



## **Ketchum Urban Renewal Agency**

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**P.O. Box 2315 | 191 5<sup>th</sup> Street | Ketchum, ID 83340**

January 17, 2023

Chair and Commissioners  
Ketchum Urban Renewal Agency  
Ketchum, Idaho

### **REVIEW AND DIRECTION TO STAFF ON FUNDING FOR PUBLIC PARKING INCONJUNCTION WITH THE 1<sup>ST</sup> AND WASHINGTON PROJECT**

#### Introduction/History

As part of the RFP issued by the KURA for development of the 1<sup>st</sup> and Washington property, the Board identified three project goals:

- Goal 1. Provide local, affordable workforce housing downtown, particularly for professionals and those essential to a strong, diverse downtown economy.
- Goal 2. Provide structured public parking in anticipation of long-term downtown growth and development.
- Goal 3. Provide active ground floor opportunities to maintain vibrancy of downtown

In order to develop structured public parking, the WRCHT/deChase proposal provided two options for consideration:

- Option 1: KURA purchases the below grade parking and places permanent financing on it, operates and owns the parking.
- Option B: The Housing Trust owns the below grade structure and places permanent tax-exempt bond financing on it using the same assumptions for the housing financing. KURA would master lease the parking for \$563,900 which would equate to the bond payment. Once the bonds are paid off, the garage would be sold to the KURA for \$1.00.

Staff does not recommend Option B for the following reasons:

- The developer's bond repayment schedule will likely extend beyond 2030, the period the KURA can provide payments.
- The cost of the developer securing debt is more expensive than if the KURA secures its own debt.

As background, there are currently 60 public parking spaces on the site. Should public parking be included in the project, the WRCHT/deChase proposal identified the potential for 91 parking

spaces, 20 at the surface or tucked under the building dedicated to residential use and 71 below grade public parking spaces.

#### Parking Financing

To gain a better understand of KURA's ability to fund public parking, Eric Heringer, with Pier Sandler, prepared a bond financial review (Attachment A). That analysis will be presented at the Board meeting.

In summary, the public parking is estimated to cost \$8.4 million. KURA has debt borrowing capacity to support \$4.5-\$5.0 million based on estimated revenue. A contribution of \$3.4-\$3.9 million is required to reduce the amount of debt to fully fund the proposed parking.

#### Board Considerations

The decision to fund and include public parking in the project must be made as soon as possible. This decision has significant implications for the development team. Based on the information prepared by Eric Heringer, the Board has several issues to consider and decide:

- Should public parking be included in the project and is the Board supportive of funding the parking.
- If public parking should be included in the project, how much public parking should be provided. As proposed, there would be two levels of underground public parking. Level 1 would provide 34 spaces and level 2 would provide 37 spaces.
- Should the KURA ask the City to assist with funding the parking structure to reduce the total amount of the required bond. If so, what is the ideal level of city funding.

#### Recommendation

Staff is seeking direction from the Board on the inclusion and funding of public parking in the project.

Attachment A: January 17, 2023 Bond Financing Review

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# Ketchum Urban Renewal Agency

## Bond Financing Review

**Eric Heringer**

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## Opportunity

KURA is considering the financing of a parking garage for the 1st and Washington Redevelopment Project:

- Project costs are estimated at \$8.4 million before construction and permanent financing costs.
- The project could be funded with a combination of KURA funds on hand and proceeds from a KURA revenue bond.
- KURA could pledge Tax Increment Revenue as security for revenue bonds issued to finance the project.
- The Tax Increment Revenue pledge would need to meet the parity requirements of the KURA's Series 2021 Bond.

