



CAPITAL CITY DEVELOPMENT CORPORATION

# Gateway East Urban Renewal District Feasibility Study

**FINAL REPORT** | October 22, 2018



**CAPITAL CITY DEVELOPMENT CORPORATION**  
**GATEWAY EAST URBAN RENEWAL DISTRICT**  
**FEASIBILITY STUDY**

October 22, 2018

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# 1. Executive Summary

## Urban Renewal and Economic Development Law Requirements

Idaho Code 50-2905 provides that the urban renewal agency shall prepare and adopt a plan for each revenue allocation area. The agency shall submit the plan and recommendation for approval thereof to the local governing body. Among the plan requirements listed in Idaho Code 50-2905, the plan shall include an economic feasibility study. Idaho Code 50-2905 also articulates the economic feasibility study must be held to a standard of specificity. The following Gateway East Urban Renewal District Feasibility Study ("Feasibility Study") sets forth findings for the proposed plan.

SB Friedman Development Advisors ("SB Friedman") was retained by the Urban Renewal Agency of the city of Boise City, Idaho, also known as Capital City Development Corporation ("CCDC" or "Agency"), to prepare an economic feasibility study pursuant to the Local Economic Development Act, Chapter 29, Title 50, Idaho Code (the "Act") for the Urban Renewal Plan ("Plan") for the Gateway East District Urban Renewal Project Area ("District").

Economic feasibility is an analysis of a scenario of revenues that could be generated by the urban renewal district based upon a market assessment, and the future costs required for the implementation of a plan that can be supported by those revenues. SB Friedman evaluated projected revenues against costs associated with the District planned improvements ("District Project Costs") to ensure economic feasibility of the Plan.

## Findings of Feasibility

The incremental taxable values and resulting tax increment revenues over the 20-year term of the District (assessment years 2019-2038) are summarized in **Appendix IV**. Incremental property tax revenues are based on increases in taxable value for existing properties in the District and increases in taxable value resulting from development and/or redevelopment over the 20-year term. Adjustments were made to account for reductions in existing taxable value to accommodate redevelopment. The total incremental property tax revenues for the District projected over the 20-year Plan period amount to approximately \$156.4 million undiscounted.

Project Costs were provided to SB Friedman by CCDC, prioritized in five-year quarters (years 1 – 5, 6 – 10, 11 – 15, and 16 – 20). **Appendix VIII** shows a scenario which demonstrates the ability of the District to fund approximately \$96.5 million in present value District Project Costs over the 20-year term. The scenario includes District Project Costs paid out of incremental property tax cash flow in the first quarter generally in the form of reimbursements paid to developers for eligible District Project Costs, followed by three bond issuances – one in each of the remaining three quarters. District Project Costs are \$96.5 million in present value due to the expected escalation of construction costs over time and the cost of financing each of the bonds (assumed 4% cost of funds). District Project Costs can exceed the present value of revenues due to the interest earnings projected from the cumulative annual surplus over the District term. According to these projections, CCDC would be capable of assuming approximately \$121.3 million in debt in the final three quarters (years 6-20), all of which could be paid off prior to the expiration of the District. The projected revenues and District Project Costs result in a cumulative fund balance of approximately \$886,000 in 2039, or approximately \$404,000 in present value (discounted at 4% to 2019 dollars). Any surplus after termination of the District would be submitted to Ada County for distribution to the taxing districts.

## Other Considerations

Funding sources in addition to incremental property taxes may be available or be feasible for CCDC to use in financing anticipated District Project Costs within the District. Other revenues could include private, federal, state and/or local government funding sources that may become available to assist in the financing of future projects.

## 2. Introduction

The City of Boise (the “City”) identified approximately 3,300 acres in southeast Boise as eligible for designation as an urban renewal district in August 2018. Following review, the District boundary includes approximately 2,640 acres. The area deemed eligible, but not included in the District includes approximately 600 acres north and east of I-84 and south of Federal Way. The District boundary is shown in **Appendix III**.

Implementing an urban renewal district provides the opportunity for the City to utilize revenue allocation funds, also known as tax increment financing (TIF) revenues, as a means of funding geographically targeted public improvements. As permitted by Idaho law, TIF can improve the ability of an urban renewal district to assist in economic development projects, make infrastructure improvements and implement mobility initiatives and place-making projects which benefit the area.

Idaho Code 50-2905 requires CCDC evaluate the economic feasibility of a proposed district and include economic feasibility findings within the Plan which shall be held to a standard of specificity.

This Feasibility Study evaluates the existing status of the District and reviews a development scenario and the resulting impact on the revenue generation capability of the District. In the process of satisfying the requirements, CCDC coordinated with City staff, and three consulting firms that developed key inputs to the Feasibility Study. SB Friedman led the financial analyses while Kimley Horn Associates (“KHA”) and Quadrant Consulting (“Quadrant”) coordinated on the design, physical planning and cost estimating.

The following key documents and models were developed and serve as key inputs into this Feasibility Study and will be referenced throughout the report:

1. **Market Assessment** | Real estate development projections over the 20-year term of the District, based on market research and trend data
2. **Revenue Model** | Projections of District incremental property tax revenues building on the Market Assessment and other key assumptions
3. **Industrial Development Plan** | A physical plan which expands upon the Market Assessment, identifying key areas projected to develop over the life of the District
4. **Project Costs** | Projected costs associated with the desired improvements referenced in the Industrial Development Plan that could be incurred by the URA
5. **Feasibility Model** | A model prepared by SB Friedman which reconciles the Revenue Model and Project Costs, which then identifies specific ‘District Project Costs’ which are projected to be economically feasible

### Gateway East Urban Renewal District Boundary

The proposed District is bounded by Interstate 84 (“I-84”) to the north, South Federal Way to the east, the Boise Airport to the west and undeveloped land to the south. The boundary extends into both the Airport and Southeast Boise Planning Areas. The City, through planning documents such as Blueprint Boise and the Airport Master Plan, has expressed an interest in the area continuing to serve as a major industrial hub for the region. The intent is to expand industrial capacity in the District, allowing for a limited amount of supplemental retail and hotel growth, as well.

There are 269 parcels in the District encompassing the 2,640 acres (inclusive of public right-of-way). Most major land uses are present within the District including existing industrial uses (125 developed parcels, 35 parking parcels, and 77 unimproved parcels likely to be developed as industrial), office (5 parcels), retail (13), public/institutional (5) and residential (2). Right-of-way accounts for 340 acres, or approximately 13% of the proposed District. The parcels within the District that include agricultural operations or forest lands which would require consent of the property owner per Idaho Code 50-2018(8), 50-2018(9) and 50-2903(8) have been addressed and referenced in the Plan.

The proposed District includes 25 publicly-owned parcels that encompass 1,068 acres, or approximately 40% of the District. It is assumed that any private improvements made on land currently in public ownership will be taxable moving forward, regardless of land disposition strategy.

## Existing Valuation of the Urban Renewal District

The District has a total of 269 real property parcels, 178 condo parcels and personal property, which had a cumulative taxable value of \$303,702,000 in 2017. Classification of parcels by Ada County Assessor use category is included in **Figure 1**.

