

**REGULAR MEETING NOTICE/AGENDA OF THE
Northeast Public Development Authority**

**MEETING OF FRIDAY, June 9th, 2023,
10:30 A.M. – Northeast Community Center**

A regular meeting of the Northeast Public Development Authority will be held at **10:30 A.M on Friday, June 9th, 2023**, at the Northeast Community Center – 4001 North Cook Street.

The meeting will be conducted in a regular format and will be open to the public. Public testimony will be taken, and discussion will be limited to appropriate officials and staff.

Executive Session

At any time during or after the regular agenda, the NEPDA Board may choose to adjourn into Executive Session for the purpose of discussing privileged legal matters. This portion of the meeting would be closed to the public.

NORTHEAST PUBLIC DEVELOPMENT AUTHORITY (NEPDA) REGULAR BOARD MEETING AGENDA

Date: June 9th, 2023

Time: 10:30 am to Noon (Pacific Time)

Location: Northeast Community Center - 4001 N Cook St., South Room (lower level), or virtual via Zoom

Join Zoom Meeting:

<https://zoom.us/j/5453150461?pwd=VWUzRTg2Y3I5dGhRcVNJS2pCeW8yZz09>

Attendees: Northeast Public Development Authority Board of Directors, Staff, Invitees and Guests

Discussion Items:

10:30 am - 10:35 am

Welcome and Introductions

Approval of Minutes:

Approval of meeting minutes from May 12th, 2023

Public Comment

10:35 am - 11:05 am

Proposed General Facilities Charges Discussion – Continued

1. Review Committee feedback
2. PDA Impacts

11:00 am - 11:30 am

Esmerelda Commerce Park Agreement

1. Review updated financial projections
2. Discussion of additional terms
3. Potential action

Executive Session to discuss with legal counsel litigation, potential litigation and/or legal risks, per RCW 42.30.110(1)(i)

11:30 am - 11:40 am

3011 E Wellesley Property

1. Updated projections and CBRE report
2. Council outreach

11:40 am - 11:45 am

Boundary Expansion

1. Status update and outreach
2. Coordination with City/County Finance

11:50 am - 12:00 pm

Executive Director Update

1. Financials review
2. Wellesley fiber installation update
3. County ARP agreement
4. PWB Funding application - Freya
5. Subarea Plan
 - a. Project kickoff
 - b. Stakeholders advisory board
 - c. Upcoming meetings
6. New business relocation
7. NEPDA board vacancy

12:00 pm

Other Business, Closing

Next Meeting: July 14th, 2023, 10:30 am - 12:00 pm

DISCLOSURES

AMERICANS WITH DISABILITIES ACT (ADA) INFORMATION: The City of Spokane is committed to providing equal access to its facilities, programs and services for persons with disabilities. Individuals requesting reasonable accommodations or further information may call, write, or email Human Resources at 509.625.6363, 808 W. Spokane Falls Blvd, Spokane, WA, 99201; or. Persons who are deaf or hard of hearing may contact Human Resources through the Washington Relay Service at 7-1-1. Please contact us forty-eight (48) hours before the meeting date.

EXECUTIVE SESSION: An Executive Session may be called during the meeting. The purpose must be announced and is limited by RCW 42.30.110. Examples include: (1) to discuss with legal counsel litigation, potential litigation and/or legal risks (RCW 42.30.110(1)(i)); (2) to consider the acquisition of real estate by lease or purchase when public knowledge regarding such consideration would cause a likelihood of increased price (RCW 42.30.110(1)(b)); and (3) to consider the minimum price at which real estate will be offered for sale or lease when public knowledge regarding such consideration would cause a likelihood of decreased price (final action selling or leasing public property shall be taken in a meeting open to the public)(RCW 42.30.110(1)(c)).

NORTHEAST PUBLIC DEVELOPMENT AUTHORITY

Date: May 12th, 2023

Meeting Time: 10:30 am

Location: Northeast Community Center, South Room, or virtual via Zoom

Attendees

NEPDA Board of Directors

- Councilmember Michael Cathcart
- Commissioner Josh Kerns
- Scott Simmons
- Marlene Feist
- Angel Fiorini

Not in attendance:

- Cheryl Stewart

Board Staff

- Jesse Bank, Executive Director
- Megan Clark, Legal Counsel

Guests

- Steve MacDonald, City of Spokane
- Ron Valencia, Spokane County

Welcome and Introductions

Councilmember Cathcart called the meeting to order at 10:32 AM.

