

**BONNERS FERRY
URBAN RENEWAL PLAN
2011**

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BONNERS FERRY URBAN RENEWAL AGENCY 2011

CHAIR: Mike Klaus

MEMBERS:

CHAPTER 1

INTRODUCTION

BONNERS FERRY URBAN RENEWAL PLAN

INTRODUCTION:

The City of Bonners Ferry, a community with a population of approximately 2,515, is located in the panhandle of northern Idaho within Boundary County. Bonners Ferry is situated near the U.S./Canadian border along the scenic Kootenai River and is approximately 38 miles north of Sandpoint, Idaho.

Bonners Ferry is part of an area of the northwest that is among the fastest growing in the nation. Within a 100-mile radius, considered as a comfortable distance for reaching business, industry, education, medical, etc., there is in excess of a half a million people. Using the same yardstick, Boise has a market population of 400,000, Idaho Falls 150,000, and Pocatello 130,000.

This increase in growth and development has been partially realized in the areas to the south, particularly in Sandpoint, which has absorbed a large part of the commercial development of the area. A new commercial area is under consideration in Bonners Ferry, which is a natural occurrence in former resource-based towns that are in transition to other industries. Near the gateway to Canada, the city is in the path of progress both from its north and south.

Unfortunately, infrastructure improvements some areas of Bonners Ferry are deficient or non-existent. These current deficiencies in the water and wastewater conditions within the City are a hindrance to expansion of the commercial and residential areas there. Dangerous conditions for motorists and pedestrians are also evident. The Bonners Ferry Urban Renewal Agency has stated, and re-affirmed, that their number one concern is making improvements in these areas.

In Bonners Ferry, it is believed most of the improvements will occur any of the following three areas of the City: The first area surrounds and includes what is commonly known as the lantern property towards the south end of town. This area is underutilized and is limited largely by the transportation infrastructure. The improvements anticipated here are reconstruction of Kennedy Street, Sidewalks along Highway 95, improved lighting for pedestrian and vehicle traffic, an upgrade the Fire Station 2, and linking of two water zones in the Bauman Street area. For future development on McCall Street, residential and/or commercial, there would likely be needed street improvements, the possibility of another street from McCall to Highway 95, and water and sewer line improvements.

The second area is the old mill site adjacent to and west of downtown. This area is largely a blank sheet of paper and improvement here cannot be well defined until a developer has a plan for this approximately 70 acre parcel. The improvements anticipated here would be new streets, pedestrian paths, and lighting. There would likely need to be significant changes to the water and sewer lines, increased capacity of the water treatment plant, and increased capacity of the sewer treatment plant. This area also is integrally tied to the fairgrounds and associated recreational opportunities. This leads to improvements of the fairgrounds, a riverwalk that

includes North River Drive, and inter-tied with Riverside Park north of the river. Improvements in this area are also related to its connectivity with the downtown area, and increase the value of a Downtown Revitalization Phase 2. A Downtown Revitalization Phase 2 would include the downtown streets from west of Main Street.

The third area is east of town and commonly known as the Fodge Mill property but includes several adjacent parcels. Here the needs are primarily improvements to Cow Creek road and sewer service to this area of town. Cow Creek Road serves a large section of Boundary County and has an urgent need for improvement for both commerce and safety.

Some areas of the city are being renovated but the progress has been slow. Although the area is beautifully situated on the Kootenai River, the waterfront area has limited development. A waterfront tribal casino located adjacent to downtown is an economic engine and has provided an economic stimulus to the city. Parks and the county fairgrounds are in the city but could use upgrades to their facilities.

GROWTH CONCERNS AND COMPREHENSIVE PLAN:

It is anticipated that with on-going residential and commercial development in the Bonners Ferry area, traffic problems such as congestion, coupled with a lack of signalization, roadways, lighting, sidewalks, and curbing will hamper the existing efforts to provide a safe environment for residents.

THE PLAN:

This Urban Renewal Plan describes the project area and improvements, how those improvements will be funded and outlines the powers, duties and obligations of the Bonners Ferry Urban Renewal Agency (the Agency). This plan, by way of adopted ordinance, establishes the Bonners Ferry Urban Renewal Area and Tax Allocation District, approximately 500 acres. The City has commissioned an economic feasibility study, which includes a fiscal impact statement. The economic feasibility study focuses on all aspects of the entire Bonners Ferry District, and aspects directly related to the project area. It is the intention of the Agency for much of the costs incurred by this plan to be funded by tax allocation financing, for a period not to exceed twenty-four (24) years.

The Bonners Ferry Urban Renewal district is proposed under the deteriorated urban renewal law. For instance, a phasing plan in these types of districts are usually unfeasible as improvements made in one part of the district, may provide benefits to another area of the district, by reducing traffic congestion, improving safety, and reducing unfavorable items such as vacant lots, crime, and poor public utilities, for example. This generally requires that the entire urban renewal district be adopted as a tax increment district because of interrelation of improvements and benefits with a deteriorated urban renewal district, and the inability to predict what areas exactly will benefit from an improvement made in a deteriorated urban renewal district

DETERIORATION DEFINED

Under Idaho Local Economic Development Act (Municipal Corporations Code, Sec. 50-290 et. seq.) the city council must find and determine, on the basis of substantial evidence in the record, the project area as a “deteriorated area” (when adopting an ordinance approving and adopting Urban Renewal plan for a project area). The purpose of this chapter is to present the conditions of deterioration as set forth in the Local Economic Development Act (LEDA), to show how such conditions relate to categories of being deteriorated, and to provide examples of the types of data to illustrate and substantiate the various conditions of deterioration.

The LEDA defines a deteriorated area as an area which is characterized by one or more of the conditions set forth in Sections 50-2903(7), which conditions cause a reduction or lack of, proper utilization of the area and place a burden on the community which cannot reasonably be expected to be reversed or alleviated by private enterprise acting alone. Section 50-2903(7) of the LEDA reads as follows:

“(7)(a) Any area, including slum area, in which there is a predominance of buildings or improvements, whether residential or nonresidential, which by reason of dilapidation, deterioration, age or obsolescence, inadequate provision for ventilation, light, air, sanitation, or open spaces, high density of population and overcrowding, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, is conducive to ill health, transmission of disease, infant mortality, juvenile delinquency, or crime, and is detrimental to the public health, safety, morals or welfare.

(b) Any area which by reason of the presence of a substantial number of deteriorated or deteriorating structures, predominance of defective or inadequate street layout, faulty lot layout in relation to size, adequacy, accessibility or usefulness, unsanitary or unsafe conditions, deterioration of site or other improvements, diversity of ownership, tax or special assessment delinquency exceeding the fair value of the land, defective or unusual conditions of title, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, results in economic underdevelopment of the area, substantially impairs or arrests the sound growth of a municipality, retards the provision of housing accommodations or constitutes an economic or social liability and is a menace to the public health, safety, morals or welfare in its present conditions and use.

(c) Any area which is predominately open and which because of obsolete platting, diversity of ownership, deterioration of structures or improvements, or otherwise, results in economic underdevelopment of the area, or substantially impairs or arrests the sound growth of a municipality. The provisions of section 50-2008(d), Idaho Code (see Appendix A), shall apply to open areas.

(d) Any area which the local governing body certifies is in need of redevelopment or rehabilitation as a result of a flood, storm, earthquake, or other natural disaster or catastrophe respecting which the governor of the state has certified the need for disaster assistance under any federal law.

(e) Any area which by reason of its proximity to the border of an adjacent state is competitively disadvantaged in its ability to attract private investment, business or commercial development which would promote the purposes of this chapter.”

Information presented in the deteriorated section of the plan is divided in two divisions, which address the broad categories prescribed by the law. Appropriate headings for these major divisions are: “Existing Social Conditions”, and “Existing Economic Conditions”. Within these major divisions, subheadings are used, to the extent applicable to the particular project area.

EXISTING CONDITIONS

1. Urban Renewal Agency (URA) Projects List

In development of the Urban Renewal Agency (URA) and the Urban Renewal District (URD) the Agency Board has identified various public infrastructure improvements that if implemented provide an improved environment for allowing private industry to prosper. It is anticipated that during the life of the URD the priority of project implementation will depend on when and where private development occurs. However, generally the projects can be identified for each area.

As noted earlier, the URD boundaries consist of three areas:

The first area surrounds and includes what is commonly known as the lantern property towards the south end of town. This area is underutilized and is limited largely by the transportation infrastructure. The improvements anticipated here are reconstruction of Kennedy Street, Sidewalks along Highway 95, improved lighting for pedestrian and vehicle traffic, an upgrade the Fire Station 2, and linking of two water zones in the Bauman Street area. For future development on McCall Street, residential and/or commercial, there would likely be needed street improvements, the possibility of another street from McCall to Highway 95, and water and sewer line improvements.