**Figure 1. 2017 Taxable Value by Assessor Use Category**

Zoning Category	Taxable Value (2017)
Public	\$0
Commercial	\$18,845,500
Residential [1]	\$12,138,400
Industrial	\$272,718,100

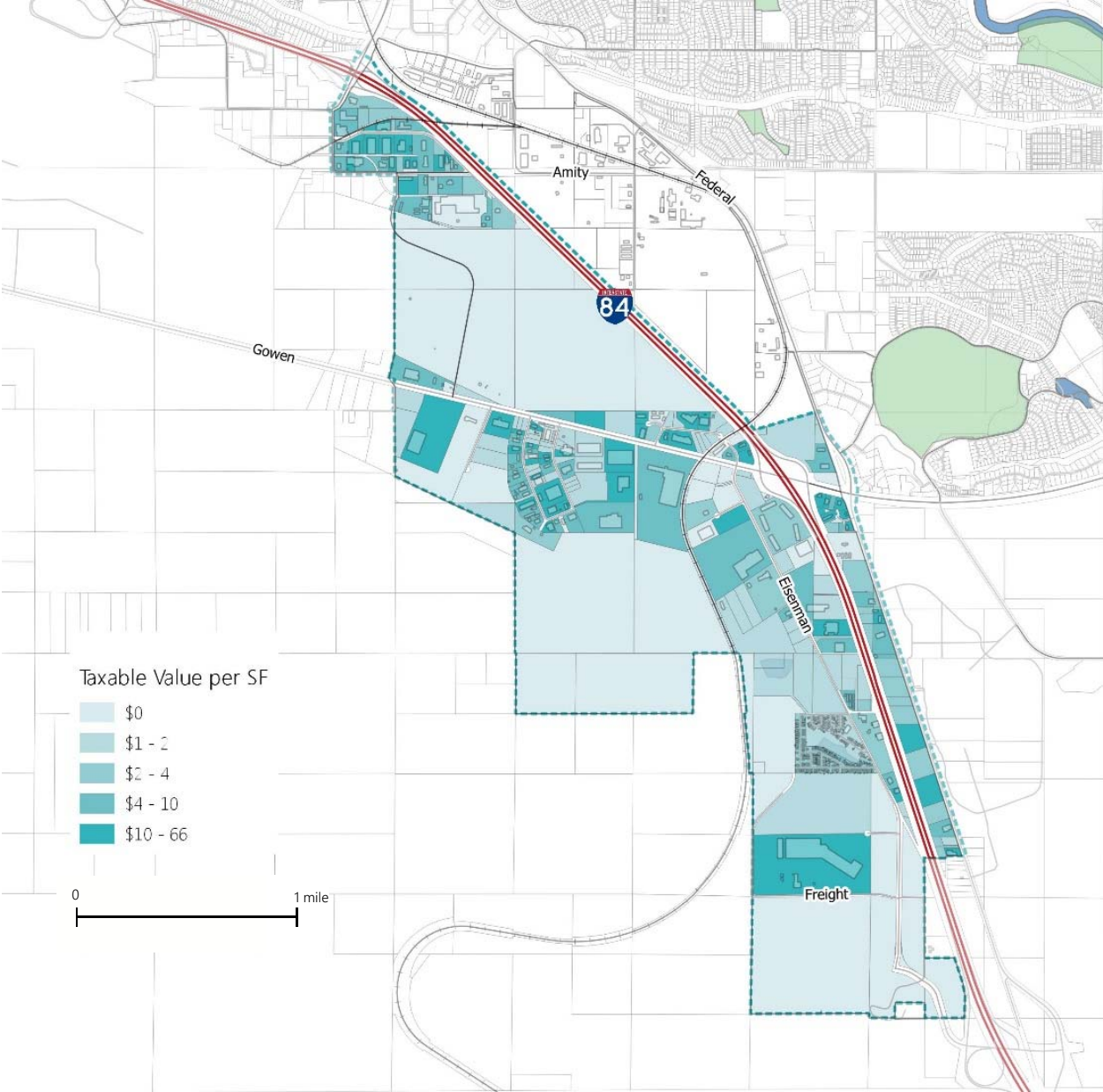
[1] Blue Valley Mobile Home parcels are zoned as M-1, or Limited Industrial

Source: Ada County Assessor, City of Boise, SB Friedman

Existing taxable value was also analyzed spatially to identify lower value nodes within the District. **Figure 2** on the following page displays taxable value per land square foot throughout the District. Properties with a higher existing taxable value per square foot are located along Gowen Road, Federal Way to the south and Boeing and Enterprise Streets to the north. City-owned airport parcels have no existing taxable value, nor do the majority of undeveloped parcels and parcels with gravel pits which are also publicly-owned.



Figure 2. Overall Taxable Value per Square Foot of Land



Source: Ada County Assessor, CCDC, City of Boise, SB Friedman



### 3. Development Program Projections

According to Idaho Code 50-2903(10) increment value “means the total value calculated by summing the difference between the current equalized value of each taxable property in the revenue allocation area and that property’s current base value on the base assessment roll, provided such difference is a positive value.” Base value on the “base assessment roll” means the equalized assessment rolls, for all classes of taxable property, on January 1 of the year in which the City Council passes an ordinance adopting the Plan containing a revenue allocation provision. Assuming City Council action in December of 2018, the effective date will be January 1, 2018 (“Effective Date”). For the purposes of this Feasibility Study, SB Friedman used the final 2017 taxable values of the District reported by Ada County as the base values for each property in the District.

Incremental value is calculated annually by property (interpreted to be parcels) through the termination date, set 20 years from the Effective Date of the Plan (50-2903). During the life of an urban renewal district, incremental value of real property value is generated through two mechanisms:

1. Increases in taxable value resulting from development or redevelopment over the 20-year term; and
2. Increases in taxable value due to appreciation of existing properties in the District.

SB Friedman conducted a Market Assessment to inform projections of new development/redevelopment over the 20-year term. The Market Assessment was the result of review of the data sources and planning materials identified in **Figure 3** below. SB Friedman also conducted stakeholder interviews with prospective developers, private utility companies and key public/quasi-public entities.

**Figure 3. Key Market Assessment Data Sources**

CoStar	Census Data (2016)	Market Studies	Planning Materials	Ada County
Historic vacancy	Residential building permit data	Thornton, Oliver, Keller	COMPASS	Assessors data; new development valuation and value absorption
Absorption	Public use microdata	CBRE	CCDC Plans	
Existing supply	Longitudinal Employer-Household Dynamics	Valbridge Property Advisors	Boise City Plans	

Projections were predominately based upon Longitudinal Employer-Household Dynamics (“LEHD”) employment data and COMPASS-projected employment growth rates over the District term. SB Friedman converted projected employment growth in the industrial corridor to real property square footage in the proposed District using market assumptions founded in historic analysis and development trends. The resulting program included in the ‘new development’ revenue projections is 9.9 million square feet of industrial space, 92,500 square feet of retail space and two hotels (the “Development Program”). The Development Program is comprised of Anticipated Developments and Projected Development. Anticipated Developments include projects under construction as of 2018 and anticipated projects that may occur; Projected Development accounts for the remainder of the demand projected in the Market Assessment. Anticipated developments should only be considered likely to occur, and occur on the schedule projected, in the event the District is established.

Excluding the Anticipated Developments, the Development Program for industrial and retail is projected to phase in evenly over the 20-year term of the District. Two hotels are projected to come online in Years 10 and 19, respectively. The Anticipated Developments are assumed to occur evenly over a 10-year period, beginning in 2019.