Public Comment

No public comments.

General Facilities Charges

1. Member Feist shared a presentation she has given to various stakeholder groups. The presentation gave an overview of what GFCs are, why they're charged, and an overview of the proposed changes.
 - a. Fees were adopted in 2002 and had no inflationary index at time of adoption. They are now highly out of date having not kept up with construction costs. This has shifted the burden of system financing onto rate payers.
 - b. For the purposes of this presentation, the focus will be on GFCs in the PDAs.
2. Current ILA for all PDAs waives any GFC charges as a means to incentivize growth in these areas. The idea is that the PDAs would make up the cost difference created by those waivers.
3. Member Feist announced that ED Bank is a member of the Mayor's GFC review committee which will make recommendations on potential changes to GFC update structure.
4. Feist stated the purpose of this discussion is to determine which direction the PDAs want to take with respect to these new GFC changes.
 - a. Three options were presented:

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- i. Retain PDA GFC waiver and use other revenues to pay the PDA's share of capacity improvements in the system.
 - ii. Amend the ILA to allow GFCs to be charged.
 - iii. Develop Special Connection Charges for utility connections that the board directs to utility capacity needs.
5. City staff is recommending a citywide update to GFC charges to represent current system costs and keep rates affordable for ratepayers. Fees will be tied to an inflationary index, so they grow as costs grow. This recommendation includes eliminating the waivers in the PDAs.
 - a. Current waivers amount to approximately ~25% of total.
 - b. Proposal breaks city down into two zones – low and high. The high zone has higher fees associated due to the complexity needed to pump water to upper levels of city.
 - c. Regional and local comparisons were displayed for context.
6. Member Feist outlined the next steps for this process:
 - a. Council passed a resolution allowing for additional analysis and public outreach.
 - b. Lower rates are in place until March 2024.
 - c. Public Works and Economic Development are working on a strategy to create funding to support certain economic development initiatives using GFC waivers.
7. CM Cathcart brought up the idea that PDAs were created in order to seed economic development in underserved areas, and that maybe there is a decreased fee option that doesn't force the PDAs to pay the entire bill for growth, but also provides some measure of leverage via lower fees than elsewhere in the city. Some degree of incentive is needed for these areas – especially the NEPDA – to have a competitive advantage.
8. Commissioner Kerns mentioned that he was present when the three PDAs were created and that GFC waivers were an integral part of the strategy to spur growth and create jobs. These changes make it seem that the City has decided it no longer wants to forego that revenue, which is antithetical to the purpose of creating PDAs in the first place. Member Feist countered that these charges are real, hard costs and need to be considered. Commissioner Kerns said that the costs were understood – as was the funding shortfall – at the time of PDA creation, and yet the waivers were still maintained. Member Feist countered that these charges are to create the infrastructure necessary to accommodate the intended growth and without the construction of these facilities the growth can't happen. Commissioner Kerns added that he felt we should honor the intent of the ILAs and not "stick it to the PDAs" due to poor fund management by City Public Works.
 - a. Director MacDonald jumped in to point out that, while the GFC waivers may have been a central component of the PDA thought process, they haven't resulted in significant new construction – at least in the NEPDA. He feels that waivers – or partial waivers - can still be created from an economic development perspective, and that those waivers can be targeted at not only housing, but also commercial and industrial development. He also referenced that these waivers have applied to the whole city in different ways, so it's not just targeting the PDAs.
9. CM Cathcart asked what happens if there is disagreement among Council or the BOCC on amending the ILAs to eliminate waivers. Member Feist responded that the capital projects within the PDAs would be backed out of the "eligible projects list" and the overall capital need calculation would be decreased citywide.
10. ED Bank added that, from a citywide perspective, he worries about the impact to attractiveness of the Spokane market in general if fees are passed to ratepayers. On the other side, however, he remarked that many of the industrial users the NEPDA seeks to attract in the future will use larger connections which will push them into the higher ends of the fee schedule – potentially causing projects to look elsewhere. CM Cathcart concurred, stating that the waivers have to be maintained or a significant discount offered.
11. Member Simmons expressed his understanding of the complexity of the issue and pointed out that Member Feist has to look at the utility as a standalone business.
12. ED Bank asked Member Feist what the timeline for this process is. She responded that there is a Plan Commission hearing on the matter scheduled for late October and it would be nice to have some direction from the PDAs by then.
13. The discussion was closed with a promise to return to it at subsequent board meetings. Member Feist left the meeting at 11:10a.

