

THE CITY OF POST FALLS
TULLAMORE TAX INCREMENT FINANCING
FEASIBILITY STUDY

Business Planning Consultants, Inc.
(425) 785-0444

August 2005

ATTACHMENT EPS 1

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**THE CITY OF POST FALLS
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INTRODUCTION

The Tullamore Project is a proposed development within the City of Post Falls that has the potential of providing significant business and residential development activities if the proper infrastructure can be built. The 233-acre development area is zoned for retail, office, and mixed-use commercial and residential development. There are also many acres devoted to rights of way, open space, and parking. This report evaluates the existing status of this area and estimates the possible revenue generation capability of the area if expansion of the East Post Falls Urban Renewal District includes the Tullamore Project Area. The financial benefit to taxing districts and taxpayers is demonstrated and measured.

The primary purpose for extending the East Post Falls Urban Renewal District and creating the North Section is to provide a method for financing infrastructure development. We will call the improvement area within this district the "Tullamore Urban Renewal Area". Within the development area this includes streets, sidewalks, water, fire hydrants, sewer, storm water drainage, street lighting, street trees and public park improvements. In addition, some off-site improvements include road improvements and signalization.

These improvements are to be constructed in three phases. For purposes of this report, these improvements are scheduled to occur every 5 years during a 15-year period of absorption of the project acreage.

The reimbursement method of determining feasibility has been used. The Urban Renewal Board prefers this approach in feasibility studies because it demonstrates how much investment in the newly formed district is necessary to pay for the scheduled improvements. It also prefers this method of financing rather than bonding because it reduces the risk to the community and places the responsibility for absorption (and tax generation) on the developer. If the developer chooses, the cost of the infrastructure is paid for by the developer and later reimbursed when the investment in the district generates sufficient tax increment revenue.

FINDINGS

EXISTING LAND USES

Land within the proposed district is vacant with some commercial development with residential in the immediate vicinity especially along Highway 41. However, the entire development area is part of a larger district, all of which has been declared a deteriorated area and is therefore eligible for Tax Increment Financing.

VALUATION OF THE URBAN RENEWAL AREA

The Tullamore Urban Renewal Area has a total of 233 acres in 5 parcels and an assessed value of \$1,988,840 in 2005. The following table shows the current assessment by parcel number.

**TABLE 1
CURRENT ASSESSMENT OF THE TULLAMORE PROJECT AREA**

Parcel	Acreage	Valuation
P-0000-025-1700	158	648,330
P-7050-25-014-AA	33	300,360
P-0000-025-9000	20	600,090
P-0000-025-9200	17	380,060
P-5985-001-004-A	5	60,000
	<u>233</u>	<u>1,988,840</u>

Source: Kootenai County Assessor

Taxing districts have the following levy rates within the two tax code areas.

**TABLE 2
LEVY RATES BY TAXING DISTRICT**

Consolidated Free Library	0.000050828
City of Post Falls	0.005346722
School District 273	0.006275807
Highway District #1	0.000567121
NIC	0.000740250
Kootenai County	0.003482997
Kootenai County EMS	0.000164897
Kootenai County Fire District #1	<u>0.002056093</u>
Total	0.018684715

Source: Kootenai County Treasurer

Applying the existing assessed value to the levy rate provides the following projection of future revenue if no urban renewal plan is implemented. This assumes a 3% annual inflation of assessed value.

**TABLE 3
TAXING DISTRICT REVENUES WITHOUT THE TULLAMORE PROJECT**

	Annual	Cumulative
2006	37,161	37,161
2007	38,276	75,437
2008	39,424	114,861
2009	40,607	116,043
2010	41,825	157,868
2011	43,080	200,948
2012	44,372	245,320
2013	45,703	291,023
2014	47,074	338,098
2015	48,487	386,584
2016	49,941	436,525
2017	51,439	487,965
2018	52,983	540,947
2019	54,572	595,519
2020	56,209	651,729
2021	57,895	709,624

Source: Business Planning Consultants

Without investment in the Tullamore Project, revenues will continue to be very limited. The previous table shows the tax generation without the project. The purpose of the tax increment financing process is to provide an incentive to have public infrastructure built that will support urban growth. With that infrastructure base, the private investment in land and buildings can be made with the resultant improvements in the area and the entire Post Falls Community. Urban renewal is accomplished and the City of Post Falls and other taxing districts increase in size, quality and capability to provide services to its residents.