SB Friedman analyzed competitive new real estate product to derive a series of taxable value and program assumptions. These inputs helped drive the incremental taxable value estimates and thus tax revenue projections in the Revenue Model. Key assumptions include:

- **Taxable Value** | SB Friedman established taxable value assumptions on a per-square-foot or per-key basis after evaluation of comparable new construction projects in and near the District. Estimated taxable values were inflated 2.5% annually to the year of new construction delivery from 2019.
- **Absorption of Taxable Value** | For Anticipated Developments, SB Friedman assumed 20-60% of the projected taxable value will be absorbed in the year a building delivers. The absorption rate varies by land use and is based on an analysis of comparable buildings recently delivered.
- **Taxable Value Growth Rate** | Existing properties within the District are assumed to appreciate 2.5% annually.
- **Levy Rates** | The property tax levy rate is assumed to be a constant 0.015 through the life of the District. Levy rates have declined by approximately 0.02 over the last six years. SB Friedman held the levy rate constant to be conservative. Applying the levy rate to the incremental taxable value results in incremental property tax revenue generation.
- **Annual Operations** | SB Friedman assumed 12% of incremental property tax revenues will be deducted from gross revenues to fund operations, per CCDC direction. Gross revenues less the projected annual operations costs result in the net incremental revenues available to fund Project Costs.
- **Discount Rate/Cost of Borrowing** | SB Friedman assumed a 4% discount rate should be used per CCDC for all discounting of revenue projections to calculate present value. Incremental value revenues are discounted to 2019 dollars for consistency. Likewise, all bond amortization schedules assume an interest rate on all bonds of 4%.

## 4. Revenue Projection

**Figure 4** summarizes the projected incremental property tax generation capability of the District in the scenario detailed above over the 20-year term of the Plan (assessment years 2019-2038). The figure is the result of the Revenue Model which accounts for both the Development Program value growth and appreciation of existing real estate.

**Figure 4. District Tax Revenue Projection**

Assessment Year	CCDC Fiscal Year	Revenue from the Base Value of the Existing Real Estate	Sources of Revenue		Combined Revenue	
			Revenue from 2.5% Growth per Year of the Existing Real Estate	Revenue from Development Program	Combined Growth & Increment Revenue (Gross)	Combined Growth & Increment Revenue (Net)
[1]	[2]/[3]	[4]	[5]	[6]/[7]	[8]	
2018	2019	\$4,555,530	\$0	\$0	\$0	\$0
2019	2020	\$4,555,530	\$113,888	\$217,228	\$331,116	\$291,382
2020	2021	\$4,555,530	\$230,624	\$990,154	\$1,220,778	\$1,074,285
2021	2022	\$4,555,530	\$350,278	\$1,630,139	\$1,980,417	\$1,742,767
2022	2023	\$4,555,530	\$472,923	\$2,301,504	\$2,774,427	\$2,441,496
2023	2024	\$4,555,530	\$598,634	\$3,005,419	\$3,604,053	\$3,171,567
2024	2025	\$4,555,530	\$727,488	\$3,743,091	\$4,470,579	\$3,934,110
2025	2026	\$4,555,530	\$859,564	\$4,515,769	\$5,375,332	\$4,730,292
2026	2027	\$4,555,530	\$994,941	\$5,324,740	\$6,319,681	\$5,561,319
2027	2028	\$4,555,530	\$1,133,703	\$6,171,338	\$7,305,041	\$6,428,436
2028	2029	\$4,555,530	\$1,275,934	\$7,056,844	\$8,332,777	\$7,332,844
2029	2030	\$4,555,530	\$1,421,720	\$7,982,864	\$9,404,584	\$8,276,034
2030	2031	\$4,555,530	\$1,571,151	\$8,833,016	\$10,404,167	\$9,155,667
2031	2032	\$4,555,530	\$1,724,318	\$9,516,204	\$11,240,523	\$9,891,660
2032	2033	\$4,555,530	\$1,881,315	\$10,228,032	\$12,109,346	\$10,656,225
2033	2034	\$4,555,530	\$2,042,236	\$10,969,503	\$13,011,738	\$11,450,330
2034	2035	\$4,555,530	\$2,207,180	\$11,741,655	\$13,948,835	\$12,274,975
2035	2036	\$4,555,530	\$2,376,248	\$12,545,559	\$14,921,806	\$13,131,189
2036	2037	\$4,555,530	\$2,549,542	\$13,382,319	\$15,931,861	\$14,020,038
2037	2038	\$4,555,530	\$2,727,169	\$14,252,959	\$16,980,128	\$14,942,512
2038	2039	\$4,555,530	\$2,909,236	\$15,132,802	\$18,042,039	\$15,876,994
			<b>Total Undiscounted</b>		<b>\$177,709,000</b>	<b>\$156,384,000</b>
			<b>Present Value (2019\$)</b>		<b>\$108,556,000</b>	<b>\$95,529,000</b>

- [1] Assumes the District is approved in 2018, with the first increment realized in CCDC Fiscal Year 2020.
- [2] Taxes are collected one year in arrears, taxes in calendar year 2020 are modeled to be collected in calendar year 2021.
- [3] The District will receive collections from the 20th and last year of the District in calendar year 2039.
- [4] Revenue from the base value of existing real estate will continue to be disbursed to the overlapping taxing jurisdictions through the life of the District.
- [5] Assumes the 2018 composite rate is constant through the life of the District.
- [6] Revenue from the Development Program includes all inflationary increment on previous year additions.
- [7] The Development Program is assumed to occur on sites susceptible to change.
- [8] Gross District revenue less CCDC Annual Program Operations.

In total, the District is projected to generate approximately \$156.4 million in incremental property tax revenue over the life of the District, undiscounted to fund Project Costs. Discounted at 4%, these revenues are anticipated to be approximately \$95.5 million in 2019 dollars. In the Development Program scenario detailed above, the District produces more incremental revenue each quarter: rising from approximately \$8.7 million in the first quarter (undiscounted) to approximately \$70.2 million in the last quarter. Revenues by quarter are summarized in **Figure 5**.

**Figure 5. Projected District Revenues by Quarter**

	Undiscounted	Discounted
First Quarter	\$8,721,000	\$7,817,000
Second Quarter	\$27,987,000	\$21,047,000
Third Quarter	\$49,430,000	\$30,729,000
Fourth Quarter	\$70,246,000	\$35,936,000

Source: SB Friedman

## 5. District Project Costs

Idaho Code 50-2905 requires a detailed list of estimated project costs the urban renewal district is likely to incur in the revenue allocation area. Idaho Code 50-2905 also requires improvements be provided with specificity, including the kind, number and location of all proposed public works or improvements in addition to the estimated costs of each. In creating the kind, number and location of projects, SB Friedman worked with CCDC, City of Boise staff and KHA to develop an Industrial Development Plan (Appendix VI) for the District.

KHA prepared the Industrial Development Plan using the Development Program provided by SB Friedman as a baseline. Development demand was allocated to sites susceptible to change, established by SB Friedman in conjunction with CCDC and City staff. In the predominately undeveloped District, the sites susceptible to change are almost entirely currently undeveloped sites. In the process of allocating development to sites, KHA ensured the ability to fit demand to land given current industrial building standards and the assumed scale of projected individual developments. **Appendix VI** includes a figure prepared by KHA that identifies development nodes within the District.

