

Exhibit D

Feasibility Study

**THE CITY OF POST FALLS
WEST SELTICE II TAX INCREMENT FINANCING
FEASIBILITY STUDY**

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**THE CITY OF POST FALLS
WEST SELTICE II TAX INCREMENT FINANCING
FEASIBILITY STUDY**

INTRODUCTION

The West Seltice II Project is a proposed development within the City of Post Falls that has the potential of providing significant business and residential development activities if the proper infrastructure can be built. The 248-acre development area is zoned for light industrial, mixed use commercial and residential development. This report evaluates the existing status of this area and estimates the possible revenue generation capability of the area if the Tax Increment Financing district is approved and implemented. The financial benefit to taxing districts and taxpayers is demonstrated and measured.

Two options for development of this area are investigated. The first option includes 248 acres with the following allocation of acreage to specific uses.

**TABLE 1
OPTION 1 DEVELOPMENT ACREAGE**

<u>Land Use</u>	<u>Acres</u>
Industrial / Business Park	77
Light Manufacturing	37
Warehousing	25
Office	15
Mixed Use Commercial	21
Retail	10
Office Over Retail	4
Residential over Retail	4
Office	3
Mixed Use Town Center	66
Retail	8
Residential Over Retail	8
Office	10
Residential Townhomes (8/ac)	12
Residential Loft	5
Institutional	10
Town Square / Plaza	13
Parks and Open Space	14
Park / Open Space	9
Trail System	5
Mixed Residential	70
Residential Townhomes (8/ac)	30
Residential Rear Access (5/ac)	40
TOTAL	248

Source: Greenstone

The second option has a slightly different allocation of land with a smaller land base. This option consists of a total of 195.5 acres.

**TABLE 2
OPTION 2 DEVELOPMENT ACREAGE**

<u>Land Use</u>	<u>Acres</u>
Industrial / Business Park	77
Light Manufacturing	37
Warehousing	25
Office	15
Mixed Use Commercial	21
Retail	10
Office Over Retail	4
Residential over Retail	4
Office	3
Mixed Use Town Center	62
Retail	8
Residential Over Retail	8
Office	10
Residential Townhomes (8/ac)	8
Residential Loft	5
Institutional	10
Town Square / Plaza	13
Parks and Open Space	1.5
Park / Open Space	1.5
Trail System	0
Mixed Residential	34
Residential Townhomes (8/ac)	25
Residential Rear Access (5/ac)	9
TOTAL	195.5

Source: Greenstone

Infrastructure for both of these options will be completed over a five-year period. However, development of the residential, commercial and industrial areas will be accomplished over 10 years.

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

tax increment revenue.

FINDINGS AND CONCLUSIONS

Public improvements scheduled for the West Seltice II development include roads, water, sewer, and drainage. The cost of these improvements is \$6,350,609 and will be the same for both options. These improvements will be built over a five-year period and with the following annual expenditures.

TABLE 3
INFRASTRUCTURE INVESTMENT SCHEDULE

Year Infrastructure Costs	
1	\$ 1,326,904
2	\$ 1,325,500
3	\$ 1,509,761
4	\$ 1,382,030
5	\$ 806,414

Source: Greenstone

To pay for these improvements using Tax Increment Financing, it is necessary to have new private investment in the Urban Renewal Area. It is assumed that the project will absorb over a period of ten years for both Options. This is a reasonable length of time and is consistent with development trends in the past. The following tables demonstrate the amount of investment anticipated in the West Seltice II Urban Renewal Area for both Options 1 and 2.

TABLE 4
PRIVATE INVESTMENT SCHEDULE FOR THE WEST SELTICE II PROJECT - OPTION 1

1	11,640,590
2	18,445,671
3	25,545,131
4	28,970,507
5	28,970,507
6	38,980,179
7	26,490,989
8	15,960,237
9	10,550,630
10	10,550,630

Source: Greenstone

The second option has less land available for development so the amount of investment is slightly less. The following table shows the amount of investment for Option #2.

