Economic & Planning Systems, Inc.
The Economics of Land Use

HILLYARD SUBAREA PLAN PUBLIC FINANCING STRATEGY

FINAL DRAFT REPORT

Prepared for:
City of Spokane, Washington

Prepared by:
Economic & Planning Systems, Inc.

May 28, 2025

EPS #233007

Table of Contents

List of Tables

List of Figures

1. Introduction

This report summarizes the analysis and recommendations of Economic & Planning Systems (EPS) regarding funding and financing strategies for the Hillyard/ Northeast Spokane Subarea Plan (Plan). The report was prepared by EPS, as subconsultant to Stantec, under contract to the City of Spokane and the Northeast Public Development Authority (NEPDA).

Background

The Plan aims to foster revitalization and development opportunities for the Wellesley Business district and the East Hillyard industrial area (aka The Yard) in the Hillyard neighborhood. The Plan's 1,740-acre Focus Area is generally bounded by Crestline Street to the west, East Wellesley/Garnet Avenue to the south, South Havana Street to the east, and East Francis Street to the north as shown in **Figure 1**.

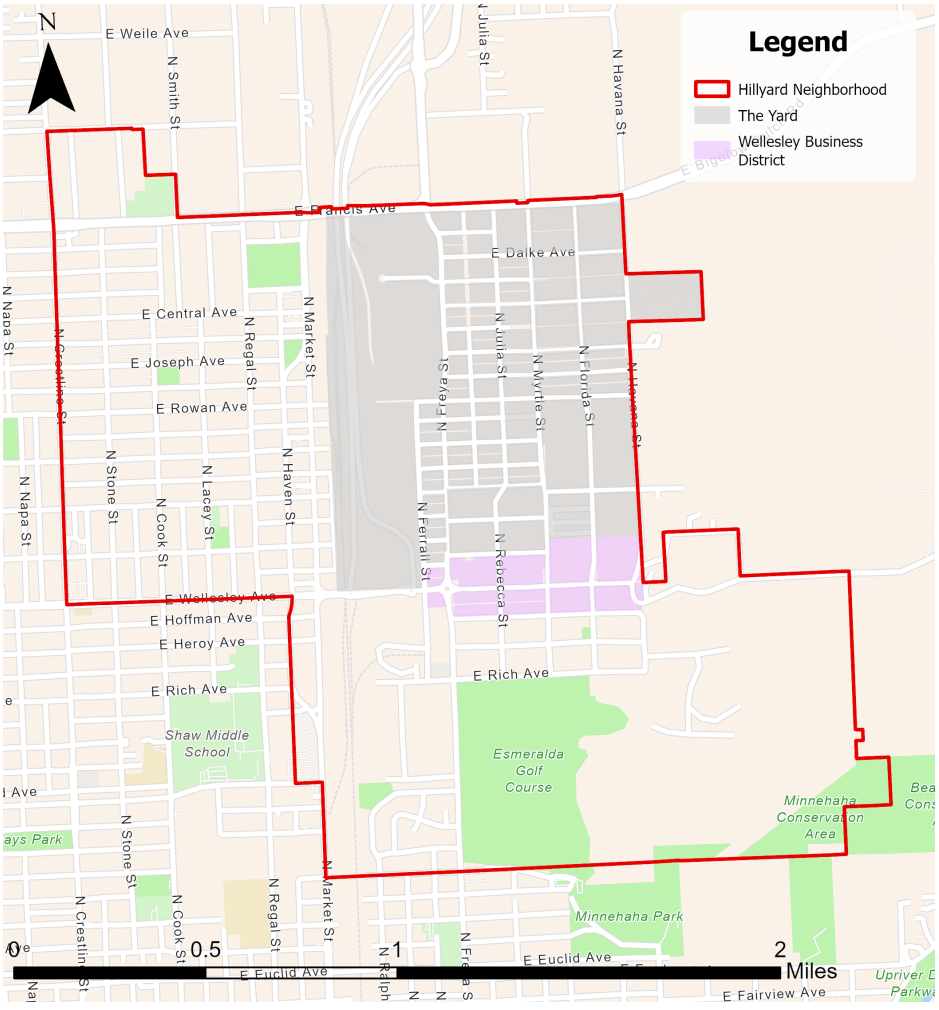


Figure 1. Hillyard Subarea

The Hillyard neighborhood contains a wide range of land uses but is predominately residential, with neighborhood commercial uses to the west of US 395, and predominately industrial to the east. Stantec has identified 53 catalyst sites with the potential for new development or redevelopment throughout the Hillyard Study Area. The catalyst sites in West Hillyard are primarily small vacant commercial parcels on Market Street and Haven Street. These properties are on completed streets and are largely expected to be able to be developed without major infrastructure investments.

A major barrier to new development in The Yard in East Hillyard is the lack of infrastructure that has stagnated investment in the area, particularly for industrial development. One of goals of the Plan is to determine how infrastructure investments in The Yard can help it capture a greater share of industrial development. Stantec has identified 20 catalyst sites within The Yard totaling 95 acres and with up to 852,000 square feet of development capacity. The Stantec Team has also identified up to $39.5 million in road and utility infrastructure improvements needed to make these properties "development ready." as shown in **Table 1.**

Table 1. The Yard Total Infrastructure Costs

Description	Cost
Potable Water Service	
Increased Standby Storage - North Hill Pressure Zone	--
Distribution & Transmission Conveyance Infrastructure	$4,450,000
Distribution & Transmission Extension	$1,850,000
Larger Diameter Network	$5,250,000
Subtotal	**$11,550,000**
Sanitary Sewer Service	
No City Costs Listed	--
Subtotal	**--**
Drainage & Stormwater Management Facilities	
Clustered Regional Facilities (Initial Phase)	$10,960,000
Clustered Regional Facilities (Buildout)	$5,475,000
Subtotal	**$16,435,000**
Broadband Service	
No City Costs Listed	--
Subtotal	**--**
Electrical Power and Natural Gas Services	
No City Costs Listed	--
Subtotal	**--**
Road Improvements	
Freya St - Wellesley Ave to Francis Ave	$1,375,000
Rowan Ave - Sycamore St to Myrtle St	$996,526
Myrtle St - Wellesley Ave to Dalke Ave	$5,652,726
Florida St - Queen Ave to Princeton Ave	$2,118,478
Local Roads - East Side Improvements	$1,100,000
Wellesley Ave - Freya St to Havana St	$226,048
Subtotal	**$11,468,778**
Total City Investment in the Yard Infrastructure	**$39,453,778**

Source: City of Spokane; Stantec; Fehr & Peers; Economic & Planning Systems

The primary funding and financing challenge addressed in this study is how to pay for the up-front infrastructure needed for The Yard to be competitive and capture its share of potential industrial development within the region.

Scope of Work

EPS was tasked with identifying funding sources and financing strategies for the roads, utilities, and other trunk infrastructure needed to make the identified catalyst sites competitive for development. The report is presented in four chapters following this Introduction and Summary of Findings as follows:

- **Market Context** – This chapter provides EPS' estimates of the absorption forecasts by asset class and by phase as inputs to the financial analysis. The estimates of development potential are based on a review of market analysis and development forecasts completed for previous tasks in the overall project and from additional analysis of industrial development trends in the Spokane region.
- **Public Financing Framework** – EPS identifies the available public financing tools that could potentially be used to build and pay for infrastructure and other public improvements including property and sales tax increment financing (TIF) and other development based sources.
- **Development Absorption and Capital Projects** – This chapter summarizes the road and utility costs for providing infrastructure to The Yard. Based on the estimated costs, the absorption projection and capital investment for a smaller Phase 1 area are described.
- **Tax Revenue Forecasts** – This chapter describes the use of a 30-year cash flow model to estimate revenues and expenses based on infrastructure cost and development revenue inputs from previous tasks. Based on identification of a substantial funding gap, EPS then identifies a phased option that reduces upfront capital investment needs commensurate with projected development capture rates.
- **Reconciliation of Sources and Uses** – This section integrates all elements of research and refines the financial model to reconcile the sources and uses of funds.

Summary of Findings

1. ***One of goals of the Subarea Plan is to determine how infrastructure investments in The Yard can improve its marketability for a greater share of the Spokane region's industrial development.***

   The Yard is largely zoned for industrial development; however, most industrial users have not considered the area because of the lack of adequate roads and utilities. Stantec has identified 20 catalyst sites within The Yard totaling 95 acres and with up to 852,000 square feet of development capacity. However, to make the area competitive for new development, the Stantec has also identified the need for up to $39.5 million in road and utility infrastructure improvements.

2. ***A Phase 1 development scenario was developed to identify reduce the amount of upfront infrastructure needed to catalyze initial development.***

   Due to large infrastructure requirements for the Yard totaling $39.5 million, which would be required to develop most of the catalyst sites within the Yard, the scope of the financial and development analysis was narrowed to an initial first phase of development to reduce the amount of upfront infrastructure needed to catalyze initial development. This initial Phase 1 area includes the southern portion of the Yard and all of the Wellesley Business District. By shifting the focus area, the known infrastructure costs were reduced from $39.5 million to $14.4 million.

3. ***A medium growth absorption forecast was used in the financial modeling to estimate industrial development capture in the Phase 1 portion of The Yard.***

   The Phase 1 area reduces the upfront infrastructure needed but still includes 14 of the 20 catalyst sites in The Yard including the largest and most marketable parcels. The medium absorption scenario is used as a basis for creating the projected absorption for the 14 catalyst sites. Projected absorption includes a total of 1.25 million square feet built over a 10-year period including approximately 650,000 square feet of industrial in the Yard and 600,000 square feet of mixed-use development in the Wellesley Business District.

4. ***The primary financing source for financing needed infrastructure in The Yard is tax increment financing as currently enabled for NEPDA.***

   The primary funding tool anticipated to be used for funding redevelopment costs within The Yard is tax increment financing (TIF). The City of Spokane established a TIF District in 2019 for property within NEPDA. NEPDA receives City and County property tax TIF, City sales tax TIF, as well as one-time tax on new construction [New Construction Sales Tax (NCST)] from both the City and County. NEPDA receives 75 percent of the TIF on new development with the remainder retained by the taxing entities. Other taxing districts that can be considered for funding a portion of the needed infrastructure include Local Improvement Districts (LIDs) and Public Utility Districts (PUDs). Other financing districts enabled in the state that could be used to help with redevelopment and infrastructure funding are LIFT (Local Infrastructure Financing Tool), which uses state sales tax funds, and one-time funding for public infrastructure through the CERB (Community Economic Revitalization Board).

5. ***A pro forma model was created to analyze Phase 1 revenues and expenses over a 30-year financing timeframe to determine project feasibility and identify the remaining funding gap.***

   In this model, the project is evaluated on both a levered and unlevered basis to estimate the funding gap. A third scenario explored evaluates the removal of stormwater costs altogether as it is the most expensive and serves a larger area-wide function. Revenues include property and sales tax increment and NCST. Infrastructure expenses totaling $14.4 million included three road projects (Freya Street from Wellesley Avenue to Rowan Avenue, Rowan Avenue from Freya Street to Florida Avenue, and Florida Street from Queen Avenue to Princeton Avenue); three water distribution lines along Freya Street, Rowan Avenue, and Florida Street; and Phase 1 of a clustered regional stormwater facility.

6. ***Infrastructure revenue bonds are recommended as a means to generate sufficient revenues needed to build the Phase 1 needed infrastructure projects. However, a substantial funding gap remains.***

   In a levered scenario over a 30-year period, NEPDA operating costs are projected to total $21.38 million and total revenues are projected to total $39.48 million, resulting in a net operating income (NOI) of $18.1 million. Bond Debt Service Payments would total $35.59 million. This results in an overall Debt Service Coverage Ratio (DSCR) of 0.51, which indicates that not enough revenue would be generated to cover the debt obligations. To achieve a DSCR of 1.25, an additional $26.38 million in funding sources would be needed. If the Phase 1 clustered regional stormwater facility were to be removed, the DSCR increases to 0.90 and the funding gap decreases to $6.96 million to achieve a DSCR of 1.25.

7. ***The financial pro forma model can continue to be used by the City and NEPDA to consider additional funding and financing options.***

   The Phase 1 Financial Model is a work in progress. The scenarios tested demonstrate that a financing plan based on using the existing NEPDA sources of TIF revenues have the potential to cover a substantial portion of the infrastructure needed to develop the catalyst sites in The Yard. Nevertheless, there is still a funding shortage regardless of the scenarios presented. The City and NEPDA will need to identify one or more additional funding sources, and/or evaluate an even smaller initial phase of development that further reduces upfront infrastructure investments. The financial pro forma model can be used to test other scenarios and/or variations in financing approach. It can also be used to incorporate other revenue sources including any grants that the City may ultimately receive.

2. Market Context

This Chapter summarizes market conditions in the Hillyard Subarea and The Yard focus area. This includes a review of market projections completed in earlier phases of the subarea planning process, as well as additional analysis of industrial development trends in the Spokane market from 2000 to 2024. Based on this analysis, EPS developed three alternative absorption forecasts for industrial uses in The Yard.

Agnew Beck Market Study

Agnew Beck (AB), as a subconsultant to Stantec, completed a market study as input to the Subarea Plan land use analysis in February 2024. The market study included forecasts for all land use categories for the larger Hillyard Subarea. EPS evaluated the AB Market Study with a focus on industrial trends and forecasts as most relevant to the funding and financing strategy for The Yard.

Based on the AB market data, overall job growth in Hillyard has been strong when compared to the City of Spokane as a whole. Based on historical trends, AB projected an increase of 1,061 jobs in Hillyard over the 2023-2033 time period, which equates to 2.2 percent average annual growth.

AB converted this job growth to a demand for 48,534 square feet of industrial space and a total of 412,463 square feet of commercial space. EPS determined the development projection for industrial space to be conservative as it is based on historical construction and does not consider the potential of the area if infrastructure investments are made to make the area more "development ready" and competitive for a share of regional growth.

