**BUSINESS AFFAIRS AND HUMAN RESOURCES**
**OCTOBER 9-10, 2008**

## SUBJECT

Request to Carry Over FY 2008 Authorized Unspent Funds into FY 2009

## APPLICABLE STATUTES, RULE OR POLICY

State Board of Education Governing Policies and Procedures, Section V.C.1.b. and V.C.1.d.

## BACKGROUND / DISCUSSION

The agencies and institutions noted below received legislative carryover spending authority.

FY 2009 appropriation bills for the College and Universities (HB610), Health Programs (SB1495), Special Programs (SB1476), and Division of Professional-Technical Education (SB1474 and HB687). The institutions and agencies request approval to carry over authorized but unspent funds from FY 2008, to be expended in FY 2009.

Board Policy V.C.1.b(2) states “Certain special account monies, such as direct federal appropriations, state endowment income and trust accounts, and miscellaneous receipts, are the subject of continuing or perpetual spending authority.” Board Policy V.C.1.d states “…the institutions, school and agencies under the governance of the Board must not expend, encumber, or otherwise use monies under their direct control without the specific or general approval by the State Board of Education or the Board of Regents of the University of Idaho…”

The ability to carry over funds from one fiscal year to another is very valuable in managing institution or agency budget planning across fiscal years. Expenditures can be strategically planned instead of attempting to spend all funds by the end of a particular fiscal year. The institutions and agencies have identified the funds available to be carried over and the planned expenditure of these funds. Since carry over revenues are one-time, the expenditures must be limited to one-time items.

## IMPACT

Approval will authorize an increase in spending authority for FY 2009 so the institutions and agencies can expend the funds. These expenditure plans are included in the FY 2009 institutional operating budgets.

## STAFF COMMENTS AND RECOMMENDATIONS

Staff has reviewed the information provided by the institutions, and recommends approval of carryover spending authority, as authorized by legislative appropriation.

**BOARD ACTION**

A motion to approve the requests by Boise State University, Idaho State University, University of Idaho, Lewis-Clark State College, ISU Dental Education Program, ISU Museum of Natural History, UI Agricultural Research & Extension Service, UI WWAMI Medical Education Program, and Division of Professional-Technical Education, to carry over authorized but unspent funds in the amounts specified in the agenda materials from FY 2008 to FY 2009.

Moved by____________ Seconded by_____________ Carried Yes____ No____

## BOISE STATE UNIVERSITY

The source of funds carried over are: General Account - $0.00; Student Fees $21,434,705.

All carryover funds will be used for non-recurring expenses as follows:

| | |
|---|---|
| Encumbered Funds as of 6/30/2008<br>These are purchase orders issued and commitments made as of June 30, although the goods or services were not received as of June 30, 2008. | 1,212,440 |
| HERC and Technology Incentive Grants - projects spanning multiple years | 823,886 |
| Academic Departments - Instructional support, accreditation costs, and adjunct funding | 2,329,154 |
| Academic Reserves | 1,500,000 |
| Physical Plant - on-going approved safety, ADA and maintenance projects as of July 2008 | 1,309,795 |
| Library | 332,829 |
| Student Services | 867,647 |
| Research start-up and grant matching funds | 837,144 |
| Institutional Support - primarily infrastructure support | 1,676,800 |
| Remodel costs for teaching laboratories and office space - including Park Center | 4,000,000 |
| Furniture, Fixtures and Equip for new academic spaces in FY 09 and FY 2010 | 1,095,010 |
| Information technology infrastructure, software, system upgrades and licensing costs | 1,000,000 |
| Property acquisitions and purchase of modular space to meet growth needs | 1,950,000 |
| General reserve for emergencies - one-time funds | 2,500,000 |
| **TOTAL** | 21,434,705 |

## IDAHO STATE UNIVERSITY

### General Education

The source of funds carried over are: General Account $0; Student Fees $4,117,492; Endowment $0; **TOTAL $4,117,492.** All carryover funds will be used for non-recurring expense as summarized:

| | | |
|---|---|---|
| Encumbered Funds as of 6/30/08 | | $1,217,296 |
| Purchase orders issued and commitments made, but goods or services not received as of 6/30/08. | | |
| HERC and Technology Grants | | $1,171,707 |
| Research & Technology grants and projects are made for a two or three year period. Carryover is necessary to complete those grants and projects. | | |
| Other Carryover Funds | | |
| Library Materials | $316,737 | |
| Physical Plant Projects/Equipment | 200,695 | |
| Instructional Support/Equipment | 591,331 | |
| Faculty Research Projects | 304,657 | |
| General Institutional Reserve | 315,069 | |
| Total Other Carryover Funds | | $1,728,489 |
| **Total Carryover** | | **$4,117,492** |

### Idaho Dental Education Program

The source of funds carried over are: General Account $29,334; Student Fees $116,065; **Total $145,399.** All carryover funds will be used for non-recurring expense as summarized:

| | | |
|---|---|---|
| Planned expenditures for uncommitted funds are: | | |
| Instructional Support/Equipment | $121,965 | |
| Reserve for Trustee Benefit | 23,434 | |
| **Total IDEP Carryover** | | **$145,399** |

### Idaho Museum of Natural History

The source of funds carried over are: General Account $18,774; Student Fees $0; **Total $18,774.** All carryover funds will be used for non-recurring expense as summarized:

| | | |
|---|---|---|
| Encumbrances | $17,512 | |
| Museum Operations | 1,262 | |
| **Total IMNH Carryover** | | **$ 18,774** |

**UNIVERSITY OF IDAHO**

**General Education**

The sources of funds carried over are: General Account $0; Matriculation Fee $0; Miscellaneous Receipts $16,235,220; and Land Grant Endowments $35,300.

Fiscal year 2008 carryover funds are nearly equal to fiscal year 2007 carryover amounts. Long-range plans, new initiatives, strategic plan implementation and other operating obligations typically span multiple fiscal years. Maintaining liquidity or operating reserves minimizes disruptions in the delivery of academic programs and student services as internal reorganizations and reallocations are made. It is also important to note that sound liquidity and operating reserves contribute to a healthy financial statement and good bond ratings for the university.

All carryover funds will be used for non-recurring expenses as follows:

| | |
|---|---|
| Encumbered Funds as of 6/30/08<br>Purchase orders issued and commitments made, but goods not received as of 6/30/08. | $474,650 |
| HERC, Tech Incentive, EPSCoR Projects | 136,800 |
| Academic Departments | 5,172,700 |
| Academic Reserves | 3,000,000 |
| Strategic Initiatives | 1,108,000 |
| Library | 813,700 |
| Research start up and grant matching funds | 452,000 |
| University outreach | 682,870 |
| Institutional support | 380,000 |
| Facilities | 811,200 |
| Information Technology | 490,900 |
| Enrollment initiatives | 585,700 |
| Student Services | 162,000 |
| Utility reserve | 500,000 |
| General Reserve | 1,500,000 |
| | |
| Total carryover including encumbrances | $16,270,520 |

**UNIVERSITY OF IDAHO**

**Agricultural Research and Extension Service**

The sources of funds carried over are: General Account $0; Miscellaneous Receipts to the Appropriation $3,232; and Federal Formula Funds $2,726,218.
All carryover funds will be used for non-recurring expenses as follows:

| | |
|---|---|
| Encumbered Funds as of 6/30/06<br>Purchase orders issued and commitments made, but goods not received as of 6/30/06. | $12,229 |
| Faculty and staff salaries | 2,411,716 |
| Department operating support | 255,505 |
| Equipment replacement/acquisition | 50,000 |
| Total carryover including encumbrances | $2,729,450 |

**UI Special Programs and Health Programs**

WWAMI Medical Education: Funds carried over for one-time expenses in FY2007 are $185,791 of Miscellaneous Receipts. These funds will be used for new faculty start-up.

## LEWIS-CLARK STATE COLLEGE

### General Education

The source of funds carried over are: General Account $0; Student Fees $1,640,075; Endowment $27,525; **TOTAL $1,667,600.**

All carryover funds will be used for non-recurring expenses.

| | |
|---|---|
| Encumbered Funds as of 6/30/2008<br>Purchase orders issued and commitments made, but goods and services not received as of 6/30/2008. | $ 132,555 |
| Other Carryover Funds | $1,535,045 |
| **Total Carryover** | **$1,667,600** |

**DIVISION OF PROFESSIONAL-TECHNICAL EDUCATION**

Section 2. of Senate Bill No. 1474 reappropriated to the State Board for Professional-Technical Education for the Division of Professional-Technical Education any unexpended and unencumbered balance of any appropriation contained in Section 1, Chapter 211, Laws of 2007, to be used for nonrecurring expenditures, for the period of July 1, 2008 through June 30, 2009.

The Division requests approval to expend FY2008 authorized, but unexpended Professional-Technical Education funds of $131,711.04 reappropriated to the State Board for Professional-Technical Education for the Division of Professional-Technical Education for nonrecurring expenditures for the period of July 1, 2008 through June 30, 2009 as per Senate Bill 1474.

**IMPACT**

| | |
|---|---|
| One-time Operating Expenses | $117,702.99 |
| One-time Capital Outlay | 14,008.05 |
| Total | $131,711.04 |

## SUBJECT

First reading to amend Board policy V.I. Real and Personal Property Services and policy V.K. Construction Projects

## REFERENCE

| | |
|---|---|
| August 2008 | Board disapproved first reading |

## APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V.I.3.a and V.K.1-3.

## BACKGROUND / DISCUSSION

Board policy regarding capital project revisions has not been clear in determining when an institution or agency needs to get Board approval.

Current policy requires that revisions that substantially alter the use of the project causing changes in project costs between $250,000 and $500,000 must first be submitted to the executive director for review and approval. Changes in project costs of more than $500,000 must be submitted to the Board for its review and approval. There has been some confusion over whether the threshold referred to each incremental change or to the aggregate total project cost.

At its August meeting, the Board reviewed a similar policy revision that included the decision grid on pages 5 and 10 and increased the approval authority for the local government from $250,000 to $500,000 and for the Executive Director from $500,000 to $1,000,000. The Board disapproved this revision citing concern for increasing the dollar thresholds, but they considered the grid helpful. This policy revision includes the decision grid but does not change the dollar thresholds.

## IMPACT

The attached revised policies will clarify when approvals need to be authorized and who needs to authorize the change.

## ATTACHMENTS

| | |
|---|---|
| Attachment 1 - Revised Governing Policy Section V.I.3.a | Page 3 |
| Attachment 2 - Revised Governing Policy Section V.K.1-3 | Page 9 |

## STAFF COMMENTS AND RECOMMENDATIONS

The revised policies will assist the Board and Executive Director in maintaining their level of oversight while clarifying when approval is required.

**BOARD ACTION**

A motion to approve the first reading of the amendment to Board Policy V.I. – Real and Personal Property Services.

Moved ______ Seconded_______ Carried Yes ___________ No ___________

A motion to approve the first reading of the amendment to Board Policy V.K. Construction Projects.

Moved ______ Seconded_______ Carried Yes ___________ No ___________

# I. Real and Personal Property and Services

1. Authority

   a. The Board may acquire, hold, and dispose of real and personal property pursuant to Article IX, Section 2 and Article IX, Section 10, Idaho Constitution, pursuant to various sections of Idaho Code.

   b. Leases of office space or classroom space by any institution, school or agency except the University of Idaho are acquired by and through the Department of Administration pursuant to Section 67-5708, Idaho Code.

   c. All property that is not real property must be purchased consistent with Sections 67-5715 through 67-5737, Idaho Code, except that the University of Idaho may acquire such property directly and not through the Department of Administration. Each institution, school and agency must designate an officer with overall responsibility for all purchasing procedures.

   d. Sale, surplus disposal, trade-in, or exchange of property must be consistent with Section 67-5722, Idaho Code, except that the University of Idaho may dispose of such property directly and not through the Department of Administration.

   e. If the Executive Director finds or is informed that an emergency exists, he or she may consider and approve a purchase or disposal of equipment or services otherwise requiring prior Board approval. The institution, school or agency must report the transaction in the Business Affairs and Human Resources agenda at the next regular Board meeting together with a justification for the emergency action.

2. Acquisition of Real Property

   a. Acquisition of a real property interest, other than a leasehold interest, with a purchase price between two hundred fifty thousand dollars ($250,000) and five hundred thousand dollars ($500,000) requires prior approval by the Executive Director. A purchase exceeding five hundred thousand dollars ($500,000) requires prior Board approval.

   ~~a~~b. Any interest in real property acquired for the University of Idaho must be taken in the name of the Board of Regents of the University of Idaho.

   ~~b~~c. Any interest in real property acquired for any other institution, school or agency under the governance of the Board must be taken in the name of the State of Idaho by and through the State Board of Education.

~~c~~d. This does not preclude a foundation or other legal entity separate and apart from an institution, school or agency under Board governance from taking title to real property in the name of the foundation or other organization for the present or future benefit of the institution, school or agency. (See Section V.E.)

~~d~~e. Acquisition of ~~an option, lease, or any other present or future~~ a leasehold interest in real property by or on behalf of an institution, school or agency requires prior Executive Director approval if the cost exceeds five hundred thousand dollars ($500,000) over the term, or by the Board ~~approval~~ if the term of the lease exceeds five (5) years or if the cost exceeds ~~two hundred fifty thousand dollars ($250,000)~~ one million dollars ($1,000,000) ~~annually~~over the term.

~~e~~f. Appraisal.

An independent appraiser must be hired to give an opinion of fair market value before an institution, school or agency acquires fee simple title to real property.

~~f~~g. Method of sale - exchange of property.

The Board will provide for the manner of selling real property under its control, giving due consideration to Section 33-601(4), applied to the Board through Section 33- 2211(5), and to Chapter 3, Title 58, Idaho Code. The Board may exchange real property under the terms, conditions, and procedures deemed appropriate by the Board.

~~g~~h. Execution.

All easements, deeds, and leases excluding easements, deeds, and leases delegated authority granted to the institutions, school and agencies must be executed and acknowledged by the president of the Board or another officer designated by the Board and attested to and sealed by the secretary of the Board as being consistent with Board action.

3. Acquisition of Personal Property and Services

a. Purchases of equipment, data processing software and equipment, and all contracts for consulting or professional services either in total or through time purchase or other financing agreements, between two hundred fifty thousand dollars ($250,000) and five hundred thousand dollars ($500,000) require prior approval by the executive director. The executive director must be expressly advised when the recommended bid is other than the lowest qualified bid. Purchases exceeding five hundred thousand dollars ($500,000) require prior Board approval. If the project budget for a purchase increases above the approved amount, then the institution, school, or agency may be required to seek further authorization, as follows:

| Project Originally Authorized By | Original Project Cost | Cumulative Value of Change(s) | Aggregate Revised Project Cost | Change Authorized By |
|---|---|---|---|---|
| Local Agency | < $250,000 | Any | < $250,000 | Local Agency |
| Local Agency | < $250,000 | Any | $250,000-$500,000 | Executive Director |
| Local Agency | <$250,000 | Any | > $500,000 | SBOE |
| Executive Director | $250,000-$500,000 | <= $250,000 | <= $500,000 | Local Agency |
| ~~Executive Director~~ | ~~$250,000-$500,000~~ | ~~>= $250,000~~ | ~~< $500,000~~ | ~~Executive Director~~ |
| Executive Director | $250,000-$500,000 | Any | >$500,000 | SBOE |
| SBOE | > $500,000 | < $250,000 | Any | Local Agency |
| SBOE | > $500,000 | $250,000-$500,000 | Any | Executive Director |
| SBOE | > $500,000 | >$500,000 | Any | SBOE |

All modifications approved by the Executive Director shall be reported quarterly to the Board.

b. Acquisition or development of new administrative software or systems that materially affect the administrative operations of the institution by adding new services must be reviewed with the executive director before beginning development. When feasible, such development will be undertaken as a joint endeavor by the four institutions and with overall coordination by the Office of the State Board of Education.

4. Hold of Personal Property

a. Inventory

An inventory of all items of chattel property valued at two thousand dollars ($2,000) or limits established by Department of Administration owned or leased by any agency, school or institution must be maintained in cooperation with the Department of Administration as required by Section 67-5746, Idaho Code.

b. Insurance

Each agency, school and institution must ensure that all insurable real and personal property under its control is insured against physical loss or damage and that its employees are included under any outstanding policy of public liability insurance maintained by the state of Idaho. All insurance must be acquired through the State Department of Administration or any successor entity.

c. Vehicle Use

Vehicles owned or leased by an institution, school or agency must be used solely for institutional, school or agency purposes. Employees may not, with certain exceptions, keep institutional vehicles at their personal residences. Exceptions to this policy include the chief executive officers and other employees who have received specific written approval from the chief executive officer of the institution, school or agency.

5. Disposal of Real Property

a. Temporary Permits

Permits to make a temporary and limited use of real property under the control of an institution, school or agency may be issued by the institution, school or agency without prior Board approval.

b. Board approval of other transfers

(1) Leases to use real property under the control of an institution, school or agency require prior Board approval - if the term of the lease exceeds five (5) years or if the lease revenue exceeds two hundred fifty thousand dollars ($250,000).

(2) Easements to make a permanent use of real property under the control of an institution, school or agency require prior Board approval - unless easements are to public entities for utilities.

(3) The transfer by an institution, school or agency of any other interest in real property requires prior Board approval.

6. Disposal of Personal Property

Sale, surplus disposal, trade-in, or exchange of property with a value greater than two~~five~~ hundred fifty thousand dollars ($250,000) and less than five hundred thousand dollars ($500,000) requires prior approval by the Executive Director. Sale, surplus disposal, trade-in, or exchange of property with a value greater than ~~two hundred fifty thousand dollars ($250,000)~~five hundred thousand dollars ($500,000) requires prior Board approval. All disposals approved by the Executive Director shall be reported quarterly to the Board.

a. First Refusal

When the property has a value greater than five thousand dollars ($5,000), the institution, school or agency must first make a good faith effort to give other institutions, school and agencies under Board governance the opportunity of first refusal to the property before it turns the property over to the Department of Administration or otherwise disposes of the property.

b. Sale of Services

The sale of any services or rights (broadcast or other) of any institution, school or agency requires prior approval of the Board when it is reasonably expected that the proceeds of such action may exceed two hundred fifty thousand dollars ($250,000). Any sale of such services or rights must be conducted via an open bidding process or other means that maximizes the returns in revenues, assets, or benefits to the institution, school or agency.

c. Inter-agency Transfer

Transfer of property from one Board institution, school or agency to another institution, school or agency under Board governance may be made without participation by the State Board of Examiners or the Department of Administration, but such transfers of property with a value greater than two hundred fifty thousand dollars ($250,000) require prior Board approval.

~~7. Litigation~~

~~The chief executive officer may negotiate settlement regarding litigation matters, or any claims made that may result in litigation, for up to $25,000. All such settlements must be reported to the Board in executive session at the next regularly scheduled meeting.~~

~~8. Intellectual Property~~

~~The chief executive officer may license intellectual property rights of their respective institutions, school and agencies up to (to be developed as the intellectual property policy is finalized).~~

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**1. Major Project Approvals - Proposed Plans**

Without regard to the source of funding, before any institution, school or agency under the governance of the Board begin formal planning to make capital improvements, either in the form of renovation or addition to or demolition of existing facilities, when the cost of the project is estimated to exceed five hundred thousand dollars ($500,000), must first be submitted to the Board for its review and approval. All projects identified on the institutions', schools or agencies' six-year capital plan must receive Board approval.

**2. Project Approvals**

Without regard to the source of funding, proposals by any institution, school or agency under the governance of the Board to make capital improvements, either in the form of renovation or addition to or demolition of existing facilities, when the cost of the project is estimated to be between two hundred fifty thousand dollars ($250,000) and five hundred thousand dollars ($500,000), must first be submitted to the executive director for review and approval. Without regard to the source of funding, proposals by any institution, school or agency under the governance of the Board to make capital improvements, either in the form of renovation or addition to or demolition of existing facilities or construction of new facilities, when the cost of the project is estimated to exceed five hundred thousand dollars ($500,000), must first be submitted to the Board for its review and approval. Project cost must be detailed by major category (construction cost, architecture fees, contingency funds, and other). When a project is under the primary supervision of the Board of Regents or the Board and its institutions, school or agencies, a separate budget line for architects, engineers, or construction managers and engineering services must be identified for the project cost. Budgets for maintenance, repair, and upkeep of existing facilities must be submitted for Board review and approval as a part of the annual operating budget of the institution, school or agency.

**3. Fiscal Revisions to Previously Approved Projects**

~~Project revisions that substantially alter the use of the project causing changes in project costs between two hundred fifty thousand dollars ($250,000) and five hundred thousand dollars ($500,000) must first be submitted to the executive director for review and approval. Changes in project costs of more than five hundred thousand dollars ($500,000) must first be submitted to the Board for its review and approval. Requests must be supported by a revised detailed project budget and justification for changes.~~ If the project budget increases above the approved amount, then the institution, school, or agency may be required to seek further authorization, as follows:

| Project Originally Authorized By | Original Project Cost | Cumulative Value of Change(s) | Aggregate Revised Project Cost | Change Authorized By |
|---|---|---|---|---|
| Local Agency | < $250,000 | Any | < $250,000 | Local Agency |
| Local Agency | < $250,000 | Any | $250,000-$500,000 | Executive Director |
| Local Agency | <$250,000 | Any | > $500,000 | SBOE |
| Executive Director | $250,000-$500,000 | <= $250,000 | <= $500,000 | Local Agency |
| ~~Executive Director~~ | ~~$250,000-$500,000~~ | ~~>= $250,000~~ | ~~< $500,000~~ | ~~Executive Director~~ |
| Executive Director | $250,000-$500,000 | Any | >$500,000 | SBOE |
| SBOE | > $500,000 | < $250,000 | Any | Local Agency |
| SBOE | > $500,000 | $250,000-$500,000 | Any | Executive Director |
| SBOE | > $500,000 | >$500,000 | Any | SBOE |

All modifications approved by the Executive Director shall be reported quarterly to the Board.

## 4. Project Acceptance

Projects under the supervision of the Department of Administration are accepted by the Department on behalf of the Board and the state of Idaho. Projects under the supervision of an institution, school or agency are accepted by the institution, school or agency and the project architect. Projects under the supervision of the University of Idaho are accepted by the University on behalf of the Board of Regents.

## 5. Statute and Code Compliance

a. All projects must be in compliance with Section 504 of the Rehabilitation Act of 1973 and must provide access to all persons. All projects must be in compliance with applicable state and local building and life-safety codes and applicable local land-use regulations as provided in Chapter 41, Title 39, and Section 67-6528, Idaho Code.

b. In designing and implementing construction projects, due consideration must be given to energy conservation and long-term maintenance and operation savings versus short-term capital costs.

**SUBJECT**

Second reading Board Policy V.W. Litigation

**REFERENCE**

| | |
|---|---|
| August 2008 | Board approved first reading |

**APPLICABLE STATUTE, RULE, OR POLICY**

Idaho State Board of Education Governing Policies & Procedures, Section V.I.7.

**BACKGROUND / DISCUSSION**

The proposed policy clearly defines the reporting procedures to the Board for all claims, potential claims, and litigation matters.

The Board approved the first reading at the August Board meeting. The only changes in this second reading is clarifying language in section 3 to indicate monthly reports are attorney-client privileged. No other comments were received.

**IMPACT**

The attached policy will increase the threshold for Chief Executive Officer approval, allow for Executive Director approval up $250,000 and increase the threshold requiring Board approval to amounts over $250,000. This should decrease the number of agenda items submitted to the Board for under $250,000, allowing for quicker resolution. It also would permit the institution to initiate litigation without prior Board approval up to these thresholds.

**ATTACHMENTS**

| | |
|---|---|
| Attachment 1 - Governing Policy Section V.W | Page 3 |

**STAFF COMMENTS AND RECOMMENDATIONS**

The revised policies will assist the Board and Executive Director in maintaining their level of oversight while reducing the number of approvals, and permit the institutions the opportunity to act in a more timely fashion on certain matters.

**BOARD ACTION**

A motion to approve the second reading of Board Policy V.W. – Litigation.

Moved ______ Seconded_______ Carried Yes ___________ No ___________

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**ATTACHMENT 1**

**Idaho State Board of Education**
## GOVERNING POLICIES AND PROCEDURES
**SECTION: V. FINANCIAL AFFAIRS**
**Subsection: W. Litigation** **August 2008**

1. Initiation of Litigation

   a. An institution, agency, or school under the governance of the Board may initiate a legal action with respect to any matter in which the amount in controversy does not exceed twenty five thousand dollars ($25,000). With the prior approval of the executive director, an institution, agency, or school under the governance of the Board may initiate a legal action with respect to any matter in which the amount in controversy does not exceed two hundred fifty thousand dollars ($250,000). Any other proposed legal action may not be instituted without the prior approval and authorization of the Board

   b. Notwithstanding the authority to initiate litigation provided above, any legal action involving the exercise of the right of eminent domain must have the prior approval of the Board.

   c. Pursuant to Idaho Code §33-3804, an institution is permitted to initiate legal action in its own name.

2. Settlement of Litigation

   The chief executive officer has authority to settle a legal matter involving the payment or receipt of up to one hundred thousand dollars ($100,000) of institution, agency, or school funds. The executive director may authorize the settlement of a legal matter involving the payment or receipt of up to two hundred fifty thousand dollars ($250,000) of institution, agency, or school funds. Any settlement of a legal matter that is in excess of two hundred fifty thousand dollars ($250,000) in institution, agency, or school funds must be approved by the Board prior to any binding settlement commitment.

3. Litigation Reporting by Institutions

   Legal counsel for the institutions shall provide attorney-client privileged monthly litigation reports to the members of the Board, with a copy to the Board office (to the attention of the Board's legal counsel). Such reports should include a description of all claims and legal actions filed against the institution since the date of the last report (and identify legal counsel for the parties involved, for conflict analysis purposes); a summary of the current status of all claims and pending litigation; risk analysis pertaining to all such claims and pending litigation; and the settlement of any legal claims or actions since the date of the last report, including settlements of matters handled by the State of Idaho Department of Administration, Division of

Internal Management Systems, Risk Management Program. With respect to the reporting of a legal settlement, such report shall describe the amount of institution funds that were used, and the amount and source of any other funds that were provided in connection with such settlement, including funds from the Office of Insurance Management or from any other parties. Legal counsel for the institutions should also include in the report any significant incident occurring since the last report that is reasonably expected to give rise to a claim, as well as probable claims or legal actions the institution is aware of which have been threatened but not yet instituted.

**SUBJECT**

Differential Fees

**REFERENCE**

| | |
|---|---|
| February 2001 | President's Council report on need for differential fees |
| May 2001 | Included in strategic planning discussion |

**APPLICABLE STATUTE, RULE, OR POLICY**

Idaho State Board of Education Governing Policies & Procedures, Section V.R.3.b.

**BACKGROUND / DISCUSSION**

The college and universities request the Board to consider amending policy V.R.3.b. to allow institutions to request Board approval to establish Differential Fees in the future. While most other states do allow for some form of differential fee, Idaho's Board policies do not include a provision that would allow institutions to seek these types of fees. By inserting this definition of differential fees, institutions would be able to request such fees in the future.

Differential fees may be higher or lower than base tuition and fees and apply to all academic programs in a college or school. Higher fees may be charged by a college or school that incurs markedly higher than average expenditures for faculty or equipment and that lead to employment possibilities that are demonstrably worth the higher price. Lower fees may be charged where costs of delivery are consistently and substantially below average for the institution.

Differential fees differ from Board approved professional fees. Professional fees include credentialing and accreditation requirements as well as extraordinary program costs.

**IMPACT**

The proposed policy envisions higher differential fees which would substantially increase the quality of the learning experience for the student and provide a basis for later opportunities that would not be possible without the differential increase. The institution would be required to allow for access to qualified students who cannot afford the differential amount by including a financial aid plan with a minimum percentage of the fees set aside for need-based aid. The aid plan would also include an advising process that enables students to anticipate future cost increases and seek additional aid to cover the fee increase.

The differential fee plan would include a clear justification related to the variance in cost for the college or school compared to the funds that would be provided through base tuition and fees. Evidence should exist that the differential fee plan is comparable to the student cost for similar programs at peer institutions so that the institution is not disadvantaged in attracting students. Finally, the plan should show evidence of consultation with affected students both through student representative groups and organized opinion gathering among students.

**STAFF COMMENTS AND RECOMMENDATIONS**

The institutions are requesting direction from the Board whether there is support for a mechanism to request differential fees by the college or universities.

**BOARD ACTION**

A motion to direct staff to bring forward an amendment to Board Policy V.R.3. adding differential fees.

Moved by __________ Seconded by __________ Carried Yes _____ No _____

## BOISE STATE UNIVERSITY

### SUBJECT
Addendum to 220 Park Center Boulevard property lease

### REFERENCE

| | |
|---|---|
| February 2008 | Board approval to proceed with lease preparation |
| April 2008 | Board approval to enter into lease with BSU Foundation for the 220 Park Center Boulevard property |

### APPLICABLE STATUTE, RULE OR POLICY
Idaho State Board of Education Governing Policies & Procedures, Section V.I.2

### BACKGROUND / DISCUSSION
In April 2008 the Board approved Boise State University's request to enter into a lease with the Boise State University Foundation, Inc. (Foundation) for an office building located at 220 Park Center Boulevard in Boise, property the Foundation purchased from Supervalu for university use. The University and Foundation executed the lease on August 8, 2008. Since that time, the Foundation, in consultation with the University, has elected to finance the purchase of the property using tax-exempt bond financing.

The cash portion of the purchase price of the property is $7 million. The Foundation received a multi-year pledge of $5 million, payable in annual payments of $1 million. The Foundation has received the first of five pledged payments. On September 2, 2008 the Foundation obtained a short-term (45 days) loan in the amount of $5,936,882 at a variable rate of 5% to purchase the property. The Foundation will refinance that loan with tax-exempt bond financing bearing an interest rate of 4.86% no later than October 17, 2008. The Foundation expects to receive the next pledge payment in mid-September, and will apply that pledge to the refinancing so that the total bond financing amount does not exceed $5.2 million.

### IMPACT
Tax-exempt bond financing creates use restrictions on the property, restrictions the University understands and must comply with in its own tax-exempt bond financed properties. This revision will reduce the University's annual lease payment to the Foundation to a maximum of $252,720 or $3.17 per square foot.

### ATTACHMENTS

## STAFF AND COMMENTS AND RECOMMENDATIONS

Under this revision, the University's annual lease payment to the Foundation would be reduced from approximately $300,000 to a maximum of $242,720 or a reduction from $3.75 to $3.17 per square foot.

Staff recommends approval.

## BOARD ACTION

A motion to approve the request by Boise State University to enter into the submitted addendum to the lease with the Boise State University Foundation, Inc. for the building located at 220 Park Center Boulevard in Boise.