The current investment in the district boundary yields a very small amount of tax. At \$37,161 per year and the 3% per year inflation increase, the cumulative tax revenue is only \$709,000 in 16 years. The primary purpose of the Urban Renewal Area designation is to encourage new and higher value development to occur within the area. Therefore, our next analysis will review the projected growth in the Tullamore project and measure the implication those scenarios have on investment in the area and the taxes those investments will generate.

THE TULLAMORE URBAN RENEWAL AREA

Land use in the Tullamore area will be changed to include retail, office and residential uses. The following table shows the future land use by acre for this development.

**TABLE 4
FUTURE LAND USE IN THE TULLAMORE PROJECT**

	Acres
Retail / Commercial	36
Office Space	8
Church	6
Right of Way	52
Open Space	26
Assisted Living	6
Apartments	31
Charleston Row	11
Patio	20
Single Family 7-8k lot	17
Custom SF 10k lot	10
Custom SF 12k lot	10
Total	233

Source: JUB Engineers

The development will be phased over 15 years with each phase estimated to take approximately 5 years to be completed. The following table shows the amount of acreage by use and by phase that may be developed. Of course, these are only projections of growth and will likely be different from what actually occurs (faster or slower). However, the projection is fairly accurate for our purposes of determining the feasibility of the tax increment financing proposal.

**TABLE 5
DEVELOPMENT PHASING**

Phase:	1	2	3	Total
Retail / Commercial	12	4	20	36
Office Space			8	8
Church			6	6
Right of Way	18	16	18	52
Open Space	5	4	16	26
Assisted Living	6			6
Apartments	14		17	31
Charleston Row	2	3	6	11
Patio	8	7	5	20
Single Family 7-8k	3	7	7	17
Custom SF 10k	7	3		10
Custom SF 12k	5	5		10
Total	81	49	103	233

Source: JUB Engineers

The taxable area is only 149 acres out of the total of 233 acres. The remaining acreage is allocated for roads, parks and other public purposes.

INFRASTRUCTURE INVESTMENT

Providing infrastructure to support this development will cost about \$13,968,010. These improvements are estimated to be built over a ten-year period. According to the estimate, the first phase will occur immediately, the second phase in the fifth year and the third phase at the tenth year of the development.

To pay for these improvements using Tax Increment Financing, it is necessary to have new private investment in the Urban Renewal Area. It is assumed that the project will absorb over a period of fifteen years. This is a reasonable length of time and is consistent with development trends in the past. The following tables demonstrate the amount of investment anticipated in the Tullamore Urban Renewal Area.

PRIVATE INVESTMENT

With infrastructure in place, new private investment in the Urban Renewal Area can take place. The following table shows the investment (based on the development schedule and land use projections) that will be made in the Tullamore Project.

**TABLE 6
PRIVATE INVESTMENT SCHEDULE FOR THE TULLAMORE PROJECT**

Year	Private Investment	Cumulative Investment
2006	12,476,340	12,476,340
2007	22,525,729	35,002,069
2008	23,201,501	58,203,570
2009	23,897,546	82,101,116
2010	24,614,472	106,715,589
2011	21,030,205	127,745,794

2012	19,189,292	146,935,086
2013	19,764,971	166,700,057
2014	20,357,920	187,057,977
2015	20,970,810	208,028,788
2016	22,251,294	230,280,082
2017	42,219,303	272,499,384
2018	30,719,476	303,218,860
2019	31,641,060	334,859,921
2020	32,590,292	367,450,213

Source: Business Planning Consultants

TAX INCREMENT CREATION WITH THE TULLAMORE URBAN RENEWAL AREA

The private investment will generate tax revenue that can be used to pay for public infrastructure as well as provide revenue to the taxing districts. The following table shows the tax increment revenue that will be created by the Tullamore Urban Renewal Area.

