MEMORANDUM

TO: Hailey Mayor and City Council Members

FROM: Ned C. Williamson

DATE: April 11, 2011

RE: Proposed Cutters Third Amendment

I have been asked to provide a summary of the discounts by the various parties. I advised the attorneys for Cutters of the request and was advised that the bank information should be treated as confidential information. Without a release from the bank, I do not feel comfortable disclosing the name of the bank, or the amount of the discount on the note agreed upon by the bank and Cutters.

I have developed a summary of the future discounts to the contract amounts.. I want to emphasize that many of the figures are only estimates. Nonetheless, I tried to objectively outline the various scenarios. I intend on putting the enclosure on a power point and going through the calculations on Monday night.

We have been provided a memo from John Campbell in which he referred to an appraisal from November, 2010. At the last meeting, I asked for that appraisal. I was sent the appraisal dated April 7, 2006, for the property to the east of the High Ditch. I asked for the November, 2010, appraisal again, but have not received it yet.

For your benefit, I am also enclosing the proposed Third Amendment.

encl.

cc: Ed Lawson (w/ encl.)
Erin Clark (w/ encl.)

CUTTERS DISCOUNT ANALYSIS

Calculation of Annexation Fees Presently Due

Annexation Fees	$3,787,500
Prior Payments	$1,308,163[1]
Payment Due	$2,479,337

A. ALLOWANCE FOR COMMUNITY HOUSING

1. Scenario No. 1[2]

Payment Due	$2,479,337
Community Housing	$2,000,000[3]
Contract amount to be paid	$4,479,337
Proposed amount to be paid	$ 173,912[4]
Discount	96.1%

2. Scenario No. 2[5]

Payment Due	$2,479,337
Community Housing	$2,568,000[6]
Contract amount to be paid	$5,047,337
Proposed amount to be paid	$ 173,912
Discount	96.6%

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[1] The prior payments include the first installment ($287,000), plus the second installment which was satisfied by the conveyance of water rights ($875,125), plus a partial payment of the second installment which was satisfied by the conveyance of water rights ($46,038), plus payment from two lot sales ($100,000), for a total of $1,308,163.

[2] Based on a CH in lieu fee and a $21,738 lot valuation, but not based on other contributions.

[3] This is an approximate figure for the cost of the remaining community housing (20 units x $100,000/unit)

[4] This assumes 8 lots valued at $21,739/lot. The $21,739 lot value was calculated based on the memo from John Campbell who stated the property was appraised at $2,000,000 in November, 2010 ($2,000,000 ÷ 92 lots = $21,739/lot).

[5] Based on Cutters CH cost and a $21,738 lot valuation, but not based on other contributions.

[6] This is calculated based on Cutters valuation of CH (*i.e.*, $642,857 for 5 units, or approximately $128,400/unit). With 20 more CH units to be constructed, the CH obligation would be $2,568,000 (20 x $128,400).

3. Scenario No. 3[7]

Payment Due	$2,479,337
Community Housing	$2,000,000
Contract amount to be paid	$4,479,337
Proposed amount to be paid	$ 636,000[8]
Discount	85.8%

4. Scenario No. 4[9]

Payment Due	$2,479,337
Community Housing	$2,568,000
Contract amount to be paid	$5,047,337
Proposed amount to be paid	$ 636,000
Discount	87.4%

[7] Based on a CH in lieu fee and a $79,500 lot valuation, but not based on other contributions.

[8] This assumes 8 lots valued at $79,500/lot. The $79,500 lot value was provided by John Campbell who stated the last lot sold for $79,500 in 2009. (8 lots x $79,500/lot = $636,000.

[9] Based on Cutters CH cost and a $79,500 lot valuation, but not based on other contributions.

B. NO ALLOWANCE FOR COMMUNITY HOUSING

5. Scenario No. 5[10]

Prior amount to be paid	$2,479,337
New amount to be paid	$ 173,912
Discount	93%

6. Scenario No. 6[11]

Prior amount to be paid	$2,479,337
New amount to be paid	$ 636,000
Discount	74.3%

[10] Based on no allowance for CH or for other contributions and based on a $21,738 lot valuation.

[11] Based on no allowance for CH or for other contributions and based on a $79,500 lot valuation.

C. ALLOWANCE FOR OTHER CONTRIBUTIONS

		Calculation
Land Donation	$2,113,000	
Park	$ 364,000	
Sidewalk	$ 51,413	
Water main	$ 276,278	
Power lines	$ 73,700	
CH (5 units)	$ 642,857	
S. Hiawatha	$ 4,500	
	$3,525,748	

7. Scenario No. 7[12]

Contributions	$3,525,748
Prior amount to be paid	$2,479,337
Overpaid	$1,046,411

[12] Based on allowance for other contributions but not for CH, and based on $21,738 lot valuation.

BANK'S DISCOUNT

New Note	$_____
2nd D of T and Note	$_____[13]
New amount to be paid	$_____
Prior amount to be paid	$_____[14]
Discount	_____%

[13] Secured by real property and $_____ in units of a limited liability company

[14] Amount due as of February 28, 2011.

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Lawson Laski Clark & Pogue, PLLC
Attention: Edward A. Lawson
Post Office Box 3310
Ketchum, ID 83340

(SPACE ABOVE THIS LINE FOR RECORDER'S USE)

THIRD AMENDMENT TO ANNEXATION, SERVICES AND DEVELOPMENT AGREEMENT

THIS THIRD AMENDMENT TO ANNEXATION, SERVICES AND DEVELOPMENT AGREEMENT ("Third Amendment") is dated this ____ day of March 2011 by and between the CITY OF HAILEY, IDAHO, a municipal corporation (the "City") and OLD CUTTERS, INC., an Idaho corporation ("OCI," and together with the City, the "Parties").

