Rocky Mountain Econometrics
208-344-0809
208-631-4334 Cell
P.O. Box 1914
Boise, ID. 83701
tjones@design4000.net
www.rmecon.com
Anthony Jones - Principal

CRITIQUE OF THE

Barber Valley Development / City of Boise

Harris Ranch CID

Prepared for

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Anthony Jones
ROCKY MOUNTAIN ECONOMETRICS
www.rmecon.com

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I. EXECUTIVE SUMMARY

Harris Ranch CID

The Harris Ranch CID was created in 2010 to fund Harris Ranch improvement projects ranging from local streets to flood control, to parks and recreation. The funding limit was set at $50 million of General Obligation (GO) Bonds. Improvement projects are required to be part of the development agreement associated with the Harris Ranch CID (HRCID), and then bid out and supervised by Barber Valley Development. As improvement projects are completed it is HRCID's responsibility to reimburse BVD via the sale of municipal bonds. The bonds are funded via tax levies on property owners within the CID boundaries.

The main stakeholders of the CID are, the City of Boise (COB/ HRCID), the developer, Barber Valley Development (BVD), Harris Family Limited Partnership (HFLP) and the residents of the district.

In mid 2021 two residents of the District, Larry Crowley and Bill Doyle formed Harris Ranch CID Taxpayers' Association (HRCIDTA) and filed for judicial review to challenge the CID. They contend that either the COB or the developer should be responsible for improvements to the district, not homeowners in the CID.

Rocky Mountain Econometric was employed by BVD to provide a critique of the economics of the Harris Ranch CID process generally, and the degree to which HRCIDTA have impacted this process more directly.

Observations and Conclusions

1. Certainty - Under the CID process, there is a level of certainty and cost control not present in typical development models. With the CID process, proposed site improvements must be consistent with the city approved development agreement. Site improvements, on a project-by-project basis, must be bid-out to the lowest cost contractor consistent with city and state bidding protocols prior to construction starts. Lastly, the developer does not get reimbursed for the work until it has been completed by the contractors and inspected by the city.

The CID process guarantees that promised improvements get done. It eliminates the potential for price gouging, and it largely ignores the financial status of the developer in the latter stages of development projects.

2. Alleged Financial Benefit to the Developer of the City Paying Prime +2% Interest on Project Costs from Project Completion Date to Reimbursement Date

One of the HRCIDTA complaints is that the developer benefits from the interest the CID pays on reimbursement funds from the time projects are completed until they are reimbursed by the city.

While it is possible for BVD to benefit from the interest the CID pays on the principal owed to BVD it does not appear to have happened in the past and is unlikely to occur in the future. For a typical $5 million improvement project that takes 18 months to complete and another four months to be reimbursed, the developer will receive about $160,000 <u>less</u> in reimbursement interest than the interest the developer pays on debt used to service the project while the project is under construction.

3. Bonding Issues – As time passes, several issues affect the CID.

A Given that roughly 60 percent of the CID funding has yet to be approved by the HRCID, it is reasonable to ask if the 18 years remaining in the CID time window are sufficient to construct, bond, reimburse the projects, and pay off the bonds at a reasonable levy rate.

The simple answer is: Yes. RME modeling indicates that, if the district builds out by 2035, and property values increase at rates consistent with, or higher) than rates seen following the 2008 recession, and BVD bids out, completes, and is reimbursed for the remaining improvement projects by 2027, existing levy rates are more than sufficient to retire all CID related bonds within the 30-year CID period.

Further, while the assumptions listed in the paragraph above deal with multiple issues, none of the assumptions used to arrive at the stated result should be considered to be limiting. There is ample "slack" in RME's model that some, or all, of the assumptions used to reach this conclusion can vary for the better, or for the worse, and the CID can still pay off the bonds with time to spare.

B. The objections of the HRCIDTA contingent seem founded, at least in part, on the magnitude of the CID related tax. The obvious related question is: Is there any potential to lower the levy rate in future years and still retire the full bonding amount within the CID time limits?

Again, the simple answer is: Yes. At current levy rates, the potential exists to pay off all the bonds about 5 years prior to the end of the 30-year CID window. Alternately, the potential exists to reduce the GO levy rate. The degree to which this is possible, and how soon the process could begin depends on several events that are discussed in more detail below.

C. Inflation – General Effect

Inflation is an insidious process that diminishes the purchasing power of fixed pools and streams of money over time. Even modest rates of inflation take their toll on projects and programs lasting for decades or longer. RME is somewhat surprised to not see a mechanism in the CID to index spending limits to inflation.

As this is being written in 2022, 12 years into the CID, the purchasing power of the roughly $34.6 million remaining in the CID funding pool has declined by about 25 percent. $34.6 million in $2010 only buys about $25.5 million worth of goods and services in $2022. Had the CID funding agreement included a mechanism to index funds in the pool still available for project reimbursement, instead of there being only $34.6 million still available, there would be over $47 million still available.

D. Inflation – HRCIDTA Effect

The timing of HRCIDTA's challenge to the CID could not have been worse from the standpoint of the district receiving maximum value from the remaining pool of funds. The timing of their challenge coincided, almost perfectly, with the effects of the pandemic, the supply disruptions, and the resulting near double digit inflation.

For the first ten years of the CID, inflation was relatively kind to the purchasing power of the unspent funds. That changed in 2021when inflation jumped from less than one percent in the previous year to over 5 percent. The relatively minor purchasing power reduction of $287,316 in 2020 ballooned by a factor of five to a purchasing power reduction of $1.5 million in 2021.

That is a real loss of purchasing power and a real and substantial loss in the magnitude and quality of future improvements in the district.

Inflation for the July 2021 to July 2022 was even worse, at 7.86 percent, resulting in a further $2.2 million reduction in purchasing power of the $34.6 million remaining CID improvement funds.

4. Damages

At the time the HRCIDTA filed for judicial review, roughly $34.6 million of the CID improvement fund remained to be bonded and paid to BVD for improvement projects.

Of that amount, $7.3 million including interest had not only been spent by the developer but had been approved for reimbursement by the CID board. An additional $8.4 million had also been spent by the developer on HRCID#1 development agreement projects, for a total of $15.7 million.

HRCIDTA's suit forced the Board to pause reimbursements to BVD, a result that also resulted in a pause to all anticipated future CID improvement projects. The pause in the flow of reimbursements to BVD has resulted in inflation related financial losses of about $931,617 and interest related losses of about $316,013 for total losses of about $1,247,631 as of 12/1/2022.

The pause to reimbursements and the associated pause in construction of remaining CID improvement projects has also had a negative impact on property owners in the CID. The pause in reimbursement related activity has resulted in inflation related financial losses of about $1,357,782 and interest related losses of about $308,564 for total losses of about $1,666,346 as of 12/1/2022.

Combined, as of 12/1/2022, damages associated with the HRCIDTA suit total about $2,913,977.

Finally, and this cannot be emphasized strongly enough, damages will continue to grow until such time as the HRCIDTA suit is resolved.

II. HARRIS RANCH CID DESCRIPTION

Harris Ranch is a planned community in Barber valley area east of Boise, Idaho, developed by Barber Valley Development. Discussions between Barber Valley Development and the Harris family, and preliminary layouts and design of the project, began over two decades ago. Initially, the project proceeded in a conventional manner. Barber Valley Development, having gained the necessary administrative approvals, began developing the property in a multi-phase manner, with Spring Creek and The Mill District being the first two phases.

Proceeding in a conventional manner, the developer provided the main property improvements such as roads, sewer, water, electricity, and other associated improvements such as green belt, flood control, open space, and other amenities. The developer sold improved lots to commercial and residential builders who constructed businesses and residences for sale to the ultimate consumers.

For later phases, beginning in 2010, BVD, in association with Boise City, changed the process for later phases of the Harris Ranch which are now funded via a Community Infrastructure District (CID). This process functioned uninterrupted for roughly 10 years until a couple of residents, Larry Crowley, and Bill Doyle, who had purchased properties in the district, objected to CID related taxes. Their objection ultimately took the form of letters to the city and legal action to eliminate the CID and or the associated tax burden on CID property owners. As a result, HRCID#1 suspended the issuance of bonds and suspended reimbursing BVD and HFLP for improvements to Harris Ranch CID, projects that are part of the development agreement for construction and reimbursement by the CID.

Rocky Mountain Econometrics was hired by Barber Valley Development to explore the economic impact of the letter writing campaign and the subsequent interruption of the CID funding process.

Traditional Development vs Development with the CID Process.

1. The Traditional Model - (Simplified)

In a highly simplified development process, the developer gains rights to develop a property. It then installs roads, bridges, water, sewer, power, and all other improvements and requirements associated with the city's development requirements.