**TABLE 5
PRIVATE INVESTMENT SCHEDULE FOR THE WEST SELTICE II PROJECT - OPTION 2**

1	9,810,590
2	12,731,671
3	18,001,131
4	21,202,507
5	21,202,507
6	32,594,179
7	23,764,989
8	15,512,237
9	10,102,630
10	10,102,630

Source: Greenstone

The taxing districts currently collect about \$33,612 per year in revenue from the land in the project area. When the reimbursements are completed, the full amount of tax revenue will be paid to the districts.

The following table shows the revenue to the districts with the West Seltice II Project. Please note that the years are tax years. The investment is made in the year noted; the tax assessment is made in the following year and tax collection in the year following that. So, for 2006 revenues, they would actually be collected and distributed to the districts in 2008.

**TABLE 6
TAXING DISTRICT REVENUES WITH THE WEST SELTICE II PROJECT**

	2006	2010	2015	2020
City of Post Falls	62,239	607,240	1,155,454	1,155,454
School District 273	73,054	712,759	1,356,234	1,356,234
Highway District #1	6,602	64,409	122,558	122,558
NIC	8,617	84,072	159,972	159,972
Kootenai County	40,544	395,572	752,693	752,693
Kootenai County EMS	1,919	18,728	35,635	35,635
Kootenai County Fire District #1	23,934	233,515	444,332	444,332
Consolidated Free Library Bond Only	592	5,773	10,984	10,984
Total District Revenue	217,501	2,122,068	4,037,862	4,037,862

Source: Business Planning Consultants

The following table shows the tax revenue that would be collected by the taxing districts if there were no tax increment projects and the area remained without infrastructure. We call this the Baseline Revenue Projection and shows likely future revenue to the districts if no tax increment project was implemented.

TABLE 7

TAXING DISTRICT REVENUES WITHOUT THE WEST SELTICE II PROJECT

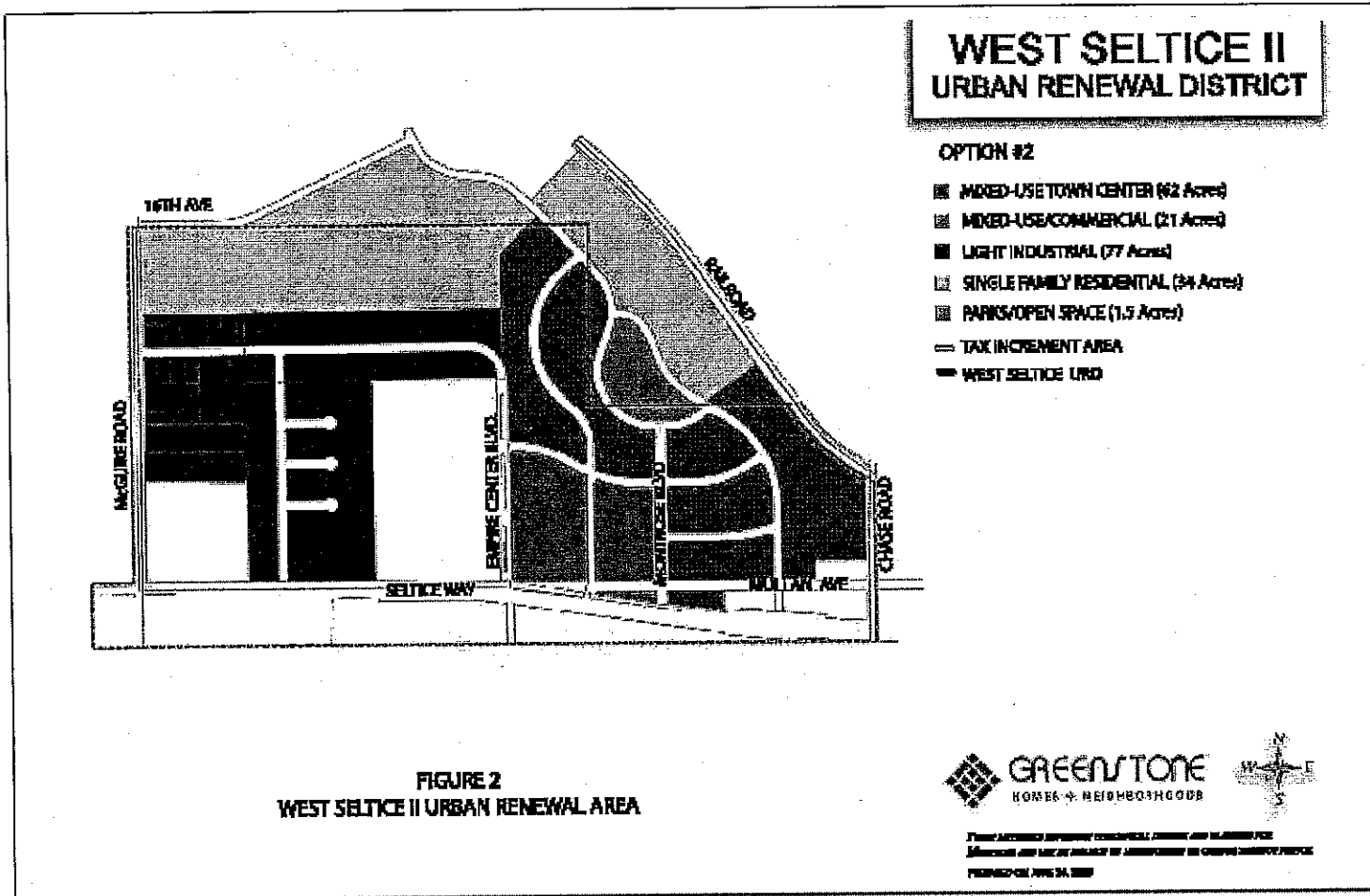
Year	Baseline Revenues
2006	33,612
2007	34,621
2008	36,729
2009	37,831
2010	38,966
2011	40,135
2012	41,339
2013	42,579
2014	43,857
2015	45,172
2016	46,527
2017	47,923
2018	49,361
2019	50,842
2020	52,367