### PARKING DETAIL

Assuming the Housing Trust places the permanent debt financing via a tax-exempt bond issue the estimated cost per stall is \$146,062 including all hard costs and the prorated share of soft costs such as design, construction financing, insurance, and the like broken out as follows:

Est Hard Cost	7,843,919
Est Soft Cost	268,862
Est Contingency	457,026
Est Professional Fees	69,878
Est Construction Financing	665,263
Est perm Tax-Exempt Bond Cost	620,855
<b>Est Total Cost of Public Parking</b>	<b>9,649,939</b>

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# TIF Financing Capability Overview

KURA Tax Increment Revenue will be received through Tax Year 2030 (received calendar 2031)

FY 2021 Tax Increment Revenue totaled:	\$2,205,533
FY 2022 Tax Increment Revenue projected at:	\$1,982,000
FY 2023 Tax Increment Revenue is budgeted at:	\$2,101,905

Existing TIF Bonds:	Series 2021
Amount Outstanding:	\$4,009,726
Interest Rate:	1.73%
Maximum Annual Debt Service:	\$542,506
Final Maturity:	9/15/2030
Additional Bonds Test:	TIF Revenue > 1.50 of Maximum Annual Debt Service

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## Borrowing Capacity

The Additional Bonds Test (ABT) to issue future parity bonds is:

Prior to the issuance of the Additional Bonds, the Agency either: (a) furnishes an Accountant's Certificate to the Purchaser stating that for the 12 months immediately preceding the issuance of the Additional Bonds, the available Revenue Allocation Revenues of the Agency were not less than 150% of the Maximum Annual Debt Service on Outstanding Bonds and the projected Maximum Annual Debt Service on the Additional Bonds (including any Additional Bonds then outstanding and the Additional Bonds to be issued), treating such Additional Bonds as then Outstanding, or (b) furnishes the Purchaser with a copy of a Consultant's Report stating that the projected Revenue Allocation Revenues for each of the three (3) Fiscal Years following the proposed issuance of such Additional Bonds are expected to equal at least 150% of the Maximum Annual Debt Service on Outstanding Bonds including any Additional Bonds

FY 2022 Increment Revenue (estimate)	1,980,000
ABT MADS Coverage Requirement	1.5
Max Annual Debt Service allowed	1,320,000
Less: Series 2021 MADS	<u>(542,506)</u>
Available for Future Parity Bond Debt Service	777,494

***Note: Borrowing up to the ABT “capacity” would still provide roughly \$660,000 for annual operating costs and OPA repayment.***