The second area is the old mill site adjacent to and west of downtown. This area is largely a blank sheet of paper and improvement here cannot be well defined until a developer has a plan for this approximately 70 acre parcel. The improvements anticipated here would be new streets, pedestrian paths, and lighting. There would likely need to be significant changes to the water and sewer lines, increased capacity of the water treatment plant, and increased capacity of the sewer treatment plant. This area also is integrally tied to the fairgrounds and associated recreational opportunities. This leads to improvements of the fairgrounds, a riverwalk that includes North River Drive, and inter-tied with Riverside Park north of the river.

Improvements in this area are also related to its connectivity with the downtown area, and increase the value of a Downtown Revitalization Phase 2. A Downtown Revitalization Phase 2 would include the downtown streets from west of Main Street.

The third area is east of town and commonly known as the Fodge Mill property but includes several adjacent parcels. Here the needs are primarily improvements to Cow Creek road and sewer service to this area of town. Cow Creek Road serves a large section of Boundary County and has an urgent need for improvement for both commerce and safety.

2. Existing Social Conditions

Unsafe and hazardous traffic and pedestrian conditions exist which endanger life. Buildings and structures have conditions which are unfit or unsafe to occupy.

I. Inadequate and Unsafe Public Rights of Way

Deterioration is evident in the surfacing of roadways in the area, including Highway 2/95 leading to downtown. Highway 2 and 95 are joined through the city and the route to downtown has significant issues, including the lack of sidewalks or pathways, which means walkways are not ADA-compliant. Turn lanes on that part of Highway 2/95 would greatly improve traffic flow. Cosmetic improvements to this arterial as well would enhance the experience of visitors to the city's core area. In cities

throughout north Idaho general improvements to a city's main thoroughfare have shown marked improvement in retail, as well as civic pride when acquaintances visit.

II. Dilapidation or Deterioration

In the area of deterioration, the structural conditions of buildings and poor site conditions are evident throughout portions of Bonners Ferry.

III. Age or Obsolescence

Obsolescence is mainly applicable to commercial buildings where original design features are no longer appropriate to current uses, especially if the cost to provide ADA compliant access proves too high to make a business venture viable in those buildings. This is particularly evident in the County Courthouse downtown.

Another area of deterioration is in lack of the adequate wastewater and water service lines to this area of the City. The lack of utilities is the largest detriment to managed growth and their provision would greatly enhance the ability of the City to see its commercial areas develop.

3. Existing Economic Conditions

Public Rights of Way, Buildings, Structures, and Conditions as described previously which result in economic underdevelopment of the area.

I. Inadequate and sub-standard traffic movements and flow

As noted above, some of Bonners Ferry's streets, sidewalks, curbs and gutters are in disrepair. Poor traffic circulation results from the narrow streets and the need for new pavement. Street lighting is non existent or in disrepair in many places within the area of deterioration.

Poor traffic circulation is evident, with inadequate space to turn around large vehicles such as fire and utility trucks. The lack of turn lanes on Highway 2/95 also impedes traffic flow.

II. Substantially impairs or arrests the sound growth of a municipality.

In addition to streets and the wastewater and water service lines, other public improvements are in poor physical condition, based mostly on their age and the lack of funds for their improvement over time. This is not reflective of inaction on the part of public officials but instead to the city's annual budget constraints.

The city's wastewater and water plants are in need of upgrades. These upgrades will allow the plants to be expanded to allow for the potential growth in the city. Economic development is dependent on sound utilities and investments in the wastewater and water plants will enable that to occur.

Sound economic development hinges often on a city's ability to provide life quality amenities, particularly in its park systems and pedestrian pathways. As noted above, improvements that would benefit the city include the fairgrounds as well as a riverwalk that includes North River Drive and inter-tied with Riverside Park north of the river.

Boundary County's courthouse is non-ADA compliant. This makes it difficult for some members of the public to transact business, particularly to courtrooms above ground level.

Too, access to recreational areas could be improved in the downtown area to encourage visitors to stay longer.

Better public access via improved parking would benefit the City, especially in its downtown area, and would provide economic stimulus. Cities in north Idaho that have provided additional parking, and in some cases free parking, have seen an increase in visitors and/or shoppers.

As noted above, inadequate utilities contribute to deterioration in the area. Service lines are deteriorated or non-existent in some areas. Storm water runoff is a concern, especially if it contributes to the degradation of the Kootenai River, which flows through the city. Storm drains and street gutters would help to assist in the direction and disposal of storm water.

III. Retards the provision of housing accommodations or constitutes and economic or social liability and is a menace to the public health, safety, morals or welfare in its present condition and use.

Upgrades in the deteriorated area might eliminate the shifting of uses currently observed, or rapid changes within the structures. An example is the conversion of some of the buildings to uses other than the original use.

In addition, it's evident from recent assessments from the county assessor that there may be a prevalence of depreciated values in the deteriorated area.

This often results when buildings are vacant for a period of time or have been offered for sale at lower prices.

Impaired investments appear to be evident as some of the businesses in the deteriorated area are for sale. This indicates the return on the owners' equity is diminished and the equity itself is in danger of being partially or totally lost.

These conditions have contributed to increasing vacancy rates as evidenced by empty lots in the deteriorated area. Increased public safety related issues are evident as well, as sidewalks and/or pathways are in poor shape or non-existent in these locations.

Economic maladjustments are prevalent in the deteriorated area, including business failures and move-outs resulting in vacant stores and buildings.

The percentage of low to moderate income residents (LMI) stands at 51.54%. This allows the City to be eligible for LMI assistance via grants and low-interest loans.

There are also existing land uses that are inappropriate to the needs of businesses, industries and residents of Bonners Ferry. This is evidenced by the existence of buildings that lack areas sufficient for expansion or proper access for customers & deliveries.

Another factor is the lack of adequate parking in the deteriorated area of Bonners Ferry, which could be remediated if vacant property could be converted to that use, or if existing open spaces devoted to a particular use could be utilized to supplement the lack of parking.

4. Other Factors

Another factor is the lack of a reliable and regular public transit system, which studies have shown in the largest impediment to sustained employment, especially in areas with a large LMI population. Deterioration tends to continue and areas further decline when employment opportunities are unavailable or not regular. Transit via the Kootenai Tribe's casino and hotel properties would greatly benefit the area, potentially bringing visitors from areas to the south that are served with public transit providers.

Finally, it must be noted that conditions of deterioration affect nearly the entire project area. Some properties have been added in the area of deterioration because their inclusion is necessary for effective redevelopment that will fund the improvements necessary to remediate the deterioration. This includes areas as defined in Idaho Code 50-2903(8)(c) which are "predominately open and which because of obsolete platting, diversity of ownership, deterioration of structures or improvements, or otherwise, results in economic underdevelopment of the area or substantially impairs or arrests the sound growth of a municipality. "

The deteriorated area also includes city and county property with the potential to be improved and some streets in the district so the deterioration of each could be adequately addressed.

Summary:

Bonnors Ferry has the potential to become again a very viable business center, especially as it is the gateway to Canada. Because of its history, location and changing industries, conditions of deterioration exist in some areas of the city, concerning the condition of its buildings, streets and utilities.

This is not a reflection of inaction on the city or its elected officials but more a result of low property tax increases over the years or the lack of interest by investors to develop in the city.

A district boundary (included as Exhibit A), an assessed area which is less than 10% of the city's total property tax assessment, depicts the area of deterioration and its potential development where an incremental increase in property values will pay for the infrastructure needs of the city.

CHAPTER 2

BOUNDARY DESCRIPTION

CHAPTER 3
PROPOSED DEVELOPMENT ACTIONS

PROPOSED DEVELOPMENT ACTIONS:

General

The major objective of this urban renewal plan is to provide traffic improvements and other public improvements, which implement the goals of the Bonners Ferry Urban Renewal Agency (BFURA), and the City. To fulfill the goals of the Agency, the following Project Goals are integral to the Agency, which will work to:

1. Identify community-wide resources, conduct assessments, maximize their values, and the applications to create opportunities for community enhancement.
2. Promote employment with competitive wages, benefits, workforce training opportunities, and job advancements to assure sustainability of the economy, wellbeing of the community residents.
3. Target inadequate basic structure and infrastructures for value added improvements for the “Quality of Life” in the community.
4. Promote community improvement projects that will encourage opportunities for a healthy lifestyle as recreational, for youth and adults, safety conditions, traffic management and street enhancement.
5. Promote community members input through communication such as new media, public meetings, volunteers and partnerships to improve community spirit and achievements.

The proposed projects include:

- **Streets**
Construct improvements in the deteriorated area of the city to create a more attractive and safe area. Construct roadway and utility improvements to allow for better traffic and pedestrian use, including the reconstruction of Kennedy Street, sidewalks along Highway 95, plus improved lighting for pedestrian and vehicle traffic.
- **Wastewater Facility and Lines**
Upgrade the wastewater plant to allow for expansion, and construct an extension to the existing sewer lines to serve potential developments in the deteriorated area of the city.
- **Water Lines**
Upgrade water facilities to allow for expansion and extend existing water lines to provide fire flow for the existing City.
- **Public Facilities**
Construct improvements to the Boundary County Courthouse and other city facilities, including parks and the fairgrounds.
- **Rebates**
A portion of the tax increment funds would be rebated back to the City to allow for the increased operating costs associated with new development and their impact on agencies.