Hillyard has 622 acres of undeveloped or unoccupied land with the capacity to accommodate a greater amount of development than the 108 acres of residential and commercial development forecast over the next 10 years. Much of this is in The Yard, which has 218 acres of land supply available for commercial development (including industrial) and 206 acres of land supply available for residential development. With proper infrastructure investments, much of this land could be developed with industrial and flex uses.

Spokane Industrial Market

EPS conducted additional market analysis focused on industrial and flex uses within the Hillyard Subarea and the Spokane region in order to provide an alternative growth forecast. The Spokane market has seen steady growth since 2010 in industrial and flex space inventory. From 2010 to 2024, the City of Spokane added 4.5 million square feet of industrial and flex space, as shown in **Table 2**.

The Hillyard neighborhood has seen little growth over the same time period, gaining 93,887 square feet of inventory. In spite of the industrial character of the area, it is currently a relatively small component of the industrial market, accounting for less than 1.0 percent of the total inventory.

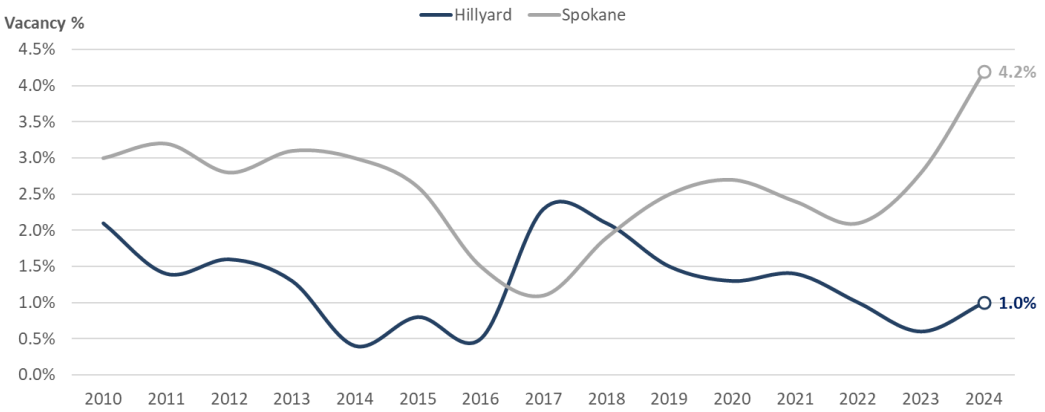
Table 2. Industrial and Flex Inventory, 2010 to 2024 Q2

Description	2010	2015	2019	Q2 2024	2010-2024 Total	2010-2024 Ann. #	2010-2024 Ann. %
Inventory (Sq. Ft.)							
Hillyard	1,853,059	1,877,516	1,943,046	1,946,946	93,887	6,706	0.4%
Spokane	33,014,456	34,568,086	35,069,069	37,550,366	4,535,910	323,994	0.9%

Source: CoStar; Economic & Planning Systems

In terms of vacancy rates, the City of Spokane – and more specifically Hillyard – have maintained very low vacancy rates from 2010 to 2024 while adding inventory, which suggests that the market would respond well to additional inventory. While Hillyard itself has not added much inventory, a vacancy rate of 1.0 percent in 2024, as shown in **Figure 2**, suggests that new inventory would likely be supported.

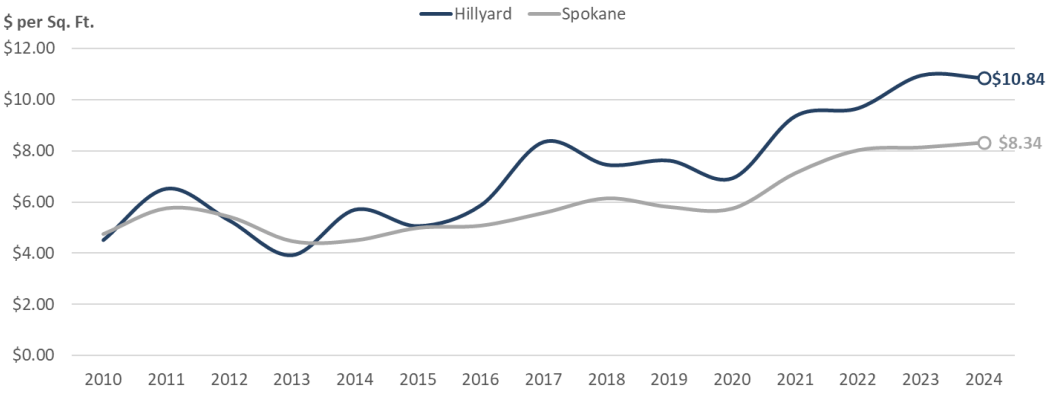
Figure 2. Industrial and Flex Vacancy Rate, 2010 to 2024 Q2



Source: CoStar; Economic & Planning Systems

Average rental rates in the Hillyard Subarea increased by $6.34 per square foot from 2010 to 2024, as shown in **Figure 3**. In the city as a whole, the average rental rate increased by only $3.59 per square foot over the same time period, or about half of the Hillyard's growth.

Figure 3. Industrial and Flex Rental Rate, 2010 to 2024 Q2



Source: CoStar; Economic & Planning Systems

Comparable Subareas

The Hillyard Subarea, and more specifically "The Yard," is well located to attract future growth of industrial and flex space should it invest in the road and utility improvements needed to make the area competitive with other industrial development locations in the region. As a basis for estimating the level of growth possible. EPS tracked historical growth in other industrial areas in the regional including the Spokane Valley subarea, east of the City of Spokane, the West Plains Subarea, located near the Spokane International Airport, and the East Central Neighborhood, located south of the Hillyard Subarea.

West Plains has seen the most explosive growth, nearly doubling its inventory from nearly 4.4 million square feet in 2010 to over 8.4 million square feet in 2024, as shown in **Table 3**. The other subareas have seen modest growth that is consistent with the City of Spokane as a whole, all of which have experienced average annual growth ranging from 0.9 percent to 1.0 percent per year.

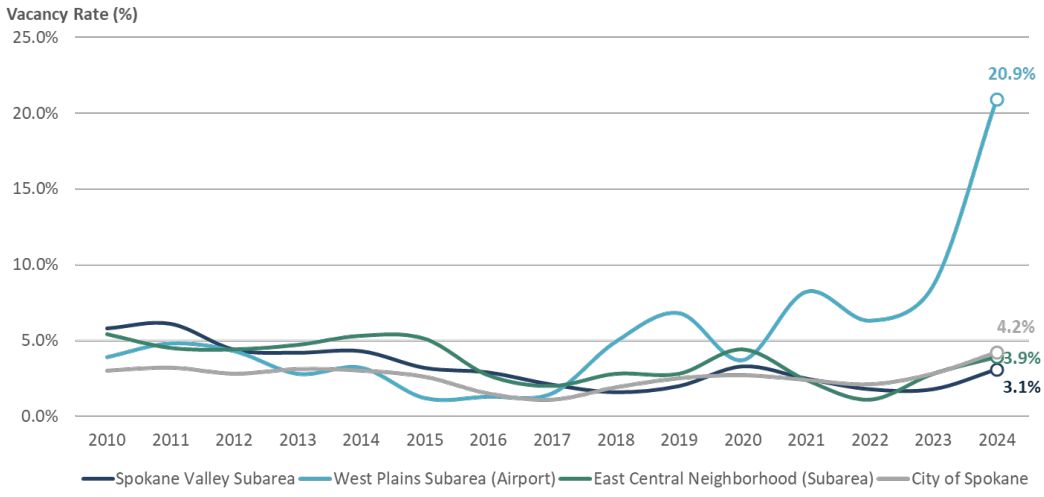
Table 3. Industrial and Flex Subareas Inventory, 2010 to 2024 Q2

Description	2010	2015	2020	Q2 2024	2010-2024 Total	2010-2024 Ann. #	2010-2024 Ann. %
Inventory (Sq. Ft.)							
Spokane Valley Subarea	23,418,958	23,566,021	24,546,032	26,946,216	3,527,258	251,947	1.0%
West Plains Subarea (Airport)	4,351,206	5,713,144	6,505,406	8,440,922	4,089,716	292,123	4.8%
East Central Neighborhood (Subarea)	7,631,935	8,021,833	8,544,673	8,608,289	976,354	69,740	0.9%
City of Spokane	33,014,456	34,568,086	35,779,669	37,550,366	4,535,910	323,994	0.9%

Source: CoStar; Economic & Planning Systems

The subarea with the highest vacancy rate in 2024 was West Plains with a vacancy rate of 20.9 percent, as shown in **Figure 4**. This is likely a result of new inventory being completed as over 1.0 million square feet of inventory was added between 2023 and 2024. East Central Neighborhood and Spokane Valley had vacancy rates of 3.9 percent and 3.1 percent, respectively, similar to the overall city total.

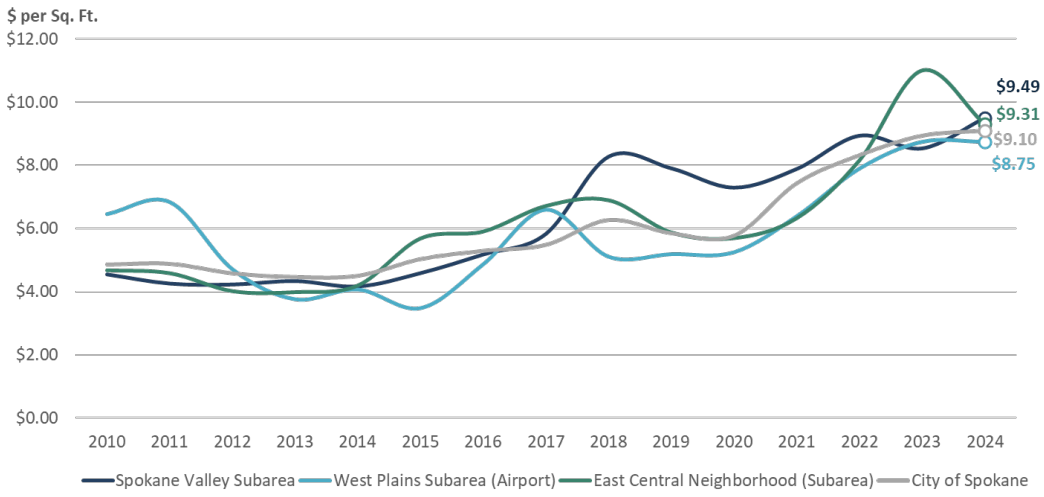
Figure 4. Industrial and Flex Subareas Vacancy Rate, 2010 to 2024 Q2



Source: CoStar; Economic & Planning Systems

The subarea with the highest average rental rate in 2024 was Spokane Valley at $9.49 per square foot, as shown in **Figure 5**. This is closely followed by the East Central Neighborhood at $9.31 per square foot, and West Plains at $8.75 per square foot. The City of Spokane's rental rate in 2024 was $9.10 per square foot.

Figure 5. Industrial and Flex Subareas Rental Rate, 2010 to 2024 Q2



Source: CoStar; Economic & Planning Systems

Commercial and Multifamily Space

EPS also tracked growth and development conditions in the office, retail and multifamily housing markets in Hillyard and the Spokane region over the 2010-2024 time period.

Office

The Hillyard Subarea (as tracked by CoStar) shows a modest amount of office space with a current inventory of 133, 500 square feet. The area lost 13,800 square feet since 2010 as shown in **Table 4**. Meanwhile, the City of Spokane gained 367,019 square feet of office inventory to reach nearly 20.2 million square feet as shown.

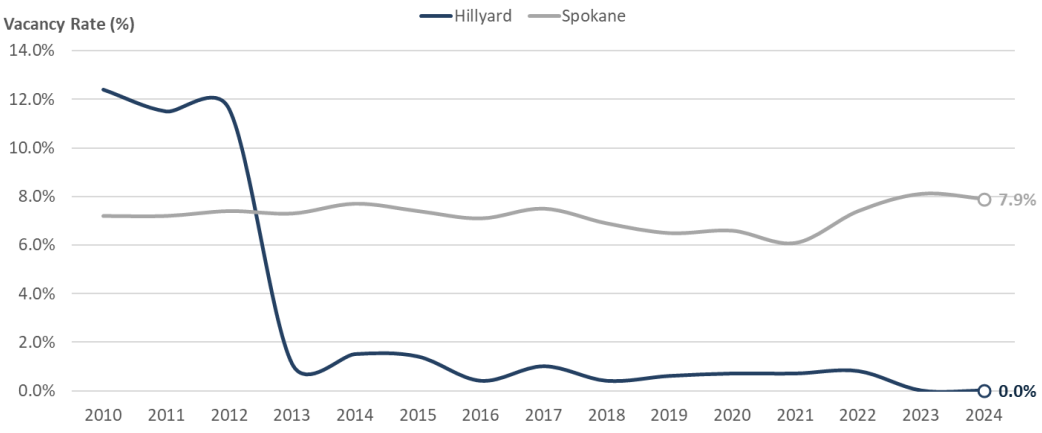
Table 4. Office Inventory, 2010 to 2024 Q2

Description	2010	2015	2019	Q2 2024	2010-2024 Total	2010-2024 Ann. #	2010-2024 Ann. %
Inventory (Sq. Ft.)							
Hillyard	147,320	147,320	157,932	133,513	-13,807	-986	-0.7%
Spokane	19,828,575	20,058,454	20,059,907	20,195,594	367,019	26,216	0.1%

Source: CoStar; Economic & Planning Systems

The Hillyard neighborhood shows an office vacancy rate of 0 percent in 2024, as shown in **Figure 6**. This low vacancy rate is likely due to the small amount of space in the CoStar office inventory. There are likely a number of smaller buildings with less than 10,000 square feet not captured in the inventory. The City of Spokane has maintained a relatively constant vacancy rate between 7.0 percent and 7.9 percent from 2010 to 2024, suggesting that the market has not seen a sudden increase in inventory in recent years.