Source: Business Planning Consultants

With the West Seltice II Project tax revenues increase substantially over the project period and for many years.

THE WEST SELTICE II URBAN RENEWAL AREA BOUNDARY

The West Seltice II Urban Renewal Area is east of McGuire Road, west of Chase Road and north of Seltice Way as shown on the following Figure 1 and Figure 2.



Source: Greenstone

EXISTING LAND USES

Land within the proposed district is vacant with some commercial development with residential in the immediate vicinity. However, the entire development has been declared a deteriorated area and is therefore eligible for Tax Increment Financing.

VALUATION OF THE URBAN RENEWAL AREA

The Urban Renewal Area has a total of 248 acres in 15 parcels and an assessed value of \$1,798,000 in 2004. Most of this value is in one parcel in the Empire Center property that is owned by FO Berg.

BASELINE TAX GENERATION

The baseline tax is the amount of tax revenue generated by the current levy rates and the current assessed value of property within the West Seltice II Urban Renewal Area. Tax revenue within the current Urban Renewal District is about \$33,000 per year. This is based on the current, 2004 assessment rate of .018684715. The 2005 rates have not been published at the time of the report. The following is the assessment rate by taxing district.

TABLE 8
LEVY RATES BY TAXING DISTRICT

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

Source: Kootenai County Treasurer

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

The current investment in the district boundary yields a very small amount of tax. At \$33,000 per year and the 3% per year inflation increase, the cumulative tax revenue is only \$867,000 in 18 years. The primary purpose of the Urban Renewal Area designation is to encourage new and higher value development to occur within the area. Therefore, our next analysis will review various land use scenarios and measure the implication those scenarios have on investment in the area and the taxes those investments will generate.

FUTURE LAND DEVELOPMENT OPTIONS

There are two Options for development of the West Seltice II Project. Option #1 is a larger acreage option that will yield a greater amount of private investment in Post Falls. Both Option #1 and Option #2 will require the same amount of infrastructure development over the same amount of time. The following is a more detailed description of each option.

OPTION #1

Investment in the West Seltice II Project will yield a community of 248 acres with the following uses, by acre.