After all the required improvements are in place, the developer sells land to builders who construct businesses and residences that they sell to the final consumers.

In this simplified example, the developer sells all the properties to builders for $100 million ($100,000 per lot). The builder then builds houses on the lots and sells them for $600,000 per residence. Please see Table 1.

Table 1.

Traditional Development Model

	Total Project Cost	Cost per Lot (1,000 lots)
Developer Buy In	$10,000,000	$10,000
Builder(s)	$ 100,000,000	$100,000
Homeowners	$ 600,000,000	$600,000
CID Cost	$-	$ -
Total Cost at Buildout	$ 600,000,000	$600,000

2. The CID Process - (Simplified)

For comparison purposes, Table 2 shows the effect of the CID method, where some of the improvement costs are moved further down in the development timeline. In this case, $50 Million for flood control and miscellaneous development requirements is moved from the portion of the project that is tallied prior to sale of lots to builders to a third phase timed to occur after the builder has purchased land and is in the process of constructing and selling businesses and residences.

By virtue of the final buyers acquiring properties earlier in the development process, it is assumed for the purpose of this example that the builders get the properties $50Million cheaper than in the traditional model and then pass the savings on to the final purchasers of the homes and businesses in the district. Please see Table 2.

Table 2

CID Development Model

	Total Project Cost	Cost per Lot (1,000 lots)
Developer Buy In	$10,000,000	$10,000
Builder(s)	$50,000,000	$50,000
Homeowners	$ 550,000,000	$550,000
CID Cost	$50,000,000	$50,000
Total Cost at Buildout	$ 600,000,000	$600,000

Table 3 below shows the effect of the CID model on a line-by-line basis. Again, by moving some of the costs down to the CID level, builders gain access to buildable lots earlier in the process and at a lower cost. By passing this saving on to the home and business buyers at this stage, the total cost of the fully built out development can be offered to buyers for $50 Million less ($50,000 per lot less) than via the traditional development model.

Table 3

Difference

	Total Project Cost	Cost per Lot (1,000 lots)
Developer Buy In	$-	$ -
Builder(s)	$(50,000,000)	$(50,000)
Homeowners	$(50,000,000)	$(50,000)
CID Cost	$50,000,000	$50,000
Total Cost at Buildout	$-	$ -

Taxes to cover the cost of the CID related improvements will ultimately recover the full $50 Million. However, by moving the cost downstream of the developer – builder point of sale, the potential exists for home buyers to be able to purchase homes $50,000 cheaper at closing than would otherwise be the case.

Discussion

These two models are very simple but they serve the purpose of illustrating benefits and liabilities of the CID model.

1. **Time –** These models ignore the fact that each of the discreet development phases take, at minimum, several months and may take several years. That means that the time value of money, changing market factors, etc., are not included in this comparison.

2. **Interest Rates** - As mentioned above, as time frames become protracted, the time from development start to final construction and occupancy affect the costs of all the components.

3. **Market Factors**. One of the bigger potential flaws of the CID model is the market factors affecting the sale of lots to the builders and the sale of homes to final consumers. Like the interface between any sales transaction, the sellers will try to get as high a return as possible and the buyers will try to spend as little as possible. At the same time, other factors such as the state of the national economy, interest rates, competitive offerings, and on and on, all come into play.

Real estate development is a risky business. One can't blame developers or builders for charging as much as the market will bear in good times. In the same breath, it is worth remembering that bankruptcy for builders and developers is often only a market downturn away. None of the planned communities planned and permitted by area cities and counties earlier in this century have built out as fast as was hoped by the developers or projected by their marketing analysts.

4. **Certainty –** Real estate development has at least one commonality with mining. In mining, the ore associated with a claim is finite and the mining company will not know its final return on investment until the last ounce has been extracted and the site rehabilitation is complete. If the amount of ore in not sufficient, or the rehab is too costly, or the miner is disreputable, the ultimate site rehabilitation may not get the attention promised in the mining agreement.

In real estate development, each development presents a limited resource, the number of sellable lots. If, because of market factors, the lots turn out to be less valuable than hoped, or the final site improvements turn out to be costlier than expected, or the developer is disreputable, the final site improvements may be substandard or not come to pass. Real estate developers have gone bankrupt in the past leaving their projects unfinished.

That all changes with a CID. Under the CID concept site improvements must conform to the development agreement and bid-out to the lowest cost contractor. Lastly, the developer does not get reimbursed for the work until it has been completed by the contractors and inspected by the city.

To summarize, the CID process guarantees that promised improvements get done. It eliminates the potential for price gouging. And it largely ignores the financial status of developers in the latter stages of projects.

5. Informed Buyer – Economic theory, and all the implications for the CID listed above, assume that buyers are well informed and make wise decisions in their own best interests.

Generally, one might expect the homeowners in the Harris Ranch community to be more likely to fit this description than homeowners in many other parts of the city. In a city where the average home price is $563,000,[1] the average home price in the Harris Ranch zip code is in the $634,000[2] range, roughly $100,000 higher than the Boise average price. The average price of homes in Harris Ranch proper is undoubtedly higher still. Residential properties in the CID appraised at over $1 million are common.[3]

Homeowners in Harris Ranch, generally, fit the description of upper middle class, or higher by Idaho and Boise standards. They are, or were prior to retirement, sufficiently successful in their careers that that they can afford prestigious housing. Attorneys, doctors, CEOs, and upper-level corporate managers are common among the residents of Harris Ranch. In that capacity it seems reasonable to assume that residents of the CID have better access to real estate attorneys and advisors than do residents of most other areas in the county. In Tom Wollf speak, they may not be masters of the universe, but they know who the masters are and have their phone numbers in their rolodexes, at least at the Idaho level.

So, again, Harris Ranch residents, in general, appear to fit the description of well-informed buyers.

This is important because, at the time a purchase price for a lot or a home in a CID is being negotiated, it is imperative for the purchaser to understand that a portion of the value of the property has been, effectively, stripped out of the development and building cost stream and moved down into the fees they will pay as part of their property taxes. Put another way, the sale price of a property in the CID, the amount that will be financed via a mortgage, does not include a value for the improvements covered by the separate CID payment.

[1] https://adacounty.id.gov/assessor/dashboard/

[2] Zillow market report for zip code 83716, email, 10/05/2022.

[3] Op. Cit. 1

In that manner it is possible during the process of negotiating the purchase of a property in the CID for buyers to forget, or ignore, the fact that a secondary portion of the purchase price will come due every year as part of their property tax costs.

Having said that, it is less easy for parties negotiating the purchase of homes to ignore closing documents that require all taxes, fees, closing costs, CCC&Rs, etc., to be listed and acknowledged by the buyer at closing.[4]

Finally, even if the buyer manages to ignore the existence of CID costs during closing, those costs will be reviewed by the lending agencies that ultimately carry the mortgages in the CID to ensure that the borrower can afford the complete package of purchase price plus all associated costs.

6. CID Cost Relative to Total Mortgage Costs - For people making fairly standard mortgage payments of $3,700 on $700,000 homes (20% down), the monthly CID related escrow payment of about $166 does not appear to be oppressive. True, it is more than paid by owners of properties of similar value that are not in the CID. However, again, a number that equates to about four percent of a monthly payment does not appear to be prohibitive of and by itself.

Rhetorical question: Would the conclusion in the previous paragraph be different if the homeowner is retired or living on a fixed income? RME is hesitant to say that the difference in taxes would not result in a straw breaking a camel's back situation for anyone. Given enough people and enough different living situations, anything is possible. That said, total taxes for a $700,000 home in the CID will be about $9,700 per year vs about $7,700 for an identical home in the same area but not in the CID at current levy rates. Two thousand dollars per year, $166 per month, is not nothing. At the same time, relative to the overall cost of living, heating, cooling, transportation, food, entertainment, etc., the CID cost starts to fade into the financial background noise of living in an upscale neighborhood.

Finally, even if that conclusion seems a bit unsympathetic, there is still the Informed Buyer issue discussed in the previous section. All of this was known to the buyer prior to closing. If the tax is a hurdle, it is a hurdle that was known prior to closing and deemed to not be a problem.

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[4] Reinforcing the notion that property owners in the CID qualify as "well informed", the copies of closing documents that RME has seen include, in a section titled "ADDITIONAL TERMS AND CONDITIONS:" , in enlarged and boldened type, the phrase, "Buyer acknowledges Property is in the Community CID taxing district."

