To: Coeur d'Alene City Administrator Wendy Gabriel:

At the City's June 6, 2013 strategic planning session, Councilman Gookin shared that a key strategy of his to address the City's budgeting challenges would be to terminate the LCDC, thus resulting in more revenue to the City (link to his comments: http://youtu.be/h-oOmNDmq0). As you know Wendy, LCDC has two redevelopment districts; the Lake District which sunsets in 2021, and the River District which sunsets in 2027. Councilman Gookin shared that via his analysis, it would take about 3 years to "unwind the debt" of the LCDC, which he shared would then result in an additional $3 million/year of revenue for the City.

There will not be $3 million in revenue per year to the City of CDA in three years by terminating the LCDC in 2014. The City will not experience a windfall of new revenue if the LCDC is terminated. Here is why:

LCDC Lake District

The LCDC Lake District's debt obligations total approximately $19.6 million[1]. The Lake District's current annual tax increment revenue is approximately $3.8 million. Assuming that the LCDC was asked by Council in 2014 to stop all of their ongoing and planned initiatives in the Lake District and terminate existing debt as quickly as possible, it would take 5 years (i.e. either in 2018 or 2019 depending upon how the termination timing works) to retire existing debt obligations assuming the current annual tax increment revenue of $3.8 million remains unchanged. Until formal termination of the revenue allocation area occurs, there would be no change in the distribution of tax revenues based on the assessed value of the Lake District Project Area. The opportunity costs to the community associated with the Council terminating the LCDC Lake District ***early*** include:

- Accelerated payments to developers on existing developer participation agreements (i.e. debt obligations) would relieve the developers of the financial responsibility risk for their existing projects,
- Planned funding for a downtown parking facility on the "old federal building " block (4th and Lakeside) would be eliminated, but the need for more parking downtown would remain,
- Potential LCDC partnership funding to help the community revitalize the 4-corner area around Memorial Field would be eliminated,
- Development of a Midtown mix-use workforce housing / retail building in partnership with IHFA would be eliminated,
- Potential LCDC partnership funding to help North Idaho College, University of Idaho and Lewis Clark State College realize the creation of the Joint Use Building on the Higher Education Campus would be eliminated.

Assuming an early termination of the Lake District unfolds, which would only be two or three years sooner than the planned termination date of 2021, the City in 2018 or 2019 could add into their budgeting process a onetime new construction valuation infusion of $200 million[2] (2007-2013 compiled value used in this analysis). This valuation is available by state statute to the City to include, if they so choose, in their budgeting process after an urban renewal district closes and represents the new construction valuation created within the Lake District since 2007. Using the current City levy rate for lack of a better future levy rate, this would equate to a onetime estimated budget infusion of $1.3 million (math: $200M * 0.006770779). I underlined the "choose" term earlier to highlight that the City may choose not to include this new construction valuation in their budgeting process (i.e. foregoing the use of this amount), thus providing tax relief to the property taxpayer through reduced levy rates. After the Lake District is closed, all of the assessed valuation increases created by the LCDC since 1997 (including the new construction valuation) becomes available to all of the taxing districts in the Lake District tax code area in setting their budgets, very likely providing tax relief to the tax payer because of the 3% annual budget limit and providing no funding windfalls to the taxing entities.

[1]includes full utilization of $16.7 million Lake District bond

[2]new construction value could increase in the future, 2013 compiled value used to illustrate calculation process

LCDC River District

The LCDC River District's debt obligations total approximately $8.6 million. The River District's current annual tax increment revenue is approximately $1.5 million. Assuming that the LCDC was asked by Council in 2014 to stop all of their ongoing and planned initiatives in the River District and terminate existing debt as quickly as possible, it would take 6 years (i.e. either in 2019 or 2020 depending upon how the termination timing works) to retire existing debt obligations assuming the current annual tax increment revenue of $1.5 million remains unchanged. Until formal termination of the revenue allocation area occurs, there would be no change in the distribution of tax revenues based on the assessed valuation of the River District Project Area. The opportunity costs to the community associated with the Council terminating the LCDC River District ***early*** include:

- Accelerated payments to developers on existing developer participation agreements (i.e. debt obligations) would relieve the developers of the financial responsibility risk for their existing projects,
- Potential LCDC partnership funding for an NIC/community sports complex facility would be eliminated,
- Potential LCDC partnership funding to help revitalize the Seltice Way roadway would be eliminated,
- Potential LCDC partnership funding to assist in redeveloping remaining deteriorated property parcels in the River District would be eliminated,
- Potential LCDC partnership funding to assist in acquisition of abandoned BNSF railroad right of way for public space will be eliminated.
- Potential LCDC partnership funding to assist in the development of a KMPO transit center will be eliminated.

Assuming an early termination of the River District unfolds, which would be seven or eight years sooner than the planned termination date of 2027, the City in 2019 or 2020 could add into their budgeting process a onetime new construction valuation infusion of $139 million[1] (2007-2013 compiled value used in this analysis, and assuming all of this valuation resides within the city limits by 2020). This valuation is available by state statute to the City to include, if they so choose, in their budgeting process after an urban renewal district closes and represents the new construction valuation created within the River District since 2007. Using the current City levy rate for lack of a better future levy rate, this would equate to a onetime estimated budget infusion of $941,000 (math: $139M*0.006770779). I underlined the "choose" term earlier to highlight that the City may choose not to include this new construction valuation in their budgeting process (i.e. foregoing the use of this amount), thus providing tax relief to the property taxpayer through reduced levy rates. After the River District is closed, all of the tax increment valuation created by the LCDC since 2003 (including the new construction valuation) becomes available to all of the taxing districts in the River District tax code area in setting their budgets, very likely providing tax relief to the tax payer because of the 3% annual budget limit and no funding windfalls to the taxing entities.

[1]new construction value could increase in the future, 2013 compiled value used to illustrate calculation process

Summary

If the Lake District is idled in 2014, City of CDA, if it so chooses, could realize a onetime budget new construction valuation infusion of $200 million (estimate based on 2007-2013 compiled value) in 2018 or 2019, resulting in an estimated onetime revenue of $1.3 million (using current city levy rates). After the Lake District is closed, all of the assessed valuation increases created by the LCDC in the Lake District since 1997 (including the new construction valuation) becomes available to all of the taxing districts in the Lake District tax code area in setting their budgets, very likely providing tax relief to the taxpayer because of the 3% annual budget limit and providing no funding windfalls to the taxing entities.

If the River District is idled in 2014, City of CDA, if it so chooses, could realize a onetime budget new construction valuation infusion of $139 million (estimate based on 2007-2013 compiled value, and assuming all of this valuation resides within the city limits by 2020) in 2019 or 2020, resulting in an estimated onetime revenue of $941,000 (using current city levy rates). After the River District is closed, all of the assessed valuation increases created by the LCDC in the River District since 2003 (including the new construction valuation) becomes available to all of the taxing districts in the River District tax code area in setting their budgets, very likely providing tax relief to the taxpayer because of the 3% annual budget limit and providing no funding windfalls to the taxing entities.

Finally, Councilman Gookin shares his opinion that urban renewal is being abused in the City through its use in funding the majority of the costs associated with the McEuen Park redevelopment initiative. **The Council and community need to know that LCDC is not abusing urban renewal in any fashion**; LCDC operates under the Idaho state statutes that govern urban renewal. The LCDC work being performed within its two redevelopment districts in no way abuses the state statutes.

Tony Berns
LCDC Executive Director