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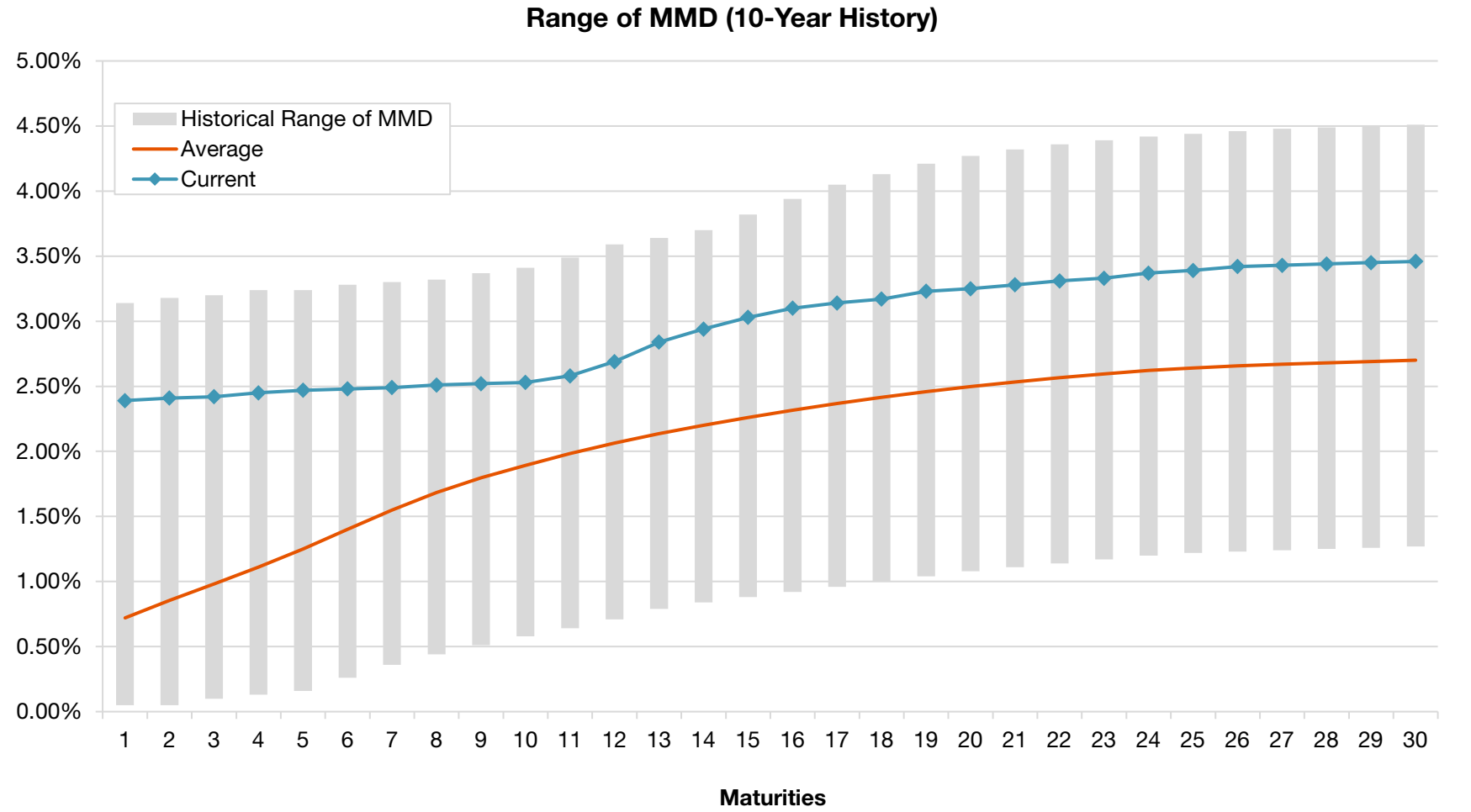
## Borrowing Capacity - Continued

KURA parity debt borrowing capacity is estimated at between \$4.5 and \$5.0 million based on an estimate of FY 2022 increment revenue.

The project is estimated to cost \$8.4 million requiring between \$3.4 and \$3.9 million of KURA funds on hand.

Term	7	8
Annual Payment	777,494	777,494
Interest Rate	4.40%	4.50%
<b>Parity Bond Capacity (par amount)</b>	<b>\$4,598,353</b>	<b>\$5,128,262</b>
Interest Cost	844,105	1,091,690
Total Debt Service	5,442,458	6,219,952
Issue Date	Fall 2023	Fall 2023
Final Maturity	9/15/2030	9/15/2031