Relative to Neighbors and other districts - Rhetorical question: Is the CID tax excessive relative to the tax levels in surrounding non-CID areas? The short answer is no. There are dozens of tax districts around the county with different levels of taxes being levied on the various residences. In every case, the people on one side of a district boundary are alternately glad they are not on the other side, or envious of the people on the other side.

But, again, this goes back to the Informed Buyer problem discussed above. The tax issues related to the CID were known to buyers prior to closing. If the tax is a hurdle, it is a hurdle that was known and dismissed prior to closing.[5]

Finally, assuming the buyers were "well informed" and negotiated the purchase price effectively, the CID taxes are costs that are, in a sense, absent from the mortgage payment. Put another way, the mortgage-plus-CID payments of a homeowner in the district should closely approximate the stand-alone mortgage payment of an identical home not in the district.

[5] It is not directly on the subject, but persons irritated at the different tax levels from one district to the next might be even more irritated by the difference in tax levels of residential properties relative to commercial properties. Due to intervention by the state legislature, the amount of property taxes paid by residential versus commercial has gone from roughly 50-50 20 years ago to 80-20 currently. If we were to return to the 50-50 level, the property taxes paid by a residence in the CID would be about $3,600 lower.

III. INTEREST on REIMBURSEMENT MONIES as a REVENUE SOURCE FOR BARBER VALLEY DEVELOPMENT

By contracting for and completing a CID related improvement project, and submitting it to the Board for reimbursement, projects are eligible to receive interest on the cost of the project at a rate of prime plus 2% from the time the project is certified as "complete" by the city until the time it is reimbursed by the CID.

One of the HRCIDTA criticisms of the CID is that the interest rate the CID pays the developer in this manner results in an inappropriate income stream for the developer.

Broadly, while such a result is possible, it depends on several factors, is not automatic, and generally, results in losses to the developer.

A. Barber Valley Development

The main independent variables are:

- The developer's borrowing rate,
- The length of the project from inception to completion over which developer spending occurs,
- The length of time from project completion until it is reimbursed by the CID, and
- The CID interim reimbursement interest rate,

The lower the developer's borrowing interest rate relative to the CID interim reimbursement interest rate, the greater the potential for the developer to benefit from the interest on the project while waiting for the city to reimburse the project.

Similarly, the greater the length of time from project completion until the developer is reimbursed also tends to increase the potential for the developer to benefit from this funding mechanism.

However, many, perhaps most of the improvement projects take several months to complete and payments to the contractors are typically spread over the length of the project. As a result, the developer may pay interest for two years, or more, on portions of the project while the CID only pays interest on the complete cost of the project for as little as a couple months.

The accumulated interest the developer pays over many months, even at lower interest rate, will likely exceed the interest paid by the city for the brief period of time that the developer waits for reimbursement.

Example – TH #11 Roadway & Utility Improvements.[6]

The TH #11 Roadway & Utility Improvements project is a reasonably typical project as part of this CID. The project was initiated in late 2019 and the first payment from BVD to the contractors was on January 1, 2020, for $64,125. The project was completed and accepted by the city 505 days later on June 2, 2021. Finally, the Board proposed reimbursing BVD for principal and interest 125 days after the completion date, on October 5, 2021.

Over the course of the project, BVD made 13 payments of as much as $900,000 to contractors on a roughly monthly basis. By the time the CID Board recommended reimbursing BVD, BVD's accumulated interest totaled about $251,465. Even though the interest rate the CID would have paid the developer for the 125 days from completion to reimbursement was 1.5% higher than BVD's interest rate the total dollar amount of interest approved by the Board, because of the far shorter reimbursement time frame, was much less than the total interest accumulated by BVD. Net-net, the amount of interest approved by the Board was about $157,516 <u>less</u> than the amount of interest accumulated by BVD.

Discussion – Are there circumstances by which the interest payments by the CID to BVD could exceed the interest BVD pays to its lenders over the course of a CID project? The answer is yes. If the length of the project, from first contractor payment to reimbursement date is sufficiently short relative to the length of time from the end of the project to the reimbursement date, the possibility exists for the dollar amount of interest associated with the CID reimbursement to exceed the amount of interest associated with the developer's debt service related to the project.

Using the TH #11 Roadway & Utility Improvements project discussed above, if the reimbursement date is moved out from October 5, 2021, to October 19, 2023, an additional two- and one-half years, BVD will break even. If the reimbursement date is moved even farther into the future, BVD CID related interest payments will begin to exceed BVD's accrued interest.

Summary – While it is possible for BVD to benefit from the interest the CID pays on the principal owed to BVD, the length of time necessary to effect this result, nearly four years from project start to reimbursement date, and nearly two- and one-half years from

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[6] As of this writing, this project has not been reimbursed. It is part of the funding stream that was proposed for reimbursement by the Board but put on hold when HRCIDTA sued HRCID. It is presented here as an example of how and why, generally, BVD does not benefit financially from the interest the CID pays on improvement projects from project point of completion to the point of reception of reimbursement funds. The funds associated with this project are dealt with more formally the Damages section on pp. 25.

project end date to reimbursement date, is excessively long. RME thinks it fair to say that delays of that length are not reasonable or desirable to any of the stakeholders.

Please refer to the spreadsheet in Appendix One.

B. Harris Family Limited Partnership

The case of interest reimbursements to the HFLP is different than reimbursements to the BVD. CID payments to HFLP tend to be payments for land and or easements and more likely to be lump sum payments.

The bigger issue associated with HFLP interest reimbursement is inflation and potential appreciation in value from the time the property is appraised and/or the property rights are transferred to the time it is reimbursed by the city.

Depending on the state of the housing market, and assuming reimbursement occurs quickly, the issue may be insignificant. However, in a market where inflation is running at ~8%, and the taxable market value of the district increased 39% between 2021 and 2022"[7], the length of time from the point the property right transfer is completed to the point in time at which is reimbursed is an issue.

Example – A Deflection Berm (Project #GO158-5 Interest) was completed in November of 2008 and billed at $420,000. The project was not reimbursed until September of 2015, nearly 7 years later. The accrued interest reimbursed by the CID was $151,133. The interest HFLP received on the project was about five percent per year.

However, over that period of time, according to the Ada County Assessor, the combined inflation and appreciation of land in that area was 217 percent. Over the course of those seven years, the property's value increased in value from $420,000 in $2008 to about $911,400 in $2015.

The $151,133 HFLP received in reimbursement interest was about $340,267 less than the amount the property appears to have increased in value over those 7 years.

A review of ten projects set for HFLP reimbursement dating as far back as 2008 shows an average reimbursement interest rate of about 5.8 percent per year. Over the same period of time, the combined inflation and appreciation rate for this area averaged about 18 percent per year.

[7] http://boisecityid.iqm2.com/Citizens/FileOpen.aspx?Type=12&ID=3312&Inline=True

Short of a major recession and associated collapse of the housing market, something that seems unlikely for the Boise housing market for the foreseeable future, the potential for HFLP to benefit excessively, if at all, from reimbursement interest payments remains unlikely.

IV. GENERAL OBLIGATION BOND DISCUSSION

Note: This section relies extensively on the model presented in Appendix II

On its face, few things could be simpler than the Harris Ranch CID. A mechanism for funding $50 million of Harris Ranch improvements over a finite 30 years by selling municipal bonds to be paid for by tax levies on the residents of the district.

However, about the only part of the equation that is fixed is the beginning date of the CID and the end point at which the bonds must be retired. Everything else is fluid, even the $50 million available of improvement projects, as will be discussed.

Major Factors Affecting the Stakeholders

Buildout Percentage

Buildout percentage, as time progresses, reflects a portion of the total potential value of property in the CID. The greater the buildout percentage, the greater the potential district property value, the greater the revenue returned to the city on any given rate of tax levy, the more likely the bonds will be retired in a timely fashion and, potentially, the possibility of lowering the CID levy rate.

Currently, RME estimates the buildout percentage of the district to be about 65 percent. Doug Fowler of BVD estimates that the district will reach 100 percent buildout in 2035.

