

Gateway Urban Renewal District

Eligibility Report

Prepared for

The Hailey Urban Renewal Agency
March 2013



Kushlan | Associates
Boise, Idaho

Introduction: Kushlan | Associates was retained by the Hailey Urban Renewal Agency to assist them in their consideration of establishing their first urban renewal district in the City of Hailey, Idaho.

The Mayor, with the confirmation of the City Council, has appointed five members to the Urban Renewal Agency of the City of Hailey, Idaho to guide the development of an urban renewal plan and oversee its implementation. The current membership of the Commission is as follows:

Chair: Jason Miller

Vice Chair: Larry Schwartz

Secretary Treasurer: Mary Sfingi

Commissioner: City Council Member Don Keirn Commissioner: Jim Spinelli

Background: Significant planning has been conducted by the City focusing on the downtown area. The Hailey City Council created the Hailey Urban Renewal Agency on January 25, 2010, finding there existed certain deteriorating areas within the City and authorized the Agency to transact business and exercise the powers granted under the Idaho Urban Renewal Law and the Idaho Economic Development Act. In June, 2011, the City Council found certain areas along River Street, Main Street, Airport Way and within the Friedman Memorial Airport site as having those characteristics described in Idaho Code Section 50-2018 and therefore eligible for urban renewal planning.

These initial steps in establishing an urban renewal district were held in abeyance in recognition of the national economic slowdown experienced over the past several years. Recent signs of economic recovery have prompted City Leadership to revive the earlier effort.

During the period between the initial work by city staff on the proposed urban renewal district and the current effort, the Idaho State Legislature enacted a number of provisions influencing the development and administration of urban renewal districts in this state. One of major relevance is the new limitation on the maximum term of an urban renewal district. That term was reduced from a permitted twenty-four (24) years to a new maximum of twenty (20) years. This is particularly important given the way the property tax system on which the Revenue Allocation (or tax increment) aspects of a plan work in Idaho. Revenue does not start to flow to a newly established Revenue Allocation Area (Urban Renewal District) until the second year after formation and revenue can be meager in the initial periods. Additionally, the years producing the maximum revenue flow, those at the end of the period, are now reduced by four years. This results in a shorter term that constricts what might be accomplished given a more restricted revenue flow and earlier termination.

State law also limits the percentage of assessed value that can be included within the boundaries of a Revenue Allocation Area to 10% of the total citywide taxable valuation.

Steps in Consideration of an Urban Renewal District:

The first step in consideration of establishing an urban renewal district in Idaho is to define a potential area for analysis as to whether conditions exist within it to qualify for

redevelopment activities under the statute. We have called this the “Study Area”. The prior study area encompassed a significant portion of the city. This was because of the potential for relocating the airport from its current location to another site, providing a substantial redevelopment opportunity within the city limits. Subsequent to that consideration, the discussion regarding the relocation of the airport has evolved, placing that issue into a longer timeframe than could reasonably be considered in a maximum 20-year redevelopment plan. Therefore, we recommended the area south of State Highway 75 be eliminated from the current analysis.

At the same time, areas at both the north and south ends of the Main Street Corridor were given additional consideration given the predominance of vacant land and hence potential redevelopment potential under the right circumstances. We ultimately recommended these areas be added to the area originally considered.

Further, we recommended that the study area be segmented into four distinct Sub-areas for separate analysis. This provides the Commission and Staff maximum flexibility in constructing an urban renewal district that meets the requirements of the urban renewal law as well as the interests of the local decision-makers. The Commission concurred with these recommendations at its December 2012 meeting.

The next step in the process is to review the conditions within the Study Area to determine whether the area is eligible for creating a district. The State Law governing urban renewal sets out the following criteria, at least one of which must be found for an area to be considered eligible for urban renewal activities.

1. The Presence of a Substantial Number of Deteriorated or Deteriorating Structures; and Deterioration of Site; [50-2018(9); and 50-2903(8)(b) and (8)(c); and 52008(d)(4)(2)]
2. Age or Obsolescence [50-2018(8) and 50-2903(8)(a)]
3. Predominance of Defective or Inadequate Street Layout [50-2018(9) and a. 50-2903(8)]
4. Outmoded Street Patterns [50-2008(d)(4)(2)]
5. Need for Correlation of Area with Other Areas of a Municipality by Streets; and Modern Traffic Requirements [50-2008(d)(4)(2)].
6. Faulty Lot Layout in Relation to Size, Adequacy, Accessibility or Usefulness [50-2018(9) and 50-2903(8)(b)]
7. Unsuitable Topography or Faulty Lot Layouts [50-2008(d)(4)(2)]
8. Insanitary or Unsafe Conditions [50-2018(9)] and [50-2903(8)(b)]
9. Diversity of Ownership [50-2018(9); [50-2903(8)(b) and (8)(c)]; and [50-2008(d)(4)(2)]
10. Substantially Impairs or Arrests the Sound Growth of a Municipality a. [50-2018(9) and [50-2903(8)(b)]

11. Conditions Which Retard Development of the Area [50-2008(d)(4)(2)]
12. Results in Economic Underdevelopment of the Area [50-2903(8)(b)]; and Economic Disuse [50-2008(d)(4)(2)]

Description of the Four Sub-areas in the Study Area:

The history of the City of Hailey extends back to the second half of the 19th century when mining and sheep raising dominated the regional economy. The historic character of the central Main Street area reflects the development pattern of the late 1800's. The remainder of the study area has developed in various stages over an extended period of time and represents substantially different character. The segmentation of the study area into four Sub-areas allows for consideration of the historical evolution of the study area.

The four sub-areas considered in the study area are described below:

Sub-area 1: Sub-area 1 runs along the north edge of the curve of State Highway 75 as it transitions from the easterly boundary of the airport to Main Street. The northerly boundary is represented by Cedar Street east of South 3rd Avenue and Maple Street west of South 3rd Avenue. It consists of 20.05 acres excluding public rights-of-way although the rights-of-way are anticipated to be included in the district when adopted. There are 28 parcels in the study area, 13 of which are taxable. The majority of the acreage (70%) within the Sub-area is held under public ownership with the Blaine County School District holding title to 7.88 acres and the City of Hailey holding 6.24 acres. There are 13 privately owned parcels under 8 separate ownerships representing 5.3 acres (26.44%). There are no parcels that receive a homeowner's exemption under the property tax system of the State of Idaho suggesting that there are no owner-occupied residential properties in the area under study.