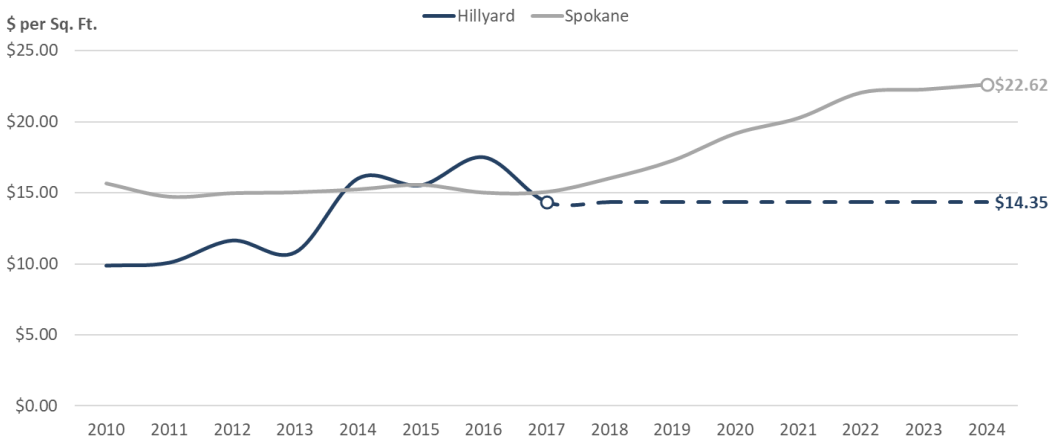
Figure 6. Office Vacancy Rate, 2010 to 2024 Q2



Source: CoStar; Economic & Planning Systems

The rental rate for office space in the Hillyard neighborhood increased from $10.00 per square foot in 2010 to $14.35 per square foot in 2017, as shown in **Figure 7.** Rental rates after 2017 are not available for the Hillyard neighborhood. Meanwhile, the rental rate in the City of Spokane increased from $15.64 in 2010 to $22.62 in 2024.

Figure 7. Office Rental Rate, 2010 to 2024 Q2



Note: No rent data available for Hillyard since 2017.
Source: CoStar; Economic & Planning Systems

Retail

The retail market in both Hillyard and the City of Spokane has not seen much growth in inventory in recent years. From 2010 to 2024, Hillyard only gained 3,300 square feet of retail space and the City of Spokane gained 414,715 square feet of retail space, as shown in **Table 5**.

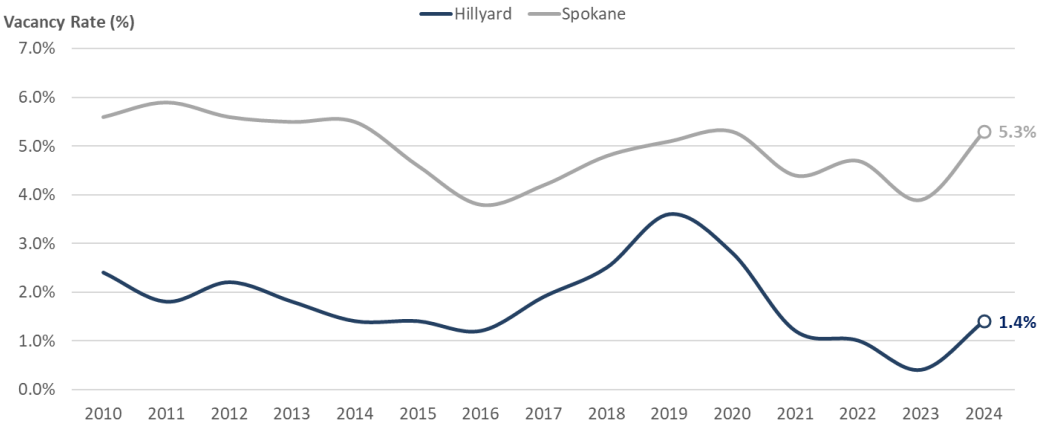
Table 5. Retail Inventory, 2010 to 2024 Q2

Description	2010	2015	2019	Q2 2024	2010-2024 Total	2010-2024 Ann. #	2010-2024 Ann. %
Inventory (Sq. Ft.)							
Hillyard	740,691	743,991	743,991	743,991	3,300	236	0.0%
Spokane	27,704,903	27,927,254	27,906,064	28,119,618	414,715	29,623	0.1%

Source: CoStar; Economic & Planning Systems

The retail vacancy rate in 2024 for the Hillyard neighborhood was 1.4 percent, as shown in **Figure 8**. This rate is lower than the City, which had a vacancy rate of 5.3 percent. Overall, the Hillyard neighborhood maintained a lower vacancy rate than the City of Spokane from 2010 to 2024.

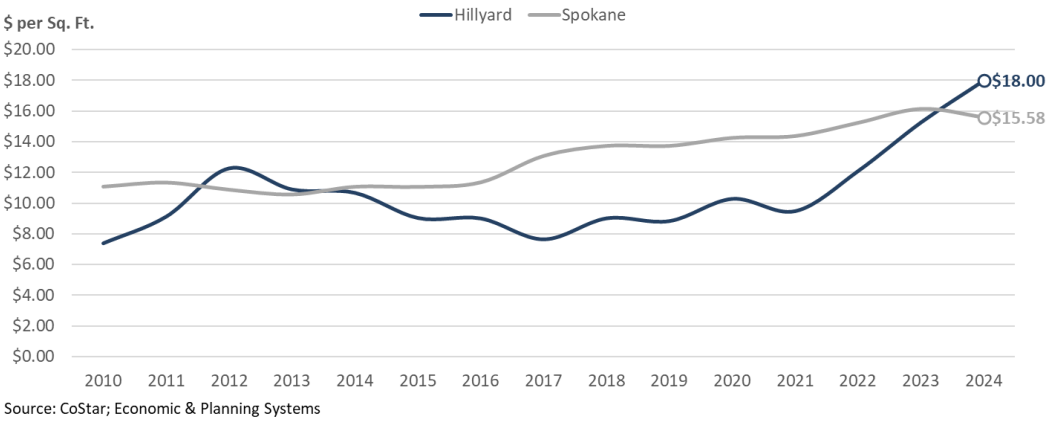
Figure 8. Retail Vacancy Rate, 2010 to 2024 Q2



Source: CoStar; Economic & Planning Systems

Both the Hillyard neighborhood and the City of Spokane have similar rental rates, with the Hillyard neighborhood having a rate of $18 per square foot in 2024 and the City of Spokane having a rental rate of $15.58, as shown in **Figure 9**. The Hillyard neighborhood's rental rate surpassed the rate of the City in 2024 for the first time since 2012.

Figure 9. Retail Rental Rate, 2010 to 2024 Q2



Source: CoStar; Economic & Planning Systems

Multifamily

The Hillyard neighborhood has a small multifamily presence with only 475 multifamily units, as shown in **Table 6**. The Hillyard neighborhood has not added units since at least 2000. Meanwhile, the City of Spokane saw steady growth in multifamily inventory from 2010 to 2024, adding 7,880 units, or 20.3 percent of the total multifamily units in the City.

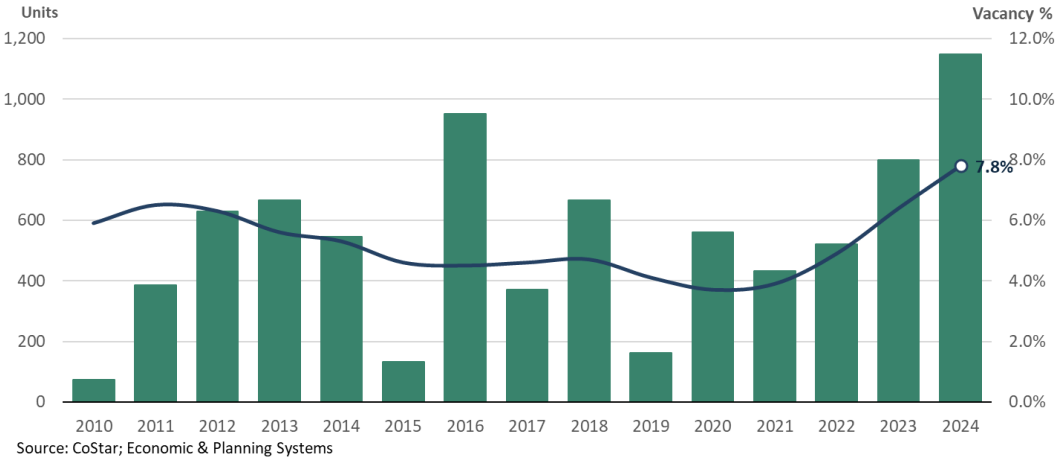
Table 6. Multifamily Inventory, 2010 to 2024 Q2

Description	2010	2015	2019	Q2 2024	2010-2024 Total	2010-2024 Ann. #	2010-2024 Ann. %
Inventory (Units)							
Hillyard	475	475	475	475	0	0	0.0%
Spokane	30,990	33,350	35,424	38,870	7,880	563	1.6%

Source: CoStar; Economic & Planning Systems

As Spokane has delivered multifamily units, the vacancy rate has risen from 3.7 percent in 2020 to 7.8 percent in 2024, as shown in **Figure 10**. Much of this can likely be attributed to new units entering the market. From 2020 to 2024, Spokane delivered 3,462 new multifamily units. If Hillyard could capture even just a small share of this development, it would benefit the area and provide the opportunity for increased housing affordability.

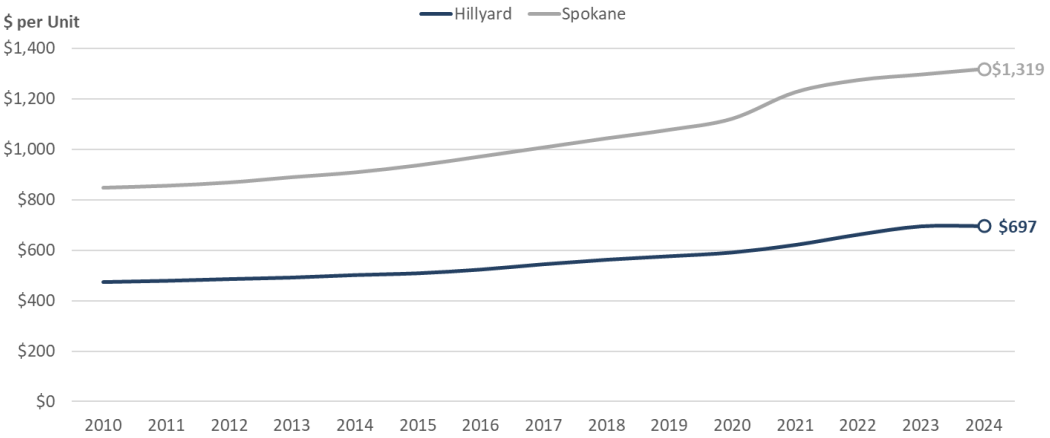
Figure 10. Spokane Multifamily Vacancy Rate and Deliveries, 2010 to 2024 Q2



Source: CoStar; Economic & Planning Systems

The Hillyard neighborhood traditionally has had lower rental rates than the City, and this trend continued from 2010 to 2024. In 2024, the average asking rent per unit in the Hillyard neighborhood was $697 per unit, as shown in **Figure 11**. Meanwhile, the average asking rent per unit in Spokane was $1,319 per unit.

Figure 11. Multifamily Asking Rent per Unit, 2010 to 2024 Q2



Source: CoStar; Economic & Planning Systems

Absorption Scenarios

EPS developed three absorption scenarios based on the market data provided in the previous section including the AB market study, Stantec estimates of development capacity, and additional market work conducted by EPS, three absorption scenarios focused on commercial development over a 30-year period were generated. A 30-year period is used to align with the assumptions for revenue bonds in the financing model. All three scenarios assume that the necessary infrastructure investments would be made to attract development.

The Low Absorption projection is based on the development forecasts in the AB market study, which was modified to apply specifically to The Yard. The Medium Absorption projection is based on historical development capture rates from the larger regional market to estimate a realistic absorption target for the next 30 years. The High Absorption projection is based on the amount of development capacity possible under existing zoning within the identified catalyst sites.

Scenario 1: Low Absorption

In the Low Absorption scenario, annual growth is projected using the market demand projections from the AB market study. Agnew Beck developed a 10-year demand forecast for the area, and EPS extended this demand forecast to 30 years using the same growth factor.

In this scenario, The Yard is estimated to capture a total of 322,200 square feet of commercial space over a 30-year period, or an average of 10,740 square feet annually, as shown in **Table 7**. This includes 170,250 square feet of office space based on a floor area ratio (FAR) of 0.3, 121,500 square feet of industrial/flex space based on a FAR of 0.15, and 30,450 square feet of retail space based on a FAR of 0.25. This totals 34.4 land acres and makes up 36.2 percent of the total available land capacity of the catalyst sites in The Yard.

Table 7. 30-Year Low Absorption Projection

Description	30-Year Absorption			
	Building Sq. Ft.	FAR	Land Acres	Avg. Ann. Sq. Ft.
Land Use Type				
Office	170,250	0.30	13.0	5,675
Industrial/Flex	121,500	0.15	18.6	4,050
Retail	30,450	0.25	2.8	1,015
Total	**322,200**		**34.4**	**10,740**
Total Acres Available			**95.2**	
Percent Used			36.2%	

Source: Agnew Beck; Spokane Regional Transportation Council (SRTC) Regional Transportation Model 2019-2045; Economic & Planning Systems

Scenario 2: Medium Absorption

In the Medium Absorption scenario, annual growth was projected based on a realistic capture rate based on historical development in the larger region. For office, this was based on a capture rate of 4 percent of the City's annual growth in office inventory from 2010 to 2024. For industrial and flex space, absorption was based on a 9 percent capture rate of the average absorption of larger subareas that include the City of Spokane, the West Plains subarea (near the Airport), and the Spokane Valley subarea from 2010 to 2024. For retail, absorption was based on a 4 percent capture rate of the City's annual growth in retail inventory from 2010 to 2024.