Inflation

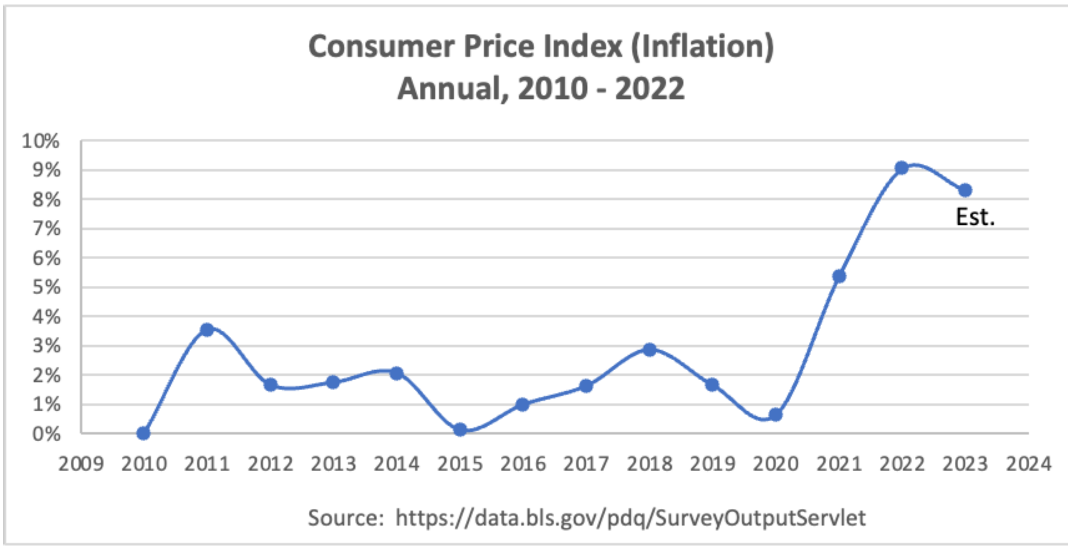
Inflation is the bane of any entity reliant on a fixed income stream or a fixed pool of funds. This is as true of CID improvement projects as it is on retirees dependent on Social Security payments. As this is being written, twelve years after the founding of the CID, roughly $34.6 million of the $50 million total funding level remains un-bonded and $15.7 million remains to be spent by the developer.

No one could have anticipated, back in 2010, that the Covid pandemic would occur, leading to a variety of economic impacts, supply chain effects, and other events, culminating in inflation rates jumping from an average of less than two percent for the first 10 years of the CID to 5 percent in 2021 and then 9 percent for the first 6 months of 2022.

Courtesy of inflation, the purchasing power of the $34.6 million remaining in the CID pool has declined to about $25.4 million as valued in 2010 dollars. At current inflation rates, the number is destined to decrease another ~$1.9 million in the coming year to about $23.6 million.

While inflation is eating away at the purchasing power of the remaining funds available for CID improvement projects, inflation is increasing the revenue generating potential of the CID to pay for the projects.

Chart 1



Inflation tends to increase the value of properties in the CID and, as this occurs, the fixed levy rate returns more revenue to the city. To the extent that inflation increases incomes, it also increases the ability of residents of the CID to pay the taxes associated with the CID.

An exception to this, for residents that may be on fixed incomes, is that the combination of a fixed levy rate and inflating home values will mean that a fixed CID tax levy will consume a-larger portion of their income as time goes on.

To summarize, as time passes, the purchasing power of the remaining CID funding amount declines. This makes it harder for BVD to undertake projects of a given scale because $2010 no longer buy as much in the way of goods and services as they did 12 years ago.

While the same effect may make a given tax levy more productive in terms of the revenue collected and make it easier for some residents to meet the tax obligations, residents of the district must realize that anticipated future improvements to the district may be correspondingly reduced in value.

Note on the HRCIDTA Challenge to the CID and the Impact of the Interruption in the Initiation of Subsequent Improvement Projects.

As discussed above, inflation is an insidious process that diminishes the purchasing power of fixed pools of money over time. As also discussed above, roughly $34.6 million of the initial $50 million CID funding limit remains to be bonded. For the first ten years of the CID, inflation was relatively kind to the purchasing power of the remaining unspent funds. That changed in 2021when inflation jumped from less than one percent in the previous year to over 5 percent. The relatively minor purchasing power reduction of $287,000 in 2020 increased by a factor of five to a purchasing power reduction of $1.5 million in 2021.

Table 4__ - Impact of Inflation on the Remaining $34.6 million CID GO Funds[8]

Year	Ann. Inflation	Nominal Value	Decrease in Value	Annual Decrease in Purchasing Power	Remaining CID Reimbursement Funds Had the Funds Been Indexed to Inflation
2010	0.00%	$ 34,628,767			
2011	3.56%	$ 33,416,188	-3.50%	$ (1,212,579)	$ 35,861,145
2012	1.66%	$ 32,952,075	-1.39%	$ (464,114)	$ 36,457,873
2013	1.75%	$ 32,318,414	-1.92%	$ (633,661)	$ 37,097,496
2014	2.07%	$ 31,687,102	-1.95%	$ (631,311)	$ 37,866,282
2015	0.12%	$ 31,633,462	-0.17%	$ (53,641)	$ 37,913,150
2016	1.00%	$ 31,373,955	-0.82%	$ (259,506)	$ 38,291,268
2017	1.63%	$ 30,841,029	-1.70%	$ (532,926)	$ 38,916,751
2018	2.87%	$ 29,957,430	-2.87%	$ (883,599)	$ 40,034,264
2019	1.65%	$ 29,424,417	-1.78%	$ (533,013)	$ 40,694,223
2020	0.65%	$ 29,137,101	-0.98%	$ (287,316)	$ 40,956,999
2021	5.39%	$ 27,653,367	-5.09%	$ (1,483,735)	$ 43,165,176
2022	9.06%	$ 25,481,146	-7.86%	$ (2,172,221)	$ 47,075,836
2023 (Est.)	8.31%	$ 23,625,335	-7.28%	$ (1,855,812)	$ 50,986,496

[8] Source: https://data.bls.gov/pdq/SurveyOutputServlet. Calculations by RME.

The 2021 inflationary impact was bad. The impact through the first 6 months of 2022 has been worse. Inflation, July 2021 through July 2022 has been over 9 percent, resulting in a further $2.2 million reduction in purchasing power of the remaining $34.6 million bonding limit.

Inflation rates for future years are uncertain. The Federal Reserve is actively addressing the issue, primarily via increases in interest rates. This is having downstream effects such as turmoil in the stock markets that is, to some extent, driving investors to the bond market, driving the price of bonds up and the resulting bond interest rates down.

Everyone has an opinion, but no one knows what inflation will be for the coming year. Assuming that the Fed is at least partially, but not completely successful, RME looked at the effect of inflation still being in the 8 percent range for the coming year. If that comes to pass, the purchasing power of the remaining $34.6 million in the CID fund will drop another $1.9 million to about $23.6 million.

Heads HRCIDTA Lose, Tails HRCIDTA Don't Win.

HRCIDTA's challenge to the CID holds that they think the city and or the developer are the entities that should cover the cost of area improvements. RME views the possibility of the court ruling in HRCIDTA's favor to be possible but unlikely. That is simply RME's opinion.

The part of the equation that seems utterly impossible is for the court to reinstate the lost purchasing power of the CID associated with the HRCIDTA related interruption of the flow of improvement projects. In RME's view that will be impossible if for no other reason than because HRCIDTA did not ask for such a result. The court cannot grant something that was not requested. Also, there is nothing in the CID agreement dealing with inflationary effects on the purchasing power of CID monies over time.[9]

In other words, even in the unlikely event that all the demands of the HRCIDTA suit are met, HRCIDTA as well as all the other residents of the CID will still see a reduction in the quality and magnitude of the remaining improvements to the CID due to the reduction in purchasing power of the money remaining in the CID fund approaching $2,000,000 per year of delay at current inflation rates.

[9] Please be advised, RME is not an attorney. That is simply a lay analyst's reading of the situation.

Appreciation

In addition to inflationary pressures, home values in the Boise market have been appreciating much faster than inflation for the past several years. While inflation averaged a little less than two percent for the first 10 years of the CID, and then jumped to five percent, and ultimately 9 percent in 2022, housing prices in the Boise market increased at 20 percent and higher for the last two or three years.

Rates of appreciation in the 20 percent range, or higher, that result in housing prices doubling every two to three years, are not sustainable. Appreciation rates of that magnitude were, and are, destined to decline to a lower level.

Regardless, the effect of home value appreciation on the ability of the district to repay the bonds is the same as for inflation. Appreciation related home value increases for properties in the CID, combined with the fixed levy rate, return more revenue to the city over time and increases the potential of the CID to repay the associated CID bonds.

The tradeoff, again, is that for residents on fixed incomes, is that the combination of a fixed levy rate and high rates of home value appreciation means that CID tax levies will consume an ever-larger portion of their incomes.

Tradeoff number two, unlike inflation, where wages and employee purchasing power tend to keep pace, wages and purchasing power don't necessarily keep pace with increases in home prices. To that end, courtesy of the fixed levy rate, annual CID related taxes may consume a larger portion of the incomes of homeowners in the CID that are not on fixed incomes.