The development node concept map was used to drive the creation of planned improvements required to support the Industrial Development Plan. KHA projected planned improvements that account for both the required development to support growth projections within the District and greater infrastructure projects anticipated to better connect southeast Boise. Planned improvements<sup>1</sup> identified in the KHA plan and by stakeholders include (but are not limited to) the following:

- **Road Development/Expansion.** Large portions of the sites susceptible to change require new streets for development to occur. Planned roadways are primarily south of Gowen Road, however smaller streets are anticipated directly north of Gowen Road (Gekeler Lane and Cattle Drive).
- **Utility Expansion.** Development within the District will require the expansion of existing utilities, including sewer, water and telecom networks.
- **Residential Buffer.** CCDC intends to add an open space buffer around the edge of the existing residential portion of the District, to mitigate the effect of likely industrial development.
- **Gateway Programming.** A key goal of the District is to promote cohesive development throughout the area, which includes the development of a 'Gateway' design. The Agency is expecting to spend a portion of the revenues on establishing a gateway concept in addition to arts and cultural programming for the District.

Using the Industrial Development Plan prepared by KHA, CCDC worked with Quadrant to prepare cost estimates for each of the desired improvements. Quadrant prepared a final list of Project Costs for the desired improvements; based upon the kind, number and location of the improvements as defined by KHA. All cost

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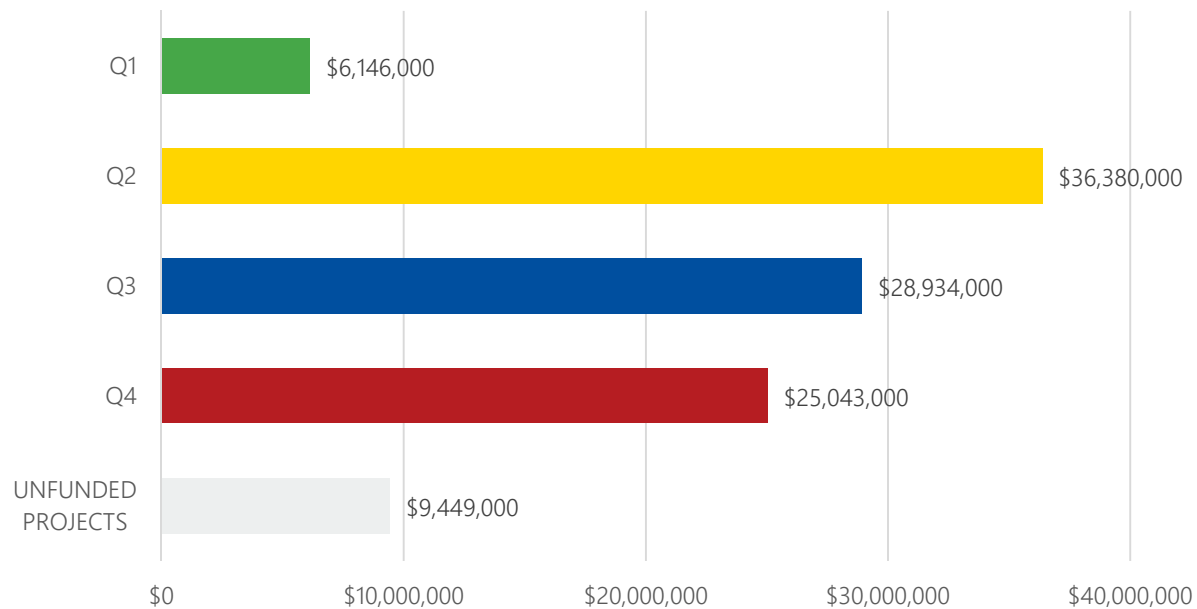
<sup>1</sup> When developed, the planned roadways and utility improvements may vary from those shown on Appendix VII

estimates are provided in 2019 dollars for consistency with the Revenue Model. Certain Project Costs are assumed to be split between multiple funding sources. For example, CCDC anticipates portions of the water main extension costs will be shared between Suez Water and CCDC. Additionally, all City-owned land involved in right-of-way improvements within the District is assumed to be donated at-no-cost to the District, reducing the total Project Costs.

In order to confirm feasibility of District Project Costs, SB Friedman used the revenue projections described in **Section 4** in addition to bond assumptions stated in **Section 6**. The two key inputs are used to construct the Feasibility Model which roughly balances projected incremental property tax revenues and District Project Costs. SB Friedman assumes the District will make cash payments for some District Project Costs and debt service payments for others. The Feasibility Model assumes payments out of the incremental revenue cash flow annually for the first quarter, followed by three bonds (one issued per quarter in each of the final three quarters).

The Industrial Development Plan results in \$96.5 million in desired Project Costs. The goal was to fund as many of the Project Costs as possible with projected incremental property taxes. Not all of the Project costs can be funded with projected incremental property taxes. Those costs that can be funded are defined as District Project Costs. Project Costs that could not be funded out of projected incremental property taxes are defined as 'Unfunded Project Costs.' **Figure 6** includes Project Cost totals assigned to each quarter of the District and those that remain unfunded. Specific District Project Costs included in the total for each quarter are in **Appendix V**.

**Figure 6. Project Costs by Quarter<sup>1</sup>**



[1] Costs identified are in present value (2019 dollars). Escalation of District Project Costs is addressed in **Section 6**.

Source: CCDC, Quadrant, SB Friedman

An exhibit prepared by KHA with both District Project Costs and Unfunded Project Costs (labeled accordingly) symbolized by the expected quarter projects will be implemented is included in **Appendix VII**. SB Friedman

evaluated feasibility of District based on the smaller District Project Cost list, however, if additional incremental property taxes materialize or priorities change, the Agency could elect to fund some or all of the Unfunded Project Costs.



## 6. Bond Assumptions

Bonds may be issued to fund District Project Costs. CCDC provided SB Friedman with a prioritized list of desired improvements (addressed in **Section 5**). These District Project Costs were reconciled with revenue projections to define a financially feasible plan to fund these costs. Typically, bonds can be issued to pay for improvements if the amount of incremental property tax revenue is deemed sufficient to fund the project directly or, if applicable, to service for the required debt. In evaluating bond feasibility, SB Friedman included the following key assumptions in the Feasibility Model:

- **Interest Rate** | The annual interest rate on all three bond issues was assumed to be 4%. The rate is reflective of recent CCDC experience with bonding in mature urban renewal districts and in consultation with CCDC's Municipal Advisor.
- **Issuance Cost** | Costs of issuance such as legal fees, municipal advisor fees and other costs are assumed to equal 1% of the bond principal amount.
- **Interest Earnings** | Cumulative cash flow not required for debt service or District Project Costs is assumed to earn 1% interest annually. Interest earnings account for approximately \$1.3 million in additional revenue in the scenario below, undiscounted, which helps fund additional District Project Costs.
- **Annual Cost Escalation** | District Project Costs are anticipated to escalate at 3% annually. All District Project Costs were inflated to the first year of each quarter, or the assumed bond issuance year.
- **Debt Service Structure** | SB Friedman assumed level principal and interest payments for each of the bonds. Bond terms for each of the three bond issuances are the full remaining period of the District (15, 10, and 5 years, respectively).

**Figure 7** includes a projected bond scenario that results in an economically feasible District (further detailed in the following section).