Under this scenario, The Yard is projected to capture 851,700 square feet of commercial space over a 30-year period, or an average of 28,390 square feet annually, as shown in **Table 8**.

Over a 30-year period, this totals 31,500 square feet of office space, 784,700 square feet of industrial/flex space, and 35,500 square feet of retail space. This totals 95.2 land acres and uses 100 percent of the total available land in the catalyst sites.

Table 8. 30-Year Medium Absorption Projection

Description	30-Year Absorption			
	Building Sq. Ft.	FAR	Land Acres	Avg. Ann. Sq. Ft.
Land Use Type				
Office	31,500	0.30	2.4	1,050
Industrial/Flex	784,700	0.20	90.1	26,157
Retail	35,500	0.30	2.7	1,183
Total	**851,700**		**95.2**	**28,390**
Total Acres Available			**95.2**	
Percent Used			100.0%	

Source: CoStar; Economic & Planning Systems

Scenario 3: High Absorption

In the High Absorption scenario, projections are based on the maximum allowable zoning capacity of the catalyst sites provided in the Urban Framework Plan (UFP). The UFP assumes maximum development of the site, which is based on higher FARs than has historically occurred in Spokane for all three uses listed. Given that all 20 catalyst sites in the Yard are zoned industrial, only industrial uses are estimated in this scenario.

Under this scenario, The Yard is estimated to capture approximately 1.7 million square feet of industrial/flex space over a 30-year period, or an average of 55,292 square feet annually, as shown in **Table 9**. This totals 95.2 land acres and accounts for 100 percent of the total available land as shown in the catalyst sites.

Table 9. 30-Year High Absorption Projection

Description	30-Year Absorption			
	Building Sq. Ft.	FAR	Land Acres	Avg. Ann. Sq. Ft.
Land Use Type				
Office	0	0.40	0.0	0
Industrial/Flex	1,658,765	0.40	95.2	55,292
Retail	0	0.30	0.0	0
Total	**1,658,765**		**95.2**	**55,292**
Total Acres Available			**95.2**	
Percent Used			100.0%	

Source: Spokane Regional Transportation Council (SRTC) Regional Transportation Model 2019-2045; Economic & Planning Systems

THIS PAGE INTENTIONALLY LEFT BLANK

3. Public Financing Framework

This Chapter identifies the most likely funding and financing tools that could be used to help fund road and utility infrastructure and other capital improvements in the Yard needed to make the area development ready.

Available Public Financing Tools

The primary funding tool anticipated to be used for funding redevelopment costs within The Yard is tax increment financing (TIF). TIF Districts can be enabled by cities through several different acts and programs including Local Improvement Districts (LIDs), the Community Revitalization Financing (CRF) Act, the Local Infrastructure Financing Tool (LIFT), and Local Revitalization Financing (LRF) Program. The City of Spokane established a TIF District in 2019 for property within the Northeast Public Development Authority (NEPDA).

NEPDA was formed in 2012. The City and County established the first TIF district for northeast Spokane in 2019 as a revenue source for NEPDA. The City and County then expanded the TIF boundary in 2023, as shown in **Figure 12**. NEPDA TIF revenues are anticipated to be a primary source of revenues for infrastructure investments. NEPDA can issue loans and bonds, and it also has governance over its boundaries as outlined in ordinance and its charter.

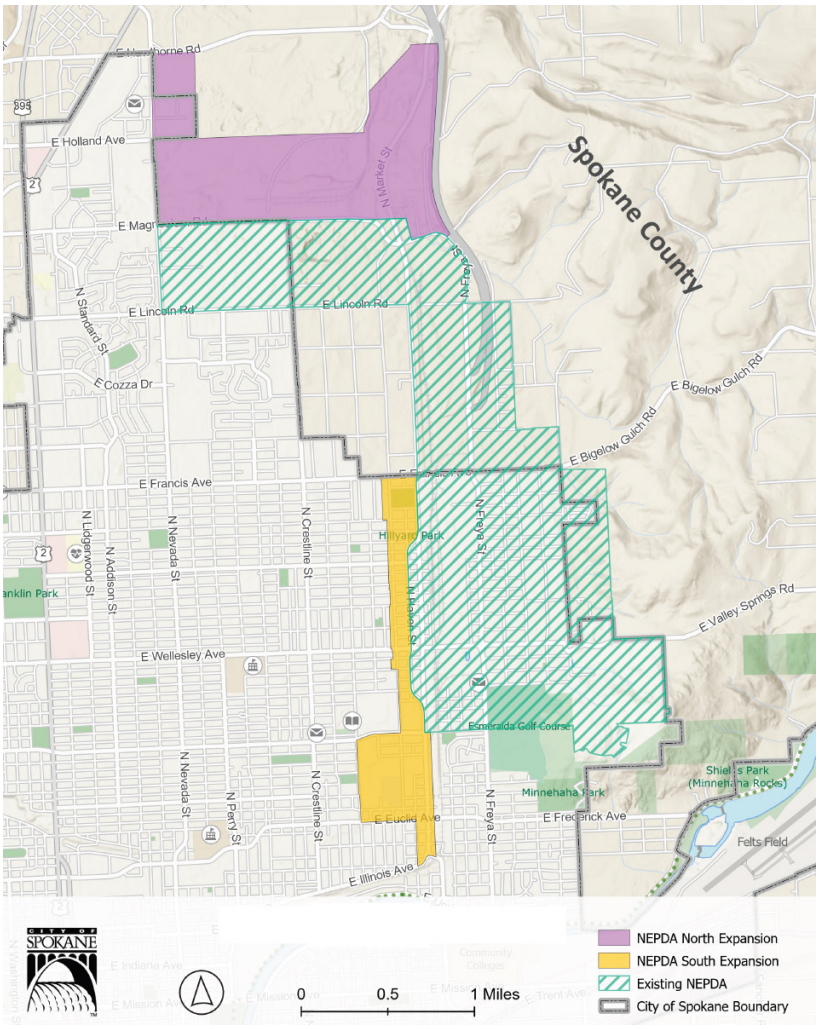


Figure 12.
Current NEPDA Boundary

NEPDA receives TIF from both property and sales tax increment from the City and County, local sales tax increment from the City, and one-time tax on new construction (New Construction Sales Tax NCST). NEPDA receives 75 percent of new increment with the remaining portions retained by each taxing entity. NEPDA administers the TIF district for both property tax and sales tax. For property tax TIF, the only taxing districts that opted into the TIF district were the City and County of Spokane, as shown in **Table 10**. This results in an applied levy of 2.655 mills.

Table 10. Applied Levy, Property Tax TIF

Description	2024 Levy Rate	TIF Yes/No	Applied Levy
County General	0.702	Yes	0.70
County General Cons Futures	0.026	No	0.00
SD081 Spokane B&I	1.579	No	0.00
SD081 Spokane General	2.249	No	0.00
Spokane Bond	0.094	No	0.00
Spokane Bond New	0.209	No	0.00
Spokane EMS	0.495	No	0.00
Spokane General	1.953	Yes	1.95
Spokane General Senior Lift	0.201	No	0.00
State School	1.401	No	0.00
State School Levy	0.751	No	0.00
Total	**9.659**	--	**2.655**

Source: Spokane County; Economic & Planning Systems

Sales Tax TIF follows a similar format as property tax TIF with 75 percent of the net new City of Spokane sales tax available as tax increment available to NEPDA. In Spokane, the sales tax rate is 2.5 percent, meaning that for every ten dollars spent on taxable goods, 25 cents goes to the City of Spokane. (Only the city sales tax rate is included, the County sales tax is not subject to TIF). However, no significant additional retail development is being forecast, so there is zero local sales tax increment included.

New Construction Sales Tax (NCST) is a sales tax collected on the cost of construction and materials for any new development within the NEPDA boundary. For modeling purposes, EPS has estimated this value to be 50 percent of the market value of the new development. NCST is collected by both the City and County with slightly different processes as outlined below.

The City of Spokane collects NCST based on its 2.5 percent sales tax rate. It is then distributed 75 percent to NEPDA, and 25 percent is kept by the City. On the 75 percent received by NEPDA, the City charges a 1.0 percent administrative fee for processing. This remaining amount of one-time NCST revenue is then distributed over six quarters.

Spokane County collects NCST based on its 6.5 percent sales tax rate. On this initial revenue, the state charges a 1.0 percent administrative fee for processing. Then, the revenue gets distributed 75 percent to NEPDA and 25 percent to the County. Of the 75 percent that goes to NEPDA, the County charges a 1.0 percent administrative fee for processing. This remaining amount of one-time NCST revenue is then distributed over six quarters.

Other Funding and Financing Tools

There are several other financing districts enabled in the State of Washington that could be used to help with redevelopment and infrastructure funding in The Yard. Some of the potential districts including LIFT and LRF utilize TIF as their primary financing tools so are largely redundant to the TIF District established for NEPDA. The other available districts and programs that rely on other revenue streams are summarized below.

Local Improvement District (LID)

LIDs are special assessment districts that are formed by a city or county, with the approval of the property owners within the district. LIDs are not self-governing special purpose districts. LIDs are most often formed to assess the cost of site-specific improvements such as local streets or sidewalks. However, in some cases, a developer could establish a LID that would require future property owners to pay their share of local infrastructure improvements.

Once a LID is formed, an assessment roll is established with each property's assessment being equal to the estimated "special benefit" to that property. "Special benefit" is related to the total improvements proposed within the LID. Property owners can opt to pay all their assessment up front, but typically, bonds need to be issued to cover at least a portion of the costs.

An additional beneficial function of LIDs is the ability to form a Utility Local Improvement District (ULID), which can be done during initial LID formation or after traditional LID formation (RCW 35.43.042-.043). In addition to the special assessment, ULIDs capture additional revenues from utility revenues within the district (i.e., tap fees, etc.). With a traditional LID, any utility revenues would be pledged to the local entity rather than the LID. This is particularly applicable in The Yard, where most improvements needed are utility improvements.

The only caveat with ULIDs is that only Revenue Bonds may be issued, and assessments must be deposited in a fund to pay off the revenue bonds (e.g. the revenue bonds are backed by both the special assessment and by utility revenue). Traditional LIDs allow for the issuance of several different forms of debt. With a traditional LID, special assessment bonds, Systematic Investment Plan (SIP) loans, and other forms of interim debt (i.e., Bond Anticipation Notes, Revenue Anticipation Notes) may be issued. This potentially gives traditional LIDs more financial flexibility over ULIDs depending on the type of projects proposed.

Applicability to the Yard

Over time, the implementation of a site-specific LID and/or ULID would allow the City to invest in targeted areas of the Yard to help bring sites closer to being "development ready." This could include road and water service improvements for Freya Street between Wellesley Avenue and Rowan Avenue, road improvements for Myrtle Street between Wellesley Avenue and Rowan Avenue, road improvements for Florida Street between Wellesley Avenue and Rowan Avenue, and road and water service improvements for Rowan Avenue between Ferrall Street and Havana Street.

Public Utility District (PUD)

A PUD is a special improvement district established for purposes of funding utility improvements, including water, wastewater and storm drainage. Improvements can be funded through general obligation or revenue bonds using property tax or special assessments. A district can be established by a county or by voter petition, which then transfers governance to the PUD.

Applicability to the Yard

A PUD may be an appropriate district for distributing a portion of the costs of a regional stormwater facility, especially given its significant cost in relation to other infrastructure projects that are planned in the Yard. In addition, a LID could be formed within the PUD to help fund site-specific costs through special assessment bonds. One challenge of forming a PUD in the Yard would be its requirement to be established through voter petition.

Local Infrastructure Financing Tool (LIFT)

The LIFT program was established by the state in 2006 to provide financial support for local infrastructure projects in designated areas called Revenue Development Areas (RDAs). Economic activity within the RDA is expected to generate tax revenue that meets or exceeds the state's contribution. Cities receive their contribution from the state by imposing a local sales and use tax (LIFT) that is credited against the state sales tax. One benefit of the program is that consumers do not see an increase in sales tax.

Currently, there are several participating communities including Bellingham, Bothell, Everett, Federal Way, Liberty Lake, Mount Vernon, Puyallup, Vancouver, and Yakima. Most cities had not begun infrastructure improvements when a report on the LIFT program was completed in 2013. However, RDAs saw greater economic activity compared to non-RDAs from 2013 to 2018. The LIFT program currently expires in 2044 unless extended by the State of Washington.

Applicability to the Yard

The LIFT program could be established in a broadly defined area in-and-around the Yard to help capture additional revenue. While the Yard itself does not generate a lot of revenue from sales tax, its surrounding retail uses could help provide additional revenue. In addition, any use tax collected by the state during the development of the Yard could also be captured as a one-time revenue source. One challenge of establishing an RDA for the LIFT program would be the expectation that the total sales and use tax revenue generating economic activity within the Yard either meets or exceeds that of the state's contribution.

Grants and Other State Programs

The Spokane area has been successful obtaining a few state and federal grants including two BUILD (Better Utilizing Investments to Leverage Development) grants for road and multimodal improvements near Spokane International Airport. These two grants total $34.1 million and were issued in 2019 ($11.3 million) and 2023 ($22.8 million). Grants are competitive and one-time revenue sources, but they can be an important source of capital funding and can be a way to accelerate the development of needed projects in the CIP. The following grant and state programs should be pursued as qualified projects are identified.

BUILD Grant Program

The BUILD Grant Program, previously known as the RAISE (Rebuilding American Infrastructure with Sustainability and Equity) and TIGER (Transportation Investment Generating Economic Recovery) discretionary grants, was established under the American Recovery and Reinvestment Act of 2009 and operated under annual appropriations acts until authorized in November 2021. BUILD grants are federal grants issued by the U.S. Department of Transportation (US DOT) for surface transportation infrastructure projects with significant local and/or regional impact. Eligible projects include highway and bridge projects, public transportation projects, railway projects, freight and intermodal projects, multimodal transportation projects, and port infrastructure improvements.