The Ada County Assessor shows the combined inflation-appreciation rates for the district were about 12 percent per year at the beginning of the CID. That number increased to 13 percent and 15 percent in 2016 and 2017 respectively. From that point on the rate increased substantially each year, reaching 39 percent in 2022. That will likely be the peak for the foreseeable future. Zillow is showing increases in property values in the 83716-zip code as being relatively flat for the current year. Going forward, for this exercise, RME is using 12 percent per year as the combined inflation/appreciation rate for the district.[10]

[10] The Ada County Assessor show that from 2011 through 2006 property in the CID increased in value at a combined inflation and appreciation rate of 12 percent per year. Remember that those were the years immediately following the Great Recession. To that end, using 12 percent going forward for the district's annual increase in value seems both modest and reasonable.

CID Aggregate Property Value

In any given year, CID aggregate property value is the sum of all the preceding factors. This is the value that the CID levy rate is multiplied by to derive the tax revenue to the COB for any given year. The aggregate property value determines how much revenue, at a given levy rate, will be generated to pay of the CID bonds.

Aggregate Value of Improvements / Aggregate Bond Amount

$50 million is the upper limit of the total improvement amount. With a presumably slight delay between the completion date of improvement projects and reimbursement dates, $50 million is also the upper limit of the GO bonding amount.

BVD expects to complete their final CID authorized improvement project in 2027.

Mill Levy Rate

Since the beginning of the CID the GO levy rate has been fixed at .00285. Because the levy rate is fixed, tax revenues, both aggregate and per residence, increase as property values increase.

Potentially, if aggregate property values increase faster than total bonding amount, at some future date it may be possible to reduce the levy rate, pay off the bonds earlier than initially anticipated, or a combination of the two.

Tax Revenue

Tax revenue is simply the CID levy rate multiplied times the aggregate CID property value. The critical importance of this number is that it must be sufficient to retire the CID's bonds.

Required Tax Revenue

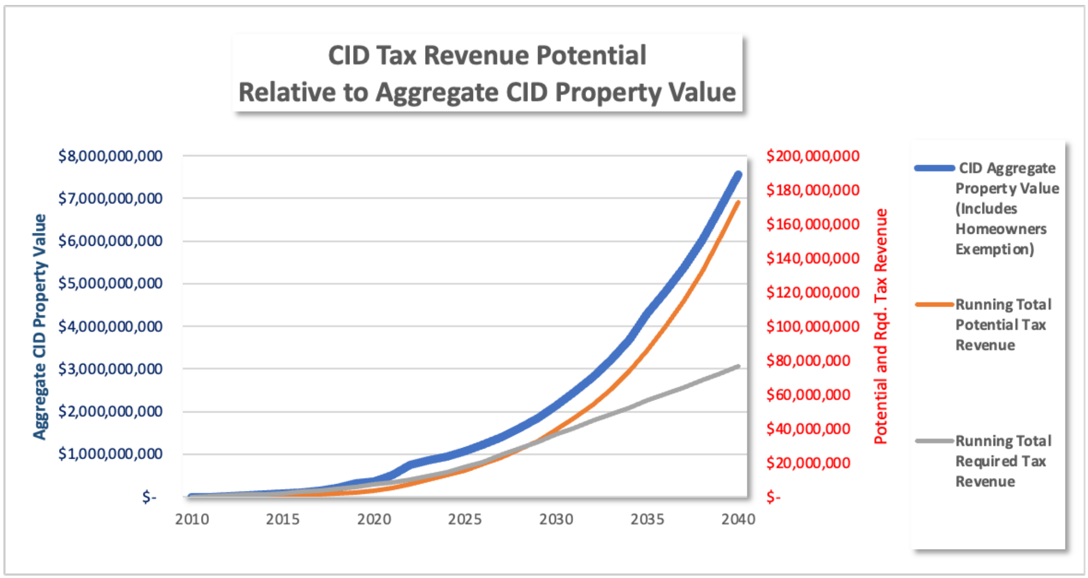
For any given year, this is the dollar amount required for the Harris Ranch CID debt service.

Observation - It appears that for the first 10 years of the CID, CID tax revenue lagged the amount of revenue necessary to fully cover the cost of servicing the CID bond debt. That changed in 2021 when the aggregate value of properties in the CID became large enough, when multiplied times the fixed levy rate, to produce sufficient tax revenue to fully cover CID debt service.

This may be significant in that, provided such a financing process is legitimate, it may be possible to lower the levy rate substantially in the near future with the understanding that some level of under collection of taxes in the near term will be made up in the longer term.

Chart 2, below, shows the way CID tax revenue at a flat rate of .0028 (the red line) shadows aggregate CID property value (the bold blue line) over time. It also shows how required tax revenue, a function of bond debt service, diverges from potential tax revenue. The implication of this divergence is that, depending on all the variables discussed above, it should be possible to begin reducing the CID levy rate beginning as early as 2023 and no later than 2030.

Chart 2



Potential to Reduce Levy Rate

It is RME's understanding that the tax levy rate associated with the GO bonds (.00285 mills) was initially set to cover the cost of debt service at a moment in time when there was relatively little taxable property in the CID. As a result, the levy rate was set rather high and has been fixed ever since.

The HRCID#1 acknowledges that fixing the levy rate in this manner, " . . is unique to the district."[11] And further, that, "The implication of this is that year-over-year in an environment of rapidly increasing property values, the district's tax levy will become a larger.[12]

The HRCIDTA contingent undoubtedly desire the tax levy to go to zero. RME's reading of the CID agreement suggests that will not happen. A portion of the promised CID improvements are already in place, bonds have been sold and BVD and HFLP have been reimbursed. Appeal deadlines have expired. Given that the legality of the CID itself appears to be sound it seems likely to RME that, with the obvious interruption associated with the HRCIDTA suit, the remaining project improvements, along with the requisite bonding and BVD reimbursements, will take place.

In that context, given the assumptions used in the analysis above, the .00285 levy rate will generate enough tax revenue to retire all the bonds associated with $50 million in project improvements by about 2035, roughly five years early. Depending on the point of view of individual CID residents that outcome may be preferred.

Alternately, again given the assumptions used in the analysis above, the CID Board could begin reducing the GO bond levy as early as 2023 as a means providing a measure of near-term tax relief to property owners in the CID.

In the example presented in Appendix III, RME explored the possibility of reducing the GO levy by about 10% (0.000285) per year for five years. In this manner RME modeled reducing the GO levy to .00118 by 2028, roughly 41% of the current levy rate.

If the HRCID#1 board chose to follow this path, the annual CID related tax bill on a $700,000 CID residence would be reduced from a little over $2,000 per year ($166/mo.) to about $825 per year ($69/mo.) for the remainder of the 30-year life of the CID.

[11] https://www.cityofboise.org/media/11408/overview-of-the-district-v12.pdf
[12] Ibid.

It must be emphasized that the conclusion presented in the preceding paragraph depends on the multiple aforementioned assumptions. That said, RME believes that those assumptions, individually and as a whole, are sufficiently conservative that, if anything, there is potential to lower the GO levy rate both more quickly and by a greater magnitude than the amounts presented above.

Please see Appendix III on pp. 28 below.

V. DAMAGES

Overview

Larry Crowley and Bill Doyle formed HRCIDTA and filed for judicial review to challenge the CID in mid 2021. They contend that either the COB or the developer should be responsible for improvements to the district, not homeowners in the CID. While HRCIDTA contend that the CID itself is illegal their request for judicial review only directly addresses two items. Their suit challenges the CID board's resolution to authorize $7.3 million in payments to BVD and the issuance of $5.2 million in bonds.

As a result of HRCIDTA's suit, the mechanics of bond placement forced HRCID#1 to pause both the $7.3 million payment to BVD as well as the placement of additional bonds. Further, as a result of the pausing all reimbursements to BVD and bond placements for funding, the initiation of the remaining development agreement CID improvement projects has been similarly put on hold.

HRCIDTA's request for judicial review on 10/5/2021 directly challenged the reimbursement of three projects and the associated accrued interest.

Table 5 Funds Recommended for Reimbursement on 10/5/21

GO20-6	East Parkcenter Blvd. Roundabouts at Wise Way, - Old Hickory and Shadywood	$197,026.95
GO21-2	Dallas Harris Estates TH #9	$1,670,900.05
GO21-3	Dallas Harris Estates TH #11	$4,009,490.97
Sub Total		$5,877,417.97
GO21-1	Accrued Interest due on reimbursed projects)	$1,390,833.17
Grand Total		$7,268,251.14

At the moment in time that HRCID#1 recommended bonding and reimbursing the projects and interest payments detailed in the preceding table, another six projects totaling $8.4 million were readying for HRCID#1 approval and reimbursement proceedings. Those projects are detailed Table 6 below.