TABLE 7
TAX INCREMENT AVAILABLE FOR DISTRICTS AND REIMBURSEMENT

Collection Year	Tax Revenue	Cumulative Revenue
2008	208,117	208,117
2009	859,621	1,067,737
2010	1,944,388	3,012,125
2011	3,475,399	6,487,524
2012	5,466,021	11,953,545
2013	7,849,255	19,802,800
2014	10,590,669	30,393,469
2015	13,700,983	44,094,452
2016	17,191,236	61,285,689
2017	21,072,836	82,358,524
2018	25,369,659	107,728,183
2019	30,454,748	138,182,931
2020	36,113,173	174,296,104
2021	42,362,089	216,658,193
2022	49,219,161	265,877,354

Source: Business Planning Consultants

TAXING DISTRICT IMPACTS

During the time when developers are reimbursed for their public investments, the tax revenue is not available to the taxing districts. This results in an increase in the burden of service without a commensurate increase in resources to provide those services. However, future revenue makes up for the temporary delay in receiving taxes. When the project is completed and all infrastructure costs have been paid, the annual tax revenue generated by the development will be in excess of \$49 million per year (2022). That is significantly more than the \$37,000 per year without the project.

The following table shows the revenue to the districts with the Tullamore Project. Please note that the years are tax years. The investment is made in the year noted; the tax assessment is made in the following year and tax collection in the year following that. So, for 2006 revenues, they would actually be assessed in 2007 and collected and distributed to the districts in 2008. A more detailed analysis of the impact on taxing districts is provided in Appendix B. These revenues assume that no reimbursements are made for infrastructure expenses.

**TABLE 8
AVAILABLE REVENUES WITH THE TULLAMORE PROJECT**

	2007	2010	2015	2020
City of Post Falls	59,554	1,564,129	6,030,094	14,084,302
School District 273	69,902	1,835,923	7,077,927	16,531,692
Highway District #1	6,317	165,905	639,606	1,493,907
NIC	8,245	216,553	834,862	1,949,962
Kootenai County	38,795	1,018,915	3,928,164	9,174,889
Kootenai County EMS	1,837	48,239	185,973	434,371
Kootenai County Fire District #1	22,901	601,489	2,318,885	5,416,147
Consolidated Free Library Bond Only	566	14,869	57,324	133,891
Total Available Revenue*	208,117	5,466,021	21,072,836	49,219,161

Source: Business Planning Consultants
* See Appendices A and B

FIRE DISTRICT PROPERTY

The Tullamore development has planned on providing a two-acre parcel for the Fire District. This parcel will be given to the district and they have the option of keeping the property and building a station on it or keeping the property until they decide to sell it and use the proceeds to pay for other, more suitable property for a station. The following analysis provides a basic review of the value of this property and the financial benefit it will provide to the Fire District in addition to the increase in tax revenues from the creation of the Tax Increment Area.

**TABLE 9
FIRE DISTRICT PROPERTY**

Year	Size	SF	Appreciation % Value/SF	5% Value
2006	2.0	87,120	2.95	257,004
2010	2.0	87,120	3.59	312,389
2015	2.0	87,120	4.58	398,697
2020	2.0	87,120	5.84	508,850

Source: Business Planning Consultants

TAX INCREMENT FINANCING FEASIBILITY

The following assumptions have been used in our determination of feasibility of the Tullamore Project.

- First, tax rates will remain essentially the same as 2004 rates. Of course, rates change each year but the amount of the change is relatively small and should not adversely impact the tax generation of the project;
- Second, investment in the project occurs according to the development phases; and
- Third, administrative costs of the Urban Renewal Area will be about \$25,000 for this project and will increase each year by 10% to account for inflation. The allocation of school district funds will remain consistent with the past - at .004% of the increment.

DETERMINATION OF FEASIBILITY

The amount and timing of tax increment growth will be sufficient to reimburse the developer for public

infrastructure costs associated with the Tullamore Project. There is sufficient tax increment revenue to pay for the first phase of infrastructure improvements early in the development time period. Then, for phases 2 and 3, which are constructed in the fifth and tenth year of the development, there will be sufficient tax revenue to pay for the entire infrastructure costs soon after the infrastructure is built.

CONCLUSIONS AND RECOMMENDATIONS

The use of Tax Increment Financing for the Tullamore Project is feasible. When investment in public infrastructure is made in the Tullamore Urban Renewal District, it will open the way for a significant amount of private investment in the area. This private investment will generate enough tax revenue to reimburse the developers within a reasonable time period.

Without investment in the area, the taxing districts will continue to obtain very little revenue from the property. However, with the infrastructure investment and the subsequent investment in buildings and equipment, the revenue that will be derived from the area will increase substantially. After the developers are reimbursed, if that is the strategy approved by the Urban Renewal Board, a significant increase in taxing district revenues (or reduction in the property tax rates) will occur.