RECITALS

A. The City and OCI entered into that certain Annexation, Services and Development Agreement Old Cutters Planned Unit Development (the "Original Agreement") dated April 10, 2006 and recorded April 27, 2006 as Instrument No. 534733, records of Blaine County, Idaho.

B. The City and OCI entered into a First Amendment to Annexation, Services and Development Agreement Old Cutters Planned Unit Development (the "First Amendment") dated June 11, 2007 and recorded May 1, 2008 as Instrument No. 557818, records of Blaine County, Idaho. The First Amendment only amended Paragraph 7 of the Original Agreement.

C. The City and OCI entered into a Second Amendment to Annexation, Services and Development Agreement Old Cutters Planned Unit Development (the "Second Amendment", and together with the Original Agreement and the First Amendment the "Agreement") dated March 9, 2009 and recorded May 13, 2009 as Instrument No. 567326, records of Blaine County, Idaho. The Second Amendment (1) amended Paragraph 8 of the Agreement, (2) acknowledged the satisfaction of OCI's obligations under Paragraphs 4.a and 4.b of the Original Agreement, (3) amended Paragraphs 4.c, 4.d and 4.e of the Original Agreement, and (4) added a new Paragraph 4.g to the Original Agreement.

D. Paragraph 3.b of the Agreement provides that OCI must provide twenty-five (25) community housing units constructed in the Subdivision pursuant to the requirements of the City's Subdivision Ordinance. The City and OCI have agreed that, in recognition of the City's repeal of Section 4.11 of the Hailey Subdivision Ordinance, OCI need not comply with Paragraph 3.b of the Agreement.

E. The City acknowledges that OCI has paid $100,000 in cash towards its obligation under Paragraph 4.c of the Agreement, as amended by the Second Amendment. The City and OCI further agree that OCI may satisfy its remaining obligations under Paragraphs 4.c, 4.d and 4.e by conveying title to certain lots within the Subdivision to the City.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants, promises, agreements, terms and conditions set forth herein, the parties covenant and agree as follows:

1. The Recitals set forth above are an integral part of this Third Amendment and are fully incorporated herein by this reference.

2. Paragraph 3.b of the Agreement shall be deleted in its entirety. The City agrees, within thirty (30) days of executing this Third Amendment, to record a release of all deed restrictions that have already been recorded against any units constructed to date within the subdivision.

3. Paragraphs 4.c, 4.d and 4.e of the Agreement shall be amended by the deletion of Paragraphs 4.c, 4.d, 4.e., 4.f and 4.g in their entirety and by the addition of the following language as Paragraphs 4.c, 4.d, 4.e., 4.f and 4.g:

c. On November 29, 2011, the sum of Seven Hundred Thirty Thousand Dollars ($730,000) shall be paid to the City either in cash or by check, or at the election of OCI, by the conveyance of marketable title to unsold lots as provided in paragraph 4.f., below.

d. On November 29, 2013, the sum of Eight Hundred Seventy-five Thousand Dollars ($875,000) shall be paid to the City either in cash or by check, or at the election of OCI, by the conveyance of marketable title to unsold lots as provided in paragraph 4.f., below.

e. On November 29, 2014, the sum of Eight Hundred Seventy-five Thousand Dollars ($875,000) shall be paid to the City either in cash, by check, or at the election of OCI, by the conveyance of marketable title to unsold lots as provided in paragraph 4.f., below.

f. OCI may elect to make the payments due under Paragraphs 4.c., 4.d, or 4.e. in in kind ("In-Kind Payment Option") through the conveyance of marketable title to unsold lots within the subdivision available for conveyance as described in Exhibit 1 attached hereto ("Available Lots"), by giving the City written notice at least thirty (30) days prior to the date on which the payment is due under paragraphs 4.c., 4.d and 4.e ("In-Kind Payment Notice"). Within fifteen (15) days after receiving the In-Kind Payment Notice, the City shall select that number of Available Lots, which have an aggregate value based solely upon the valuations set forth in Exhibit 1 attached hereto, equal to the amount due from OCI to the City. Any minor difference in the aggregate value of the lots selected shall be carried over and reflected in the amount

required in the next payment. Exhibit 1 attached hereto also sets forth the number of lots that may be chosen, and the number of lots that must be chosen, by the City from each block in the subdivision.

g. The City agrees not to attempt to market or sell any lot it acquires from OCI through the In-Kind Payment Option for five years after the acquisition date.

4. Each of the persons executing this Third Amendment represents and warrants that he has the lawful authority and authorization to execute this Third Amendment, as well as all deeds, easements, liens and other documents required hereunder, for and on behalf of the entity executing this Third Amendment.

5. All other terms and conditions of the Agreement shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the Parties have executed this Third Amendment the day and year written herein.

DATED this ____ day of March 2011.

CITY OF HAILEY

By: _____
Martha Burke, Council President

ATTEST:

_____
Mary Cone, Hailey City Clerk

OLD CUTTERS, INC.