To apply for a BUILD grant, there are several requirements including the need to submit a Benefit-Cost Analysis (BCA), completed or underway environmental reviews, and the project must be "shovel-ready" (i.e., construction must begin in a reasonable timeframe). The typical award for BUILD grants can range widely depending on the type of project submitted, but generally the grant funding ranges from $5 million to $25 million for projects in urban areas.

Projects submitted to the US DOT are evaluated based on if the project can improve public safety, promote environmental sustainability, enhance quality of life, promote economic growth, encourage collaboration, replace or rehabilitate aging infrastructure, utilize innovative technology, and support underserved communities. A few projects in the Yard that may be good candidates for a RAISE grant include improvements to major thoroughfares in the area including Wellesley Avenue, Freya Street, and Francis Avenue. Many of the local road projects, such as improvements to Rowan Avenue, would likely be too small in scale to be considered for a BUILD grant.

Community Economic Revitalization Board (CERB)

The CERB finances public infrastructure through loans and grants to support private business development. Currently, there are four programs the CERB administers: the Committed Private Partner Program (CPP), the Planning Program (PP), the Prospective Development Program (PD), and the Rural Broadband Program (RB). The PP and RB program only serve rural communities, so neither are discussed in detail.

CPP Program

The CPP Program is intended to provide loans and grants for construction of public infrastructure necessary for private business expansion. The CERB offers loans at a $5 million maximum per project with a 1 percent to 3 percent interest rate and up to 20-year term. Meanwhile, grants are available up to 25 percent of the total amount awarded, which is determined by the underwriting process and debt service coverage ratio (DSCR). Applicants to this program must provide a cash match of 20 percent of the total project cost. The requirements of the program include the following:

- Evidence that a private development or expansion is ready to occur and that the private development is contingent upon the approval of CERB funds.
- The project must either create a significant number of permanent jobs and/or generate significant private capital investment.
- The median hourly wage of the private sector jobs created, after the project is completed, must exceed the current countywide median wage.
- Applicants must also demonstrate the need for CERB assistance and that no other timely source of funding is available.

Planning Program

The Planning Program (PP) provides grant funding for studies that aim to evaluate high-priority economic development projects and rural broadband projects. The CERB gives priority to planning projects that could result in a type of project eligible for CERB construction funds through the CPP program.

Through the PP, CERB offers grants for planning projects up to 80 percent of the total project cost, up to $100,000. At least 20 percent of the total project cost must be cash matched by the applicant. The program has three funding tiers:

- Tier 1 Projects: award up to $50,000 for economic development activities that do not qualify for CERB construction through the CPP program.
- Tier 2 Projects: award up to $75,000 for economic development activities that do qualify for CERB construction through the CPP program.
- Tier 3 Projects: award up to $100,000 for site readiness and economic development activities that do qualify for CERB construction through the CPP program.

THIS PAGE INTENTIONALLY LEFT BLANK

4. Development Absorption and Capital Projects

This Chapter discusses the absorption projection and capital investments for a smaller Phase 1 area within the Hillyard Subarea, which is identified in this chapter.

Phase 1 Framework

Due to large infrastructure requirements for the Yard totaling $39.5 million, which would be required to develop most of the catalyst sites within the Yard, EPS chose to narrow the scope of the financial and development analysis to an initial first phase of development that would reduce the amount of upfront infrastructure needed to catalyze initial development. This initial Phase 1 area includes the southern portion of the Yard and all of the Wellesley Business District. By shifting the focus area, the known infrastructure costs were reduced from $39.5 million to $14.4 million.

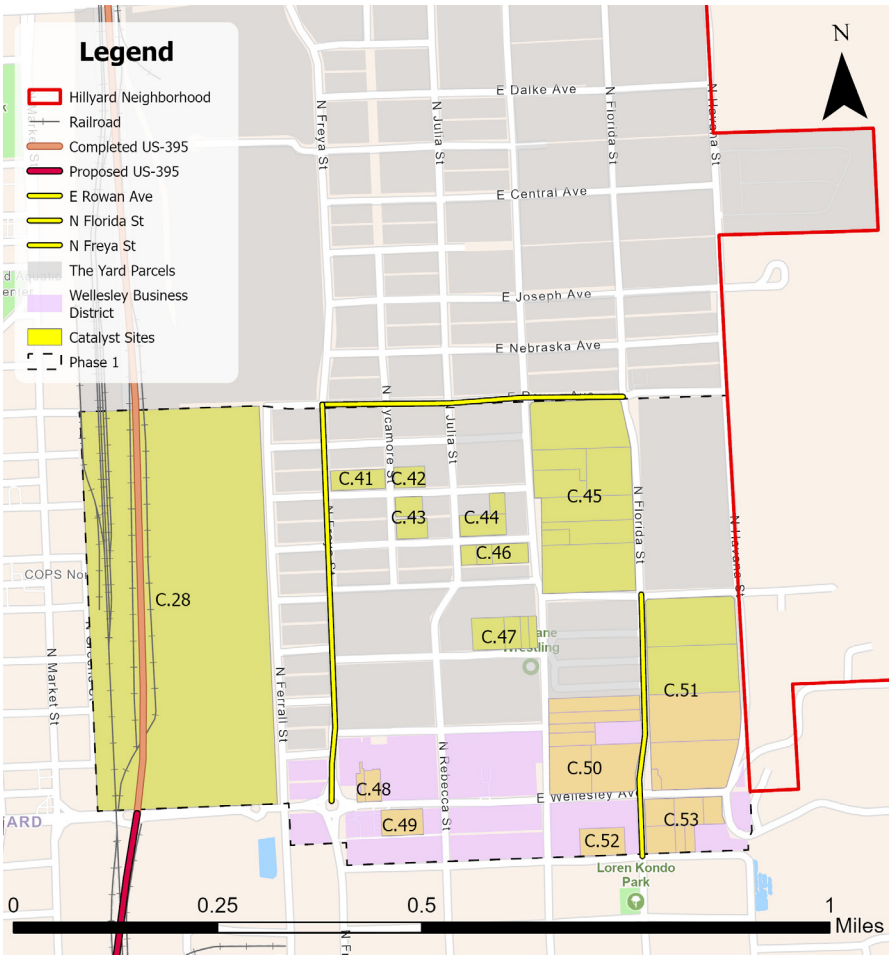


Figure 13. Phase 1 Area

Absorption Projection

The Phase 1 area reduces the upfront infrastructure needed but still includes 14 of the 20 catalyst sites in The Yard including the largest and most marketable parcels.

The medium absorption scenario is used as a basis for creating the projected absorption for the 14 catalyst sites. In addition, EPS discussed each site in detail with stakeholders to determine an estimated timing of development for each site given the infrastructure investments needed in the area. This resulted in a development timeline stretching from 2027 to 2037. Additional assumptions include an FAR of 0.3 for all commercial uses, and a multifamily assumption of 25 dwelling units per acre with 1,000 square foot units, as shown in **Table 11**.

Table 11. Phase 1 Projected Absorption

Description	Land Use Type	Acres	Site Sq. Ft.	Units	Bldg. Sq. Ft.	Est. Year Built
The Yard						
Site C28	Industrial & Flex	25.3	1,102,068	--	330,620	2035
Site C41	Industrial & Flex	1.0	44,431	--	13,329	2036
Site C42	Industrial & Flex	0.6	27,007	--	8,102	2036
Site C43	Industrial & Flex	1.1	47,480	--	14,244	2037
Site C44	Industrial & Flex	1.2	54,014	--	16,204	2032
Site C45	Industrial & Flex	17.2	750,539	--	225,162	2032
Site C46	Industrial & Flex	1.3	54,886	--	16,466	2034
Site C47	Industrial & Flex	2.0	87,120	--	26,136	2034
Subtotal	--	**50**	**2,167,546**	**--**	**650,264**	**--**
Wellesley Business District						
Site C48	Industrial & Flex	0.8	33,106	--	9,932	2028
Site C49	Office	1.0	44,867	--	13,460	2029
Site C50a	Office	4.0	175,111	--	52,533	2028
Site C50b	Multifamily	6.2	267,894	154	153,750	2028
Site C51a	Industrial & Flex	8.7	378,972	--	113,692	2027
Site C51b	Multifamily	7.9	344,560	198	197,750	2027
Site C52	Industrial & Flex	1.2	50,094	--	15,028	2030
Site C53	Office	3.3	142,006	--	42,602	2027
Subtotal	**--**	**33**	**1,436,609**	**352**	**598,747**	**--**
Total by Class						
Industrial & Flex		60.4	2,629,717	--	788,915	--
Office		8.3	361,984	--	108,595	--
Retail		0.0	0	--	0	--
Multifamily		14.1	612,454	352	351,500	--
Subtotal		**82.7**	**3,604,154**	**352**	**1,249,010**	**--**
Total		**82.7**	**3,604,154**	**352**	**1,249,010**	**--**

Source: Stantec; Economic & Planning Systems

The majority of this development would consist of industrial and flex uses, which accounts for 788,915 square feet of commercial space. The addition of 352 multifamily units will be significant for the neighborhood, especially considering that only 475 multifamily units currently exist. In addition, given the context of the neighborhood, this estimate recognizes that while there may be a small amount of retail development, it will likely be minimal in size and is therefore not projected in this absorption scenario.

Capital Projects

Based on the information provided to EPS from Stantec and Fehr & Peers, EPS compiled infrastructure costs associated with The Yard. The costs currently associated with the information listed below are known costs (any unknown costs, such as increased standby storage in the North Hill Pressure Zone, are not included).

Roads

There are several road projects proposed in the Yard. Some of these projects, such as Freya Street, are listed in the Capital Improvement Plan (CIP), while others are not. Projects without a timeframe are not listed in the CIP. For pro forma modeling purposes, all projects with an unknown timeframe have been modeled over a three-year period (2027 to 2029). Road projects in the Yard include the following:

- Freya Street from Wellesley Avenue to Rowan Avenue
  - Cost: $3.7 million
  - Estimated timeframe: 2027 to 2029
- Rowan Avenue from Freya Street to Florida Avenue
  - Cost: $236,000
  - Estimated timeframe: Unknown (modeled 2027 to 2029)
- Florida Street from Queen Avenue to Princeton Avenue
  - Cost: $3.2 million
  - Estimated timeframe: Unknown (modeled 2027 to 2029)

In total, the identified road projects will cost an estimated $6.5 million and will make several of the catalyst sites more accessible and appealing to potential investors.

Potable Water

For pro forma modeling purposes, all projects with an unknown timeframe have been modeled over a three-year period (2027 to 2029). Infrastructure projects, with known costs, to improve potable water service in The Yard include the following:

- Freya Street Water Distribution Infrastructure
  - Cost: $452,000
  - Estimated timeframe: 2027 to 2029 (aligned with roadwork)

- Rowan Avenue Water Distribution Infrastructure
  - Cost: $0 (cost is covered by other sources)
  - Estimated timeframe: Unknown (modeled 2027 to 2029) (should align with roadwork timing)

- Florida Street Water Distribution Infrastructure
  - Cost: $370,000
  - Estimated timeframe: Unknown (modeled 2027 to 2029) (should align with roadwork timing)

In total, the identified potable water projects will cost an estimated $822,000 and will help attract development to the Yard.

Stormwater Management

Stormwater is the costliest investment out of all the capital improvements costing a total of $6.0 million for a Phase 1 construction and completion of a clustered regional stormwater facility to service the catalyst sites identified in this report. For modeling purposes, this cost has been modeled over a three-year period (2027 to 2029).

If completed, this investment would significantly benefit the Yard as many of the sites are small with little room for on-site stormwater detention. With a clustered facility, the need for on-site detention would be diminished, significantly improving the ability to develop smaller parcels within the Yard. Given its cost, it may need to be funded using multiple sources.

Other Capital Improvements

There are several other capital improvements that may be needed or desired, but less crucial to the overall potential of the Yard. This includes additional improvements to potable water service, sanitary sewer service, and additional phases of work for the regional stormwater facility. The costs of these projects are unknown at this time.

Future Improvements

Several future improvements that may be beneficial to the area include:

1. ***Additional Standby Storage Volume for the North Hill Pressure Zone***

   The City of Spokane is planning for this improvement in the long term, regardless of the potential development plan for the Yard. It has yet to be scoped in the CIP and the cost is unknown at this time.

2. ***Future Hydraulic Analysis of the Yard's Water System***

   A study should be conducted to better understand the Yard's water system considering water demand of a fully developed Yard. This would include sizing and exact location of transmission and distribution mains as appropriate.

3. ***Region-wide Hydraulic Analysis for the Sanitary Sewer System***

   It is anticipated that the Yard will have a significant increase in future demand for sanitary sewer service. The deficiencies identified in the system will likely be a per-development improvement requirement.

Improvements fulfilled by Developer

This is not meant to be an exhaustive list as other costs will almost certainly be borne by the developer depending on the site. Costs borne by the developer include the following:

1. ***Water Main Replacement on a per-development basis***

   Depending on the age of the water main, the developer may need to cover the cost of replacing a water main for development of their site.

2. ***Extension of Public Water Mains for Private Development***

   It is suggested that the City requires private development to extend public mains for lots without direct access to a distribution main.

3. ***Sanitary Sewer Line Replacement on a per-development basis***

   Depending on the age of the sanitary sewer line, the developer may need to cover the cost of replacing a sanitary sewer line for development of their site.

4. ***Development retaining existing buildings should demonstrate that existing storm downspouts are either not connected to public sewer conveyance, or to include plans for disconnecting storm from the sewer system.***

5. ***Storm Line Replacement on a per-development basis***

   Depending on the age of the storm line, the developer may need to cover the cost of replacing a storm line for development of their site.