TABLE 9

LAND USE ALLOCATION FOR OPTION #1

<u>Land Use</u>	<u>Total Acres</u>
Industrial / Business Park	
Light Manufacturing	40
Warehousing	25
Office	15
Total	77
Mixed Use Commercial	
Retail	10
Office Over Retail	4
Residential over Retail	4
Office	3
Total	21
Mixed Use Town Center	
Retail	8
Residential Over Retail	8
Office	10
Residential Townhomes (8/ac)	12
Residential Loft	5
Institutional	10
Town Square / Plaza	53
Total	66
Parks and Open Space	
Park / Open Space	9
Trail System	5
Total	14
Mixed Residential	
Residential Townhomes (8/ac)	30
Residential Rear Access (5/ac)	40
Total	70
TOTAL	248

While not all of the land will provide taxable investment, all of the areas except the park and trail systems will provide taxable investment. The following table shows the annual and cumulative investment should Option #1 be implemented.

TABLE 10
OPTION # 1 PRIVATE TAXABLE INVESTMENT

	Annual Investment	Cumulative Investment
2006	11,640,590	11,640,590
2007	18,445,671	30,086,261
2008	25,545,131	55,631,392
2009	28,970,507	84,601,899
2010	28,970,507	113,572,406
2011	38,980,179	152,552,585
2012	26,490,989	179,043,574
2013	15,960,237	195,003,811
2014	10,550,630	205,554,441
2015	10,550,630	216,105,070

Source: Greenstone

The investment of \$6,393,441 in infrastructure will result in private investment of over \$216 million.

This investment will generate tax revenues that can be used to reimburse the developers for the investment in public facilities to support this growth. The following table shows the tax that will be created as the private investments are made in the West Seltice II Project.

TABLE 11
OPTION # 1 TAX CREATION

Year	Tax Increment	Cumulative Increment
2006	217,501	217,501
2007	562,153	779,654
2008	1,039,457	1,819,111
2009	1,580,762	3,399,873
2010	2,122,068	5,521,941
2011	2,850,402	8,372,343
2012	3,345,378	11,717,721
2013	3,643,591	15,361,312
2014	3,840,726	19,202,038
2015	4,037,862	23,239,900
2016	4,158,998	27,398,898
2017	4,283,768	31,682,666
2018	4,412,281	36,094,947
2019	4,544,649	40,639,596
2020	4,680,989	45,320,585
2021	4,821,418	50,142,003
2022	4,966,061	55,108,064
2023	5,115,043	60,223,107
2024	5,268,494	65,491,601
2025	5,426,549	70,918,150

Source: Business Planning Consultants

OPTION #2

Option #2 has a smaller footprint but still provides a significant amount of new development land for Post Falls. The following table shows the land use by acreage for this Option.

TABLE 12

LAND USE ALLOCATION FOR OPTION #2

Land Use	Total Acres
Industrial / Business Park	
Light Manufacturing	37
Warehousing	25
Office	15
Total	77
Mixed Use Commercial	
Retail	10
Office Over Retail	4
Residential over Retail	4
Office	3
Total	21
Mixed Use Town Center	
Retail	8
Residential Over Retail	8
Office	10
Residential Townhomes (8/ac)	8
Residential Loft	5
Institutional	10
Town Square / Plaza	13
Total	62
Parks and Open Space	
Park / Open Space	1.5
Trail System	0
Total	1.5
Mixed Residential	
Residential Townhomes (8/ac)	25
Residential Rear Access (5/ac)	9
Total	34
TOTAL	195.5

Source: Greenstone

With a smaller footprint, there will be less investment with this option. The following table shows the investment that results from development of the 195 acres over the absorption period of 10 years.

TABLE 13**OPTION # 2 PRIVATE TAXABLE INVESTMENT**

Year	Annual Investment	Cumulative Investment
2006	9,810,590	9,810,590
2007	12,731,671	22,542,261
2008	18,001,131	40,543,392
2009	21,202,507	61,745,899
2010	21,202,507	82,948,406
2011	32,594,179	115,542,585
2012	23,764,989	139,307,574
2013	15,512,237	154,819,811
2014	10,102,630	164,922,441

Source: Greenstone

The taxes that are created by this private investment increases as the project matures. The following table shows the taxes that would be collected based on the investment schedule shown in the previous table.