By: _____
John Campbell, President

STATE OF IDAHO)
) ss.
County of Blaine)

On this _____ day of _____, 2011, before me the undersigned Notary Public in and for said State, personally appeared MARTHA BURKE, known or identified to me to be the Council President of Hailey and the person whose name is subscribed to the within instrument, and acknowledges that she executed the same on behalf of the city of Hailey.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

_____
Notary Public for Idaho
Residing at _____
My commission expires _____

Block #	Lot #		Purchase Price/ Original list price	Available lots	May pick	Must pick
1	1		$351,500.00	16	4	2
1	2		$370,000.00			
1	3		$370,000.00			
1	4		$370,000.00			
1	5		$370,000.00			
1	6		$370,000.00			
1	7		$370,000.00			
1	8		$351,500.00			
1	9		$351,500.00			
1	10		$370,000.00			
1	11		$370,000.00			
1	12		$370,000.00			
1	13		$370,000.00			
1	14		$370,000.00			
1	15		$370,000.00			
1	16		$370,000.00			
2	1		$395,000.00	12	1	0
2	2		$387,100.00			
2	3		$387,100.00			
2	4		$387,100.00			
2	5		$387,100.00			
2	6		$387,100.00			
2	7		$387,100.00			
2	8		$387,100.00			
2	9		$395,000.00			
2	10	Sold	Not available			
2	11		$387,100.00			
2	12		$387,100.00			
2	13	Sold	Not available			
2	14		$595,000.00			
Block #	Lot #		Purchase Price			
3	1		$654,050.00	6	1	0
3	2		$395,000.00			
3	3	Sold	Not available			
3	4	Sold	Not available			
3	5		$387,100.00			
3	6		$387,100.00			
3	7		$395,000.00			
3	8		$395,000.00			
3	9 Cottages		Not available			
3	9 Duplex		Not available			
4	1		$323,000.00	4	2	1
4	2 Cottages		$350,000.00			
4	2 Duplex		$350,000.00			
4	3		$323,000.00			

EXHIBIT 1

Block #	Lot #		Purchase Price			
5	1		$261,250.00	14	4	2
5	2		$275,000.00			
5	3		$232,750.00			
5	4		$209,000.00			
5	5		$232,750.00			
5	6	L to O	Not available			
5	7		$261,250.00			
5	8		$275,000.00			
5	9		$209,000.00			
5	10		$209,000.00			
5	11		$275,000.00			
5	12		$209,000.00			
5	13		$275,000.00			
5	14		$350,000.00			
5	15		$261,250.00			
6	1	Sold	Not available	11	1	0
6	2		$261,250.00			
6	3		$275,000.00			
6	4		$325,000.00			
6	5	Sold	Not available			
6	6		$209,000.00			
6	7		$275,000.00			
6	8		$275,000.00			
6	9		$275,000.00			
6	10		$275,000.00			
6	11		$261,250.00			
6	12	Sold	Not available			
6	13	Sold	Not available			
6	14	Sold	Not available			
6	15		$350,000.00			
6	16		$261,250.00			
6	17	Sold	Not available			

Block #	Lot #		Purchase Price			
7	1	Sold	Not available	12	1	0
7	2	Sold	Not available			
7	3		$261,250.00			
7	4		$261,250.00			
7	5		$232,750.00			
7	6	L to O	Not available			
7	7		$209,000.00			
7	8	Sold	Not available			
7	9		$350,000.00			
7	10		$275,000.00			
7	11	Sold	Not available			
7	12		$232,750.00			
7	13		$232,750.00			
7	14	Sold	Not available			
7	15	Sold	Not available			
7	16		$261,250.00			
7	17		$232,750.00			
7	18		$325,000.00			
7	19		$232,750.00			
7	20	Sold	Not available			
8	1		$370,500.00	6	2	1
8	2		Not available			
8	3		$351,500.00			
8	4		$361,000.00			
8	5		$361,000.00			
8	6	L to O	Not available			
8	7		$370,500.00			
8	8		$370,500.00			

Block #	Lot #		Purchase Price			
9	1 Cottages		$350,000.00	2	2	0
9	1 Duplex		$350,000.00			
10	1		$332,500.00	4	2	0
10	2		$332,500.00			
10	3		$332,500.00			
10	4 Cottages		Not available			
10	4 Duplex		$350,000.00			
11	1		$332,500.00	3	1	0
11	2		$332,500.00			
11	3		$350,000.00			
12	1		$395,000.00	2	1	0
12	2		$370,500.00			
			Total	92	22	6

Mary Cone

From: Carol Brown

Sent: Monday, April 04, 2011 7:47 PM

To: Rick Davis; 'Fritz X. Haemmerle' (fxh@haemlaw.com); Martha Burke (burkefamily203@cox.net); donidaho@cox.net

Cc: Heather Dawson; Ned Williamson; Mary Cone

Subject: Cutters

Mayor,

Tonight during Council deliberation I asked for all the numbers about the Cutters request to amend the annexation agreement be released. I wanted the public to be fully informed as they commented. I don't know if I was clear or not with this request. At the end of the meeting Ed Lawson asked what, if any additional information should be provided to the City. His request prompted me to write this e-mail.

Next Monday night, I would like citizens of Hailey to know exactly how much "pain" each party would experience under the current proposal to amend the annexation agreement. By 'pain' I mean everyone should know how much the bank would be giving up from their original loan agreement. How much is the developer giving up. And how much are the citizens of Hailey giving up from their original agreement.

Preferably, this information should be available well in advance of next Monday's meeting.

Mary, would you please place this comment in the public record.

Carol Brown - Hailey City Council (208) 788-4221

Mary Cone

From: Rick Davis [rdavis@sunvalleytitle.com]
Sent: Tuesday, April 05, 2011 8:14 AM
To: Mary Cone
Subject: FW: Old Cutters

For 4/11 meeting. I am sure there will be more.

Rick Davis
Client Relations
Sun Valley Title Company
208.727.7728
800.488.9341
208.726.9341

From: Eltiena Campbell [mailto:Eltiena@campbellconsult.com]
Sent: Monday, April 04, 2011 4:54 PM
To: rdavis@sunvalleytitle.com; fritz.haemmerle@haileycityhall.org; don.keirn@haileycityhall.org
Subject: Old Cutters

Dear City Council,

John Campbell is our brother and brother-in-law, so you may consider our comments regarding Old Cutters to be biased.