Below are the projected costs to deal with the deficiencies in the Urban Renewal District:

Streets:		
Street Repair/Paving	\$3,500,000	
Landscaping	500,000	
Sidewalks	500,000	
Curbs, Gutters	750,000	
Streetlights	<u>750,000</u>	
TOTAL STREETS		\$6,000,000

Infrastructure Improvements:		
Wastewater Plant	\$1,500,000	
Wastewater Lines	1,000,000	
Water Facilities	1,000,000	
Water Lines Upgrade	<u>1,000,000</u>	
TOTAL INFRASTRUCTURE		\$4,500,000

Public Facilities:		
Boundary County Courthouse	\$1,000,000	
Fire Station	2,000,000	
Parks Improvements	<u>2,000,000</u>	
TOTAL PUBLIC FACILITIES		\$5,000,000

Rebates:		
For Agency Operations	<u>\$2,400,000</u>	
TOTAL REBATES		\$2,400,000

TOTAL COSTS VIA URBAN RENEWAL INCREMENT:		\$17,900,000
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Conformance with State and Local Requirements

The proposed redevelopment as proposed in this plan conforms to the Comprehensive Plan for the City of Bonners Ferry. This plan was reviewed by the Bonners Ferry Planning and Zoning Commission, stating that this plan is in conformity with the Bonners Ferry Comprehensive Plan.

Property Acquisition

Pursuant to State Code Section 50-2007 the URA may acquire (by purchase, lease, option, gift, grant, bequest, devise, eminent domain or otherwise) real property to hold, improve, renovate, rehabilitate, clear, or prepare such property for redevelopment. Absent the consent of the property owner, the URA will not acquire any property, which will not require modification or the imposition of restrictions. In conjunction with the acquisition of a site, the URA shall accomplish the relocation of existing businesses and tenants.

Property Management

The URA may convey property it has acquired for less than market value. The URA may clear or move buildings, structures or improvements from any real property acquired, and the URA may develop a building site by constructing streets, utilities, parks, playgrounds and other public improvements in order to carry out the urban renewal plan. The URA may acquire land or other public improvements and construct facilities within and/or outside the plan area if it can determine that the improvements are of benefit to the plan area. However, the URA shall not pay for maintenance or operation of said improvement.

Relocation of Businesses, Persons and Others

If as a result of pursuing this plan individuals, families, businesses, non-profit organizations or others are required to relocate, the URA shall prepare a plan for the relocation of same. The URA shall be responsible to assist those individuals and entities in full accordance with state and federal statutes, including finding a new location and providing relocation payments.

Owner Participation Agreements

The Owner Participation Agreements are the legal documents that form Public/Private partnerships. They are used by the URA when entering into an agreement with a private developer for a specific project. The list below is merely illustrative (not all inclusive) and does not prevent the Agency from including or excluding any of the commitments below:

1. The Agency's Commitments
 - a) What it will do:
 - site acquisition
 - site improvements
 - parking
 - off-site improvements, etc.
 - b) Determines how much the public investment is, and how it will be financed

2. The Developer's Commitments

- a) A specific development concept:
 - Emphasis on commercial use, with some potential residential
 - Public site improvements
 - Number of parking spaces
 - Quality of development, etc.

- b) Payments to the Agency, which can be in the form of:
 - payment for fee simple sale of land
 - land payment for ground lease
 - lease payments for public facilities
 - commitments towards paying other sources of public financing, such as special assessment bonds
 - participation - percentage of future cash flows
 - loans and advances
 - tax increment guarantees

- c) Firm time schedules and contingencies affecting the timing

- d) Guarantee of the bonds or loans by Bonners Ferry developers.

CHAPTER 4

USES PERMITTED IN PROJECT AREA

USES PERMITTED IN PROJECT AREA:

Comprehensive and Urban Renewal Plans

The primary objectives for the Urban Renewal Agency are to improve the quality of life, bring economic vitality and improve the aesthetics of the Bonners Ferry Area through development and redevelopment. There are two (2) differing sets of land use issues involved in this Plan. The first set of issues deal with the designated or planned land uses of the comprehensive plan and the second set of issues revolve around existing non-conforming land uses, meaning uses which don't conform to the planned uses in the comprehensive plan.

Designated Land Uses of The Comprehensive Plan

The Urban Renewal District land uses are consistent with the Generalized Land Use Map of the Bonners Ferry Comprehensive Plan. If the necessary resources are available, the Urban Renewal Agency will assist any project that desires support, but that project must be consistent with this urban renewal plan and the comprehensive plan of the city. The following is a list of the land uses in the Urban Renewal Plan as it is described in the comprehensive plan. All proposed uses must comply with the appropriate land use designation in which it will be located.

Regional / Community Commercial / Office:

Commercial designation is found in the urban renewal plan area along Highway 95/2 and in the downtown area. The function of this designation is to provide regional, local and tourist needs in readily accessible locations. Existing compatible land uses within the plan area consists of a mixture of office, retail and service commercial uses as well as vacant properties.

Public Rights-Of-Way:

With few exceptions, most of the public rights-of-way in the area are deficient in terms of development and are poorly maintained. Curbs, gutters and sidewalks are in need of repair. Street infrastructure is inadequate and is a major drawback to most kinds of beneficial development. The Urban Renewal Agency deems these infrastructure needs as being most critical to the attraction of new development. The Agency intends to use its resources, plus any additional assistance, which may be derived from any other public or private source for the completion of this critical component.

Interim Uses:

There may be a need for the temporary use of vacant properties, wetlands and/or structures within the plan area. If these uses are to be supported and/or assisted by the Urban Renewal Agency, they shall be compatible with the current zoning and land use designations of the comprehensive plan.

Non-Conforming Uses:

Uses which do not conform to the Bonners Ferry Urban Renewal Plan and/or the City of Bonners Ferry Comprehensive Plan and/or zoning map are not eligible for support or assistance from the Urban Renewal Agency.

General Controls and Limitations

Construction:

All construction which is funded or partially funded by the Urban Renewal Agency as a part of this plan will be required to meet all applicable city and state specifications. In addition, each project must meet any requirements made by the URA as a condition of assistance. Such requirements may be in the form of additional performance and development standards. Construction may be by the Agency independently, or in conjunction with any other public agency or by a developer through an Owner Participation Agreement (OPA.)

Rehabilitation and Retention Of Property:

Rehabilitation of dilapidated commercial structures is an objective of the URA, in as much as the use of the structure complies with the plan and revenues available for assistance. Except in extenuating circumstances, ownership retention will always be a priority for most projects undertaken by the URA.

CHAPTER 5
PROJECT FINANCING METHODS

PROJECT FINANCING METHODS:

General Description Of Financing Methodology

State law provides that urban renewal agencies have the power to finance urban renewal (redevelopment) activities and related costs. Agencies can issue both short and long term debt with existing and projected revenues. The debt of an urban renewal agency can be its own, or, it can include any assignments of revenues from others. For the most part, urban renewal agencies utilize tax increment financing (TIF) as the financing tool. However, Government Code Section 50-2007(f) allows other financing mechanisms, as well. The following are merely illustrative, and is not an all inclusive list, nor do they bind the Urban Renewal Agency to use one or any of the following financing mechanisms:

1. Advances
2. Loans
3. Grants
4. Contributions
5. Any other form of financial assistance from public or private sources

Bond Anticipation Notes

Bond Anticipation Notes (BANs) are utilized when an agency needs to raise higher levels of financing than possible with a standard financing mechanism. The basic assumption of BAN financing is that tax increments will grow substantially over several years, due in part or whole to the application of the BANs funding to agency programs, and the agency will subsequently be able to afford a standard financing to refinance the BANs when the whole principal balance becomes due. BANs will typically have interest only payments for the short duration of the financing term, with all principal coming due in anticipation of a fully amortized standard bond financing that will refinance or take out the BANs. BANs can raise substantial capital in advance of tax increment generation and project development. These notes can provide funding which can encourage private development in the early stages of the project when “seed” capital is needed most.

The customary BAN structure calls for the forecasting of tax increment revenues several years into the future, making an assumption about what interest rates will be at the end of the forecast / finance period, and then issuing short (two to three year) to medium (four to six year) notes. The financing program anticipates that the notes will be fully amortized standard bonds when the notes mature. Ban financing often includes a large component of capitalized (prepaid from note proceeds) interest, as the agency can typically not support full interest payments on the notes with tax increment funds. Thus, for \$100.00 of program funding, a BAN financing will require two sets of costs of issuance (both the BAN and permanent bond financing) totaling approximately \$7.00 per hundred, plus at least \$20.00 per hundred of capitalized interest. When the takeout bonds are issued, the agency will be borrowing over \$127.00 (plus reserves) to pay for \$100.00 of initial project funding.

Despite the higher financing costs, in a relatively stable legal, political and financial climate BANs can prove to be quite effective. The URA can borrow substantial additional funds compared to a standard financing mechanism and after investing these funds in project improvements, cause further tax increment revenue growth. The concept is an attractive and convenient one that answers the problems facing any project area. Subsidies and public investment are needed up front to spur development that generates tax increment within twelve to eighteen months following construction.