TABLE 14**OPTION # 2 TAX CREATION**

Year	Tax Increment	Cumulative Increment
2006	216,920	216,920
2007	455,816	672,737
2008	793,201	1,465,938
2009	1,190,434	2,656,372
2010	1,587,698	4,244,070
2011	2,197,846	6,441,916
2012	2,643,057	9,084,974
2013	2,934,103	12,019,077
2014	3,124,108	15,143,185
2015	3,314,150	18,457,335
2016	3,315,466	21,772,800
2017	3,316,821	25,089,621
2018	3,318,217	28,407,838
2019	3,319,654	31,727,493
2020	3,321,135	35,048,628
2021	3,322,661	38,371,288
2022	3,324,232	41,695,520
2023	3,325,850	45,021,370
2024	3,327,516	48,348,886
2025	3,329,233	51,678,119

Source: Business Planning Consultants

TAX INCREMENT FINANCING FEASIBILITY

The following assumptions have been used in our determination of feasibility of the West Seltice II Project.

- First, tax rates will remain essentially the same as 2004 rates. Of course, rates change each year but the amount of the change is relatively small and should not adversely impact the tax generation of the project;
- Second, Investment in the project occurs according to the development schedules; and
- Third, administrative costs of the Urban Renewal Area will be about \$25,000 for this project and will increase each year by 10% to account for inflation. The allocation of school district funds will remain consistent with the past - at .4% of the increment.

OPTION #1

Using these assumptions and the growth rates as presented for Option #1, it has been determined that the developer can be reimbursed using tax increment funds in about a year following the investment in public infrastructure. Of course, there is a year lag in private investment, tax assessment and then tax collection. So, investments made in 2006 would not be paid until 2008 based on the 2007 assessment.

OPTION # 2

The reimbursement schedule for Option # 2 is slower due to a slower rate of private investment. Primarily, this is due to a smaller residential area in the early years of the development. Full reimbursement for the first two years is not possible - the tax increment growth is not sufficient for a full reimbursement. However, in the third year a full reimbursement can be made and each subsequent year thereafter.

DETERMINATION OF FEASIBILITY

The amount and timing of tax increment growth will be sufficient to reimburse the developer for public infrastructure costs associated with the West Seltice II Project. For Option # 1 the reimbursement can be made using the tax increment revenues assessed the previous year. For Option # 2, the reimbursement can be made but will require only partial reimbursement for the first two years.

TAXING DISTRICT IMPACTS

During the time when developers are reimbursed for their public investments, the tax revenue is not available to the taxing districts. This results in an increase in the burden of service without a commensurate increase in resources to provide those services. Fortunately with the West Seltice II Project, this delay in receiving of tax revenue is relatively short and the tax revenues following developer reimbursement period are substantially higher.

The following table shows the revenues, by district, if the project goes forward. For this example, we have used Option # 1. A more detailed projection of the impact on taxing districts is provided in Appendix B.

TABLE 15**TAXING DISTRICT IMPACTS OF THE WEST SELTICE II PROJECT**

	2006	2010	2015	2020
City of Post Falls	62,239	607,240	1,155,454	1,155,454
School District 273	73,054	712,759	1,356,234	1,356,234
Highway District #1	6,602	64,409	122,558	122,558
NIC	8,617	84,072	159,972	159,972
Kootenai County	40,544	395,572	752,693	752,693
Kootenai County EMS	1,919	18,728	35,635	35,635
Kootenai County Fire District #1	23,934	233,515	444,332	444,332
Consolidated Free Library Bond Only	592	5,773	10,984	10,984
Total District Revenue	217,501	2,122,068	4,037,862	4,037,862

Source: Business Planning Consultants

CONCLUSIONS AND RECOMMENDATIONS

The use of Tax Increment Financing for the West Seltice II Project is feasible. When investment in public infrastructure is made in the West Seltice II Urban Renewal District, it will open the way for a significant amount of private investment in the area. This private investment will generate enough tax revenue to reimburse the developers over varying periods of time for Options #1 and #2.