However, we are both residents of Hailey, and business owners in Hailey, so we hope you will still consider our point of view.

We urge you to accept the proposed annexation fee amendment.

It seems highly likely to us that if you reject the amendment, or delay a decision, a lawsuit involving the bank, or a new developer, or some other aggrieved party is likely to result. Alternatively, if you approve the amendment Monday night, no lawsuit will result, and our city will be better off.

As residents of Hailey, we do not think the City handled the Sweetwater situation well. We hope the City will pursue a course of action with Cutters that is more constructive.

There are many good reasons to sign the amendment. However, avoidance of another Sweetwater is probably the best one.

Sincerely,

Eltiena and Bill Campbell
314 East Croy St.
Hailey, ID

Eltiena J. Campbell
Registered Principal
Raymond James Financial Services
Member. FINRA/SIPC
www.campbellconsult.com
111 N. First Ave, Suite 2J
Hailey, Idaho 83333
Boise: 208-429-1742
Hailey: 208-788-6000
Toll free: 1-866-757-4015

Mary Cone

From: RICK DAVIS [titleman83333@msn.com]
Sent: Tuesday, April 05, 2011 4:37 PM
To: Mary Cone
Subject: FW: City Council -Old Cutters Annexation Fee Re-Negotiation
Attachments: Dear Mayor Rick Davis-KM.docx; ATT00001.htm

From: Kelly@mntsunhomes.com
Subject: City Council -Old Cutters Annexation Fee Re-Negotiation
Date: Mon, 4 Apr 2011 14:53:36 -0600
CC: burkefamily203@cox.net; carol.brown@haileycityhall.org; fritz.haemmerle@haileycityhall.org; don.keirn@haileycityhall.org
To: rick.davis@haileycityhall.org

Dear Mayor Rick Davis and City Council Members,
Please take into account my letter regarding the Old Cutters Annexation Fee Re-Negotiation before making your decision at tonights city council meeting.
Best regards,

Kelly Malone

P.O. Box 986
Hailey, ID 83333
(208) 928-7100 Office
(208) 720-4437 Mobile

As you are aware I have worked closely with John Campbell regarding the development of the Old Cutters Subdivision for the past ten years. Arguably, I am biased towards seeing the developers succeeds with the re-negotiation of annexation fees that Cutters currently owes the City of Hailey.

However, you may not know that I have my own personal reasons for supporting the re-negotiation of the annexation fees. I purchased a lot and built a home in the Old Cutters Subdivision in 2008 because I could see the value the subdivision brought to the City of Hailey and ultimately the Wood River Valley. I knew that this subdivision would be a perfect place to raise my family. I wanted to live in a subdivision that was well planned and took into account the community that would ultimately live within the subdivision. I love the fact that Old Cutters was built around a "walkable community" concept that urges residents to live a greener lifestyle. I find it amazing that even with the absence of homes I still witness the "walkable community" concept come to life everyday with the multitudes of people who enjoy spending their time within the subdivision; whether, they are walking their dogs, riding their bikes, or simply enjoying the park.

My concern is that if you do not re-negotiate the annexation fees with the developer the Old Cutters Subdivision will fall into the hands of the bank. This concerns me as a residence of Old Cutters because I know that the bank will not maintain the property as well as the developer if at all. I am concerned that my property value will be compromised more than it already has been by the troubled economy. Given the fact that I have assisted the developer with the maintenance of the property I am well aware of the scope of work and financial burden of maintaining the subdivision. I do not see that the bank will manage the noxious weeds, park, irrigation, trails, trash, dog poop, community housing units and right of ways that the developer has immaculately maintained even when lots haven't been selling. Then I worry that the people who enjoy recreating within the subdivision will go away and my once friendly neighborhood will be forgotten.

Additionally, we have all faced financial hardships that have caused us to re-evaluate how we spend our money. I think it is important that the City of Hailey recognize that they work for the citizens of Hailey and it is their duty to represent the best interests of the citizens who live there. I think that the Old Cutters Subdivision has made Hailey a better place to live. I think our citizens enjoy recreating within the Cutters Subdivision. I think that the City has already benefited from the donation of the 5 acre park and hillside Land, sidewalk down Myrtle Street, water main upgrade and power line burial down South Hiawatha, in addition to the countless other perks that the City of Hailey has received on the account of the Old Cutters Subdivision. I think that the community will support the re-negotiation of the annexation fees because it is what is best for the citizens of the city of Hailey.

We all have to sacrifice our wants and needs in times of economic strife. It is time that the City of Hailey sacrifice their wants and needs from the developers and do what is right for their citizens and their city.

Best regards,

Mary Cone

From: RICK DAVIS [titleman83333@msn.com]
Sent: Tuesday, April 05, 2011 4:40 PM
To: Mary Cone
Subject: FW: Old Cutters City Council Meeting 4/4/11

From: Kelly@mntsunhomes.com
Subject: Old Cutters City Council Meeting 4/4/11
Date: Tue, 5 Apr 2011 10:32:40 -0600
CC: carol.brown@haileycityhall.org; don.keirn@haileycityhall.org; fritz.haemmerle@haileycityhall.org; burkefamily203@cox.net
To: rick.davis@haileycityhall.org

Dear Mayor Rick Davis and City Council Members,

I attended the Old Cutters City Council Meeting last night in order to support the developer and the citizens of the City of Hailey. I was appalled by your decision to let the developer loose his property to the bank because you are all too arrogant and afraid to be a leader of the community that elected you. As our elected officials you knew last night you had to make a decision either "Yes" or "No" but instead you delayed and ultimately made a decision of "No" without having to look bad in front of your citizens. You must think your citizens are pretty stupid to not realize that you all took a spineless approach as leaders by voting "No" without actually having to say it. Fritz was the only Council Member who was even able to make a decision, and for that I applaud him.

