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**HARRIS RANCH CID TAXPAYERS' ASSOCIATION**

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September 7, 2021

Members of the Board  
Harris Ranch Community Infrastructure District No. 1 (“HRCID”)  
City of Boise  
150 N. Capitol Blvd.  
Boise, Idaho 83702

Re: The Myth of “Notice” to Prospective Home Purchasers in the HRCID

Members of the Board,

We would like to respond to some of your recent public comments regarding notice provided to purchasers of homes in the Harris Ranch CID. It is apparent from your comments that you believe that prospective purchasers of homes in the HRCID receive prior notice of the HRCID sufficient for them to make an informed and considered decision regarding the HRCID, the projects financed, the bonds “voted” for, and the related special taxes and assessments imposed before those purchasers are contractually obligated to purchase their homes. You are mistaken, and your public comments therefore are inaccurate and misleading.

Moreover, the failure to provide adequate notice, as required by law, calls into question the enforceability of the special taxes and assessments against homeowners. And in any event, contrary to the suggestions by some of you, any notice that may have been provided does not somehow bar homeowners in the HRCID from contesting the fairness let alone the legality of those special taxes and assessments.

As we have explained in our previous letters to you, many of the expenditures made by the HRCID, to the tune of many millions of dollars paid to the Harris Ranch developer (“Developer”), appear to be unlawful. And the formation of the HRCID itself, as well as the approval of the \$50 million in “general obligation” bonds by the HRCID (\$15 million of which appear to have been issued to date), appear to violate protections afforded homeowners and taxpayers under the Federal and State Constitutions.

### **Existing Homes**

From what we have been able to determine to date, it appears that purchasers of *existing* homes in Harris Ranch receive *no formal notice whatsoever* of the HRCID.<sup>1</sup> As a consequence:

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<sup>1</sup> We have filed a Public Records Request for copies of whatever notices, if any, have been provided to purchasers of homes in the HRCID. Copies of those notices are required by the Development Agreement to be filed by the Developer with the HRCID.

1. Purchasers of existing homes receive **no explanation** as to the nature of the HRCID (about which most people likely know little or nothing);
2. Purchasers of existing homes receive **no description** of the projects financed to date and to be financed in the future by the HRCID;
3. Purchasers of existing homes receive **no notice** regarding the nature or amount of the HRCID's bonds (for example, that the amount approved is *almost \$54 million*), let alone of the fact that the bonds were "voted" on by just three members of the Harris family;<sup>2</sup>
4. Purchasers of existing homes receive **no notice** regarding the amount of the special taxes and assessments imposed on their prospective home, or how they are determined;
5. Purchasers of existing homes receive **no notice** regarding the potential for significant increases in those special taxes and assessments over time;
6. Purchasers of existing homes receive **no explanation** that their special taxes for the HRCID will increase disproportionately more over time than their County, City, school district and other local property taxes; and
7. Purchasers of existing homes receive **no notice** that such special taxes and assessments are *not* imposed on all properties in the City, or even on all properties in their neighborhood, and that homes across the street and even next door may be free of such taxes and assessments.

Moreover, the property listings for existing homes in Harris Ranch do not include *any mention* of the HRCID, or of the substantial and increasing property taxes and special assessments imposed on homes within the HRCID. Those taxes and special assessments in 2021 will amount to, on average, approximately **\$2,400** for the average homeowner in the CID, and over **\$3,800** for some homeowners. And those property taxes and special assessments over 25 years may total *more than \$160,000* for each homeowner (based on conservative estimates of increases in assessed valuations) – another critical fact not provided to prospective purchasers.

