

W. David Eberle Consulting

3648 North Willowbar Way

Garden City, Idaho 83714

April 30, 2020

Avimor Development has retained Eberle Consulting to conduct an analysis of the Avimor's revenue impact to Boise County during the build out of its project. This report explains the methodology used and the estimates derived.

Executive Summary

The revenue projections are calculated in present day dollars and future value dollars. If one is to calculate future expenses against these revenue projections it is important to put both revenues and expenses in future value terms. Inflation rates will be different resulting in different conclusions than if one simply uses present values.

Avimor provided the number of units they project to build and the annual construction rate they intend to build out the Boise County portion of the project. There is a total of 1,726 single family, multifamily and mixed-use units that are projected to be built out over the next 20 years and 34 commercial units over the next 36 years. In present value dollars after homeowner exemption, the residential structures will provide an additional tax base of \$660,100,000 and commercial structures will provide an additional tax base of \$17,000,000 for a total additional tax base in 2049 of \$677,028,000.

The future value of tax revenues is complex as one must make assumptions concerning the total Boise County tax base growth and Boise County's policy decisions on budget increases. Both assumptions will impact the tax revenue collected from the Avimor project's taxable value. Instead of trying to project these two variables, the methodology used was to bring in new construction to the tax base at its future value but not increase the tax base due to increases in property value. This in essence assumes other than additions of new construction to Boise County's tax base, the interplay between mill levy and tax base is held constant. Under this methodology, the residential taxable value would be \$893,113,000 and commercial taxable value would be \$26,422,000 for a total tax base of \$919,535,000. This illustration shows how a modest inflation factor of two percent annually can impact the tax base by \$242,507,000.

The Avimor project will generate significant property tax revenue accruing to Boise County. In total, it is reasonable to expect that by 2049 Boise County will be receiving approximately \$4.1 million in annual property tax revenues from the Avimor project. Of this increased tax revenue \$118,000 annually will be from commercial. Over the next 30 years Boise County can expect to receive approximately \$71M in taxes from Avimor based on these projections.

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Projected Buildout Schedule

Table One provides the mix of housing types that Avimor proposes to build. Additionally, the developer proposes 169,282 square feet of commercial space that for valuation purposes assumes that each vendor will lease 5,000 square feet. Clearly, the configuration of vendor space will vary from this assumption. However, it provides a foundation for estimating property taxes.

Table One Projected Units	
	Planned Dwelling Units
Single Family Residence	1375
Multifamily Residence	255
Mixed Use/Live Work	96
Commercial	34
TOTAL	1760

The developer anticipates starting construction in 2021 with 20 residential units in the first year and completing all residential and mixed-use units within twenty years. It should be noted that depending on market demand the mix of single family and multifamily that are constructed in any one year may vary from the model.

Commercial buildout will take longer with an annual average of approximately 5,000 square feet being constructed each year with an acceleration of construction towards the end of the projected completion period, 2049. TABLE A One in the appendix provides the construction schedule used in this projection.

Determination of Market Value

Market value is the product of estimated market price times the number of units constructed. If one takes all the projected units to be built times their current market value¹ one calculates the current dollar value of the project. The current dollar value that Boise County can expect to add to their assessed property will be \$823M.

However, not all the units will be built in one year and one must look at the future value² to provide a better picture of the future assessed value. The calculation is spread over the development period to provide a future value that better reflects the true market value of the project. On a modified³ future value basis the assessed value of Avimor will be closer to \$1.1B. This assumes a two percent inflation rate over the next 30 years. It is expected that in some years it will be greater and some years if there is a recession it may be less.

TABLE A-TWO in the appendix provides an illustration of the value of the annual new construction that will be added to Boise County. This Table shows only the amount of assessed value that is expected to be added to the assessed property value base to Boise County. The proximity to Ada County and its commercial center

¹ Current market value is the value in 2019.

² Future value is an estimate of the value of property in the year that it is actually built.

³ As discussed in the summary the future value is a mix of future value for annual new construction and adjusted present value of the tax base.

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means that the properties will closely align with Ada County values. Currently, the residential homes are projected to have an average selling price of \$500,000. There is a mix of more affordable homes, less than \$300,000 and more expensive homes greater than \$750,000 to reach this average. The project is expected to add over \$50M annually to the assessed property values to Boise County during the height of the residential construction period.

