

POST FALLS URBAN RENEWAL AGENCY

Allocation of Administrative and Legal Costs

- Subject:** Allocation of Tax Increment to reimburse the Agency for Administrative and Extraordinary Legal Costs associated with the planning, review and operation of each of the Commission's approved Urban Renewal Districts or Sub Districts.
- Effective Date:** July 1, 2020
- Issued by:** Diane Fountain, Executive Director and Finance Committee
- Purpose:** To amend Commission Policy Number 16, initially approved in 2010 and amended in 2011 and 2012, to provide for the appropriate allocation of District-specific tax increment funds to reimburse the Agency for its administrative and legal costs associated with the planning, approval and administration of current and future Urban Renewal Districts or sub-Districts, and to continue the Agency's policy of providing for the allocation of tax-increment to reimburse the Agency for extraordinary legal, engineering or administrative expenses associated with a specific Urban Renewal Districts.
- Background:** In the preparation of its annual operating budget each year, the Agency estimates those costs associated with administering its existing Districts and sub-Districts, and determines an appropriate administrative fee to cover those expenses. Normal and reasonable administrative and legal costs associated with the administration of the existing Districts and sub-Districts are included in that fee, which is assessed to each of the Agency's existing Urban Renewal Districts and sub-Districts.
- The Commission has also established, within Commission Policy 16, a mechanism for allowing the Agency to recover extraordinary or unforeseen administrative or legal expenses which might arise in the course of its administration of an existing District or sub-District. Extraordinary legal expenses are, by their nature, unknown and unanticipated, however examples of those expenses could include:
- legal expenses associated with the sale or assignment of property within a District or sub-District to one or more parties who agree to assume the Proponent's right to reimbursement or other rights or responsibilities;
 - the subdivision of an existing District or sub-District;
 - the negotiation of agreements associated with the sharing of costs between multiple Proponents; and,
 - disputes requiring legal representation or legal and engineering review costs beyond those typically incurred in the administration of an Urban Renewal District or sub-District.
- Policy:** The Commission provides for the normal administrative, engineering, review and legal costs associated with the administration of each of its Urban Renewal Districts in the context of adopting its annual budget. These costs are included in

the annual administrative fee, which the Agency charges to each of its Urban Renewal Districts and sub-Districts, which fee is equalized for all Districts and sub-Districts.

The annual administrative fee charged to each Urban Renewal District or sub-District has been \$16,000 per year for the past eight years. Over that period, the Agency's operating expenses and fees paid to third parties for engineering, consulting and legal fees have increased. The Commission has determined that the annual administrative fee needs to be increased to \$25,000 per year for each Urban Renewal District or sub-District to ensure that the Agency has sufficient operating revenue to carry out its administrative and oversight responsibilities.

The amendment of this policy shall apply to all existing and future Urban Renewal Districts or sub-Districts upon approval by the Commission, however the Commission reserves the right to adjust this fee on an annual basis going forward to ensure that the Agency has sufficient revenues to fully offset its annual operating costs.

Administrative and legal costs associated with the administration of a specific District, which, in any year, exceed the equalized and budgeted administrative and legal cost component for that District or sub-District, by 15% or more, shall continue to be allocated to that specific District or sub-District responsible for the overage, and recovered from the next available payment of tax increment associated with that District or sub-District.

The recovery of such extraordinary expenses shall have a priority equal to the payment of the Agency's annual administrative fee in determining the allocation of tax increment receipts.

The Proponent of the District where extraordinary expenses are being incurred shall be advised of the Agency's policy regarding recovery of such expenses at the time the Executive Director becomes aware that the annual administrative and legal expenses for the district have exceeded the equalized and budgeted administrative and legal cost component for that District. The Proponent may elect to directly reimburse the Agency for such extraordinary expenses, in lieu of the Agency recovering its extraordinary expenses from the next available payment of tax increment associated with that District.

Approved by the Post Falls Urban Renewal Agency Board of Commissioners:

POST FALLS URBAN RENEWAL AGENCY
An Idaho Urban Renewal Agency

By: , Chair

Approved this 16th day of July, 2020