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<sup>2</sup> At a recent public hearing, one of the HRCID Board members suggested that purchasers of existing homes in Harris Ranch being subject to HRCID special taxes is no different than their being subject to prior school district bond elections and the resulting tax levies. We beg to differ. First, every voter in the school district at the time of the election is entitled to vote. With the HRCID and its bonds and special taxes, *not a single homeowner in the HRCID was allowed a vote*. Second, school district levies are imposed on *all* the properties in the school district. With the HRCID, the special taxes are imposed only on a small proportion of the people who will benefit from the public improvements being undertaken, and then not even on all the homeowners in the Harris Ranch development. Third, all the people living in the school district arguably benefit from the school improvements, by their children attending the schools and by the enhancement in the value of their properties. With the HRCID, it is mostly people *outside* the HRCID who benefit from the projects being undertaken, rather than homeowners within the HRCID. Fourth and finally, most people are familiar with school district levies and their purposes without further explanation. Very few people, on the other hand, are familiar with the nature, purposes or functioning of CIDs.

In over 120 pages of documents presented to an apparently representative purchaser of an existing home at their closing (long after they were contractually obligated to purchase the home), the *only* reference to the HRCID was a few lines on page 8 of a 9-page title insurance policy, as part of a long list of exceptions to the policy. Those few lines in the listed exceptions to a title insurance policy do not constitute adequate “notice” or disclosure of the HRCID, its \$54 million in authorized bonds, and its untold tens of millions of dollars in property taxes and special assessments to be imposed over thirty years or more.

### **Newly Constructed Homes**

So far as we have been able to determine to date, it appears that purchasers of *newly constructed* homes receive only perfunctory, and fundamentally misleading, notice of the HRCID before they are contractually obligated to purchase their home. The only mention of the HRCID to an apparently representative purchaser of a newly constructed home, before they signed their purchase contract, was a six-line paragraph at the very end of the 15-page purchase contract itself. That was a contract presented to them by a likely-commissioned sales agent after the purchasers already become enamored of their prospective new home and had decided to buy it. What do those six-lines reveal? Only that:

- The home is “part of a Community Infrastructure District” that “is put into place to facilitate the cost of the developments [sic] infrastructure.”
- They “will have a General Obligation Bond [sic] not to exceed three (3) mills (tax of .0031% of the assessed value of the home after the homeowner exemption is applied).”
- “There is also a Special Assessment Bond [sic] that will be levied at a rate not to exceed \$0.38 per sq. ft. of homeowners lot [sic] size.”

That’s it. Those statements are largely unintelligible to the average person (and untrue, technically), and presumably are intended to be. And they include NONE of the rather basic disclosure information outlined in items 1-7, above, most if not all of which is legally required.

Long after purchasers of a newly constructed homes have contractually obligated themselves to purchase their home, they are then presented *at or shortly before closing* with a more detailed document regarding the HRCID, the authorized bonds, and the related taxes and assessments (the “CID Statement”). But that is *long* past the time – by perhaps several months – when they could reasonably have done anything about it. By that time, the purchasers not only have specified the light fixtures, bathroom fixtures, cabinetry, kitchen and laundry appliances, interior trims, carpets, kitchen and bathroom tiles, other floor coverings, paint colors, door and cabinet hardware, and other finishes to make the house their home, but the home has in fact been built to their specifications.

And even that notice is incomplete and misleading. Thus, for example:

- The CID Statement recites that the issuance of \$50 million in HRCID General Obligation Bonds was authorized by “a 2/3 majority vote of the qualified electors within the District.” It fails to reveal, however, that those “voters” were in fact *just three members* of the Harris family who did not even reside in the District, and who stood to make countless millions of dollars from the development while paying almost none of the resulting special taxes (and thus had an inherent conflict of interest in doing so).
- The CID Statement recites that the HRCID’s Board imposed the special assessments on properties within the District “upon submission of a petition signed by all the owners of all the lands located in [the] proposed assessment area.” Again, however, it fails to reveal that the *only* such owners were the same three members of the Harris family.
- The CID Statement includes an estimate of the annual property taxes and special assessments based on the sale price of the home. But it fails to disclose that those amounts can increase significantly each year, and disproportionately more than any increase in their County, City, school district and other local property taxes.