It seemed to me that everyone with the exception of one person was there to support the developer. It was the first City Council meeting I have ever been to where all of the comments were positive with the exception of one gentlemen who in my mind was completely misinformed. I heard Carol state that she needed a better cross cut of the community of Hailey in order to make a decision. She said everyone who commented had a vested interest in Old Cutters. She further commented that the Citizens of Hailey didn't even want to annex the property when we started this process which is why the annexation cost was so high. As I recall the cross cut of public comment during the Old Cutters annexation meetings were all from people who lived on South Hiawatha or in the Curtis Subdivision and also had a vested interest in Cutters. Yet Carol had no problem accepting their public comment. Why was the public comment last night so different? I found this comment completely unwarranted because every citizen of Hailey has a vested interest in Cutters. Do you know that when a project is successful, people are employed, businesses receive revenue, and the quality of life increases? Are you aware that this increase in the quality of life ultimately makes the City of Hailey a desirable place to live? Do you not understand that this raises the value of our city and community? Apparently not!
Do you know that today I get to call landscapers, construction workers, lumber yards, and laborers and let them know they have no job or work from us this summer. Do you know that I have to call those who made park reservations for high school reunions, fitness bootcamps, and children's soccers leagues and tell them that we are no longer in control of the Cutters Park and that they should find somewhere else to hold their events. Some of these people booked reservations last summer.

Additionally, I think it is important to note that it is not the job of the developer of the Cutters Subdivision to provided funding for the City of Hailey for the next 15 years. The City is funded by property tax, if not then why does my property tax bill have charges on it for municipal services and other city services? Somebody needs to teach Martha how to add. Who in their right mind would think 8 lots anywhere are worth $200k. If the developer were to sell those lots at Martha's price assessment they wouldn't even have made enough money on the sale of that lot to pay the City their $50k Annexation Fee payment, which just goes to prove the developers point! Fees and property values that were assessed in 2007 are obviously recessed by todays value. How can Martha argue that the developer should still pay fees based

on 2007 fiscal assessments but not allow a developer to pay those fees with land based on 2007 assessment values. If you want to reduce the value of the land that was proposed for payment than don't you think it is only fair to reduce the value placed on the annexation fee too? Come on people lets start using our brains and start working together to solve a problem that is no longer a developers problem but a communities problem.

It is further upsetting to know that the City of Hailey charged the developer a fiscal impact fee per lot in the Old Cutters Sub and that then I also had to pay that same fee on my lot at Cutters when I obtained my building permit. Do you know that there are people who would love to build homes out at the Cutters Subdivision but are scared away by the cities astronomical fees for fiscal impact and sewer/water hook up's? Do you realize that those fees make people start looking for other options and other places to live?

I apologize if the tone of my email is harsh but I am extremely upset by the out come of last nights meeting. My husband and I own a house in the Old Cutters Sub and house in the Woodside Sub. Obviously we are Hailey citizens and pay property taxes on two homes. My husband is a contractor and has relied on Cutters for his employment for the last several years. We are upside down on our Woodside house and our Cutters house is worth half what it cost us to build. Now the City is stabbing me in the back by allowing the bank to own all of the property around me at Cutters which will ultimately result in a fire sale of land and further reduce the value of my Woodside and Cutters homes. I am almost embarrassed to live in the City of Hailey at this point. If I could, I would sell my homes and move but unfortunately I am stuck here until the quality of life improves and you are not helping that quality of life you are harming it. At the rate you are improving the quality of life in Hailey I will be stuck here forever! You are making it worse for all of us.

I sincerely hope that if the developer is even able to attend the City Council Meeting on 4/11 that you make a valiant effort to do the right thing and help a community survive in a rough economic time.

Sincerely,

Kelly Malone

P.O. Box 986
Hailey, ID 83333
(208) 928-7100 Office
(208) 720-4437 Mobile

Mary Cone

From: RICK DAVIS [titleman83333@msn.com]
Sent: Tuesday, April 05, 2011 4:35 PM
To: Mary Cone
Subject: FW: Old Cutter Amendment to Annexation Agreement

Date: Mon, 4 Apr 2011 11:34:29 -0600
Subject: Old Cutter Amendment to Annexation Agreement
From: sonja@sonjahuntsman.com
To: rick.davis@haileycityhall.org

Dear Mayor Davis,

It came to my attention that Old Cutters is seeking an amendment to their annexation agreement and that there is a public hearing on it this evening. Due to a scheduling conflict this evening, I am unable to attend the meeting, but I did want to convey my thoughts as to their request.

I think our whole area has been hit by the slide of the economy and I have been impressed that Old Cutters has already paid as much as they have with their current agreement with the City of Hailey. It seems that the request they are proposing is very creative, and that is something that we are constantly seeing these days with regards to real estate transactions. It is rare, during this economic landscape, that we see straight forward transactions. I am sure you see this day in and day out at Sun Valley Title Company.

Even though Old Cutters is seeking an amendment for their annexation, it seems that they are still trying very diligently to keep their end up as long as they can while still trying to sell their properties in this economy. There is something to be said for their diligence as we see so many people giving up at the first sign of hardship and trying to give their homes back to the bank. This is a vicious cycle of real estate right now and why our values are so slow to recover. If we want a rebound of values it would behoove all parties to work together and be creative.

On another note, if some flexibility and creativity are not looked at in this situation, then a worse case option for the owners is to let the entire project go back to the bank. If this happens, then there is a great probability that the City of Hailey would, at best, get nothing in the future. That would be a shame considering that the owners are trying to work with you and be up front as they progress.