**Figure 7. Projected Bond Issuances**

Assumed Bonds	Assumed Year	Present Value District Project Costs	Future Value District Project Costs	Issuance Costs	Total Issuance
Proposed - 2nd Quarter	2024	\$36,380,000	\$42,174,391	\$421,744	\$42,596,135
Proposed - 3rd Quarter	2029	\$28,934,000	\$38,884,877	\$388,849	\$39,273,725
Proposed - 4th Quarter	2034	\$25,043,000	\$39,016,178	\$390,162	\$39,406,340

Source: SB Friedman

## 7. Economic Feasibility

In the scenario described, the District will generate sufficient revenue to retire the three bonds totaling approximately \$90.4 million in present value District Project Costs. Additionally, the scenario projects the District can fund approximately \$6.1 million (in present value) of Project Costs out of first quarter cash flow, thus no bond issuance would be necessary until year 2024. **Appendix Figure A2.A** describes the six District Project Costs projected to be incurred in the first quarter. All District Project Costs, including costs paid out of cash, are assumed to escalate to the year in which costs are paid. First quarter District Project Costs are anticipated to primarily be tax increment-funded reimbursements for developer-built improvements, to balance development with necessary infrastructure improvements.

The Feasibility Model results in a cumulative fund balance which would revert to local taxing bodies if realized at the expiration of the District in 2039. The scenario detailed in this Feasibility Study has the following key assumptions:

- Projected new industrial, retail and hospitality development will occur over a 19-year period; Anticipated Development plans will occur within a 10-year period while demand is projected to occur evenly over the life of the District;
- Bonds are issued at the beginning of each of quarters two - four, after a mature cash flow is realized from incremental revenue in the first quarter; and
- Bond interest rates will be 4% and will be saleable in varying term durations.

**Appendix VIII** includes the projected revenue and a potential bond amortization schedule for the District, confirming that sufficient revenues are projected to service the bonds (assuming assumptions are realized). While there are a series of years at the end of the District which have negative *annual* cash flows, the scenario results in a positive *cumulative* cash flow in every year.

SB Friedman concludes that this Feasibility Study confirms there is a plausible scenario, built upon specific market assumptions and trends, which allows for approximately \$96.5 million in public improvement District Project Costs to be funded over the life of the District. This Feasibility Study is designed to serve as an attachment to the Plan, satisfying the requirement in Idaho Code 50-2905 that the plan shall include an economic feasibility study with specificity.

## 8. Alternative Sources of Funds

Funds necessary to pay for redevelopment Project Costs and/or municipal obligations, which may be issued or incurred to pay for such costs, are to be derived principally from District revenues and/or proceeds from municipal obligations, which have as a repayment source tax increment revenue. To secure the issuance of these obligations and the developer's performance of redevelopment agreement obligations, the Agency may require the utilization of guarantees, deposits, reserves, and/or other forms of security made available by private sector developers. The Agency may incur Project Costs that are paid from the funds of the Agency other than incremental taxes, and the Agency then may be reimbursed for such costs from incremental taxes.

The tax increment revenue, which will be used to fund tax increment obligations and eligible Project Costs, shall be the incremental real property tax revenues. Incremental real property tax revenue is attributable to the increase of the current equalized taxable value of each taxable parcel of real property in the District over and above the certified base taxable value of each such property. Without the use of such incremental revenues, the District is not likely to similarly develop.

Other sources of funds, which may be used to pay for development costs and associated obligations issued or incurred, include land disposition proceeds, state and federal grants, investment income, private investor and financial institution funds or developer investment, and other sources of funds and revenues as the Agency from time to time may deem appropriate. In the event alternative sources of funds become available, CCDC may adjust the anticipated funding sources and prioritization of costs outlined above.

# Appendix I: Limitations of Engagement

Our report will be based on estimates, assumptions, and other information developed from research of the market, knowledge of the industry, and meetings during which we will obtain certain information. The sources of information and bases of the estimates and assumptions will be stated in the report. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur. Therefore, actual results achieved during the period covered by our analysis will necessarily vary from those described in our report, and the variations may be material.

The terms of this engagement are such that we have no obligation to revise the report to reflect events or conditions which occur subsequent to the date of the report. These events or conditions include, without limitation, economic growth trends, governmental actions, additional competitive developments, interest rates, and other market factors. However, we will be available to discuss the necessity for revision in view of changes in the economic or market factors affecting the proposed project.

Our study will not ascertain the legal and regulatory requirements applicable to this project, including zoning, other State and local government regulations, permits, and licenses. No effort will be made to determine the possible effect on this project of present or future federal, state or local legislation, including any environmental or ecological matters.

Tax increment projections are anticipated to be prepared under this engagement for the purpose of estimating the approximate level of increment that could be generated by proposed projects and other properties within the proposed District boundary and from inflationary increases in value. These projections are intended to provide an estimate of the final taxable value of the District for inclusion in the final report and to provide a level of assurance that the increment to be generated would be sufficient to cover estimated District Project Costs.

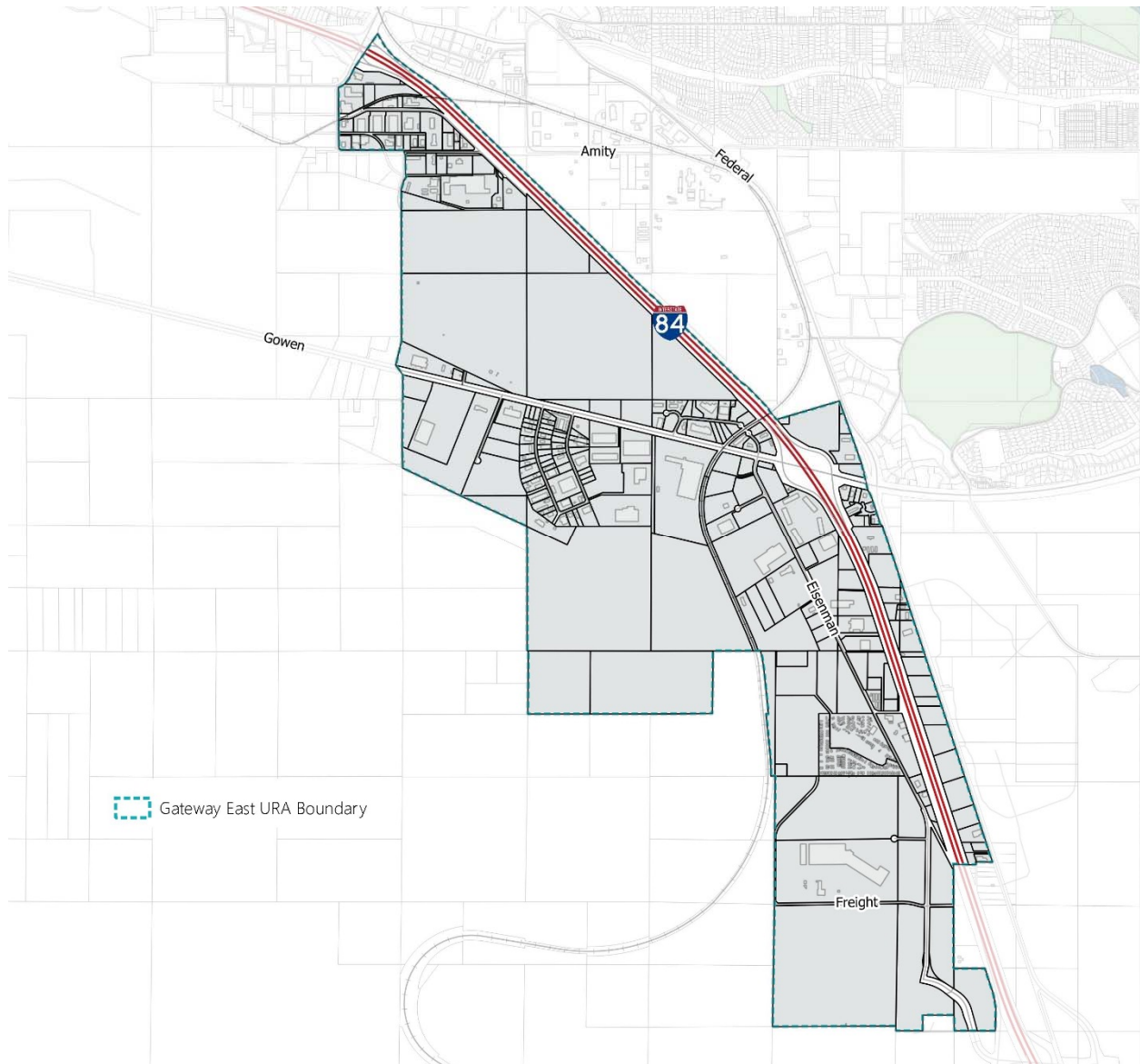
As such, our report and the preliminary projections prepared under this engagement are intended solely for your information, for the purpose of establishing a District, and may be reviewed by private institutional lenders in support of potential debt obligations. These projections should not be relied upon by any other person, firm or corporation, or for any other purposes. Neither the report nor its contents, nor any reference to our Firm, may be included or quoted in any offering circular or registration statement, appraisal, sales brochure, prospectus, loan, or other agreement or document intended for use in obtaining funds from individual investors, without prior written consent.

