

MEMORANDUM

TO: Hailey City Council Members

FROM: Ned C. Williamson

DATE: February 11, 2008

RE: Proposed Spring Canyon Agreement

At your last meeting, the Council made a motion to conditionally approve the proposed Spring Canyon Sewer Services Agreement. One condition was that the Spring Canyon developer had to receive approval by Blaine County of the developer's proposed housing plan. The housing plan consists of a proposed payment of 1 million dollars and conveyance of 10 acres. The second condition was that if the Croy Canyon Ranch Foundation was not successful, then the developer would contribute an undetermined amount of water from its hot water springs.

Immediately after the meeting, I met with representatives of the Spring Canyon developer. For the first condition, they maintained that the condition was not feasible because the final approval of the housing plan would occur at the conclusion of the Blaine County planned unit subdivision process and that for planning and entitlement purposes, they needed to know whether an integral component of the design, sewer services, would be available. For the second condition, they maintained there was not enough excess water to serve Hailey's needs for a hot springs pool and/or geothermal heating.

Following that meeting, I obtained two reports about the geothermal capacity of the geothermal site in Democrat Gulch. In 1979, the Idaho Office of Energy authored a report which summarized certain projections about the Democrat Gulch site. The 1979 report found that hot springs discharged 70 gallons per minute with a surface temperature of 138° F. The 1979 report also projected that 736 residential and commercial uses could be heated if the site would produce 2200 gallons per minute and that it would cost \$2,156,700 (in 1979 dollars) to construct the production, transmission and injection systems for such a system.

Brockway Engineering has just recently authored a Feasibility Report for a geothermal water system in the Spring Canyon Ranch. Unlike the 1979 report, the Brockway report has evaluated the capacity of the hot springs site with well pump tests of a well drilled in 1994. Based on several pump tests, Brockway has concluded that the site is capable of sustaining flows of 500 gallons per minute with a discharge temperature of 124° F. This quantity of water of water can heat approximately 460,000 ft.² of floor space. The development proposes 116 residences and one community center with an approximate square footage of 588,000 ft.². In other words, based on these assumptions and conclusions, there would not be any available hot water during the winter season. Chuck Brockway Sr. told me that it is not feasible to increase the hot springs flow from this "fracture control spring."

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Late yesterday, I received an offer from the Spring Canyon developer. The developer proposes that the condition relating to the Blaine County approval of housing plan be modified so that once the Blaine County Board of County Commissioners makes a tentative approval of the housing plan pursuant to Section 10-5-4(N)(1) of the Blaine County Code, then they would have a right to connect to the sewer system provided all the other conditions of the agreement have been satisfied. I have been told by the county administrator that this review should occur soon. In lieu of the second condition, the developer also proposes to pay Hailey Ice, Inc. \$250,000.00.

I have been advised that Hailey Ice believes it needs \$760,000 for a skating rink and related equipment and accessories. To date, Hailey Ice has in excess of \$250,000. Once Hailey Ice reaches \$300,000, they will receive an additional \$250,000 from another donor. If my math is correct and with the \$250,000 contribution by Spring Canyon, Hailey Ice would be near their goal.

I have revised the Spring Canyon Sewer Services Agreement to incorporate the recent offer. All the changes I made to the agreement are shown on the attached redlined version of the agreement. A clean version is also attached.

If you have any questions, please contact me. Thank you.

cc: Barry Luboviski (w/ encl.)
Heather Dawson (w/ encl.)