

## ATTACHMENT 5

### **Statement of Proposed Public Improvements, Costs, Revenue, Tax Impacts, and Financing Methods**

#### **Introduction**

Expenditure of funds for projects is anticipated through 2022 with the assumption the Project could be completed by that date.

Anticipated costs of the urban renewal project, revenue sources, estimated revenue allocations, and the amount of indebtedness required to complete the project are shown in Attachment 5. Attachment 5 necessarily incorporates estimates and projections based on the Agency's completed activities, present knowledge, and expectations. The Agency may modify the presently anticipated urban renewal projects and use of revenue allocation financing or the related project costs if the Board of Directors of the Agency deems such modification necessary or convenient to effectuate the general objectives of the Plan. Any future modification will affect the estimate.

Attachment 5A also depicts estimated tax assessments through 2021, anticipated increases in tax assessments through the development process, and increases as described in Section 504.4 of this Plan.

Attachment 5 also demonstrates the overall estimated impact of revenue allocation financing on all taxing districts in which the revenue allocation area is located. The impact on individual taxing districts would be determined by those districts' then-current levies and the projected addition of private investment within the Revenue Allocation Area.

The information contained in Attachment 5 assumes certain completed and projected actions. Under the provisions of the Act, the revenue allocation shall continue until the bond debt and Project is satisfied. All debt is projected to be repaid no later than the duration period of the Plan. Second, the total amount of bonded indebtedness and the amount of revenue generated by revenue allocation is dependent upon the extent and timing of private development. Attachment 5C projects expenditures from 2005 through 2022. Should all of the development take place as projected, bonded or other indebtedness could be extinguished earlier, dependent upon the bond sale documents or other legal obligations. Should private development take longer to materialize, or should the private development be substantially less than projected, then the amount of revenue generated will be substantially reduced and bonds may continue for their full term.

The Urban Renewal Plan and attachments incorporate estimates and projections based on the Agency's present knowledge and expectations. The Agency may modify the project if the Board of Directors deems such modifications necessary to effectuate the Plan. The Plan proposes certain public improvements, including utility improvements, streetscapes, street

improvements, property acquisition, , relocation costs, water and sewer improvements, public facilities, and community facilities which will facilitate development in the Revenue Allocation Area.

### **Economic Feasibility Statement**

The attachments, with their various estimates and projections, constitute an economic feasibility study. Costs and revenues are analyzed, and the analysis shows the need from public capital funds during the project. Multiple financing sources including proposed revenue allocation notes and bonds, annual revenue allocations, developer contributions, grant funds, City in-kind services, and other funds are shown. This attachment identifies the kind, number, and location of all proposed public works or improvements, a detailed list of estimated project costs, a description of the methods of financing illustrating project costs, and the time when related costs or monetary obligations are to be incurred (see Idaho Code § 50-2905). Based on these funding sources, the conclusion is that the project is feasible.

The information contained in these attachments assumes certain projected actions. First, the Agency has projected certain loan or bond obligations. The loan or bond term will be finally determined by the marketability of the obligations. Under the provisions of the Act, the revenue allocation may continue until the debt is satisfied. Second, the total amount of indebtedness and the amount of revenue generated by revenue allocation is dependent upon the extent and time of private development. Should all of the development take place as projected, indebtedness would be extinguished earlier, dependent upon the bond sale documents and legal obligations therein. Should private development take longer to materialize or should the private development be substantially less than projected, then the amount of revenue generated will be substantially reduced and loan or bond obligations may continue for their full term.

The proposed timing for the public improvements may very well have to be modified depending upon the availability of some of the funds and the Agency's ability to sell an initial issue of notes or bonds.

Attachment 5A, Estimated Net Taxable Value of New Private Development and Annual Tax Revenue Allocations, lists estimated increases in tax assessments resulting from new development in the Revenue Allocation Area beginning in 2006 and illustrates how the project's new development would generate net revenue to the Agency, including reassessment cycles as offset by depreciated personal property values.