Approval of Minutes

1. Chair Cathcart called for a motion approving the minutes of the April 14th NEPDA board meeting. A motion was made by member Simmons and seconded by Commissioner Kerns. A vote was taken and passed unanimously.

3011 E Wellesley Property Update

1. ED Bank reminded the board that we have been looking at this property as a potential catalyst site and development opportunity for some time.
 - a. An overview of the foreclosure process was given, highlighting that the property is now in the City's possession.
2. In 2016 the City Council created an asset transfer policy to facilitate and provide framework for the transfer of City assets to the PDAs in furtherance of their missions. ED Bank has worked closely with City staff in crafting an asset transfer request pursuant to the 2016 policy.
 - a. ED Bank reviewed the argument the NEPDA will use in making this request.
 - b. ED Bank showed a diagrammatic site plan of the proposed building and discussed the prepared financial model.
 - c. ED felt strongly that the assumptions included in the model need 3rd party vetting in order to be persuasive to Council. To that end, ED has received a proposal from CBRE real estate services to perform an "as-proposed" appraisal of the project. The cost of this appraisal is \$5,000. ED requested a motion of support from the board to retain CBRE for these services.
3. Chair Cathcart asked whether the NEPDA would remain a tenant of the building if its interest in it was sold. ED responded that this would likely be a lease matter and that the terms of the lease will outlast the NEPDA's ownership in the building.
4. Chair followed up with a question on whether it was the PDA's intent to operate the building as well as own it. ED responded that the project, as currently modeled, is holding a 3rd party operator fee – so there is no intent to self-manage the property.
5. Chair asked whether it was the intent to hold all residential units as affordable. ED replied that the current forecast shows rents slightly under market so as to be attainable in a less-affluent part of the city. The intent was never to be a fully "Affordable" project but to target workforce housing. However, in a meeting with City staff, it became clear that the currently modeled rates would result in unit prices that would qualify as affordable from the City's perspective.
6. Member Simmons asked whether the project would seek tax incentives made available due to the project's affordability level. ED responded that it is definitely eligible for the incentives, but the NEPDA needs to analyze those incentives carefully as a tax exemption takes money out the PDA's revenue stream. A potential partner in the project may want to avail themselves of the incentive, however, so the issue will be kept on the table.
7. Member Simmons continued by stating that he's long thought this property is best served in the hands of the NEPDA and that development is something the PDA should be pursuing.
8. Chair Cathcart asked whether this was the largest project that would pencil on the site. ED said it is not, actually, but significant effort has gone into ensuring the project is achievable, so a conservative set of assumptions have been applied. In addition, going to a larger project introduces concrete and elevators into the project which adds significant cost. Chair Cathcart asked whether CLT had been considered for construction. ED responded that it has been considered and there are numerous local CLT providers that could be recruited. This is something to be investigated.
9. ED asked for a board approval for retaining CBRE to complete the project appraisal.
 - a. Chair Cathcart called for a motion approving CBRE to appraise the project. A motion was made by Commissioner Kerns and seconded by member Simmons. A vote was taken and passed unanimously.

Boundary Expansion

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1. ED Bank let the board know that City staff is planning to fast track the boundary expansion request through City Council. The request will be briefed at Urban Experience on 6/12, before the full Council on 6/19, and will come up for a vote as a consent agenda item on 6/26. Submittal materials will be prepared by 5/31 and delivered to member Simmons to begin the BOCC portion of the process.
2. ED Bank indicated it was his goal to brief Councilmembers before 6/12.
3. Member Simmons asked Commissioner Kerns whether it would be desirable for ED to brief the BOCC as well. Commissioner Kerns indicated that it would be beneficial and could be a quick conversation as all BOCC members are aware of the PDA and its purpose.
4. Chair Cathcart asked what the desired briefing timeline would be for the BOCC. Commissioner Kerns indicated that it was his preference that the BOCC be briefed one week and take a vote the next.