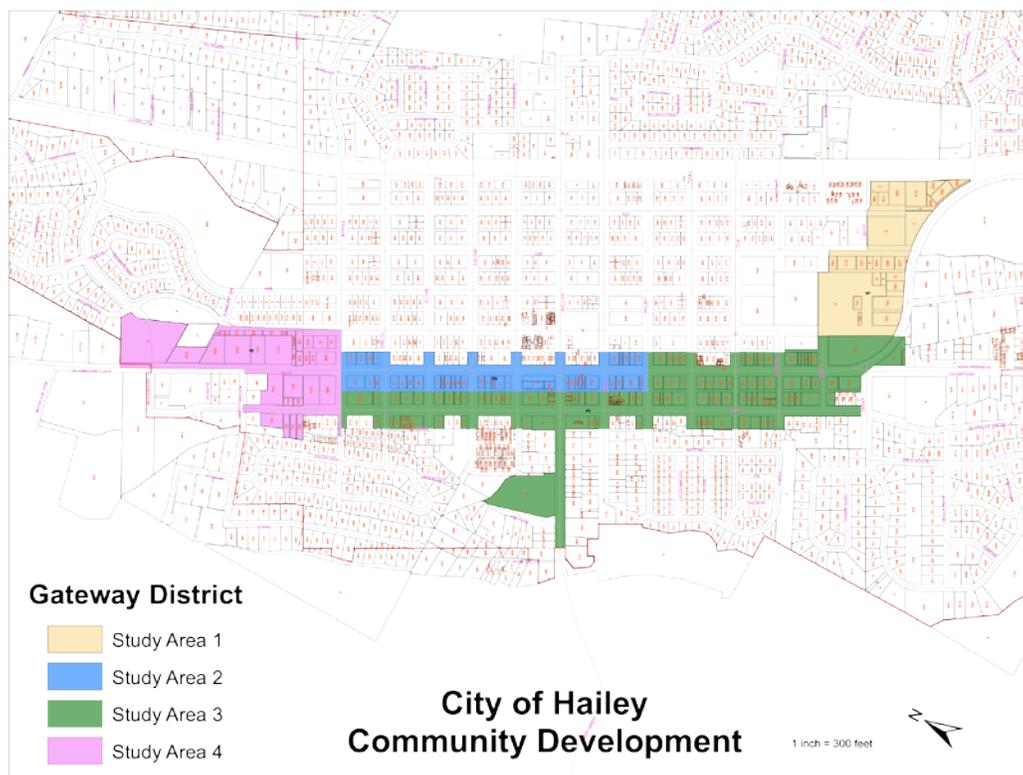
Sub-area 2: Sub-area 2 extends along both sides of Main Street one-half block east and west from Walnut Street to Croy Street, then along the west side of Main Street (including the right-of-way to Spruce Street, then along both sides of the street to Myrtle Street. (See attached map). It consists of 7.89 acres with 38 separate taxable parcels. Most of this area is in private ownership with 32 individual entities holding title to property in this Sub-area. The City owns one parcel, the City Hall property, consisting of less than one-half acre. The area is substantially developed but does include six (6) relatively small, disassociated parcels that are vacant. Consistent with the historic nature of the area, the individual parcels are small reflecting the land division practices of the late 19th century. There are no properties in this Sub-area that receive a homeowner's property tax exemption hence we can assume there are no owner-occupied primary residences within this analysis area. The study area is bisected by State Highway 75 that utilizes the Main Street right-of-way through the city.

Sub-area 3: The right-of-way for Bullion Street extending west toward the river has been added to this Sub-area as has the City-owned Hop Porter Park property consisting of 4.3 acres.

Sub-area 3 generally extends along River Street back one-half block on the east and west sides from Myrtle Street on the north to Walnut Street, then widens to the east to include the Main Street frontage to the southerly limits of the study area at approximately Cedar Street. Some recently developed properties along the west side of River Street have been excluded, as has the residential property on the east side of River Street in the 700 block. This area represents the largest area in the study. It encompasses 31.29 acres representing 130 taxable parcels. Public ownership in this analysis area is minimal with three parcels (5 acres) in City ownership and one parcel (2.8 acres) belonging to Blaine County. Thus, private ownership represents approximately 90% of the acreage. There are 99 individual owners represented in this Sub-area. There are 21 vacant parcels in the area. The developed private properties reflect a mixture of commercial and residential uses of varying ages. A six-unit manufactured housing park (Rayborn's Trailer Park) is located in the 400 block of North River Street.

Sub-area 4: Sub-area 4 extends north of Myrtle Street along both Main Street and River Street to one lot south of Empty Saddle Trail. It continues north along the east side of Main Street to the north city limits and east of Main Street to North 1st Avenue and along such alignment to McKercher Boulevard, excluding the Sawtooth Gateway Lodging (AmericInn – American Lodge and Suites) property on Cobblestone Lane. This area includes 22.13 acres and 32 separate taxable parcels. The ownership pattern is primarily private (97%) with the City of Hailey owning two parcels, one of which is .69 acres. There are 21 individual private property owners represented. The area consists of a mixture of lightly developed and vacant commercial properties.

Please see the map below for a graphic representation of the study areas.



Analysis of the Four Sub-areas in the Study Area:

The following analysis considers each Sub-area separately and then provides an overall analysis of conditions as they pertain to the issue of eligibility for the redevelopment process as defined in Idaho statute.

This analysis considers the following: (1) the condition of the public infrastructure within each area; (2) land ownership patterns and (3) most importantly, the comparison of improvement value to land value on each property in each Sub-area.

When improvement values are less than land values, either for individual properties or the area as a whole, this suggests a condition of under-investment that should be considered as a major factor in assessing the eligibility of the area for redevelopment purposes. Using local data, when available, provides guidance on what outcomes might be expected should a broad program of investment be put in place with the urban renewal process being used as a catalyst.

Information provided by the Blaine County Assessor shows that recently developed or redeveloped properties both within the study area and situated nearby in Hailey, reflect improvement values that are 200% to 600% compared to that of the land value reflecting the affect of such investment on values.

This data provides a better benchmark than using national ratios as local information provides a clear picture of local conditions and how investment in the city affects this ratio.

Sub-area 1:

As noted above, this area is distinctive due to the preponderance of public ownership. The rodeo grounds and park uses consume 7.087 acres or 35.36% of the total. Private ownership consists of 5.26 acres or 26.24% of the total. Of the private ownership, three (3) properties (23.08%) represent holdings where improvement values exceed land value.