6. ***Stormwater should be disconnected from the sanitary sewer main, if necessary.***

7. ***The quality and performance of drywells within the fronting ROW should be assessed by the developer if frontage improvements are required.***

8. ***Development retaining existing buildings should demonstrate that existing downspouts are either not connected to public sewer conveyance, or to include plans for disconnecting roof drains from sanitary sewage as part of the development.***

9. ***Broadband Costs through Petrichor.***

10. ***Electrical Power and Natural Gas through Avista.***

5. Tax Revenue Forecasts

This Chapter describes a pro forma cash flow model used to estimate annual projected revenues and expenses, taxes, and other revenue sources over time to help support the cost of new capital infrastructure improvements in Phase 1. Revenues, expenses, and the funding gap are discussed. Alternative scenarios that look at removing certain infrastructure improvements, such as stormwater, are also analyzed.

Pro Forma Cash Flow Model

A pro forma cash flow model was created to analyze Phase 1 revenues and expenses over a 30-year period. The project's financial returns are evaluated on both a levered and unlevered basis to estimate the funding gap. A third scenario evaluates the removal of stormwater costs altogether as they as the most expensive and serve a larger area-wide function.

Revenues

Revenues accounted for in the model include property tax TIF, local sales tax TIF, New Construction Sales Tax (NCST), and NEPDA's existing TIF revenues. Additional sources, such as grants, are considered but have not been included in this version of the model. Future versions of the model could be modified to include additional revenue sources. It should be noted that all revenue sources currently projected will come through NEPDA, which is the existing taxing entity in the subject area that will serve as the vehicle for reinvestment.

Property Tax TIF

To estimate the total property value of each catalyst site, sales data from 2019 to 2024 by land use for the City of Spokane was collected. From 2019 to 2024, there were 336 total sales in the City of Spokane for Industrial & Flex uses that had a median sale price of $86.17 per improved square foot, as shown in **Table 12**. For office uses, there were a total of 328 sales with a median sale price of $133.14 per improved square foot. For retail uses, there were a total of 631 sales with a median sale price of $138.20 per improved square foot. For multifamily uses, there were a total of 379 sales with a median sale price of $126.95 per improved square foot.

Table 12. Improved Value per Square Foot Assumption

Description	Improved Value per Square Foot
Land Use Type	
Industrial & Flex	$86.17
Office	$133.14
Retail	$138.20
Multifamily	$126.95

Source: CoStar; Economic & Planning Systems

To estimate the property tax TIF that would be collected from the development of each catalyst site, the estimated improved market value per square foot is multiplied by the estimated square footage of the building, as shown in **Table 13**. This provides the 2024 market value of the catalyst site. The applicable mill levy is then multiplied by the 2024 market value to estimate the total tax increment. This increment is then split between the City and NEPDA, with NEPDA receiving 75 percent of the total increment. The estimated year of construction for each site in the financial model is shown.

Table 13. Projected Property Tax Revenues

Description	Land Use Type	Bldg. Sq. Ft.	Imp. Value per Sq. Ft.	2024 Market Value	Applied Levy	2024 Increment	NEPDA at 75%	Estimated Year Built
Factor		***A***	***B***	***C = A x B***	***D***	***E = C x D ÷ 1000***	***F = E x 0.75***	
The Yard								
Site C28	Industrial & Flex	330,620	$86.17	$28,489,560	2.6554	$75,651	$56,738	2035
Site C41	Industrial & Flex	13,329	$86.17	$1,148,591	2.6554	$3,050	$2,287	2036
Site C42	Industrial & Flex	8,102	$86.17	$698,163	2.6554	$1,854	$1,390	2036
Site C43	Industrial & Flex	14,244	$86.17	$1,227,416	2.6554	$3,259	$2,444	2037
Site C44	Industrial & Flex	16,204	$86.17	$1,396,326	2.6554	$3,708	$2,781	2032
Site C45	Industrial & Flex	225,162	$86.17	$19,402,179	2.6554	$51,521	$38,640	2032
Site C46	Industrial & Flex	16,466	$86.17	$1,418,848	2.6554	$3,768	$2,826	2034
Site C47	Industrial & Flex	26,136	$86.17	$2,252,139	2.6554	$5,980	$4,485	2034
Subtotal	--	**650,264**	--	**$56,033,221**	--	**$148,791**	**$111,593**	--
Wellesley Business District								
Site C48	Industrial & Flex	9,932	$86.17	$855,813	2.6554	$2,273	$1,704	2028
Site C49	Office	13,460	$133.14	$1,792,070	2.6554	$4,759	$3,569	2029
Site C50a	Office	52,533	$133.14	$6,994,292	2.6554	$18,573	$13,929	2028
Site C50b	Multifamily	153,750	$126.95	$19,518,563	2.6554	$51,830	$38,872	2028
Site C51a	Industrial & Flex	113,692	$86.17	$9,796,805	2.6554	$26,014	$19,511	2027
Site C51b	Multifamily	197,750	$126.95	$25,104,363	2.6554	$66,662	$49,997	2027
Site C52	Industrial & Flex	15,028	$86.17	$1,294,980	2.6554	$3,439	$2,579	2030
Site C53	Office	42,602	$133.14	$5,671,988	2.6554	$15,061	$11,296	2027
Subtotal	--	**598,747**	--	**$71,028,872**	--	**$188,610**	**$141,458**	--
Total by Class								
Industrial & Flex	Industrial & Flex	788,915	$86.17	$67,980,819	2.6554	$180,516	$135,387	--
Office	Office	108,595	$133.14	$14,458,349	2.6554	$38,393	$28,795	--
Retail	Retail	0	$138.20	$0	2.6554	$0	$0	--
Multifamily	Multifamily	351,500	$126.95	$44,622,925	2.6554	$118,492	$88,869	--
Subtotal	--	**1,249,010**	--	**$127,062,093**	--	**$337,401**	**$253,051**	--

Source: Economic & Planning Systems

Sales Tax TIF

Given that no catalyst sites in this study are projected to develop as retail sites, there is currently $0 of Sales Tax TIF projected in this model. If Sales Tax TIF were to be projected, it would follow a similar format as the property tax TIF with NEPDA receiving 75 percent of the increment and the City receiving the remaining 25 percent. This would be based on the City sales tax rate of 2.5 percent.

New Construction Sales Tax (NCST)

New Construction Sales Tax (NCST) is a one-time sales tax on construction materials. In Washington, once collected it is distributed over six quarters to the proper taxing jurisdictions. On any development in the NEPDA boundary, NCST for both the City and County can be collected and shared with NEPDA. This is a significant benefit for NEPDA as it can collect one-time revenues on two different one-time fees, especially considering that the County Sales Tax rate is 6.5 percent, and the City sales tax rate is only 2.5 percent.

Using the estimated market values of each catalyst site and applying a construction materials factor of 50 percent, the total taxable value for each catalyst site is calculated, as shown in **Table 14**. From this, the taxable value is multiplied by the City sales tax rate of 2.5 percent to get an initial total value of the NCST. Like the property tax TIF and sales tax TIF, the City retains 25 percent of this revenue. The remaining 75 percent is subject to a 1.0 percent City administrative fee and then distributed to NEPDA.

The NCST from the County is collected in a similar fashion—the one difference being that there are two administrative fees—one from the state of 1 percent and one from the County, which is also 1 percent, as shown in **Table 15.** Given the County's higher sales tax rate of 6.5 percent, NEPDA receives more one-time revenue from County NCST.

Table 14. NCST One-Time Revenues, City

Description	2024 Market Value	Factor	2024 Taxable	City Sales Tax Rate	Initial NCST	Base NEPDA at 75%	City Fee	Actual NEPDA	Est. Year Built
Factor	***A***	***B***	***C = A x B***	***D***	***E = C x D***	***F = E x 0.75***	***G***	***H = F x (1-G)***	
The Yard									
Site C28	$28,489,560	50.0%	$14,244,780	2.5%	$356,119	$267,090	1.0%	$264,419	2035
Site C41	$1,148,591	50.0%	$574,295	2.5%	$14,357	$10,768	1.0%	$10,660	2036
Site C42	$698,163	50.0%	$349,082	2.5%	$8,727	$6,545	1.0%	$6,480	2036
Site C43	$1,227,416	50.0%	$613,708	2.5%	$15,343	$11,507	1.0%	$11,392	2037
Site C44	$1,396,326	50.0%	$698,163	2.5%	$17,454	$13,091	1.0%	$12,960	2032
Site C45	$19,402,179	50.0%	$9,701,089	2.5%	$242,527	$181,895	1.0%	$180,076	2032
Site C46	$1,418,848	50.0%	$709,424	2.5%	$17,736	$13,302	1.0%	$13,169	2034
Site C47	$2,252,139	50.0%	$1,126,070	2.5%	$28,152	$21,114	1.0%	$20,903	2034
Subtotal	**$56,033,221**	--	**$28,016,611**	--	**$700,415**	**$525,311**	--	**$520,058**	--
Wellesley Business District									
Site C48	$855,813	50.0%	$427,906	2.5%	$10,698	$8,023	1.0%	$7,943	2028
Site C49	$1,792,070	50.0%	$896,035	2.5%	$22,401	$16,801	1.0%	$16,633	2029
Site C50a	$6,994,292	50.0%	$3,497,146	2.5%	$87,429	$65,571	1.0%	$64,916	2028
Site C50b	$19,518,563	50.0%	$9,759,281	2.5%	$243,982	$182,987	1.0%	$181,157	2028
Site C51a	$9,796,805	50.0%	$4,898,403	2.5%	$122,460	$91,845	1.0%	$90,927	2027
Site C51b	$25,104,363	50.0%	$12,552,181	2.5%	$313,805	$235,353	1.0%	$233,000	2027
Site C52	$1,294,980	50.0%	$647,490	2.5%	$16,187	$12,140	1.0%	$12,019	2030
Site C53	$5,671,988	50.0%	$2,835,994	2.5%	$70,900	$53,175	1.0%	$52,643	2027
Subtotal	**$71,028,872**	--	**$35,514,436**	--	**$887,861**	**$665,896**	--	**$659,237**	--
Total by Class									
Industrial & Flex	$67,980,819	50.0%	$33,990,410	2.5%	$849,760	$637,320	1.0%	$630,947	--
Office	$14,458,349	50.0%	$7,229,174	2.5%	$180,729	$135,547	1.0%	$134,192	--
Retail	$0	50.0%	$0	2.5%	$0	$0	1.0%	$0	--
Multifamily	$44,622,925	50.0%	$22,311,463	2.5%	$557,787	$418,340	1.0%	$414,157	--
Subtotal	**$127,062,093**	--	**$63,531,047**	--	**$1,588,276**	**$1,191,207**	--	**$1,179,295**	--

Source: Economic & Planning Systems

Table 15. NCST One-Time Revenues, County

Description	2024 Market Value	Factor	2024 Taxable	County Sales Tax Rate	Initial NCST	State Fee	Base NCST	Base NEPDA at 75%	County Fee	Actual NEPDA	Est. Year Built
Factor	***A***	***B***	***C = A x B***	***D***	***E = C x D***	***F***	***G = E x (1-F)***	***H = G x 0.75***	***I***	***J = H x (1-I)***	
The Yard											
Site C28	$28,489,560	50.0%	$14,244,780	6.5%	$925,911	1.0%	$916,652	$687,489	1.0%	$680,614	2035
Site C41	$1,148,591	50.0%	$574,295	6.5%	$37,329	1.0%	$36,956	$27,717	1.0%	$27,440	2036
Site C42	$698,163	50.0%	$349,082	6.5%	$22,690	1.0%	$22,463	$16,848	1.0%	$16,679	2036
Site C43	$1,227,416	50.0%	$613,708	6.5%	$39,891	1.0%	$39,492	$29,619	1.0%	$29,323	2037
Site C44	$1,396,326	50.0%	$698,163	6.5%	$45,381	1.0%	$44,927	$33,695	1.0%	$33,358	2032
Site C45	$19,402,179	50.0%	$9,701,089	6.5%	$630,571	1.0%	$624,265	$468,199	1.0%	$463,517	2032
Site C46	$1,418,848	50.0%	$709,424	6.5%	$46,113	1.0%	$45,651	$34,239	1.0%	$33,896	2034
Site C47	$2,252,139	50.0%	$1,126,070	6.5%	$73,195	1.0%	$72,463	$54,347	1.0%	$53,803	2034
Subtotal	**$56,033,221**	--	**$28,016,611**	--	**$1,821,080**	--	**$1,802,869**	**$1,352,152**	--	**$1,338,630**	--
Wellesley Business District											
Site C48	$855,813	50.0%	$427,906	6.5%	$27,814	1.0%	$27,536	$20,652	1.0%	$20,445	2028
Site C49	$1,792,070	50.0%	$896,035	6.5%	$58,242	1.0%	$57,660	$43,245	1.0%	$42,812	2029
Site C50a	$6,994,292	50.0%	$3,497,146	6.5%	$227,314	1.0%	$225,041	$168,781	1.0%	$167,093	2028
Site C50b	$19,518,563	50.0%	$9,759,281	6.5%	$634,353	1.0%	$628,010	$471,007	1.0%	$466,297	2028
Site C51a	$9,796,805	50.0%	$4,898,403	6.5%	$318,396	1.0%	$315,212	$236,409	1.0%	$234,045	2027
Site C51b	$25,104,363	50.0%	$12,552,181	6.5%	$815,892	1.0%	$807,733	$605,800	1.0%	$599,742	2027
Site C52	$1,294,980	50.0%	$647,490	6.5%	$42,087	1.0%	$41,666	$31,249	1.0%	$30,937	2030
Site C53	$5,671,988	50.0%	$2,835,994	6.5%	$184,340	1.0%	$182,496	$136,872	1.0%	$135,503	2027
Subtotal	**$71,028,872**	--	**$35,514,436**	--	**$2,308,438**	--	**$2,285,354**	**$1,714,015**	--	**$1,696,875**	--
Total by Class											
Industrial & Flex	$67,980,819	50.0%	$33,990,410	6.5%	$2,209,377	1.0%	$2,187,283	$1,640,462	1.0%	$1,624,058	--
Office	$14,458,349	50.0%	$7,229,174	6.5%	$469,896	1.0%	$465,197	$348,898	1.0%	$345,409	--
Retail	$0	50.0%	$0	6.5%	$0	1.0%	$0	$0	1.0%	$0	--
Multifamily	$44,622,925	50.0%	$22,311,463	6.5%	$1,450,245	1.0%	$1,435,743	$1,076,807	1.0%	$1,066,039	--
Subtotal	**$127,062,093**	--	**$63,531,047**	--	**$4,129,518**	--	**$4,088,223**	**$3,066,167**	--	**$3,035,505**	--

Source: Economic & Planning Systems

NEPDA Current TIF Revenues

In addition to new revenue from property tax TIF, sales tax TIF, and NCST, there are existing property tax TIF and sales tax TIF revenues that NEPDA can use, at their discretion, to help fund the capital improvements in the subject area. As noted below **Table 16**, NEPDA has two base years for their TIF districts—2019 and 2023. Since revenues prior to 2024 have been spent, 2024 is used as the base year in this model. Using a 2 percent inflationary factor, both property tax TIF and sales tax TIF are projected out 30 years. It is important to note that this model does not consider any additional increment collected outside of the subject area. Based on this projection, over a 30-year period NEPDA's existing property tax TIF revenues will total $19.48 million and NEPDA's existing sales tax TIF revenues will total $6.21 million.