The risk is straight forward - if the tax increment does not grow as projected and is not adequate to support a standard financing to take out the BAN when it comes due, the agency faces a number of unpleasant choices, including borrowing funds from the city to help retire the note debt, rolling the BAN with a second BAN issue, or default. That is why the Bonners Ferry Urban Renewal Agency will require that the developer guarantee the public financing, in case the projected tax increment fails to materialize.

The accuracy of the tax increment forecast is absolutely critical to the success of the program, market / interest rate fluctuations are also a significant variable, and the ability to “take-out” the BAN with bonds is subject to legal and political factors which are beyond the control of the URA. A successful BAN financing must take these variables fully into account.

A taxable BAN which is to be taken out with taxable bonds make more sense than tax-exempt notes because one of the primary risks, alterations of the tax law, is essentially removed. Because taxable financing is typically utilized as bridge financing, waiting for private repayments, the short-term nature of a BAN can be most effective.

Tax Increment Funds

Tax increment financing is the principal method of financing the public costs of redevelopment. “Ad Valorem” property taxes generated from the increase in assessed valuation of property values, created by new development within a specified project area, is the major source of tax increment revenue. The assessed valuation at the time of adoption of the urban renewal plan becomes the base year value and is frozen at that level for the purpose of distribution of taxes to the various affected taxing entities. Each fiscal year, following the adoption of an urban renewal plan, the taxes generated by the assessed valuation that exceeds the base year level (known as tax increment) is paid to the urban renewal agency. The URA in turn utilizes these funds for the repayment of debt incurred by the URA in connection with redeveloping the project area.

When an urban renewal project is approved, there isn’t any tax increment immediately available to the agency. The fiscal year following the adoption of the project there is an opportunity for some tax increment to be generated, but only if the assessed valuation of the area has increased from the prior year.

Normally very little funding is available within the first two years of a project. Therefore, funding for the initial cost of a project and the costs of implementation must be provided from other sources.

Many times the city will loan funds to the URA, or provide the capital improvements in the project area with the URA agreeing to reimburse the city when the agency receives its revenues.

In Bonners Ferry's situation, a developer may wish to loan the agency the necessary startup funds, and also guarantee any loans or bonds that are sold for the infrastructure improvements. A portion, or all of the funds advanced would then be repaid by the agency pursuant to an agreement with the developer, as funds from the increment are generated.

Loans and Grants

Community Development Block Grants:

The Community Development Block Grants (CDBG) program replaced a number of specific aid programs (such as the former federal Urban Renewal program) to allow local communities broader discretion in the administration of community development funds. Eligible activities include acquisition of property, clearance and demolition, relocation, public facilities and historic preservation. The funds must be targeted to specific areas to benefit low and moderate-income persons or to eliminate slums and blight. CDBG funds are widely used throughout the state for economic development and senior facilities.

Local Improvement Districts:

Local Improvement Districts (LID) have been used to fund public improvements that benefit private development. LID's place upon the benefited property the costs which are not borne by the urban renewal agency (or city). The State of Idaho has determined that LID's are a legal means for the city to fund such improvements. Formation of an LID requires the approval of a majority of the property owners in the affected area. The costs of the improvements are determined, and each property is assigned its prorata share. The LID expenses are paid off via the tax rolls over a predetermined period of time.

Loans and Advances:

The URA may borrow funds for a project from the city or a lending institution. In addition, developers may advance or loan working capital to urban renewal agencies for preliminary redevelopment activities. Generally the developer is at risk with these advances and will be repaid only if the project goes forward and increment is created.

Tax Increment Guarantees:

The willingness, or ability, of an urban renewal agency to incur project financial obligations for a specific development may be based on a projection that the development will produce tax increments in a certain amount, within a definite period of time.

As an inducement to the urban renewal agency to proceed with its part of the development activities, such as paying for the costs of public facilities to serve the development, a developer may agree to guarantee to the URA the receipt of tax increments from the development in the amount and by the time projected. As stated above, it would be wise for the Agency to ask developers to guarantee any public financing included in this plan.

Certificates of Participation:

Certificates of Participation (COP's) provide long term financing through a lease with an option to purchase, (also called a conditional sale agreement). This financing method is used for long term financing of major projects such as public facilities, parking garages, and recreational activities.

Where applicable, this financing method can also be used to finance the acquisition of motorized equipment, communications equipment, computers, and other major items of equipment.

When a public sale of a lease, or COP's in a lease, is planned the principle parties include:

1. The public agency
2. A bank, financial institution or lender (buys the present value of future lease payments)
3. Purchasers or investors (purchase the COP's)
4. A trustee (holds security for payment of lease - if any)
5. An escrow agency (the trustee may also be the escrow agency)

Lease agreements are for one year at a time resulting in the COP's commanding a higher interest rate. The URA would also have to comply with state public bidding for construction laws, usury and legal interest rate laws authorizing the lease and disclosure requirements.

Joint Powers Authority:

By agreement multiple public entities with common powers may form a Joint Powers Authority (J.P.A.) when it is to the advantage of those agencies to consolidate their forces to construct a public use facility or issue debt for public purposes that when done separately would be less advantageous. A joint exercise of power agreement must be approved by the participating entities in order to utilize a J.P.A. The security of any issue of a J.P.A. will depend upon the existing or projected cash flows, reserves, and other capital resources of the participating agencies and the approved obligations of each agency. In some cases it may be advantageous for the URA to form a J.P.A. before debt obligations are approved by the individual agencies.

63-20 Debt:

States and political subdivisions are authorized, under federal tax law, to issue obligations, the interest on which is exempt from federal income taxation ("Tax-exempt bond"). Each state has statutes and administrative rules that outline the terms under which tax-exempt bonds may be issued. There are circumstances, however, when a political subdivision would prefer not to issue bonds for a project. These reasons may be legal, practical or political. A facility may qualify for tax-exempt financing, because of its use by a governmental entity; nevertheless, the governmental entity elects not to finance the project with its own tax-exempt bonds.

An alternative method of obtaining tax-exempt financing is available under the Internal Revenue Code. This method of financing is commonly referred to as “63-20” financing. The term “63-20” comes from the Department of Treasury Revenue Ruling which first described and authorized this type of tax-exempt financing (in 1963).

In a 63-20 financing, a nonprofit corporation may issue tax-exempt debt for the purpose of financing facilities as long as certain requirements are met. The most well known requirement is that title to the facilities must be transferred to a governmental entity when the debt is retired. Interest on 63-20 debt is exempt from federal income taxation. Therefore, the cost of capital is, lower than it would be in the conventional capital markets.

Historically, 63-20 debt was primarily used for nonprofit corporations, qualified under Section 501(c)(3) of the Internal Revenue Code, to access the tax-exempt bond market. 63-20 debt is sold as tax-exempt bonds generally in the same financial markets as governmental tax-exempt bonds. The interest rates may be comparable, depending upon the credit strength of the collateral security.

If the financed facility is leased to an entity other than the nonprofit issuer of the debt, the tenant is required to be either a governmental entity or a charitable organization. An underwriter may underwrite long term (20 years or more) bonds issued by the nonprofit corporation. The credit support of the bonds may derive from the lease of the facility to the governmental agency. The bonds may be issued on a non-recourse basis to the nonprofit corporation, i.e., the bonds would be secured solely by lease revenues. In a non-recourse financing, the owners of the bonds would have no recourse against any other assets of the corporation.

CHAPTER 6

TAX ALLOCATION DISTRICT

LEGAL DESCRIPTION
URBAN RENEWAL DISTRICT

THE TAX ALLOCATION DISTRICT FOR THE BONNERS FERRY URBAN RENEWAL PROJECT AREA AS DEFINED BY THE FOLLOWING DESCRIBED BOUNDARY:

Affected Agencies

The following is a list of agencies which are affected by the “Bonners Ferry Urban Renewal Plan”.

City of Bonners Ferry
Boundary County
Boundary County Library

Recent changes in Idaho tax law have neutralized the benefits and drawbacks to the creation of Tax Allocation Districts and Urban Renewal Districts. Currently, public agencies’ budgets are restricted to 3% annual growth from property taxes. At the end of a project’s life, the tax increment generated is divided among the above mentioned agencies in accordance to their respective agency’s property tax levy rates.