Ten (10) properties (76.92%) reflect improvement values that are less than land value. Of those 10 parcels, there are six (6) (46.15% of the total taxable parcels) that are vacant. These improvement values range between 0% (vacant land) to 72% of land value. See Appendix 1 for details

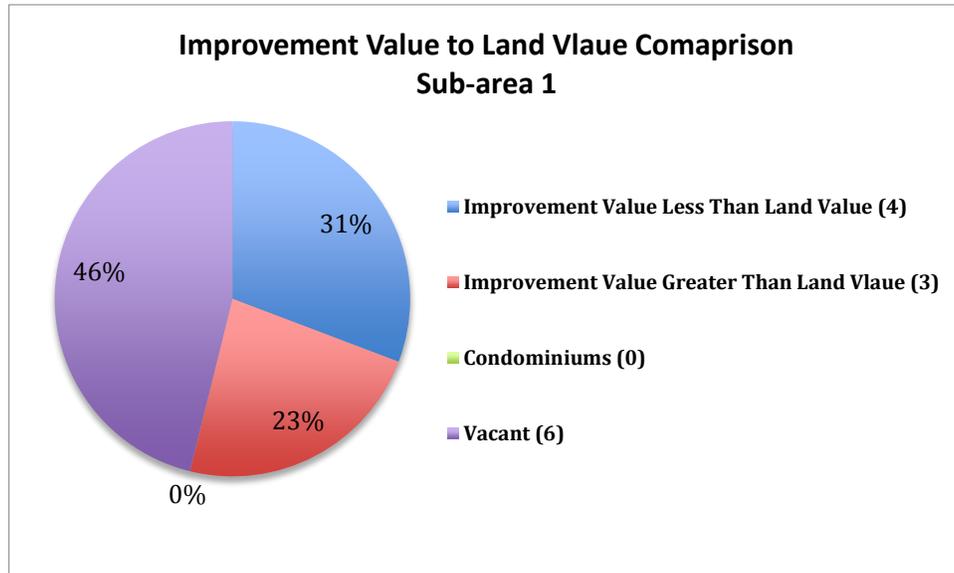
According to City sources, most public water and sewer facilities in the area are adequate to support future development. However, the City has been made aware by The State Department of Environmental Quality that the 3rd Avenue well facility will need to be augmented with a chlorine contact chamber to meet drinking water standards.

The level of street lighting in the area appears consistent with City standards. Streets, however, do not represent current standards the City would apply to new development occurring in the community. There are few properties with curb, gutter and sidewalk facilities and drainage facilities consist only of roadside ditches if any facilities exist at

all. Pedestrian facilities are lacking and parking is unorganized creating a potential for vehicle/pedestrian conflicts as activity increases in the area.

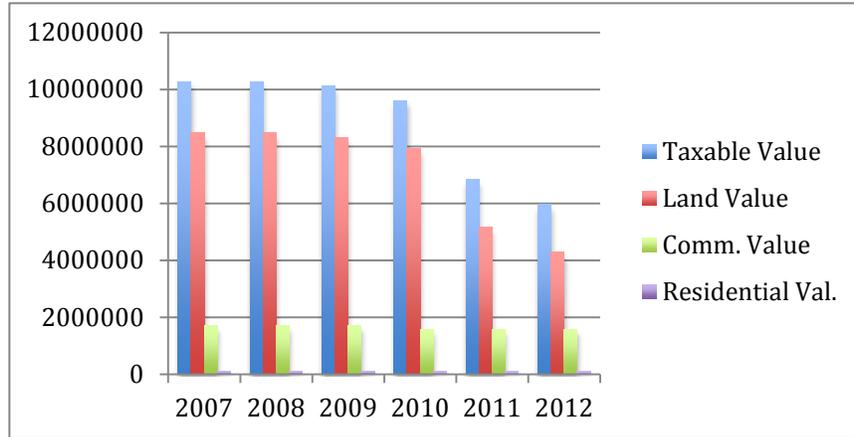
Improvements conducted by the Idaho Transportation Department and the City of Hailey to State Highway 75 provided curb, gutter and 5' sidewalks to that facility, but City streets remain unimproved.

The comparison of land value to improvement value: Sub-area 1



Change to Valuation 2007 - 2012

	Taxable Value	Land Value	Comm. Value	Residential Val.
2007	\$10,276,789	\$8,467,154	\$1,698,365	\$111,270
2008	\$10,276,789	\$8,467,154	\$1,698,365	\$111,270
2009	\$10,119,469	\$8,309,834	\$1,698,365	\$111,270
2010	\$9,602,831	\$7,930,678	\$1,581,982	\$90,171
2011	\$6,828,622	\$5,156,469	\$1,581,982	\$90,171
2012	\$5,953,370	\$4,281,217	\$1,581,982	\$90,171
2007 -2013 Change	-42%	-49%	-7%	-19%



Existing Land Uses within Sub-area 1:

The uses represented in study Sub-area 1 are mixed. There are commercial activities along the highway frontage and along South 4th Avenue including the Airport Inn. There are two properties classified as residential structures in the area, neither of which is designated for the homeowner property tax exemption, suggesting they are not owner-occupied structures or are used as a second home. However, the current primary land use is for park and recreation activities and the rodeo grounds.

Required Findings Regarding Eligibility for Sub-area 1:

Given the relatively high percentage of the taxable parcels in which land value exceeds improvement value (71%) we can confidently find that the area has experienced disinvestment. While some properties have been maintained, others experience deferred maintenance or remain vacant potentially retarding new investment in the area.

As noted above, the street network does not meet current development standards and the drainage system is inadequate. The lack of adequate pedestrian facilities will present a hazardous as activity in the area increases

Sub-area 2:

This area is unique as it represents a part of the historic commercial heart of the City of Hailey. It exists in the most intensely developed area in the city and has witnessed significant reinvestment in recent years. Those properties in which investment has been made reflect the ratio of improvement value to land value characteristic of a vital urban area with properties exhibiting improvement values between 200% and 600% of land value. However, many of the properties within Study Area 2 have yet to benefit from the impetus provided by the recent investment.

According to Blaine County Assessor records, there are 38 separate taxable parcels in the area. One property is under public ownership with the City of Hailey holding title to it, which is the City Hall property. While some of this Sub-area has enjoyed the benefit of private investment, 28 parcels (73.69%) represent properties where improvement values are less than land values. Six (6) of those properties are currently vacant and are located

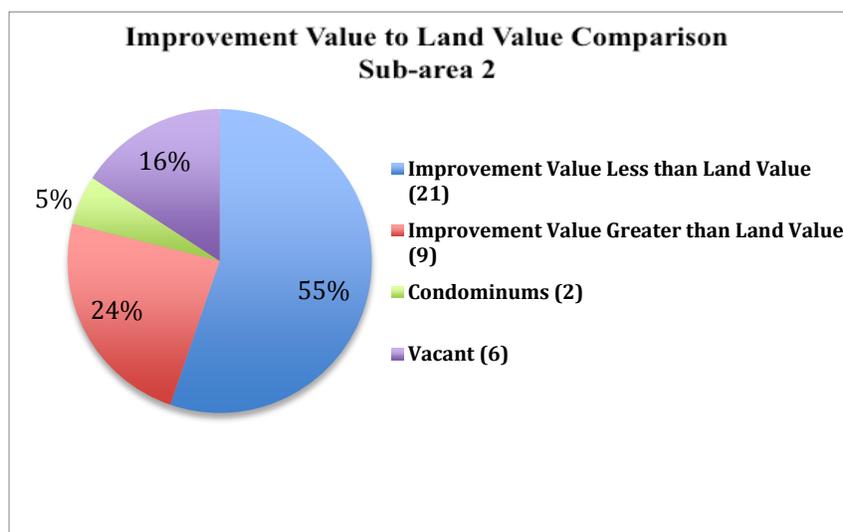
mostly in the northerly part of the area. These improvement values range between 0% (vacant land) to 84% of land value. See Appendix 1 for details.