## Appendix II: Development Program by Quarter

Figure A1. Development Program by Quarter

	Industrial (SF)	Retail (SF)	Hotels
First Quarter	3,050,000	19,000	0
Second Quarter	3,093,000	24,000	1
Third Quarter	2,016,000	24,000	0
Fourth Quarter	1,747,000	24,000	1
<b>Total:</b>	<b>9,906,000</b>	<b>92,500</b>	<b>2</b>

## Appendix III: Gateway East URA Boundary



Source: CCDC, City of Boise, SB Friedman

Appendix IV: Revenue Model

Base Assumptions:	
Inflation Rate	2.5%
Composite Tax Levy	0.015
Urban Renewal Annual Program Operations [1]	12%
CCDC Discount Rate [2]	4%

Timing Assumptions:					
	Retail	Industrial			Hotel
Development Start Year [3]	2019	2019			2019
Years to Deliver Anticipated Developments	1	10			1
Other Demand Years to Deliver [4]	19	19			18
Taxable Value Assumptions:					
	Retail	Ind. Distribution	Ind. Manufacturing	Ind. Warehouse	Hotel
Taxable Value	\$195	\$55	\$55	\$85	\$89,000
Unit	SF	SF	SF	SF	Key

			Sources of New Increment Value							Sources of Revenue		Combined Revenue	
			Value Growth of Existing Real Estate	Value Growth from Projected New Real Estate in the Gateway East URA					Revenue from Existing Value Growth	Revenue from Projected New Value Growth	Gross URA Revenue (Existing + New)	New Increment Value Revenue	
				Cumulative TV Increment on Existing Real Estate	TV Increment from 2018 Development	TV Increment from Anticipated Developments	TV Increment from Demand	TV Deductions of Existing Land/Improvements					Cumulative TV Increment on Development
URA Year	Assessment Year	CCDC Fiscal Year											
[5]	[6]/[7]	[6]/[7]	[8]		[9]/[11]	[10]/[11]	[11]	[12]	[13]	[13]		[14]	
Q1	0	2018	2019	\$7,592,550	\$14,582,323	\$0	\$0	-\$100,478	\$14,481,846				
	1	2019	2020	\$15,374,914	\$21,438,000	\$7,262,512	\$25,010,953	-\$2,648,064	\$66,010,282	\$113,888	\$217,228	\$331,116	\$291,382
	2	2020	2021	\$23,351,837	\$0	\$18,093,444	\$25,636,227	-\$2,714,265	\$108,675,944	\$230,624	\$990,154	\$1,220,778	\$1,074,285
	3	2021	2022	\$31,528,183	\$0	\$18,545,780	\$26,277,132	-\$2,782,122	\$153,433,633	\$350,278	\$1,630,139	\$1,980,417	\$1,742,767
	4	2022	2023	\$39,908,937	\$0	\$19,009,424	\$26,934,061	-\$2,851,675	\$200,361,283	\$472,923	\$2,301,504	\$2,774,427	\$2,441,496
Q2	5	2023	2024	\$48,499,210	\$0	\$19,484,660	\$27,607,412	-\$2,922,967	\$249,539,420	\$598,634	\$3,005,419	\$3,604,053	\$3,171,567
	6	2024	2025	\$57,304,241	\$0	\$19,971,776	\$28,297,597	-\$2,996,041	\$301,051,238	\$727,488	\$3,743,091	\$4,470,579	\$3,934,110
	7	2025	2026	\$66,329,397	\$0	\$20,471,071	\$29,005,037	-\$3,070,942	\$354,982,685	\$859,564	\$4,515,769	\$5,375,332	\$4,730,292
	8	2026	2027	\$75,580,182	\$0	\$20,982,847	\$29,730,163	-\$3,147,716	\$411,422,547	\$994,941	\$5,324,740	\$6,319,681	\$5,561,319
	9	2027	2028	\$85,062,236	\$0	\$21,507,419	\$30,473,417	-\$3,232,688	\$470,456,259	\$1,133,703	\$6,171,338	\$7,305,041	\$6,428,436
Q3	10	2028	2029	\$94,781,342	\$0	\$22,045,104	\$31,235,253	-\$3,307,069	\$532,190,954	\$1,275,934	\$7,056,844	\$8,332,777	\$7,332,844
	11	2029	2030	\$104,743,426	\$0	\$13,299,602	\$32,016,134	-\$1,943,737	\$588,867,727	\$1,421,720	\$7,982,864	\$9,404,584	\$8,276,034
	12	2030	2031	\$114,954,561	\$0	\$0	\$32,816,537	-\$1,992,330	\$634,413,627	\$1,571,151	\$8,833,016	\$10,404,167	\$9,155,667
	13	2031	2032	\$125,420,975	\$0	\$0	\$33,636,951	-\$2,042,139	\$681,868,780	\$1,724,318	\$9,516,204	\$11,240,523	\$9,891,660
	14	2032	2033	\$136,149,050	\$0	\$0	\$34,477,875	-\$2,093,192	\$731,300,182	\$1,881,315	\$10,228,032	\$12,109,346	\$10,656,225
Q4	15	2033	2034	\$147,145,326	\$0	\$0	\$35,339,822	-\$2,145,522	\$782,776,986	\$2,042,236	\$10,969,503	\$13,011,738	\$11,450,330
	16	2034	2035	\$158,416,509	\$0	\$0	\$36,223,317	-\$2,199,160	\$836,370,568	\$2,207,180	\$11,741,655	\$13,948,835	\$12,274,975
	17	2035	2036	\$169,969,472	\$0	\$0	\$37,128,900	-\$2,254,139	\$892,154,594	\$2,376,248	\$12,545,559	\$14,921,806	\$13,131,189
	18	2036	2037	\$181,811,259	\$0	\$0	\$38,057,123	-\$2,318,334	\$950,197,247	\$2,549,542	\$13,382,319	\$15,931,861	\$14,020,038
	19	2037	2038	\$193,949,090	\$0	\$0	\$37,269,574	-\$2,368,255	\$1,008,853,497	\$2,727,169	\$14,252,959	\$16,980,128	\$14,942,512
	20	2038	2039	Last Year of Collections:						\$2,909,236	\$15,132,802	\$18,042,039	\$15,876,994
				Total Revenue, 2019-2038						\$28,168,000	\$149,541,000	\$177,709,000	\$156,384,000
				Present Value of URA Revenue (2019\$):						\$17,247,000	\$91,309,000	\$108,556,000	\$95,529,000