Table 16. Existing TIF Revenues, NEPDA

Description	Year	Property Tax TIF	Sales Tax TIF
Year 0[1]	**2024**	**$459,654**	**$146,539**
Year 1	2025	$468,847	$149,470
Year 2	2026	$478,224	$152,459
Year 3	2027	$487,789	$155,509
Year 4	2028	$497,544	$158,619
Year 5	2029	$507,495	$161,791
Year 6	2030	$517,645	$165,027
Year 7	2031	$527,998	$168,328
Year 8	2032	$538,558	$171,694
Year 9	2033	$549,329	$175,128
Year 10	2034	$560,316	$178,631
Year 11	2035	$571,522	$182,203
Year 12	2036	$582,952	$185,847
Year 13	2037	$594,611	$189,564
Year 14	2038	$606,504	$193,355
Year 15	2039	$618,634	$197,223
Year 16	2040	$631,006	$201,167
Year 17	2041	$643,627	$205,190
Year 18	2042	$656,499	$209,294
Year 19	2043	$669,629	$213,480
Year 20	2044	$683,022	$217,750
Year 21	2045	$696,682	$222,105
Year 22	2046	$710,616	$226,547
Year 23	2047	$724,828	$231,078
Year 24	2048	$739,325	$235,699
Year 25	2049	$754,111	$240,413
Year 26	2050	$769,193	$245,221
Year 27	2051	$784,577	$250,126
Year 28	2052	$800,269	$255,128
Year 29	2053	$816,274	$260,231
Year 30	2054	$832,600	$265,436
Total	**--**	**$19,479,879**	**$6,210,251**

[1]2024 is shown as the "base year" since revenues prior to such year have been spent. NEPDA has two "base years," the initial district in 2019, and the expansion in 2023.

Source: Economic & Planning Systems

Expenses

Expenses listed in the model include three road projects, three water projects, a new regional facility for stormwater management, and NEPDA's annual operating costs.

Roads

In Phase 1, the three road projects that are determined to be needed are Freya Street from Wellesley Avenue to Rowan Avenue, Rowan Avenue from Freya Street to Florida Avenue, and Florida Street from Queen Avenue to Princeton Avenue.

For modeling purposes, these projects are projected to be completed over a three-year period from 2027 to 2029. However, it is unlikely that these projects will be completed at the same time. The costs for each of these projects are inflated 2 percent year-over-year and split in the following manner: 50 percent of total cost in 2027, 25 percent of total cost in 2028, and 25 percent of total cost in 2029. Below are the associated costs of each project:

- Freya Street, Wellesley Avenue to Rowan Avenue
  - 2024 Cost: $3,080,000
  - Inflated Cost: $3,317,875
- Rowan Avenue, Freya Street to Florida Avenue
  - 2024 Cost: $236,000
  - Inflated Cost: $254,227
- Florida Street, Queen Avenue to Princeton Avenue
  - 2024 Cost: $3,220,000
  - Inflated Cost: $3,468,688

In total, this results in a 2024 cost of $6,536,000 and an inflated cost of $7,040,790 over a three-year period (2027 to 2029).

Water Service

The three water service projects that are projected to be completed in Phase 1 are the construction of distribution mains along Freya Street, Rowan Avenue, and Florida Street.

For modeling purposes, all costs are assumed to be in a three-year period from 2027 to 2029. Again, the cost is distributed across three years as follows: 50 percent in 2027, 25 percent in 2028, and 25 percent in 2029. It is anticipated that this work will be completed at the same time as the road construction projects. Below are the associated costs of each project:

- Freya Street, Distribution Main
  - 2024 Cost: $452,000
  - Inflated Cost: $486,909
- Rowan Avenue, Distribution Main
  - 2024 Cost: $0 (covered by the City)
  - Inflated Cost: $0 (covered by the City)
- Florida Street, Distribution Main
  - 2024 Cost: $370,000
  - Inflated Cost: $398,576

In total, this results in a 2024 cost of $822,000 and an inflated cost of $885,485 over a three-year period (2027 to 2029).

Stormwater Management

In Phase 1, one major stormwater project is planned—a clustered regional facility that would service all the Phase 1 area. Additional phases to the stormwater management plan would be necessary for any additional development following Phase 1. In 2024 dollars, the Phase 1 Clustered Regional facility would cost $6,021,300. Over a three-year period (2027 to 2029), it would cost $6,486,338.

NEPDA Operating Costs

On top of necessary capital investments in Phase 1, NEPDA would need to continue to account for its day-to-day operations. In 2024, NEPDA's operating costs were $504,575. Over a thirty-year period, this totals $21.4 million. To account for this in the model, this cost is inflated annually at 2 percent. Any significant changes to the operating budget could be accounted for, if necessary.

Funding Gap

In the base unlevered development scenario (not including bond financing), the net operating income (NOI) over a thirty-year period is $3.69 million, as shown in **Table 17**. This assumes that all current NEPDA revenues, in addition to new revenues, would be contributed to the capital investments in Phase 1. If only accounting for new revenues, the NOI drops to negative $25.45 million. In addition, NOI is significantly impacted in Years 3-5 and would realistically not be funded without the use of bond financing.

Table 17. Unlevered Pro Forma, 2024 to 2054

Description	Total	2024 *Year 0*	2025 *Year 1*	2026 *Year 2*	2027 *Year 3*	2028 *Year 4*	2029 *Year 5*	2030 *Year 6*
Costs								
NEPDA Operating Costs	-$21,383,617	-$504,575	-$514,667	-$524,960	-$535,459	-$546,168	-$557,092	-$568,234
Roads								
Freya St - Wellesley Ave to Rowan Ave	-$3,317,875	$0	$0	$0	-$1,634,260	-$833,473	-$850,142	$0
Rowan Ave - Freya St to Florida Ave	-$254,227	$0	$0	$0	-$125,223	-$63,863	-$65,141	$0
Florida St - Queen Ave to Princeton Ave	-$3,468,688	$0	$0	$0	-$1,708,545	-$871,358	-$888,785	$0
Subtotal	**-$7,040,790**	**$0**	**$0**	**$0**	**-$3,468,028**	**-$1,768,694**	**-$1,804,068**	**$0**
Water Service								
Freya St - Distribution	-$486,909	$0	$0	$0	-$239,833	-$122,315	-$124,761	$0
Rowan Ave - Distribution	$0	$0	$0	$0	$0	$0	$0	$0
Florida St - Distribution	-$398,576	$0	$0	$0	-$196,323	-$100,125	-$102,127	$0
Subtotal	**-$885,485**	**$0**	**$0**	**$0**	**-$436,156**	**-$222,440**	**-$226,889**	**$0**
Stormwater Management								
Clustered Regional Facility (Phase 1)	-$6,486,338	$0	$0	$0	-$3,194,926	-$1,629,412	-$1,662,000	$0
Subtotal	**-$6,486,338**	**$0**	**$0**	**$0**	**-$3,194,926**	**-$1,629,412**	**-$1,662,000**	**$0**
Total Costs	**-$35,796,230**	**-$504,575**	**-$514,667**	**-$524,960**	**-$7,634,569**	**-$4,166,715**	**-$4,250,049**	**-$568,234**
Revenues								
Northeast Public Development Authority (NEPDA)								
NEPDA Existing Property Tax Increment	$19,479,879	$459,654	$468,847	$478,224	$487,789	$497,544	$507,495	$517,645
NEPDA Existing Sales Tax Increment	$6,210,251	$146,539	$149,470	$152,459	$155,509	$158,619	$161,791	$165,027
NEPDA New Property Tax Increment	$9,006,136	$0	$0	$0	$85,749	$146,463	$153,333	$159,304
NEPDA New Sales Tax Increment	$0	$0	$0	$0	$0	$0	$0	$0
NEPDA New Construction Sales Tax, County	$3,447,677	$0	$0	$0	$617,171	$836,087	$311,454	$39,811
NEPDA New Construction Sales Tax, City	$1,339,424	$0	$0	$0	$239,771	$324,820	$121,000	$15,467
Subtotal	**$39,483,367**	**$606,193**	**$618,317**	**$630,683**	**$1,585,989**	**$1,963,534**	**$1,255,074**	**$897,254**
Grants								
[fill]	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Total Revenues	**$39,483,367**	**$606,193**	**$618,317**	**$630,683**	**$1,585,989**	**$1,963,534**	**$1,255,074**	**$897,254**
New Revenues Only	$10,345,560	$0	$0	$0	$325,520	$471,284	$274,333	$174,771
Net Operating Income (NOI)	**$3,687,137**	**$101,618**	**$103,650**	**$105,723**	**-$6,048,581**	**-$2,203,181**	**-$2,994,975**	**$329,021**
NOI (New Revenues Only)	-$25,450,670	-$504,575	-$514,667	-$524,960	-$7,309,049	-$3,695,431	-$3,975,716	-$393,463
Net Present Value (NPV) (2025)	**-$3,610,841**	**$101,618**	**$96,869**	**$92,343**	**-$4,937,444**	**-$1,680,796**	**-$2,135,376**	**$219,240**
NPV (New Revenues Only)	-$15,853,612	-$504,575	-$480,997	-$458,520	-$5,966,361	-$2,819,227	-$2,834,630	-$262,181

Source: Economic & Planning Systems

Levered Scenario

The most realistic financing scenario would be to issue TIF revenue bonds to finance the costs of investing in the necessary capital infrastructure. This would result in all the necessary infrastructure project costs and associated financing costs being paid for up front by a bond. The total bond amount needed to cover these costs would be $14.86 million, as shown in **Table 18**. This includes $7.05 million in road costs, $885,000 in water service costs, $6.48 million in stormwater management costs, and $446,000 in financing costs. The assumed terms of the bond include a 30-year term with a 7 percent interest rate.

Table 18. Levered Costs

Description	Total	Base Cost	Phase 1A 2024 Year 0	2025 Year 1	2026 Year 2	2027 Year 3	2028 Year 4	2029 Year 5	Phase 1B 2030 Year 6
Infrastructure Costs									
Roads									
Freya St - Wellesley Ave to Rowan Ave	-$3,317,875	-$3,080,000	$0	$0	$0	-$1,634,260	-$833,473	-$850,142	$0
Rowan Ave - Freya St to Florida Ave	-$254,227	-$236,000	$0	$0	$0	-$125,223	-$63,863	-$65,141	$0
Florida St - Queen Ave to Princeton Ave	-$3,468,688	-$3,220,000	$0	$0	$0	-$1,708,545	-$871,358	-$888,785	$0
Subtotal	**-$7,040,790**	**-$6,536,000**	**$0**	**$0**	**$0**	**-$3,468,028**	**-$1,768,694**	**-$1,804,068**	**$0**
Water Service									
Freya St - Distribution	-$486,909	-$452,000	$0	$0	$0	-$239,833	-$122,315	-$124,761	$0
Rowan Ave - Distribution	$0	$0	$0	$0	$0	$0	$0	$0	$0
Florida St - Distribution	-$398,576	-$370,000	$0	$0	$0	-$196,323	-$100,125	-$102,127	$0
Subtotal	**-$885,485**	**-$822,000**	**$0**	**$0**	**$0**	**-$436,156**	**-$222,440**	**-$226,889**	**$0**
Stormwater Management									
Clustered Regional Facility (Phase 1)	-$6,486,338	-$6,021,300	$0	$0	$0	-$3,194,926	-$1,629,412	-$1,662,000	$0
Subtotal	**-$6,486,338**	**-$6,021,300**	**$0**	**$0**	**$0**	**-$3,194,926**	**-$1,629,412**	**-$1,662,000**	**$0**
Total Infrastructure Costs	**-$14,412,613**	**-$13,379,300**	**$0**	**$0**	**$0**	**-$7,099,110**	**-$3,620,546**	**-$3,692,957**	**$0**
Bond Amount Needed	**-$14,858,364**								
Financing Costs									
Title	-$37,146	0.25% of loan amt							
Loan Origination Fees	-$148,584	1.00% of loan amt							
Loan Closing Costs	-$74,292	0.50% of loan amt							
Lender Legal Costs	-$74,292	0.50% of loan amt							
Mortgage Recording Tax	-$37,146	0.25% of loan amt							
Brokerage Fee	-$74,292	0.50% of loan amt							
Other Financing Costs	$0	0.00% of loan amt							
Total Financing Costs	**-$445,751**								

Source: Economic & Planning Systems

From 2024 to 2054, NEPDA Operating Costs are projected to total $21.38 million, as shown in **Table 19**. Meanwhile, total revenues are projected to total $39.48 million, resulting in a NOI of $18.1 million. Bond Debt Service Payments would total $35.59 million. This results in an overall Debt Service Coverage Ratio (DSCR) of 0.51, which indicates that not enough revenue would be generated to cover the debt obligations. To achieve a DSCR of 1.25, an additional $26.38 million in funding sources would be needed.