The values shown in TABLE A-TWO have been adjusted by a market inflation rate of two percent annually. This is substantially below the average market increase in Ada County which is averaging greater than five percent annually.⁴ The conservative estimate is used as a smoothing technique for economic downturns over the next 30 years.

Once the annual contribution of new construction to the Boise County assessed value has been determined the total assessed value can be calculated by cumulating the annual contributions over time. However, the assessed value is not the Boise County tax base. From the total assessed value, the homeowner exemption must be subtracted. The homeowner exemption is currently calculated at \$100,000 or 50 percent of the assessed market value which ever is less. TABLE A-TWO illustrates these two adjustments. By 2049 the Avimor project will have produced \$919M in taxable property for Boise County.

Property Tax Revenue

Property taxes are a function of the current County budget, the market value of the tax base, new construction added to the tax role, and the County's mill levy rate. In any one year the County budget cannot exceed the highest of the prior three year's budget by more than three percent with the exception of revenue from new construction. What this means for the Avimor project is that the new construction taxable value times the mill levy rate can be added to the budget without impacting the current mill levy rate for existing residents.

The interplay between the market assessed value of the tax base and the mill levy rate is more complicated. State Statute requires Counties to use market assessed values. This means in absence of any policy decisions, if the market assessed tax base increase is greater than three percent the mill levy rate will need to be adjusted downwards. To compensate for this phenomenon TABLE A THREE has modified the future market value of the tax base by allowing new construction to be brought into the tax base at its future value for the year in which it has been brought in and after that year the assessed value is not increased. This has the effect of making the revenue from new construction static. In other words, once a property is added to the tax base the annual tax revenue is fixed as long as the mill levy rate does not change. TABLE A THREE also removes the homeowner exemption from the assessed value for the property tax base.

⁴ It is premature to make projections about the long term impact of the COVID 19 virus on real estate in the Boise Valley.

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TABLE A FOUR takes the assessed tax base from TABLE A THREE and multiplies it times the 2018 mill levy rate for Boise County, \$0.004463663. Over the next 30 years it is possible that Avimor will contribute \$71M in property taxes. Starting in 2022 there may be approximately an additional \$122,000 in property taxes added to the Boise County Budget without impacting the mill levy rate for existing residents. By 2036 the annual contribution to the general property tax revenue of Boise County from Avimor is estimated to be over \$4M.

As years pass there will be existing homes in Avimor and if the current trend of home appreciation continues it can be expected that the assessed value will push down Boise County's mill levy rate for all residents in Boise County to maintain the three percent budget cap over and above the new construction roll additions.

Conclusion

The Avimor project will generate significant property tax revenue to Boise County. Currently, there is a high demand for housing prices at Avimor's target price range located close to the Ada County employment center. The timely start of the project will increase the probability that the estimated tax revenue projections will be met. In total it is reasonable to expect that by 2028 Boise County will be receiving over one million dollars annually to the County budget. Over the construction period of the project Avimor is projected to provide approximately \$71M in property tax revenue.

Notes

1. Avimor Build Out Schedule for Boise County
2. BOISE COUNTY, IDAHO, Report on Audited Basic Financial Statements and Additional Information For the Year Ended September 30, 2017
3. BOISE COUNTY, IDAHO, Planning and Zoning Fee Schedule, [Resolution #2016-45 P&Z Fee Schedule](#)
4. BOISE COUNTY, IDAHO, Property Tax Mill Levy for FY 2017 and FY 2018
5. IDAHO CODE Title 63 revenue and Taxation Chapter 8 Levy and Apportionment of Taxes

Personal Communication

1. Sarah Martz, Avimor
2. Chris Juszczak, Boise County

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Appendix

TABLE A ONE				
Boise County Phasing of Construction				
Year	Single Family Residential	Multi-Family Residential	Mixed Use	Commercial
2021	20	0		0
2022	45	0	0	0
2023	45	20	0	1
2024	20	45	0	1
2025	20	45	0	1
2026	75	0	20	1
2027	75	0	20	1
2028	50	45	0	1
2029	50	45	0	1
2030	75	0	20	1
2031	75	0	20	1
2032	50	50	0	1
2033	74	5	16	1
2034	100	0	0	1
2035	100	0	0	1
2036	100	0	0	1
2037	100	0	0	1
2038	100	0	0	1
2039	100	0	0	1
2040	101	0	0	1
2041-2049	0	0	0	16
Total	1375	255	96	34