- [1] Assumes 12.0% of increment revenue for operations.
- [2] Discount rate reflects the standard bond rate for mature URAs.
- [3] Assuming the program of Anticipated Developments deliver over 10-year period.
- [4] Other demand within the District is assumed to come online beginning in 2020.
- [5] Assumes the Gateway East URA is approved in 2018, with the first increment revenue collected in CCDC fiscal year 2020.
- [6] Taxes are collected one year in arrears, taxes in calendar year 2019 are modeled to be collected in calendar year 2020.
- [7] The Gateway East URA will receive collections from the 20th and last year of the URA in CCDC fiscal year 2039.
- [8] Assumes a 2.5% inflation of the base taxable value, which is assumed at \$303,702,000 based on 2017 Ada County Assessor Data
- [9] Assumes a portion of taxable value (varies by land use) comes online in the year placed in service, the remaining coming online in the following year.
- [10] Includes all demand not associated with Anticipated Development or 2018 developments.
- [11] Does not show cumulative taxable value increment, only displays increment or deductions associated with new investment coming online in a given year.
- [12] Includes increment from new product in the given calendar year, in addition to the cumulative inflated increment from new product in previous calendar years.
- [13] Assumes the 2018 tax levy is constant through the life of the Gateway East URA.
- [14] Gross URA revenue available increment less Urban Renewal Program operations.
- Assumptions provided by CCDC



## Appendix V: Costs by Quarter

**Figure A2.A. First Quarter Costs**

Improvement	Year	Cost
Eisenman South Utilities, Phase 1 (23%)	2019	\$290,000
Eisenman South Utilities, Phase 2 (77%)	2020	\$969,000
Eisenman Boise Gateway Frontage, Ph1 (75%)	2021	\$1,656,000
Eisenman Boise Gateway Frontage, Ph2 (25%)	2022	\$1,311,000
Holcomb Court & Utilities	2023	\$1,920,000
<b>TOTAL</b>		<b>\$6,146,000</b>

**Figure A2.B. Second Quarter Costs**

Improvement	Cost
Production Street North & Utilities	\$6,532,000
Idaho Power Upgrade	\$10,398,000
Suez Water Upgrade	\$3,755,000
Gowen Utility Upgrades	\$4,810,000
Eisenman North Utilities	\$2,104,000
Lake Hazel & Eisenman Roundabout	\$3,094,000
Red River Road North & Utilities	\$3,105,000
Freight St East	\$748,000
Rail Trail	\$724,000
Open Space	\$610,000
Gateway, Arts & Cultural Programming	\$500,000
<b>TOTAL</b>	<b>\$36,380,000</b>

**Figure A2.C. Third Quarter Costs**

Improvement	Cost
Lake Hazel Extension & Utilities	\$6,887,000
North Eisenman Road Widening	\$4,402,000
Warehouse Way South	\$1,724,000
Holcomb Rd South	\$2,156,000
Production Street South & Utilities	\$4,639,000
Gekeler Lane & Utilities	\$4,181,000
Supply Circle North	\$3,430,000
Five Mile Sewer Line	\$1,102,000
Citation Sewer Line	\$413,000
<b>TOTAL</b>	<b>\$28,934,000</b>

**Figure A2.D. Fourth Quarter Costs**

<b>Improvement</b>	<b>Cost</b>
Cattle Drive & Utilities	\$2,271,000
Red River South & Utilities	\$5,111,000
Supply Circle South & Utilities	\$9,858,000
Warehouse Way North	\$4,103,000
Winco Way	\$3,700,000
<b>TOTAL</b>	<b>\$25,043,000</b>

**Figure A2.E. Unfunded Project Costs**

<b>Improvement</b>	<b>Cost</b>
Holcomb Rd Center	\$2,105,000
Freight St Buildout	\$2,638,000
Peda Street & Utilities	\$3,041,000
Bryson Boulevard	\$1,665,000
<b>TOTAL</b>	<b>\$9,449,000</b>

