September 1, 2022

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

Re: Objection to Additional Reimbursements Requested by the Developer

Members of the Board:

The purpose of this letter is to express our objection to two more payments recently requested by the Harris Ranch developer (“Developer”), totaling more than $3.1 million. The first is a requested payment of $1.66 million for the Dallas Harris South Subdivision No. 1 Road and Utility Improvements (“Dallas Harris South Project”). The second is a requested payment of $1.46 million for the Haystack Subdivision No. 1 Road and Utility Improvements (“Haystack Project”).

Introduction

The Developer is requesting payment for the costs of constructing the following facilities in two relatively small areas in the middle of the Harris Ranch development:

(1) **Dallas Harris South Project**: three local access roads, related drainage facilities, and local sewer service lines south of Parkcenter Blvd. and north of Warm Springs Avenue, and

(2) **Haystack Project**: five additional local access roads, related drainage facilities, and local sewer service lines also south of Parkcenter Blvd. and north of Warm Springs Avenue.

The roads provide access to multifamily residences planned and under construction in the Harris Ranch development, and to other facilities that may later be part of the development on nearby blocks.¹ These facilities were needed first and foremost to provide access to adjacent homes and any businesses in the development, and to provide them sewer service.

¹ All the roads in question are classified as “local streets” by the Ada County Highway District. According to the ACHD Policy Manual, Sec. 7207.1, “The primary function of a local street is to serve adjacent property.”
We object to these proposed payments primarily because they are impermissible under the Community Infrastructure District Act, Idaho Statutes, Secs. 50-3101 and following (“CID Act”). That is because these facilities do not constitute “system improvements” to regional public infrastructure eligible for financing from proceeds of development impact fees, as required by the CID Act. Rather, the facilities constitute “project improvements” within the Harris Ranch development which do not provide a regional benefit but instead primarily serve only that development, and thus cannot be financed under the CID Act, as we will further explain below.

We also object to the proposed payments because these are facilities which every other real estate developer in the City must pay for out of its own pocket, and not from public moneys and special additional property taxes levied on a relatively small number of homeowners.

We have separately addressed our second objection in our prior letters to you last year. We thus will elaborate here only on our first objection.

Discussion

The HRCID has limited powers.

It is important to emphasize as a preliminary matter that the HRCID has limited powers not only pursuant to the CID Act but also as a matter of law generally. Sec. 50-3105(1) of the CID Act provides in relevant part as follows:

A district formed pursuant to this chapter … is not a governmental entity of general purposes and powers, but is a special limited purposes district, with powers only as permitted under this chapter … [Emphasis added.]

This is consistent with the general common law rule (that is, court-developed rule) pursuant to which local governments generally have limited powers. That common law rule, referred to as “Dillon’s Rule” (from an early treatise on municipal law first published more than a century ago), is that local governments, as creatures of state statutes, have only those powers expressly granted by state law or necessarily implied. This contrasts with private corporations, which have unlimited powers unless otherwise constrained by their articles of incorporation or expressly limited by law. Therefore, in order for the HRCID to do anything, it must first have express statutory authority to do so.

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2 Development impact fees, as you likely know, are one-time charges imposed on new development to pay for additions to and expansions of public infrastructure outside of the development which are needed because of such development. Such facilities, depending on the authorizing legislation, may include highways, roads, and bridges; water supply and distribution facilities; wastewater collection and treatment facilities; police, fire and other public safety facilities; schools; and parks and recreation areas.
**CIDs in Other Jurisdictions Can Be Utilized to Finance Both “System Improvements” to Regional Public Infrastructure and “Project Improvements” within a New Development.**

We note, by way of additional background, that statutes like the CID Act in other jurisdictions provide generally for the financing of two different types of public infrastructure. The first type of facilities (hereinafter, “Project Improvements”) consists of the public infrastructure, typically *within* a new development, that directly and primarily serves new homes and the businesses, if any, in that development. Project Improvements include the construction of local access streets and sidewalks; local water, sewer, and stormwater service lines; landscaping; street signage and lighting; and neighborhood parks.