Thanks, in advance, for taking this email into consideration while you are hearing public comment this evening.

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Sincerely,

Sonja Huntsman, CRS
Windermere Sun Valley, LLC
208-720-7125
www.Sonjahuntsman.com

Mary Cone

From: Carol Brown
Sent: Wednesday, April 06, 2011 5:03 PM
To: Mary Cone; Rick Davis; Heather Dawson; Ned Williamson
Subject: FW: Cutters

I didn't see any of you copied on this e-mail. For the public record. cb

Carol Brown - Hailey City Council (208) 788-4221
All messages sent and received from this mailbox are part of the public record

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From: Jerry Kavka [gerald_kavka@msn.com]
Sent: Wednesday, April 06, 2011 8:59 AM
To: Carol Brown; Fritz Haemmerle; Don Keirn; burkefamily203@cox.net
Subject: Cutters

All:

"In lieu of further annexation payments due, and under pressure to meet bank obligations, developers of the Old Cutters subdivision in Hailey are hoping the city will agree to take over subdivision property that has not sold in the past three and a half years."

Let the bank take over the property. This is the way the free market works. Mr. Campbell and the bank need to work this out. This kind of action only makes the real estate crisis worse as the market needs to find a bottom where real values prevail and buyers step in. Maybe then we will have affordable housing and government can stay out of that business also. Frankly, this strikes me as crazy.

Regards,

Gerald L. Kavka

AGENDA ITEM SUMMARY

DATE: ~~03/28/2011~~ 4/11/11 **DEPARTMENT:** Legal/Administrative **DEPT. HEAD SIGNATURE:** HD & Ned

SUBJECT: Adoption of Ordinance setting in place an Urban Renewal Agency and Board - 3rd Reading

BACKGROUND/SUMMARY OF ALTERNATIVES CONSIDERED:

On January 25, 2010, the Hailey City Council adopted a Resolution 2010-02 finding that the need exists in Hailey for an Urban Renewal Agency. The second step of the process toward implementing a URA is to appoint Commission Members, and adoption of an Ordinance establishing the Agency. There are two steps in this process, we are at the second:

1. Appoint 3-9 members of the community as the URA Board of Commissioners. The mayor puts together a list of nominees, and the council confirms the appointments. This was done with initial appointments of 3 board members in April, 2010, the identification thereafter that the board should ideally consist of 5 members, and a search for two more appointees which culminated in their appointments in the early fall of 2010. (50-2006 b(1) The mayor, by and with the advice and consent of the local governing body, shall appoint a board of commissioners of the urban renewal agency which shall consist of not less than three (3) commissioners nor more than nine (9) commissioners. In the order of appointment, the mayor shall designate the number of commissioners to be appointed, and the term of each, provided that the original term of office of no more than two (2) commissioners shall expire in the same year. The commissioners shall serve for terms not to exceed five (5) years, from the date of appointment, except that all vacancies shall be filled for the unexpired term. For inefficiency or neglect of duty or misconduct in office, a commissioner may be removed only after a hearing and after he shall have been given a copy of the charges at least ten (10) days prior to such hearings and have had an opportunity to be heard in person or by counsel)

2. Adopt a City Ordinance establishing the Urban Renewal Agency and its Board. This ordinance should call out that:
   - the Agency is established under the authority of the City as named in Idaho Code (50-2006. Urban renewal agency. (a) There is hereby created in each municipality an independent public body corporate and politic to be known as the "urban renewal agency" for the municipality; provided, that such agency shall not transact any business or exercise its powers hereunder until or unless the local governing body has made the findings prescribed in section 50-2005, Idaho Code)
   - call out the board chair (50-2006(c) The mayor may appoint a chairman, a cochairman, or a vice chairman for a term of office of one (1) year from among the commissioners, thereafter the commissioners shall elect the chairman, cochairman or vice chairman for a term of one (1) year from among their members),
   - and identify the parameters, roles, responsibilities, purposes, and limits of the Agency. The by-laws of the Urban Renewal Agency Board are generally established by the Agency, rather than the City.

FISCAL IMPACT / PROJECT FINANCIAL ANALYSIS:

IC 50-2006 c) A commissioner shall receive no compensation for his services but shall be entitled to the necessary expenses, including traveling expenses, incurred in the discharge of his duties.

Hailey staff, consisting of Administrator Heather Dawson, Community Development Director Beth Robrahn, and attorney Ned Williamson are willing to assist in the development of an urban renewal plan.

After the URA Plan is adopted and the tax incremental financing begins to develop its own revenue source, the URA would be able to fund or assist with funding of staff.

50-2006 (d) An urban renewal agency shall have the same fiscal year as a municipality and shall be subject to the same audit requirements as a municipality. An urban renewal agency shall be required to prepare and file with its local governing body an annual financial report and shall prepare, approve and adopt an annual

budget for filing with the local governing body, for informational purposes. A budget means an annual estimate of revenues and expenses for the following fiscal year of the agency.

ACKNOWLEDGEMENT BY OTHER AFFECTED CITY DEPARTMENTS: (IFAPPLICABLE)

The City Attorney has drafted an ordinance by which the city council can establish the Urban Renewal Agency and its Board of Commissioners.

RECOMMENDATION FROM APPLICABLE DEPARTMENT HEAD:

Administrator and Attorney recommend the adoption of this ordinance, and subsequent three readings. Under proposed amendments at the Idaho State Legislature, there is a future possibility that city's may not be allowed to establish such an ordinance without an election. Urban Renewal Agencies remain the strongest single tool available to cities for economic development. Economic Development has been called out by the Hailey City Council as an important goal in recent strategic planning sessions.

