied to the site from the road. There is some lead time to get this done.

Gazdik made the motion to accept revised post bid packages listed on the revised post bid spreadsheet dated 3-11-21. Carpenter seconded.

Motion passed unanimously.

**Report and Updates**

1. **Discussion Items** - Executive Director Report – No report
2. **Discussion Item** - Legal Report – No report

 C**alendar and Announcements**

1. Upcoming IFAD Meeting – **Next Meeting on March 23, 2021**
2. **Discussion Item** - Announcements and Minor Questions
3. **Discussion Item** - Agenda Items for March 23, 2021 meeting
* Review and approve Hunden report
* Board Resolution for financing

**Meeting adjourned 8:12a**