The second type of facilities (hereinafter, “System Improvements”) consist of additions and expansions to public infrastructure, typically *outside* a new development, that primarily serve the broader region rather than the particular development, and which are needed in order to address the demands placed on those regional facilities by such new development. System Improvements include the construction or expansion of highways, expressways, interchanges, and arterial streets; regional water supply, stormwater management, and sewage treatment and disposal facilities; police, fire and other public safety facilities; and regional parks. See, for example, Arizona Community Facilities District Act, Arizona Revised Statutes, Secs. 48-701 and following.⁵

The definition of “public infrastructure” that can be financed under the Arizona statute is broad and includes facilities that constitute both System Improvements and Project Improvements. Arizona Revised Statutes, Sec. 48-701.13. But that definition limits the costs of System Improvements that can be financed by the taxing district to only the proportionate use of those System Improvements by properties within the district. That limitation, among others, was not included in the CID Act.

**Idaho CID Can Only Finance System Improvements, and Not Project Improvements.**

In our State, by contrast, the CID Act does not permit the financing of Project Improvements that primarily serve a particular development. Rather, the CID Act only permits the financing of System Improvements which primarily serve the broader region.

The Developer has requested payments for the Dallas Harris South Project and the Haystack Project on the supposed grounds that those facilities constitute “community infrastructure” eligible for financing under the CID Act. But they do not. All those facilities constitute Project Improvements within the Harris Ranch development which primarily serve the many residents and any future businesses in that development and not the broader region. Therefore, the Dallas Harris South and Haystack Projects cannot be financed under the CID Act.

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⁵ Idaho’s CID Act appears to be based to a large extent on the Arizona statute, as many of their respective provisions are identical, although some key provisions were changed in the CID Act.
The CID Act. In the two “Completeness Letters” submitted by counsel to the Developer with respect to the Dallas Harris South and Haystack Projects, counsel states in relevant part:

All of the items included in the Payment Requests are eligible for reimbursement under the definition of community infrastructure. Roadways are the first identified category of reimbursement. The wastewater system and storm water improvements are also eligible under Idaho Code Section 67-8203(24) (internally referenced in Section 50-3102(2)), which includes “[w]astewater collection, treatment and disposal facilities” as well as “[s]tormwater collection, retention, detention, treatment and disposal facilities, flood control facilities, and bank and shore protection and enhancement improvements.” [Emphasis added.]

But the foregoing is not an accurate description of what the CID Act actually says. The definition of “community infrastructure” in the CID Act instead reads in relevant part as follows:

Community infrastructure includes all public facilities as defined in section 67-8203(24), Idaho Code, and, to the extent not already included within the definition in section 67-8203(24), Idaho Code, the following:

(a) Highways, parkways, expressways, interstates, or other such designations, interchanges, bridges, crossing structures, and related appurtenances;
(b) Public parking facilities, including all areas for vehicular use for travel, ingress, egress and parking;
(c) Trails and areas for pedestrian, equestrian, bicycle or other nonmotor vehicle use for travel, ingress, egress and parking;
(d) Public safety facilities;
(e) Acquiring interests in real property for community infrastructure;
(f) Financing costs related to the construction of items listed in this subsection; and
(g) Impact fees. [Emphasis added.]

Idaho Statutes, Sec. 50-3102(2). Note that neither “roads” nor “streets” are included in that definition. Rather, the first listing instead is “Highways, parkways, expressways, interstates, or other such designations, interchanges, bridges, crossing structures, and related appurtenances.” Those are all facilities for regional vehicular transit which primarily benefit the broader region, rather than facilities for local access within a development which primarily benefit its residents and businesses. This language alone suggests that local access roads within the Harris Ranch development cannot be financed under the CID Act.

Another indication that local access roads as well as related drainage facilities and local sewer service lines within the Harris Ranch development cannot be financed under the CID Act is the cross-reference in its definition of “community infrastructure” to the Development Impact Fee Act, Idaho Statutes, Secs. 67-8201 and following (“Development Fee Act”). As noted above, the

4 We have included the two Completeness Letters and their attachments with this objection letter for your reference. They include maps and extensive detail regarding the two projects.
CID Act first defines “community infrastructure” to include “all public facilities as defined in section 67-8203(24), Idaho Code”. That section of the Development Fee Act reads as follows:

"Public facilities" means:
(a) Water supply production, treatment, storage and distribution facilities;
(b) Wastewater collection, treatment and disposal facilities;
(c) Roads, streets and bridges, including rights-of-way, traffic signals, landscaping and any local components of state or federal highways;
(d) Stormwater collection, retention, detention, treatment and disposal facilities, flood control facilities, and bank and shore protection and enhancement improvements;
(e) Parks, open space and recreation areas, and related capital improvements; and
(f) Public safety facilities, including law enforcement, fire stations and apparatus, emergency medical and rescue, and street lighting facilities.