CHAPTER 7

ACTIONS BY THE CITY COUNCIL

ACTIONS BY THE CITY COUNCIL:

The City shall aid and cooperate with the URA in carrying out this plan and shall take all actions necessary to ensure the continued fulfillment of the purposes and objectives of this plan. The City shall assist and support the URA in preventing and eliminating the spread and/or recurrence of conditions causing blight in the plan area. Actions by the City may include, but are not limited to, the following:

1. Institution and completion of proceedings necessary for changes and improvements in private and publicly owned utilities within or affecting the project area.
2. Revising of zoning or other standards (if necessary) within the project area to permit the development authorized by this plan.
3. Imposition, wherever necessary, through the use of special use permits or other means of appropriate controls within the limits of this plan upon parcels of land within the project area to ensure their proper development and use.
4. Where possible, preservation of historical sites, and wetlands, shall have a high priority in achieving development objectives.
5. Performance of the above actions and all other functions and services relating to public health, safety, and physical development normally rendered in accordance with the schedule which will permit the redevelopment of the project area to be commenced and carried to completion without unnecessary delays.
6. If necessary, institution and completion of proceedings for the establishment of a Local Improvement District, or districts under Chapter 17, Title 50, Idaho Code.
7. Administration of Community Development Block Grants and/or other state/federal funds that may be available and are used for the purposes of this plan.
8. The undertaking and completion of any other proceedings necessary to carry out the plan.
9. Appropriate agreements with the URA for administration, supporting services, funding sources, and other similar needs.
10. The actions listed above which are to be taken by the City do not constitute any commitment of financial outlay by the City.

CHAPTER 8
ENFORCEMENT

ENFORCEMENT

The enforcement and administration of this plan, including the preparation and execution of all the documents used for the implementation of the Bonners Ferry Plan, shall be performed by the URA and/or the City of Bonners Ferry. The provisions of the Bonners Ferry Plan and other documents used pursuant to this plan may also be enforced by court litigation instituted by either the City or the URA. Remedies include, but are not limited to the following:

1. Specific performance
2. Damages
3. Injunctions
4. Other appropriate remedies

CHAPTER 9

DURATION OF THE PLAN

DURATION OF THE PLAN

The duration of the various segments which make up this urban renewal plan for the Bonners Ferry Area are as follows:

- A. The non-discrimination and non-segregation provisions of this plan shall be effective in perpetuity.
- B. Other provisions of this plan shall be effective for twenty-four (24) years from the date of adoption of this plan by the Urban Renewal Agency.
- C. The Tax Allocation District and its respective revenue allocation financing shall be in effect for a period not to exceed twenty-four (24) years.

CHAPTER 10

PLAN AMENDMENT PROCEDURES

PLAN AMENDMENT PROCEDURES

The Bonners Ferry Urban Renewal Plan may be further modified at any time by the URA, provided that the modification, if made after disposition of real property by the URA in the plan area, must be consented to by the developer(s) or successor(s) of interest of such real property if their interest is substantially affected by the proposed modification.

Where the proposed modification substantially alters the adopted plan, the modifications must be approved by the Urban Renewal Agency Board, the City Planning and Zoning Commission (if one is by then formed) and the City Council in the same manner as the original plan. Substantial changes for Council purposes shall include revisions to the following:

1. Project area boundaries
2. Length of the Term of the District
3. Land Acquisition
4. Changes to plan objectives

CHAPTER 11
TAX FEASIBILITY STUDY

City of Bonners Ferry

**Tax Allocation Feasibility Study
For
The Bonners Ferry Redevelopment Area**

May 2011

Tax Allocation Financing Feasibility Study For The Bonners Ferry Redevelopment Area

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Tax Allocation Feasibility Study For The Bonners Ferry Redevelopment Area

Executive Summary

The use of the Tax Allocation Financing Provision in the proposed Bonners Ferry Redevelopment Area Urban Renewal District is feasible under the existing taxing laws. Financing of the listed projects is projected by increment received through tax increment financing.

The investments listed here are in major part the result of expected development in the Bonners Ferry project, an investment expected to total \$280,000,000 over twenty years. Increment received has been reduced in this schedule to ensure the viability of the tax increment financing.

The following table shows the dollar amount of improvements for the total Urban Renewal Plan.

**TABLE 1
SUMMARY OF INFRASTRUCTURE INVESTMENT**

Improvement	Cost
Public Facilities/Rebates	\$7,400,00
Public Works	10,000,000
Total Project Costs	\$17,000,000

Source: City of Bonners Ferry

Methodology

Tax allocation financing is a method of providing revenue for economic development projects in urban renewal areas. As part of an urban renewal plan, a revenue tax allocation financing provision is approved. Within the urban renewal area, a tax allocation area is created. Within the tax allocation area, a base assessment roll is established which is equal to the assessment rolls for all classes of taxable property as of January 1st of the year the urban renewal plan is adopted; in this case, 2011. As new investment increases the assessed value within the tax allocation area, the increase in tax revenues is allocated to paying off bonds issued for public improvements. By using this form of financing, local taxing districts make a short-term sacrifice in receipt of added tax revenues in exchange for a long-term tax revenue increase due to added investment in the urban renewal area. This is partly mitigated by caps on increases in spending for tax districts. However, the beneficiaries are taxpayers. With added revenues and a ceiling on increased spending, the result for taxpayers can be decreased taxes.

To determine the feasibility of a tax increment financing provision for improving the Bonners Ferry Redevelopment Area, the first task was to list all properties by parcel number. Then, for each parcel within the taxing area a market value of each, with exemptions.

With a complete inventory of properties and their existing market values, a baseline projection of tax revenues was created. This projection was based on the projected build out in the district, as estimated based on proposed development.

Growth trends in the balance of the district not included in the Bonners Ferry development were not included, since expectations are that the deteriorated area will require several years to recover, even after the project infrastructure improvements are completed.

Next, a projection of tax revenue was prepared assuming that a tax allocation provision is approved. This projection assumes a "freeze" on the amount of revenue each taxing district will receive while the bonds are being paid. It also shows the tax increases that will result when the bonds are paid and the entire tax revenue amount is allocated to reduce tax levy rate. Part of this measurement determined how long the increment would need to be in place before the improvement project could be financed with a positive cash flow. Of course, if new investment in the area occurs above the normally anticipated growth, the length of time required to create sufficient revenue decreases proportionate to the amount of new investment.

Determination of feasibility will be made by the City of Bonners Ferry in their action to either approve or disapprove the urban renewal plan and the tax allocation provision. However, a statement of feasibility has been prepared which indicated whether a tax allocation provision is financially feasible. **That statement affirms that the tax allocation provision is financially feasible.**

Redevelopment Planning Area

Existing Conditions

Size and Parcels

The Boundary County Assessor has identified the parcels within the redevelopment area. The value of each parcel constitutes the basis of the total property tax revenue the taxing districts will receive during the project build out. The value of approximately \$13 million is within the allowable ten percent of the total Bonners Ferry City valuation.

Vacant Land

Within the redevelopment area there is a total of about 500 acres of under-developed and vacant land. Most of this property is within the annexed development and as such will be developed as residential property.

Planned Development and Infrastructure Extensions

Planned infrastructure development includes improvements to streets, extension of water and sewer facilities and lines, parks and parking lots, and other miscellaneous items that will also be funded. The timing of these improvements depends upon the demand for services in the area and the amount of incremental investment made in the area. The incremental investment will provide the tax revenue necessary for issuing bonds to pay for the improvements.

Baseline Build-out Potential

Resident Population

The redevelopment area is a mix of commercial and residential. With this in mind, the projected build out in the plan will be based on both commercial and residential construction, as estimated based on discussions with potential developers.

Development Acreage and Timing Projection

A projection of development acreage and timing has been prepared to provide an overview of the likely future development of the Bonners Ferry Redevelopment Area.

The following table shows the timing projection by year.

**TABLE 2
BONNERS FERRY REDEVELOPMENT AREA
DEVELOPMENT PROJECTION, 2010 TO 2029**

<u>Year</u>	<u>TOTAL ER's</u>
2010	70
2011	70
2012	70
2013	70
2014	70
2015	70
2016	70
2017	70
2018	70
2019	70
2020	70
2021	70
2022	70
2023	70
2024	70
2025	70
2026	70
2027	70
2028	70
2029	<u>70</u>
TOTAL	1,400

Source: Bonners Ferry Urban Renewal Agency and Developers' Estimate

Private Sector Investment Potential

A projection of private sector investment (and market value) has been prepared for the build-out of the redevelopment area.

The developers are confident that the build out projection is reliable, and even conservative in nature. In the unlikely event that the projections are not achieved, the amount of debt financing for the projects may be reduced, or the developer may work with the Urban Renewal Agency to find alternate funding methods.

The following table shows the growth in investment through the year 2029.

TABLE 3
BONNERS FERRY REDEVELOPMENT AREA
PRIVATE SECTOR INVESTMENT GROWTH, 2010 TO 2029

<u>Year</u>	<u>TOTAL INVESTMENT</u>
2010	\$14,000,000
2011	14,000,000
2012	14,000,000
2013	14,000,000
2014	14,000,000
2015	14,000,000
2016	14,000,000
2017	14,000,000
2018	14,000,000
2019	14,000,000
2020	14,000,000
2021	14,000,000
2022	14,000,000
2023	14,000,000
2024	14,000,000
2025	14,000,000
2026	14,000,000
2027	14,000,000
2028	14,000,000
2029	<u>14,000,000</u>
TOTAL	<u>\$280,000,000</u>

Source: Bonners Ferry Urban Renewal Agency and Developers' Estimate

Property Tax Generation

As investment occurs in the Bonners Ferry Redevelopment Area, additional taxes will be generated. The following table shows a summary of the tax generation anticipated at normal growth rates within the redevelopment area. Of course, as new infrastructure investment occurs in the area, the development rate will increase.