# Current Municipal Bond Market Conditions





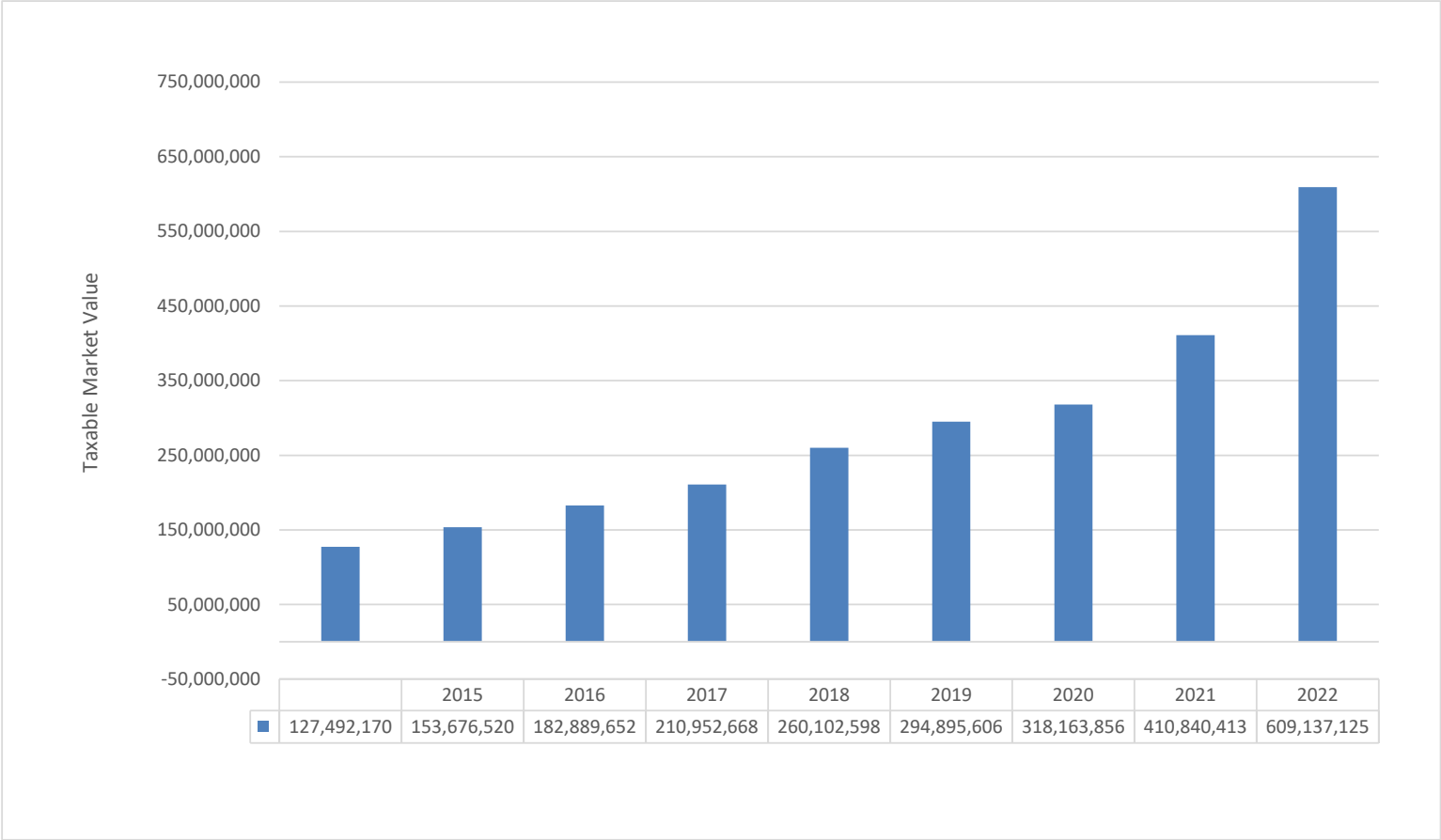
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## Path Forward

- Decision to proceed with project
- Determine funding level and funding mix (cash vs. finance)
- Develop financing schedule (close financing by March 1)
- Determine method of sale – bank placement?
- Execute bond financing