There are 9 taxable parcels (23.7%) where improvement value exceeds land value ranging from 102% to 534%. One property belongs to a church and thus is exempt from property taxation, and one parcel is common area for a condominium with the land value distributed through the individual units.

The public infrastructure here is of a higher standard with full improvements provided in conjunction with the improvements to State Highway 75. Curb, gutter and a 10-foot sidewalk exist through the most densely developed commercial area with a 5-foot sidewalk along the more lightly developed frontage. As with the other sidewalk improvements along Highway 75, these sidewalks were installed by the City of Hailey in conjunction with the State Highway project. Water and Sewer improvement are deemed adequate to support future growth and drainage improvements were installed as part of the highway project. While the improvements can be considered adequate for state highway purposes, one could question whether they are maximally beneficial for pedestrian oriented commercial activities normally associated with this level of urban development. The sidewalks, while in place, are minimal for pedestrian counts in commercial areas. The traffic levels associated with through traffic can be detrimental to the commercial activity of the area. The high traffic volumes could be considered a barrier to commercial activity on the west side of Main Street connecting with that located to the east of the thoroughfare. City streets intersecting Main Street exhibit differing levels of improvements.

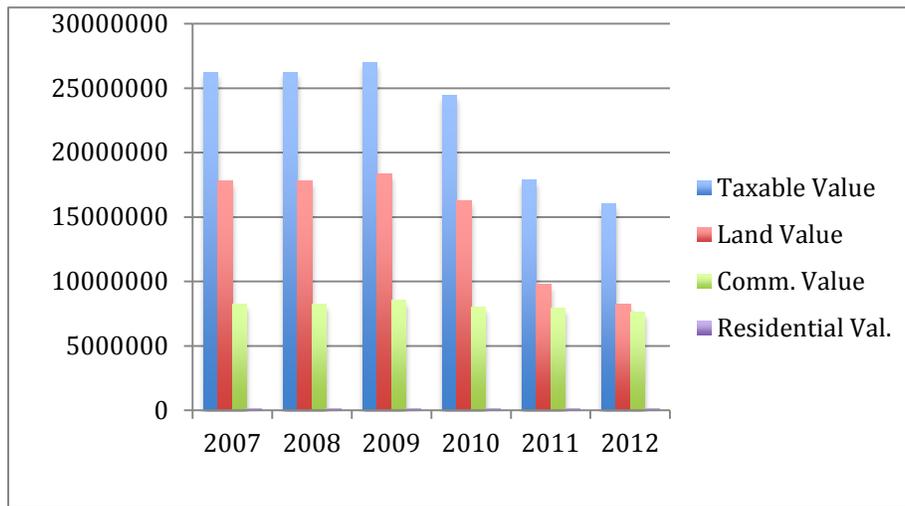
City staff has noted that the electrical system for the street lighting system on Main Street is inadequate to serve current requirements. The irrigation system for maintaining the planted areas and street trees on Main Street has deteriorated to the point where its usefulness is compromised.

The comparison of land value to improvement value: Sub-area 2



Change to Valuation 2007 - 2012

	Taxable Value	Land Value	Commercial Value	Residential Value
2007	\$26,186,310	\$17,822,032	\$8,205,370	\$158,908
2008	\$26,206,001	\$17,822,032	\$8,225,059	\$158,910
2009	\$26,977,241	\$18,325,150	\$8,493,181	\$158,910
2010	\$24,420,188	16,265,072	\$8,008,812	\$146,304
2011	\$17,844,522	\$9,793,305	\$7,904,913	\$146,304
2012	\$16,032,260	\$8,246,263	\$7,639,693	\$146,304
2007-2012 Change	-39%	-54%	-7%	-8%



Existing Land Uses within Sub-area 2:

The area represented in Sub-area 2 is almost exclusively commercial. The density of the commercial development varies with the most dense existing between Carbonate and Croy Streets, then reflecting increasingly lighter development levels as one moves away from the core area. There are only two properties of the 38 designated as “residential” by the County Assessor. Neither of these two claims a Homeowner’s property tax exemption suggesting they may be used as rental properties awaiting conversion to commercial use similar to the surrounding holdings. According to County records, six properties are vacant with four of those being on Main Street North and two on Main Street South. All of the vacant properties are listed as commercial uses by the County. One church is located in the area.

Required Findings Regarding Eligibility for Sub-area 2:

While the infrastructure is of a relatively higher standard in this Sub-area due to improvements to the State Highway and many properties have undergone substantial renovation, the overall area still maintains a high percentage of individual properties where land value exceeds improvement value suggesting a broad level of underinvestment. Six properties remain vacant. The success of the renovated buildings suggest that a concerted effort focusing on the entire area may produce positive results

either considering this Sub-area alone, or more likely, in concert with the surrounding areas.

The initial appearance of this Sub-area suggests a good level of private investment not requiring public assistance. Yet this level of investment is not consistent throughout the study Sub-area with over 70% of the properties reflecting improvement values less than land values or vacant. Sixteen Percent (16%) of the properties within the Sub-area are vacant suggesting a condition of under investment in the area as a whole.

There is a lack of street improvements on various intersecting streets with Main Street. This necessitates significant public investment to rectify substandard conditions and to alleviate potential vehicular/pedestrian conflicts in those areas where pedestrian facilities do not currently exist. The electrical service for the street lighting system is inadequate and the irrigation system had deteriorated to a point where its functionality is compromised.

Sub-area 3

Sub-area 3 is the largest area of the four currently under consideration for a redevelopment district. It is composed of 25.3 acres divided into 130 individual taxable parcels with 98 separate owners. The City of Hailey owns two parcels consisting of 5 acres, including Hop Porter Park, and Blaine County owns one parcel of 2.82 acres (Medical Center and Manor). One property is operating property of a regulated utility (Intermountain Gas) and as such is separately assessed by the State of Idaho and carries no assessed value on County rolls.