NOTE: EXPANSION AREA CLARIFIED

The owners and developers of Tullamore own an additional 197 acres (Prairie Crossing) on both the north and south side of Prairie Avenue east of Highway 41, and on the south side of Prairie Avenue west of Highway 41. The area is titled the North Section Expansion Area on the Urban Renewal District Map. The area is inside the Area of City Impact of Post Falls and has been declared deteriorated. The Area is planned to be developed in a similar fashion as Tullamore with retail/commercial areas and some limited residential areas. However, the project will have a much stronger emphasis on professional office space, and well-designed and contained light industrial space. The goal of the Work/Live Mixed-Use Design is to attract small privately held companies whose owners and employees will reside in the residential areas of Tullamore and Prairie Crossing and work in the office, light industrial, and retail areas of Prairie Crossing and Tullamore. Prairie Crossing will have a similar tax base, and development return as Tullamore, if not stronger. As the property is annexed to the City of Post Falls the developer will seek to amend the North Section URD to include Prairie Crossing in order to obtain Urban Renewal Financing to attract business and employment.

APPENDICES

- A. Tax Increment Financing Projection
- B. Taxing District Revenue Projections

APPENDIX A. TAX INCREMENT FINANCING PROJECTION

**Tullamore Tax Increment Financing Projection
15-Year Absorption**

15 Year Absorption	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
URD Base Investment	1,988,840	2,048,505	2,109,060	2,173,259	2,238,457	2,305,611	2,374,779	2,446,022	2,519,403	2,594,985	2,672,835	2,753,020	2,835,610	2,920,679	3,008,299
Cumulative Tax Increment Investment Growth	12,476,340	35,002,069	58,203,570	82,101,116	106,715,589	127,745,794	146,935,086	166,700,057	187,057,977	208,028,788	230,280,082	272,499,384	303,218,860	334,859,921	367,450,213
Tax Increment Revenue															
Tax Rate	0.0186847	0.0186847	0.0186847	0.0186847	0.0186847	0.0186847	0.0186847	0.0186847	0.0186847	0.0186847	0.0186847	0.0186847	0.0186847	0.0186847	0.0186847
Tax Revenue															
Baseline	37,161	38,276	39,424	40,607	41,825	43,080	44,372	45,703	47,074	48,487	49,941	51,439	52,983	54,572	56,209
Increment															
Tullamore	233,117	654,004	1,087,517	1,534,036	1,993,950	2,386,894	2,745,440	3,114,743	3,495,125	3,886,959	4,302,718	5,091,573	5,665,558	6,256,762	6,865,703
Total	270,278	692,279	1,126,941	1,574,643	2,035,775	2,429,973	2,789,812	3,160,446	3,542,199	3,935,445	4,352,669	5,143,013	5,718,541	6,311,334	6,921,912
Tullamore Tax Increment Revenue	233,117	887,121	1,974,538	3,508,674	5,502,624	7,889,518	10,634,958	13,749,701	17,244,826	21,131,785	25,434,502	30,526,076	36,191,634	42,448,396	49,314,098
Administrative Costs	25,000	27,500	30,250	33,275	36,603	40,263	44,289	48,718	53,590	58,949	64,844	71,328	78,461	86,307	94,937
District Tax Revenues other than Schools	24,679	9,039	9,590	9,878	10,174	10,479	10,794	11,117	11,451	11,794	12,148	12,513	12,888	13,275	13,673
School District Release (.004% of Increment)															
Base Tax Revenue	12,482	12,856	13,639	14,048	14,470	14,904	15,351	15,811	16,286	16,774	17,277	17,796	18,330	18,880	19,446
.004% of the Increment	932	2,616	4,350	6,136	7,976	9,548	10,982	12,459	13,980	15,548	17,211	20,366	22,662	25,027	27,463
Total School Revenues	13,414	15,472	17,989	20,184	22,445	24,451	26,333	28,270	30,266	32,322	34,488	38,162	40,992	43,907	46,909
Total Costs	63,093	52,011	57,829	63,337	69,222	75,193	81,415	88,106	95,307	103,065	111,480	122,003	132,341	143,488	155,519
Increment Available	170,023	835,109	1,916,809	3,445,337	5,433,402	7,814,325	10,553,543	13,661,596	17,149,519	21,028,720	25,323,022	30,404,073	36,059,293	42,304,908	49,158,579
Cumulative Increment		1,005,133	2,921,941	6,367,278	11,800,680	19,615,005	30,168,548	43,830,143	60,979,663	82,008,382	107,331,404	137,735,477	173,794,770	216,099,678	
Total Revenues Available	208,117	859,621	1,944,368	3,475,399	5,466,021	7,849,265	10,590,669	13,700,983	17,191,236	21,072,836	25,369,659	30,454,748	36,113,173	42,362,089	49,219,161