Esmerelda Commerce Park

1. ED Bank reported that he had communicated with Nick Czaplak earlier in the week regarding their input on the two incentive options presented. Nick let ED know that Stone is generally comfortable going forward with the first option which stipulated a \$1.25m total incentive with half delivered at permit for the horizontal infrastructure and the remaining half delivered upon completion of the second building but added that they would like to receive the second half following the completion of the first building, rather than two.
 - a. The original offer was created as it was because two buildings would generate sufficient revenue to the PDA to cover the second half of the incentive without having to dip into other funds or borrow.
 - b. Concerns about Stone's counteroffer revolve around the funds needed to rebuild Wellesley Ave and whether we have sufficient funds to complete both projects.
2. Chair Cathcart asked whether there would be guarantees in this deal to ensure the production of more buildings beyond just the first. ED Bank responded that there is no guarantee – Stone is a build-to-suit developer, and they are reluctant to commit to anything beyond a single building. That being said, ED feels that, by the time of completion of the first building, the developer will have so much capital in the project that they are unlikely to stop building, barring a significant change in macroeconomic circumstances.
 - a. ED added that the most difficult thing with projects like these is getting them off the ground – once they are up and operational it's much easier to get to completion. Stone's counteroffer, while not exactly what the NEPDA would prefer, at least gets the project over that starting threshold.
3. Member Simmons asked whether there is an analysis of the funds that will flow into the PDA from this project, and whether they would be sufficient to close any funding gaps agreed to in this proposal. ED responded that yes, there is a projection, but ED would feel more comfortable with a finer-grained analysis of those cash flows, and a verification from City/County staff that the calculations are being performed correctly.
 - a. ED indicated that he would use the time prior to June board meeting to fine tune those calculations and will present any findings to the board at that time.

Marketing and Website Updates

1. ED Bank traveled to Olympia to visit Tilladelse and to participate in a brainstorming session on what is working – and not working – in the current website. The conversation was very productive. General highlights were:
 - a. Website does a great job talking about the area and its attributes but talks very little about the PDA and what this organization brings to prospective businesses and developers.
2. ED will work with Tilladelse over the coming months to develop an updated website that better explains the organization, begins to sell the incentive strategies we're evaluating, and paints a clearer picture of what a PDA is – many markets don't have a similar organization so misunderstanding is a big issue.

Executive Director Update

1. ED Bank reviewed April 2023 financials
 - a. Member Simmons had asked in an email for better descriptors of tax revenue categories in these reports. ED let the board know he would work with the accounting team to effect those changes.
 - b. ED did highlight that the property tax disbursement from the County was less than expected for the first half of the year. ED asked member Simmons if he expected further property tax disbursements in May. Member Simmons replied he wasn't sure of the exact cadence of treasurer payments and whether or not the payments shown on this report are a month in arrears or not. The decision was made to evaluate this issue again at the June board meeting to determine if there is an issue.
2. ED reported no news on whether the Wellesley Ave fiber change order – allowing installation of fiber conduit in Wellesley Ave beneath the NSC – had been executed. ED has an upcoming meeting with City ICM and will discuss and report back.
3. County ARP agreement is ready to be executed but is awaiting City legal review. ED offered City the opportunity to review and provide comment as a sub-recipient agreement between the NEPDA and City will need to be executed in order to invoice work completed on that project.
4. ED reported that he was successful in contacting Rick Tannehill, the new owner of the former Jim Hedley portfolio along Market St. Mr. Tannehill reported that his plan was to renovate the buildings and put the upper-level residential units back into service and wanted to focus on food/beverage tenancy at street level. ED made him aware of the PDA and what it offers and hope to engage with him more in the future.
5. The City held a meeting at the NECC to discuss a proposal to create a city-wide BID. ED and Chair Cathcart were in attendance. The meeting was sparsely attended but there seems to have been a reasonably positive reaction to the proposal. Chair Cathcart reported that the City is in the process of creating a survey to gauge actual interest before advancing the idea any further.
6. ED Bank reported that he and his wife are expecting a child in late July and that he is planning to take the month of August as family leave. He has worked with all relevant groups to ensure the activities of the PDA continue uninterrupted during that time. Chair Cathcart said that he and Commissioner Kerns are happy to step in and help during that time as well.

Other Business

1. No other business was reported

Notable items, Around the Room, Closing

There were no additional comments. Board Chair Cathcart adjourned the meeting at 12:01 PM.