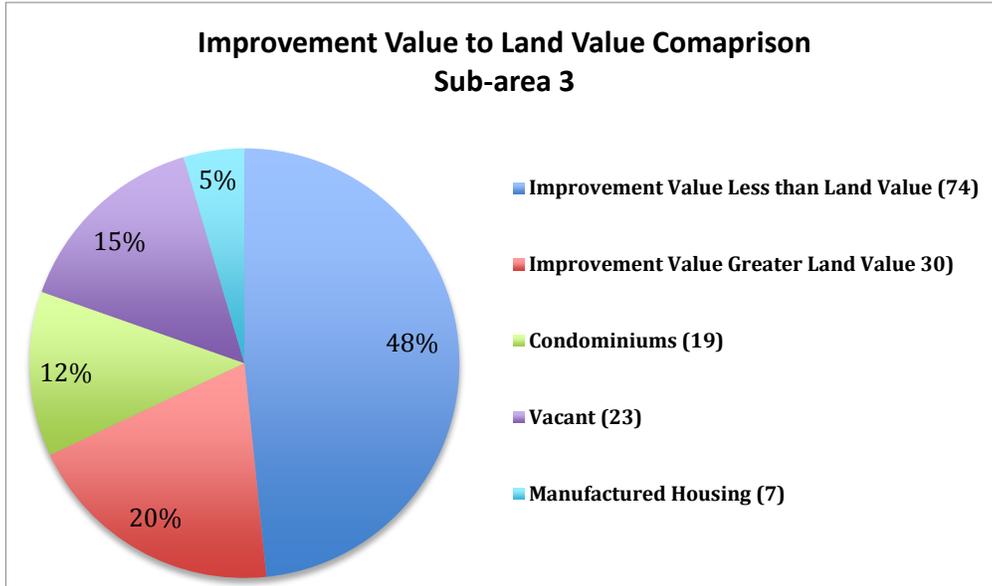
The area is located parallel to and west of Main Street (Sub-area 2). It consists of properties fronting along River Street extending from Cedar Street on the south to Myrtle Street on the north. Some investment has occurred at various locations along the length of River Street but has not developed a consistent improvement pattern.

Public infrastructure investment in the area has been inconsistent, primarily dependent upon improvements provided with individual private development. This has created a patchwork of disconnected infrastructure throughout the area. Pedestrian facilities are not continuous requiring people to walk in the street. An unorganized parking pattern has developed creating dangerous conflicts between pedestrians and vehicles moving into and out of parking locations. Drainage facilities are not consistently available throughout the area creating dangerous conditions with water ponding and freezing. However, utility capacity is generally sufficient to accommodate additional growth in the area with the exception of the area along River Street South, between Bullion and Walnut Streets where water line capacity is insufficient to provide adequate fire flows.

Public infrastructure at the north end of the Sub-area has seen recent and more consistent investment in the public realm reflecting current City standards.

A mix of commercial and residential structures of varying ages and conditions exist throughout the area. Storage of inoperable vehicles occurs both within the public right-of-way and on private property.

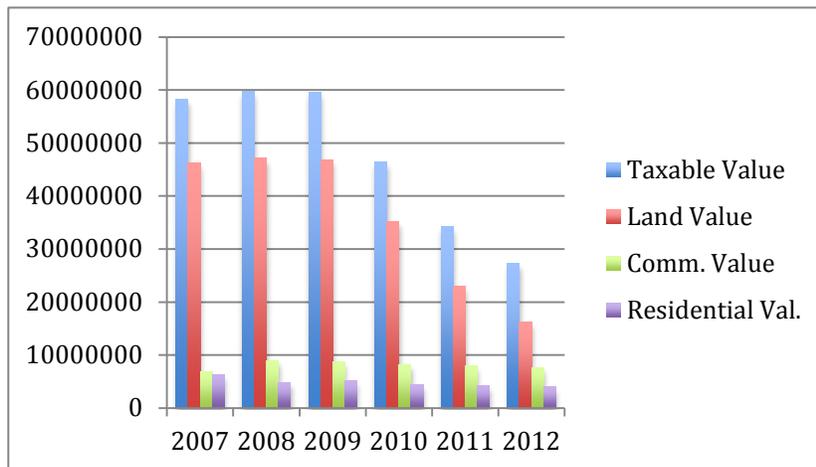
The comparison of land value to improvement value: Sub-area 3



Change to Valuation 2007 - 2012

	Taxable Value	Land Value	Commercial Value	Residential Value
2007	\$58,206,314	\$46,186,565	\$6,909,360	\$6,324,337
2008	\$59,677,280	\$47,190,784	\$8,851,955	\$4,822,442
2009	\$59,517,723	\$46,852,664	\$8,683,745	\$5,211,611
2010	\$46,447,510	\$35,146,447	\$8,102,451	\$4,373,124
2011	\$34,182,677	\$22,995,110	\$7,994,736	\$4,248,360
2012	\$27,338,228	\$16,259,330	\$7,641,749	\$3,948,873
2007 – 2012 Change	-53%	-65%	+11% *	-38%

* 2008 Values reflect new investment with declining values in subsequent years



Existing Land Uses within Sub-area 3:

Sub-area 3 consists of an array of uses. Smaller single-family residential structures exist throughout the area. Newer multi and single-family housing has been developed over time. Both older and newer commercial activities exist through the area suggesting the area is in a state of transition. Vacant, as well as lightly developed properties, are located throughout the Sub-area.

The Blaine County Assessor has designated 41 of the taxable parcels as “residential”. Thirteen (13) of those receive a Homeowner’s Property Tax exemption indicating they are occupied as the primary residence of the owner. The balance of the residential parcels suggests either residential rental properties or second homes.

There is a 6-unit mobile home subdivision located in the Sub-area. The individual units reside on separate tax parcels and 4 of the 6 receive a Homeowners Property Tax Exemption indicating they are the primary residence of the owner.

Required Findings Regarding Eligibility for Sub-area 3:

As with the other Sub-areas, we find a high level of properties where land value exceeds improvement value, suggesting broad under investment. There are 74 properties (57%) of all properties are in this category, including vacant parcels. Of these, 23 (18% of all taxable parcels) properties are currently vacant. These improvement values range between 0% (vacant land) to 99% of land value. See Appendix 1 for details.

Forty-eight (48) (38% of all taxable parcels) have improvement values that exceed land value. This number includes 19 individual condominium units. Again, redeveloped properties within the City of Hailey reflect improvement values that exceed land values by 200%-600%. Therefore, this area lags substantially behind other similar areas within the immediate area.

The level of street improvement is not consistent with current City standards. While some areas have received improvements, such conditions are disjointed creating an inconsistent infrastructure pattern. Pedestrian facilities are inconsistently provided creating unsafe conditions resulting from vehicle / pedestrian conflicts as both uses often compete for the same space. Drainage facilities are not consistently provided throughout the area creating dangerous conditions during periods of snow melt and freezing. Water system capacity is inadequate in one area along River Street South to provide required fire flows.