Table 19. Levered Pro Forma, 2024 to 2054

Description	Total	2024 *Year 0*	2025 *Year 1*	2026 *Year 2*	2027 *Year 3*	2028 *Year 4*	2029 *Year 5*	2030 *Year 6*
Operating Costs								
NEPDA Operating Costs	-$21,383,617	-$504,575	-$514,667	-$524,960	-$535,459	-$546,168	-$557,092	-$568,234
Total Costs	**-$21,383,617**	**-$504,575**	**-$514,667**	**-$524,960**	**-$535,459**	**-$546,168**	**-$557,092**	**-$568,234**
Revenues								
Northeast Public Development Authority (NEPDA)								
NEPDA Existing Property Tax Increment	$19,479,879	$459,654	$468,847	$478,224	$487,789	$497,544	$507,495	$517,645
NEPDA Existing Sales Tax Increment	$6,210,251	$146,539	$149,470	$152,459	$155,509	$158,619	$161,791	$165,027
NEPDA New Property Tax Increment	$9,006,136	$0	$0	$0	$85,749	$146,463	$153,333	$159,304
NEPDA New Sales Tax Increment	$0	$0	$0	$0	$0	$0	$0	$0
NEPDA New Construction Sales Tax, County	$3,447,677	$0	$0	$0	$617,171	$836,087	$311,454	$39,811
NEPDA New Construction Sales Tax, City	$1,339,424	$0	$0	$0	$239,771	$324,820	$121,000	$15,467
Subtotal	**$39,483,367**	**$606,193**	**$618,317**	**$630,683**	**$1,585,989**	**$1,963,534**	**$1,255,074**	**$897,254**
Grants								
[fill]	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Total Revenues	**$39,483,367**	**$606,193**	**$618,317**	**$630,683**	**$1,585,989**	**$1,963,534**	**$1,255,074**	**$897,254**
Leveraged Project Cash Flows								
Net Operating Income (NOI)	$18,099,750	$101,618	$103,650	$105,723	$1,050,529	$1,417,365	$697,982	$329,021
Bond Debt Service Payments	-$35,587,105	$0	-$1,186,237	-$1,186,237	-$1,186,237	-$1,186,237	-$1,186,237	-$1,186,237
Debt Service Coverage Ratio (DSCR)	0.51	--	0.09	0.09	0.89	1.19	0.59	0.28
Net Present Value (NPV) (2025)	**-$7,140,790**	**$101,618**	**-$1,011,763**	**-$943,762**	**-$110,778**	**$176,327**	**-$348,119**	**-$571,199**
DSCR Goal	1.25							
Bond Debt Service Payments	$35,587,105							
Total Funding Needed	**$44,483,881**							
Current NOI	$18,099,750							
Funding Gap	**$26,384,130**							

Source: Economic & Planning Systems

If the stormwater management project, the largest upfront cost at $6.5 million, were to be removed from the model, the Bond Debt Service payments would total $20.05 million, as shown in **Table 20,** a significant reduction from $35.59 million. While revenues would still not fully account for the cost of debt (DSCR of 0.90), the funding gap is significantly reduced. To achieve a DSCR of 1.25, an additional $6.96 million in funding sources would be needed.

Table 20. Levered Pro Forma without Stormwater, 2024 to 2054

Description	Total	2024 *Year 0*	2025 *Year 1*	2026 *Year 2*	2027 *Year 3*	2028 *Year 4*	2029 *Year 5*	2030 *Year 6*
Operating Costs								
NEPDA Operating Costs	-$21,383,617	-$504,575	-$514,667	-$524,960	-$535,459	-$546,168	-$557,092	-$568,234
Total Costs	**-$21,383,617**	**-$504,575**	**-$514,667**	**-$524,960**	**-$535,459**	**-$546,168**	**-$557,092**	**-$568,234**
Revenues								
Northeast Public Development Authority (NEPDA)								
NEPDA Existing Property Tax Increment	$19,479,879	$459,654	$468,847	$478,224	$487,789	$497,544	$507,495	$517,645
NEPDA Existing Sales Tax Increment	$6,210,251	$146,539	$149,470	$152,459	$155,509	$158,619	$161,791	$165,027
NEPDA New Property Tax Increment	$9,006,136	$0	$0	$0	$85,749	$146,463	$153,333	$159,304
NEPDA New Sales Tax Increment	$0	$0	$0	$0	$0	$0	$0	$0
NEPDA New Construction Sales Tax, County	$3,447,677	$0	$0	$0	$617,171	$836,087	$311,454	$39,811
NEPDA New Construction Sales Tax, City	$1,339,424	$0	$0	$0	$239,771	$324,820	$121,000	$15,467
Subtotal	**$39,483,367**	**$606,193**	**$618,317**	**$630,683**	**$1,585,989**	**$1,963,534**	**$1,255,074**	**$897,254**
Grants								
[fill]	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Total Revenues	**$39,483,367**	**$606,193**	**$618,317**	**$630,683**	**$1,585,989**	**$1,963,534**	**$1,255,074**	**$897,254**
Leveraged Project Cash Flows								
Net Operating Income (NOI)	$18,099,750	$101,618	$103,650	$105,723	$1,050,529	$1,417,365	$697,982	$329,021
Bond Debt Service Payments	-$20,051,747	$0	-$668,392	-$668,392	-$668,392	-$668,392	-$668,392	-$668,392
Debt Service Coverage Ratio	0.90	--	0.16	0.16	1.57	2.12	1.04	0.49
Net Present Value (NPV) (2025)	**-$714,827**	**$101,618**	**-$527,796**	**-$491,456**	**$311,938**	**$571,388**	**$21,097**	**-$226,137**
DSCR Goal	1.25							
Bond Debt Service Payments	$20,051,747							
Total Funding Needed	**$25,064,683**							
Current NOI	$18,099,750							
Funding Gap	**$6,964,933**							

Source: Economic & Planning Systems

Summary

Overall, in spite of the strategies applied, the project continues to have a funding gap, though the alternative without stormwater is the closest to being financially feasible. This is indicative of the lack of additional funding sources for capital improvement projects. To fund some of these projects, and in particular to fund the stormwater management system, additional funding from other local, state and federal sources will be necessary.

6. Reconciliation of Sources and Uses

This Chapter discusses the recommended next steps for implementing a financing strategy for The Yard. This includes supplemental funding from grant sources previously mentioned in the report, and other financing strategies to shift a portion of the cost to future development. Additionally, a number of "innovative" special districts and other funding strategies adopted in other states are described. These programs may provide options for future legislative initiatives to fill in the existing limitations on development infrastructure funding in the state.

Financing Alternatives

One of the biggest hurdles will be determining a strategy for funding a regional stormwater solution for The Yard. There are several regional stormwater options under review. The Clustered Regional Facility included in the Phase 1 financial model has an estimated cost of $6.5 million. The modeling shows that the projected development revenues in Phase 1 are insufficient to cover the costs. The stormwater options under consideration are regional, that is they serve a larger area of northeast Spokane than just The Yard. Thus, a larger regional funding solution will be needed. The LIFT program from the state may be a potential option.

Grant funding has been used to support a range of projects in the Spokane CIP. It is an especially important source of funds for road and transit improvements. The Rebuilding American Infrastructure with Sustainability and Equity (RAISE) discretionary grant program (known as the TIGER Grant until 2018 and the BUILD Grant through 2021) is a competitive transportation grant program. Funds are allocated to projects for road or bridge, public transportation, passenger and freight rail, port infrastructure investments, and intermodal projects. There are a number of road projects within The Yard that could potentially be eligible for a RAISE Grant application. However, the City would not likely receive funding for more than one project.

Innovative Financing Tools

This section presents research on supplemental funding sources and financing strategies used in other states that have the potential to raise funding for The Yard, or for Spokane in general, to generate additional revenues toward future capital facilities and infrastructure needs. These sources are not currently enabled by Washington statutes, and most would likely require legislation to allow for their establishment.

Metropolitan District – Colorado

A Title 32 Metropolitan District (Metro District) in Colorado is an independent special district formed to develop and/or operate two or more public infrastructure improvements such as roads, utilities, parks, or public parking. A metro district is most often created by a land developer (but requires the city or county approval of the service plan) to apply an additional mill levy to future development in order to create a revenue stream to help pay for the project related expenses that include trunk infrastructure costs. Metro districts are an effective financing tool used to finance the infrastructure costs with many residential, commercial, and mixed-use development projects.

Both residential and commercial developments in Colorado have used metro districts to fund capital and ongoing services within their developments. The mill levy rates used in these metro districts have also varied greatly, leaving various subdivisions with widely variable property tax rates. Since metro districts require approval of the city or county, some cities have restricted the use of metro districts, capped the mill levy rate, or have placed requirements on use of metro districts to offset costs to the city or county of new development. The City of Aurora (as well as several other cities) require that a portion of metro districts mill levy (5 mills) be dedicated and paid to the city for the maintenance of local roads within new developments.

- **Establishment** – Proponents submit a service plan to the County that is reviewed by staff and BOCC. At a public hearing, the BOCC approves or denies the service plan. A petition is then filed in court to hold a district and/or a bond election. Fifty percent or more of the electors owning land within the proposed district are required for approval.
- **Who Pays?** – A metro district can levy a property tax and can establish fees for services. A metro district can issue GO bonds or revenue bonds to finance up-front improvements.
- **Benefits** – A metro district is a political subdivision of the state and is an independent entity and can be established in a way that allows a developer to maintain effective control of the district during the length of development timeframe. There is no limitation on how long a metro district can stay in place.
- **Limitations** – Once established, a metro district is a separate legal entity outside the control of the city or county. There are risks that infrastructure built and maintained using a metro district can lead to the city having to maintain them if the metro district defaults or becomes insolvent.

Regional Transportation Authority – Colorado

Colorado law allows two or more cities, counties, and/or MPOs to form Regional Transportation Authorities (RTAs) to fund and build transportation infrastructure improvements and to provide transportation services within a multijurisdictional area boundary. An RTA has the power to build, finance, operate, and maintain any regional transportation system. RTAs can finance transportation projects (including but not limited to transit projects) through sales/use taxes, vehicle registration fees, lodging taxes, property tax mill levies, bonds, and loans with other private or public entities. This has been a very effective funding tool at both the large and small scale. Three existing RTAs are described below:

- The Roaring Fork Transportation Authority (RFTA) has been in operation since 1983 through intergovernmental agreements and then established itself as an RTA in 2000 to provide BRT service. The current RFTA includes Aspen, Snowmass Village, Pitkin County, Basalt, and a portion of Eagle County, Carbondale, Glenwood Springs and New Castle. This RTA levies sales and use taxes, which vary from 0.4% to 1.0% depending on the level of service received. Revenue from these taxes was reported to be $71.5 million in 2024. Ballot issue 7A was passed by voter approval in 2018 and allows RFTA to collect a property tax mill levy increase of 2.65 mills. This revenue will be used for bus rapid transit and local bus service improvements and to purchase new buses.
- The Pikes Peak Rural Transportation Authority includes El Paso County and the cities of Colorado Springs and Manitou Springs, and the towns of Ramah and Green Mountain Springs. The RTA was established in 2004 and reauthorized in 2012. This RTA levies a 1.0% sales tax, generating $100 million in annual revenue exclusively for transportation with 55% dedicated to specific capital projects, 35% to maintenance, and 10% to transit.
- The Aerotropolis Regional Transportation Authority (ARTA) encompasses approximately 3,000 acres in Aurora and Adams County south of Denver International Airport. This authority was established in 2023 to address critical regional transportation infrastructure needs and improve connectivity in an area of new development surrounding DIA. ARTA's key projects include the I-70 Aerotropolis Parkway Interchange and the 38th Avenue and E-470 Interchange. The primary funding sources are a 5 mill property tax and a 1.0% sales tax within the boundary of the district.

The RTA has been one of the most innovative funding tools for transportation projects in defined areas of common need across jurisdictional boundaries. It has broad abilities to generate revenues from a long list of eligible taxes and fees. It is potentially a special district tool that could be proposed in Washington as a new funding option.

- **Establishment** – To create a regional transportation authority, two or more governmental entities would need to establish an intergovernmental agreement (IGA). The IGA would need to establish a board or committee to oversee the RTA. In order to levy taxes and/or issue bonds, voter approval would be required of any property owners within the district.
- **Who Pays?** – An RTA can levy a sales tax of up to 1.0 percent; property tax of up to 5 mills; charge tolls; charge a motor vehicle registration fee of up to $10; and levy lodging taxes of up to 2.0 percent. RTAs may also enter into agreements to receive other revenues from participating jurisdictions.
- **Benefits** – RTAs can levy differential sales tax rates within its boundaries based on level of service received. RTAs can be expanded in the future to include additional properties.
- **Limitations** – Requires the involvement of two or more cities, towns, and/or counties.

Financial Model Updates

The Phase 1 Financial Model is a work in progress. The scenarios tested demonstrate that a financing plan based on using the existing NEPDA sources of TIF revenues have the potential to cover a substantial portion of the infrastructure needed to develop the catalyst sites in The Yard. Nevertheless, there is still a funding shortage regardless of the scenarios presented. The City and NEPDA will need to identify one or more additional funding sources, and/or evaluate an even smaller initial phase of development that further reduces upfront infrastructure investments. The financial pro forma model developed herein can be used to test other scenarios and/or variations in financing approach. It can also be used to incorporate other revenue sources including any grants that the City may ultimately receive.