TABLE 4
BONNERS FERRY REDEVELOPMENT AREA
PROPERTY TAX GENERATION, 2010 TO 2029

<u>Year</u>	<u>Total</u>
2010	\$91,385
2011	91,385
2012	91,385
2013	91,385
2014	91,385
2015	91,385
2016	91,385
2017	91,385
2018	91,385
2019	91,385
2020	91,385
2021	91,385
2022	91,385
2023	91,385
2024	91,385
2025	91,385
2026	91,385
2027	91,385
2028	91,385
2029	<u>91,385</u>
TOTAL	\$1,827,703

Source: Bonners Ferry Urban Renewal Agency and Developers' Estimate

Tax Allocation Projection Calculation

The following projection is based on the projected growth rates described in the section above. Of course, these are merely projections and unanticipated changes in the area or economic growth rates can accelerate or slow down the estimates. However, they are made with the best available projections from the developer and the City of Bonners Ferry.

Urban Renewal District Improvements

Improvements will be thoroughly described in the Urban Renewal Plan. These improvements include curbs and gutters, sidewalks, streets, water and sewer systems, drainage and street trees. The timing of these improvements will depend upon the growth in the area and the demand for urban services. This projection is prepared to describe a scenario based on the assumptions described previously in this report.

Projection Assumptions

Several assumptions have been made regarding the future. These assumptions are described in the following paragraphs.

Levy Rates

It is assumed that levy rates for all taxing districts affected by the Tax Allocation District will remain constant. These rates are shown in the following table.

**TABLE 5
LEVY RATES**

Taxing Entity	Rate/ \$1,000
City of Bonners Ferry	.001020188
Boundary Co. Road and Bridge	.000727465
W. Pend Oreille Fire District	.000741211
West Boundary Library District	.000319875
West Boundary School District	.000660256
Boundary County	.002164372
Boundary County Ambulance	.000317005
West Boundary Cemetery	.000036100
West Boundary Water/Sewer	.000541039
Total	.006527511

Source: Boundary County Clerk

Coverage Ratio

The coverage ratio applied to the Bonners Ferry Urban Renewal Project's Tax Increment Revenues is 110%. Application of a coverage ratio greater than 100% has the effect of reducing the projected amount of revenue that can be applied to serving the bonds.

Coverage ratios are applied to create a margin of safety should tax revenues fall short of expectations. In this projection, actual revenue collected is used in the year following the year it

was collected. In this way, actual revenue is accounted for and not the amount available for debt service due to the coverage ratio.

Personal Property Investment

No value is added for personal property (equipment, fixtures, etc.). This property is also taxed and is subject to the tax increment but has been omitted from the projections to provide an added measure of margin.

School Payments

Tax law changed in 2006 to remove operations and management costs from taxpayers. As such, no O and M taxes from school districts come to the URA.

Determination of the Timing of the Required Incremental Tax Base

As development occurs within the Bonners Ferry Redevelopment Area, additional investment will add incremental tax revenues. Based on the Idaho Economic Forecast's growth assumptions, there will be sufficient increment added to the redevelopment area by the year 2011. Since taxes are not collected until the following year, the tax required to pay for bonds will be available in January, 2011. The table on the following page shows this anticipated growth and the amount of incremental taxes expected.

Improvement Financing

The interest rates established for the repayment of the bonds will be according to the municipal bond market standards at the time the bonds are issued. This project anticipates an interest rate of 5%.

Fiscal Impact on Taxing Districts and Taxpayers

The fiscal impact on taxing districts will be to increase available revenue to the districts by collection of forgone taxes and a reduction in the levy rate applied to the valuation of their property.

Limits on Budget Increases

Limits are placed on the increase in budget a taxing district can spend even with a substantial increase in the tax base. This limitation on receipt of additional revenue is partially mitigated by the collection of "Foregone Taxes"; taxes which the district has a right to collect but has not. These taxes, which would normally be collected during the tax increment financing period, may be collected after the bonds have been paid, assuming the law remains the same. The amount of foregone taxes for any given year can be obtained by requesting the *Dollar Certification of Budget Request to Board of County Commissions L-2*, for the year in question.

Taxing districts can recover foregone taxes at any point without voter approval. However, it is more reasonable to do so if they have a sufficient source of assessed value to produce tax revenues. The Urban Renewal Project can create these sources of additional tax revenue.

Levy Rate Calculation

Idaho State law limits the increase in budgets of each taxing district. In our assumption, however, we anticipate constant levy rates because of the use of foregone taxes and new construction within each district

Feasibility of Tax Increment Financing Improvements

As a result of this analysis, the feasibility of using the Tax Allocation Financing Provision for improvements within the Bonners Ferry Redevelopment Area is positive given the assumptions included in this report.

Growth assumptions applied to the development within the redevelopment area indicate that there will be sufficient incremental tax revenues to pay for the improvements if development in the area occurs as demonstrated in this projection.

The impact on taxing districts is also likely to be positive. While there is a limit on the increase in budgets of the taxing districts, forgone taxes can be used to increase district activity to accommodate the new growth.

Conclusion

The City of Bonners Ferry is facing increasing pressure to accommodate the demand for new growth in the area. Their deteriorating infrastructure only adds to the pressure faced by the City. As a burgeoning community, Bonners Ferry needs to address its current deteriorated infrastructure and plan for the future expansion requirements.

With the availability of the Tax Increment Financing provision in the City of Bonners Ferry, a suitable area where public investment in infrastructure can enhance residential growth and a positive financial outlook for application of Tax Increment Financing, the Bonners Ferry Redevelopment Area is a good candidate for use of this financing method.

Appendix 1

AREA STATISTICS

The following table is a list of parcels within the Bonners Ferry Redevelopment Area with their respective size.

TAX VALUATION BY PARCEL

Appendix 3

BASELINE PROPERTY TAX GENERATION , 2010 TO 2029

<u>YEAR</u>	<u>Residential/ Commercial</u>
2010	\$91,385
2011	91,385
2012	91,385
2013	91,385
2014	91,385
2015	91,385
2016	91,385
2017	91,385
2018	91,385
2019	91,385
2020	91,385
2021	91,385
2022	91,385
2023	91,385
2024	91,385
2025	91,385
2026	91,385
2027	91,385
2028	91,385
2029	<u>91,385</u>
TOTAL	\$1,827,703

Appendix 4

**DEBT SERVICE SCHEDULE, MARGINS AND
DISCOUNTS**

Bond/Loan 2010	\$4,500,000
Interest Rate	5%
Term	20 Years
Debt Service Margin	10%
Present Value Discount	3%
Bond/Loan Payment	\$ 359,976

Total Payments **\$7,289,544**

Total Debt Costs **\$7,289,544**

Note: Estimates only. Third party, such as a developer, should guarantee payments or provide improvements via an Owner Participation Agreement, subject to reimbursement if and when TIF is available.

Appendix 5

TAXING DISTRICT PROJECTIONS

Annual Tax Increment Available for Districts after Bond Retirement

First Year Received	2029
Total Annual Tax Increment	\$1,827,703
<u>Taxing Entity</u>	<u>Increment</u>
City of Bonners Ferry	285,653
Boundary Co. Road and Bridge	203,690
W. Pend Oreille Fire District	207,539
West Boundary Library District	89,565
West Boundary School District	184,872
Boundary County	606,024
Boundary County Ambulance	88,761
West Boundary Cemetery	10,108
West Boundary Water/Sewer	151,491
Total	\$1,827,703

Appendix 6

TOTAL FINANCIAL PROJECTION

See Excel Spreadsheet - Bonners Ferry Feasibility Table.xls

CHAPTER 12
APPENDIXES

APPENDIX A

PROJECT COSTS

**BONNERS FERRY TAX INCREMENT PROJECTS
ESTIMATED COSTS**

Project:	Estimated Costs:
1) Streets	\$ 494,800
2) Infrastructure	\$2,938,833
3) Public Facilities/Rebates	<u>\$ 797,600</u>
<u>GRAND TOTAL OVERALL COSTS:</u>	<u>\$4,231,233</u>

APPENDIX B

IDAHO CODE SECTION 50-2008

APPENDIX B

State Code Section 50-2008

50-2008. Preparation and approval of plan for urban renewal project. (a) An urban renewal project for an urban renewal area shall not be planned or initiated unless the local governing body has, by resolution, determined such area to be a deteriorated area or a deteriorating area or a combination thereof and designated such area as appropriate for an urban renewal project.

(b) An urban renewal agency may itself prepare or cause to be prepared an urban renewal plan, or any person or agency, public or private, may submit such a plan to an urban renewal agency. Prior to its approval of an urban renewal project, the local governing body shall submit such plan to the planning commission of the municipality, if any, for review and recommendations as to its conformity with the general plan for the development of the municipality as a whole. The planning commission shall submit its written recommendations with respect to the proposed urban renewal plan to the local governing body within thirty (30) days after receipt of the plan for review. Upon receipt of the recommendations of the planning commission, or if no recommendations are received within said 30 days, then without such recommendations, the local governing body may proceed with the hearing on the proposed urban renewal project prescribed by subsection (c) hereof.