Table 6 —- Projects Imminently Ready for Reimbursement on 10/5/21

GO20-3	Harris Ranch Community Infrastructure District #1	$99,955.60
GO20-7	2007 Conservation Easement	$1,979,000.00
GO21-4	Southern Half Roadway Parcels- Portions of Phase 2,6,8,9 &11 Rights of Way	$1,874,000.00
GO22-1	Haystack Subdivision No. 1, SW 12 & 13 Roadways & Improvements	$1,446,606.24
GO22-2	Dallas Harris South Sub No.1, SE5, Roadways & Improvements	$1,660,319.34
GO22-3	Dallas Harris So. Sub. No. 2, SE7,SE8 & SE-11 Roadways & Improvements	$1,367,140.49
Total		$8,427,021.67

Combining the $7.3 million in projects the Board recommended for reimbursement with the other $8.4 million in projects BVD has completed and are in line for reimbursement, total expenditures put on hold courtesy of the HRCIDTA suit come to $15,695,273.

While the suit may have put a hold on the Board's ability to reimburse BVD it has no direct effect on the terms by which BVD constructed projects included in the development agreement and paid contractors accordingly. In other words, regardless of the outcome of HRCIDTA's suit, BVD is still entitled to be reimbursed for the projects detailed above, plus damages. Further, assuming the HRCID prevails in the suit, BVD is still expected to complete additional projects consistent with the development agreement with remaining CID funds, funds that have been substantially diminished as a result of the HRCIDTA suit.[13]

[13] In terms of BVD's eligibility for reimbursement the $7.3 million in Table 5 and the $8.4 million in Table 6 are functionally identical. Both sets of projects, and a few still to come, are all part of the same development agreement HRCID#1 was designed to fund. The only substantial difference is that the projects in Table 5 have been deemed to comply with the development agreement at a certain point in time. That act on the part of the CID Board toggles the box qualifying the developer for reimbursement and sets the date range for interest on its expenditures.

HRCIDTA Impact on Projects Recommended for Reimbursement on 10/5/2021

The Bureau of Labor statistics indicates that from October of 2021 through October of 2022, prices inflated by 7.75 percent. This is about 4.75 percent higher than historical inflation. For BVD to be unharmed by inflation associated with the reimbursement delay, the $5.9 million due for reimbursement in Table 5 would need to be increased by $278,909 to $6,156,327.

In addition to the effect of inflation there is the matter of ongoing interest accrual. At an estimated prime rate of 3.25 percent plus the CID 2 percent adder, the $1,390,833.17 interest due BVD on 10/5/2021 has grown an additional $308,564 in the interim to about $1,699,397.61.

To summarize, for the projects recommended for reimbursement on 10/5/2021, BVD is entitled to the original reimbursement amount plus interest of $7,268,251, plus inflation related damages of $278,909 and ongoing interest of $308,564 for a grand total of $7,855,724.[14]

If the suit settled today, $278,909 must be considered as damages to BVD and 308,564 as damages to homeowners in the CID.

HRCIDTA Impact on Projects Expected to be Approved for Reimbursement After 10/5/2021

The Bureau of Labor statistics indicates that from October 2021 through October of 2022, prices inflated by 7.75 percent. For BVD to be unharmed by inflation associated with the reimbursement delay, the $8.4 million approaching reimbursement in Table 6 would need to be increased by $652,709 to $9,079,731.[15]

BVD has continued to be liable for interest on the $8.4 million mentioned in the previous paragraph. At BVD's borrowing rate for the 12 months since HRCIDTA filed suit and interrupted the CID bonding process, BVD had incurred approximately $316,013 of interest.

If HRCIDTA's suit settled today, $652,709 of lost value plus $316,013 of interest expense must be considered as damages to BVD.

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[14] The interest and inflation related numbers must be viewed as low end numbers that will almost certainly increase over time. They are moving targets that will only be calculable after the suit is resolved.
[15] Ibid.

HRCIDTA Impact on Purchasing Power of Remaining Funds

The CID bonding limit for improvement projects is set at $50 million. Prior to HRCIDTA, about $34 million remained un-reimbursed. After deducting the combined $15,695,273 approved for reimbursement by the board on 10/5/2021 and other completed projects, and nearly complete projects, on the path headed for reimbursement approval, approximately $18.9 million remains for use in constructing the remaining Harris Ranch improvement projects associated with the development agreement.

The original $50 million bonding limit is not indexed to inflation. As a result, any delay in utilizing the money in the fund decreases its purchasing power. Since HRCICTA filed suit last year the Bureau of Labor Statistics indicates that there has been 7.75 percent inflation. The result of that inflation has decreased the purchasing power of the remaining $18.9 million in the CID GO fund available for improvement projects by about $1,357,782.

If HRCIDTA's suit settled today, the $1,357,782 reduction in buying power of the remaining CID funds must be considered as damages to homeowners in the CID. Also, if the $308,564 of interest damages mentioned in the previous sections is rolled into bonds instead of being recovered from HRCIDTA, they will further reduce the sum of funds available for future CID improvement projects.

Damages Summary

HRCIDTA's suit for judicial review put on-hold roughly $15.7 million due to BVD/HFLP in October of 2021 associated with a variety of projects and interest for which the CID board had granted approval.

The effect of the delay has resulted in inflation related damages to BVED/HFLP and the homeowners in the CID.

The one-year delay has resulted in inflation related damages to BVD/HFLP of $931,617 and interest expenses of about $316,013 for a total of $1,247,631.

The effect of the delay has also resulted in inflation and interest related damages to homeowners in the CID. The one-year delay has resulted in inflation related damages to the CID homeowners of $1,357,782 and interest expenses of about $308,564 for a total of $1,666,346.

Total inflation and interest related damages to the BVD/HFLP and the CID homeowners comes to about $2.9 million at the time of this writing.

Finally, it cannot be emphasized strongly enough that this is a snapshot of financial damages at a moment in time. The wheels of justice turn slowly. The suit is not resolved. Inflation is still running and continues to run well above historic levels. Interest is continuing to accumulate.

It is well within the realm of possibility that the current situation's impact on BVD and homeowners in the CID could persist for another year, or longer.

All of the damage numbers listed above are increasing on a daily basis and will continue to increase until the suit is resolved.

Summary

Depending on the combination of all the economic forces listed above, there appears to be a possibility to lower the tax levy rate in the near future. Assuming the district fully builds out as early as 2035, that BVD finishes its remaining improvement projects by 2027, that the combination of inflation and appreciation is 12 percent or higher after 2026, and that interest rates on the bonds average 3.3 percent or lower, the CID Board could begin reducing the tax rate levied on CID property owners as early as the next tax year.

RME modeling indicates that if the city were to begin reducing the levy rate in 10 percent increments (.000285 per year) over a five-year period beginning in 2024, the GO levy rate could be reduced to about .00118, 41 percent of the current rate, by 2028 and retire the debt on the full $50 million of improvement project spending by the end of the 30 CID time window.

At the time HRCIDTA filed for judicial review, roughly $34.6 million of the CID improvement fund remained to be bonded and paid to BVD for improvement projects.

Of that amount, $7.3 million including interest had not only been spent by the developer but had been approved for reimbursement by the CID board. An additional $8.4 million had also been spent by the developer on projects included in the associated development agreement, for a total of $15.7 million.

HRCIDTA's suit forced the Board to pause reimbursements to BVD, a result that also resulted in a pause to all anticipated future CID improvement projects. The pause in the flow of reimbursements to BVD has resulted in inflation related financial losses of about $931,617 and interest related losses of about $316,013 for total losses of about $1,247,631 as of 12/1/2022.

The pause to reimbursements and the associated pause in construction of remaining CID improvement projects has also had a negative impact on property owners in the CID. The pause in reimbursement related activity has resulted in inflation related financial losses of about $1,357,782 and interest related losses of about $308,564 for total losses of about $1,666,346 as of 12/1/2022.

Combined, as of 12/1/202, damages associated with the HRCIDTA suit total about $2,913,977.

Finally, damages will continue to grow until such time as the HRCIDTA suit is resolved.

VI. APPENDIX

Appendix I - TH #11 Roadway & Utility Improvements.