In addition, the CID Statement requires purchasers to “acknowledge” and to “agree to” almost a full page of details regarding the Harris Ranch CID, the bonds, and the special taxes and assessments, much of which they would need to consult with a knowledgeable attorney in order to understand. But what choice do they really have at that point? Even if they understand the import of the information, with no time for research or reflection, and decide to walk away from the purchase, they stand to lose their “earnest money” deposits of many thousands of dollars, and in some cases down payments that can amount to 10% of the purchase price of their house. More importantly, they stand to lose their prospective family home in which they’ve become not only financially but also emotionally invested. It’s not dissimilar from a rafting company on the Payette River requiring you to sign a liability waiver form *after* you and your family have paid the fees, boarded the raft, headed down the river, and are approaching the first rapids. You would grab the pen, scrawl your signature at the bottom of the form, and then turn your eyes towards the approaching rapids.

### **Consequences of Failures to Provide Timely and Adequate Notice**

Section 6.4(d) of the Development Agreement among the City, the HRCID and the Developer (“Development Agreement”) requires that the Developer provide notice of the HRCID to prospective purchasers of ALL homes within the HRCID, not just to purchasers of newly constructed homes.<sup>3</sup> That presumably is because the Idaho CID Act (“CID Act”) requires that such a notice be provided to ALL prospective purchasers of land within a CID. Idaho Statutes, Sec. 50-3115(2). Moreover, Section 10.2 of the Development Agreement requires the Developer

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<sup>3</sup> The Development Agreement states in relevant part: “Such notice shall be provided to *each potential purchaser of a residential lot within the District ...*” (Emphasis added.)

to provide the HRCID with evidence satisfactory to the HRCID that the CID Notice has been delivered to each purchaser.

It appears that the Developer has failed to provide the required CID Statement to purchasers of many if not most existing homes in the HRCID. Moreover, it appears that the HRCID has failed to enforce that requirement, even though it knew or should have known of the Developer's failure.

In addition, the Developer has failed to provide timely notice even to purchasers of newly constructed homes. Presenting the notice as a closing document after a purchaser is already contractually obligated to purchase their home, has invested thousands of dollars in non-refundable earnest money deposits (and in some cases down payments which can amount to 10% of the purchase price of the house), and is emotionally invested in the purchase, is not at all sufficient to permit understanding and due consideration of the contents of the notice.

Finally, the CID Act requires that the CID Statement "shall fully and fairly disclose the property owner's general obligation bond and special assessment repayment liability." Idaho Statutes Sec. 50-3115(2). As we have explained above, the CID Statement fails to do so.

We are unsure at this point what the legal consequences are or may be of such failures by the Developer and the HRCID. That is for lawyers to determine. But those failures may constitute a basis for purchasers of existing and even newly constructed homes to assert (a) that they are not subject to the HRCID special taxes and assessments, and/or (b) that they have suffered damages, attributable to the Developer and/or the HRCID, in at least the amount of such special taxes and assessments.

## **Conclusion**

In conclusion, we believe it is important that you understand that (i) prospective purchasers of both new and existing homes in the Harris Ranch development have *not* been provided adequate and timely notice, as required by the CID Act and the Development Agreement, regarding the nature of the HRCID, the improvements being financed, the bonds that were "voted" on, or the special taxes and assessments that have been imposed, and (ii) that is a result of the failure of the Developer and the HRCID to do so, or to insure that it was done. We hope that this letter clarifies those facts.

Sincerely,

pp Bill Doyle

Executive Committee  
Harris Ranch CID Taxpayers' Association

Cc: The Honorable Lauren McLean, Mayor, City of Boise  
Council Member Liza Sanchez, Council Pro Tem  
Council Member Patrick Bageant  
Council Member Jimmy Hallyburton  
David Hasegawa, City of Boise  
Jaymie Sullivan, City of Boise  
Rob Lockward, City of Boise  
Amanda Brown, City of Boise