(c) The local governing body shall hold a public hearing on an urban renewal project, after public notice thereof by publication in a newspaper having a general circulation in the area of operation of the municipality. The notice shall describe the time, date, place and purpose of the hearing, shall generally identify the urban renewal area covered by the plan, and shall outline the general scope of the urban renewal project under consideration.

(d) Following such hearing, the local governing body may approve an urban renewal project and the plan therefore if it finds that (1) a feasible method exists for the location of families who will be displaced from the urban renewal area in decent, safe and sanitary dwelling accommodations within their means and without undue hardship to such families; (2) the urban renewal plan conforms to the general plan of the municipality as a whole; (3) the urban renewal plan gives due consideration to the provision of adequate park and recreational areas and facilities that may be desirable for neighborhood improvement, with special consideration for the health, safety and welfare of children residing in the general vicinity of the site covered by the plan; and (4) the urban renewal plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the rehabilitation or redevelopment of the of the urban renewal area by private enterprise: Provided, that if the urban renewal area consists of an area of open land to be acquired by the urban renewal agency, such area shall not be so acquired unless (1) if it is to be developed for residential uses, the local governing body shall determine that a shortage of housing of sound standards and design which is decent, safe and sanitary exists in the municipality;

That the need for housing accommodations has been or will be increased as a result of the clearance of slums in other areas; that the conditions of blight in the area and the shortage of decent, safe and sanitary housing cause or contribute to an increase in and spread of disease and crime and constitute a menace to the public health, safety, morals, or welfare; and that the acquisition of the area for residential uses is an integral part of and essential to the program of the municipality, or

- (e) (2) if it is to be developed for nonresidential uses, the local governing body shall determine that such nonresidential uses are necessary and appropriate to facilitate the proper growth and development of the community in accordance with sound planning standards and local community objectives, which acquisition may require the exercise of governmental action, as provided in this act, because of defective or unusual conditions of title, diversity of ownership, tax delinquency, improper subdivision, outmoded street patterns, deterioration of site, economic disuse, unsuitable topography or faulty lot layouts, the need for the correlation of the area with other areas of a municipality by streets and modern traffic requirements, or any combination of such factors or other conditions which retard development of the area.
- (f) An urban renewal plan may be modified at any time: Provided that if modified after the lease or sale by the urban renewal agency of real property in the urban renewal project area, such modification may be conditioned upon such approval of the owner, lessee or successor in interest as the urban renewal agency may deem advisable and in any event shall be subject to such rights at law or in equity as a lessee or purchaser, or his successor or successors in interest, may be entitled to assert.
- (g) Upon the approval by the local governing body of an urban renewal plan or of any modification thereof, such plan or modification shall be deemed to be in full force and effect for the respective urban renewal area, and the urban renewal agency may then cause such plan or modification to be carried out in accordance with its terms.
- (h) Notwithstanding any other provisions of this act, where the local governing body certifies that an area is in need of redevelopment or rehabilitation as a result of a flood, fire, hurricane, earthquake, storm, or other catastrophe respecting which the governor of the state has certified the need for disaster assistance under Public Law 875, Eighty-first Congress, or other federal law, the local governing body may approve an urban renewal plan and an urban renewal project with respect to such area without regard to the provisions of subsection (d) of this section and the provisions of this section requiring a general plan for the municipality and a public hearing on the urban renewal project. [1965, ch. 246, § 8, p. 600.]

Compiler's notes. For words "this act" see
Compiler's notes, § 50-2001.
Public Law 875, Eighty-first Congress, referred to in this
section, was repealed.

Sec. to sec. ref. This section is referred to in §§ 50-
2018, 50-2903 and 50-2906.

APPENDIX C

NOTICE OF PUBLIC HEARINGS

APPENDIX D

**RESOLUTION
OF FINDINGS OF DETERIORATION**

**AND CREATION OF THE
BONNERS FERRY URBAN RENEWAL AGENCY**

CITY OF BONNERS FERRY
RESOLUTION NO. _____

A RESOLUTION OF THE CITY OF BONNERS FERRY, A MUNICIPAL CORPORATION OF THE STATE OF IDAHO, STATING FINDINGS THAT DETERIORATED AND DETERIORATING AREAS EXIST WITH THE CITY AND DECLARING A NEED FOR AN URBAN RENEWAL PLAN FOR THIS PURPOSE.

WHEREAS, the city of Bonners Ferry is an Idaho municipal corporation with the authority to declare all or a portion of its city limits as a deteriorated or deteriorating area pursuant to the Idaho Urban Renewal Law of 1965 (codified as Chapter 20, Title 50, Idaho Code, and

WHEREAS the Mayor and City Council of the City of Bonners Ferry has directed city representatives to study the magnitude of the deterioration and city representatives have reported to the City Council the nature of the deterioration and the area of the deterioration, and

WHEREAS the City Council of the City of Bonners Ferry desires to begin to remediate existing deterioration and prevent future deterioration, in order to protect the public health, safety, morals and welfare of the residents of the municipality, and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF BONNERS FERRY AS FOLLOWS:

Section 1. That there are areas within the city limits of the City of Bonners Ferry that are deteriorated and/or deteriorating as defined in I.C. 50-2018 (h) and (i), as herein described without limitation and as more fully depicted in Exhibit A, attached hereto and incorporated by reference herein, and hereinafter referred to as the area of deterioration, and as more fully described in Exhibit B, attached hereto and incorporated by reference herein, and hereinafter referred to as the detail of deterioration:

- a. Buildings, land and improvements, both residential and non-residential which by reason of dilapidation, deterioration, age and obsolescence are detrimental to the public health, safety and welfare.
- b. Inadequate public services and public buildings which substantially impairs the sound growth of the municipality and constitutes a social and economic liability, to wit:
 - i. An inadequate wastewater collection and treatment system.
 - ii. An inadequate domestic water supply system.
 - iii. Lack of water and wastewater service to areas of the City
 - iv. Inadequate public streets, sidewalks, curbs, and street lighting.
 - v. Inadequate public administration facilities.
 - vi. Inadequate public parks and recreation facilities.

ADOPTED AND APPROVED THIS 3rd DAY OF May 2011

, Mayor

ATTEST:

, City Clerk

EXHIBIT A
MAP OF THE URBAN RENEWAL AGENCY AREA OF DETERIORATION AND
DETERIORATING CONDITIONS

EXHIBIT B
DETAIL OF DETERIORATION

INTRODUCTION:

Under Idaho Local Economic Development Act (Municipal Corporations Code, Sec. 50-290 et. seq.) the city council has found and determined, on the basis of substantial evidence in the record, the project area as a “deteriorated area”. The purpose of this detail of deterioration is to present the conditions of deterioration as set forth in the Local Economic Development Act (LEDA), to show how such conditions relate to categories of being deteriorated to illustrate and substantiate the various conditions of deterioration.

The LEDA defines a deteriorated area as an area which is characterized by one or more of the conditions set forth in Sections 50-2903(7), which conditions cause a reduction or lack of proper utilization of the area and place a burden on the community which cannot reasonably be expected to be reversed or alleviated by private enterprise acting alone. These conditions are to be found in Bonners Ferry and are addressed below. Section 50-2903(7) of the LEDA reads as follows:

“(7)(a) Any area, including slum area, in which there is a predominance of buildings or improvements, whether residential or nonresidential, which by reason of dilapidation, deterioration, age or obsolescence, inadequate provision for ventilation, light, air, sanitation, or open spaces, high density of population and overcrowding, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, is conducive to ill health, transmission of disease, infant mortality, juvenile delinquency, or crime, and is detrimental to the public health, safety, morals or welfare.

(b) Any area which by reason of the presence of a substantial number of deteriorated or deteriorating structures, predominance of defective or inadequate street layout, faulty lot layout in relation to size, adequacy, accessibility or usefulness, unsanitary or unsafe conditions, deterioration of site or other improvements, diversity of ownership, tax or special assessment delinquency exceeding the fair value of the land, defective or unusual conditions of title, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, results in economic underdevelopment of the area, substantially impairs or arrests the sound growth of a municipality, retards the provision of housing accommodations or constitutes an economic or social liability and is a menace to the public health, safety, morals or welfare in its present conditions and use.

(c) Any area which is predominately open and which because of obsolete platting, diversity of ownership, deterioration of structures or improvements, or otherwise, results in economic underdevelopment of the area, or substantially impairs or arrests the sound growth of a municipality. The provisions of section 50-2008(d), Idaho Code shall apply to open areas.

(d) Any area which the local governing body certifies is in need of redevelopment or rehabilitation as a result of a flood, storm, earthquake, or other natural disaster or catastrophe respecting which the governor of the state has certified the need for disaster assistance under any federal law.

(e) Any area which by reason of its proximity to the border of an adjacent state is competitively disadvantaged in its ability to attract private investment, business or commercial development which would promote the purposes of this chapter.”