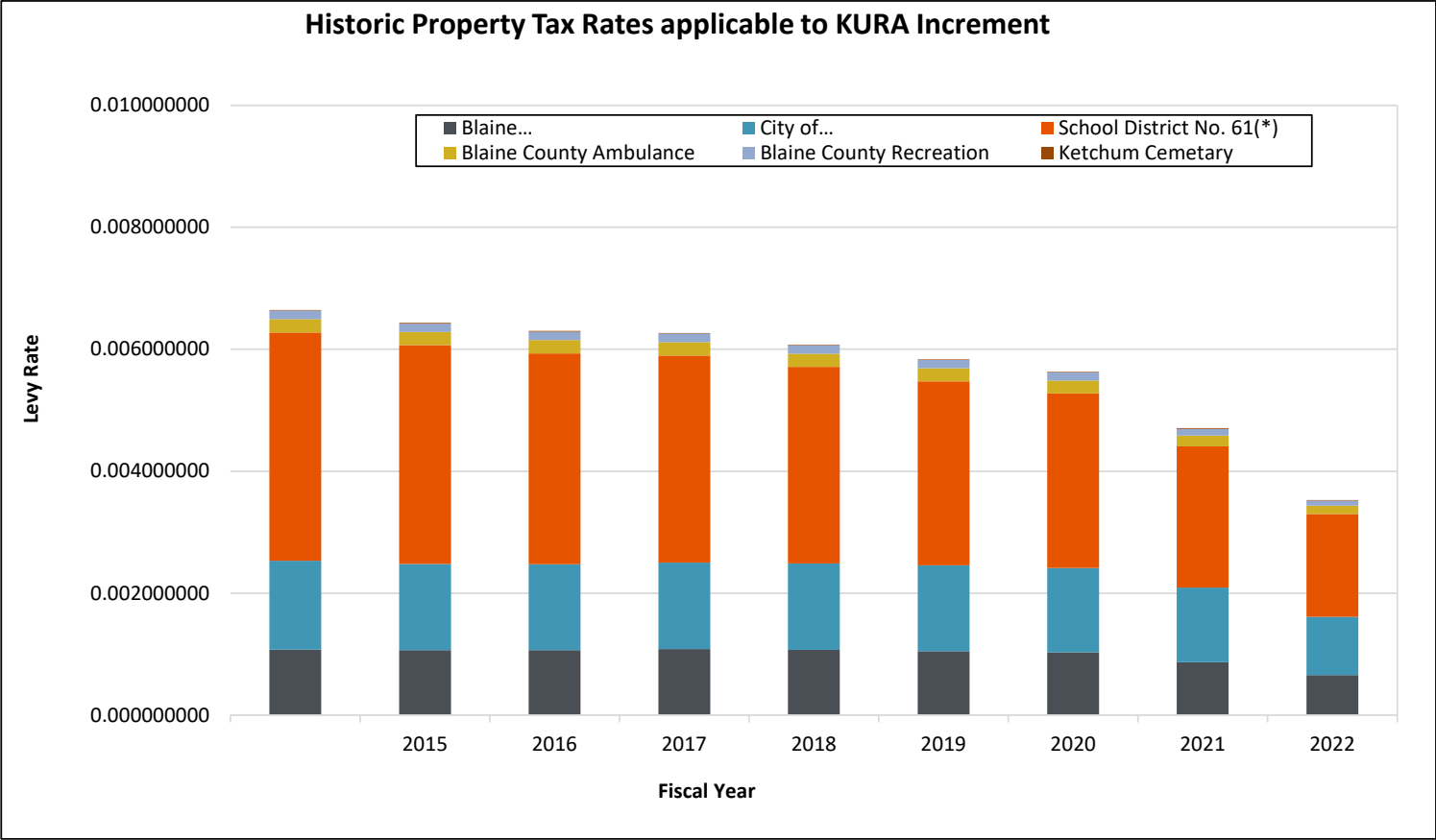
# Tax Increment Value History - Update

22% compound annual growth rate tax year 2014-2022



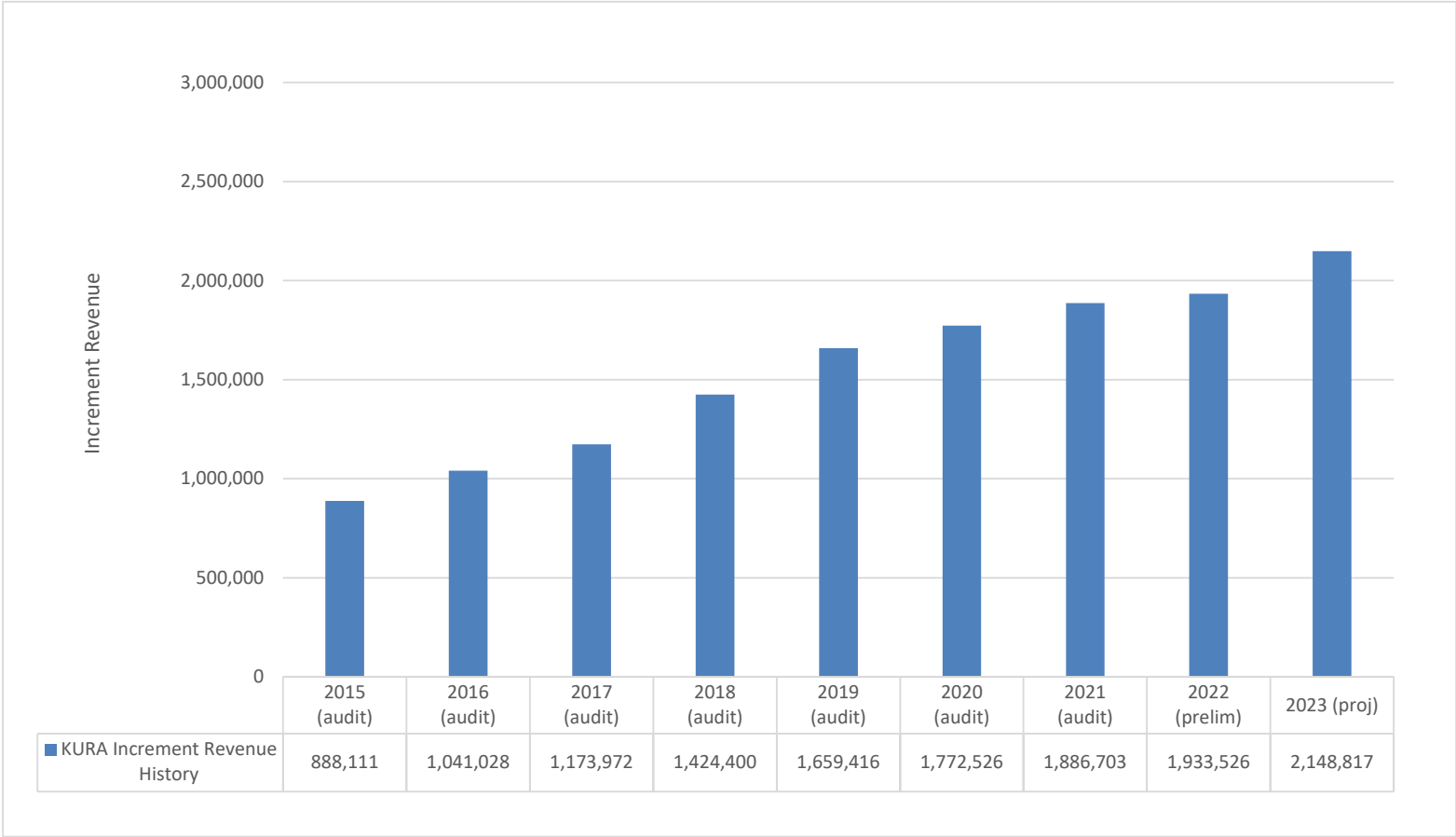
# Tax Increment Levy Rate History

7.61% compound annual decline in combined tax rate 2014-2022



# Tax Increment Revenue History

12% compound annual growth rate over Fiscal Years (2015 – 2023).



## Tax Year 2022 Summary of tax rates that impact URA revenues

	TAX YEAR 2022	
<b>Tax Rates (*)</b>		
Blaine County	0.000657027	18.6%
City of Ketchum	0.000954210	27.0%
School District No. 61 <sup>(1)</sup>	0.001689914	47.9%
Blaine Co. Ambulance	0.000133187	<b>3.8%</b>
Ketchum Cemetery	0.000007656	<b>0.2%</b>
Blaine Co. Recreation	0.000085647	<b>2.4%</b>
<b>Total Tax Rate</b>	<b>0.003527641</b>	<b>100%</b>

\* Does not include Big Wood Flood Control District which generates less than \$200 per year in increment revenue

(1) School District No. 61 Levy Rates include a Budget Stabilization Levy and a Permanent Supplemental M&O Levy neither of which are subject to voter approval. Voter approved levies and school Emergency levies are statutorily prohibited from being included in the tax increment revenue allocation.