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

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

APPENDIX A. TAX INCREMENT FINANCING PROJECTION

West Seltice II Tax Increment Financing Projection Option # 1
10-Year Absorption

Tax Collection Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
URD Base Investment	1,798,924	1,852,892	1,908,478	1,965,733	2,024,705	2,085,446	2,148,009	2,212,450	2,278,823	2,347,188
Tax Increment Growth	9,810,590	12,731,671	18,001,131	21,202,507	21,202,507	32,594,179	23,764,989	15,512,237	10,102,630	10,102,630
Cumulative Tax Increment Investment	9,810,590	22,542,261	40,543,392	61,745,899	82,948,406	115,542,585	139,307,574	154,819,811	164,922,441	175,025,070
Tax Increment										
Tax Rate	0.0186847	0.0186847	0.0186847	0.0186847	0.0186847	0.0186847	0.0186847	0.0186847	0.0186847	0.0186847
Tax Revenue										
Baseline	33,612	34,621	35,659	36,729	37,831	38,966	40,135	41,339	42,579	43,857
West Seltice II Increment	183,308	421,196	757,542	1,153,705	1,549,867	2,158,880	2,602,922	2,892,764	3,081,529	3,270,294
Total	216,920	455,816	793,201	1,190,434	1,587,698	2,197,846	2,643,057	2,934,103	3,124,108	3,314,150
Cumulative West Seltice Increment Revenue	183,308	604,504	1,362,046	2,515,750	4,065,617	6,224,498	8,827,420	11,720,184	14,801,713	18,072,006
Administrative Costs	25,000	27,500	30,250	33,275	36,603	40,263	44,289	48,718	53,590	58,949
All Taxing District Revenues	22,323	9,039	9,590	9,878	10,174	10,479	10,794	11,117	11,451	11,794
School District Revenue										
Baseline Tax Revenue	11,290	11,628	12,337	12,707	13,088	13,480	13,885	14,301	14,730	15,172
.4% of the Increment	73	168	303	461	620	864	1,041	1,157	1,233	1,308
Total School Revenues	11,363	11,797	12,640	13,168	13,708	14,344	14,926	15,459	15,963	16,481
Total Tax Revenues	22,396	9,208	9,893	10,339	10,794	11,343	11,835	12,274	12,683	13,103
Total Costs	47,396	36,708	40,143	43,614	47,396	51,605	56,124	60,992	66,273	72,051
Increment Available	135,912	567,796	1,321,903	2,472,136	4,018,221	6,172,892	8,771,296	11,659,192	14,735,440	17,999,955
Cumulative Increment	135,912	703,708	2,025,611	4,497,747	8,515,968	14,688,860	23,460,156	35,119,348	49,854,787	67,854,742

APPENDIX B. TAXING DISTRICT REVENUE PROJECTIONS

WEST SELTICE II PROJECT BY DISTRICT AFTER THE PROJECT COSTS ARE PAID – 10-YEAR ABSORPTION PROJECTION

Option # 1

Tax Incremental Revenues

	City of Post Falls	School District 273	Highway District #1	NIC	Kootenai County	Kootenai County EMS	Kootenai County Fire District #1	Consolidated Free Library Bond Only	
2007	217,501	62,239	73,054	6,602	8,617	40,544	1,919	23,934	592
2008	562,153	160,863	188,816	17,063	22,271	104,790	4,961	61,860	1,529
2009	1,039,457	297,446	349,132	31,550	41,181	193,764	9,173	114,383	2,828
2010	1,580,762	452,343	530,945	47,980	62,627	294,668	13,951	173,949	4,300
2011	2,122,068	607,240	712,759	64,409	84,072	395,572	18,728	233,515	5,773
2012	2,850,402	815,656	957,391	86,516	112,927	531,340	25,155	313,662	7,754
2013	3,345,378	957,296	1,123,643	101,539	132,537	623,608	29,524	368,130	9,100
2014	3,643,591	1,042,631	1,223,806	110,591	144,352	679,198	32,156	400,946	9,912
2015	3,840,726	1,099,042	1,290,020	116,574	152,162	715,945	33,895	422,639	10,448
2016	4,037,862	1,155,454	1,356,234	122,558	159,972	752,693	35,635	444,332	10,984
2017	4,037,862	1,155,454	1,356,234	122,558	159,972	752,693	35,635	444,332	10,984
2018	4,037,862	1,155,454	1,356,234	122,558	159,972	752,693	35,635	444,332	10,984
2019	4,037,862	1,155,454	1,356,234	122,558	159,972	752,693	35,635	444,332	10,984
2020	4,037,862	1,155,454	1,356,234	122,558	159,972	752,693	35,635	444,332	10,984