Sub-area 4

Located at the north end of the study area, Sub-area 4 is distinctive in that it contains the highest percentage of vacant land (45% Of the taxable parcels) and therefore represents an opportunity to accommodate economic development in one of the Gateway areas of the City. The Sub-area consists of 22.13 acres exclusive of right-of-way. There has been some level of recent commercial development in the area with 7 (23%) properties now reflecting improvement values exceeding land values. However, given the relatively low density of the historic investment in the area, coupled with the high percentage of vacant

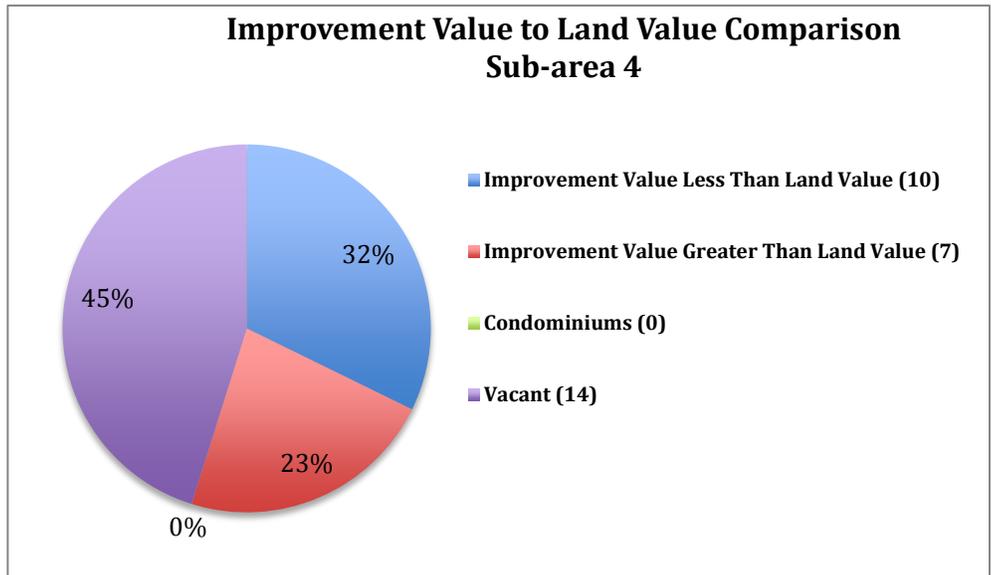
properties, one finds a high level of parcels where the land value exceeds the improvement value. 24 parcels (77%) are in this category, including vacant land. These improvement values range between 0% (vacant land) to 99% of land value. See Appendix 1 for details.

According to City staff, utility capacity within the Sub-area is sufficient to support additional development. However, City staff notes that the water system in this area should be connected to the wellhead to provide a fully looped system ensuring the required redundancy for emergency situations.

While substantial investment has been made in street and pedestrian facility improvements in association with recent development along River and Main Streets, there remain significant gaps, again creating potential vehicle pedestrian conflicts throughout the area. The street and pedestrian infrastructure east of Main Street along Cobblestone, McKercher, Myrtle and First Street do not meet current City development standards. While some improvements are present, the majority of the frontage is unimproved. The east side of Main Street north of Cobblestone was not improved behind the curb so no pedestrian facilities are in place there.

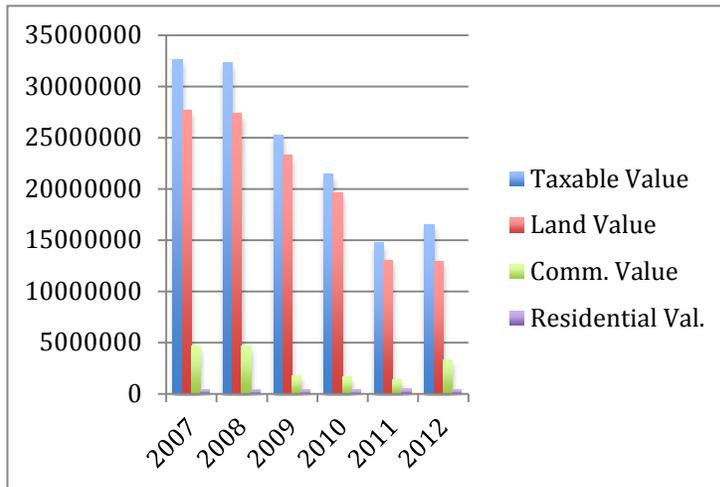
The general area has street rights-of-way that are 100 feet in width. Both River Street between Myrtle Street and Empty Saddle Trail and First Street north of Myrtle narrow to a substandard width. Expanding the right-of-way to the standard width may negatively impact the viability of adjacent properties, as some of those already appear to be substandard in terms of lot dimensions.

The comparison of land value to improvement value: Sub-area 4



Change to Valuation 2007 - 2012

	Taxable Value	Land Value	Commercial Value	Residential Value
2007	\$32,598,236	\$27,695,224	\$4,639,768	\$404,294
2008	\$32,263,132	\$27,395,217	\$4,639,768	\$380,810
2009	\$25,202,144	\$23,267,422	\$1,732,465	\$357,868
2010	\$21,408,501	\$19,580,090	\$1,639,475	\$333,619
2011	\$14,703,907	\$13,010,759	\$1,391,391	\$428,727
2012	\$17,499,559	\$13,704,143	\$3,429,490	\$365,926
2007-2012 Change	-46%	-51%	-26%	-9%



Existing Land Uses within Sub-area 4:

The primary land use in Sub-area 4 has been commercial, however a number of older residential dwellings exist, both east and west of Main Street. Since only two of those properties designated as residential by the Blaine County Assessor receive the Homeowners Exemption, one can assume the others are rental properties or second homes. A small number of multi-family residential structures of varying ages exist within the area.

Commercial buildings along both Main and River Streets are of varying ages and were developed at a low density. A relatively new lodging structure has been developed at Main and Myrtle.

As noted above, a large number (13) of parcels within the Sub-area are vacant. Given their proximity to other recent development and high volume traffic arteries one can readily foresee their conversion to more intense uses under proper circumstances.

Required Findings Regarding Eligibility for Sub-area 4:

As in the other areas under review, Sub-area 4 exhibits a high level of underinvestment reflected in the improvement value to land value comparison. Both the low density of

the historic development pattern and high rate of vacant land, coupled with its relatively high traffic levels suggest the area lags behind other areas in the region for investment.

State law makes reference to “Faulty Lot Layout” as one condition defining a “deteriorating area”. Lot configurations along First Street are substandard and thus difficult to redevelop under normal circumstances. One of the tools inherent in urban renewal law is the capacity of an urban renewal agency to consolidate parcels creating developable parcels from substandard ones.

Infrastructure investment is disjointed and incomplete with many of the street sections failing to meet current city development standards. As with other parts of the study area, pedestrian facilities are inadequate creating vehicular / pedestrian conflicts where sidewalks are missing. Drainage facilities are incomplete. Water and sewer facilities appear adequate to support additional development but water system integrity calls for looping the system to provide needed redundancy for emergencies.

There are a number of buildings, both residential and commercial that are older and in need of significant investment to maintain their viability into the future.

Combined Areas

While we conducted the analysis of the study area on the basis of Sub-areas for ease of review and decision-making, the overall intent was to determine whether the study area in its entirety met the conditions required in Idaho Code for the establishment of an urban renewal district. As we can see, the various Sub-areas, while differing in character, all meet the criteria for establishment of a district individually and therefore meet the criteria when considered as a whole. Additionally, when combined into a single district this diversity of character allows the urban renewal agency flexibility to tailor a response to the market as it develops. A master plan can be developed that recognizes the various market trends that may occur over the 20-year life of the district and have the appropriate tools to respond at any given time.