Moved by __________ Seconded by__________ Carried Yes _____ No _____

**DRAFT**
9/11/2008 9:53 AM

# ADDENDUM TO
# LAND AND BUILDING LEASE
# BETWEEN THE BOISE STATE UNIVERSITY FOUNDATION, INC. AND
# BOISE STATE UNIVERSITY

This Addendum to Land and Building Lease (“Addendum”) is made and entered into this ___ day of September, 2008 by and between Boise State University, a state institution of higher education, and the Boise State University Foundation, Inc, a non-profit corporation and State Board of Education recognized affiliated foundation of Boise State University.

## RECITALS

WHEREAS, Boise State University (the “University”) and Boise State University Foundation, Inc. (the “Foundation”) entered into that certain Land and Building Lease dated the August 8, 2008 (the “Agreement”); and,

WHEREAS, the Agreement provides for the lease of real property by the Foundation to the University; and,

WHEREAS, since the date on which both parties signed the Agreement, the Foundation, through consultation with the University, elected to finance the purchase of the real property with bridge financing and with tax-exempt bond financing; and,

WHEREAS, the tax-exempt bond financing places restrictions on the use of the real property; and,

WHEREAS, the parties believe it to be in the best interest of the University and the Foundation to execute this Addendum to specifically reference the bridge financing and tax-exempt bond financing and to provide that the University will comply with the restrictions on the use of the real property imposed as conditions of the tax-exempt bond financing as further set forth in this Addendum.

## AGREEMENT

NOW, THERFORE, in consideration of the mutual promises and covenants above recited and herein contained, the parties hereby agree as follows:

1. Defined Terms. All capitalized terms not otherwise defined in this Addendum shall have the meanings ascribed to them pursuant to the Agreement.

2. Amendment and Restatement of Section A.2 of Agreement. Section A.2 of the Agreement is amended and restated as follows:

   The cash portion of the purchase price of the Property is $7,000,000. The Foundation received a pledge of $5,000,000 (payable in annual $1,000,000 payments) towards the purchase price, and the first payment has already been paid to the Foundation. On September 2, 2008, the Foundation obtained short-term financing to purchase the Property pursuant to a loan in the amount of $5,936,882 with a variable interest rate of 5% for a period of 45 days (the "Short-Term Financing"). The Foundation will refinance the loan with tax-exempt bond financing bearing interest at an annual rate of 4.86% no later than October 17, 2008 (the "Bond Financing"). The Foundation received the next $1,000,000 pledge payment and will apply it toward the refinancing so that the Bond Financing amount shall be no greater than $5,200,000.

3. Amendment and Restatement of Section B.1.a of Agreement. Section B.1.a of the Agreement is amended and restated as follows:

   The University shall, as rent, pay, all, but only all and no more than: (i) the interest accrued on the Short-Term Financing and the Bond Financing as such sums become due to the Foundation, (ii) any loan fees or other costs, fees and expenses associated with the financing and refinancing of the Foundation's purchase of the Property pursuant to the Short-Term Financing and that portion of the Bond Financing, if any, not included and paid as a cost of the issuance, and (iii) any and all expenses incurred by the Foundation in connection with the Property ("Additional Expenses"), including, without limitation, any insurance costs paid by the Foundation, closing costs associated with the purchase of the Property, and any property tax(es) against the Property assessed, incurred and/or becoming due and payable on or before December 31, 2008, provided that the Foundation will incur no such costs without the prior consent of the University, and such consent will not be unreasonably withheld and shall be provided as timely as possible.

4. Compliance with Restrictions Imposed by Bond Financing. The Foundation and the University acknowledge that the Bond Financing creates use restrictions on the Property. The University agrees to execute any and all certificates and agreements reasonably required by the Foundation, the Bond Financing lender, and/or the Idaho Housing and Finance Association in connection with the Bond Financing, including without limitation a Tax Certificate and Agreement. In addition to any use restrictions set forth in the Agreement, and notwithstanding any other provision of the Agreement, the University and the Foundation agree to take no action or failure to act that will result in a breach of the restrictions set forth in any of the Bond Financing documents executed by the Foundation or the University in connection with the Bond Financing, including, without limitation, the Financing Agreement and any certificates or other agreements executed by the

Foundation and/or the University. Should either the University or the Foundation be found to be in default in connection with the restrictions set forth in this paragraph as a result of the actions or failures of the University, the University shall immediately cure such default upon written notice from the Foundation and/or the Idaho Housing and Finance Association. The University's obligation to indemnify the Foundation pursuant to Section B.7. of the Agreement shall extend to any breach of this paragraph caused as a result of the actions or failures of the University. Reciprocally, the Foundation shall ensure that it will undertake no actions, or failure to act, that will result in a breach of said restrictions and agrees to immediately cure such default and indemnify the University therefrom.

5. <u>Approval of State Board of Education</u>. The University acknowledges that the Agreement and this Addendum have been approved by the State Board of Education.

6. <u>Continued Effectiveness of Terms of Agreement</u>. Except as amended by this Addendum, the terms of the Agreement shall remain in full force and effect.

Signature page follows.

**Boise State University**

____________________________________
By: Stacy Pearson
Its: Vice President of Finance and Administration

**The Boise State University Foundation, Inc.**

____________________________________
By: William Ilett
Its: Chair

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## UNIVERSITY OF IDAHO

### SUBJECT

Capital Project Authorization Request, Lionel Hampton School of Music renovations

### REFERENCE

| | |
|---|---|
| June 19, 2008 | Board authorized $157,500 for the design of renovations for the School of Music Recital Hall |

### APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V.K.1 and Section V.K.2

### BACKGROUND / DISCUSSION

This agenda item seeks to modify an earlier proposed project in order to comply with federal funding limitations.

In 2002, the University initiated a multi-year process for design of the Education and Performance Facility at the Lionel Hampton Center using a series of federal HUD grants awarded from 2001 through 2004. The project was to include music performance spaces, music classrooms, as well as archival and display spaces for jazz memorabilia of the Lionel Hampton Jazz Collection. In 2004, the University placed the project on hold, and later cancelled the project due to a number of factors, including lack of progress in private fundraising required to support the project.

The University reconceptualized project elements and most recently sought to renovate an existing music performance space, the Recital Hall within the Music Building, as well archival space in the Library. The Board granted authorization for these projects at the June 2008 meeting, subject to federal support for realigning the grant funding. The University has since received guidance from HUD, limiting grant expenditures to only the Music Building. The University now seeks to further adjust the project to comply with HUD limitations. The project outlined below has been presented to and endorsed by HUD.

The Lionel Hampton School of Music (LHSOM) Building was originally built in 1951 and has had only minor improvements implemented in the 57 years since. The series of HUD grants available for the project total $1,590,686 and will fund a limited, phased expansion and renovation/rehabilitation of the existing structure. The University envisions a three-phased approach to renovate and expand the building. Per HUD limitations, construction expenditures are limited to only $596,586, which will fund a portion of the renovations anticipated within the Recital Hall. The remaining $994,100 can be used only to cover planning, design, and owner/administrative costs associated with all three phases of the project. The overall project elements and estimated costs are summarized below. Available HUD funding will serve only a portion of these needs; the remaining needs will be targeted for private fundraising.

Phase 1 includes renovation of the existing Recital Hall; Phase 2 will be the construction of a 10,000 square foot building addition; Phase 3 will include the renovation/rehabilitation of the remaining 25,000 square feet of the existing facility.

| | Phase 1 | Phase 2 | Phase 3 |
|---|---|---|---|
| A/E Design | 190,000 | 400,000 | 550,000 |
| Construction | 1,528,000 | 3,050,000 | 4,375,000 |
| UI Owner/Admin Cost | 161,000 | 50,000 | 75,000 |
| **Total** | $1,879,000 | $3,500,000 | $5,000,000 |

Further explanation of the work of each phase follows.

The building includes a Recital Hall which seats almost 400 people. It is the site of many community performances and is the main performance space for the Lionel Hampton School of Music students and faculty. As such, the Recital Hall is the teaching laboratory for the LHSOM. During the annual Lionel Hampton International Jazz Festival, the Recital Hall is in use from dawn to dusk. The Hall is used every day throughout the academic year for classes, rehearsals, and performances. There are over 150 full concerts in the Recital Hall each year.

The Hall is located in the middle of the building, above other classroom space, and adjacent to various faculty offices and labs. Due to poor acoustical separation, there is significant sound transmission both into and out of the Recital Hall, negatively impacting recital and concert events, as well as activities in adjacent spaces. The School of Music must carefully schedule activities in the Hall and nearby classrooms, due to the lack of acoustical separation.

The priority needs to be met in this first phase of construction include resolution of the acoustical challenges in the building as well installation of updated seating, handicap seating, new floor coverings, and lighting enhancements.

Later phases of the project will serve to enhance teaching and learning spaces supporting music education at the university, to include construction and renovation of classrooms, production preparation and storage facilities, rehearsal spaces, loading dock, instrument storage, props shop, offices, and storage; technical facilities and equipment including stage equipment, lighting equipment, music equipment, sound system, video system, and communication systems; public areas, box office, food and beverage areas, restrooms, and administrative office areas.

The University seeks authorization to proceed with design of the overall project as endorsed by HUD, and with the construction of a limited phase 1 element, all within the available HUD funding. The design of the overall project will serve to validate, refine, and improve overall project scope and cost elements, and to generate graphical materials to support further fundraising for the overall project. The University will return to the Board at a later date for authorization of additional project elements as successes in private fundraising will allow.

| Milestone | Date |
|---|---|
| Regents initial authorization for Design for Recital Hall Renovations | June 2008 |
| HUD clarified grant limitations | August 2008 |
| Regents authorization for overall project design and limited construction for Phase 1 | October 2008 |
| Complete design for Phase 1 | February 2009 |
| Phase 1 Construction (limited to available HUD funding) | Summer/Fall 2009 |
| Later phases of design | 2009/2010 |
| Later phases of construction | TBD |

The projected timeline for the overall project is unknown and subject to change as the project is better defined through the design process. An updated set of milestones will be reviewed with the Board prior to authorization of subsequent project elements.

The project is fully consistent with the university's Strategic Plan, Long Range Campus Development Plan (LRCDP), and the Campus Infrastructure Master Plan.

## IMPACT

| **Funding** | | | **Estimated Budget** | | |
|---|---|---|---|---|---|
| State | $ | 0 | Construction | $ | 596,586 |
| Federal (Grant): | $ | 1,590,686 | A/E & Consultant Fees | $ | 833,100 |
| Other (UI/Bond) | $ | 0 | Contingency | $ | 161,000 |
| Total | $ | 1,590,686 | Total | $ | 1,590,686 |

## ATTACHMENTS

Attachment 1 – Capital Project Tracking Sheet Page 5

## STAFF COMMENTS AND RECOMMENDATIONS

This project will be planned to allow later phases of work in the Recital Hall and elsewhere in the building as additional private funding is acquired. However, if the additional funding is not obtained, the Recital Hall will still be a stand-alone, fully functional facility.

Staff recommends approval.

**BOARD ACTION**

A motion to approve the request by the University of Idaho to execute all necessary contracts in support of design for the renovations and expansion of the Music Building and for construction of renovations within the Recital Hall, for a total project budget of $1,590,686.

Moved by __________ Seconded by __________ Carried Yes _____ No _____

**Office of the Idaho State Board of Education**
**Capital Project Tracking Sheet**
As of Sep 1, 2008

**History Narrative**

1 **Institution/Agency:** University of Idaho **Project:** Lionel Hampton School of Music Renovations

2 **Project Description:** Design upgrades and improvements to the Music Building. Construction supports amenity renovations in the Recital Hall, providing acoustical separation, enhanced seating and lighting, as well as improvements to HVAC systems. Design work for later phases of the project will support a 10,000sf expansion of the building, as well as renovation of the remaining original structure.

3 **Project Use:** Improves programmed use of the space, comfort amenities for spectators, and allows nearby classroom spaces to be used simulataneously due to enhanced acoustical separation.

4 **Project Size:** Approx 7,000 sf to be renovated in the Recital Hall. Additional design supports later phases of building renovation (25,000sf) and expansion (10,000sf).

5

| | | Sources of Funds | | | | Use of Funds | | | |
|---|---|---|---|---|---|---|---|---|---|
| 6 | | PBF | ISBA | Other | Total Sources | Planning | Use of Funds Const | Other | Total Uses |
| 9 | Initial design phase authorization - Jun2008 | $ - | $ - | $ 157,500 | $ 157,500 | $ 157,500 | $ - | $ - | $ 157,500 |
| 10 | Design/construction Oct 08 | | | $ 1,433,186 | $ 1,433,186 | $ 675,600 | $ 596,586 | $ 161,000 | $ 1,433,186 |
| 11 | | | | | | | | | |
| 12 | | | | $ - | $ - | $ - | $ - | $ - | $ - |
| | | | | $ - | $ - | $ - | $ - | $ - | $ - |
| 13 | | | | | | | | | |
| 14 | **Total Project Costs** | $ - | $ - | $ 1,590,686 | $ 1,590,686 | $ 833,100 | $ 596,586 | $ 161,000 | $ 1,590,686 |

15

| 16 | | | | \|-------------------- Other Sources of Funds --------------------\| | | | | |
|---|---|---|---|---|---|---|---|---|
| 17 | **History of Funding:** | PBF | ISBA | Institutional Funds (Gifts/Grants) | Student Revenue | Other | Total Other | Total Funding |
| 18 | Initial Authorization Request - design phase - June 08 | $ - | | $ - | | $ 157,500 | $ 157,500 | $ 157,500 |
| 19 | Add'l authorization rqst - Oct 08* | $ - | | $ - | | $ 1,433,186 | $ 1,433,186 | $ 1,433,186 |
| 20 | | $ - | | $ - | | | $ - | $ - |
| 21 | | | | | | | - | - |
| 22 | | | | | | | - | - |
| 23 | Total | $ - | $ - | $ - | $ - | $ 1,590,686 | $ 1,590,686 | $ 1,590,686 |

24

25 * UI will seek construction authorization from the Regents prior to initiating later phases of work

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## UNIVERSITY OF IDAHO

### SUBJECT

Capital Project Authorization Increase Request, Design and Construct Residential Facility, UI Nancy M. Cummings Research, Education & Extension Center, Salmon, Idaho

### REFERENCE

| | |
|---|---|
| October 2006 | Initial Capital Project Authorization for Planning, Design and Construction Implementation. Regular Board Meeting, October, 2006 |
| June 2008 | Included in the Capital Improvement Budget Summary Submitted at the Regular Board Meeting, June, 2008 |
| August 2008 | Presented for Additional Project Authorization for Planning, Design and Construction Implementation. Regular Board Meeting, August, 2008 |

### APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedure, Section, V.K.1 & V.K.2

### BACKGROUND / DISCUSSION

This is a request for additional Regents Authorization to design and construct a Residential Facility to be located at the UI Nancy M. Cummings Research, Education & Extension Center, Salmon, Idaho.

This project and request for additional Regents Authorization was presented at the August, 2008 Regular Meeting of the Board of Regents. At that time the Request was held in abeyance, and the Board requested that the University bring the request back before the Board at the October, 2008 Regular Meeting with a justification for the increase and the high cost per square foot.

**Project History:**

In October 2006, the University of Idaho, College of Agricultural and Life Sciences (CALS), requested authorization to plan, design and construct a residential (dormitory) facility at the Nancy M. Cummings Research, Education & Extension Center located on approximately 1,025 acres of real property in Salmon, Idaho. This property was gifted to the University of Idaho with the agreement that the College of Agricultural and Life Sciences would promote research, economic development and educational opportunities for the residents of Lemhi and surrounding counties, and secondarily to the state of Idaho, the nation and the world.

The Initial Regents Authorization level was set at $1,500,000 for the project during the October, 2006 Regular Board meeting. It is important to note that this number was based upon budgetary targets; no design work had been completed at that time. In the materials submitted to the Board at that time, the University noted that the overall project cost estimate will be refined and improved as part of this planning process. The University further pledged to report back to the Board of Regents any resulting revisions to the project estimate and seek additional project authorization as may be required.

As the project design progressed, the Design Team consisting of the College of Agricultural and Life Sciences, University of Idaho Facilities and the Design West Architects and their consulting team worked to keep the project in budget. The period from 2006 to 2008 is one in which the construction industry as a whole experienced significant cost escalations in commodities such as metals, concrete, and fossil fuels. Rapidly escalating costs in these areas fueled cost adjustments in materials across the board. Several cost estimates were performed at key design phase milestones. The design team met numerous times to examine scope, perform value engineering exercises and look for methods to keep costs estimates within reason in an environment of rapid escalation.

The project was reported to the Regents in the annual Capital Improvement Budget Summary as submitted at the June, 2008 meeting at a total project cost of $1,800,000. This figure was based upon the results of the most recent cost estimate, performed in late April, 2008. The Architect also verified this estimate by requesting a review to the Construction documents and the estimate from two, separate General Contractors.

The design phase for the project was completed in June, 2008 and the University publicly opened bids in July of 2008. The university received six competitive bids:

| ***Bidder*** | ***Location*** | ***Total Bid (Base + Alternates)*** |
|---|---|---|
| Bateman Hall | Idaho Falls | $1,896,000 |
| W.R.Henderson | Rexburg | $2,259,980 |
| **Commercial General** | **Idaho Falls** | **$1,812,100** |
| Rivers West | Idaho Falls | $2,200,500 |
| Ovard | Idaho Falls | $2,134,500 |
| Harris General | Pocatello | $1,880,000 |

Based upon the bids received, the total project cost - to include all A/E fees, geotechnical engineering fees, plan check and construction materials testing fees, fixtures and furnishings for a complete and functional facility, and prudent construction and project contingencies, etc. - for the effort is now $2,213,410.

The apparent low bid results in a total project cost increase of approximately 23% more than the total project cost based upon the April 2008 design phase milestone estimate as reported in June, 2008, and an increase of approximately 47% over the initial estimates in October, 2006.

Upon receipt of the bids, the design team met to evaluate the bids, and re-evaluate the scope. The College of Agricultural and Life Sciences confirmed that the scope of the project was the correct scope in support of the programmatic goals and requirements for the facility. Further, the fact that six bids were received, and that the bottom three bids were within 4% of each other, indicates that a fair, market value price had been bid for the scope.

As a result of that session, and subsequent sessions on the same topic, the University believes the cost escalation in the Total Project Budget can be best ascribed to:

- The period October 2006 to July 2008 was one in which the construction industry as a whole saw rapid escalation in commodity materials such as concrete, asphaltic-based products and metals – with corresponding costs adjustments in other materials and items – between 10% to 15% per annum. Nearly two years of escalation at those rates, compounded, accounts for 21% to 33% escalation.
- Furnishings beyond Installed Equipment were not originally accounted for within the Project Budget. They are now included – along with an associated design fee for their identification and specification.
- A nominal amount, approximately $29,000, was added to the administrative fees to cover additional design team services related to achieving LEED Certified status in response to adopted University Policy. Conversations with bidders both before and after the bid lead the University to the conclusion that the aspiration to attain LEED Certified status is cost neutral in terms of the bid, construction costs.
- Design process decisions during the Design Phase related to a level of fit and finish in keeping with the import this facility has within Beef Industry in the State of Idaho and the Pacific Northwest. The facility is to house research and industry representatives from Idaho, Washington, Montana, Wyoming, Utah, etc. The facility needs to have a basic level of quality in accordance with the programmatic mission. The facility is not extravagant by any means of measure, however, the facility as designed and bid is not a bare, exposed structure.
- Conversations with bidders prior to the bid led the University to believe that at least one local, Salmon, Idaho, Contractor would bid the project as a General Contractor. We believed this bidder would have a comparative advantage. In the end, there were no local bidders as General Contractors.
- The remote location. Given no local bidders, the location in Salmon causes an increase in transportation costs.

- The 23% increase from final, pre-bid estimate in late April of 2008 to June of 2008 matches nearly identically an approximate 21% increase in fuel prices over the same period of time. This sudden and rapid escalation in fuel prices likely contributed to an overall context of uncertainty. Couple that uncertainty with the remote location and it is a very logical conclusion that the pricing likely reflects a higher degree of bid contingency on the part of the General Contractors than might normally be the case. Given that the bottom three bidders fall into a tight range, this appears to be an accurate reflection of the market forces at work.

The College of Agricultural and Life Sciences therefore identified requisite funding to allow the award to proceed.

**Sources of Funding:**
Funding sources are from College of Agricultural and Life Sciences reserves. These reserves have been accumulated during the past four years to address strategic initiatives identified by CALS Leadership, once the decision was made by President White to accept the gift from the Auen Foundation in 2004.

Because the facility costs were more than anticipated, the CALS administration will have to further realign funding sources to address faculty startup packages, deferred maintenance, equipment purchases, and other capital projects.

**Programmatic Goals and Objectives of the Project:**
The Nancy M. Cummings Research Education and Extension Center (NMCREEC) is dedicated to the study and teaching of sustainable, integrated forage-based beef production and associated environmental interactions. University of Idaho faculty and staff affiliated with the Center promote the understanding and practice of meeting both beef production and environmental goals through collaborative research programs, and delivery of resulting educational information to K – 12, undergraduate and graduate students as well as diverse groups in the Salmon River region and the state of Idaho.

Goals of the project include:

1. NMCREEC is a premier Center in the Western United States for the study and teaching of sustainable, integrated, forage-based beef production and associated environmental interactions.
2. NMCREEC is a community-based resource for enhancing education for the Salmon River region, the state, nation and world.
3. NMCREEC is a Center focused on a collaborative relationship between production and environmental goals.

This living/conference facility is instrumental in meeting the infrastructural needs at NMCREEC to meet these programmatic goals. As a component in addition to the land and water resource base of NMCREEC, this structure will facilitate increased educational and diverse activities including Youth/4H/FFA, adult and continuing education, undergraduate internships, graduate research and education, industry-related research and programmatic needs (Idaho Cattle Association, Idaho Beef Council, etc), and cultural/educational/industry needs of the City of Salmon and the Salmon River Valley Region, and associated federal (BLM) agencies.

The project is supported and endorsed by the organizations mentioned above. It is a critical facility in developing the links and synergies between industry, research and educational stakeholders associated with forage-based beef production.

**Summary:**
This request for additional authorization is based upon the bids received and will allow the University to proceed. As the bids received in July, 2008 have now expired, there is the potential that the university will need to rebid the project.

The project includes planning, pre-design, design, bid, award and construction phase activities necessary to construct a new building of approximately 7,430 GSF, complete. The facility as designed features 16 dormitory rooms for faculty, staff, students, administrative personnel and constituent groups, a family sleeping room, a large assembly space for conferences and community outreach events, restrooms, kitchen, laundry and ancillary spaces. The project includes all systems and appurtenances necessary for a complete and functional installation.

The project is fully consistent with the university's strategic plan and its goals related to research, extension and outreach.

## IMPACT

Immediate fiscal impact of this effort is $2,213,410. The project fund source is identified capital funds within the College of Agricultural and Life Sciences

| Funding | | Estimated Budget | |
|---|---|---|---|
| State | $ 0 | Construction | $1,832,100 |
| Federal: | 0 | A/E Fees | 188,450 |
| Other (State & UI) | 2,213,410 | Contingency & Other | 192,860 |
| Total | $2,213,410 | Total | $2,213,410 |

## ATTACHMENTS

Attachment 1 – Capital Project Tracking Sheet Page 7

## STAFF COMMENTS AND RECOMMENDATIONS

The University estimates the approximate cost increase of $713,410 can be generally attributed to the following:

| | |
|---|---|
| Increase in construction materials | $315,000 - $495,000 |
| Furnishings beyond Installed Equipment | 89,000 - 91,000 |
| LEED Certified status | 29,000 |
| Contingency | 22,000 |

The total of $2,213,410 includes the low bid of $1,812,100, Architectural and Engineering fees of $188,450, and contingency of $192,860.

Although the recent events in the financial markets may have a positive effect on construction costs in the near future, the University believes similar cost reductions may not be realized in singular, on their own, remote projects – especially for projects scheduled for the fall and winter.

As noted by the University, due to the increase in costs the College of Agricultural and Life Sciences will have to reallocate funding sources to address faculty startup packages, deferred maintenance, equipment purchases, and other capital projects.

Staff recommends approval.

## BOARD ACTION

A motion to approve the request by the University of Idaho to increase the Capital Project Authorization for the Residential Facility, UI Nancy M. Cummings Research, Education & Extension Center, Salmon, Idaho from $1,500,000 to $2,213,410 to allow for the full implementation of the construction phase.

Moved by__________ Seconded by___________ Carried Yes_____ No_____

**Office of the Idaho State Board of Education**
**Capital Project Tracking Sheet**
As of 6 sep 08, 2008

**History Narrative**

1 **Institution/Agency:** University of Idaho **Project:** Residential Facility to be located at the UI Nancy M. Cummings Research, Education & Extension Center, Salmon, Idaho.

2 **Project Description:** Project includes planning, pre-design, design, bid, award and construction phase activities necessary construct a new building, complete, to house up to 16 dormitory rooms for faculty, staff, students, administrative personnel and constituent groups, a family sleeping room, a large assembly space for conferences and community outreach events, restrooms, kitchen, laundry and ancillary spaces. The project includes all systems and appurtenances necessary for a complete and functional installation.

3 **Project Use:** The project house faculty, staff, students, administrative personnel and constituent groups while performing research and attending conferences and community outreach events. The project supports research, economic development and educational opportunities for the residents of Lemhi and surrounding counties, and to the state of Idaho.

4 **Project Size:** 7,430 GSF

| | Sources of Funds | | | | Use of Funds | | | |
|---|---|---|---|---|---|---|---|---|
| | **PBF** | **ISBA** | **Other** | **Total Sources** | **Planning** | **Use of Funds Const** | **Other**** | **Total Uses** |
| 9 **Initial Cost of Project** | | | $ 1,500,000 | $ 1,500,000 | $ 150,000 | $ 1,227,000 | $ 123,000 | $ 1,500,000 |
| 11 **History of Revisions:** | | | | | | | | |
| Additional Authorization Request, Jul 08 | | | $ 713,410 | $ 713,410 | $ 38,450 | $ 605,100 | $ 69,860 | $ 713,410 |
| Additional Authorization Request, Resubmittal Sep 08 | | | $ - | $ - | $ - | $ - | $ - | $ - |
| 14 **Total Project Costs** | $ - | $ - | $ 2,213,410 | $ 2,213,410 | $ 188,450 | $ 1,832,100 | $ 192,860 | $ 2,213,410 |

| **History of Funding:** | **PBF** | **ISBA** | \|-------------------- * Other Sources of Funds --------------------\| **Institutional Funds (Gifts/Grants)** | **Student Revenue** | **Other** | **Total Other** | **Total Funding** |
|---|---|---|---|---|---|---|---|
| 18 Original Authorization, Oct 06 | | | $ 1,500,000 | | | $ 1,500,000 | $ 1,500,000 |
| 19 Additional Authorization Request, Jul 08 | | | $ 713,410 | | | $ 713,410 | $ 713,410 |
| 20 Additional Authorization Request, Resubmittal Sep 08 | | | $ - | | | $ - | $ - |
| 21 | | | | | | - | - |
| 22 | | | | | | - | - |
| 23 Total | $ - | $ - | $ 2,213,410 | $ - | $ - | $ 2,213,410 | $ 2,213,410 |

26 ** Project Contingency

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## UNIVERSITY OF IDAHO

### SUBJECT

Informational item to update Board on status of family and graduate student housing and potential development option

### REFERENCE

June 2001 — Strategic Plan Presentation

### APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V.K.1.

### BACKGROUND / DISCUSSION

University of Idaho Housing provides campus living options for both single graduate students and graduate student families. University housing has the capacity to accommodate 242 graduate student families in four unique communities: South Hill, South Hill Vista, Elmwood, and Graduate Student Residences.

South Hill apartments were built beginning in 1972 and continued through 1985. The buildings were designed to be 25-30 year buildings. Currently, of the 132 apartments available in South Hill only 75 are habitable. The remaining 57 apartments have been closed due to mold, excessive deferred maintenance, or water mitigation issues. Thirty six years after the first building opened, there is a need to address the poor condition of these buildings. The university estimates a total of $75 million in deferred maintenance needs in the South Hill Complex.

Graduate family housing is generally at full capacity, having to turn students away. The Long Range Campus Development Plan (2000 update added to the 2001 Strategic Plan) dedicates a portion of the space along Sweet Avenue as future housing, academic and parking sites. The envisioned potential project to redevelop South Hill, could include new development in a portion of this space. Any such development would not affect the academic portion of the footprint; there are no immediate plans to build or bond in the academic area.

In studying strategies to redevelop South Hill, departmental leadership has found it to be financially infeasible to internally fund and construct new facilities without adding costs to all residents of housing (beyond South Hill). The university recognizes the need to improve existing housing and create additional housing without issuing additional debt or using central cash reserves due to competing facility demands and limited debt capacity. An alternative is to explore collaboration with a private entity to replace these aging facilities, in a manner such that the collaboration would not affect the university's debt capacity.

The university plans to explore the potential for a collaborative public-private housing development for graduate student housing. As a first step, the university will issue a request for information and qualifications (RFIQ) to identify the market interest and abilities.

Working with a private housing development entity could allow the university to quickly modernize housing inventory, offer creative approaches to housing dilemmas, and meet student needs without increasing the debt of the University. In addition, new development would provide opportunities to design facilities that better meet occupancy demands and student needs. A public-private development would allow the university to transfer construction risk and obligations to the private developer, while freeing up existing university funds to use for other needs. By addressing South Hill through new construction using funding by an outside investor, University Housing would not have to continue to invest its own monies into clearly failing facilities but invest toward other Housing deferred maintenance projects.

**IMPACT**

The large renovation backlog and high existing debt service has created significant obstacles to renovation and upgrading the existing housing inventory. The university intends to use this RFIQ process to identify the potential for alternative creative solutions to current and future housing needs. This presentation is to provide an overview; any project will be presented separately for Board action as required by Board policy.