	Date Paid	Amt. Paid	Days Until Reimb.	Total Interest Accrued by Reimb. Date	Prime Rate When Contractor Paid	Avg. Prime Rate Thru Reimburse Date	Adder	Avg. Int. Rate from Pmt -> Reimb.
	1/14/20	$ 64,125	630	-$4,506	4.75%	3.57%	0.50%	4.07%
	2/14/20	$155,700	599	-$10,172	4.75%	3.48%	0.50%	3.98%
	3/14/20	$434,447	570	-$26,290	4.75%	3.38%	0.50%	3.88%
	4/14/20	$925,913	539	-$51,274	3.25%	3.25%	0.50%	3.75%
	5/14/20	$902,380	509	-$47,190	3.25%	3.25%	0.50%	3.75%
	5/14/20	$352,704	509	-$18,444	3.25%	3.25%	0.50%	3.75%
	5/30/20	$350,883	493	-$17,772	3.25%	3.25%	0.50%	3.75%
	6/30/20	$604,117	462	-$28,675	3.25%	3.25%	0.50%	3.75%
	9/14/20	$637,425	386	-$25,279	3.25%	3.25%	0.50%	3.75%
	10/14/20	$161,472	356	-$5,906	3.25%	3.25%	0.50%	3.75%
	10/14/20	$314,820	356	-$11,515	3.25%	3.25%	0.50%	3.75%
	4/12/21	$ 60,132	176	-$1,087	3.25%	3.25%	0.50%	3.75%
	6/2/21	$261,269	125	-$3,355	3.25%	3.25%	0.50%	3.75%
Total		$5,225,387		-$251,465				
				-5%				
Reimb	10/5/21	$5,225,387	125	$93,950	3.25%	3.25%	2.00%	5.25%
				2%				
Net				-$157,516				
				-2.96%				

Appendix II – Bond Funding Model

A	B	C	D	E	F	G	H	I	J	K	L	M
	Per	Build Out %	Apprec-iation Rate (%) (Includes Inflation)	CID Aggregate Property Value (Includes Homeowners Exemption)	Aggregate Bond Amt.	Mill Levy Rate	Tax Revenue	Revenue Rqd to Service Bonds.	Required SA +GO Mill Levy Rate (max)	Running Total Potential Tax	Running Total Required Tax	Difference
2010	1	10%		-	**$ 75,000**	0.00285	$ -	$4,088				
2011	2	15%	12	$4,037,528	**$ 4,080,598**	0.00285	$ 11,507	$396,860	0.09829	$11,507	$ 400,948	$(389,441)
2012	3	20%	12	$16,000,445	**$ 4,080,598**	0.00285	$ 45,601	$396,860	0.02480	$57,108	$ 797,808	$(740,700)
2013	4	25%	12	$35,943,938	**$ 4,399,598**	0.00285	$102,440	$415,294	0.01155	$159,548	$ 1,213,101	$ (1,053,553)
2014	5	30%	12	$58,967,559	**$ 4,399,598**	0.00285	$168,058	$415,294	0.00704	$327,606	$ 1,628,395	$ (1,300,789)
2015	6	35%	12	$76,438,086	**$ 8,252,502**	0.00285	$217,849	$647,545	0.00847	$545,455	$ 2,275,940	$ (1,730,485)
2016	7	40%	13	$109,168,112	**$ 9,583,892**	0.00285	$311,129	$719,461	0.00659	$856,584	$ 2,995,401	$ (2,138,817)
2017	8	45%	15	$155,021,774	**$ 11,385,085**	0.00285	$441,812	$828,999	0.00535	$ 1,298,396	$ 3,824,400	$ (2,526,004)
2018	9	50%	15	$217,555,552	**$ 13,364,821**	0.00285	$620,033	$962,224	0.00442	$ 1,918,429	$ 4,786,624	$ (2,868,195)
2019	10	55%	20	$319,293,855	**$ 17,286,732**	0.00285	$909,987	$1,211,768	0.00380	$ 2,828,417	$ 5,998,392	$ (3,169,975)
2020	11	60%	25	$368,063,004	**$ 19,408,331**	0.00285	$1,048,980	$1,344,542	0.00365	$ 3,877,396	$ 7,342,934	$ (3,465,538)
2021	12	65%	30	$510,716,674	**$ 19,408,331**	0.00285	$1,455,543	$1,344,542	0.00263	$ 5,332,939	$ 8,687,477	$ (3,354,538)
2022	13	70%	39	$747,126,600	**$ 23,836,595**	0.00285	$2,129,311	$1,675,814	0.00224	$ 7,462,249	$ 10,363,291	$ (2,901,041)
2023	14	72%	**12**	$863,080,648	**$ 28,069,276**	0.00285	$2,459,780	$2,006,136	0.00232	$ 9,922,029	$ 12,369,427	$ (2,447,398)
2024	15	74%	**6**	$942,742,275	**$ 32,301,957**	0.00285	$2,686,815	$2,351,897	0.00249	$12,608,845	$ 14,721,324	$ (2,112,479)
2025	16	77%	**10**	$1,067,680,969	**$ 36,534,638**	0.00285	$3,042,891	$2,715,204	0.00254	$15,651,736	$ 17,436,528	$ (1,784,792)
2026	17	79%	**11**	$1,219,163,433	**$ 40,767,319**	0.00285	$3,474,616	$3,098,620	0.00254	$19,126,351	$ 20,535,148	$ (1,408,796)
2027	18	81%	**12**	$1,403,585,110	**$ 54,005,598**	0.00285	$4,000,218	$4,370,550	0.00311	$23,126,569	$ 24,905,698	$ (1,779,129)
2028	19	83%	12	$1,614,712,036	$ 54,005,598	0.00285	$4,601,929	$4,370,550	0.00271	$27,728,498	$ 29,276,248	$ (1,547,750)
2029	20	85%	12	$1,856,297,798	$ 54,005,598	0.00285	$5,290,449	$4,370,550	0.00235	$33,018,947	$ 33,646,798	$(627,852)

2030	21	88%	12	$2,132,612,290	$ 54,005,598	0.00285	$6,077,945	$ 4,370,550	0.00205	$39,096,892	$ 38,017,349	$ 1,079,543
2031	22	90%	12	$2,448,511,571	$ 54,005,598	0.00285	$6,978,258	$ 4,370,550	0.00178	$46,075,150	$ 42,387,899	$ 3,687,251
2032	23	92%	12	$2,809,517,064	$ 54,005,598	0.00285	$8,007,124	$ 4,370,550	0.00156	$54,082,274	$ 46,758,449	$ 7,323,824
2033	24	94%	12	$3,221,905,307	$ 54,005,598	0.00285	$9,182,430	$ 4,370,550	0.00136	$63,264,704	$ 51,128,999	$ 12,135,704
2034	25	96%	12	$3,692,809,684	$ 54,005,598	0.00285	$10,524,508	$ 4,370,550	0.00118	$73,789,211	$ 55,499,550	$ 18,289,662
2035	26	**100%**	12	$4,290,401,293	$ 54,005,598	0.00285	$12,227,644	$ 4,370,550	0.00102	$86,016,855	$ 59,870,100	$ 26,146,755
2036	27	100%	12	$4,805,249,448	$ 54,005,598	0.00285	$13,694,961	$ 4,370,550	0.00091	$99,711,816	$ 64,240,650	$ 35,471,166
2037	28	100%	12	$5,381,879,381	$ 54,005,598	0.00285	$15,338,356	$ 4,370,550	0.00081	$115,050,172	$ 68,611,201	$ 46,438,972
2038	29	100%	12	$6,027,704,907	$ 54,005,598	0.00285	$17,178,959	$ 4,370,550	0.00073	$132,229,131	$ 72,981,751	$ 59,247,380
2039	30	100%	12	$6,751,029,496	$ 54,005,598	0.00285	$19,240,434	$ 4,370,550	0.00065	$151,469,565	$ 77,352,301	$ 74,117,264
2040	31	100%	12	$7,561,153,036	$ 54,005,598	0.00285	$21,549,286	$ 4,370,550	0.00058	$173,018,851	$ 81,722,851	$ 91,296,000
		-					$173,018,851	$ 81,722,851				$ 91,296,000

1. David Hasegawa of Boise City, on a 10/17/2022 phone conversation, indicated that, while all bonds must be issued prior to the end of the 30-year CID window, tax levies to retire the bonds may extend for as much as an additional 30 years if necessary. For this model, RME assumes all reimbursement bonding both occurs, and is paid off, within the 30-year time window. To that end, the levy rates shown in this table as being necessary to retire the bonds by the end of 30 may be higher than is strictly necessary.

2. The interest rates for each of the bonds issued to-date are identical to the interest rates the city is being charged. That said, RME, for some bonds, looked at a maximum payoff time ending in year 30.

3. For the purposes of this exercise RME included the $4 million Special Assessment bond in the spreadsheet as a means of showing the total tax revenues that must be collected from CID residents for all CID related costs.