The lists of “community infrastructure” that can be financed by a CID in Sec. 50-3102(2) of the CID Act and Sec. 67-8203(24) of the Development Fee Act, incorporated by reference, thus consist primarily of public facilities that by their nature serve the broader region and not just a particular development. Those include such things as highways, parkways, expressways, and interstates; trails; public safety facilities, including police, fire, and emergency medical facilities; water supply production, treatment and storage facilities; wastewater treatment and disposal facilities; stormwater retention, treatment and disposal facilities; and flood control facilities.

The list in the Development Fee Act does include facilities which could serve not only the broader region but also an individual development. Thus, for example, “roads” and “streets” are mentioned in Sec. 67-8203(24), as are “stormwater collection” and “wastewater collection” facilities. But the introductory provisions of the CID Act as well as related provisions of the Development Fee Act, and the legislative history of the CID Act to which they lead, reveal the more limited meaning of those terms.

The first section of the CID Act provides in relevant part as follows:

(1) The purpose of this chapter is:
(a) To encourage the funding and construction of regional community infrastructure in advance of actual developmental growth that creates the need for such additional infrastructure;
(b) To provide a means for the advance payment of development impact fees established in chapter 82, title 67, Idaho Code, and the community infrastructure that may be financed thereby; and
(c) To create additional financial tools and financing mechanisms that allow new growth to more expediently pay for itself. [Emphasis added.]^5

Idaho Statutes, Sec. 50-3101. The stated purpose of the CID Act, therefore, is to provide “additional financial tools and financing mechanisms” for “the funding and construction of regional community infrastructure” “that may be financed” by “development impact fees”, as well as the advance payment of development impact fees themselves. The question therefore is what can be financed from development impact fees.

The Development Fee Act. Under the Development Fee Act, only System Improvements which primarily serve the broader region can be financed with development impact fees, and not Project Improvements which primarily serve a particular development. In fact, the Development Fee Act expressly prohibits the financing of public facilities which primarily serve a particular development, as further explained below. Those, of course, would include the local access roads, related drainage facilities, and local sewer service lines, among other things, in the Harris Ranch development.

The Development Fee Act distinguishes between “project improvements” and “system improvements”. Those terms are defined in the Act, respectively, as follows:

(22) “Project improvements” means site improvements and facilities that are planned and designed to provide service for a particular development project and that are necessary for the use and convenience of the occupants or users of the project. [Emphasis added.] [Sec. 67-8202(22)]

* * *

(28) “System improvements,” in contrast to project improvements, means capital improvements to public facilities designed to provide service to a service area … [Emphasis added.] [Sec. 67-8202(28)]^6

The Development Fee Act provides clearly and repeatedly that development impact fees can only be used to pay for “system improvements” and not for “project improvements”. For example, Sec. 67-8210(2) states: “Development impact fees shall not be used for any purpose other than system improvement costs to create additional improvements to serve new growth.” (Emphasis

^5 We note that subsection (c) is not a separate and additional category of improvements that can be financed, as the three subsections are listed in the conjunctive as the single “purpose of this chapter”, rather than three separate “purposes”.