APPENDIX B. TAXING DISTRICT REVENUE PROJECTIONS

Baseline Tax Revenue Projection *

Baseline Revenue By District

Year	Baseline Revenues	City of Post Falls School District 273				Highway District #1		Kootenai County Consolidated Free		
		City of Post Falls	School District 273	District #1	NIC	Kootenai County	Kootenai County	EMS	Fire District #1	Library Bond Only
2006	10,634	12,482	1,128	1,472	6,927	328	4,089	101	10,634	
2007	10,953	12,856	1,162	1,516	7,135	338	4,212	104	10,953	
2008	11,281	13,242	1,197	1,562	7,349	348	4,338	107	11,281	
2009	11,620	13,639	1,233	1,609	7,569	358	4,468	110	11,620	
2010	11,968	14,048	1,269	1,657	7,797	369	4,602	114	11,968	
2011	12,327	14,470	1,308	1,707	8,030	380	4,741	117	12,327	
2012	12,697	14,904	1,347	1,758	8,271	392	4,883	121	12,697	
2013	13,078	15,351	1,387	1,811	8,519	403	5,029	124	13,078	
2014	13,471	15,811	1,429	1,865	8,775	415	5,180	128	13,471	
2015	13,875	16,286	1,472	1,921	9,038	428	5,336	132	13,875	
2016	14,291	16,774	1,516	1,979	9,309	441	5,496	136	14,291	
2017	14,720	17,277	1,561	2,038	9,589	454	5,660	140	14,720	
2018	15,161	17,796	1,608	2,099	9,876	468	5,830	144	15,161	
2019	15,616	18,330	1,656	2,162	10,173	482	6,005	148	15,616	
2020	16,085	18,880	1,706	2,227	10,478	496	6,185	153	16,085	
2021	16,567	19,446	1,757	2,294	10,792	511	6,371	157	16,567	

* This projection assumes the Tullamore Urban Renewal Area is not created.

Tax Increment Revenues Available with the Tullamore Urban Renewal Area*

	Tax Increment					Kootenai	Kootenai County	Kootenai County	Consolidated
	Revenues	City of Post Falls	School District 273	Highway District #1	NIC	County	EMS	Fire District #1	Free Library Bond Only
2007	208,117	59,554	69,902	6,317	8,245	38,795	1,837	22,901	566
2008	859,621	245,985	288,729	26,091	34,056	160,241	7,586	94,594	2,338
2009	1,944,388	556,396	653,079	59,016	77,033	362,451	17,160	213,963	5,289
2010	3,475,399	994,502	1,167,314	105,486	137,688	647,845	30,671	382,438	9,454
2011	5,466,021	1,564,129	1,835,923	165,905	216,553	1,018,915	48,239	601,489	14,869
2012	7,849,255	2,246,102	2,636,401	238,242	310,971	1,463,171	69,272	863,743	21,352
2013	10,590,669	3,030,571	3,557,185	321,449	419,581	1,974,195	93,465	1,165,412	28,810
2014	13,700,983	3,920,603	4,601,875	415,854	542,805	2,553,985	120,914	1,507,676	37,271
2015	17,191,236	4,919,356	5,774,179	521,791	681,081	3,204,599	151,717	1,891,748	46,765
2016	21,072,836	6,030,094	7,077,927	639,606	834,862	3,928,164	185,973	2,318,885	57,324
2017	25,369,659	7,259,651	8,521,141	770,023	1,005,094	4,729,130	223,893	2,791,714	69,013
2018	30,454,748	8,714,774	10,229,116	924,367	1,206,555	5,677,036	268,770	3,351,284	82,846
2019	36,113,173	10,333,960	12,129,663	1,096,112	1,430,730	6,731,817	318,707	3,973,946	98,239
2020	42,362,089	12,122,118	14,228,544	1,285,780	1,678,299	7,896,670	373,855	4,661,585	115,238
2021	49,219,161	14,084,302	16,531,692	1,493,907	1,949,962	9,174,889	434,371	5,416,147	133,891

- This projection demonstrates the amount of tax increment revenue available if the Tullamore Urban Renewal District is created.