FOLLOW-UP REMARKS:

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1st Reading Read by Title only 3/28/11
2nd Reading Read by Title only 3/30/11

HAILEY ORDINANCE NO. 1081

AN ORDINANCE OF THE CITY OF HAILEY, IDAHO, AMENDING HAILEY'S MUNICIPAL CODE TO ADD A NEW CHAPTER 2.40 ESTABLISHING A PURPOSE SECTION AND PROVISIONS FOR THE ESTABLISHMENT OF A BOARD OF COMMISSIONERS, THE APPOINTMENT, REMOVAL AND COMPENSATION OF THE BOARD OF COMMISSIONERS, QUORUM AND VOTING, EMPLOYMENT OF AGENTS, FINANCIAL REPORTING, AUDIT REQUIREMENTS, BUDGET AND FISCAL YEAR, COMPLIANCE WITH PUBLIC RECORDS, OPEN MEETING, ETHICS AND BIDDING LAWS, AND CONFLICT OF INTEREST; PROVIDING FOR A SEVERABILITY CLAUSE; PROVIDING FOR A REPEALER CLAUSE; AND PROVIDING FOR THE EFFECTIVE DATE OF THIS ORDINANCE UPON PASSAGE, APPROVAL AND PUBLICATION ACCORDING TO LAW.

WHEREAS, pursuant to Idaho Code § 50-2005, the Hailey City Council has adopted Hailey Resolution No. 2010-02 and has created the Hailey Urban Renewal Agency, thereby authorizing the Hailey Urban Renewal Agency to transact any business or exercise its powers under law;

WHEREAS, Idaho Code § 50-2006 authorizes the Hailey City Council to appoint a board of commissioners for the Hailey Urban Renewal Agency;

WHEREAS, Idaho Code §§ 50-2006 and 50-2017 establish certain guidelines and limitations on commissioners of any urban renewal agency; and

WHEREAS, the Hailey City Council wish to adopt procedures for the appointment and administration of the board of commissioners for the Hailey Urban Renewal Agency.

NOW, THEREFORE, BE IT ORDAINED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF HAILEY, IDAHO, AS FOLLOWS:

Section 1. The Hailey Municipal Code is hereby amended to add a new Chapter 2.40, as follows:

CHAPTER 2.40

HAILEY URBAN RENEWAL AGENCY

2.40.010 Purpose. The City of Hailey finds that the establishment of the Hailey Urban Renewal Agency furthers the purposes and goals found in the Idaho Urban Renewal Law of 1965 (Idaho Code §§ 50-2001 *et seq.*) and the Local Economic Development Act (Idaho Code §§ 50-2001 *et seq.*) and that the establishment of this chapter will further the administration of the Hailey Urban Renewal Agency and will assist in accomplishing the purposes and goals of the Idaho Urban Renewal Law of 1965 and the Local Economic Development Act.

2.40.020 Establishment. Pursuant to Hailey Resolution No. 2010-02 and the findings of the Hailey City Council as prescribed in Idaho Code § 50-2005, the Hailey City Council has created the Hailey Urban Renewal Agency. The Hailey Urban Renewal Agency shall consist of a board of commissioners consisting of not less than three (3), nor more than nine (9) commissioners.

2.40.030 Appointment, Removal and Compensation.

a) The mayor, by and with the advice and consent of the Hailey City Council, shall appoint a board of commissioners of the urban renewal agency. In the order of appointment, the mayor shall designate the number of commissioners to be appointed, and the term of each, provided that the original term of office of no more than two (2) commissioners shall expire in the same year. The commissioners shall serve for terms not to exceed five (5) years, from the date of appointment, except that all vacancies shall be filled for the unexpired term. The mayor of the City of Hailey may appoint a chairman, a cochairman, or a vice chairman for an initial term of office of one (1) year from among the commissioners. Thereafter, the commissioners shall elect the chairman, cochairman or vice chairman for a term of one (1) year from among their members. Each commissioner shall hold office until a successor has been appointed and has qualified. A certificate of the appointment or reappointment of any commissioner shall be filed with the Hailey City Clerk and such certificate shall be conclusive evidence of the due and proper appointment of such commissioner.

b) By enactment of an ordinance, the Hailey City Council may terminate the appointed board of commissioners and thereby appoint and designate itself as the board of commissioners of the Hailey Urban Renewal Agency, in which case all the rights, powers, duties, privileges and immunities vested by Idaho Code §§ 50-2001 et seq., and as amended, in an appointed board of commissioners, shall be vested in the Hailey City Council, who shall, in all respects when acting as the Hailey Urban Renewal Agency, be acting as an arm of state government, entirely separate and distinct from the City of Hailey, to achieve, perform and accomplish the public purposes prescribed and provided by Idaho Code §§ 50-2001 et seq., and as amended.

c) For inefficiency or neglect of duty or misconduct in office, a commissioner may be removed only after a hearing and after the commissioner shall have been given a copy of the charges at least ten (10) days prior to such hearings and have had an opportunity to be heard in person or by counsel.

d) A commissioner shall receive no compensation for commissioner's services but shall be entitled to the necessary expenses, including travel expenses, incurred in the discharge of the commissioner's duties.

2.40.040 Quorum and Voting. The powers of the Hailey Urban Renewal Agency shall be exercised by the commissioners thereof. A majority of the commissioners shall constitute a quorum for the purpose of conducting business and exercising the powers of the agency and for all other purposes. Action may be taken by the agency upon a vote of a majority of the commissioners present, unless in any case the bylaws shall require a larger number.