^6 The term “service area” is separately defined to mean a geographic area identified by a local government authorized to impose impact fees, based on sound planning and/or engineering principles, which is served by the local government’s public facilities. Sec. 67-8203(26). The Ada County Highway District defines all of Ada County as a single service area for purposes of its impact fees for roads, streets, and bridges. Ord. No. 231A, Sec. 77317.1. The City of Boise defines the entire city as a single service area for purposes of its impact fees for regional parks, fire and policies facilities, and all of Southeast Boise and Barber Valley for purposes of its local parks impact fees. City of Boise Code, Secs. 9-2-6 to 9-2-9. The City does not have an impact fee for wastewater facilities but does impose connection fees which are uniform across the City. City of Boise Code Sec. 10-2-6.
added.) Sec. 67-8203(9) provides in relevant part: “‘Development impact fee’ means a payment of money imposed as a condition of development approval to pay for a proportionate share of the cost of system improvements needed to serve development.” (Emphasis added.) Sec. 67-8204(5) provides in relevant part: “The decision by the governmental agency on an application for an individual assessment … shall specify the system improvement(s) for which the impact fee is intended to be used.” (Emphasis added.) Sec. 67-8204(11) provides in relevant part: “A development impact fee ordinance shall provide that development impact fees shall only be spent for the category of system improvements for which the fees were collected …” (Emphasis added.) And Sec. 67-8209(1) states: “In the calculation of development impact fees for a particular project, … [c]redit or reimbursement shall not be given for project improvements.” (Emphasis added.)

As the Development Fee Act only permits the use of development impact fees to pay the costs of “system improvements” and not “project improvements”, and the CID Act only permits the funding of regional infrastructure eligible for funding from development impact fees, a CID can only be used to finance “system improvements” and not “project improvements”. The Dallas Harris South and Haystack Projects consist of local access streets, related drainage facilities, and local sewer service lines. These facilities are all located in the middle of the Harris Ranch Development and are not designed to provide a regional benefit. Rather, those facilities constitute “project improvements” as defined in the Development Fee Act in that they constitute “site improvements and facilities that are planned and designed to provide service for a particular development project and that are necessary for the use and convenience of the occupants or users of the project”.

We note that, as we have explained in prior objection letters, the CID Act also expressly prohibits the financing of any public infrastructure “fronting individual single family residential lots.” Idaho Statutes, Sec. 50-3102(2). That prohibition, in the definition of “community infrastructure”, further emphasizes the Legislature’s intention to permit the financing under the CID Act only of System Improvements and not Project Improvements.7

**The Legislative History of the CID Act.** If there is any doubt remaining that the CID Act does not permit the financing of facilities such as the Dallas Harris South and Haystack Projects, it is eliminated by the legislative history of the CID Act.8 The legislative history of the CID Act repeatedly states that the legislation is intended to provide a source of funding only for “regional community infrastructure” that “is impact fee-eligible”. By our count, the otherwise limited legislative history of the CID Act says so more than 15 times.

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7 We also note that the definition of “community infrastructure” in the CID Act requires that the improvements “have a substantial nexus to the district and directly or indirectly benefit the district”. That is a limitation taken from case law in other jurisdictions regarding development impact fees and would only be relevant if the improvements are System Improvements rather than Project Improvements.

8 Under Idaho law, legislative history can be used to interpret the meaning of a statute in order to resolve any ambiguity that may exist within the statutory language.
The two identical legislative “Statement[s] of Purpose”\(^9\) for the two nearly identical versions of the bill, RS 18009 (H.B. 578) and RS 18135C2 (H.B. 680) (the latter of which was adopted as introduced without amendment),\(^1\) each state in relevant part:

This legislation creates a financial tool to allow new growth to more expeditiously pay for itself through the creation of Community Infrastructure Districts (CIDs). A CID allows the formation of a taxing district comprised by the boundaries of a new development. Taxes and assessments applied only to lands within the new development will secure bonds. **Those bonds can be utilized to fund regional community infrastructure**, inside and outside the district. [Emphasis added.]\(^1\)

The Statements of Purpose go on to emphasize that:

**Only infrastructure that is impact fee-eligible … may be funded with bond proceeds generated by a CID.** [Emphasis added.]\(^2\)

and

Only infrastructure that is publicly-owned by the state, county or city, and **only impact fee-eligible projects may be constructed with the proceeds of a CID.** [Emphasis added.]\(^3\)

The Legislature thus was clear and unambiguous in stating the purpose of the legislation. And they did so twice. Similar language recurs throughout the legislative history for the two bills, which totals just 36 pages.\(^4\) Those include the following:

**Mr. Pisca**\(^5\) stated … **The CID would be tied to impact fee-eligible projects only, such as highways, roads, bridges, sewer and water treatment facilities, and police, fire and other public safety facilities.**\(^6\)

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9 We have attached what we believe to be the complete legislative history of the CID Act from the Idaho Legislative Research Library for your reference.