**ATTACHMENTS**

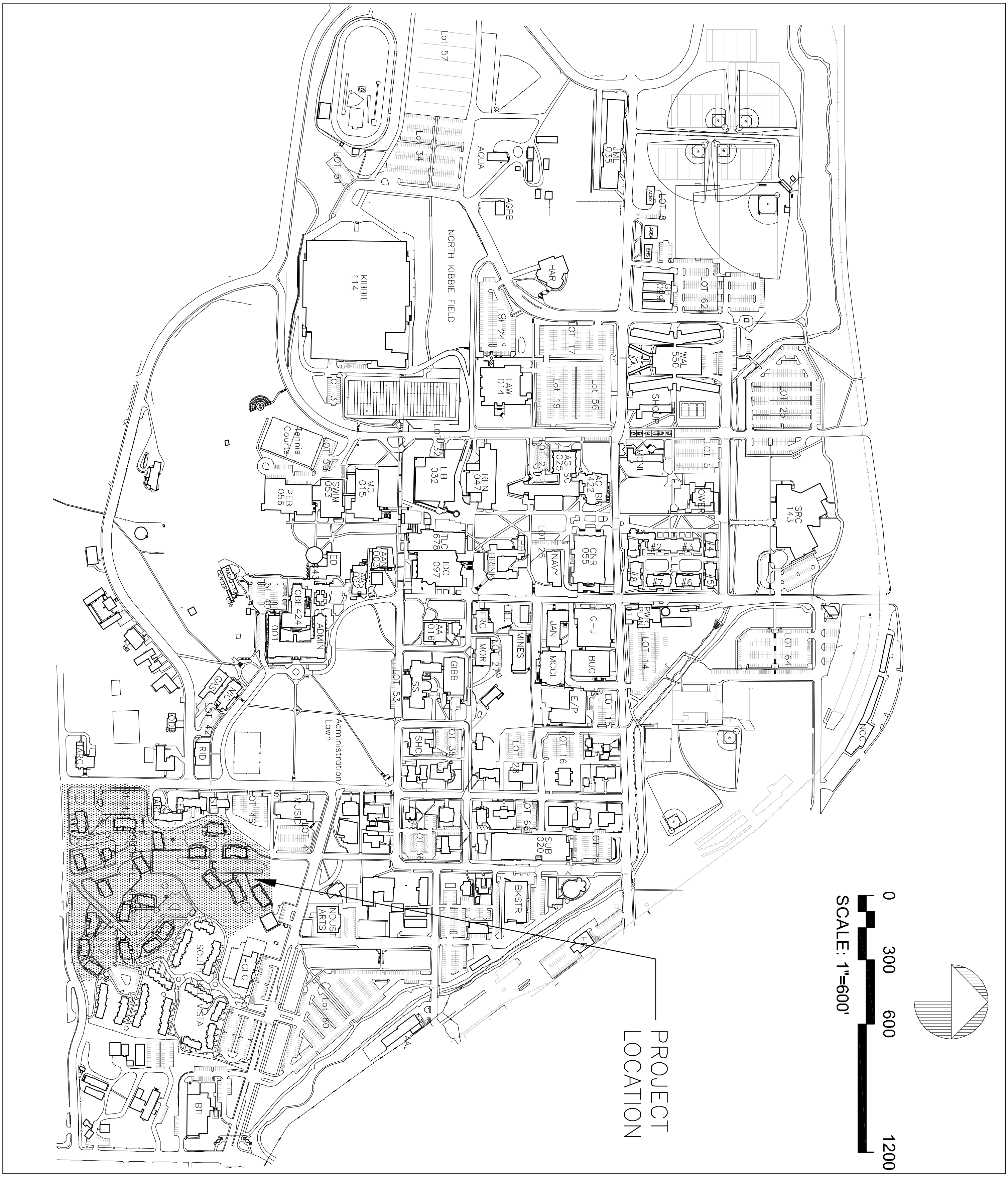
| | |
|---|---|
| Attachment 1 – Campus Map with location | Page 3 |
| Attachment 2 – LRCDP map with location | Page 4 |

**STAFF COMMENTS AND RECOMMENDATIONS**

The Board has requested other institutions to examine the alternative of collaborating with a private entity to replace aging facilities, in a manner such that the collaboration would not affect the university's debt capacity. Therefore, this strategy is consistent with prior Board direction.

**BOARD ACTION**

This item is for informational purposes only. Any action will be at the Board's discretion.




| SHEET NUMBER | SHEET CONTENTS |
|---|---|
| 1 | |

**VICINITY MAP**

**GRADUATE AND FAMILY HOUSING REDEVELOPMENT**

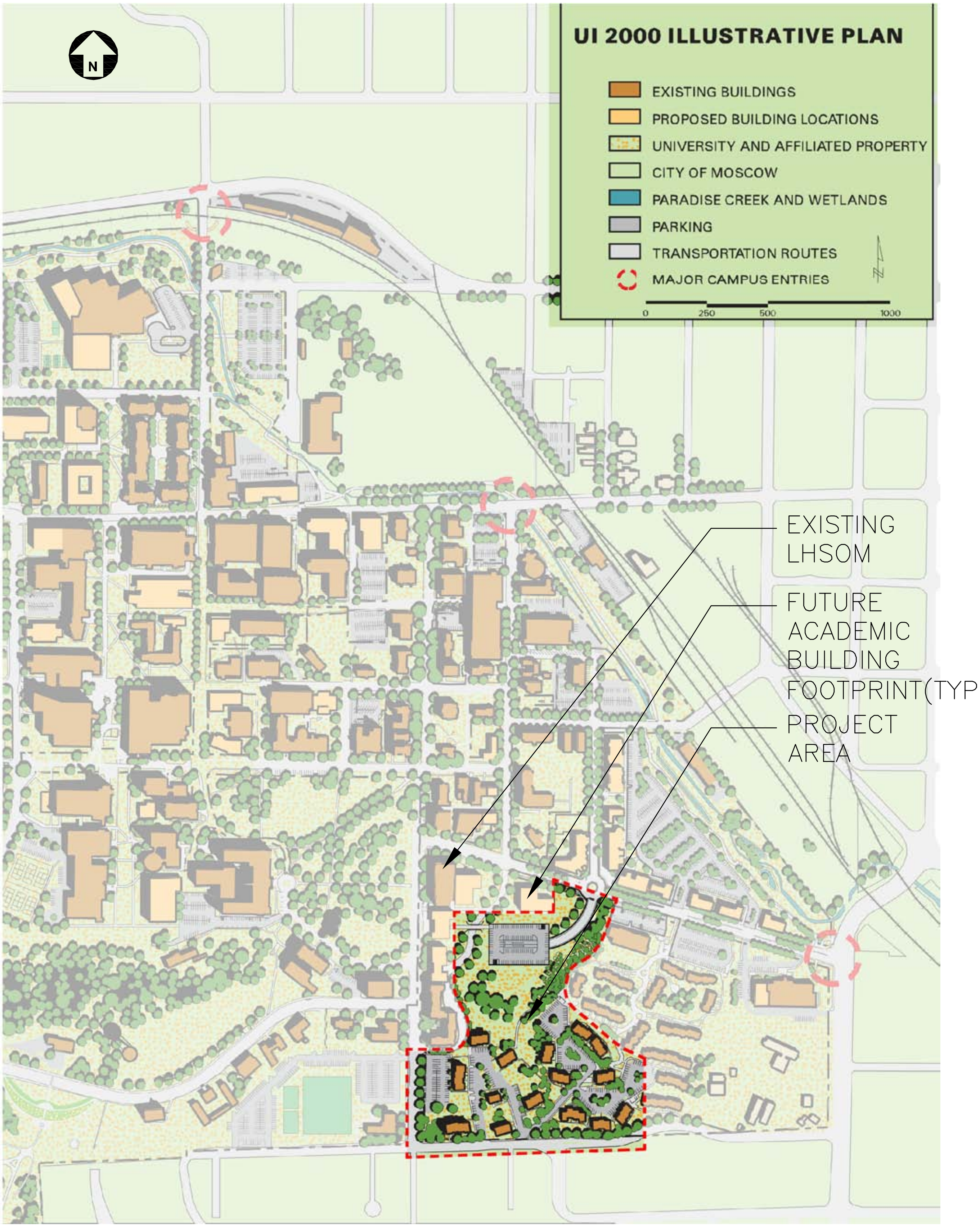
| ISSUE DATE: 08/28/2008 | DRAWN BY: BC | CAD FILE NAME: Vicinity Map.dwg |
|---|---|---|
| ARCHIVE FILE NO.: | PROJECT MANAGER: RP | |
| PROJECT NUMBER: | PRINCIPAL ARCHITECT: | |

University of Idaho

Architectural & Engineering Services

Moscow, Idaho 83844-2281

(208) 885-7250




| | | |
|---|---|---|
| **PROJECT LOCATION** | | |
| **GRADUATE AND FAMILY HOUSING REDEVELOPMENT** | | |
| ISSUE DATE: 08/28/2008 | DRAWN BY: HT | CAD FILE NAME: Vicinity Map.dwg |
| ARCHIVE FILE NO.: | PROJECT MANAGER: RP | |
| PROJECT NUMBER: | PRINCIPAL ARCHITECT: | |

University of Idaho
Architectural & Engineering Services
Moscow, Idaho 83844-2281
(208) 885-7250

SHEET NUMBER
**2**

**UNIVERSITY OF IDAHO**

**SUBJECT**

Request for approval of settlement agreement – No. 1

**APPLICABLE STATUTE, RULE, OR POLICY**

Idaho State Board of Education Governing Policies & Procedures, Section V.I.7. Sections 67-2345(d), (e) and (f), Idaho Code.

**BACKGROUND / DISCUSSION**

University of Idaho requests approval of the settlement agreement consistent with the terms discussed in executive session.

**IMPACT**

Approval of the settlement will bring finality to this matter.

**STAFF COMMENTS AND RECOMMENDATIONS**

Staff has no comment on this item.

**BOARD ACTION**

A motion to approve the settlement and to authorize the Vice President of Finance of the University of Idaho to sign all necessary settlement documents.

Moved by __________ Seconded by __________ Carried Yes _____ No _____

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**UNIVERSITY OF IDAHO**

**SUBJECT**

Request for approval of settlement agreement – No. 2

**APPLICABLE STATUTE, RULE, OR POLICY**

Idaho State Board of Education Governing Policies & Procedures, Section V.I.7. Sections 67-2345(d), (e) and (f), Idaho Code.

**BACKGROUND / DISCUSSION**

University of Idaho requests approval of the settlement agreement consistent with the terms discussed in executive session.

**IMPACT**

Approval of the settlement will bring finality to this matter.

**STAFF COMMENTS AND RECOMMENDATIONS**

Staff has no comment on this item.

**BOARD ACTION**

A motion to approve the settlement and to authorize the Vice President of Finance of the University of Idaho to sign all necessary settlement documents.

Moved by __________ Seconded by __________ Carried Yes _____ No _____

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## UNIVERSITY OF IDAHO

### SUBJECT
Request for approval of settlement agreement – No. 3

### APPLICABLE STATUTE, RULE, OR POLICY
Idaho State Board of Education Governing Policies & Procedures, Section V.I.7. Sections 67-2345(d), (e) and (f), Idaho Code.

### BACKGROUND / DISCUSSION
University of Idaho requests approval of the settlement agreement consistent with the terms discussed in executive session.

### IMPACT
Approval of the settlement will bring finality to this matter.

### STAFF COMMENTS AND RECOMMENDATIONS
Staff has no comment on this item.

### BOARD ACTION
A motion to approve the settlement and to authorize the Vice President of Finance of the University of Idaho to sign all necessary settlement documents.

Moved by __________ Seconded by __________ Carried Yes _____ No _____

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## UNIVERSITY OF IDAHO

### SUBJECT
Approval for collection action

### APPLICABLE STATUTE, RULE, OR POLICY
Idaho State Board of Education Governing Policies & Procedures, Section V.I.7.
Idaho Code Section 67-2345(d), (e) and (f).

### BACKGROUND / DISCUSSION
Pursuant to Idaho Code Section 67-2345(f), this item will be discussed in executive session.

### IMPACT
After considering probable litigation in executive session and materials submitted to the Board by counsel, if the Board wishes, it can grant authority to the University to commence litigation. The complaint, upon filing by the University will become a public document.

### STAFF COMMENTS AND RECOMMENDATIONS
Staff has no comment on this item.

### BOARD ACTION
A motion to approve filing of the complaint discussed in executive session and authorize the General Counsel of the University of Idaho to sign the complaint and all other documents necessary for filing the complaint.

Moved by __________ Seconded by __________ Carried Yes _____ No _____

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## LEWIS-CLARK STATE COLLEGE

### SUBJECT

Privately-owned residence facility (Clearwater Hall) purchase

### REFERENCE

| | |
|---|---|
| October 2004 | LCSC informed Board of shortage of residence hall space for Lewiston campus. |
| December 2004 | Board asked for needs analysis and competitive RFP. |
| January 2005 | Board asked LCSC to explore possibility of private enterprise building new residence halls, and/or advantages of self-financing without a lease. |
| March 2005 | Board approved sale of tax-exempt bonds to fund the construction of a residence hall; however, at Board request, LCSC promised to postpone action until private firms had time to develop proposals. |
| October 2005 | After LCSC was contacted by two firms (each proposing to fund and build a residence hall), the Board approved the sale of lots to provide land for private development of (College Place) residence hall. |
| June 2006 | Board approved management agreement for the first of two privately-developed residence halls (College Place) located adjacent to Campus on 4$^{th}$ St. |
| November 2006 | Board approved management agreement for the second of two-privately developed residence halls (Clearwater Hall) located in downtown Lewiston. |
| April 2008 | Board authorized LCSC to make offer to purchase residential portion of Clearwater Hall. |

### APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Sections V.I.1. through V.I.2.

### BACKGROUND / DISCUSSION

The builders and current owners [College Town Development Idaho (CTDI)] of Clearwater Hall (the new residence facility which opened for operations in August 2006) on Main Street in downtown Lewiston, have asked LCSC to purchase the residential portion of the property. The investors in this private development project incurred operating losses as a result of not having been able to lease the commercial space on the street level of the facility and lower-than-expected revenues for the residential portion of the facility.

CTDI's investors assumed that commercial space on the ground floor of the building would be leased out almost continuously, generating revenues of over $120,000 per year, and that the 117 bed spaces in the residence hall portion of the building would be full 12 months each year. In the two years since the building opened, no tenants have been placed in the commercial space, and occupancy rate in the upstairs residential units averaged less than 80% over the Fall and Spring semesters. These lower-than-expected occupancy rates were due to a combination of factors including:

> 1) Problems with missing or non-functioning equipment/services when the facility opened for its first year of operation, and;
> 2) The simultaneous addition of two new residence halls (College Place and Clearwater Hall) which created temporary overcapacity (an instantaneous increase of approximately 200 beds). [This temporary housing glut was unanticipated—the College had experienced significant housing shortages in the 3-year period prior to the opening of the two new privately-developed halls—a period in which dozens of spillover students were housed each year under contract at the local Red Lion hotel.]

LCSC's current management agreement with the owners has limited the College's exposure to financial risk for facility operations. LCSC foregoes a small management fee when occupancy rates drop below 85%, while the owners bear the financial risk in the event commercial space and residential space revenues are lower than anticipated. Because of near-term cash flow problems and difficulties securing long-term financing, the investors are seeking to sell the property.

In January 2008, after the owners urged LCSC to purchase the facility, the College analyzed the potential costs and benefits of assuming direct ownership of the residential space. LCSC suggested that, based on an analysis of the value of the property based on revenues/costs that the College would incur, a ballpark figure of between $3.8M and $3.9M would be the likely maximum amount that institution and its Board of Trustees would likely be able to offer (significantly less than the $5.2M the owners' believed the College could and should pay for the facility. After additional discussion/analysis, the owners agreed to consider LCSC taking a $3.8M to $3.9M proposal to the State Board.

On April 17, 2008, the State Board authorized LCSC to make an offer of $3.8M—or the appraised value of the property (an appraisal was still underway at the time of the April Board meeting)—whichever was lower.

LCSC's appraisal for the property, received in mid-July 2008, estimated that the "as is" commercial value of the property to another potential investor was $2.8M (a weighted average of a $2.48M "income approach" value, a $2.925M "sales comparison approach" value, and a $3.745M "cost approach" value).

In accordance with the Board's guidance in its April 2008 decision, LCSC subsequently offered (Atch 2) CTDI $2.8M for the residential portion of the facility. CTDI rejected LCSC's offer, and argued that the College's appraisal of the property reflected the value another outside business would be willing to pay for the facility to take CTDI's place and work with LCSC under the current arrangements and past demand rates—rather than the expected value to LCSC if it were to become the owner/operator. The owners maintained that a $3.8M price would be a bargain in light of the costs the State would incur to obtain a new facility. CTDI stressed that it had invested over $6.2M in the property. The Nez-Perce County Assessor (in April 2008) placed a $3.8M value on the residential portion of the property. In conjunction with its rejection (see Atch 3) of LCSC's offer, the owner's provided a copy of their investment bank's independent appraisal of the property (Key Bank appraisal excerpts at Atch 4)—which they maintained supported a value to LCSC of over $3.5M, plus $300K value added in light of LCSC's future occupancy growth, for a total counter offer of $3.8M. The owners contend that the value of the residential portion of the building if LCSC were to assume direct ownership (rather than manage on behalf of some other investor group which would assume CTDI's limitations under the current management agreement) is $5.3M.

Structural Assessment: LCSC engaged a structural engineer to examine the condition of the premises. Two significant areas requiring prompt attention were noted: installation of missing grout in bearing plates supporting some of the steel columns for the structure to increase seismic resistance, and repairing ("tuckpointing") some of the mortar on the bricks for some of the original masonry on the older section of the building. LCSC's portion of the associated repair costs are estimated to be $100K or less.

Financing: The College has worked closely with financial advisors to analyze possible financing options for the purchase, if it were to be acceptable to the Board. The College's offer assumes an amortization period of 27 years, based on financing via a 4.9% secured note, with a balloon payment after 15 years. Potential revenues are projected at an 80% average annual occupancy rate during the regular academic year over the life of the investment, with only token revenue projected for summer months. LCSC's offer price would include purchase of all furniture (new condition) already in place in the facility.

LCSC's proposed $3.7M counter-offer would represent fair value for the facility and its fixtures and furniture, providing funding to make minor repairs or upgrades to the facility, as needed.

**IMPACT**

During the period of the owners' financial difficulties, and despite high turnover of personnel at CTDI, the College has been able to sustain normal operations at Clearwater Hall. As of the time of writing, Clearwater Hall is full, and there is a waiting list for residence hall spaces with students temporarily housed in makeshift dorm quarters (occupancy rates have increased over 19% compared to Fall 2007). If a suitable purchase arrangement cannot be worked out, LCSC students now living in (or programmed to backfill future openings in) Clearwater Hall may have to be relocated for the 2008-2009 school year, or, if foreclosure were to occur, operations at the facility might have to be negotiated out with the owners' bankers. Timely closure on a purchase would minimize disruptions to students and would channel revenue streams immediately to LCSC.

The Board strongly encouraged the private-public partnership approach as a method of quickly and inexpensively expanding residence space at LCSC. A good faith effort to sustain this existing residence hall would help support LCSC's students and the College's relations with other partners and the local community. If the purchase is authorized by the Board, the College will maintain its current approval rights over the type of tenant businesses that would be eligible to lease the downstairs commercial space in close proximity to student residents.

If the Board approves LCSC's request to make a counter-offer of $3.7M for the facility, and if that offer were to be accepted by the owners, the College will proceed immediately to secure financing to lock in favorable interest rates, under the approach outlined above. The College assesses that a purchase of the facility lies within the financial means of the institution and, under conservative assumptions, the business model would result in positive net cash flows to the College within approximately 10 years. Ownership of the facility would enable LCSC to improve services for its growing population of student residents, decommission decrepit residence facilities, and improve utilization rates and quality factors for the College's residential program as a whole.

**ATTACHMENTS**

| | |
|---|---|
| Attachment 1 – AGNW ("Sprute") Appraisal (excerpt) | Page 7 |
| Attachment 2 – LCSC letter proposing $2.8M purchase price | Page 47 |
| Attachment 3 – CTDI rejection and $3.8M counter offer | Page 49 |
| Attachment 4 – Key Bank ("Lembeck") Appraisal (excerpt) | Page 55 |

**STAFF COMMENTS AND RECOMMENDATIONS**

As noted in the April staff comments, the construction costs for the building, which was opened in August 2006, amounted to $6.2M. While the institution is not purchasing a new building, they believe the building has not depreciated very much in 2 years. The value of the building based on the construction costs and 75% of the building would be $4.65M compared to the appraised value of $2.8M. CTDI is still the owners and managers. The current estimated occupancy rate is about 100%. The prior year's occupancy rate was below 80% in part as a result of over-capacity getting ahead of actual growth. Even though occupancy is estimated about 100%, CTDI still wants to remove themselves from the financial risk. Clearwater Hall is at 100% capacity and there is a waiting list for residence hall spaces. Should the property be foreclosed or sold to another party, the financial risks need to be assessed on either LCSC losing the residence hall spaces or negotiating with the bank or new owner.

**BOARD ACTION**

A motion to approve the request by Lewis-Clark State College to purchase the residential portion of Clearwater Hall from College Town Development Idaho, for $3.7M, to pursue the financing as presented by University, and to authorize the Vice President for Finance and Administration of the University to execute the documents.

Motion by ______________ Seconded by ____________ Carried Yes ___No___

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Appraisal Group NorthWest

**Real Estate Appraisers & Consultants**

***COMPLETE APPRAISAL-SUMMARY REPORT***

***CLEARWATER APARTMENTS***
***402-418 Main Street***
***Lewiston, Idaho***
***As of April 8, 2008***

Prepared For

**LEWIS-CLARK STATE COLLEGE**

**Prepared By**

**MICHAEL J. SPRUTE, MAI**

**Appraisal Group NorthWest**

**Real Estate Appraisers & Consultants**

*June 6, 2008*

*Kent Kinyon*
*Controller*
*Lewis-Clark State College*
*500 8th Avenue, Controller's Office*
*Lewiston, ID 83501*

*RE:* ***Complete Appraisal-Summary Report***
*Clearwater Apartments*
*402-418 Main Street*
*Lewiston, Idaho*

*Dear Mr. Kinyon:*

*At your request, I have analyzed the real property referenced above to estimate the market value of the Fee Simple Interest as it appeared on April 15, 2008, the date of inspection. This appraisal is described in detail in the attached Complete Summary report that consists of 44 pages and Addenda.*

*This appraisal report has been prepared in accordance with the Standards of Professional Practice and Code of Ethics of the Appraisal Institute, the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and my interpretation of the current reporting requirements of federally regulated lending institutions. No required approach was omitted and the analysis developed for each is adequate.*

*On April 8, 2008, and at other times since, I personally inspected the subject property and investigated the market for this type of property and other pertinent facts affecting value. The subject property is a two and three story, ±34,314sf, 32-suite student housing facility with 117 bedrooms above a main floor of commercial space on a ±19,500sf useable site in downtown Lewiston. I have also talked with well-informed brokers, other appraisers, assessors and other property owners in the community for the purpose of forming an opinion of value.*

*I have prepared an opinion of the market value as of the date of inspection. Based on my examination and study of the property and the market, and subject to the assumptions and limiting conditions contained in this report, the estimated market value of the Fee Simple Interest in the subject property is* ***$2,800,000***, ***"AS IS"*** *with* ***$2,600,000*** *attributed to the real property and* <u>*$200,000*</u> *for the furniture, fixtures and equipment.*

*Respectfully,*

*Michael J. Sprute, MAI*
*Idaho State Certified General Appraiser*
Cert. No. CGA-163

1225 N. Argonne Rd., Suite B· Spokane Valley, WA 99212
(509) 324-3555 • FAX: (509) 534-2021

## TABLE OF CONTENTS

## SUBJECT PHOTOS

View Southeast of the older west half from Main Street

View southeast of new 4-Story building from Main Street

SUBJECT PHOTOS

View southwest from 5th Street and Main Street

View westerly from across 5th Street

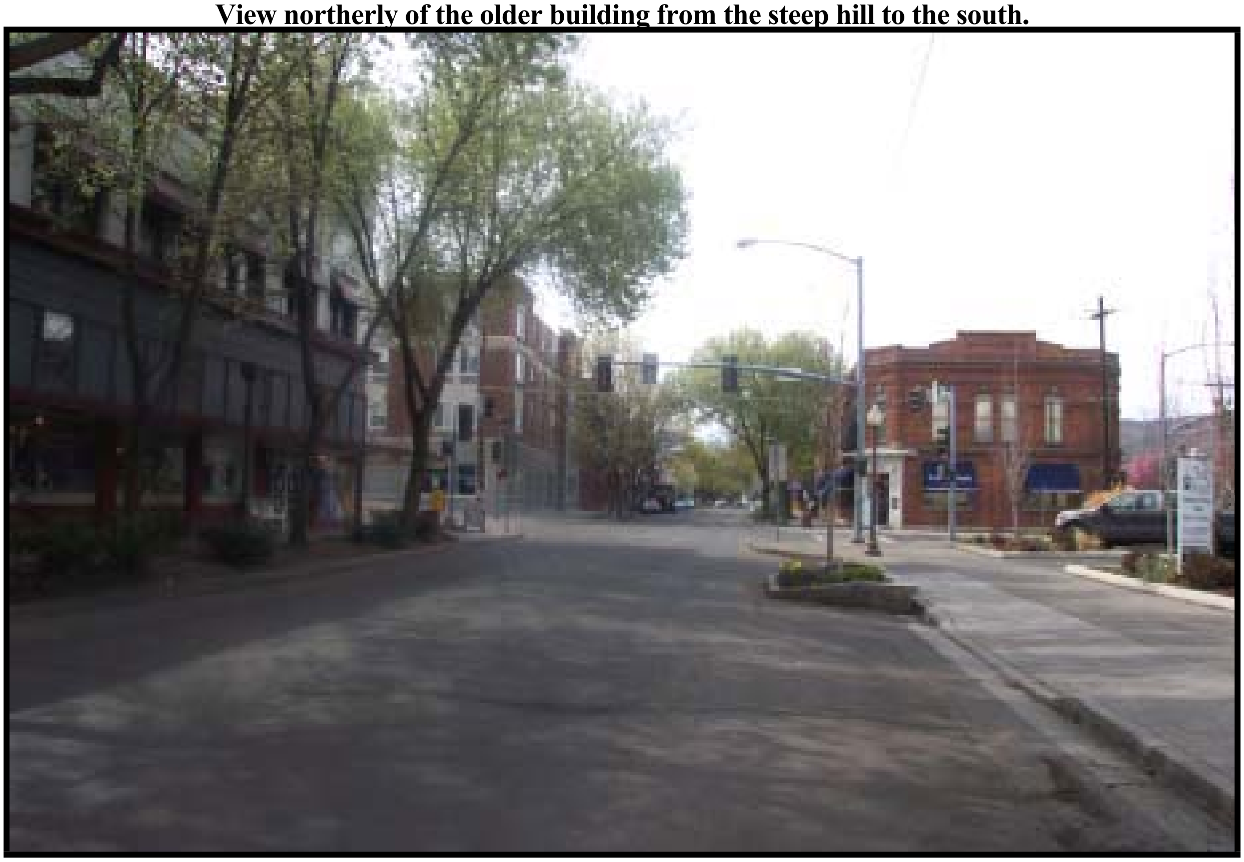
**SUBJECT PHOTOS**

**View northerly from the 5th Street hill.**

**View north of the new building from the top of the steep hill to the south.**

## SUBJECT PHOTOS

View northerly of the older building from the steep hill to the south.



View west along Main Street from east of 5th.

## SUBJECT PHOTOS

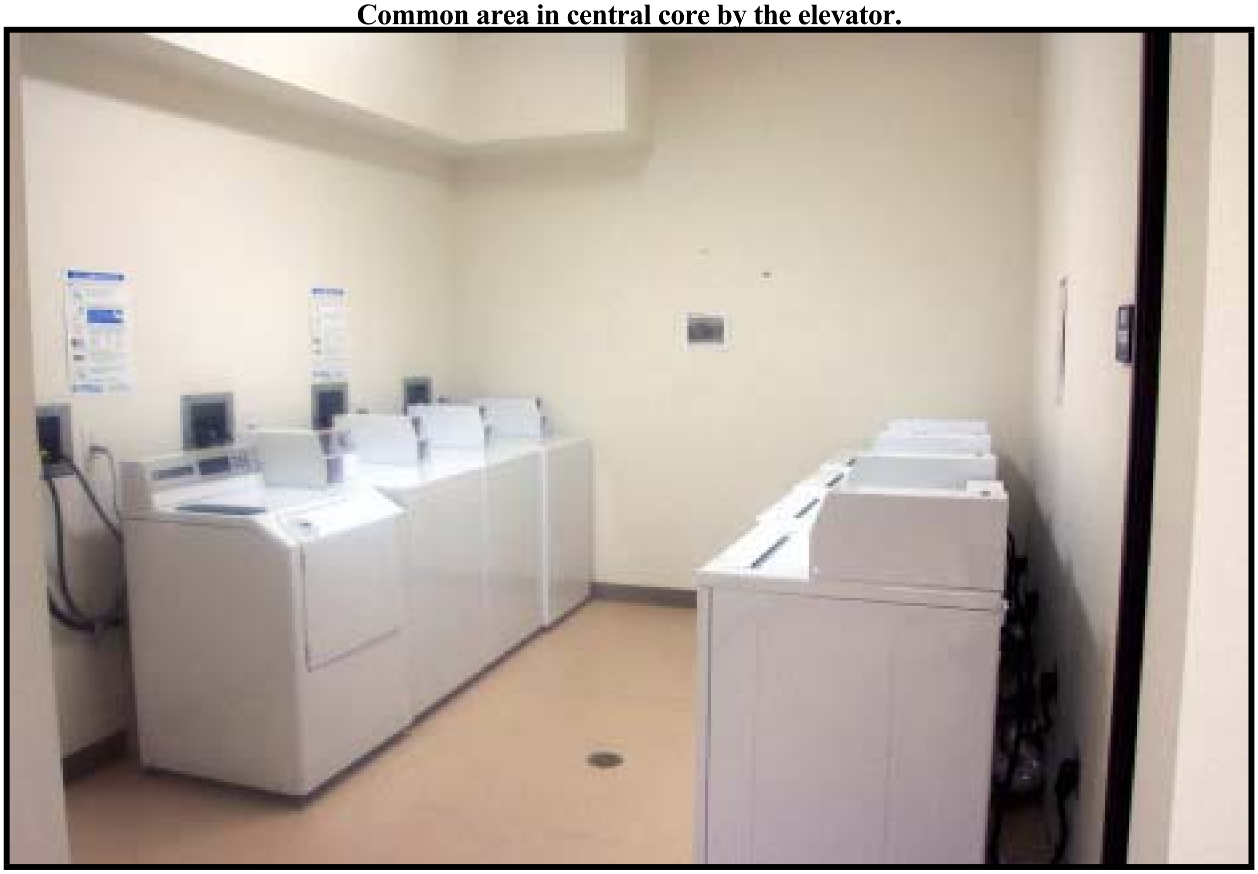
Typical bathroom

Shower/toilet area

Typical shower

**SUBJECT PHOTOS**


**Common area in central core by the elevator.**



**Laundry room.**

**SUBJECTPHOTOS**

**Study Room**

**Maintenance Room**

The following Complete Appraisal, Summary Report is intended to comply with the reporting requirements as set forth under standards rule 2-2(b) of the Uniform Standards for Professional Appraisal Practice (USPAP). It contains an adequate discussion of the data, reasoning, and analyses that were used to develop the opinion of value. It also includes an adequate description of the subject property, the property's locale, the market for the property type, and the appraiser's opinion of highest and best use. All data, reasoning, and analyses used to arrive at an opinion of value are contained in this report. The depth of discussion is sufficient for the need of the client, and for the intended use as stated herein.

