

FOR IMMEDIATE RELEASE

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CONTACTS: Heather Dawson, City Administrator Tom Hellen, City Engineer
788-4221 ext 18 788-4221 ext 14

Ned Williamson, City Attorney
788-6688

Old Cutters Annexation Agreement Amended City of Hailey Acquires Significant Water Rights

(Hailey, Idaho) – In 2006, the City of Hailey annexed a 146 acre property at the north end of Hailey, known as Old Cutters. Old Cutters consists of 102 single family lots, 20 duplex units, and 27 townhome units. As part of the annexation, Hailey and the owner of Old Cutters entered into an annexation agreement, which outlined the terms and conditions of the annexation. Among many things, the annexation agreement provided that the developer was responsible for the payment of annexation fees in the total amount of \$3,787,500, in five payments. The first payment of \$287,000 was paid in a timely manner. The next four payments of \$875,125 are annual obligations of the developer and were to be paid beginning November 29, 2008. The annexation agreement provides that the installments are to be adjusted by the consumer price index (“CPI”).

In 2008, the developer approached the City and asked for relief on the payment schedule. To date, the developer has sold 18 market rate lots. During the last several months, Council Member Fritz Haemmerle and the Hailey City Attorney have been involved in numerous meetings with the developer and its legal representative. During the meetings, all issues before the parties were discussed, including part payment of the annexation fees with a conveyance of water rights, a request for credits under Hailey’s Development Impact Fee Ordinance, and community housing.

The results of those meetings were presented to the Hailey City Council on March 9, 2009. During the meeting, the City of Hailey agreed with the developer to amend the annexation agreement as follows:

1. The developer will convey its water rights to Hailey sufficient to irrigate 31 acres. The value of the water rights is \$930,000, or \$30,000 per acre.
2. The developer will be given full credit for the \$875,125 installment, which was due in November, 2008. Under the annexation agreement, the total amount of principal and interest due on that installment was \$883,962.13.
3. The developer will be given a partial credit for the difference of \$46,037.87 against the next installment.
4. The last three installments of annexation fees will be paid no later than November 29, 2011, November 29, 2013, and November 29, 2014. Again, all installments of annexation fees will be adjusted by the CPI.
5. Annexation fees will be paid at the rate of \$50,000 per lot upon the sale of the next lot sold. In the event each installment is not paid in full with the payments of \$50,000 per lot, the developer shall pay the remainder of the installment on or before the due date for each installment.



6. The developer will not pursue its request for credits under Hailey's Development Impact Fee Ordinance for the public improvements to the subdivision.

For several reasons, the Hailey City Council felt this amendment was appropriate and in the best interest of its citizens. These amendments to the Annexation Agreement would not have been made but for the fact that the amendments benefit the citizens of Hailey. First and foremost, Hailey will receive valuable water rights. There have been offers for similar water rights of approximately \$50,000 per acre. At the high end of value, the water rights being conveyed have a value of \$1,550,000.00, and the City is receiving the water rights for \$930,000.00. Second, the water rights may be used as mitigation for calls made by senior water users in times of drought. Acquisition of the water rights gives Hailey greater flexibility, certainty and protection of its junior water rights. Third, all of the fees under the original annexation agreement will be paid. No fees are being waived. In fact, the fees may be paid at a quicker rate than required under the annexation agreement because the Developer has agreed to make \$50,000.00 payments per lot sales on the very next lot sold, or 19th lot.

The developer is also seeking an amendment of its community housing obligations by building only workforce community housing units which would be built at a quicker pace than required under the annexation agreement. The parties will continue discussion of the community housing options.

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