Appendix III – Bond Funding Model with Levy Reduction Beginning in 2024

A	B	C	D	E	F	G	H	I	J	K	L	M
	Per.	Build Out %	Appreciation Rate (%) (Includes Inflation)	CID Aggregate Property Value (Includes Homeowners Exemption)	Aggregate Bond Amt.	Mill Levy Rate (max)	Tax Revenue	Revenue Rqd to Service Bonds.	Required SA + GO Mill Levy Rate (max)	Running Total Potential Tax	Running Total Required Tax	Difference
2010	1	10%		-	**$75,000**	0.00285	$ -	$ 4,088				
2011	2	15%	12	$ 4,037,528	**$4,080,598**	0.00285	$ 11,507	$ 396,860	0.09829	$ 11,507	$ 400,948	$ (389,441)
2012	3	20%	12	$ 16,000,445	**$4,080,598**	0.00285	$ 45,601	$ 396,860	0.02480	$ 57,108	$ 797,808	$ (740,700)
2013	4	25%	12	$ 35,943,938	**$4,399,598**	0.00285	$ 102,440	$ 415,294	0.01155	$ 159,548	$ 1,213,101	$(1,053,553)
2014	5	30%	12	$ 58,967,559	**$4,399,598**	0.00285	$ 168,058	$ 415,294	0.00704	$ 327,606	$ 1,628,395	$(1,300,789)
2015	6	35%	12	$ 76,438,086	**$8,252,502**	0.00285	$ 217,849	$ 647,545	0.00847	$ 545,455	$ 2,275,940	$(1,730,485)
2016	7	40%	13	$ 109,168,112	**$9,583,892**	0.00285	$ 311,129	$ 719,461	0.00659	$ 856,584	$ 2,995,401	$(2,138,817)
2017	8	45%	15	$ 155,021,774	**$11,385,085**	0.00285	$ 441,812	$ 828,999	0.00535	$ 1,298,396	$ 3,824,400	$(2,526,004)
2018	9	50%	15	$ 217,555,552	**$13,364,821**	0.00285	$ 620,033	$ 962,224	0.00442	$ 1,918,429	$ 4,786,624	$(2,868,195)
2019	10	55%	20	$ 319,293,855	**$17,286,732**	0.00285	$ 909,987	$ 1,211,768	0.00380	$ 2,828,417	$ 5,998,392	$(3,169,975)
2020	11	60%	25	$ 368,063,004	**$19,408,331**	0.00285	$ 1,048,980	$ 1,344,542	0.00365	$ 3,877,396	$ 7,342,934	$(3,465,538)
2021	12	65%	30	$ 510,716,674	**$19,408,331**	0.00285	$ 1,455,543	$ 1,344,542	0.00263	$ 5,332,939	$ 8,687,477	$(3,354,538)
2022	13	70%	39	$ 747,126,600	**$23,836,595**	0.00285	$ 2,129,311	$ 1,675,814	0.00224	$ 7,462,249	$ 10,363,291	$(2,901,041)
2023	14	72%	**12**	$ 863,080,648	**$28,069,276**	0.00285	$ 2,459,780	$ 2,006,136	0.00232	$ 9,922,029	$ 12,369,427	$(2,447,398)
2024	15	74%	**6**	$ 942,742,275	**$32,301,957**	0.00257	$ 2,418,134	$ 2,351,897	0.00249	$ 12,340,163	$ 14,721,324	$(2,381,161)
2025	16	77%	**10**	$ 1,067,680,969	**$36,534,638**	0.00228	$ 2,434,313	$ 2,715,204	0.00254	$ 14,774,476	$ 17,436,528	$(2,662,052)
2026	17	79%	**11**	$ 1,219,163,433	**$40,767,319**	0.00200	$ 2,432,231	$ 3,098,620	0.00254	$ 17,206,707	$ 20,535,148	$(3,328,441)
2027	18	81%	**12**	$ 1,403,585,110	**$54,005,598**	0.00171	$ 2,400,131	$ 4,370,550	0.00311	$ 19,606,837	$ 24,905,698	$(5,298,860)
2028	19	83%	12	$ 1,614,712,036	$ 54,005,598	0.00118	$ 1,907,060	$ 4,370,550	0.00271	$ 21,513,897	$ 29,276,248	$(7,762,351)
2029	20	85%	12	$ 1,856,297,798	$ 54,005,598	0.00118	$ 2,192,385	$ 4,370,550	0.00235	$ 23,706,282	$ 33,646,798	$(9,940,517)

2030	21	88%	12	$ 2,132,612,290	$ 54,005,598	0.00118	$ 2,518,727	$ 4,370,550	0.00205	$ 26,225,009	$ 38,017,349	$ (11,792,340)
2031	22	90%	12	$ 2,448,511,571	$ 54,005,598	0.00118	$ 2,891,820	$ 4,370,550	0.00178	$ 29,116,829	$ 42,387,899	$ (13,271,070)
2032	23	92%	12	$ 2,809,517,064	$ 54,005,598	0.00118	$ 3,318,187	$ 4,370,550	0.00156	$ 32,435,016	$ 46,758,449	$ (14,323,433)
2033	24	94%	12	$ 3,221,905,307	$ 54,005,598	0.00118	$ 3,805,239	$ 4,370,550	0.00136	$ 36,240,255	$ 51,128,999	$ (14,888,744)
2034	25	96%	12	$ 3,692,809,684	$ 54,005,598	0.00118	$ 4,361,402	$ 4,370,550	0.00118	$ 40,601,657	$ 55,499,550	$ (14,897,893)
2035	26	**100%**	12	$ 4,290,401,293	$ 54,005,598	0.00118	$ 5,067,189	$ 4,370,550	0.00102	$ 45,668,845	$ 59,870,100	$ (14,201,255)
2036	27	100%	12	$ 4,805,249,448	$ 54,005,598	0.00118	$ 5,675,251	$ 4,370,550	0.00091	$ 51,344,097	$ 64,240,650	$ (12,896,554)
2037	28	100%	12	$ 5,381,879,381	$ 54,005,598	0.00118	$ 6,356,282	$ 4,370,550	0.00081	$ 57,700,378	$ 68,611,201	$ (10,910,822)
2038	29	100%	12	$ 6,027,704,907	$ 54,005,598	0.00118	$ 7,119,035	$ 4,370,550	0.00073	$ 64,819,414	$ 72,981,751	$(8,162,337)
2039	30	100%	12	$ 6,751,029,496	$ 54,005,598	0.00118	$ 7,973,320	$ 4,370,550	0.00065	$ 72,792,733	$ 77,352,301	$(4,559,568)
2040	31	100%	12	$ 7,561,153,036	$ 54,005,598	0.00118	$ 8,930,118	$ 4,370,550	0.00058	$ 81,722,851	$ 81,722,851	$ (0)
		-					$ 81,722,851	$ 81,722,851				$ (0)

Appendix IV – HRCIDTA Suit Related Damages

HRCIDTA Damages Table

Line No.	Item	Percent	Approved for Reimbursement	Impact of Delay	Negative Impact	Damaged Party: BVD	Damaged Party: HR HOA
1			10/5/21	10/10/22			
2	Excess Inflation 10/2021 - 10/2022	0.0475	$ 5,877,418	$ 6,156,327	$ 278,909	X	
4	Interest	0.0525	$ 1,390,833	$ 1,699,398	$ 308,564		X
5	Sub Total		$ 7,268,251		$ 587,473		
8		**Percent**	**Awaiting Approval for Reimbursement**	**Impact of Delay**	**Negative Impact**		
9			10/5/21	10/10/22			
10	Inflation 10/2021 - 10/2022	0.0775	$ 8,427,022	$ 9,079,731	$ 652,709	X	
12	Interest	0.0375	$ -	$ 316,013	$ 316,013	X	
13	Sub Total		$ 8,427,022		$ 968,722		
16		**Percent**	**Remaining GO Funds**	**Impact of Delay**	**Negative Impact**		
17			10/5/21	10/10/22			
18	Inflation 1/2022 - 10/2022	0.0775	$ 18,887,890	$ 17,530,109	$ 1,357,782		X
19							
20	Grand Total				$ 2,913,977		

Notes

Line 2, Percent = BLS Inflation -3%, 10/21 - 10/22 (The deduction of 3% recognizes that the interest charges cover ~3% inflation)

Line 4, Percent = CID authorized Prime (3.25%) + 2%

Line 10, Percent = BLS Inflation 10/21 - 10/22

Line 12, Percent = Prime Rate (3.25%) + 0.5%