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TABLE A TWO				
Avimor Market Valuation – Annual Assessed Value Added to Boise County Property Roll				
Year	Single Family Residential	Multi-Family Residential	Mixed Use	Commercial
	\$500,000	\$400,000	\$350,000	\$500,000
2020				
2021	\$10,404,000	\$0	\$0	\$0
2022	\$23,877,180	\$0	\$0	\$0
2023	\$24,354,724	\$8,659,457	\$0	\$541,216
2024	\$11,040,808	\$19,873,454	\$0	\$552,040
2025	\$11,261,624	\$20,270,924	\$0	\$563,081
2026	\$43,075,713	\$0	\$8,040,800	\$574,343
2027	\$43,937,227	\$0	\$8,201,616	\$585,830
2028	\$30,474,860	\$21,941,900	\$0	\$609,497
2029	\$31,084,358	\$22,380,738	\$0	\$621,687
2030	\$49,480,454	\$0	\$9,236,351	\$659,739
2031	\$50,470,063	\$0	\$9,421,078	\$672,934
2032	\$34,319,643	\$27,455,714	\$0	\$686,393
2033	\$51,808,933	\$2,800,483	\$7,841,352	\$700,121
2034	\$71,412,312	\$0	\$0	\$714,123
2035	\$72,840,559	\$0	\$0	\$728,406
2036	\$74,297,370	\$0	\$0	\$742,974
2037	\$75,783,317	\$0	\$0	\$757,833
2038	\$77,298,984	\$0	\$0	\$772,990
2039	\$78,844,963	\$0	\$0	\$788,450
2040	\$81,226,081	\$0	\$0	\$804,219
2041	\$0	\$0	\$0	\$820,303
2042	\$0	\$0	\$0	\$836,709
2043	\$0	\$0	\$0	\$1,706,886
2044	\$0	\$0	\$0	\$1,741,024
2045	\$0	\$0	\$0	\$1,775,845
2046	\$0	\$0	\$0	\$1,811,362
2047	\$0	\$0	\$0	\$1,847,589
2048	\$0	\$0	\$0	\$1,884,541
2049	\$0	\$0	\$0	\$1,922,231
Total Future Value	\$947,293,171	\$123,382,669	\$42,741,197	\$26,422,365

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TABLE A THREE				
Avimor Development Addition to Boise County Tax Base				
Assessed Value Less the Homeowner Exemption				
Year	Single Family Residential	Multi-Family Residential	Mixed Use	Commercial
2020	\$0	\$0	\$0	\$0
2021	\$8,323,200	\$0	\$0	\$0
2022	\$27,424,944	\$0	\$0	\$0
2023	\$46,908,723	\$6,494,593	\$0	\$541,216
2024	\$55,741,369	\$21,399,684	\$0	\$1,093,256
2025	\$64,750,669	\$36,602,876	\$0	\$1,656,338
2026	\$99,211,239	\$36,602,876	\$8,040,800	\$2,230,681
2027	\$134,361,020	\$36,602,876	\$16,242,415	\$2,816,510
2028	\$158,740,909	\$53,059,301	\$16,242,415	\$3,426,007
2029	\$183,608,395	\$69,844,854	\$16,242,415	\$4,047,695
2030	\$223,192,758	\$69,844,854	\$25,478,767	\$4,707,434
2031	\$263,568,808	\$69,844,854	\$34,899,845	\$5,380,368
2032	\$291,024,522	\$90,436,640	\$34,899,845	\$6,066,761
2033	\$332,471,668	\$92,537,002	\$42,741,197	\$6,766,882
2034	\$389,601,518	\$92,537,002	\$42,741,197	\$7,481,005
2035	\$447,873,965	\$92,537,002	\$42,741,197	\$8,209,410
2036	\$507,311,860	\$92,537,002	\$42,741,197	\$8,952,384
2037	\$567,938,514	\$92,537,002	\$42,741,197	\$9,710,217
2038	\$629,777,701	\$92,537,002	\$42,741,197	\$10,483,207
2039	\$692,853,672	\$92,537,002	\$42,741,197	\$11,271,657
2040	\$757,834,537	\$92,537,002	\$42,741,197	\$12,075,875
2041	\$757,834,537	\$92,537,002	\$42,741,197	\$12,896,178
2042	\$757,834,537	\$92,537,002	\$42,741,197	\$13,732,887
2043	\$757,834,537	\$92,537,002	\$42,741,197	\$15,439,774
2044	\$757,834,537	\$92,537,002	\$42,741,197	\$17,180,798
2045	\$757,834,537	\$92,537,002	\$42,741,197	\$18,956,643
2046	\$757,834,537	\$92,537,002	\$42,741,197	\$20,768,004
2047	\$757,834,537	\$92,537,002	\$42,741,197	\$22,615,593
2048	\$757,834,537	\$92,537,002	\$42,741,197	\$24,500,134
2049	\$757,834,537	\$92,537,002	\$42,741,197	\$26,422,365
TOTAL FV	\$757,834,537	\$92,537,002	\$42,741,197	\$26,422,365