# Appendix VI: Industrial Development Plan

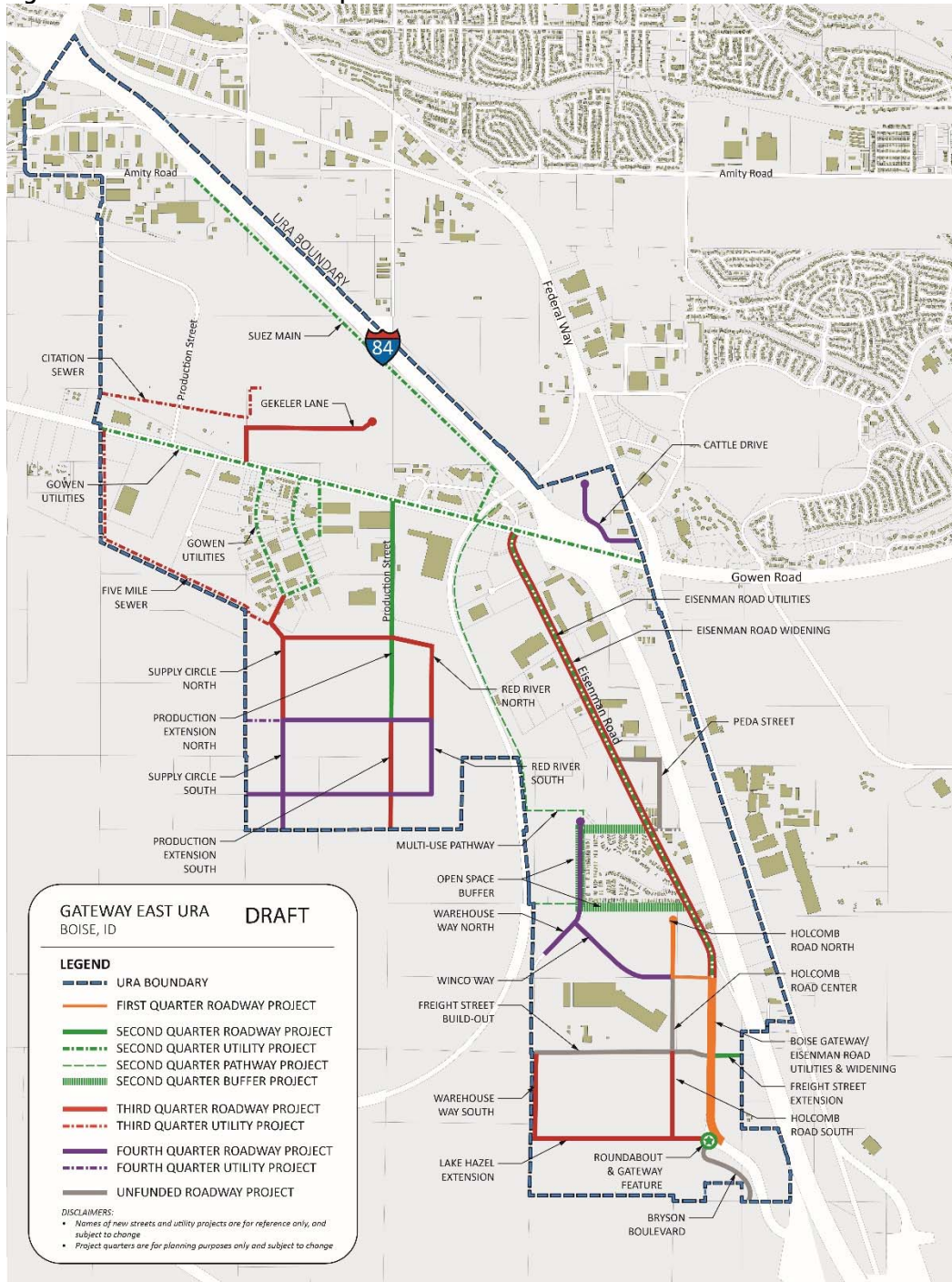
Figure A3. Industrial Development Plan



Source: KHA

# Appendix VII. Infrastructure Development Plan

Figure A4. Infrastructure Development Plan



Source: KHA



Appendix VIII: Feasibility Model

Projected Bond Terms

Interest Rate on Bonds [1]	4%
Cost of Funds [1]	4%
Interest Earnings [2]	1%
Issuance Costs [3]	1%
Q2 Level P&I Payment Term	15
Q3 Level P&I Payment Term	10
Q4 Level P&I Payment Term	5

Funding Structure

Assumed Bonds	Assumed Year	Amount [4]	Issuance Costs	Total Issuance [5]	Years of URA Before Payment Begins
Proposed - 2nd Quarter	2024	\$42,174,391	\$421,744	\$42,596,135	5
Proposed - 3rd Quarter	2029	\$38,884,877	\$388,849	\$39,273,725	10
Proposed - 4th Quarter	2034	\$39,016,178	\$390,162	\$39,406,340	15

Annual Escalation of Construction Costs [6]	3%
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Summary

Cumulative Fund Balance in 2039	\$885,829
PV of Cumulative Fund Balance (2019\$)	\$404,281
Outstanding Debt in 2039	\$0

PV of funded improvements	\$96,503,000
PV of revenues @ 4%	\$95,529,386

Notes:

- [1] Interest rate and cost of funds provided by CCDC
- [2] Interest earnings rate assumption based on current interest earnings on existing URA districts
- [3] Issuance cost assumption based on SB Friedman project experience
- [4] Bond total amounts based on CCDC project funding by quarter matrix
- [5] Loan amount plus issuance costs
- [6] Project costs provided by CCDC are escalated at 3% annually to account for increasing construction costs
- [7] Taxes are collected one year in arrears, taxes in calendar year 2019 are modeled to be collected in calendar year 2020

URA Year	Assessment Year [7]	New Increment Value Revenue	Proposed First Quarter Costs Paid Out of Cash Flow	Debt Service			Debt Service			Debt Service			URA Payoff Analysis		
				Proposed - 2nd Quarter			Proposed - 3rd Quarter			Proposed - 4th Quarter					
				URA Backed Bonds Issued	URA Annual Debt Service Target Payments	Principal Balance	URA Backed Bonds Issued	URA Annual Debt Service Target Payments	Principal Balance	URA Backed Bonds Issued	URA Annual Debt Service Target Payments	Principal Balance	Annual Surplus/Shortfall	Cumulative Fund Balance	Interest Earnings/ on Cumulative Balance
0	2018	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	2019	\$291,382	\$290,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,382	\$1,382	\$14
2	2020	\$1,074,285	\$998,070	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$76,215	\$77,610	\$776
3	2021	\$1,742,767	\$1,756,850	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-\$14,084	\$64,303	\$643
4	2022	\$2,441,496	\$1,432,565	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,008,931	\$1,073,877	\$10,739
5	2023	\$3,171,567	\$2,160,977	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,010,590	\$2,095,205	\$20,952
6	2024	\$3,934,110	\$0	\$42,596,135	\$3,831,143	\$40,468,837	\$0	\$0	\$0	\$0	\$0	\$0	\$102,967	\$2,219,124	\$22,191
7	2025	\$4,730,292	\$0	\$0	\$3,831,143	\$38,256,447	\$0	\$0	\$0	\$0	\$0	\$0	\$899,149	\$3,140,465	\$31,405
8	2026	\$5,561,319	\$0	\$0	\$3,831,143	\$35,955,562	\$0	\$0	\$0	\$0	\$0	\$0	\$1,730,176	\$4,902,045	\$49,020
9	2027	\$6,428,436	\$0	\$0	\$3,831,143	\$33,562,641	\$0	\$0	\$0	\$0	\$0	\$0	\$2,597,293	\$7,548,359	\$75,484
10	2028	\$7,332,844	\$0	\$0	\$3,831,143	\$31,074,003	\$0	\$0	\$0	\$0	\$0	\$0	\$3,501,701	\$11,125,543	\$111,255
11	2029	\$8,276,034	\$0	\$0	\$3,831,143	\$28,485,820	\$39,273,725	\$4,842,095	\$36,002,580	\$0	\$0	\$0	-\$397,204	\$10,839,595	\$108,396
12	2030	\$9,155,667	\$0	\$0	\$3,831,143	\$25,794,110	\$0	\$4,842,095	\$32,600,588	\$0	\$0	\$0	\$482,429	\$11,430,420	\$114,304
13	2031	\$9,891,660	\$0	\$0	\$3,831,143	\$22,994,731	\$0	\$4,842,095	\$29,062,517	\$0	\$0	\$0	\$1,218,422	\$12,763,147	\$127,631
14	2032	\$10,656,225	\$0	\$0	\$3,831,143	\$20,083,377	\$0	\$4,842,095	\$25,382,923	\$0	\$0	\$0	\$1,982,987	\$14,873,765	\$148,738
15	2033	\$11,450,330	\$0	\$0	\$3,831,143	\$17,055,569	\$0	\$4,842,095	\$21,556,145	\$0	\$0	\$0	\$2,777,092	\$17,799,595	\$177,996
16	2034	\$12,274,975	\$0	\$0	\$3,831,143	\$13,906,649	\$0	\$4,842,095	\$17,576,296	\$39,406,340	\$8,851,732	\$32,130,861	-\$5,249,996	\$12,727,595	\$127,276
17	2035	\$13,131,189	\$0	\$0	\$3,831,143	\$10,631,771	\$0	\$4,842,095	\$13,437,254	\$0	\$8,851,732	\$24,564,363	-\$4,393,781	\$8,461,090	\$84,611
18	2036	\$14,020,038	\$0	\$0	\$3,831,143	\$7,225,899	\$0	\$4,842,095	\$9,132,649	\$0	\$8,851,732	\$16,695,205	-\$3,504,933	\$5,040,768	\$50,408
19	2037	\$14,942,512	\$0	\$0	\$3,831,143	\$3,683,792	\$0	\$4,842,095	\$4,655,860	\$0	\$8,851,732	\$8,511,281	-\$2,582,458	\$2,508,718	\$25,087
20	2038	\$15,876,994	\$0	\$0	\$3,831,143	\$0	\$0	\$4,842,095	\$0	\$0	\$8,851,732	\$0	-\$1,647,976	\$885,829	\$8,858
TOTAL		\$156,384,122	\$6,638,462	\$42,596,135	\$57,467,148		\$39,273,725	\$48,420,947		\$39,406,340	\$44,258,662			\$885,829	\$1,295,784