DETERIORATION DEFINED

1. Urban Renewal Agency (URA) Projects List

In development of the Urban Renewal Agency (URA) and the Urban Renewal District (URD) the Agency Board has identified various public infrastructure improvements that if implemented provide an improved environment for allowing private industry to prosper. It is anticipated that during the life of the URD the priority of project implementation will depend on when and where private development occurs. However, generally the projects can be identified for each area.

The URD boundaries consist of three areas:

The first area surrounds and includes what is commonly known as the lantern property towards the south end of town. This area is underutilized and is limited largely by the transportation infrastructure. The improvements anticipated here are reconstruction of Kennedy Street, Sidewalks along Highway 95, improved lighting for pedestrian and vehicle traffic, an upgrade the Fire Station 2, and linking of two water zones in the Bauman Street area. For future development on McCall Street, residential and/or commercial, there would likely be needed street improvements, the possibility of another street from McCall to Highway 95, and water and sewer line improvements.

The second area is the old mill site adjacent to and west of downtown. This area is largely a blank sheet of paper and improvement here cannot be well defined until a developer has a plan for this approximately 70 acre parcel. The improvements anticipated here would be new streets, pedestrian paths, and lighting. There would likely need to be significant changes to the water and sewer lines, increased capacity of the water treatment plant, and increased capacity of the sewer treatment plant. This area also is integrally tied to the fairgrounds and associated recreational opportunities. This leads to improvements of the fairgrounds, a riverwalk that includes North River Drive, and inter-tied with Riverside Park north of the river.

Improvements in this area are also related to its connectivity with the downtown area, and increase the value of a Downtown Revitalization Phase 2. A Downtown Revitalization Phase 2 would include the downtown streets from west of Main Street.

The third area is east of town and commonly known as the Fodge Mill property but includes several adjacent parcels. Here the needs are primarily improvements to Cow Creek road and sewer service to this area of town. Cow Creek Road serves a large section of Boundary County and has an urgent need for improvement for both commerce and safety.

2. Existing Social Conditions

Unsafe and hazardous traffic and pedestrian conditions exist which endanger life. Buildings and structures have conditions which are unfit or unsafe to occupy.

I. Inadequate and Unsafe Public Rights of Way

Deterioration is evident in the surfacing of roadways in the area, including Highway 2/95 leading to downtown. Highway 2 and 95 are joined through the city and the route to downtown has significant issues, including the lack of sidewalks or pathways, which means walkways are not ADA-compliant. Turn lanes on that part of Highway 2/95 would greatly improve traffic flow. Cosmetic improvements to this arterial as well would enhance the experience of visitors to the city's core area. In cities throughout north Idaho general improvements to a city's main thoroughfare have shown marked improvement in retail, as well as civic pride when acquaintances visit.

II. Dilapidation or Deterioration

In the area of deterioration, the structural conditions of buildings and poor site conditions are evident throughout portions of Bonners Ferry.

III. Age or Obsolescence

Obsolescence is mainly applicable to commercial buildings where original design features are no longer appropriate to current uses, especially if the cost to provide ADA compliant access proves too high to make a business venture viable in those buildings. This is particularly evident in the County Courthouse downtown.

Another area of deterioration is in lack of the adequate wastewater and water service lines to this area of the City. The lack of utilities is the largest detriment to managed growth and their provision would greatly enhance the ability of the City to see its commercial areas develop.

3. Existing Economic Conditions

Public Rights of Way, Buildings, Structures, and Conditions as described previously which result in economic underdevelopment of the area.

II. Inadequate and sub-standard traffic movements and flow

As noted above, some of Bonners Ferry's streets, sidewalks, curbs and gutters are in disrepair. Poor traffic circulation results from the narrow streets and the need for new pavement. Street lighting is non-existent or in disrepair in many places within the area of deterioration.

Poor traffic circulation is evident, with inadequate space to turn around large vehicles such as fire and utility trucks. The lack of turn lanes on Highway 2/95 also impedes traffic flow.

II. Substantially impairs or arrests the sound growth of a municipality.

In addition to streets and the wastewater and water service lines, other public improvements are in poor physical condition, based mostly on their age and the lack of funds for their improvement over time. This is not reflective of inaction on the part of public officials but instead to the city's annual budget constraints.

The city's wastewater and water plants are in need of upgrades. These upgrades will allow the plants to be expanded to allow for the potential growth in the city. Economic development is dependent on sound utilities and investments in the wastewater and water plants will enable that to occur.

Sound economic development hinges often on a city's ability to provide life quality amenities, particularly in its park systems and pedestrian pathways. As noted above, improvements that would benefit the city include the fairgrounds as well as a riverwalk that includes North River Drive and inter-tied with Riverside Park north of the river.

Boundary County's courthouse is non-ADA compliant. This makes it difficult for some members of the public to transact business, particularly to courtrooms above ground level.

Too, access to recreational areas could be improved in the downtown area to encourage visitors to stay longer.

Better public access via improved parking would benefit the City, especially in its downtown area, and would provide economic stimulus. Cities in north Idaho that have provided additional parking, and in some cases free parking, have seen an increase in visitors and/or shoppers.

As noted above, inadequate utilities contribute to deterioration in the area. Service lines are deteriorated or non-existent in some areas. Storm water runoff is a concern, especially if it contributes to the degradation of the Kootenai River, which flows through the city. Storm drains and street gutters would help to assist in the direction and disposal of storm water.

III. Retards the provision of housing accommodations or constitutes and economic or social liability and is a menace to the public health, safety, morals or welfare in its present condition and use.

Upgrades in the deteriorated area might eliminate the shifting of uses currently observed, or rapid changes within the structures. An example is the conversion of some of the buildings to uses other than the original use.

In addition, it's evident from recent assessments from the county assessor that there may be a prevalence of depreciated values in the deteriorated area.

This often results when buildings are vacant for a period of time or have been offered for sale at lower prices.

Impaired investments appear to be evident as some of the businesses in the deteriorated area are for sale. This indicates the return on the owners' equity is diminished and the equity itself is in danger of being partially or totally lost.

These conditions have contributed to increasing vacancy rates as evidenced by empty lots in the deteriorated area. Increased public safety related issues are evident as well, as sidewalks and/or pathways are in poor shape or non-existent in these locations.

Economic maladjustments are prevalent in the deteriorated area, including business failures and move-outs resulting in vacant stores and buildings.

The percentage of low to moderate income residents (LMI) stands at 51.54%. This allows the City to be eligible for LMI assistance via grants and low-interest loans.

There are also existing land uses that are inappropriate to the needs of businesses, industries and residents of Bonners Ferry. This is evidenced by the existence of buildings that lack areas sufficient for expansion or proper access for customers & deliveries.

Another factor is the lack of adequate parking in the deteriorated area of Bonners Ferry, which could be remediated if vacant property could be

converted to that use, or if existing open spaces devoted to a particular use could be utilized to supplement the lack of parking.

4. Other Factors

Another factor is the lack of a reliable and regular public transit system, which studies have shown is the largest impediment to sustained employment, especially in areas with a large LMI population. Deterioration tends to continue and areas further decline when employment opportunities are unavailable or not regular. Transit via the Kootenai Tribe's casino and hotel properties would greatly benefit the area, potentially bringing visitors from areas to the south that are served with public transit providers.

Finally, it must be noted that conditions of deterioration affect nearly the entire project area. Some properties have been added in the area of deterioration because their inclusion is necessary for effective redevelopment that will fund the improvements necessary to remediate the deterioration. This includes areas as defined in Idaho Code 50-2903(8)(c) which are "predominately open and which because of obsolete platting, diversity of ownership, deterioration of structures or improvements, or otherwise, results in economic underdevelopment of the area or substantially impairs or arrests the sound growth of a municipality."

The deteriorated area also includes city and county property with the potential to be improved and some streets in the district so the deterioration of each could be adequately addressed.

Summary:

Bonnors Ferry has the potential to become again a very viable business center, especially as it is the gateway to Canada. Because of its history, location and changing industries, conditions of deterioration exist in some areas of the city, concerning the condition of its buildings, streets and utilities.

This is not a reflection of inaction on the city or its elected officials but more a result of low property tax increases over the years or the lack of interest by investors to develop in the city.

A district boundary (included as Exhibit A), an assessed area which is less than 10% of the city's total property tax assessment, depicts the area of deterioration and its potential development where an incremental increase in property values will pay for the infrastructure needs of the city.

All of this effort is being undertaken to provide a forward-thinking City Council with the tools they can use to keep Bonners Ferry as the quaint and functional place it has been in the past, and will remain to be into the future.

APPENDIX E

**RESOLUTION 2011-
BONNERS FERRY URBAN RENEWAL
AGENCY APPROVAL OF URBAN RENEWAL
PLAN**

APPENDIX F

**RESOLUTION
SETTING A PUBLIC HEARING
TO CONSIDER THE CREATION OF
THE BONNERS FERRY URBAN RENEWAL
DISTRICT**

APPENDIX G

**ORDINANCE 2011-
ADOPTING THE URBAN RENEWAL DISTRICT,
PLAN, MAP AND FEASIBILITY STUDY**