10 The absence of any amendments to the relevant language in the bills makes the legislative history even more definitive.


14 Excluding the text of the bills.

15 Jeremy Pisca, identified in the legislative history as a lobbyist for the Idaho Association of Realtors, the Idaho Building Contractors Association, and the M3 Eagle development, appeared at all the hearings in both the House and Senate which are included in the legislative history. He appears to have been the principal draftsman of the legislation. He is quoted extensively in the legislative history, and outlines of his presentations are included in the legislative history. The legislative history includes the following: “Jeremy Pisca … presented this legislation to the Committee”. Minutes, Senate Local Government and Taxation Committee, March 28, 2008, p. 2. In his testimony, he “proceeded to go through the bill by page and line numbers to describe exactly what the bill would accomplish.” Minutes, Senate Local Government and Taxation Committee, March 28, 2008, p. 3.

16 Minutes, House Revenue and Taxation Committee, February 27, 2008, p. 2.
Mr. Pisca stated only public infrastructure providing a regional or community-wide benefit may be funded through a CID.\textsuperscript{17}

A Member of the Committee asked a [sic] for clarification on what is excluded from community infrastructure. Mr. Pisca answered it would be side streets, curbs, gutters, and sewer connections to individual houses. Mr. Pisca further stated that the intention of the CID is to provide funds for infrastructure that benefits the whole community.\textsuperscript{18}

Mr. Pisca stated that the intent of this legislation was to find ways to finance impact [fee]-eligible infrastructure ahead of development.\textsuperscript{19}

A CID can only be used to fund “regional community infrastructure” meaning infrastructure that is impact fee eligible.\textsuperscript{20}

Only public infrastructure providing a regional or community-wide benefit may be funded through a Community Infrastructure District.\textsuperscript{21}

Community infrastructure excludes public improvements that only provide a local benefit, such as local roads or sewer connections serving individual residences.\textsuperscript{22}

A Community Infrastructure District (CID) will provide a mechanism that will alleviate these problems by creating a special taxing district that pays for “regional community infrastructure.”\textsuperscript{23}

Infrastructure that can be funded using a Community Infrastructure District include both on-site and off-site infrastructure such as:

- Highways and interchanges
- Public safety facilities

\textsuperscript{17} Minutes, House Revenue and Taxation Committee, March 6, 2008, p. 1.
\textsuperscript{18} Minutes, House Revenue and Taxation Committee, March 6, 2008, p. 2.
\textsuperscript{19} Minutes, House Revenue and Taxation Committee, March 10, 2008, p. 1.
\textsuperscript{20} Minutes, Senate Local Government and Taxation Committee, March 28, 2008, p. 3.
\textsuperscript{23} Minutes, Senate Local Government and Taxation Committee, March 28, 2008, pp. 2-3.
• Impact fees; and
• Regional infrastructure specified in sections of the Idaho Code pertaining to development impact fees.24

Mr. Eaton25 gave two real-world examples speaking about a development that required a bridge in order to access the development or a city that required a freeway interchange before the development could be built. Both the bridge and the interchange were too expensive for the developer to build. This legislation would provide a financial tool to pay for the bridge or the interchange.26

What types of public infrastructure can a CID acquire and/or construct? House Bill 680 limits the types of infrastructure that can be financed through a CID to infrastructure that is: 1) regional community infrastructure benefiting an entire region ... The types of regional community infrastructure include highways, roads, bridges, interchanges, water and wastewater treatment, parks and public safety facilities such as police and fire stations. ... Again, the focus of H. 680 is on the construction of infrastructure that benefits the entire region.27

(Bold emphasis added; italics and underlining in original.)

The legislative history of the CID Act therefore repeatedly confirms that the CID Act can only be used to finance System Improvements to regional infrastructure eligible for financing under the Development Fee Act, and not Project Improvements which primarily serve a particular development.

We note that a prominent Boise real estate development lawyer was present and testified on behalf of Harris Ranch in support of the proposed CID Act at a number of the legislative hearings in 2008. So, if their counsel reported back regarding those hearings, it appears that the Developer has been aware of these limitations from the outset.

Conclusion

The proposed payments to the Developer for local access roads, related drainage facilities and local sewer service lines in the Harris Ranch development are impermissible under the CID Act because those facilities do not constitute System Improvements eligible for financing from development impact fees, but rather Project Improvements which primarily serve only the Harris Ranch development.