2.40.050 Employment of Agents. The Hailey Urban Renewal Agency may employ an executive director, technical experts and such other agents and employees, permanent and temporary, as it may require, and determine their qualifications, duties and compensation. For such legal service as it may require, the Hailey Urban Renewal Agency may employ or retain its own counsel and legal staff.

2.40.060 Financial Reporting, Audit Requirements, Budget and Fiscal Year.

a) The Hailey Urban Renewal Agency shall file, with the City of Hailey, on or before March 31 of each year a report of its activities for the preceding calendar year, which report shall include a complete financial statement setting forth its assets, liabilities, income and operating expense as of the end of such calendar year. At the time of filing the report, the Hailey Urban Renewal Agency shall

publish in a newspaper of general circulation in the City of Hailey a notice to the effect that such report has been filed with the City of Hailey and that the report is available for inspection during business hours in the office of the Hailey City Clerk and in the office of the Hailey Urban Renewal Agency.

b) The Hailey Urban Renewal Agency shall have the same fiscal year as the City of Hailey and shall be subject to the same audit requirements as the City of Hailey. The Hailey Urban Renewal Agency shall be required to prepare and file with the City of Hailey an annual financial report and shall prepare, approve and adopt an annual budget for filing with the City of Hailey, for informational purposes. A budget means an annual estimate of revenues and expenses for the following fiscal year of the Hailey Urban Renewal Agency.

2.40.070 Compliance with Public Records, Open Meeting, Ethics and Bidding Laws. The Hailey Urban Renewal Agency shall comply with the public records law pursuant to chapter 3, title 9, Idaho Code, open meetings law pursuant to chapter 23, title 67, Idaho Code, the ethics in government law pursuant to chapter 7, title 59, Idaho Code, and the competitive bidding provisions of chapter 28, title 67, Idaho Code.

2.40.080 Conflict of Interest. No public official or employee of the City of Hailey (or board or commission thereof), and no commissioner or employee of the Hailey Urban Renewal Agency shall voluntarily acquire any personal interest, direct or indirect, in any urban renewal project, or in any property included or planned to be included in any urban renewal project in the City of Hailey or in any contract or proposed contract in connection with such urban renewal project. Where such acquisition is not voluntary, the interest acquired shall be immediately disclosed in writing to the Hailey Urban Renewal Agency and such disclosure shall be entered upon its minutes. If any such official, commissioner or employee presently owns or controls, or owned or controlled within the preceding two (2) years, any interest, direct or indirect, in any property which he or she knows is included or planned to be included in an urban renewal project, the official, commissioner or employee shall immediately disclose this fact in writing to the Hailey Urban Renewal Agency, and such disclosure shall be entered upon its minutes, and any such official, commissioner or employee shall not participate in any action by the City of Hailey (or board or commission thereof), or the Hailey Urban Renewal Agency affecting such property. Any violation of the provisions of this section shall constitute misconduct in office.

Section 2. Should any section or provision of this Ordinance be declared by the courts to be unconstitutional or invalid, such decision shall not affect the validity of the Ordinance as a whole or any part thereof other than the part so declared to be unconstitutional or invalid.

Section 3. All City of Hailey ordinances or resolutions or parts thereof, which are in conflict herewith, are hereby repealed.

Section 4. This ordinance shall be in full force and effect from and after the required three (3) readings, approval, and publication according to law.

PASSED AND ADOPTED BY THE HAILEY CITY COUNCIL AND APPROVED BY THE MAYOR THIS ____ DAY OF APRIL, 2011.

_____
Richard L. Davis, Mayor, City of Hailey

Attest:

_____
Mary Cone, City Clerk

Publish: Idaho Mountain Express _____, 2011

HAILEY RESOLUTION 2011-10

A RESOLUTION OF THE HAILEY MAYOR AND CITY COUNCIL TO SET TERMS OF OFFICE FOR A FIVE MEMBER HAILEY URBAN RENEWAL AGENCY

WHEREAS, the Mayor and Hailey City Council adopted, on January 25, 2010, Hailey Resolution 2010-02 which established findings under Idaho Urban Renewal Law (Idaho Code Title 50, Chapter 20) that conditions exist that create a need for an urban renewal agency to function in the City of Hailey, Idaho;

WHEREAS, the Mayor and Hailey City Council adopted, on April 11, 2011, Hailey Ordinance No. 1081 adopting a new Chapter 2.40 of the Hailey Municipal Code entitled Hailey Urban Renewal Agency;

WHEREAS, the Mayor and Hailey City Council of the City of Hailey created an independent public body, corporate and politic, known as the Urban Renewal Agency, with five members to act as the Board of Commissioners for the Urban Renewal Agency; and

WHEREAS, it is the desire of the City Council of Hailey, Idaho to set terms for an appointed Board of Commissioners to the Urban Renewal Agency and to name a chair for the Agency.

NOW, THEREFORE, BE IT RESOLVED by the Hailey City Council and the Mayor of the City of Hailey, that in accordance with Hailey Ordinance No. 1081, the City of Hailey establishes a five (5) member board of commissioners of the Hailey Urban Renewal Agency Board, with no term exceeding five (5) years, for the following staggered terms:

TERM LENGTH	APPOINTEE	TERM EXPIRES
3 Year Term	Mary Sfingi	March 30, 2013
4Year Term	Don Keirn	March 30, 2014
4 Year Term	Jason Miller	March 30, 2014
5 Year Term	Larry Schwarz	March 30, 2015
5 Year Term	Jim Spinelli	March 30, 2015

BE IT FURTHER RESOLVED that Jason Miller shall act as the Chair of the Hailey Urban Renewal Agency until March 30, 2012.

THIS RESOLUTION IS ADOPTED this 11th day of April, 2011.

ATTEST:

Richard L. Davis, Mayor, City of Hailey

Mary Cone, City Clerk