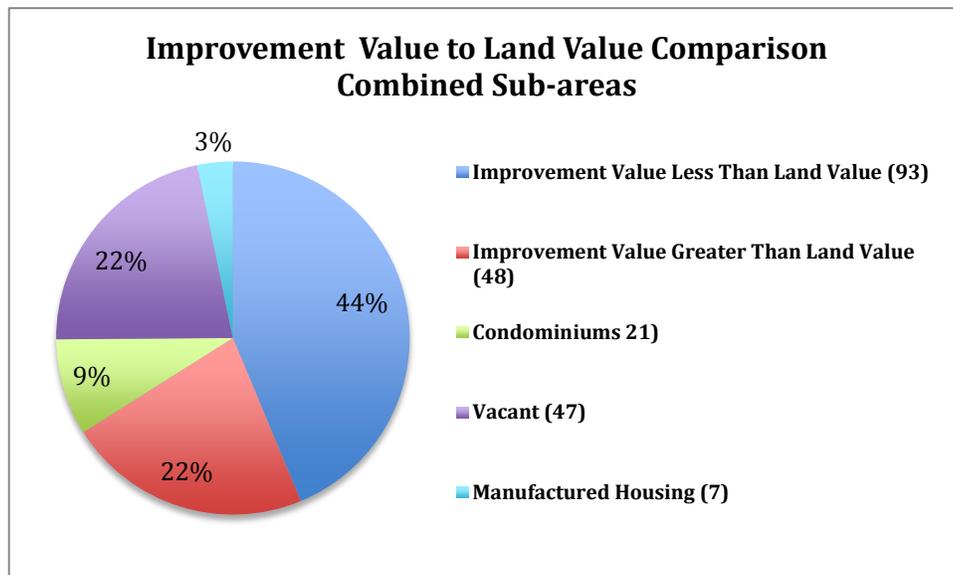
Floor Area Ratio (FAR) is a commonly used measurement of density on a piece of developed property. Basically, an FAR of 1 means that the square footage of structure on a parcel of land is equal to the square footage of the land itself. So if a development on a 10,000 square foot parcel has 10,000 square feet of building, it has an FAR of 1.0. It may be in two 5,000 square foot floors or three 3,333 square foot floors, but the total building square footage equals the land area. If the parcel has a structure of 2,000 square feet, it has an FAR of .2. By way of example, in the historic central area of Main Street where one finds two-story building that cover the site from property line to property line, there is an FAR of 2.0.

Many of the business structures in the Study Area are older and have Floor Area Ratios (FARs) significantly less than 1.0, reflecting a very light level of development density. Over time, one would expect to see economics driving higher densities in this central area of the city.

Combined Area Description:

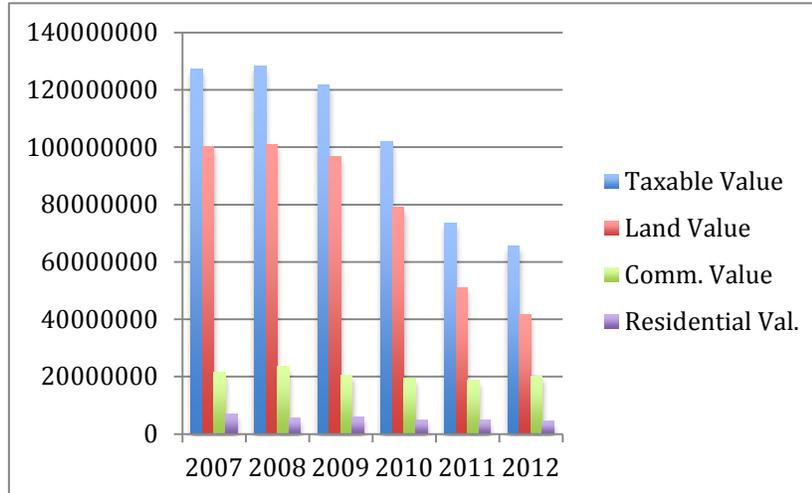
When the four Sub-areas are combined into one, it covers the entire area shown in the map above. It contains 81.37 acres exclusive of public rights-of-way although the rights-of-way are anticipated to be included in the district. There are 215 taxable properties under 156 individual owners. Of these 215 properties, 139 (67%) show improvement values less than land value. Of these 139, 46 (11%) are vacant. Forty-eight, (26%) show improvement values exceeding land value. The Homeowner Exemption is claimed by 15 property owners and there are no properties in the area that claim an agricultural exemption.

The comparison of land value to improvement value for the Combined Areas:



Change to Valuation 2007 - 2012

	Taxable Value	Land Value	Commercial Value	Residential Value
2007	127,267,649	100,170,975	21,452,863	6,998,809
2008	128,423,202	100,875,187	23,415,147	5,473,432
2009	121,816,577	96,755,070	20,607,756	5,839,659
2010	101,879,030	78,922,287	19,332,720	4,943,218
2011	73,559,728	50,955,643	18,873,022	4,913,562
2012	66,794,572	42,490,953	20,929,914	4,551,274
20070-02012 Change	-48%	-58%	-4%	-35%



SUMMARY OF DETERIORATING CONDITIONS IN THE PROJECT AREA

While many properties within the Study Area have received ongoing required maintenance, others have not, demonstrating a level of deterioration that, if allowed to continue, would result in unsafe conditions or economic and structural obsolescence. Many structures are more than 50 years old. (See Criteria 1 and 2 on page 3)

While street rights-of-way provide adequate access to public streets in most locations throughout the Study Area, both River and First Streets in Sub-area 4 exhibit constrictions that may be difficult to rectify. In Sub-area 1, Fourth Street appears to dead-end one lot north of State Highway 75 with through-access to the highway being over an undeveloped lot.

More importantly, however is the lack of continuous street improvements meeting current standards throughout the area. This is particularly problematic in the lack of pedestrian facilities to serve the most active area of Hailey. People, by necessity, walk in the street and conflict with vehicles either driving through the area or maneuvering into or out of undesignated parking spaces. Drainage facilities normally provided with current City standards do not exist in much of the area allowing for ponding of water. Deficiencies are identified in the City's water system planning documents that would limit development in parts of the Study Area. (Criteria 3,4,5 and 8 above).