This report is prepared for the sole use and benefit of the client and is based, in part, upon documents, writing, and information owned and possessed by the client. Neither this report, nor any of the information contained herein shall be used or relied upon for any purpose by any person or entity other than the client. The appraiser is not responsible for the unauthorized use of this report.

| | |
|---|---|
| CLIENT: | Lewis-Clark State College<br>Kent Kinyon, Controller |
| PROPERTY APPRAISED: | Clearwater Apartments, 117 cluster style bedrooms in 32 suites above a main floor retail space not included. |
| PROPERTY LOCATION: | 402 & 410 Main Street, Lewiston, Idaho |
| PURPOSE OF THE APPRAISAL: | Estimate Market Value AS IS. |
| INTENDED USE OF THE APPRAISAL: | Purchase & Mortgage Loan Considerations. |
| PROPERTY RIGHTS APPRAISED: | Fee Simple Interest |
| IMPORTANT DATES: | |
| Date of Inspection: | April 8, 2008 |
| Date of Report: | June 24, 2008 |
| SITE DESCRIPTION: | |
| Size: | ±39,100sf gross with ±19,500sf useable. |
| Access: | Good frontage on Main Street and 5th Street. |
| Topography: | Nearly level for the building site to a very steep hillside. |
| Zoning: | Commercial in Lewiston. |
| IMPROVEMENT DESCRIPTION: | |
| Type & Construction: | Average to good quality, wood and steel frame with concrete, brick and dryvit exterior. |
| Size: | 34,314sf gross on two and three floors. 117 bedrooms, 32 suites. |
| Year Built: | West half built in 1910 and remodeled in 2006. East half is new in 2006. |
| Quality & Condition: | Average to good quality and condition. |
| HIGHEST and BEST USE: | College apartments as developed. |

## SUMMARY OF CONCLUSIONS

| | |
|---|---|
| LAND VALUE: | |
| Size | 32 UNITS |
| Rate/Unit | $10,000 |
| Indicated Value, Rounded | $320,000 |
| COST APPROACH | |
| Total Cost New ±34,314sf @ $143.20 | $4,913,940 |
| Depreciation from all Causes | 1,474,180 |
| Depreciated Cost | $3,439,760 |
| Land Value | $320,000 |
| Total Indicated Value, Rounded | **$3,745,000** |
| INCOME APPROACH: | |
| Total Effective Gross Income | $402,358 |
| Expenses | $201,001 |
| Net Operating Income | $413,712 |
| Overall Capitalization Rate | 7.50 |
| Indicated Value | $2,551,513 |
| Less Adjustments | $70,000 |
| ***Income Approach Conclusion, Rounded*** | ***$2,480,000*** |
| SALES COMPARISON APPROACH: | |
| Price/Unit: $85,000 x 32 | $2,720,000 |
| Price/sf: $80.00 x 34,314 | $2,745,000 |
| Price/Bedroom: $25,000 x 117 | $2,925,000 |
| Effective Gross Income Multiplier: | |
| 8.25 x $402,358 | $3,320,000 |
| ***Sales Comparison Approach Conclusion, Rounded*** | ***$2,925,000*** |
| "AS IS" VALUE CONCLUSION | **$2,800,000** |
| EXPOSURE PERIOD ESTIMATE: | |
| MARKETING PERIOD ESTIMATE: | |

### Critical Issues & Important Considerations

The subject property is the second through fourth floors of a three and four story facility built in 2006 with about 13,350sf of lobby and retail on the main floor. There has not been a condominium declaration or documents prepared for transferring the ownership of these upper floors. This appraisal assumes that the final condo documents will include the basic areas outlined in this report with common area access to the main floor lobby/elevator/stairwell area. There are no atypical appraisal problems, except that this type of facility rarely sells. This appraisal assumes that there is no significant hazardous contamination and the opinions of value are predicated on a "clean" site.

### Delineation of Title

In 2004-05, Clearwater Historic Development, LLC acquired 402 Main, a three-story brick building know as the Adams Building and 410 Main, a vacant parcel that had been developed with a three story building that was destroyed by fire. Clearwater designed, remodeled and built the existing buildings in 2006. On April 26, 2006, the subject parcels were transferred to College Town Development Idaho, LLC by Quit Claim Deed.

### Purpose and Intended Use

The purpose of this appraisal is to estimate the market value of the fee simple interest in the subject property "As Is" on April 8, 2008. The function and intended use of this appraisal is to provide the client with value estimates as a basis for purchase and collateral loan purposes.

Real property includes the interest, benefits and rights inherent in the ownership of physical real estate, subject to the four powers of government; that is, taxation, eminent domain, police power and escheat. A fee simple estate is an estate without limitations or restrictions. A leased fee estate is a property held in fee with the right of use and occupancy conveyed by lease to others.

### Scope of the Analysis

To estimate the market value of the fee simple interest in the subject parcels, I have investigated the market in which the subject is situated and attempted to identify and analyze all relevant data that may affect or indicate property value. These data include economic and demographic trends, comparable sales data, absorption rates, rental information including vacancy and expenses, and significant rates and ratios relating to value. In my research, I interviewed sellers, purchasers, brokers and other individuals familiar with value, sales and trends in the market.

In developing this appraisal, I have attempted to be aware of, understand, and correctly employ the recognized methods and techniques necessary to produce a credible appraisal. Each appraisal generally includes the Cost Approach, Sales Comparison Approach and Income Approach to Value. This is a complete summary appraisal that includes a sufficient analysis of the Cost, Sales and Income approaches.

I performed a physical inspection of the subject property, including the site and exterior and interior of the improvements. The local and regional market was surveyed and researched for data and factors that relate to and impact the value of the subject property. The local and regional market was investigated and researched for similar comparable sales and rental data so that an estimate of value by the Sales Comparison and Income Approaches could be made. When possible, sales data were verified by the buyer, seller, or broker. A rental survey was also made to identify both market rent levels and vacancies for the Income Approach. In my opinion, the complete appraisal process per USPAP requirements was performed.

For the purpose of this assignment, I have considered the Cost, Income and Sales Comparison Approaches to Value. I have gathered data from the Cities of Lewiston and Clarkston, Nez Perce County, State of Idaho, various brokers and sales people, as well as buyers and sellers in the county in order to compile sufficient information from which to form an opinion of value on the subject property.

### Definition of Value

**Market Value** is defined as: "The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and both acting in what they consider their own best interest;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in United States dollars and in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.[1]"

## Conformity with the USPAP and Competency Provision

This appraisal has been developed to conform to the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation, and with the Standards of Professional Practice and Code of Ethics of the Appraisal Institute. I have not departed from the USPAP. The appraisal is reported in a summary format. In my opinion, all significant information necessary to reach a reasonable value conclusion has been disclosed in the report.

I am familiar with the appraisal of this type of property and with the locale in which the subject is located. I believe I have sufficient education and experience to appraise the subject property. I have not appraised any similar apartment style cluster housing, however, I have appraised college apartments over the last eight to ten years. I have researched the market for sales and consulted other knowledgeable appraisers regarding the appraisal of similar facilities. Consequently, I found no need to take special measures to conform to the competency provision of the USPAP.

No information that was required or considered necessary for the completion of the appraisal is unavailable. Adequate information was gathered from which to form an opinion of value. However, if in the future additional pertinent information becomes available, I reserve the right to consider the information and its impact on the value estimated herein. Such review and consideration may be at an additional fee.

## Reasonable Exposure/Marketing Period

The exposure period is the length of time the subject property would have been offered for sale prior to the date of the appraisal at a price that would have resulted in a sale at the estimated value on the date of the appraisal. The marketing period is the time required for the sale of the subject property as of the date of value, recognizing its characteristics and the market conditions. The subject property is of a size and quality that would be attractive to many investors. It is located in an attractive downtown area with good exposure and access. Most of the sales used in the Sales Comparison Approach were of comparable properties with an exposure /marketing time of generally less than one year.

[1] Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.42, Definitions (f).

The subject parcels are located in the central downtown area of the city of Lewiston in the Lewis-Clark Valley, which is bisected by the Washington and Idaho borders formed by the Snake River. The "sister-cities" of Lewiston and Clarkston are located on opposite sides of the Snake River, at its confluence with the Clearwater River in a deep valley formed by these two rivers. Lewiston and Clarkston are located approximately 335 miles southeast of Seattle, 350 miles east of Portland, 211 miles southwest of Missoula, 271 miles northwest of Boise, and 114 miles south of Spokane. Lewiston is the county seat of Nez Perce County. Clarkston is located in Asotin County, and the city of Asotin is the county seat.

The Lewis Clark valley, including Nez Perce County, ID and Asotin County, WA, has a combined population of near 60,000 people. Nearly 90% of the area's population lives within the city limits of the two primary urban areas. The valley population has grown only about 1.5% over the last five years while the State of Idaho has grown 10.5%. There has been little in-migration and expansion of the employment base. However, unemployment remains fairly low with an average unemployment of less than 4%.

Lewiston and the Moscow/Pullman area, located about 30 miles to the north, are rivals for regional shopping in North Central Idaho, Southeastern Washington, and the Northeastern Oregon area. Lewiston has long been the dominant supply and financial center of the region, however, in recent years, Moscow/Pullman has proven serious competition with two shopping malls. A new shopping center, including a Payless Drug Store and a Safeway grocery store, was completed a few years ago in Pullman. Both communities have added Wal-Marts with the Lewiston-Clarkston Valley now having the only Costco. Moscow and Pullman are the locations of the University of Idaho and Washington State University, respectively.

The most important economic base to the Lewiston-Clarkston area in addition to the Potlatch Corporation is the most easterly extension of the Columbia-Snake Inland Waterway. With the completion of the Lower Granite Dam in 1975, slack water navigation reached the area continuing to expand the economy and creating several ports. The main products being shipped downstream are logs and grain from the Ports of Clarkston, Wilma and Lewiston. Chips are being shipped to U.S. Ports of the West Coast, while logs are being shipped as far as the Orient. Finished paper products from the Potlatch Corporation are also being shipped from Lewiston to ports all over the world.

The major employer in the area is Potlatch Corporation with ±2,100 employees and a pulp and paper mill located east of the Lewiston city limits. Potlatch continues to operate two plywood mills at two other North Idaho locations. It has shut down several sawmills in other communities in recent years; however, their pulp and paper mill remains profitable and is the dominant industry in the area. Regence-Blue Shield of Idaho employs ±1,000 in the region and ATK (formerly Blount/Omark), employs ±680 and constructed a new plant in the Lewiston Orchards providing 40 new jobs. Bennett Lumber Products (sawmill) is the largest employer in Clarkston. St. Joseph Medical Center with ±808 employees, Lewiston School District with ±710, Lewis-Clark State College with 720 and Clarkston School District with 350 employees are other large employers in the area.

Recent additions to the retail market include Wal-Mart and Costco who each developed 155,000 square foot outlets respectively in Lewiston and Clarkston. Other relatively recent projects have included a Big 5 Sporting Goods, Home Depot, Staples, and Petco. Several banks, small retail centers and restaurants as well as a new Safeway have opened in recent years. Though the new stores have created hundreds of jobs, many of them were simply transfers from the smaller retail outlets no longer able to compete with these giants. The demand for older/smaller commercial properties is less than the current supply, and a high vacancy rate, particularly among older buildings in secondary locations is occurring.

The local economy is expected to be stable, with a slow growth pattern fueled by normal population increases. The outlook for most secondary and older real estate is for limited demand in the short term and a stable pattern over the long term. Until the demand for goods and services increases to a level that will support the occupancy of the available space, the vacancy rates will remain relatively high and real estate sales and leases will continue at a sluggish pace.

## NEIGHBORHOOD DESCRIPTION

**Neighborhood Map**


**MSN Aerial looking South.**

The subject properties are located at the southwesterly corner of Main Street and 5th Street near the core of the downtown area. The "central business district" is that area south of the Clearwater River from roughly a few blocks west of the Highway 12 bridge on the east to the Snake River on the west. This is a ±three to five block wide area running along the north side of a steep bluff upon which the remainder of Lewiston is constructed.

The neighborhood is generally one to three story commercial facilities including general office, banks, general retail and some entertainment businesses such as lounges and restaurants. The original commercial improvements were built in the early 1900's with some construction in the 1970's and 1980's. There has been little new construction over the past ±20 years, although there has been some major remodeling projects.

Main Street is a one-way, two lane arterial through the westerly ±10 blocks of the downtown area, coupled with D Street, one block north. Across 5th Street to the east of the subject is a two-story, multi-tenant, mixed use retail and office complex with street level entries on both levels from Main and F Streets. In the block to the east is mostly two story buildings with mostly retail uses on the main floor and office uses above. Across Main Street from the subject property is an older, two-story brick building housing some Lewis-Clark State College outreach facilities. Further west are one and two story retail and office buildings including some lounges and restaurants.

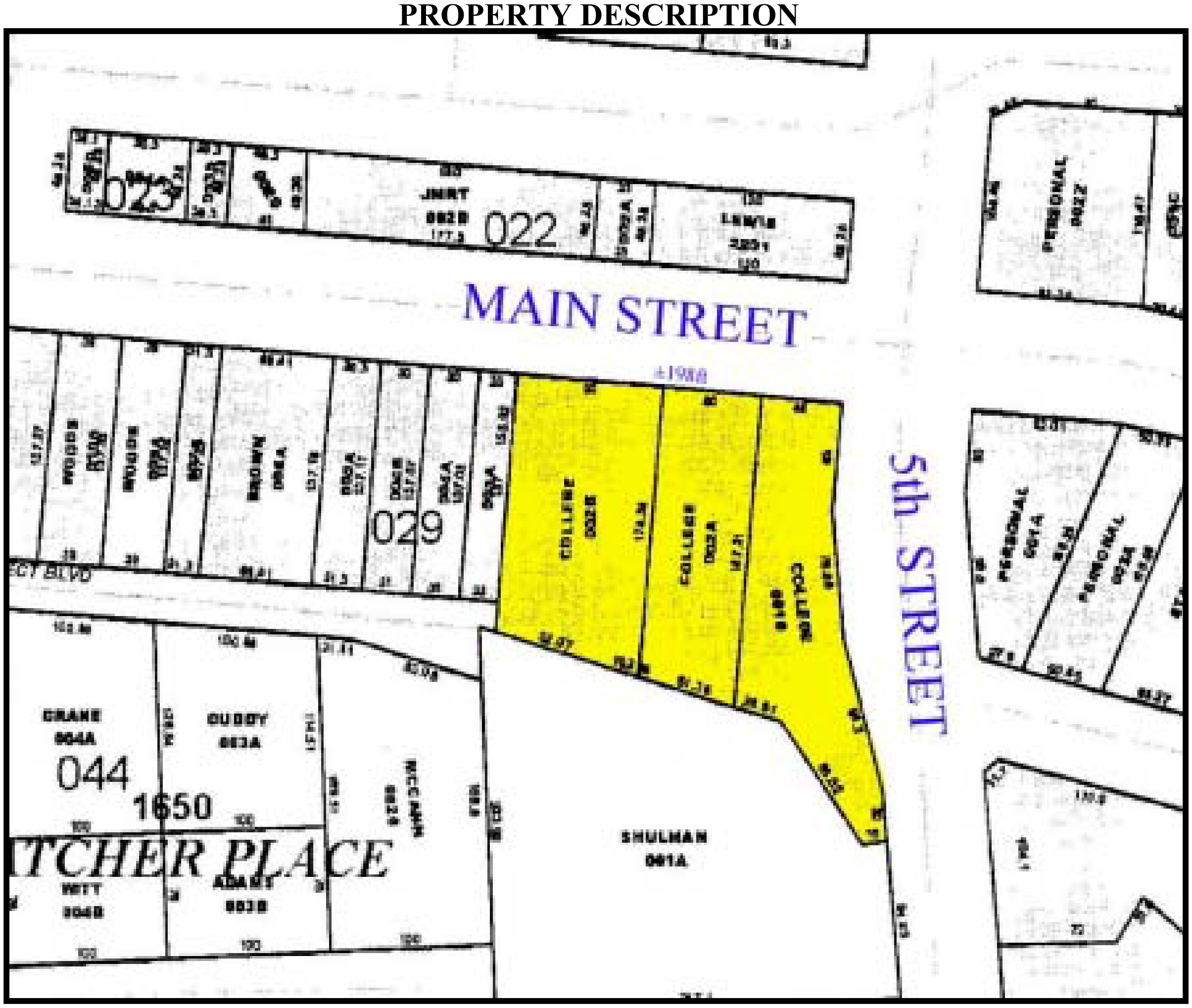
Because of the steep bluff south of the downtown area, north/south access to and through the area is limited to just a few streets including 5th Street, 8th and 14th. The downtown streets are mostly two lane, with traffic lights at major intersections. East/west access is via D and Main Streets and a

Dyke Bypass route along the Clearwater River. The majority of the rest of the streets in the neighborhood are paved, two lane city streets with curbs and sidewalks. All utilities are available throughout the neighborhood. Electricity, natural gas and telephone service are provided by private companies. Municipal water and sewer is available from the City of Lewiston.

The subject remodel and new construction is one of a very few new projects in the downtown area over the past ten years. The downtown area is mostly older buildings with generally smaller retail users and office tenants. Most new retail and restaurant construction has been along 21st Street and Thain Road in southeast Lewiston. Recent construction has included a large Wal-Mart, Home Depot and similar facilities.

The downtown area remains a stable identifiable commercial district with a good mix of commercial, retail, office and service businesses. It is the location of the County Courthouse complex, City offices and police department. The general outlook is continued stability, but with slow to moderate growth. There is a substantial amount of vacant storefronts in the downtown area, some of which have been vacant for a few years. There has been little demand for space by new retail tenants because the new growth and development has been along 21st, Thain Road and other suburban arterials. The downtown has been is a slow decline for decades with some changes to a lower intensity use for many buildings. The population growth is projected at less than 1% per year, and it could be a few years before the present supply of commercial buildings in the downtown Lewiston area is absorbed.

## PROPERTY DESCRIPTION



Weisgerber Building; thence Southerly along the East line of said Lot 1 in said Block 29 to the PLACE OF BEGINNING, said strip of land begin formerly a part of 5th Street in said City of Lewiston.

AND

A part of Lot 2, Block 29, according to the official survey and plat of the CITY OF LEWISTON, in said County and State and more particularly described and bounded as follows, to-wit:

Commencing at the Northeast corner of Lot 3 of said Block 29; running thence Easterly along the South line of E Street a distance of 68 feet; thence Southerly at right angles to said E Street to the South line of said Lot 2; thence Westerly along the South line of Lot 2 to the Southeast corner of Lot 3; thence Northerly along the East line of said Lot 3 to the POINT OF BEGINNING.

AND ALSO.

A part of Lot 3 of said Block 29, according to the official survey and plat of the CITY OF LEWISTON, in said County and State and more particularly described and bounded as follows, to-wit:

Commencing at the Northwest corner of Lot 2 in said Block 29; running thence Westerly along the South line of E Street a distance of 32 feet; thence Southerly at right angles to E Street a distance of 165 feet to the South line of said Lot 3; thence Easterly along the South line of said Lot 3 to the Southwest corner of said Lot 2; thence Northerly along the West line of said Lot 2 to the POINT OF BEGINNING.

**Size and Topography**: The subject site is an irregular parcel with ±198ft on Main Street and a maximum depth of ±260ft on 5th Street with a minimum width of ±155.02ft on the west. The total site area is **±39,100sf**, according to my measurements of the above plat map. The useable area is ±**19,500sf** because of the steep hillside in the south half of the site. No soil survey was taken, but the site appears to be of a sandy clay loam with some rock outcroppings typical of the Lewiston area with no major construction problems evident in the surrounding, older buildings. The property does not appear to be within a Federally Identified Flood Hazard Area and is in Zone C on FIRM CP1601040001B, effective 1/20/1982.

**Access**: Almost all of the entire useable area of the site is developed with the building improvements with vehicle access off 5th Street at the southeast corner of the useable portion of the site. If vacant, the parcel could presumably be developed with some vehicle access from Main Street. Both Main and 5th are arterials providing the site with good access to most areas of Lewiston and Clarkston.

**Services**: The City of Lewiston provides water and sewer service. Refuse service; electricity, natural gas, and cable television services are available from private purveyors. Police and fire protection are good with no public bus service currently available.

**Hazardous Materials**: No Phase 1 Environmental Site Assessment was provided for this appraisal. I am not qualified to detect or evaluate the inappropriate storage or disposal of hazardous material or products, although no suspicious containers or leaks were observed. The client should seek a Level 1 site assessment from a qualified provider if they so desire. The appraiser's conclusions of values assume that the property is free of any significant contamination. I reserve the right to re-analyze the value conclusions if significant contamination is found. Presumably any site remediation was done before the new building was constructed in 2006.

**Zoning:** The subject parcels are zoned C-4, General Commercial in the City of Lewiston. This zone allows a wide variety of commercial uses including retail sales and services, service stations, eating and drinking establishments, offices, banks and personal service uses. The existing use is allowed under this zone. Parking standards vary depending upon the use. The subject property is within the boundaries of the Central Business District where parking requirements do not apply. If not within the CBD, the subject facility would need 95 parking spaces.

**Easements and Encroachments**: A preliminary title report was not provided for this appraisal. Only the typical utility easements are assumed to encumber the subject parcels. Based on a visual inspection of the subject parcels, there does not appear to be any easements or encroachments that adversely affect the subject's use and utility. According to the plans furnished for this assignment, some of the brick facing on the existing west building may be in the right of way for Main Street. This is not uncommon for old buildings in the downtown area.

**Assessed Valuation and Taxes**: The subject parcels are assessed under Nez Perce County Assessor's Parcel No.'s RPL0360029002AA, RPL 03600290010A and RPL0360029002BA. The total current assessed value is $100,650 for the land and $4,153,921 for the improvements for a total of $4,254,571. 2007 taxes were $78,971.26.

## Improvement Description

The westerly ±90ft of the subject property is improved with a three-story building constructed in 1910 and formerly known as the "Adams Building". It has a concrete foundation and is of concrete, steel and brick construction with brick exterior walls. It was remodeled in 2006 in conjunction with the construction of the new four-story building attached to the east. Exterior windows were replaced with fixed, vinyl, double and single hung, thermo-pane with low e glass. The interior second and third floors have mostly wood frame partitions with painted drywall walls and ceilings. Interior finish is the same as the new building and described below.

The new structure has a reinforced concrete foundation, a steel frame and has a combination of brick veneer and hardi-lap siding for the second through fourth floors above a first floor of reinforced concrete. It has vinyl windows, with steel and safety glass exterior doors. The roof is single ply membrane over tapered, rigid insulation up to R-38 on a steel deck. Exterior walls have R-21 batt insulation. The second floor is 6" composite concrete on a steel deck with steel floor joists. The third and fourth floors are 1.5" concrete on a plywood deck with wood TJI joists. Interior construction is 6" metal stud partition walls with painted drywall walls and ceilings. Floors are mostly commercial grade carpet with sheet vinyl in kitchenette and bathroom areas as well as the laundry area and some sealed concrete in storage and maintenance areas.

The interior of the old building is remodeled into two, four-bedroom suites and two, five-bedroom suites per floor with a laundry facility on the second floor and a study room on the third floor. Each suite has a small common room with limited kitchenette of ±4ft or 5ft counter space, small refrigerator and wall-mounted microwave. The five bedroom suites have two bathrooms each with a 4ft and 5ft vanity, 36" square, fiberglass shower stall and toilet area. Each bedroom has a lock-off door, and motel style, electric, through-the-wall or ceiling mounted HVAC system. Each floor has a handicap accessible restroom in the hallway next to the entry to the new building.

The interior of the new building contains six, 4-bedroom, one bath suites and one 2-bedroom, one bath suite on the second floor and five, 4-bedroom, one bath suites and two, 3-bedroom, one bath suites on the third and fourth floors. Each floor also has a one-bedroom, one bath suite for the resident assistant. All of the suites have a ±4ft vanity with single sink and about half of the suites have ±5ft feet of kitchenette counters and the others have ±4ft. All have a 36" square, fiberglass shower stall and toilet area. Each bedroom has a lock-off door, and motel style, electric, through-the-wall or ceiling mounted HVAC system.

The central common area between the two buildings has a lounge area, elevator access and stairwell. Each building has a second central stairwell providing access to Main Street for the old building and off the second level to the rear of the new building.

**Site Improvements**: The buildings occupy most of the useable portion of the subject parcels. There are retaining walls and chain link fencing along the south line of the useable portion. There are four ft, six ft and 8ft wide sidewalks leading from the rear of the second floor of the new building and used as primary pedestrian access to the complex. There is also a small amount of lawn, crushed rock landscaped area and a concrete maintenance vehicle parking pad in front of a fenced dumpster area.

**Quality and Condition**: The improvements are of average to good quality and appeal. The existing building was completely gutted and rebuilt with new windows, insulation, electric wiring, plumbing and roof cover as well as new partition walls and interior finish. The effective age of all of the improvements is about two years.

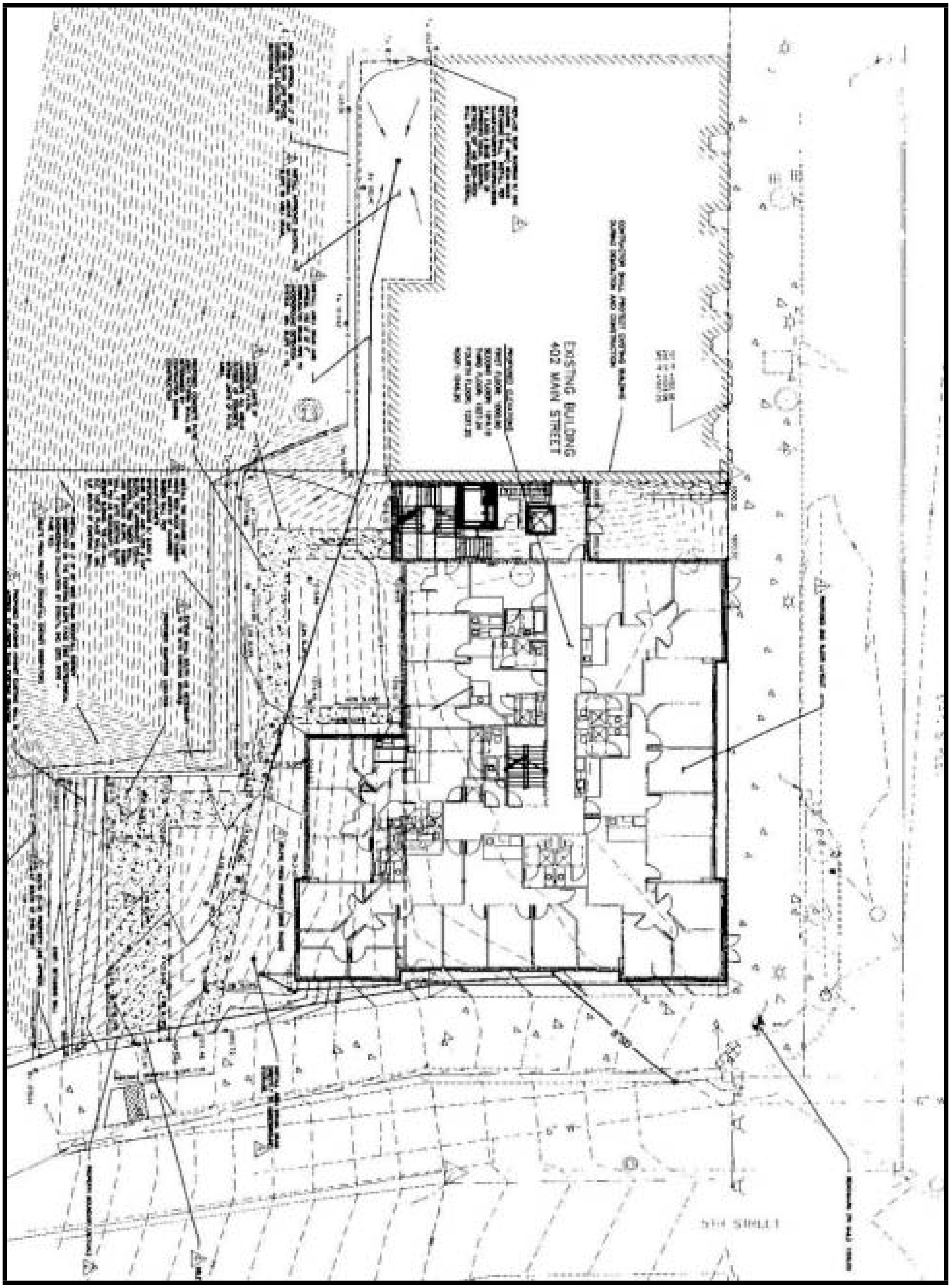
**Functional Utility**: The improvements have adequate functional utility for their intended use as student housing in conjunction with Lewis-Clark State College. The floor plans are functional, although common area kitchenette/living rooms and toilet/shower areas are small. Clearance is 3ft past the showers and 2.75ft in the toilet area.

## Personal Property, Fixtures, and Equipment

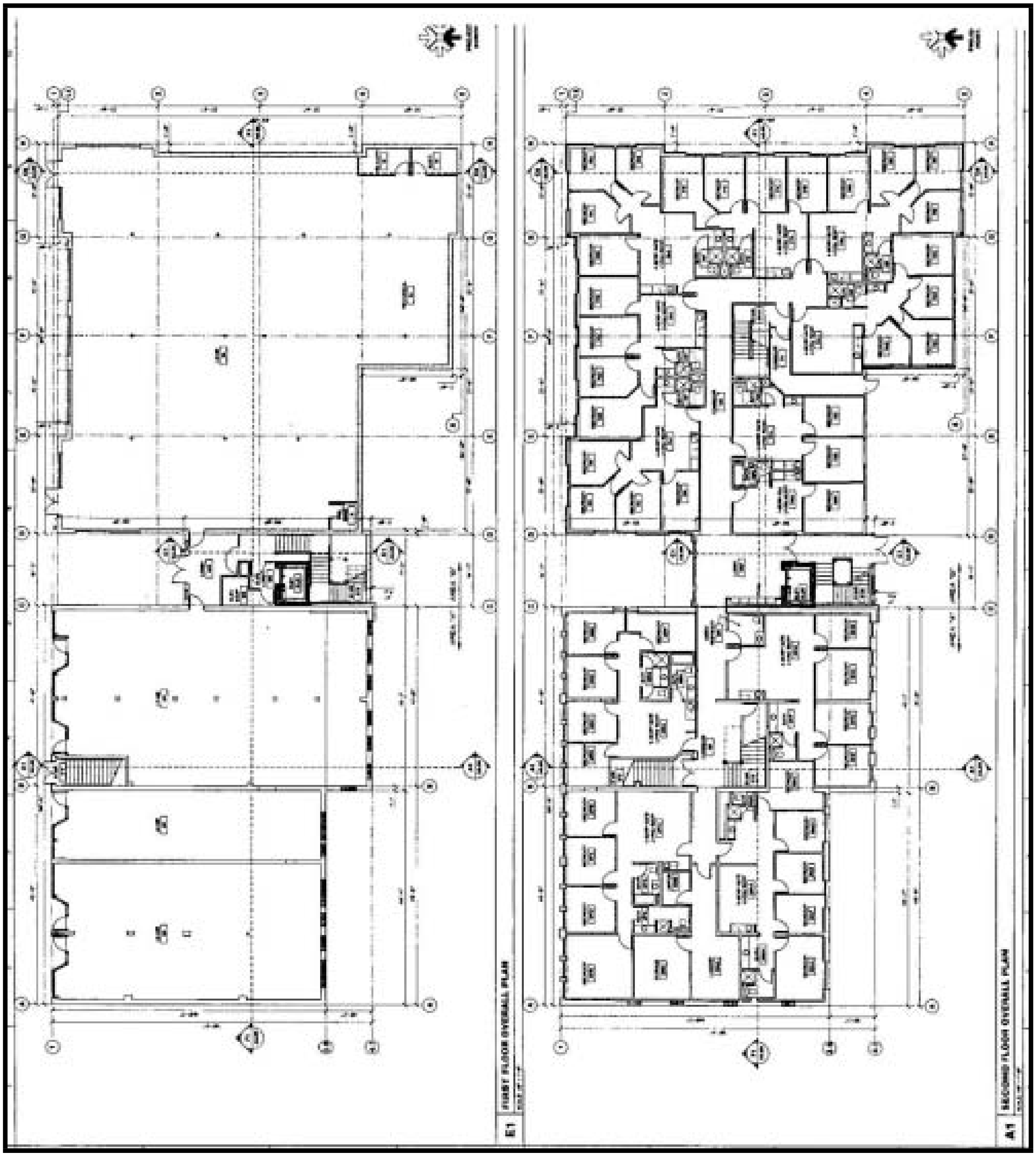
Each suite is equipped with a refrigerator, microwave, table and two chairs as well as single beds, small desks with chairs and wardrobe closets in each bedroom. There is also common area furniture, washers and dryers in the laundry room and study room tables and chairs. All of these items are needed for the facility to function as student housing and included in the valuation of the facility.