Attachment 5B, Estimated Annual Revenues, shows the estimated revenue allocation funds through 2022.

The analysis has assumed certain changes in the levy rates as more particularly described in Attachment 5B and Section 504.4.

Attachment 5C, Estimated Annual Revenues and Costs shows the projected Agency Project expenditures. .

Attachment 5C-1 provides the financial history for the North Highway District for the period 1993 through 2005.

Attachment 5C-2 provides the Bond amortization schedule.

### **Description of Public Financing Sources**

Revenue Allocation—Revenue allocation financing (sometimes referred to as tax increment financing) applies the increase in property taxes within a defined area to public infrastructure improvements. The improvements are designed to enhance the private development potential, thus creating the additional assessed valuation. The process is initiated upon action of a municipality, whereupon the county assessor will establish the assessed valuation within the Revenue Allocation Area for a base year. The incremental revenue may be applied directly as it is received by the authorized redevelopment agency or, more commonly, applied as a long-term revenue stream for the issuance of bonds or other debt obligations. Once the Plan has been fully implemented, the incremental revenue flows back to the appropriate taxing districts in the same proportion as the base revenue. Under the Act, a percentage of the Tax Levy Rate (currently 0.0040) is deducted from the incremental taxes and passed through to the local public school district. Revenue Allocation has been available in Idaho since 1988 and is anticipated to be the major, and thus most essential, component for Plan financing.

Bond Anticipation Notes—Problematic with Revenue Allocation financing is the time delay from initiation of Plan implementation and establishment of the base assessment roll. Several years may elapse before the incremental tax revenue stream can adequately demonstrate the strength necessary to issue bonds. Short-term bond anticipation notes issued by local lenders or underwriters are a means of providing the bridge financing necessary to begin development work. Bond proceeds can then be used to “take out” the notes. The Agency may borrow other funds from other sources as needed and authorized under the Urban Renewal Plan.

Local Improvement Districts (LIDs)—This financing mechanism is used to fund capital improvements and distribute the cost among a number of property owners. Cities and highway districts often use LIDs for local street and sewer projects. After sixty percent (60%) of a proposed district's property owners sign a LID petition, a series of ordinances are adopted to create the district, approve the assessment roll, and issue construction warrants and long-term bonds. The tax-exempt bonds are issued through bid or negotiated sale with revenue collection tied to the property tax system. Bond terms are usually ten years.

SBA 504 Program—This program uses the public sale of reduced interest debentures to write-down commercial loans for commercial and limited industrial projects.

Community Reinvestment—Local lenders are making funds available at below-market interest rates in order to meet their Community Reinvestment Act obligations.

Community Development Block Grant (CDBG)—In order to achieve the objectives set forth in this Plan, the City may submit an application from time to time for Community Development Block Grant funding. Such application must meet certain eligibility objectives.

The grant is constrained to a specific list of eligible activities. However, Community Development Block Grant funding may be of some assistance in portions of the Agency's funding objectives.

Other Federal Funding–The City has also commenced the process for direct federal funding for several of the projects shown on Attachment 5C.

Developer Advances–Given the delayed flow of revenue under tax increment financing, developer advances may be a desirable approach to initiate development projects. The terms of the advance would be negotiable on a project-by-project basis, but possible uses could be master planning, project administrations, necessary legal work, and even preliminary public infrastructure work.

City Advances–City may provide advances or contributions for certain public improvements.

Conduit Financing–The Agency reserves the right to participate as a conduit financing vehicle for those projects described in this Urban Renewal Plan, using lease or revenue proceeds, rather than revenue allocation proceeds.

### **Financing Conclusion**

The Plan has shown that the equalized valuation of the Revenue Allocation Area as defined in the Urban Renewal Plan is likely to increase as a result of the initiation and completion of urban renewal projects pursuant to the Urban Renewal Plan.