A major focus of this report deals with the economic underdevelopment of the areas under review. More than half of all properties within the study area reflect improvement values that are less than the land value. As noted above, this represents a significant level of under-investment compared with other properties located in Hailey where improvements have been made. See tables and graphs reflecting value comparisons and trends above. (Criteria 8,9, and 10 on page 3)

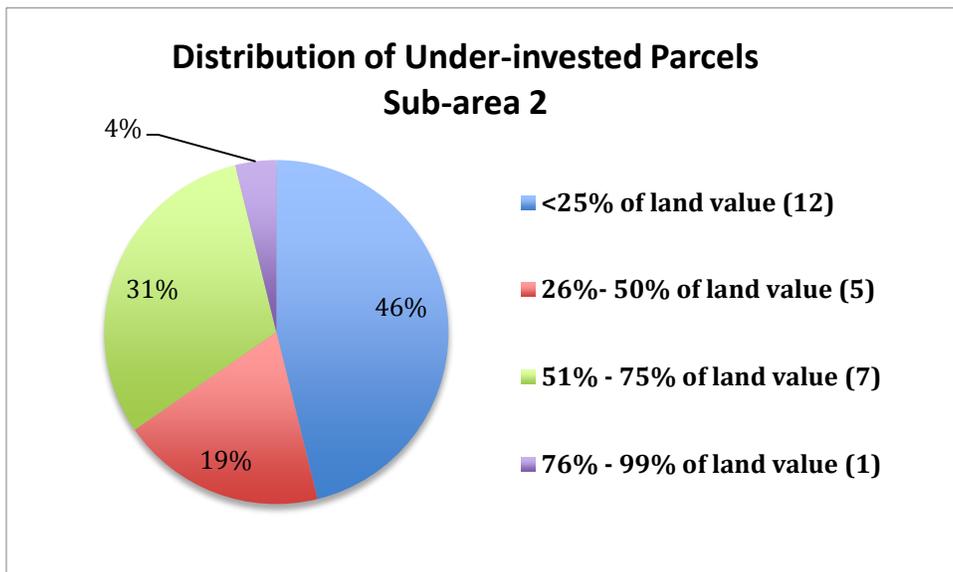
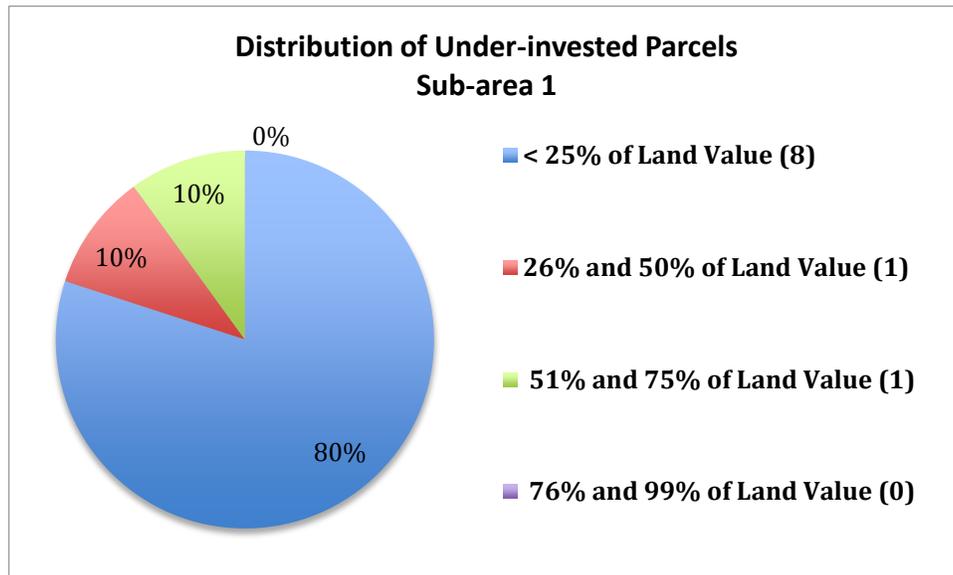
CONCLUSION:

Based upon our review of the data and the conditions that exist within the Study Area as noted above, the Hailey Urban Renewal Agency Commission and City Council can determine that these areas are eligible for the establishment of an urban renewal district.

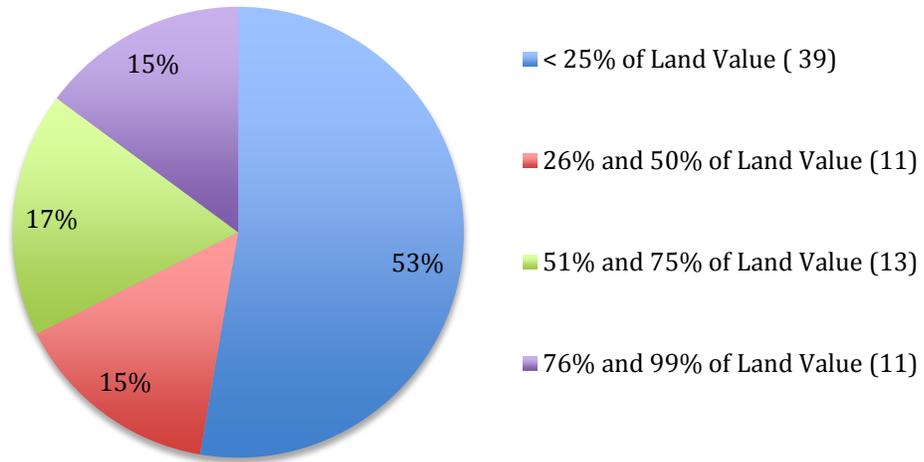
In addition to the findings reported above, we also sought to verify that the assessed value of proposed Study Area was within the statutory limits. As noted in the Background session above, State Law limits the percentage of assessed value that can be included in an urban renewal / revenue allocation district to 10% of the total valuation of the City. According to Blaine County Assessor records, the most recent certified value for the City of Hailey is \$837,538,648. The assessed value of the combined Study Area is \$66,794,572 representing 7.98% of the total City assessed value, well within the statutory limit.

Appendix 1

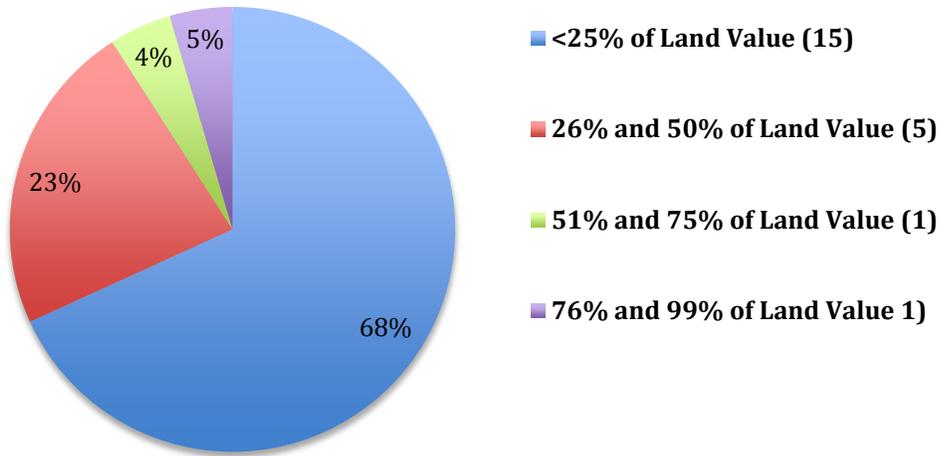
The following graphics represent the degree of under-investment in the various Sub-areas and the Combines areas.



**Distribution of Under-invested Parcels
Sub-area 3**



**Distribution of Under-invested Parcels
Sub-area 4**



Distribution of Under Invested Parcels Combined Sub-areas