## Occupancy and Use of Subject

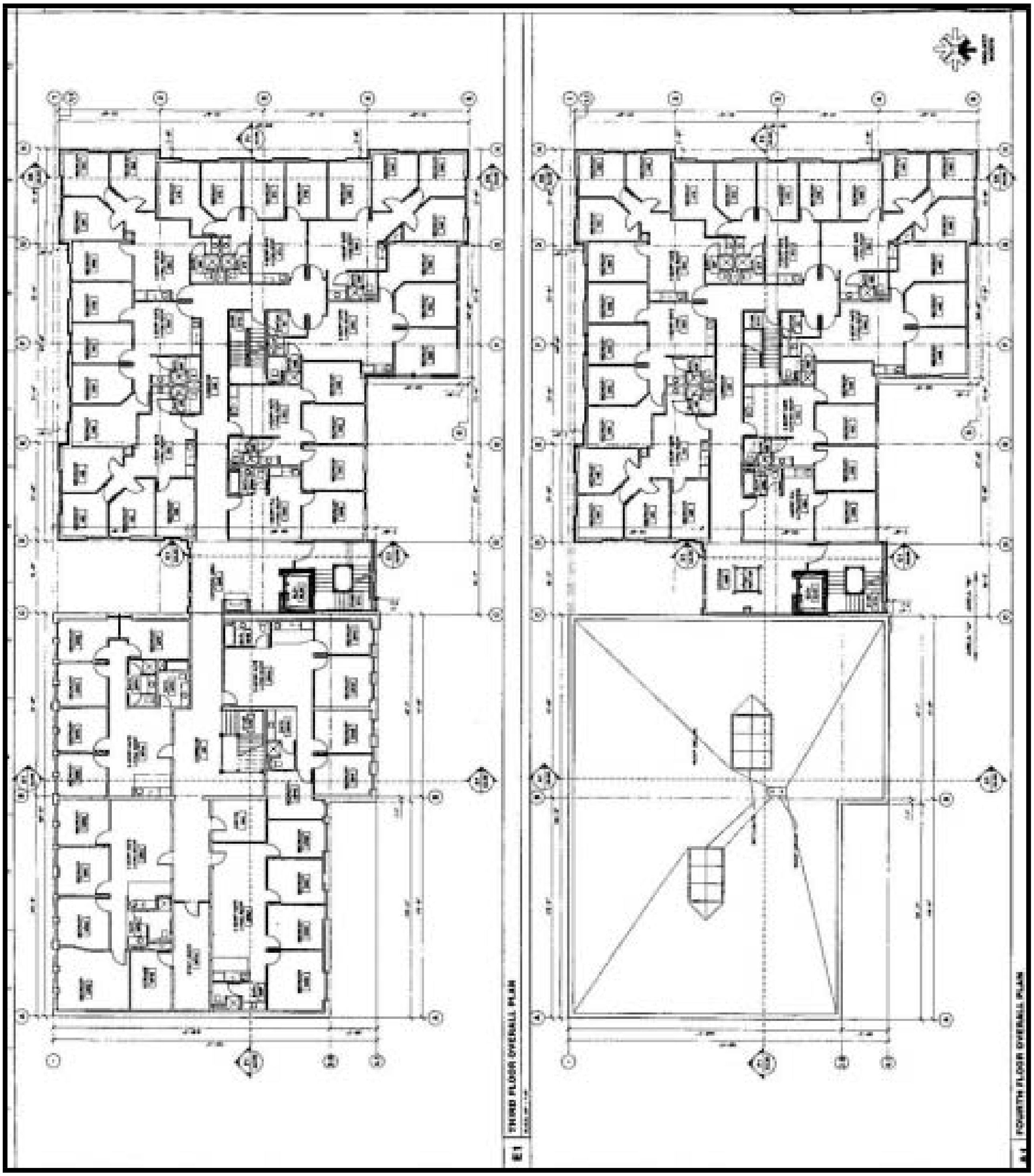
The subject facility is leased to Lewis-Clark State College for use as student housing. They lease only the second through fourth floors and access through the common lobby with elevator and stairwell on the main floor between the two buildings. The lease will be discussed in the Income Approach section of this report.




**Site Topographic Plan**



First and Second Floors (only lobby of first floor considered)



Third and Fourth Floor Plans

# HIGHEST AND BEST USE

## Definition

Highest and best use is defined as follows: "The most profitable and likely use to which a property can be put. The opinion of such use may be based on the highest and most profitable continuous use to which the property is adapted and needed, or likely to be in demand in the reasonably near future. However, elements affecting value that depend upon events or a combination of occurrences that, while within the realm of possibilities are not fairly shown to be reasonably probable should be excluded from consideration. Also, if the intended use is dependent upon an uncertain act of another person, the intention cannot be considered."

"That use of the land which may reasonably be expected to produce the greatest net return to land over a given period of time. That legal use which will yield to land the highest present value; sometimes called optimum use."[2]

The following tests must be passed in determining highest and best use. The use must be legal. The use must be probable, not speculative or conjectural. There must be a demand for such use. The use must be profitable. The use must be such as to return to land the highest net return. The use must be such as to deliver the return for the longest period of time.

## The Subject Parcels As Vacant

**Physical Uses**: The useable area of the subject parcels is ±19,500sf with good frontage and visibility along Main Street at 5th Street in nearly the center of the downtown area. A variety of uses are physically possible including most commercial uses of the surrounding properties. Typical buildings in the general area are one to three stories with a scattering of older, taller buildings.

**Legal Uses**: The subject parcels are zoned C-4, General Commercial under the current Zoning Ordinance. This zone allows for a wide variety of commercial uses. Surrounding uses include boutique retail, offices, banks and general commercial uses.

**Reasonable and Probable Uses**: Because of their size, location and accessibility, the most reasonable and probable uses of the subject parcels, if vacant, would be for development with two-story, mixed-use, general commercial buildings with adequate access, landscaping and some parking. This location is near the center of the downtown area of Lewiston. There has been limited demand for new commercial and office uses in the general area with most new development outside of the downtown area partly due to a lack of onsite or adjacent parking in the downtown area. Many of the typical downtown tenants, including commercial banks have moved to the suburbs. The sites could accommodate a wide variety of mixed commercial uses. Single or multi-tenant buildings of up to ±55,000sf could be developed on four floors including parking. One possible scenario would be to develop the ground floor with retail with the next two levels for parking and two levels of office and/or apartments above.

**Conclusion - Highest and Best Use as if Vacant**: In my opinion, the highest and best use of the subject parcels as vacant would be for single or multi-tenant, mixed use commercial buildings of two to

[2] American Institute of Real Estate Appraisers - Appraisal Terminology and Handbook

three stories. Demand for new buildings has been slow with no new buildings in the last twenty or more years. Most new construction has been to the southeast of the subject parcels along 21st Street, Thain Road and in the Orchards area. It may be several years before a large mixed-use project would be feasible. Unless a buyer with a specific use was found, the likely purchaser if the parcels were vacant would be a speculative investor willing to hold the parcels for future development.

**The Subject Site as Improved**

The subject parcels are improved with a three and four story development with retail space on the Main Street level and two and three levels of resident suites above. This appraisal is only of the upper level resident suites. The total gross area is ±34,314sf above a ±13,392sf first floor that is unfinished retail. There are 32 suites with 117 bedrooms.

Before the subject facility was constructed in 2006, Lewis-Clark State College, LCSC was having to rent rooms in the Red Lion Motel on 21st Street about 1.5 miles from campus. Beginning in the fall of 2003, the College rented 23 rooms with steady increases each fall to 47 rooms for the fall of 2005. During 2005 and early 2006, the subject facility was constructed along with the 88 bedroom, College Place located across 4th St from the campus. This created an abundance of student housing. The College has tried to balance occupancy between the two new facilities, but the overall occupancy rate for all student housing has declined to 85% to 88% for the fall enrollment and 64% to 66% for the spring semester.

Because two projects were built when only one was needed, the supply far exceeds the demand at the present time. As a result, overall occupancy is less than desirable for both College Place and the subject Clearwater Hall. Although the College may eventually remove some older facilities from the housing pool, overall occupancy will still remain below desirable levels for the next few years. The College closed Talkington, a 95 room facility for the fall of 2006 that substantially helped increase occupancy for the subject and College Place and may close the 29 room Parrish House next year. That would also boost occupancy for the subject by an average of 10 rooms per semester. However, overall occupancy will still be below 60% because of the slow summer months.

The rental market in Lewiston is not very strong and there has been no new construction of large apartment complexes greater than 10 units for several years. The College is unable to demand that students rent or reserve rooms during the summer months and is trying to increase occupancy by renting blocks of rooms for a variety of activities including sports camps, music camps and even family reunions. Occupancy during the summer months will be fairly slow for the next few years and may not approach 20% or 20 to 25 rooms per month for a couple of years.

In my opinion, the subject facility is a special use limited primarily to student housing because of its design and lack of additional onsite amenities such as parking. Parking appears to be a limiting factor for the retail space on the main level that is not a part of this appraisal. The retail space has been offered for lease for two years and is still vacant. It is competing with space along 21st and Thain Road that has adequate, drive-up parking for customers as well as employees. Other buildings in the downtown area also appear to suffer from the lack of parking with vacancy levels higher than in the outlying areas. Parking would also help if the subject student housing were to be converted to another use such as offices or senior housing.

In my opinion, it would not be cost effective to convert the subject facility from student housing to senior housing. It is possible to convert the units, however, the bathroom areas are too narrow for access by walkers, people with canes or wheelchairs. The toilet areas are even narrower and would be tight for handicap rails or pull bars. It would be expensive to remodel the bathrooms to be acceptable for elderly housing. Most of the bedrooms are designed for a single bed and do not have built-in closets or room for additional furniture. The community facilities needed for a senior housing facility would have to be constructed on the main floor of the subject building that is not a part of this appraisal. Senior housing generally has large community rooms, game rooms, exercise rooms and community eating areas as well as a commercial kitchen. These would all have to be developed on the main floor.

It is beyond the scope of this appraisal to assess the demand for senior housing in downtown Lewiston. Lewiston is a retirement area for the surrounding farming communities in north central Idaho, but new facilities are mostly one-story and located in the suburban areas closer to new shopping areas and medical and dental offices. A 42 unit facility was built in 2007 on Bryden. The lack of convenient parking would again be a detriment for any senior facility that would be competing with new suburban facilities. The small rooms and shared bathrooms would also be less than desirable.

There does not appear to be a strong demand for new office space in the downtown area, again, due in part to a lack of convenient parking. It would be less expensive to convert the apartment suites into office suites. Most of the suites could be utilized as they are with the living/kitchenette areas used for reception and the bedrooms for private offices. The restrooms would also not need to be upgraded because each floor has a handicap accessible restroom in the hallway. The biggest drawback would be lack of demand for office space without convenient parking. Also, office suites would be limited to the size of the existing apartment suites without substantial remodeling. There would also be a lack of large executive offices without remodeling.

In my opinion, the subject is a special use facility limited to student housing in bedroom suites with the existing layout without substantial expense to convert to another use. There does not appear to be a strong demand that would absorb ±34,314sf of office space or other uses that would be feasible.

## SUMMARY OF VALUATION ANALYSIS

The subject property is the second through fourth floors of a two building complex connected by a common lobby/elevator/stairwell area. No condominium declaration or other documents have been prepared, however, I assume that the necessary documents will be drawn to closely reflect the property as described. Because the subject improvements are a two-year, special purpose facility, the Cost Approach is considered as an indication of the value before any deductions for being an over improvement. Recent land sales have been analyzed to estimate the contributory value of the subject site for the subject 32 units. No sales of newer dormitories or apartment project similar to the subject were found in the Washington, Idaho or Oregon area. I have uses sales of improved apartment properties in Moscow and Pullman in order to derive some indications of value by the Sales Comparison Approach was concluded. A rental survey was conducted to identify market rent, vacancies, and expenses, and to provide the basis to estimate the net operating income for the subject. Capitalization rates were derived from the comparable investment properties, and a value estimate by the Income Approach was concluded.

## COST APPROACH

The Cost Approach normally involves estimating the cost new of the improvements and depreciation from all sources. This is added to the estimated land value as if vacant and ready for development to its highest and best use. Because this is a special use facility, the Cost Approach will be a primary method in forming an opinion of value.

### LAND VALUE

The market value of the subject site, as if vacant, is estimated by direct comparison with recent sales of land similar to the subject site in terms of physical and locational features, and Highest and Best Use. Since the subject property is valued as a condominium above retail space on Main Street, I have attempted to form an opinion of value of the contributory value of the land on a price per unit basis, based upon what a developer would pay to develop an apartment complex or senior housing center of similar size.

Only two sales of larger apartment complexes were found in the Lewiston area over the past two years. A 24, 920sf site at 5th & Linden was purchased for a 10 unit apartment in February 2007 for $85,000 or $8,500/unit. A 140,575sf parcel at 906 Bryden was purchased in January 2007 for $425,000 for a 42 unit senior housing center or $10,119/unit. A 10 unit apartment site of 48,730sf was purchased in May 2003 at 1st Street and 19th Avenue for $95,000 or $9,500/unit. A 66,952sf site at 230 Baker Street in Moscow, Idaho was purchased in March 2008 for $301,282 or $8,369/unit for a 36 unit apartment complex.

#### Land Value Conclusion

The subject parcels are in a good location but not as good as some of the comparables for apartment development. The sales summarized above show a range of ±$8,500 to $10,100/unit for typical apartment projects in the Lewiston area. In my opinion, a rate of $9,500/unit would be reasonable for the subject project. This rate applied to the 32 units results in a value indication of **$304,000**.

### IMPROVEMENT VALUE

The subject project was reportedly constructed for a cost of ±$6,000,000 in 2005-06 including the ±13,392sf main floor. The total overall cost for the ±47,706sf was ±$125.77/sf including the land and site improvements.

The *Marshall Valuation Service* Cost Handbook indicates a current cost for an average quality, Class A, steel frame, dormitory facility similar to the subject with brick, steel or concrete panel exterior walls with some ornamentation, interior walls and ceilings of drywall and carpet floors, one bath per three students, and average electric service of $121.77 after allowances for local cost adjustments. This description best fits the subject improvements.

A ±44,000sf, three-story, brick and steel, 160 bed dormitory is under construction at Whitworth College in Spokane at a reported cost near $7,000,000 or $159.09/sf. This facility will include lounge areas and a large kitchen area as well as more bathrooms than the subject facility. The cost is approximate and included demolition of two small, older dorms. It is supportive of the cost indicated by the cost service.

For this analysis, I have used a building cost of $120.00/sf including plans, engineering, permits and sewer connection. This cost includes all soft costs except financing costs and developer's profit.

The site improvements of paving, landscaping, sidewalks, fencing, retaining walls and exterior lighting have been added in at $100,000, which is about $2.91/sf including a pro-rata share of soft costs. These costs are based on the Marshall Valuation Service and the known costs for local site improvements.

### Entrepreneurial Profit & Financing Costs

Entrepreneurial profit is the measure of a fee that a developer will earn upon the sale of an investment property that compensates him for putting together the various elements required in a successful real estate investment project. These elements include the acquisition of the land, construction of the building and the leasing of the project to appropriate tenants at a market rental rate. In my opinion, entrepreneurial profit of 8% would be reasonable for the subject property. Financing costs include interest during construction and the financing fee. Based on a loan of $4,000,000 and a 6.25% interest rate, construction interest for one year is estimated at $250,000 and the financing fee at $60,000.

## DEPRECIATION

Depreciation may occur in three basis forms; physical, functional, or from external forces. Physical depreciation includes such things as the age of the improvements, general wear and tear, and deferred maintenance. This depreciation may be curable or incurable. Functional obsolescence is present if the design and/or building characteristics are not well conceived or well utilized. External obsolescence is when forces outside the subject property cause an adverse influence. This could occur through depressed market conditions, certain legislative actions, neighborhood transitions, adverse adjacent property influences, or various other reasons.

The subject improvements are about two years old and have been reasonably maintained with no extra-ordinary wear or abuse noted on inspection. Based on a normal economic life of ±40 years, physical depreciation of 5% would be reasonable for general wear. The subject improvements are functional for their intended use as student housing with little wasted space and serviceable floor plans. The bedrooms are of adequate size, the bathrooms are utilitarian and the common areas are somewhat small but functional. There is no basis for any additional charge for functional obsolescence in my opinion.

The subject facility was built at the same time that a competing facility was built with 88 rooms across from the College. As a result, both facilities have suffered some economic loss due to an over supply of student housing for the next several years. In the Sales Comparison Approach analysis, I have estimated an adjustment of 25% for the economic loss. This is primarily due to the vacancy in the units during the summer months, although, occupancy during the school year is also lower than the typical ±95% occupancy expected for competing apartment units. Occupancy is expected to increase over the next few years and a long-term allowance for external obsolescence of 25% appears reasonable.

## Cost Approach Summary

| | | | |
|---|---|---|---|
| **Cost New** | | | |
| Building | ±34,312sf @ $120/sf | | $4,117,440 |
| Exterior Site Improvements | Lump Sum | | $100,000 |
| **Total Hard Costs** | | | **$4,217,440** |
| Construction Interest and Financing | | $310,000 | |
| Developer's Profit | @8% | $386,500 | |
| **Total Cost New** | | | **$4,913,940** |
| Depreciation from all Causes | @30% | | $1,474,180 |
| **Depreciated Cost** | | | **$3,439,760** |
| **Land Value 32 units @ $9,500/unit** | | | **$304,000** |
| **Cost Approach Value Indication** | | | **$3,743,760** |
| **Rounded to** | **$3,745,000** | | |

The indicated value by the Cost Approach is **$3,745,000**

## SALES COMPARISON APPROACH

The Sales Comparison Approach to Value is based on the premise that a knowledgeable purchaser would pay no more for a property than the cost of obtaining another equally desirable property of similar functional utility. To employ the Sales Comparison Approach, the market is researched for recent sales of improved properties similar to the subject. These comparable sales are then compared to the subject for physical, functional, and economic differences.

## IMPROVED SALES

To value the subject property via the Sales Comparison Approach, the general Inland Northwest area was researched for sales of similar, newer, student housing or dormitories. I have researched the Eastern Washington and North Idaho area for sales of similar facilities. My research included perusing national sales data basis including Costar and LoopNet, calling various other appraisers in North Idaho and Eastern Washington, as well as Assessor's offices in several counties. I was not able to find any comparable sales of similar dormitories or student housing.

In order to form some opinion of the value of the subject improvements, I analyzed eight sales of newer apartment complexes in the Moscow, Idaho and Pullman, Washington area. These are larger college towns, home to the University of Idaho and Washington State University, respectively. The apartment market in both cities is generally driven by the demand for student housing. As a result, I have analyzed the sales on a price per bedroom as well as the more traditional price per unit, price per square foot and gross rent multiplier.

### SALES COMPARISON APPROACH SUMMARY

| SALE | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|---|
| DATE | 2/14/2008 | 1/1/2007 | 8/31/2006 | 8/10/2006 | 3/8/2006 | 1/15/2005 | 12/15/2004 | 4/29/2004 |
| ADDRESS | 1531&79 Lenter Moscow, Id | 1137 &53 A Moscow, Id | 1424-1536 Northwood Moscow, Id | 621-703 Taylor Moscow, Id | 1435-43 Northwood Moscow, ID | 100 NW Terre View Pullman, WA | 215-235 NW Terre View Pullman, WA | 705 N. Jefferson Moscow, Id |
| SALE PRICE | $1,350,000 | $2,152,500 | $1,726,700 | $2,095,000 | $1,300,000 | $3,860,000 | $1,105,000 | $2,985,000 |
| YEAR BLT | 1995 | 2001 | 92-94 | 1997 | 1994 | 1992 | 1996 | 2003 |
| # UNITS | 24 | 24 | 36 | 23 | 24 | 60 | 14 | 40 |
| # BEDROOMS | 48 | 84 | 72 | 77 | 48 | 158 | 40 | 88 |
| SIZE | 20,640sf | 27,360 | 32,400 | 23,416 | 24,000 | 61,570 | 14,948 | 39,509 |
| P/UNIT | $56,250 | $89,688 | $47,964 | $91,087 | $54,167 | $64,333 | $78,929 | $74,625 |
| P/BEDROOM | $28,125 | $25,625 | $23,982 | $27,208 | $27,083 | $24,430 | $27,625 | $33,920 |
| P/SF | $65.41 | $78.67 | $53.29 | $89.47 | $54.17 | $62.69 | $73.92 | $75.55 |
| EGRM | 7.71 | 8.8 | 7.53 | 9.05 | 7.56 | 7.92 | 8.84 | 9.46 |
| ADJUSTMENTS | | | | | | | | |
| MKT CNDTNS | 1% | 6% | 8% | 8% | 11% | 17% | 18% | 21% |
| AGE/COND | 16.50% | 6.00% | 16.50% | 12.00% | 15.00% | 16.50% | 9.00% | 0.00% |
| LOCATION | -25% | -25% | -25% | -25% | -25% | -25% | -25% | -25% |
| | | | | | | | | |
| VALUE INDICATIONS | | | | | | | | |
| P/BEDROOM | $26,181 | $22,826 | $23,871 | $26,004 | $27,329 | $26,344 | $28,101 | $32,835 |
| P/SF | $60.89 | $70.08 | $53.04 | $85.51 | $54.66 | $67.60 | $75.19 | $73.13 |
| P/UNIT | $52,362 | $79,890 | $47,743 | $87,057 | $54,659 | $69,372 | $80,290 | $72,237 |
| EGIM | 7.71 | 8.8 | 7.53 | 9.05 | 7.56 | 7.92 | 8.84 | 9.46 |

## SALES ANALYSIS

All sales were of the fee simple interest and do not require adjustments for property rights or financing terms. The sales are adjusted for seller contracts, below market financing, cash equivalency and conditions of sale. The resulting analysis price is the basis for additional adjustments for differences in physical features. Each sale has differing building sizes, number of units, bedrooms and bathrooms. The sales span a time period of about four years. During this time, the market for residential income properties has been relatively strong in Nez Perce County, North Idaho and Eastern Washington. A market conditions adjustment of 5% per year was made for the sales.

The most significant adjustment is for the location of the subject facility in Lewiston where the occupancy rate is reduced because of the oversupply of student housing caused by the construction of two competing projects at the same time with nearly twice as many units as were needed, although the College did close a 95 room older dormitory to offset some of the oversupply. During the first full year of occupancy, the subject facility averaged 45.7% for the 12 months to the end of August 2007. Average occupancy for the nine-month school year was 61%. For the next nine months, the average occupancy was 61.7% through May 2008. Occupancy during the school year should gradually increase over the next couple of years to ±75%. The College has always had a problem with spring quarter enrollment and occupancy with a differential of ±20% to 25% between the fall semester and the spring semester for most years from 2001 through 2008. (See chart and graph on Page 46) The differential has been narrowing over the last two years, declining from 38% to 48% in 2003 and 2004.

In my opinion, occupancy levels should stabilize at 85% average for the nine month school year within a few years and 25% during the summer months. This would result in an average annual occupancy rate of 70% compared to a ±95% average occupancy rate for the comparable sales. I have used an adjustment of 25% for location, which is the difference in the average occupancy rate.

**SALES COMPARISON APPROACH CONCLUSION**

The sales produced adjusted rates of $53.04/sf to $85.51/sf. The subject has more bedrooms per unit and is larger than most of the comparables. In my opinion, a value rate toward the high end of the range would be appropriate. At $80/sf the 34,314sf of gross area has an indicated value of $2,745,120. The sales produced a range of $47,743/unit to $87,057/unit. At $85,000/unit, the 32 units have an indicated value of $2,720,000. The indicated range per bedroom was $22,826 to $32,835, with six sales indicating a narrower range of $23,871 to $28,101. The subject has fewer bathrooms and less kitchen amenities than the comparables and a rate towards the middle of the range would be reasonable. At $25,000/bedroom, the indicated value for the 117 bedrooms is $2,925,000. At an effective gross rent multiplier of 8.25, the stabilized effective gross income of $402,358 has an indicated value of $3,319,454.

In my opinion, the indicated value of the subject complex is **$2,925,000** by the Sales Comparison Approach.

## INCOME APPROACH

The Income Approach to Value is based on the premise that a knowledgeable purchaser would pay no more for the property than the cost of obtaining an equally desirable, similar property as an investment, providing similar risk and opportunities for return on and return of the investment.

This approach analyzes the value of the property through the eyes of a typical investor. The gross income the property can generate is estimated by comparison with competitive properties. Deductions are made for expenses paid by the owner, resulting in an indication of net income. Net income is then capitalized into a value estimate at a rate that is commensurate with the risks inherent with the ownership of the property. This approach is most appropriate where there is an active rental and investor-driven market for the type of property being appraised.

Lewis-Clark State College (LCSC) has a management agreement with College Town Development Idaho, LLC through the State of Idaho, acting by and through the State of Idaho Board of Education as Board Trustees for LCSC. The initial term is 120 months (10 years) beginning August 23, 2006. The agreement contains a voluntary termination clause by providing the other party with written notice on or before March 1st of any year with termination on August 14th of the then applicable calendar year.

LCSC will manage the day-to-day operation of Clearwater Hall including collecting all rents, paying all bills and maintaining all areas except the first floor retail spaces. The owner will pay real property and personal property taxes, real estate and liability insurance, and all utilities and will reimburse LCSC for all maintenance costs, except lawn mowing, trimming of shrubbery and other routine lawn maintenance. LCSC uses their general facilities maintenance crew to maintain the subject property.

The initial minimum monthly rent for the first lease year was $390/residence unit (bedroom), inclusive of the cost of local telephone and basic cable TV in the common room of each pod and broadband internet service in each residence unit. The rent has been renegotiated for 2007-08 to $365/residence unit except for $335 for two small bedrooms and $395 for four large bedrooms. LCSC owes rent on a unit if occupied on the first day of the month, regardless of whether a student is leaving. The agreement provides for annual escalations of the minimum rent of not less than 3% per year, however, because of the vacancy rate in the project, this provision has not been utilized.

LCSC is to receive a management fee of 2% of rent installments paid if the amount is between 85% and 90% of potential gross rent, 3% if between 90% and 95% and 4% if 95% or higher. At the current occupancy levels, no management fee is due.

There have been few management agreements similar to the subject. College Place has an agreement modeled after the subject agreement, according to LCSC staff. There rental payment was $375/unit for fiscal 2008. The units are slightly larger and located across from the college with some on-site parking.

Brewster Hall at Eastern Washington University in Cheney, Washington was constructed in 2002 and master leased to the University. It is 4-stories with a main floor of retail and located on a secondary street in downtown Cheney, at 410 2nd Street, one block north of the main street. It has 135 rooms of similar construction to the subject. Eastern is a much larger campus with enrollment over 7,500. The 2009 school year rate for Brewster Hall is $527.89/month.

## Vacancy

For the first nine months of occupancy, the average occupancy was 61.0% with no summer occupancy leaving a 12 month occupancy rate of 45.7% with the fall semester at 78.0% and the spring at 47.4%. For the past nine month school year, the occupancy level increased slightly to 61.7% with overall 12 month occupancy at 46.3% if no activity during the summer months. If summer occupancy averages 15 rooms per night, overall occupancy will increase to 49.5%. Occupancy during the school year should gradually increase over the next couple of years to ±75%. Fall semester occupancy was 73.3% and the spring 2008 semester was 52.5%, after allocating 60 rooms for May.

| | |
|---|---|
| Number of Suites: | 32 |
| Number of Beds: | 117 |
| Occupancy: | Sept 2006 - 95<br>Oct 2006 - 92<br>Nov 2006 - 91<br>Dec 2006 - 87<br><br>Jan 2007 - 58<br>Feb 2007 - 55<br>Mar 2007 - 54<br>Apr 2007 - 53<br>May 2007 - 57<br>Sept 2007 - 78<br>Oct 2007 - 90<br>Nov 2007 - 88<br>Dec 2007 - 87<br><br>Jan 2008 - 63<br>Feb 2008 - 63<br>Mar 2008 - 61<br>Apr 2008 - 60 |

**Room Occupancy per LCSC**

| | 2001fa | 2002sp | 2002fa | 2003sp | 2003fa | 2004sp | 2004fa | 2005sp | 2005fa | 2006sp | 2006fa | 2007sp | 2007fa | 2008sp |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Clark** | 71 | 25 | 76 | 79 | 80 | 54 | 75 | 40 | 74 | 48 | 75 | 61 | 71 | 55 |
| **CAMP** | | | | | 9 | 7 | 6 | 5 | 5 | 4 | | | | |
| **Parrish** | 26 | 7 | 27 | 10 | 28 | 17 | 27 | 15 | 26 | 24 | 18 | 16 | 19 | 21 |
| **Red Lion** | | | | | 23 | 19 | 32 | 29 | 47 | 39 | | | | |
| **Talkington** | 87 | 22 | 90 | 34 | 91 | 53 | 95 | 48 | 88 | 62 | | | 17 | |
| **College Place** | | | | | | | | | | | 76 | 59 | 67 | 60 |
| **Clearwater** | | | | | | | | | | | 90 | 60 | 95 | 64 |
| **Totals** | 184 | 54 | 193 | 123 | 231 | 150 | 235 | 137 | 240 | 177 | 259 | 196 | 269 | 200 |
| **Percentage** | 94% | 28% | 98% | 60% | 113% | 73% | 115% | 67% | 117% | 86% | 85% | 64% | 88% | 66% |

| 2001fa | 2002sp | 2002fa | 2003sp | 2003fa | 2004sp | 2004fa | 2005sp | 2005fa | 2006sp | 2006fa | 2007sp | 2007fa | 2008sp |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 185 | 54 | 194 | 124 | 232 | 151 | 236 | 138 | 241 | 178 | 260 | 197 | 270 | 201 |

Lewis-Clark Residence Halls with average semester occupancy.