25 John Eaton signed in as a lobbyist for the Idaho Association of Realtors.
27 Community Infrastructure Districts (CID), House Bill 680, [TALKING POINTS], p. 1.
Please note that this limitation under the CID Act on the financing of public infrastructure which primarily serves a particular development also makes unlawful most of the payments which the HRCID has previously made or proposes to make to the Developer.

Please also note that this letter does not set forth all our objections to requested payments to the Developer for the Dallas Harris South and Haystack Projects, many of which objections we have previously presented to you. We have included with this letter those prior objection letters and the related July 2021 memorandum for your reference (listed in Appendix A hereto), as well as the HRCID’s documents we have received on which those letters and memorandum were based (which we will provide separately). The objections in those letters and memorandum, to the extent applicable to these two projects, are incorporated herein by this reference, and are summarized in Appendix B hereto.

We are extremely disappointed that it has been left to a volunteer group of homeowners to convey to you the requirements and limitations under the CID Act, and that you have approved many millions of dollars in payments to the Developer which are unlawful for the above and other reasons. We hope that this limitation in the CID Act has not previously been brought to your attention. Now that it has been, we ask that you comply with it.

Finally, we therefore request that the Board, after due consideration of this objection letter and the enclosures, reject the two requested payments to the Developer, as well as any other requested payments for Project Improvements rather than System Improvements. If the Board elects to nonetheless approve any such payments, we will be compelled again to pursue our statutory right to appeal.

Sincerely,

[Signature]

Executive Committee,
Harris Ranch CID Taxpayers’ Association

Enclosures:
Completeness Letter dated March 23, 2022, re Haystack Sub. No 1
Completeness Letter dated June 7, 2022, re Dallas Harris South Sub. No 1
Legislative History of the CID Act
Appendix A – Prior Objection Letters and Memorandum re Legality of the HRCID
Appendix B – List of Additional Objections to the HRCID
Cc: The Honorable Lauren McLean, Mayor
   Council Member Jimmy Hallyburton
   Council Member Liza Sanchez
   Council Member Lucy Willits
   David Hasegawa, City of Boise
   Jaymie Sullivan, City of Boise
   Ron Lockwood, City of Boise
   Amanda Brown, City of Boise
   John McDevitt, Skinner Fawcett, LLP (w/o enclosures)
   Melodie A. McQuade, Givens Pursley LLP (w/o enclosures)
   T. Hethe Clark, Clark Wardle LLP (w/o enclosures)
APPENDIX A

Prior Objection Letters and Memorandum re Legality of the HRCID

1. July 2021 Memorandum
2. July 14, 2021 Letter (Proposed 2022 HRCID Budget)
3. August 7, 2021 Letter (Objection to Additional Developer Reimbursements)
4. August 14, 2021 Letter (Objection regarding Conservation Easement)
5. August 20, 2021 Letter (Objection to Developer Reimbursements)
6. August 27, 2021 (Myth of HRCID “Local Amenities”)
7. August 30, 2021 Letter (First Set of Objections to Interest Payments)
8. September 7, 2021 Letter (Myth of Notice to Homeowners)
10. September 13, 2021 Letter (HRCID Unlawful from Beginning)
11. September 27, 2021 Letter (Response to Developer)
12. September 27, 2021 Letter (Failed Bond Election)
13. September 29, 2021 Letter (Facilities Not Publicly Owned)
APPENDIX B

List of Additional Objections to the HRCID

1. Bonds issued to make the payments would violate Art. VIII, Sec. 3 of the State Constitution.

2. Property taxes imposed to pay the bonds would violate Art. VII, Sec. 5 of the State Constitution.

3. The payments would violate Art. VIII, Sec. 2 and Art. XII, Sec. 6 of the Idaho Constitution.

4. The imposition of the taxes and the issuance of the bonds would violate the Due Process and Equal Protection Clauses of the State and Federal Constitutions.

5. Homeowners in the HRCID were not provided the statutorily required notice of the HRCID prior to purchasing their homes.

6. The HRCID was formed in violation of the CID Act.

7. The HRCID election approving the bonds was fatally flawed.

\[28 \text{ This list does not purport to be exhaustive.}\]