NEXT MEETING

July 14th, 2023, 10:30 – 12:00 PM, Northeast Community Center (4001 N. Cook St.) or virtual via Zoom

Northeast Public Development Authority
Profit & Loss
 May 2023

	May 23
Ordinary Income/Expense	
Income	
3370000 · Local Grants, Entitlements	
3370040 · Property Taxes	95,059.95
3370050 · Leasehold & Interest	949.86
	96,009.81
Total 3370000 · Local Grants, Entitlements	96,009.81
Total Income	96,009.81
Expense	
Donation	500.00
5587010 · Wages	8,461.54
5587020 · Payroll Expenses	
FICA	651.14
PFML	0.00
FUTA	0.00
Life and Disability	64.34
	715.48
Total 5587020 · Payroll Expenses	715.48
5587030 · Office Supplies & Software	
Office Supplies	217.99
	217.99
Total 5587030 · Office Supplies & Software	217.99
5587040 · Legal & Professional Services	
Accounting Fees	530.00
Advertising & Marketing	398.00
Legal Fees	1,066.10
Outside Contract Services	12,737.50
	14,731.60
Total 5587040 · Legal & Professional Services	14,731.60
5587041 · Travel	29.00
5587044 · Communications	
Website	55.57
Telephone, Telecommunications	50.00
	105.57
Total 5587044 · Communications	105.57
5587046 · Rent & Lease	125.00
5587047 · Other Business Expenses	
Bank Fees	15.45
	15.45
Total 5587047 · Other Business Expenses	15.45
Total Expense	24,901.63
Net Ordinary Income	71,108.18
Net Income	71,108.18

These financial statements have not been subjected to an audit or review or compilation engagement, and no assurance is provided on them

Northeast Public Development Authority

Profit & Loss

January through May 2023

	Jan - May 23
Ordinary Income/Expense	
Income	
3370000 · Local Grants, Entitlements	
3370100 · State - Dept. of Ecology	7,737.50
3370011 · Sales Tax - City	38,835.06
3370040 · Property Taxes	117,676.14
3370050 · Leasehold & Interest	3,328.87
Total 3370000 · Local Grants, Entitlements	167,577.57
Total Income	167,577.57
Expense	
Donation	500.00
5587010 · Wages	46,538.47
5587020 · Payroll Expenses	
FICA	3,581.24
SUTA	110.65
PFML	0.00
FUTA	588.50
Life and Disability	433.70
Health Insurance	193.02
Total 5587020 · Payroll Expenses	4,907.11
5587030 · Office Supplies & Software	
Repairs & Maintenance	198.42
Office Supplies	418.44
5587030 · Office Supplies & Software - Other	9.47
Total 5587030 · Office Supplies & Software	626.33
5587040 · Legal & Professional Services	
Engineering	5,000.00
Accounting Fees	3,072.10
Advertising & Marketing	9,009.92
Legal Fees	6,572.10
Outside Contract Services	12,737.50
Total 5587040 · Legal & Professional Services	36,391.62
5587041 · Travel	
Conference, Convention, Meeting	55.00
Meals & Entertainment	152.62
5587041 · Travel - Other	500.73
Total 5587041 · Travel	708.35
5587044 · Communications	
Website	277.85
Telephone, Telecommunications	275.00
Total 5587044 · Communications	552.85
5587046 · Rent & Lease	625.00
5587047 · Other Business Expenses	
Bank Fees	66.47
Total 5587047 · Other Business Expenses	66.47
Total Expense	90,916.20
Net Ordinary Income	76,661.37
Net Income	76,661.37

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Northeast Public Development Authority
Balance Sheet
 As of May 31, 2023

	May 31, 23
ASSETS	
Current Assets	
Checking/Savings	
1114000 · Spokane County Investment Pool	457,207.43
1111000 · 1111000 Checking WTB	209,795.41
Total Checking/Savings	667,002.84
Total Current Assets	667,002.84
TOTAL ASSETS	667,002.84
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
24000 · Payroll Liabilities	
SUTA	88.05
PFMLA	96.52
Total 24000 · Payroll Liabilities	184.57
Total Other Current Liabilities	184.57
Total Current Liabilities	184.57
Total Liabilities	184.57
Equity	
32000 · Unrestricted Net Assets	590,156.90
Net Income	76,661.37
Total Equity	666,818.27
TOTAL LIABILITIES & EQUITY	667,002.84

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