**LCSC Fall Semester Enrollment History on Census Day**

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|
| Total Fall 10th Day Headcount | 2702 | 2953 | 3108 | 3471 | 3325 | 3451 | 3394 | 3612 |

**LCSC Fall Semester FTE* History on Census Day**

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|
| Total Fall 10th Day FTE | 2143 | 2275 | 2385 | 2576 | 2635 | 2614 | 2597 | 2650 |

*FTE = Full-Time Equivalent (total number of credit hours divided by 15)

Fall Semester Enrollment

The residence halls have had fluctuating occupancy over the past six years with gradually increasing levels peaking when the College had to lease rooms from the Red Lion until the subject property and College Place were built in 2006. In 2006, the College closed the ±95 room Talkington Hall and is considering closing or selling Parrish Hall eliminating another 29 rooms. This would increase occupancy in College Place and Clearwater Halls.

Enrollment has gradually been increasing over the past six years. The total enrollment includes the Coeur d'Alene, Idaho center with 367 in 2005, 358 in 2006 and 341 in 2007. Lewiston enrollment was 3,084 in 2005, 3,036 in 2006 and 3,271 in 2007. Overall FTE enrollment has increased ±1% annually over the last four years.

In my opinion, a long-term vacancy and collection loss allowance of 30.0% would be reasonable for the subject property. This is equivalent to an occupancy rate of 95% for the fall semester, 75% for the spring semester and 25% for the summer months. Occupancy for the spring semester has always been a problem with a differential of up to 38% to 40% in 2002 and 2003 declining to 21% and 22% in 2006 and 2007. It is possible that spring enrollment will continue to increase, however, I have already projected a healthy increase in summer usage that will be hard to achieve in the next few years. In the following summary, I have projected stabilized occupancy of 70% in about two years.

## Expenses/NOI

I have been furnished with the income and expenses for the subject property for the last 2-plus years and have included them in the Addenda. I have included professional management expenses at 5.0%, which is not currently being charged. Professional management fees for apartment projects are generally from 5% to 7%. A more competitive rate may be around 6%, however, with the changes taking place and the higher than normal vacancy rate, a rate of 5.0% appears reasonable.

Current real estate taxes are $78,972 based on a total assessed value of $4,254,571 including the main floor retail space. In my opinion, the assessed value for the subject portion of the project could be reduced because of the decreased occupancy projections. I have estimated real estate taxes at $54,000 based on an assessed value of $2,900,000. Personal property taxes are currently $5,262 based on a value of $283,434 and have been included at $5,300. Property and liability insurance has been estimated at 15¢/sf or $5,150.

Water/sewer/garbage and electricity was ±$30,500 for the past twelve months and have been increased in the second and third years to account for the increased occupancy. Elevator maintenance was estimated at $1,900, telephone and internet service at $29,0000 and cable TV at $11,170 but have only been increased at 2.5% because they are more fixed and do not fluctuate with occupancy.

Repairs and maintenance were less than ±$3,000 for the past twelve months because the project is nearly new. I have used an allowance of 12¢/sf or $4,120 for normal repairs and maintenance. Although there will be periodic replacement of some shorter life building components such as carpet and HVAC units, a replacement allowance has not been included. Buyers of residential rental property know that these costs will occur and the allowance is reflected in the overall capitalization rate used, since the comparable sales do not include any allowance.

Typical salaries and wages would be for an on-site manager during half of the working day and a half-time maintenance/repair employee. I have allocated an expense of $24,000 for two part-time employees including some benefits allowance. I have included miscellaneous expenses of $2,400/year for audits, professional fees, etc.

## Direct Capitalization

Direct capitalization converts the estimate of net annual income into an indication of value. Capitalization rates are derived from comparable sales of similar grade investment properties that appeal to the same level of investor as the subject property. The eight sales included had overall capitalization rates of 8.0%, 7.5%, 7.6%, 7.1%, 7.8%, 7.7%, 7.3%, and 7.3%, respectively. The most recent sale indicated the highest rate. Overall rates had been declining for the past few years but have begun to increase due to the changing economy and shortage of available money. The recent national housing crisis has caused many traditional lenders to reconsider the types of properties they are willing to lend on. Also, investors have turned to investments other than real estate, causing a further erosion of available money. In my opinion, these sales support an overall rate of 7% to 8% as reasonable in the Lewiston area. Rates for residential income property in the Kootenai County and Spokane County area have been closer to 7% with some below. For this analysis, I have used an overall capitalization rate of 7.50%.

Below is a summary of the Income Approach.

## CLEARWATER HALL

``

## INCOME APPROACH SUMMARY

| | | FIRST YEAR/MO | ANNUAL | SECOND YEAR/MO | ANNUAL | THIRD YEAR/MO | ANNUAL |
|---|---|---|---|---|---|---|---|
| **GROSS INCOME** | | | | | | | |
| STANDARD ROOMS | 110 | $375 | $495,000 | $385 | $508,200 | $400 | $528,000 |
| SMALL ROOMS | 5 | $345 | $20,700 | $355 | $21,300 | $370 | $22,200 |
| LARGE CORNER | 2 | $405 | $9,720 | $415 | $9,960 | $430 | $10,320 |
| **TOTAL GROSS INCOME-UNITS** | 117 | | $525,420 | | $539,460 | | $560,520 |
| **VACANCY & COLLECTION LOSSES** | | 38.0% | $199,660 | 33.33% | $179,802 | 30.0% | $ 168,156 |
| **EFFECTIVE GROSS INCOME-UNITS** | | | $325,760 | | $359,658 | | $ 392,364 |
| **MISCELLANEOUS INCOME** | | | | | | | |
| DEPOSITS RETAINED | | $5,000 | | $5,750 | | $6,325 | |
| LAUNDRY | | $2,250 | | $2,588 | | $2,846 | |
| VENDING COMMISSI0NS | | $650 | | $748 | | $822 | |
| SUBTOTAL | | | $7,900 | | $9,085 | | $9,994 |
| **TOTAL GROSS INCOME** | | | **$333,660** | | **$368,743** | | **$402,358** |
| **EXPENSES** | | | | | | | |
| MANAGEMENT | 5% | $ 16,683 | | 5% $ 18,437 | | 5% $ 20,118 | |
| REAL ESTATE TAXES | | $ 54,000 | | $ 55,350 | | $ 56,734 | |
| PERSONAL PROPERTY TAXES | | $ 5,300 | | $ 5,433 | | $ 5,568 | |
| PROPERTY & LIABILITY INSURANCE | | $ 5,150 | | $ 5,279 | | $ 5,411 | |
| SALARIES & WAGES | | $ 24,000 | | $ 24,600 | | $ 25,215 | |
| REPAIRS & MAINTENANCE | | $ 4,120 | | $ 4,223 | | $ 4,329 | |
| ELECTRICITY & GAS | | $ 21,000 | | $ 23,100 | | $ 25,410 | |
| WATER & SEWER | | $ 9,500 | | $ 10,450 | | $ 11,495 | |
| CABLE TV | | $ 11,170 | | $ 11,449 | | $ 11,735 | |
| TELEPHONE & INTERNET | | $ 29,000 | | $ 29,725 | | $ 30,468 | |
| ELEVATOR MAINTENANCE | | $ 1,900 | | $ 1,948 | | $ 1,996 | |
| MISCELLANEOUS | | $ 2,400 | | $ 2,460 | | $ 2,522 | |
| **TOTAL EXPENSES** | | | **$184,223** | | **$192,453** | | **$201,001** |
| **NET OPERATING INCOME** | | | **$141,537** | | **$167,205** | | **$191,363** |
| **OVERALL CAPITALIZATION RATE** | | | **7.50%** | | **7.50%** | | **7.50%** |
| **INDICATED VALUE** | | | **$ 1,887,165** | | **$ 2,229,398** | | **$ 2,551,513** |

The indicated value at stabilized occupancy in the third year is $2,551,513, rounded to $2,550,000. From this value, I have deducted the lost income less the 5% management of $47,335 for the first year and $22,950 for the second year or a total of $70,000, rounded to arrive at a current value of $2,480,000.

## RECONCILIATION & VALUE CONCLUSION

| Method | Value Indication |
|---|---|
| Cost Approach | $3,745,000 |
| Sales Comparison Approach | $2,925,000 |
| Income Approach | $2,480,000 |

In the process of analyzing income-producing properties, the Income Approach to Value is normally given more weight than when analyzing owner-occupied properties. Consideration should be given to this approach because this is a special purpose, student housing facility that does not have any good comparable sales from which to derive a value indication. The sales used in the Sales Comparison Approach were all of apartments in the university cities of Moscow, Idaho and Pullman, Washington. The Effective Gross Profit Multiplier indication of $3,320,000 is higher than the Sales Comparison Approach but lower than the Cost Approach. The income and expenses derived were based on current expenses for the most part and appear to be reasonable. The overall capitalization rate of 7.5% was bracketed by the sales used. In my opinion, this approach should be given equal weight with the other two approaches.

The Sales Comparison Approach indication of $2,925,000 was derived by comparing recent sales of apartment complexes in the Moscow, Idaho and Pullman, Washington area. This approach should be given supporting consideration in the final value estimate because the sales were not of college housing similar to the subject, although the analysis on a per bedroom basis was reasonably reflective of the subject facility. The price per unit indication of $85,000/unit or $2,720,000 and per square foot indication of $80/sf or $2,745,000 were on the high side of the adjusted range of the comparables but reasonably well supported.

The Cost Approach indication of $3,745,000 is an estimate of the cost new including soft costs and developer's profit with an estimate of overall depreciation due primarily to the lower than typical occupancy levels compared to apartments. This approach should set the lower limit of value if the project is successful. The undepreciated cost should set the upper limit of value.

In final analysis, I believe that all three approaches have some validity, however, the most weight should be given to the Income Approach indication. Therefore, it is my opinion that the estimated market value of the fee simple interest in the subject resident student housing facility "As Is" is:

**TWO MILLION EIGHT HUNDRED THOUSAND DOLLARS . . . . $2,800,000**
**Including Fixtures and Equipment**

## FIXTURES AND EQUIPMENT ALLOCATION

The value is allocated between real estate, furniture, fixtures, and equipment to comply with USPAP requirements. The real estate is identified as the building improvements, asphalt paving, concrete, landscaping, land, etc. The furniture, fixtures and equipment (F,F&E) are the common area furniture, beds, desks, wardrobe closets, refrigerators, microwaves, tables, chairs, etc. to furnish the complex for student housing. The total new value of the FF&E is ±$285,000. I have allocated the same depreciation of 30% to arrive at a current value of $200,000. The allocation between real estate and fixtures is shown below.

| | "As Is" |
|---|---|
| Land, Building & Site Improvements | $2,600,000 |
| Furniture, Fixtures and Equipment | $200,000 |
| Total Indicated Value | **$2,800,000** |

Lewis-Clark
STATE
COLLEGE

July 23, 2008

Fred M. DiCosola
College Town Development Idaho, LLC
2222 Harvard Avenue East
Seattle WA 98102

Re: Offer for Clearwater Hall Residential Space

Dear Fred:

Following up on our recent discussions, this letter confirms that we are prepared to offer you \$2.8M for the residential space in Clearwater Hall. This offer complies with the guidance we received from our board of trustees (State Board of Education), stipulating that we could make an offer equal to the lower of \$3.8M or the appraised value of the facility. The \$2.8M figure corresponds to the "as is" value conclusion in the recently-completed appraisal by Michael Sprute (Appraisal Group Northwest).

We continue to be very interested in acquiring the residential space in the building as expeditiously as possible, and I look forward to your response.

Please call if I can assist with additional information.

Sincerely,

Chet Herbst
Vice President for Finance and Administration

Cc: Dene K. Thomas (President)

500 8th Avenue
Lewiston, ID 83501-2698
www.lcsc.edu

PH: (208) 792-2240
FAX: (208) 792-2077

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collegetown DEVELOPMENT

Housing America's Future

July 29, 2008 **<u>Via U.S. Mail & E-Mail with Attachment</u>**

Chet Herbst
Vice-President for Finance and Administration
Lewis-Clark State College
500 8th Ave
Lewiston, ID 83501

Re: Offer for Clearwater Hall Residential Space

Dear Chet:

Thank you for your offer of July 23, 2008. Based upon the reasons outlined in our letter of July 16, 2008, as well as additional information provided herein, we cannot accept your offer price if $2.8 million.

As a counter proposal, we offer the following three alternatives. These alternatives are significant compromises on our part; and accordingly, they are offered in good faith, as a potential solution to the issues we have expressed to you in all of our meetings and correspondences to date.

<u>Purchase of Clearwater Hall Residential Space</u>

We will accept an "as is" purchase price of not less than $3.8 million for the residential space only; or

<u>Purchase of Entire Facility Including First Floor Commercial Space</u>

We will accept an "as is" purchase price of $5.1 million for the entire facility including the first floor commercial space; or

<u>Master Lease of Residential Space</u>

We will accept a master lease for the residential space as follows. The lease rate shall be $28,000 paid monthly each and every calendar month. The lease rate shall be triple net, and all taxes, utilities, insurance, telephone, cable and other related expenses specific to the residential space, shall be paid by the LCSC. The term of the lease shall be five years, with three successive five year options to renew at the then-fair market lease rate.

<u>Justification for Counter Offer Purchase Price</u>

Low student occupancy rates comprise the sole reason for the discounted valuation of the Sprute appraisal. The appraisal acknowledges that the current Management Agreement actually diminishes the value of the property; and the appraisal gives inadequate consideration to the fact that LCSC is capable of fully utilizing this space.

The Sprute appraisal assumes that LCSC will experience little to no future growth. Accordingly, 64 rooms are attributed value, while the remaining 53 rooms are rendered worthless due to low occupancy rates.

LCSC has consistently stated that this property must be valued at its actual value to the college, as if the college were the owner. The Sprute appraisal does not reflect such a situation. In fact, if LCSC were to own the property, its pro rata share of property taxes should be deducted from expenses; and accordingly, $55,360 annually at a capitalization rate of 7.5%, or $738,133, must be added back to Income Approach valuation.

Via e-mail, we have sent to you the December 17, 2007 Appraisal of Clearwater Hall, as performed by Lembeck Appraisal & Consulting, Inc. of Spokane, WA for KeyBank National Association. Typical of appraisals performed for banks, the bank instructed the appraiser to view the property from a conservative perspective. You will find this document to be considerably more thorough than the appraisal performed by Sprute.

The following is our comparison of the two appraisals. Please note that both appraisers included the property taxes as expenses negatively affecting income. We have re-adjusted the value as a separate line item notation, using each appraiser's respective capitalization rate.

| **Source** | **Facility** | **Residences** | **Commercial** |
|---|---|---|---|
| **Lembeck Appraisal Income Approach:** | | | |
| *Current Occupancy Rates:* | | | |
| Value w/o Management Agreement | $4,910,000 | $2,986,124 | $1,923,876 |
| Value with Management Agreement | $4,510,000 | $2,586,124 | $1,923,876 |
| *Stabilized Occupancy Rates October 2009:* | | | |
| Value w/o Management Agreement | $5,200,000 | $3,276,124 | $1,923,876 |
| Value with Management Agreement | $4,800,000 | $2,876,124 | $1,923,876 |
| **Lembeck Appraisal Income Approach Taxes Adjusted*:** | | | |
| *Current Occupancy Rates:* | | | |
| Value w/o Management Agreement | $5,701,432 | $3,777,556 | $1,923,876 |
| Value with Management Agreement | $5,301,432 | $3,377,556 | $1,923,876 |
| *Stabilized Occupancy Rates October 2009:* | | | |
| Value w/o Management Agreement | $5,991,432 | $4,067,556 | $1,923,876 |
| Value with Management Agreement | $5,591,432 | $3,667,556 | $1,923,876 |
| ** $61,000 property taxes added to income at 7.75% capitalization rate* | | | |
| **Lembeck Appraisal Cost Approach:** | | | |
| Cost to Replace | $5,250,000 | $3,999,697 | $1,250,303 |
| **Lembeck Appraisal Sales Comparison Approach:** | | | |
| Sales Comparison Valuation | $5,480,000 | $3,500,000 | $1,980,000 |
| **CTDI Actual Cost of Construction:** | | | |
| 2006 Actual Construction Cost Including Fixtures | $5,770,000 | $4,551,953 | $1,218,047 |
| **Sprute Appraisall Income Approach:** | | | |
| Total Value "as is" under all current conditions including taxes | | $2,480,000 | |
| **Sprute Appraisal Income Approach Adjusted for Taxes:** | | | |
| Total Value "as is" with current conditions adjusting for taxes** | | $3,218,133 | |
| ***$55,360 property taxes added to income at 7.5% capitalization rate* | | | |
| **Sprute Appraisal Cost Approach** | | | |
| Cost to Replace | | $3,745,000 | |
| **Sprute Appraisal Sales Comparison Approach** | | | |
| Sales Comparison Valuation | | $2,925,000 | |

Various perspectives can be used to arrive at one single valuation number. The two appraisals, collectively, provide more than enough data to arrive at a fair price. Both appraisals utilize the same basic three approaches to value. And both appraisers admit that you cannot base value on any one particular number.

Our counter-offer of $3.8 million is equally supported by both of these appraisals. First we arrive at a base value of $3.5 million, by applying the following two formulas:

Valuation Formula One:

The Lembeck appraisal values the residential portion at $3,777,556 using their “Income Approach Without Management Contract” value, adjusted for property taxes. We feel that it is appropriate to use the “Without Management Contract” value because this best reflects an LCSC ownership situation. The same is true with regard to deducting pro rata property taxes from the expenses. The Sprute appraisal, adjusted for property taxes, indicates an Income Approach value of $3,218,133. If you simply average these two appraisals, you arrive at a value of $3,497,845. This supports the base value of our counter offer, and it utilizes only the conservative income approaches.

| | |
|---|---|
| *Lembeck Income Approach w/o Management Agreement Adj. Taxes* | *$3,777,556* |
| *Sprute Income Approach Adj. Taxes* | *$3,218,133* |
| *Average of Two Approaches* | *$3,497,845* |

Valuation Formula Two:

The Sprute appraisal arrives at one blended appraisal value, using a combination of Income Approach, Sales Approach and Cost Approach. If we accept the ratios used by Sprute, of 38.8%, 30.6% and 30.6% respectively, and apply these ratio’s to each approach, equally averaging both appraisals, we arrive at a value of $3,500,000, once again, supporting the base value of our counter offer.

| | |
|---|---|
| *Income Approach Valuation from Valuation Formula One* | *$3,479,845* |
| *Avg. of Lembeck Cost Value & Sprute Cost Value* | *$3,872,348* |
| *Avg. of Lembeck Sales Value & Sprute Sales Value* | *$3,212,500* |
| *Value Weighted 38.8% / 30.6% / 30.6% as used by Sprute* | *$3,500,000* |

Finally, to this base value of $3.5 million, we must add back additional value to reflect the fact that this property provides LCSC with excellent growth potential. This growth has already been projected by the college; however, neither appraisal gave consideration to this fact. Clearwater Hall is not a 64 room facility. It has 117 rooms, which LCSC expects to fill in the near future.

Using the Sprute appraisal (page 50) value analysis based solely on income, the following chart accepts all expense assumptions, and calculates values under reasonable short term growth scenarios.

| | Current Occupancy | 75% Sem 1&2 10% Summer | 85% Sem 1&2 10% Summer | 100% Sem 1&2 10% Summer |
|---|---|---|---|---|
| Gross Income | $525,420 | $539,460 | $539,460 | $539,460 |
| Vacancy | $199,660 | $134,865 | $80,919 | $0 |
| Effective Gross Income | $325,760 | $404,595 | $458,541 | $539,460 |
| Miscellaneous Income | $7,900 | $9,085 | $9,085 | $9,085 |
| Total Gross Income | $333,660 | $413,680 | $467,626 | $548,545 |
| Expenses | | | | |
| Management | $16,683 | $20,230 | $22,927 | $26,973 |
| Real Estate Taxes | $54,000 | $55,350 | $55,350 | $55,350 |
| Personal Property Taxes | $5,300 | $5,433 | $5,433 | $5,433 |
| Property & Liability Insurance | $5,150 | $5,279 | $5,279 | $5,279 |
| Salaries & Wages | $24,000 | $24,600 | $24,600 | $24,600 |
| Repairs & Maintenance | $4,120 | $4,223 | $4,223 | $4,223 |
| Electricity & Gas | $21,000 | $23,100 | $23,100 | $23,100 |
| Water & Sewer | $9,500 | $10,450 | $10,450 | $10,450 |
| Cable TV | $11,170 | $11,449 | $11,449 | $11,449 |
| Telephone & Internet | $29,000 | $29,725 | $29,725 | $29,725 |
| Elevator Maintenance | $1,900 | $1,948 | $1,948 | $1,948 |
| Miscellaneous | $2,400 | $2,460 | $2,460 | $2,460 |
| Total Expenses | $184,223 | $194,247 | $196,944 | $200,990 |
| Net Operating Income | $149,437 | $219,433 | $270,682 | $347,555 |
| Overall Cap Rate | 7.50% | 7.50% | 7.50% | 7.50% |
| Value With Property Taxes | $1,992,493 | $2,925,777 | $3,609,093 | $4,634,067 |
| Value Without Property Taxes | $2,712,493 | $3,663,777 | $4,347,093 | $5,372,067 |

The Sprute appraisal's Income Approach value of $2,480,000 assumes that Clearwater Hall will never surpass 70% occupancy. This assumption is unreasonable and absurd. As you can see, The Sprute Model returns a value $2 million higher at 100% occupancy during the non-summer academic year, and nearly $3 million higher when property taxes are no longer paid.

Based upon this information, we feel that we can reasonably and logically provide an argument which supports a total purchase price well over $4 million for the residential portion of this property. In the interest of quickly resolving our differences with the college, and ending the continuing and mounting losses generated by this project, we are willing to value the property's ability to meet the college's future space requirements at only $300,000.

| | |
|---|---|
| Base Value Derived From Appraisals: Valuation Formulas 1 & 2 Noted Above | $3,500,000 |
| Value Added for Consideration of Property's Ability to Meet Future Growth | $ 300,000 |
| TOTAL COUNTER OFFER TO PURCHASE RESIDENCES | $3,800,000 |

I hope we can both agree that it would be grossly unfair to set the college's purchase price at a deeply discounted value, solely because the college itself has failed to maintain occupancy rates, and further failed to honor its own representations. Had LCSC been capable of simply producing 53 additional students as renters, these residences would now be worth $4.6 million on the open market, and $5.3 million to the college.

Please give careful consideration to our second alternative noted above, as this price for purchasing the entire facility is very well supported by the appraisals.

We have provided the Master Lease alternative as a viable option, in the event that we cannot consummate a sale. This would be our "last resort" means of solving our current issues with LCSC, prior to initiating litigation and beginning the process of converting the building into a new use.

Once again, we ask you to consider that our company has, as of today, invested $6,323,170 in this project. And we did so, based upon the projections, promises and representations of Lewis-Clark State College. This counter proposal to your offer constitutes a significant compromise on our part, and it offers you an opportunity to secure this property at an outstanding value, especially given its ability to generate profitability for the college.

As time is critical, both in terms of your August board meeting, and in terms of the approaching Fall semester, we would appreciate your prompt reply.

Respectfully,

Fred M. DiCosola
Managing Member
College Town Development Idaho, LLC

cc: Casey C. Colley; College Town Development Idaho, LLC

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LEMBECK APPRAISAL & CONSULTING, INC.
Commercial Real Estate Analysis & Market Research

SELF-CONTAINED APPRAISAL OF:

# Clearwater Hall

## 402 - 418 Main Street
## Lewiston, Idaho

DATE OF VALUATION

December 6, 2007

DATE OF REPORT

December 17, 2007

BY

Justin L. Stout

and

Jeffrey D. Lembeck, MAI

LEMBECK APPRAISAL & CONSULTING, INC.
111 W North River Drive, Ste. 204
Spokane, Washington 99201
(509) 326-4130

REPORT NO. 07.197

LEMBECK APPRAISAL
& CONSULTING, INC.
Commercial Real Estate Analysis
& Market Research

December 17, 2007

Mr. Timothy Rietveld, MAI & VP
KeyBank National Association
601 108th Ave NE 5th Floor
Bellevue, WA 98004

RE: Clearwater Hall
402 - 418 Main Street
Lewiston, Idaho
KRETS No. KEYW-071015-7469-1

Dear Mr. Rietveld:

At your request, we have prepared an appraisal and formed an opinion of the market value of the leased fee interest in the property located at 402 - 418 Main Street in Lewiston, Idaho. The subject property is Clearwater Hall, a four-story, mixed-use facility, which comprises retail space on the main floor and student-oriented housing in the upper levels. The student housing portion contains 117 bedrooms in 32 units.

Based on our investigation and analysis, and subject to the assumptions and limiting conditions contained within this report, we are of the opinion that the market value of the leased fee interest in the subject property is as follows:

| VALUE SCENARIO | EFFECTIVE DATE | VALUE CONCLUSION |
|---|---|---|
| Hypothetical Leased Fee Value Without Management Agreement | | |
| As Is: | December 6, 2007 | $4,910,000 |
| Upon Stabilization: | October 6, 2009 | $5,200,000 |
| Leased Fee Value With Management Agreement | | |
| As Is: | December 6, 2007 | $4,510,000 |
| Upon Stabilization: | October 6, 2009 | $4,800,000 |

As will be discussed later in the report, the stabilized value of the subject is less than the value concluded in the previous appraisal of the subject that was completed for its construction loan. Please see the Property History on page 16 of this report for a discussion of the influences that led to this reduction in value.

The data and analysis leading to the conclusion are summarized in the attached self-contained appraisal report. This report was prepared in conformance with the requirements of the Uniform Standards of Professional Appraisal Practice, in addition to those of KeyBank National Association.

Sincerely,

Justin L. Stout

Jeffrey D. Lembeck, MAI

111 W. North River Drive • Suite 204 • Spokane, Washington 99201 • 509.326.4130 • fax 509.326.4148

# CERTIFICATION

We certify that, to the best of our knowledge and belief,...

- The statements of fact contained in this report are true and correct.

- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.

- We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.

- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.

- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

- The appraisal was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the *Uniform Standards of Professional Appraisal Practice*.

- The use of the report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

- We have made a personal inspection of the property that is the subject of this report.

- No one provided significant real property appraisal assistance to the persons signing this certification.

- As of the date of this report, I, Jeffrey D. Lembeck, have completed the requirements of the continuing education program of the Appraisal Institute.

Justin L. Stout

Jeffrey D. Lembeck, MAI
*Idaho State Certified General Real Estate Appraiser*
No. 332

# TABLE OF CONTENTS

# SUMMARY OF FACTS

| | |
|---|---|
| PROPERTY NAME: | Clearwater Hall |
| PROPERTY ADDRESS: | 402 - 418 Main Street<br>Lewiston, Idaho |
| CLIENT/INTENDED USER(S): | KeyBank National Association |
| DATE OF INSPECTION: | December 6, 2007 |
| DATES OF VALUATION: | |
| As Is: | December 6, 2007 |
| Upon Stabilization: | October 6, 2009 |
| DATE OF REPORT: | December 17, 2007 |
| VALUE ESTIMATED: | Leased fee |
| CURRENT USE: | Mixed-use building comprising retail on the main level and student-oriented housing in the upper levels. |
| HIGHEST AND BEST USE: | The subject's current use is representative of a highest and best use. |
| SITE DESCRIPTION | |
| Land Area: | 36,984 SF, or 0.85 Acres |
| Usable Land Area: | 14,130 SF, or 0.32 Acres |
| Zoning: | General Commercial Zone (C-4), City of Lewiston |
| Lot Orientation: | Corner |
| Topography: | The north portion of the site is level, while the southern portion of the site is severely sloped upward from north to south. |
| IMPROVEMENT DESCRIPTION | |
| Improvement Type: | Completely gutted and remodeled three-story, brick building that was built in 1910 and a four-story addition of wood-frame construction with a brick veneer exterior that was built in 2006. |
| Retail SF (GLA): | 12,787 SF |
| Student Housing SF (NRA): | 26,805 SF (117 Bedrooms) |

# ESTIMATES OF VALUE

HYPOTHETICAL STABILIZED LEASED FEE VALUE WITHOUT MANAGEMENT AGREEMENT

COST APPROACH

| | | |
|---|---|---|
| Replacement Cost New | | $4,481,070 |
| Add: Developer's O.H. & Profit @ 15% | + | $672,161 |
| Total Development Cost New | | $4,153,231 |
| Less: Accrued Depreciation | - | $0 |
| Depreciated Replacement Cost | | $4,153,231 |
| Add: Land Value (14,130 usable SF @ $6.50/SF) | + | $92,000 |

Indicated Value Via the Cost Approach: **$5,250,000**

SALES COMPARISON APPROACH

Living Units

| | | |
|---|---|---|
| Price Per Unit ($85,000/Unit x 32 Units) | | $2,720,000 |
| Price Per BR ($38,000/BR x 117 Bedrooms) | (Rd) | $4,450,000 |
| Effective Gross Income Multiplier (7.0 EGIM x $463,613) | (Rd) | $3,250,000 |
| Correlated Value of Living Units | | $32,500,000 |

Retail Space

| | | |
|---|---|---|
| Price Per SF ($155.00/SF x 12,787 SF) | (Rd) | $1,980,000 |

Total Value

| | | |
|---|---|---|
| Value of Living Units | | $3,500,000 |
| Add Value of Retail Space | + | $1,980,000 |

Indicated Value Via the Sales Comparison Approach: **$5,480,000**

## INCOME APPROACH

### Direct Capitalization

**Living Units**

| | | |
|---|---|---|
| Potential Gross Income | | $545,427 |
| Vacancy and Credit Loss @ 15% | - | $81,814 |
| Effective Gross Income | | $463,613 |
| Operating Expenses | - | $220,426 |
| Net Operating Income | | $243,187 |
| Direct Capitalization Rate | ÷ | 7.75% |
| Indicated Value | | $3,137,897 |

**Retail Space**

| | | |
|---|---|---|
| Potential Gross Income | | $153,444 |
| Vacancy and Credit Loss @ 5% | - | $7,672 |
| Effective Gross Income | | $145,772 |
| Operating Expenses | - | $6,291 |
| Net Operating Income | | $139,481 |
| Direct Capitalization Rate | ÷ | 7.25% |
| Indicated Value | | $1,923,876 |

**Total Value**

| | | |
|---|---|---|
| Value of Living Units | | $3,137,897 |
| Add Value of Retail Space | + | $1,923,876 |

| | | |
|---|---|---|
| Indicated Value Via the Income Approach: | (Rd) | **$5,060,000** |

## MARKET VALUE CONCLUSIONS WITHOUT MARKET AGREEMENT

| | |
|---|---|
| Upon Stabilization (October 20, 2009) | **$5,200,000** |
| As Is (December 6, 2007) | **$4,910,000** |

## STABILIZED LEASED FEE VALUE WITH MANAGEMENT AGREEMENT

INCOME APPROACH

Direct Capitalization

Living Units

| | | |
|---|---|---|
| Potential Gross Income | | $530,966 |
| Vacancy and Credit Loss @ 25% | - | $132,742 |
| Effective Gross Income | | $398,224 |
| Operating Expenses | - | $171,471 |
| Net Operating Income | | $226,753 |
| Direct Capitalization Rate | ÷ | 7.75% |
| Indicated Value | | $2,925,845 |

| | | |
|---|---|---|
| Retail Space | | $1,923,876 |

Total Value

| | | |
|---|---|---|
| Value of Living Units | | $2,925,845 |
| Add Value of Retail Space | + | $1,923,876 |
| | | |
| Indicated Value Via the Income Approach: | (Rd) | **$4,850,000** |

MARKET VALUE CONCLUSIONS WITH MARKET AGREEMENT

| | |
|---|---|
| Upon Stabilization (October 20, 2009) | **$4,800,000** |
| As Is (December 6, 2007) | **$4,510,000** |

# EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

1. The client has asked for an "as is" market value of the subject, assuming operation without the current management agreement between the subject owners and Lewis-Clark State College. Therefore, for the purposes of this value, it is a hypothetical condition of this report that the subject is operating without the aforementioned management agreement. The client has also requested the "as is" value of the subject with the existing management agreement. Therefore, after the reconciliation, the "as is" value of the subject will be analyzed under the existing management agreement. Thus the preceding hypothetical condition will not be in effect during the later analysis.

# GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

1. No responsibility is assumed for the legal description or matters involving legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.

2. The property is appraised free and clear of any or all liens or encumbrances, unless otherwise stated.

3. Responsible ownership and competent management are assumed, unless otherwise stated.

4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

5. The appraiser has made no engineering survey of the property and assumes no responsibility for such matters. Any maps, plans and photographs included in this report are for illustrative purposes only.

6. It is assumed there are no hidden or unapparent conditions of the property, subsoil or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them. Subsurface rights, e.g. mineral or oil rights, were not considered in this report.

7. It is assumed the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.

8. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described and considered in the appraisal report.

9. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or

private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

10. It is assumed the utilization of the land and improvements is within the subject property boundaries and there is no encroachment or trespass unless otherwise stated.

11. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would adversely affect its use or value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired.

12. Any allocation of total value estimated in this report between land, improvements, or any other fractional part or interest applies only under the stated program of utilization, and is invalidated if used separately or in conjunction with any other appraisal.

13. Possession of this report, or a copy thereof, does not carry with it the right of publication.

14. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made.

15. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.

16. Any value estimates provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimate, unless such proration or division of interests has been set forth in the report.

17. Any proposed improvements are assumed to have been completed unless otherwise stipulated; any construction is assumed to conform with the building plans referenced in the report.

18. Any construction, alterations or repairs upon which the appraised value is contingent are assumed to be completed in a workmanlike manner.

19. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.

20. Disclosure of the contents of this report is governed by the Bylaws and Regulations of the Appraisal Institute.

21. The Americans with Disabilities Act became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of the subject property to determine whether it is conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the subject property and a detailed analysis of the requirements of the ADA may reveal that the subject property is not in compliance with one or more of the requirements of the act.

22. This appraisal report is prepared for the sole and exclusive use of the appraiser's client, KeyBank National Association. No third parties are authorized to rely upon this report without the express written consent of the appraiser.

23. Provision of an Insurable Value by the appraiser does not change the intended user or the intended purpose of the appraisal. The appraiser assumes no liability for the Insurable Value estimate provided and does not guarantee that any estimate or opinion will result in the subject property being fully insured for any possible loss that may be sustained. The appraiser recommends that an insurance professional be consulted. The Insurable Value estimate may not be a reliable indication of replacement or reproduction cost for any date other than the effective date of this appraisal due to changing costs of labor and materials and due to changing building codes and governmental regulations and requirements.

# THE APPRAISAL ASSIGNMENT

## IDENTIFICATION OF THE PROPERTY

The property to be appraised is the Clearwater Hall located at 402 - 418 Main Street in the city of Lewiston, Idaho.

## LEGAL DESCRIPTION

A lengthy metes and bounds legal description of the subject property is included in the addenda of this report.

## DATE OF INSPECTION

Jeffrey D. Lembeck and Justin L. Stout inspected the subject property on various dates in December 2007. The formal inspection of the subject property was conducted on December 6, 2007.

## DATE OF VALUATION

The property is valued as of December 6, 2007.

## DATE OF REPORT

The date of the report is December 17, 2007.

## PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to estimate the market value of the leased fee interest in the subject property with its existing management agreement in place and assuming operation without the management agreement.

## INTENDED USE OF THE APPRAISAL

The intended use of the appraisal is to provide the client, KeyBank National Association, with an updated value of the subject property for monitoring purposes.

## PROPERTY RIGHTS APPRAISED

This analysis will lead to an opinion of the market value of the leased feeinterest in the subject property.

<u>Leased Fee Interest</u> - *An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.*[1]

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[1] Appraisal Institute, *The Dictionary of Real Estate Appraisal,* 4th ed. 2002, pg. 161.

Fee Simple Estate - *Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police powers, and escheat.*[2]

The right of use and occupancy for the subject property is conveyed by lease to the tenants; as such, the report will conclude to a leased fee value. The client has asked for the "as is" market value of the leased fee interest in the subject property. However, the subject is not yet stabilized, and therefore a stabilized value will be concluded first, followed by the "as is" value.

## DEFINITION OF MARKET VALUE

*The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:*

*(1) Buyer and seller are typically motivated;*
*(2) Both parties are well informed or well advised, and acting in what they consider their best interests;*
*(3) A reasonable time is allowed for exposure in the open market;*
*(4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
*(5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.*[3]

## SCOPE OF THE APPRAISAL

The scope of the appraisal included:

- Inspection of the subject property, subject neighborhood and all comparable properties used in the report;
- review and analysis of all subject information included in the report and addenda;
- research, confirmation and analysis of sale comparables with the aid of County records, TRW Real Estate Information Services, and other sources;
- use of the Cost, Sales Comparison, and Income Approaches in valuing the property, and;
- preparing this written appraisal report in a self-contained report format.

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2 Appraisal Institute, *The Dictionary of Real Estate Appraisal,* 4th ed. 2002, pg. 113.

3 Board of Governors of the Federal Reserve System (FRS), 12 CFR Part 225; Federal Deposit Insurance Corporation (FDIC), 12 CFR Part 323; National Credit Union Administration (NCUA), 12 CFR Part 722; Office of the Comptroller of the Currency (OCC), 12 CFR 34.42(f); Office of Thrift Supervision (OTS), 12 CFR 564.2(f); and the Resolution Trust Corporation (RTC), 12 CFR Part 1608. Washington, D.C.: Federal Register, Vol 55, No. 251, pages 53610-53618; Monday, December 31, 1990.

## APPRAISER COMPETENCY

No actions were necessary to comply with the competency provision of USPAP.

## THREE-YEAR OWNERSHIP AND SALES HISTORY OF THE SUBJECT

The subject property is currently owned by Clearwater Historic Development, LLC, which purchased the property in February 2005 for $250,000 from S. Griffin Construction, Inc. The land component of this sale will be analyzed in the land valuation section of this report. The property was reportedly not being marketed at the time of sale. At the time of this sale, the facility comprised only a three-story brick building that was originally constructed in 1910, which was in "shell" condition, prior to being completely gutted, remodeled, and expanded to the east with a four-story building, all of which was completed after the sale.

We are aware of no other sales, listings, or offers involving the subject over the past three years. It should be noted that a representative for Lewis-Clark State College reported that the college was assessing the possibility of purchasing the subject. However, they would need the approval of the State Board of Education.

## SUBJECT HISTORY

As stated earlier, we previously appraised the subject property for the purposes of its construction loan, which resulted in a higher stabilized value than is concluded in this report. The prior appraisal was predicated on assumptions put forth by Lewis-Clark State College that did not come to fruition after the completion of the subject property. In order to provide a better understanding of the progression of the subject property to its current state, it is helpful to consider the following history of the subject.

- Project Development History - When the subject project was initially conceived, there was reportedly a large supply of pent-up demand for student housing. At the time of development, Dr. Ron Smith, the former Vice President for Administrative Services at Lewis-Clark State College (LCSC), stated the college had a contract with the nearby Red Lion hotel to house 59 of the overflow of students that could not be accommodated in residence halls on campus, which were fully occupied. This contract would be terminated at the end of May 2006. The three residence halls on campus were reportedly fully occupied with approximately 205 students. Dr. Smith reported that there was typically a waiting list for these lodgings in the summer and when the contract with the Red Lion terminates, the college anticipated there would be over 160 students on the waiting list for on-campus housing. Additionally, Karen Morscheck, Director of Residence Life at LCSC stated that lots of groups apply to LCSC for summer stays, but given the limited on-campus housing, these groups couldn't be facilitated.

  As an inducement to build the subject project, Dr. Smith drafted a letter of intent between the subject's developer and LCSC to enter into a management agreement, in which LCSC agreed to fill the subject's residence units and College Place (an 88-bedroom, student-oriented facility that was to be constructed and completed at the same time as the subject) prior to allowing students to reside in any other LCSC owned or managed residence facility. Thus LCSC agreed to fill the subject's 117 bedrooms and the 88 bedrooms at College Place before filling its own residence halls on campus. However, this commitment never materialized, as it is not included in the current management agreement.

Dr. Smith further stated that peer institutions that are similar to LCSC typically use 12% of their total enrollment as a benchmark for programming the number of beds needed for on-campus housing. Therefore Dr. Smith surmised that 12% of LCSC's reported 3,500 students would equate to a need of 420 beds. According to Dr. Smith, LCSC had about 205 beds on campus, thus falling well short of the 12% benchmark and indicating a need for over 200 additional beds. Since the subject and College Place would accommodate a combined total of 205 beds, both projects were undertaken and completed in August 2006.

- Present Project Status – The subject project is currently approximately 75% occupied. According to the subject history, this occupancy rate is typical for the nine-month school year. During the summer term, however, the occupancy rate drops to about 8%. The experience of College Place, which is also at a present occupancy rate of 75%, has reportedly been the same. We spoke with one of the owners of College Place, Bill Lawson, who stated they were having serious vacancy and absorption problems that they have yet to work out. Mr. Lawson said the project is basically dead in the summer, and they have to "make it up" during the nine-month school year. They start the school year at 85% to 90% occupancy, but by the first semester they are down to only 60% occupancy.

    - We spoke with Kent Kinyon (208-792-2202), Controller for Lewis-Clark State College, who said that during the 2005/2006 school year, there was excessive demand for student housing, as students were relegated to the Red Lion hotel for overflow housing. Since that time, enrollment has increased at LSCS, however there has been a change in the demographics related to the student body. While typical colleges mainly have traditional four-year students between the ages of 18 and 22, LCSC has experienced a combination of a net increase in older, non-traditional students and a slight decrease in enrollment for traditional four-year students. This has a magnified effect upon residence halls, since they historically comprise younger students that are either freshmen or sophomores.

      Additionally, LCSC has experienced a lower retention rate for students living in residence halls, compared to the general student population. A possible reason for this is the younger students are increasingly seeking out traditional apartment housing, as opposed to residence halls. Another possible explanation is that, due to a favorable economy in the Lewiston area, these younger student's are opting to quit or put on hold their pursuit of a college degree and enter the workforce. As a result, there are fewer students attending LCSC, which leads to a decreasing number of students seeking student housing.

    - We spoke with Karan Morscheck (208-792-2259), Director of Student Life at LCSC, who related they have closed Talkington Hall, a residence hall on campus. Ms. Morscheck said Clark Hall had 69 beds occupied out of 78, which are used for athletes only, and Parrish Hall has 19 beds occupied out of 29, which is occupied by upper-classman on the honor roll. As such, housing on campus is very limited, and the majority of the students requiring housing are accommodated at the subject, Clearwater Hall, and College Place. Ms. Morscheck related that while enrollment at the subject is at around 90 beds during the nine-month school year, it drops to about 9 or 10 during the summer term, even though LCSC marketed the space through several different outlets.

- **Project's Future Outlook** – Mr. Kinyon stated it is LSCS's goal to increase enrollment of traditional four-year students and he believes the trend line for the traditional student will increase in the future. As part of LCSC's commitment to increasing enrollment of this demographic, they will be constructing a $15 Million addition for their prestigious nursing program, which is reportedly highly regarded. This expansion, which is expected to be completed by Fall 2009, will enable the college to admit more students to its nursing program. Their nursing program is a baccalaureate program, from which they anticipate an increase of traditional four-year students. As a result, this will be a source of additional student demand for both residence halls (Clearwater Hall and College Place).

    - Additionally, we spoke with Howard Erdman (208-792-2456), Director of Institutional Planning, Research and Assessment at LCSC. The following information was relayed during our conversation. Enrollment of full-time students at LCSC has been steady over the past seven years, while total student enrollment has been trending upward, as shown in the following table.

| LCSC Fall Semester Total Enrollment | | | | | | | |
|---|---|---|---|---|---|---|---|
| Year: | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| *Students:* | *2,953* | *3,108* | *3,471* | *3,325* | *3,451* | *3,394* | *3,612* |
| % Change: | - | 5.0% | 10.5% | -4.4% | 3.7% | -1.7% | 6.0% |

Most students in residence housing are freshmen and sophomores, and therefore, the college is targeting these younger, traditional students. As shown in the above chart, total enrollment in 2007 increased by 6%. This increase was partly due to an increase in freshmen. The following table displays the freshman enrollment over the past seven years.

| LCSC Freshman Enrollment History | | | | | | | |
|---|---|---|---|---|---|---|---|
| Year: | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| *Freshman:* | *1,141* | *1,212* | *1,440* | *1,213* | *1,231* | *1,214* | *1,428* |
| % Change: | - | 5.9% | 15.8% | -18.7% | 1.5% | -1.4% | 15.0% |

As shown, a 15% increase in freshman was experienced in 2007. This is reportedly a direct result of the college targeting smaller school districts in the region that have small graduating classes. The college plans to continue their efforts to target these smaller school districts that are purportedly not courted by other colleges and universities. It should be noted that the increase in 2003 (as shown in both tables above) was due to an atypically large high school graduating class. In addition, virtually all of the college's international students are accommodated in residence halls. The following table reflects past international enrollment for LCSC.

| LCSC International Enrollment History | | | | | | | |
|---|---|---|---|---|---|---|---|
| Year: | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| *Int'l Students:* | *78* | *79* | *94* | *98* | *115* | *132* | *143* |
| % Change: | - | 1.3% | 16.0% | 4.1% | 14.8% | 12.9% | 7.7% |

As shown, the enrollment of international students has been rising steadily. However, the 2001 enrollment, as well as a few years that follow, is reportedly atypically low due to the terrorist attack in September 2001. Also, 100 students from Nepal will be enrolling at LCSC in Fall 2008, as LCSC has a strong enrollment of Nepalese. Therefore, these additional 100 students would be expected to be housed in the residence halls, and in turn, increasing occupancy rates.

- Conclusion – It is evident that the demand for student housing that was anticipated prior to construction of the subject did not materialize. A possible reason for the lower demand is a change in the demographics at LCSC and a reduction in retention rates for students housed in residence halls. Also, there are approximately 88 students still being lodged in on-campus housing, further impacting the occupancy rate for the off-campus residence halls (the subject and College Place). If these 88 students were to be housed in off-campus residence halls, there would still not be enough student demand to maintain an appropriate occupancy rate during the summer term.

  The college does appear to be increasing its efforts to increase traditional student enrollment that would typically require student housing. These efforts include focusing on smaller school districts in the region that have smaller high school graduating classes. The college will also be completing a $15 Million expansion to accommodate more students in its nursing program in Fall 2009, which mainly comprises traditional four-year students. Additionally, they are projecting an increase of at least 100 international students in Fall 2009, which will all likely require student housing. Thus, the aforementioned plans should positively impact the future enrollment of LCSC, and in turn, the subject's occupancy; however it will not be occurring in the near term and it is unknown when the full impact of their efforts will be received.

## MARKETING/EXPOSURE PERIOD

Marketing Time – *an estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal; the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the consummation of a sale at a price supportable by concurrent market conditions.*[4]

Exposure Time – *the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal.*[5]

In this instance, marketing time and exposure time are judged to be equivalent. According to the Korpacz Real Estate Investor Survey, the average marketing time for the "National Strip Shopping Center Market" is 6.25 months. Additionally, the average marketing time for the "National Apartment Market" is 5.65 months. Among the improved apartment sales, Clarke Terrace was listed for 2 months prior to selling. Considering the subject's

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4 The Appraisal Institute, *The Dictionary of Real Estate Appraisal,* 4th ed., 2002.

5 Ibid.

characteristics, a marketing/exposure period of 12 months is estimated for the subject, if appropriately priced and actively marketed. Based on the subject's proposed characteristics and its relationship with Lewis-Clark State College (LCSC), the facility would be most attractive to LCSC.

## PERSONAL PROPERTY, FIXTURES, AND INTANGIBLES

- **Fixtures** - Included in the valuation of the real estate were the items summarized in the following table.

| Item | Units | | Rate | | Total Cost New | | Depreciated Cost @ 8% |
|---|---|---|---|---|---|---|---|
| Bedrooms | | | | | | | |
| Loftable Bed | 117 | BRs @ | $ 124 | $ | 14,508 | $ | 13,347 |
| Mattress | 117 | BRs @ | $ 83 | $ | 9,711 | $ | 8,934 |
| Armoire | 117 | BRs @ | $ 403 | $ | 47,151 | $ | 43,379 |
| Desk | 117 | BRs @ | $ 243 | $ | 28,431 | $ | 26,157 |
| Chiar | 117 | BRs @ | $ 64 | $ | 7,488 | $ | 6,889 |
| Units | | | | | | | |
| Refrigerators | 32 | Units @ | $ 300 | $ | 9,600 | $ | 8,832 |
| Sofa | 32 | Units @ | $ 1,131 | $ | 36,192 | $ | 33,297 |
| Living Rm Chair | 32 | Units @ | $ 612 | $ | 19,584 | $ | 18,017 |
| Coffee Table | 32 | Units @ | $ 157 | $ | 5,024 | $ | 4,622 |
| Dining Table | 32 | Units @ | $ 224 | $ | 7,168 | $ | 6,595 |
| Dining Chairs | 117 | Units @ | $ 24 | $ | 2,808 | $ | 2,583 |
| | | | | | | $ | 172,652 |

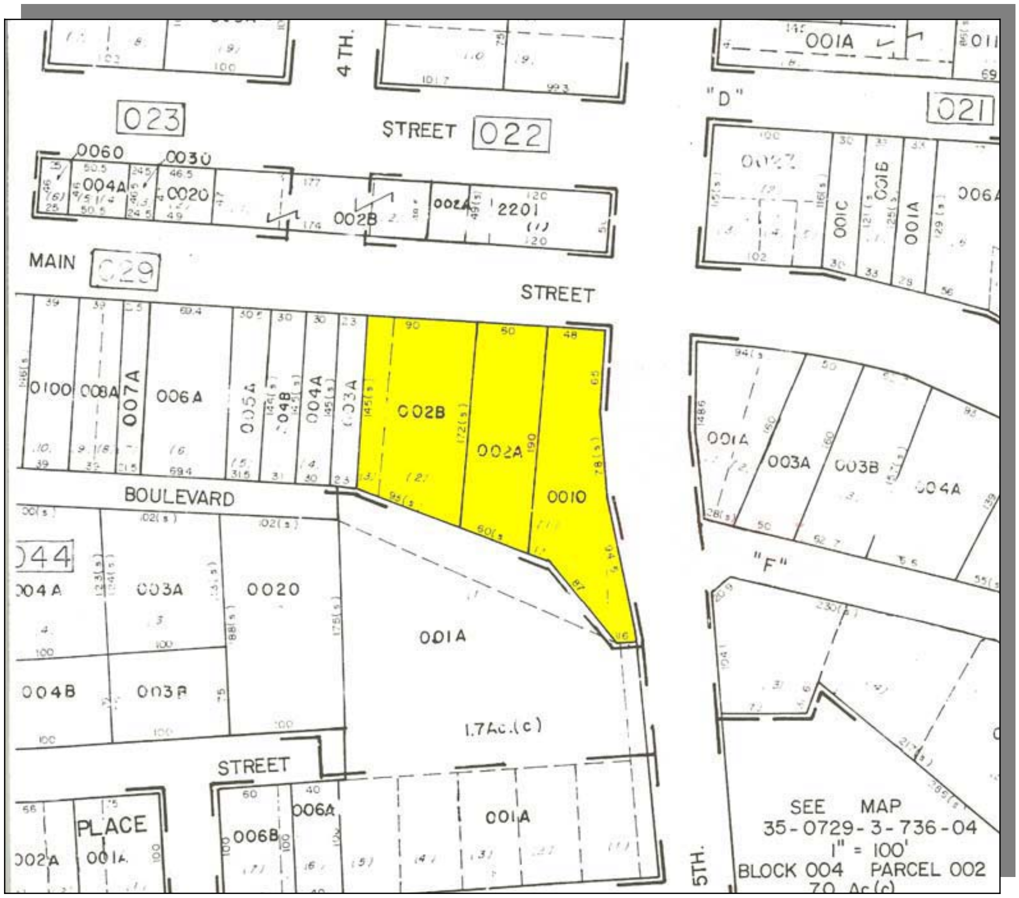
The subject's furnishings are estimated to have an average economic life of 10 years. Since the subject was completed approximately 15 months, this would indicate a depreciation rate of 12.5% for the subject's fixtures. However, considering the subject's historical occupancy rate, the fixtures have been depreciated by 8%, as shown in the table above. As a result, the value allocated to the subject's fixtures is $172,652.

## UNAVAILABILITY OF INFORMATION

Sufficient information necessary to form a reliable opinion of market value was believed to be available. However, if additional information becomes available after the date of this appraisal, the right is reserved to re-analyze the property, and to potentially revise the value conclusions stated herein. Such analysis may be at an additional fee.

# SUBJECT INFORMATION

# SITE DESCRIPTION




PLAT MAP

## LOCATION

The subject site is located at 402 – 418 Main Street in the historic district of the city of Lewiston, in the "Downtown" area, which is in the northwest quadrant of the city of Lewiston, Idaho.

## SIZE AND SHAPE

The subject is an irregular site that comprises three contiguous parcels, as shown in the plat map above (the subject site is highlighted in yellow). The entire site is approximately 0.85 acres, or 36,984 SF. However, due to the severe slope on the southern border of the subject site, only the northern section of the parcels is usable. This usable portion is approximately 0.32 acres, or 14,130 SF.

## FRONTAGE/EXPOSURE

The subject is a corner site with frontage along Main Street and 5th Street. Main Street is a one-way road that is the eastbound portion of Lewiston's downtown couplet. The westbound portion of this couplet is "D" Street, which is located one block north of Main Street. The subject site has approximately 198′ of frontage along the south side of Main Street and about 237′ of frontage along the west side of 5th Street. The subject has ground-floor retail space and student-oriented housing in the upper levels, therefore, its exposure is considered good since it is located along Main Street, a major arterial in the historic district of Lewiston's central business district, and along 5th Street, which provides access to Lewis-Clark State College, one-half mile to the south. Additionally, the subject site is located at a signalized intersection.

## ACCESS

Regional and local access to the site is good. The subject can be accessed via Main Street, which is also known as Highway 12, but is Main Street while in the city limits of Lewiston. Main Street accesses the city of Clarkston to the west and intersects with Twenty-first Street to the east, which provides access to US Routes 12, 95, and 195. These routes serve as the major north/south and east/west highways in southern Washington and south-central Idaho. The subject is easily accessed both regionally and locally.

## INGRESS/EGRESS

The subject site has frontage on Main Street, a paved one-way road with two eastbound lanes, and 5th Street, a paved two-way road. The only area of vehicular ingress/egress to the subject property is the southeast corner of the site along the west side of 5th Street, which is used to access the subject's trash receptacle.

## EASEMENTS/ENCROACHMENTS

The title report by Land Title of Nez Perce County, dated January 6, 2006, did not indicate any adverse easements, or restrictions. No obvious easements or encroachments were observed during the inspection of the site. Typical utility easements are presumed to exist.

## ADJACENT USES

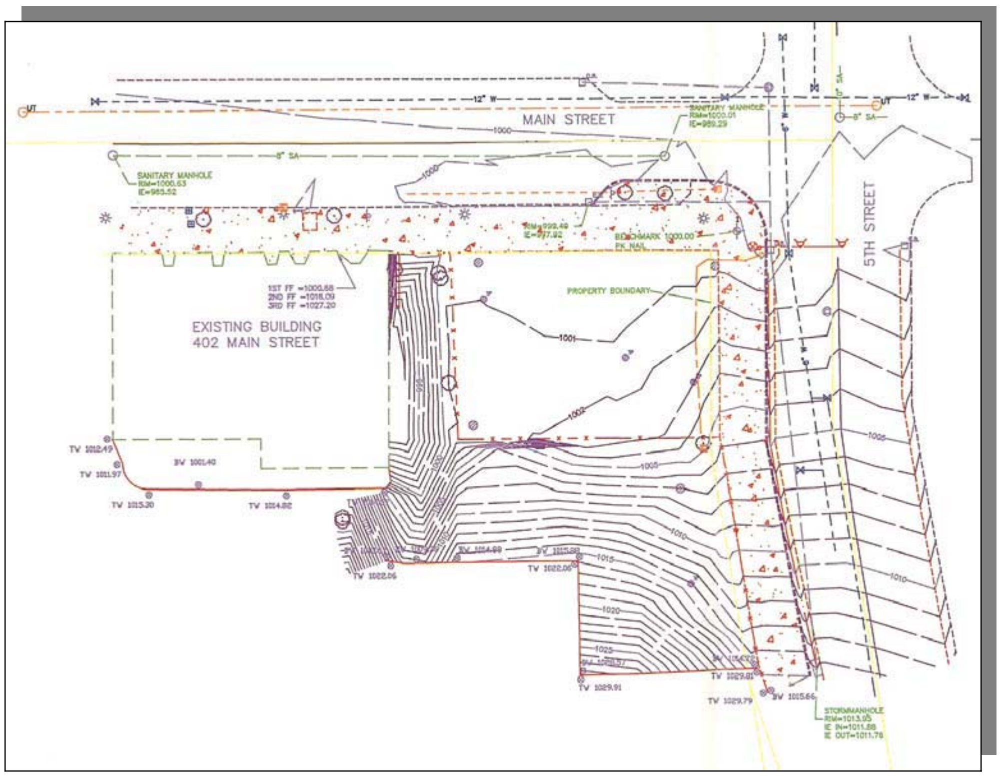
| | |
|---|---|
| North: | An older two-story brick building in average condition at the northwest corner of Main Street and 5th Street. This building is occupied by the Lewis-Clark State College Center for Arts and History. This building shares a common wall with the four-story building to the west, across the street to the north of the subject's existing building. This is the Butler Building, which was recently renovated and comprises Moxie, a full service salon, on the main level and private residences on the upper levels. |
| South: | The Garden City Apartments; an older multi-family apartment complex that comprises three buildings in average condition. This apartment complex is situated atop the hillside directly behind the subject. |
| East: | Across 5th Street is the Town Square Mall; a combination of two buildings that comprise four levels of retail and office use. The mall |

was constructed in 1892 and was remodeled in the early 1980's. The 45,735 SF facility is in average condition.

West: A block of buildings in fair to average condition that share common walls.

## TOPOGRAPHY/DRAINAGE

As mentioned, there is a severe upward slope from north to south along the southern border of the subject site. Thus only the northern section of the site is considered usable. The severity of this slope is illustrated in the topographic survey below. The northern section of the site is generally level and at street grade. There were no areas of standing water at the time of the inspection, and the subject property appears to have adequate drainage.




## UTILITIES

Utilities available to the subject property include:

| Utility | Purveyor | Contact |
|---|---|---|
| Water: | City of Lewiston | 208-746-1355 |
| Sanitary Sewer: | City of Lewiston | 208-746-1355 |
| Electricity: | Avista Utilities | 800-227-9187 |
| Telephone: | Qwest Communications | 800-603-6000 |
| Natural Gas: | Avista Utilities | 800-227-9187 |

All typical utilities are available in the subject's neighborhood with City supplied water, sewer, and garbage. Avista Corporation provides gas and electric service.

## LINKAGES

**Medical:** Saint Joseph Regional Medical Center is a 145-bed facility situated in the subject neighborhood, approximately four blocks south of the subject site. Saint Joseph is the largest hospital in the region, serving nine counties in Idaho, Washington, and Oregon. Additionally, Tri-State Hospital, a 62-bed facility, is located in nearby Clarkston, Washington.

**Shopping:** Most of the major shopping and retail service are located in eastern Lewiston, approximately two miles east of the subject. Lewiston Center Mall, with over 250,000 SF of shopping is located just outside the southeast corner of the subject's neighborhood. Additional shopping and retail services are located along Main Street, near the subject, and along Thain Grade.

**Schools:** There are adequate schools (Webster Elementary, Jenifer Junior High School, and Lewiston High School) in the city of Lewiston, including Lewis-Clark State College, one-half mile south of the subject.