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TABLE A FOUR					
Avimor Tax Revenue Contribution to Boise County					
Year	Total Property Tax	Single Family Residential	Multi-Family Residential	Mixed Use	Commercial
	0.004463663				
2020	\$0	\$0	0	0	0
2021	\$37,152	\$37,152	\$0	\$0	\$0
2022	\$122,416	\$122,416	\$0	\$0	\$0
2023	\$240,790	\$209,385	\$28,990	\$0	\$2,416
2024	\$349,212	\$248,811	\$95,521	\$0	\$4,880
2025	\$459,801	\$289,025	\$163,383	\$0	\$7,393
2026	\$652,077	\$442,846	\$163,383	\$35,891	\$9,957
2027	\$848,198	\$599,742	\$163,383	\$72,501	\$12,572
2028	\$1,033,198	\$708,566	\$236,839	\$72,501	\$15,293
2029	\$1,221,898	\$819,566	\$311,764	\$72,501	\$18,068
2030	\$1,442,762	\$996,257	\$311,764	\$113,729	\$21,012
2031	\$1,668,044	\$1,176,482	\$311,764	\$155,781	\$24,016
2032	\$1,885,575	\$1,299,035	\$403,679	\$155,781	\$27,080
2033	\$2,118,083	\$1,484,041	\$413,054	\$190,782	\$30,205
2034	\$2,376,279	\$1,739,050	\$413,054	\$190,782	\$33,393
2035	\$2,639,639	\$1,999,158	\$413,054	\$190,782	\$36,644
2036	\$2,908,266	\$2,264,469	\$413,054	\$190,782	\$39,960
2037	\$3,182,266	\$2,535,086	\$413,054	\$190,782	\$43,343
2038	\$3,461,745	\$2,811,115	\$413,054	\$190,782	\$46,794
2039	\$3,746,814	\$3,092,665	\$413,054	\$190,782	\$50,313
2040	\$4,040,457	\$3,382,718	\$413,054	\$190,782	\$53,903
2041	\$4,044,118	\$3,382,718	\$413,054	\$190,782	\$57,564
2042	\$4,047,853	\$3,382,718	\$413,054	\$190,782	\$61,299
2043	\$4,055,472	\$3,382,718	\$413,054	\$190,782	\$68,918
2044	\$4,063,244	\$3,382,718	\$413,054	\$190,782	\$76,689
2045	\$4,071,170	\$3,382,718	\$413,054	\$190,782	\$84,616
2046	\$4,079,256	\$3,382,718	\$413,054	\$190,782	\$92,701
2047	\$4,087,503	\$3,382,718	\$413,054	\$190,782	\$100,948
2048	\$4,095,915	\$3,382,718	\$413,054	\$190,782	\$109,360
2049	\$4,104,495	\$3,382,718	\$413,054	\$190,782	\$117,941
TOTAL FV	\$71,083,697	\$56,702,049	\$9,212,386	\$3,921,983	\$1,247,278