## FEMA FLOOD ZONE INFORMATION

| | |
|---|---|
| Community Panel No.: | 1601040001B |
| Dated: | January 20, 1982 |
| Zone Classification: | "C" (areas outside the 500-year floodplain) |

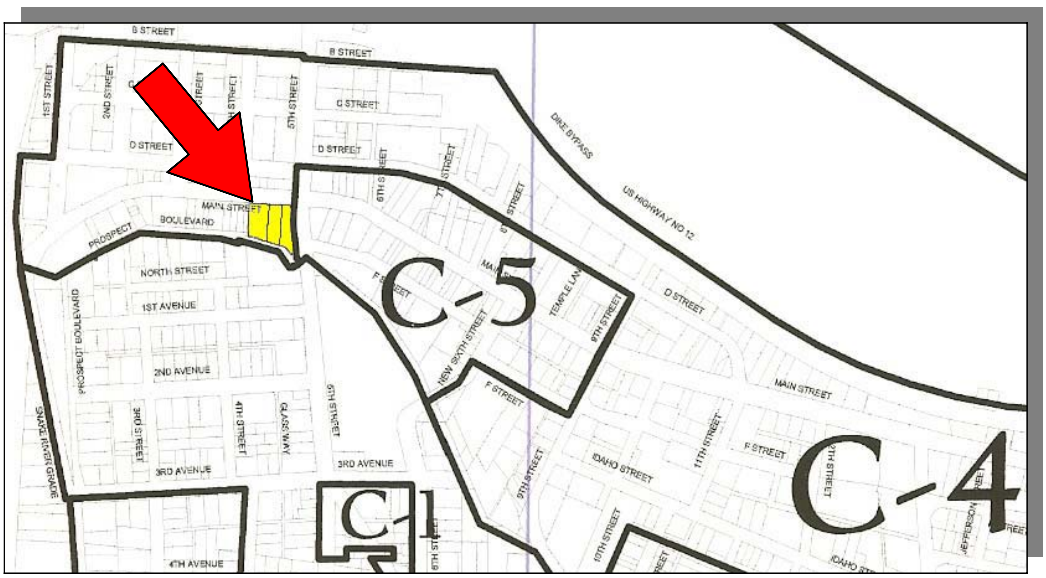

FLOOD MAP

## ZONING

The subject site is zoned C-4, General Commercial, by the City of Lewiston. The purpose of the C-4 zone is "[t]o provide areas to serve the city and regional needs for commercial goods and services. Such areas shall be compatible with adjacent residential development." Uses permitted in the C-4 zone include, but are not limited to, business or professional offices, eating or drinking establishments, multi-family residential uses not on the ground floor of a building, personal services, retail sales and service, and financial institutions. The subject's improvements appear to comply with all requirements of the zone. The specific requirements for this zoning designation are outlined in the following table:

C-4 ZONING REQUIREMENTS

| Regulation | Zoning Requirement | Subject Property |
|---|---|---|
| Permitted uses: | Retail sales & service, multi-family (not on ground floor), professional/business office, eating establishments, etc. | Retail on main floor and student- oriented housing in upper levels. |
| Front yard setback: | None. | N/Ap |
| Side yard setback: | None, except 15' when a property abuts a residential zone. | N/Ap |
| Rear yard setback: | None, except 15' when a property abuts a residential zone. | >15' |
| Min. Lot Size: | None. | 36,984 SF |
| Max. Building Coverage: | None. | 37% of the total site |
| Max. Building Height: | 60' | Approx. 53' |
| Minimum parking: | None in CBD | None |




ZONING MAP

## SITE CONCLUSION

The subject is located in a historic district within the city of Lewiston's central business district at the southwest corner of Main Street and 5th Street. This is a signalized intersection that is one-half mile north of the campus of Lewis-Clark State College. The southern border of the site slopes upward steeply from north to south. However, the north portion of the site, which encompasses the improvements is generally level, at street grade, is equipped with all typical utilities, and has adequate local and regional access. The site is zoned general commercial and is well suited to its current use with retail on the main level and student-oriented housing in the upper levels.

# DESCRIPTION OF IMPROVEMENTS

The subject is the Clearwater Hall facility, which comprises 12,787 SF of storefront retail space on the main level and student-oriented housing units on the upper levels. The facility comprises a three-story brick building that was originally constructed in 1910 and was completely gutted and remodeled in 2006, in addition to an expansion to the east with a four-story building. The four-story expansion is of concrete construction on the main level and wood-frame on the upper levels, with a brick veneer exterior. The retail space is divided into four bays with bay depths of 60' to 70'. However, it would be possible to divide this space into more, or fewer bays, depending upon tenant demand. The subject's student-oriented housing portion has 32 units that comprise 117 bedrooms, each furnished with a loft-able bed, an armoire, and a desk and chair. The upper levels is accessed via an elevator, in addition to an interior stairwell. Each unit has a living room/kitchen area equipped with a refrigerator, kitchen sink, dining table with chairs, sofa, coffee table, and chair. The majority of the units have one bathroom with a shower and toilet, and a sink located just outside the bathroom. All the units are accessed via interior corridors. Additionally, the facility has common laundry, a study room, and storage rooms.

| AREA BREAKDOWN | | |
|---|---|---|
| Area | | SF |
| Common Area | | |
| Lobby/Stairs/Elev Shaft/Corridors | | 7,695 |
| Laundry Room | | 263 |
| Janitorial | | 303 |
| Storage | | 315 |
| Study Room | | 206 |
| Restroom | | 70 |
| *Subtotal:* | | *8,852* |
| Retail Space | | |
| *Main Floor* | | *12,787* |
| Living Units | | |
| No. Units | Br/Ba Per Unit | Subt. SF |
| 3 | 1/1 | 1,269 |
| 1 | 2/1 | 555 |
| 4 | 3/1 | 3,026 |
| 19 | 4/1 | 16,273 |
| 1 | 4/2 | 1,129 |
| 4 | 5/2 | 4,553 |
| *Subtotal:* | | *26,805* |
| Gross Building Area: | | 48,444 |

## PROPERTY DETAILS

| | |
|---|---|
| Gross Building Area: | 48,444 SF |
| Number of Floors: | Four |
| Year Built: | 2006 (east phase); 1910 (west phase) |

Improvement Age:

| | | |
|---|---|---|
| Actual Age | 1 | Years |
| Effective Age | 0 | Years |
| Total Economic Life | 45 | Years |
| Remaining Economic Life | 45 | Years |

## CONSTRUCTION FEATURES

| | |
|---|---|
| Foundation: | Poured concrete. |
| Basic Structural System: | The west phase is of brick construction; the east phase is of concrete construction on the main floor and wood-frame construction on the upper three levels. |
| Basement: | No. |
| Exterior Walls: | Brick veneer, with the exception of the south exposure of the east building, which has hardi lap siding. |
| Roof: | Metal roof panels on east phase and flat, built-up roof on west building. |
| Insulation: | Batt insulation in walls and ceilings. |

### Interior Finish

| | |
|---|---|
| Floor Covering: | Carpeting in the living rooms and bedrooms; sheet vinyl flooring in the bathrooms and kitchens; carpeting in the retail space. |
| Interior Walls: | Painted gypsum wallboard. |
| Ceiling Finish: | Painted gypsum wallboard in living units and suspended acoustical tile ceiling in retail space. |
| Lighting: | Mixture of incandescent and fluorescent. |
| Windows: | Single and double-hung vinyl windows. |

### Mechanical and Equipment

| | |
|---|---|
| Heating, Ventilation, and Air Conditioning: | The living units have a rooftop mounted gas forced air system with air conditioning. The retail bays will each have an individual gas forced air package system. |
| Water Heaters: | The residential portion of the facility has a central gas water heater, while the retail bays will each have individual water heaters. |
| Plumbing: | Kitchens are equipped with a refrigerator and basin sink. The majority of the living units have one bathroom with a shower and toilet that has a sink located just outside the bathroom. A laundry room equipped with washers and dryers is located on the second level, in addition to a common area unisex restroom with one toilet and sink. Janitorial rooms are located on all the upper levels. |
| Electrical: | Adequate outlets and lighting. The retail bays are individually metered. |
| Elevator: | One, with four stops. |
| Fire Protection: | Wet sprinkler system. |

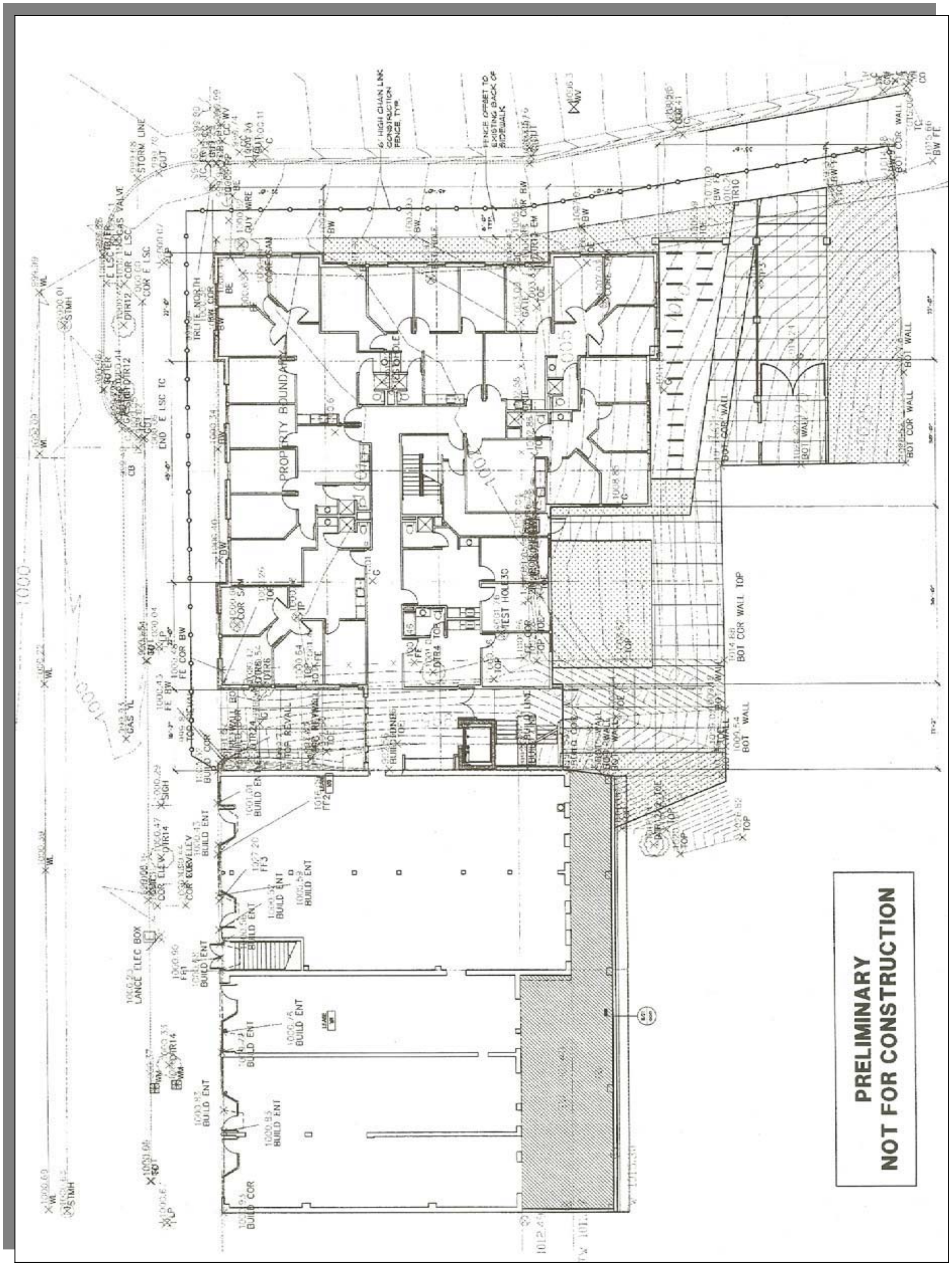
### Other

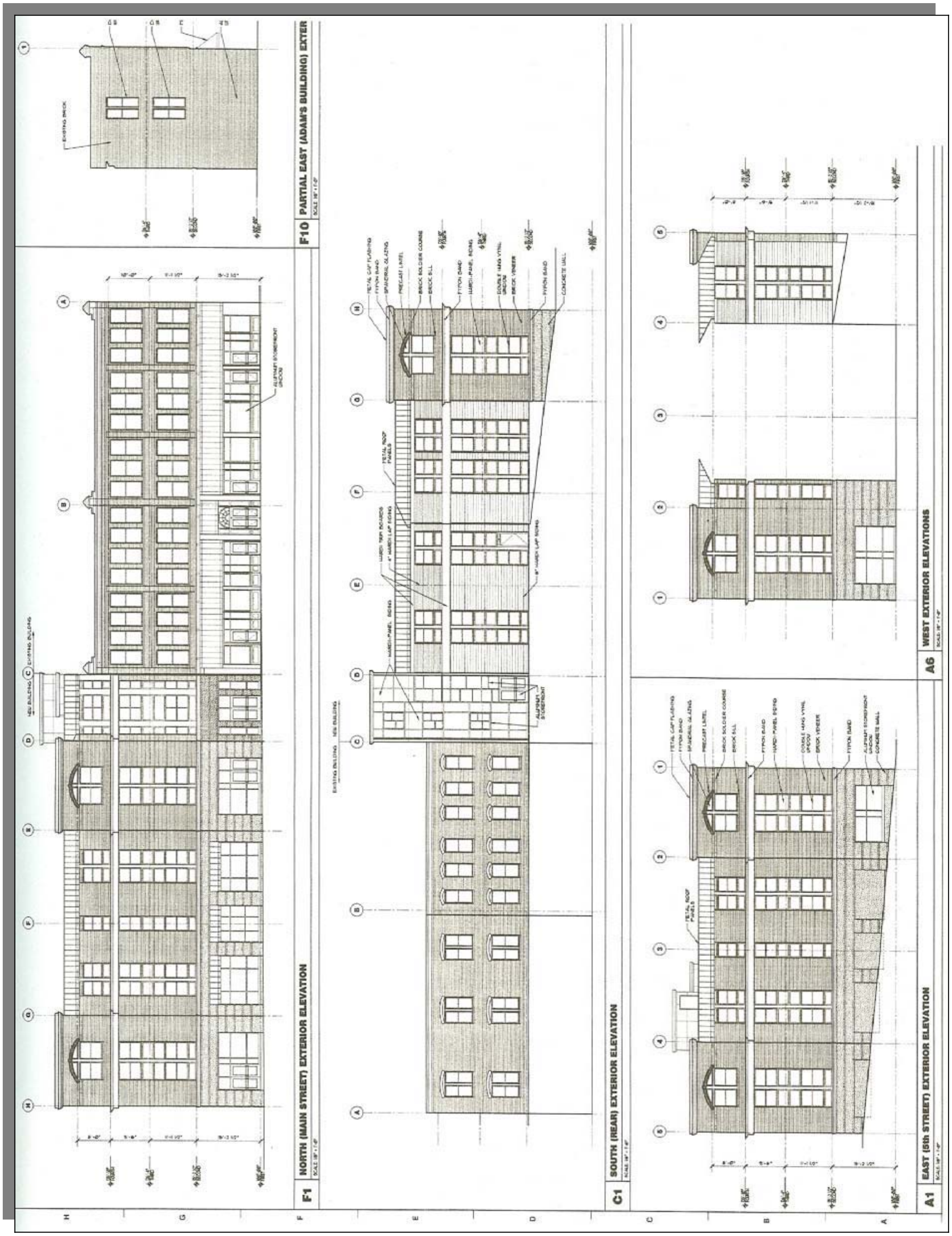
| | |
|---|---|
| Parking: | The subject facility does not include on-site parking, however, this does not appear to be a negative influence upon the property, given that its tenants are students. With the subject's proximity to the campus of LCSC and its location in Lewiston's central business district, parking does not appear to be a significant need, and is therefore not considered a negative pressure upon the subject facility. Also, student tenants are reportedly allowed to use the city parking lots in the immediate vicinity of the subject, free of charge. Additionally, the city of Lewiston has a transit system that runs along 5th Street, in front of the subject and up to LCSC, on the hour. Thus, parking does not appear to be a problem for the subject's student tenants. |
| Special Features: | There is a bicycle stall and a courtyard on the south side of the new building. |

## IMPROVEMENTS CONCLUSION

The subject facility is in excellent condition, as the western building was completely gutted and rebuilt and the new addition, contiguous to the east, is newly built. As such, the improvements have no items of deferred maintenance. Additionally, the improvements seem to be well designed for their intended use and no functional obsolescence appears to exist. Overall, the subject is an attractive mixed-use facility in Lewiston's "downtown," with mostly older buildings in the subject's immediate vicinity.

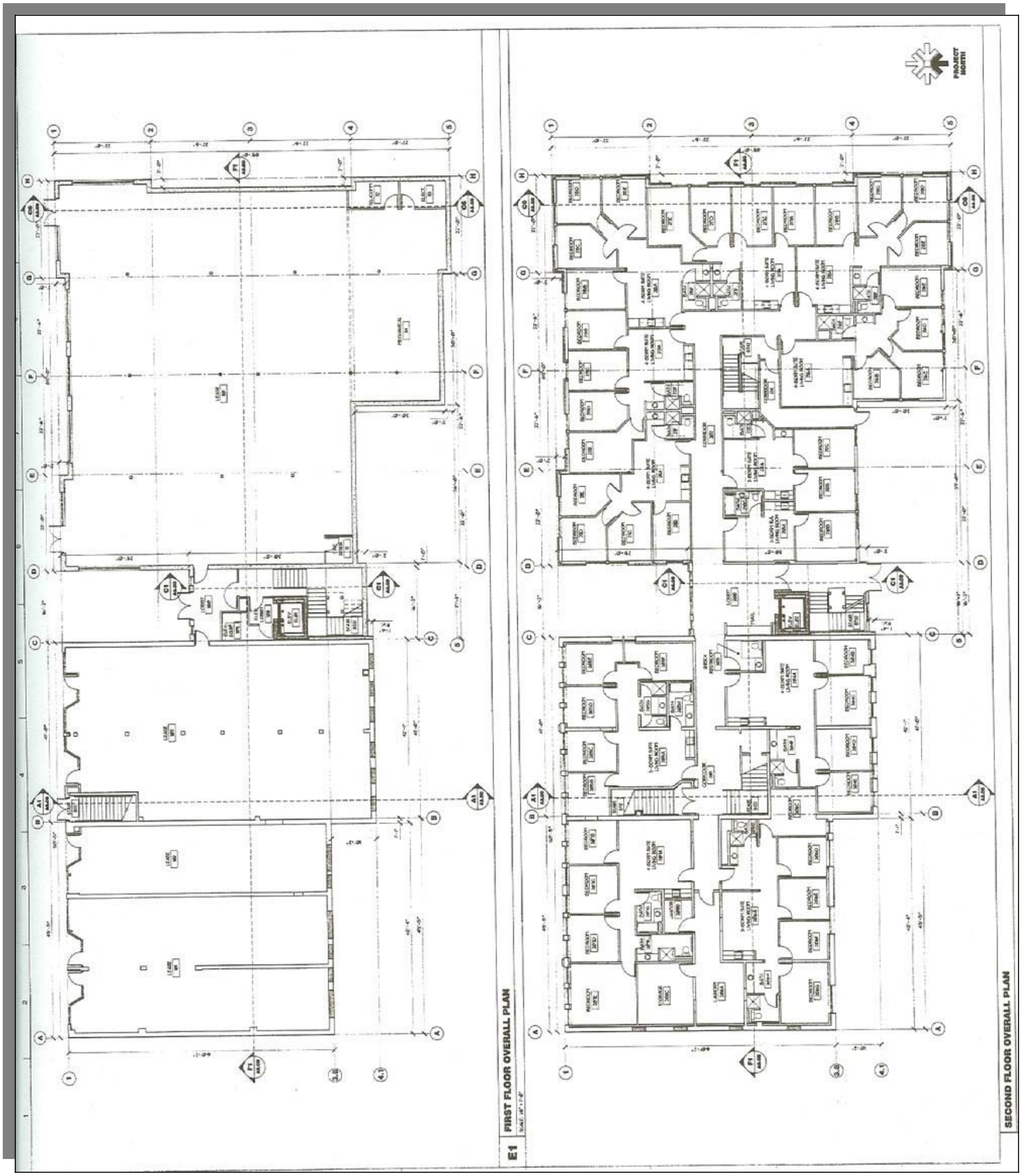
## SITE PLAN






BUILDING PLANS

Clearwater Hall
As of December 6, 2007
#07.197




Clearwater Hall
As of December 6, 2007
#07.197


Clearwater Hall
As of December 6, 2007
#07.197

# PROPERTY TAXES AND ASSESSMENTS

In Idaho, counties are the centralized assessment and tax collection authority. Revenue is disbursed to other municipal authorities from the county. By statute, real property is assessed at 100% of market value (although in practice, assessments are generally conservative), and re-valuation occurs at least once, by physical inspection, every five years. Values can also be changed annually, between inspections, by a trending process. Assessment notices are mailed in May, and annual tax bills are mailed on the fourth Monday in November. The first half is due in December, and the second half is due the following June.

The real estate taxes for the subject are summarized below:

| Tax Account No.: RP L | 03600290010 | 0360029002A | 0360029002B | Total |
|---|---|---|---|---|
| Land Assessment: | $32,725 | $31,790 | $35,063 | $99,578 |
| Improvement Assessment: | $0 | $2,646,929 | $1,506,992 | $4,153,921 |
| Total Assessment – 2007: | $32,725 | $2,678,719 | $1,542,055 | $4,253,499 |
| 2007 Property Tax Rate: | 0.0185662 | 0.0185662 | 0.0185662 | 0.0185662 |
| Total Property Taxes: | $607.54 | $49,733.64 | $28,630.08 | $78,971.26 |

According to representatives of Nez Perce County Treasurer's Office, delinquent taxes are currently owing for the subject, which total $887.26, plus interest and penalties. Additionally, a one-time occupancy tax of $18,241.66, plus interest and penalties, is also owing. As shown in the table below, the 2007 tax rates are the lowest in the past five years, as tax rates have been trending downward.

**PROPERTY TAX RATE TRENDS**
(Tax Code Area: 152)

| Year | Total ($/1000) |
|---|---|
| 2007 | 0.018566 |
| 2006 | 0.019499 |
| 2005 | 0.022044 |
| 2004 | 0.023176 |
| 2003 | 0.023380 |
| Average | 0.021333 |

Source: Nez Perce County Treasurer's Office, 208-799-3030

## LOCAL IMPROVEMENT DISTRICTS/OTHER ASSESSMENTS

The Nez Perce County Treasurer's Office was aware of no assessments, LID's or other bonded indebtedness.

# HIGHEST AND BEST USE

## DEFINITION

Highest and Best Use is defined as *"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity."*[6]

## AS IF VACANT

**Legally Permissible** - The primary legal restriction affecting the use of the subject site is its zoning designation. The subject parcel is zoned C-4, General Commercial, by the City of Lewiston. Uses permitted in the C-4 zone include, but are not limited to, business or professional offices, eating or drinking establishments, multi-family residential uses not on the ground floor of a building, personal services, retail sales and service, and financial institutions. This zone is in accordance with surrounding zones and uses and appears to be commensurate to the subject's current improvements.

**Physically Possible** - The subject site comprises three contiguous parcels, which total 0.85 acres, or 36,984 SF. However, due to the severely sloping hillside that takes up the southern border of the subject site, only the northern section of the parcels is usable. This usable portion is approximately 0.32 acres, or 14,130 SF. All city utilities are available to the site. Soils are of a consistency that should support substantial development, as evidenced by the current improvements in the subject's immediate area. These factors are conducive to the construction of a multi-story building on the site, which would be a likely use.

**Financially Feasible** - Despite the low vacancy rates, new apartment construction is only marginally feasible in the Lewiston-Clarkston area. Most types of new apartment construction in this area are currently possible at approximately $60.00 to $65.00 per square foot. Assuming an average unit size of 900 square foot, the total construction costs are ranging from roughly $55,000 to $60,000/unit. Adding land acquisition costs in the $5,000 to $10,000 per unit range, total development costs are near $60,000 to $70,000 per unit. The bulk of newly constructed apartment complexes in Eastern Washington/Northern Idaho are selling for prices in the range of $65,000 to $70,000 per unit. Assuming some relationship between cost and value, the potential profit is about $11,000 per unit, at best. This implies a potential profit in the range of -5% to 17%, with no guarantee of achieving a rate toward the upper end of the range. This return is sufficient to warrant new development, although, new market rate apartment development has been extremely minimal in the Lewiston-Clarkston area. However, the current improvement is a mixed-use facility and the subject site is not a typical apartment site. Additionally, the zoning does not require the off-street parking required by typical apartment sites. Also, the tenants that occupy the subject's living units do not have the same parking requirements of typical apartment dwellers. Therefore, cost savings can be realized via the lower price of the subject's land in a central business district, compared to typical apartment land. Overall, apartment development does not appear to be feasible at this time. Additionally, there is no new development occurring in the subject's immediate area.

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[6] Appraisal Institute, *The Dictionary of Real Estate Appraisal,* 4th ed. 2002.

**Maximally Productive** – Developers have continued to build new apartments in Eastern Washington/Western Idaho despite current economic conditions, with the belief that market conditions will eventually improve to the point of providing a sufficient future return on investment to justify construction today. In addition, a number of multi-family developers have continued to build "niche" properties, such as retirement apartments, high-end complexes, and affordable housing projects. The developers of these projects have continued to acquire and develop multi-family land, despite the current state of the market. The subject facility, as a student-oriented complex, could be considered a "niche" property. Also, developers have built speculative retail properties in Lewiston, albeit along its main retail corridor in the eastern section of the city. However, Lewiston's central business district is reportedly experiencing some rejuvenation. At least four properties in the CBD have been purchased and renovated over the past few years, indicating the possible viability of new development. The subject's retail space is superior to the typical retail space in downtown Lewiston. However, new development in Lewiston is occurring in the southeast section of the city, along 21$^{St}$ Street/Thain St.

The subject site has many positive locational characteristics, due to its proximity to Lewiston's CBD and the campus of Lewis-Clark State College, in addition to medical and other services. However, development does not appear to be feasible at this time. Considering the preceding discussion, the highest and best use of the subject site as if vacant would be to develop a retail/office facility, with possible multi-family living units in the upper levels, in accordance with zoning standards, when the market permits.

## AS IMPROVED

There are essentially three possible options with regard to the Highest and Best Use of a property as improved: 1) improve or expand the existing use, 2) demolish the existing improvements in favor of a more profitable use, or 3) continue the existing use.

Option #1: Expansion of the subject's improvements is not a viable option, as the current structure covers the majority of the usable site area. Additionally, further additions in the form of increased stories, does not appear viable at this time.

Option #2: As will be shown later, the market value of the subject is near five million dollars. Considering the subject's estimated land value is $92,000, the existing improvements add significantly to the value of the subject, eliminating the viability of demolition.

Option #3: The continuation of the current improvements appears to be the most productive use of the property, based on the obvious contributory value of the improvements. Therefore, the current improvements are representative of the highest and best use of the site, as improved. It should be noted that if the subject continues to suffer from high vacancy rates, an alternative use of the upper levels of the subject property could be as an elderly care facility. This type of facility would not likely require extensive parking and the existing design would potentially be a practical layout for such a use. We are not familiar with specific code regulations regarding a use of this type, therefore further research would be required if such a use is being considered. Such an analysis is beyond the scope of this assignment.

# VALUATION

In the valuation analysis that follows, the subject will be valued using the three traditional approaches to value. Each of these approaches is further described below.

## COST APPROACH

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised. [7]

## SALES COMPARISON APPROACH

A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and making adjustments to the sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when an adequate supply of comparable sales are available.[8]

## INCOME CAPITALIZATION APPROACH

A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.[9]

The following analysis begins with the Cost Approach, and is followed by the Sales Comparison and Income Approaches to value. The three approaches are seldom completely independent, and the quality and quantity of the data used within each approach will be considered in reconciling to a final value at the end of the analysis. These approaches will be used to arrive at a stabilized value for the subject as though it were being operated without its current management agreement. Following the reconciliation, the "as is" value will be addressed, followed by an analysis of the subject's value under its existing management agreement.

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[7]The Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 4th Edition, 2002.
[8]ibid.
[9]ibid.

## LAND SALE SUMMARY

**Clearwater Hall**
Dec-07

| IDENTIFICATION | 1 - Subject | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|
| Property | Clearwater Hall Site<br>402 - 418 Main St<br>Lewiston, ID | Syringa Bank Site<br>NEC 10th St & Bryden Ave<br>Lewiston, ID | Sullivan Site<br>55 Southway<br>Lewiston, ID | "D" Street Land<br>1000 Blk, "D" St<br>Lewiston, ID | "C" Street Land<br>NWC "C" St & 5th St<br>Lewiston, ID | Town Square Land<br>NEC Main & 5th St<br>Lewiston, ID |
| Proximity to Subject | N/Ap | 5 Miles Southeast | 1.5 Miles South | 0.42 Miles East | 2 Blocks North | Across Street |
| Buyer | College Town Development | Syringa Bank | Sullivan Family Investments | Thad R & Dyana G Blood | Richard A & Debra R Masters | Rodney Haynes |
| Seller | S. Griffin Construction, Inc. | Village Centre Cinemas | Buzz Nanninga | William B & Judy G McLennan | Bill R Miller | Lewis Clark State College |
| Appraisal/Sale Date Dec-07 | Feb-05 | Jun-07 | Mar-04 | Nov-03 | Jun-00 | Jul-97 |
| Analysis Price | $84,780 | $508,563 | $125,000 | $45,000 | $40,000 | $60,000 |
| Tax ID | RP L355W-005-6032 | RP L0005-005-0120 | RP L1345-001-004C | RP L0780-000-001D | RP L0360-011-005A | RP L0360-021-002Z |
| **SITE CHARACTERISTICS** | | | | | | |
| Acres | 0.85 | 1.87 | 0.54 | 0.29 | 0.17 | 0.27 |
| SF | 36,984 | 81,370 | 23,595 | 12,470 | 7,375 | 11,666 |
| Usable Acres | 0.32 | 1.87 | 0.54 | 0.29 | 0.17 | 0.27 |
| Usable SF | 14,130 | 81,370 | 23,595 | 12,470 | 7,375 | 11,666 |
| Zoning | C-4 | C-5 | C-2 | C-4 | C-4 | C-5 |
| Current/Planned Use | Retail & Student Housing | Bank Branch | Office Building | Parking Lot | Parking Lot | Parking Lot |
| Primary Arterial Exposure (VPD) | Main St 7,276 | Bryden Ave 12,341 | Snake River Ave N/Av | "D" St 5,082 | "C" St N/Av | Main St & "D" St 19,312 |
| Additional Arterial Exposure (VPD) | 5th St 3,462 | 10th St 6,021 | Southway N/Av | | 5th St 1,407 | 5th St 4,958 |
| Other | Land at southwest corner of Main Street & 5th Street with vacant three-story brick building. Usable portion of land, separate from improvement, valued at $6/SF at the time of sale by the listing/selling agent. | Corner site in front of supermarket, purchased for development of bank branch. | Corner site that was purchased for the development of an office building. | Land at east end of Main St/"D" St couplet. Land has secondary exposure to Main Street. | Land at the northwest corner of "C" Street and 5th Street, two blocks north of the subject site. | This site has frontage along the Streets of Main, "D", and 5th. Was purchased for Town Square Mall parking lot. |
| **TERMS OF SALE ADJUSTMENTS (SEQUENTIAL)** | | | | | | |
| Face Price | $84,780 | $508,563 | $125,000 | $45,000 | $40,000 | $60,000 |
| Property Rights Conveyed | Fee Simple $0 | Fee Simple $0 | Fee Simple $0 | Fee Simple $0 | Fee Simple $0 | Fee Simple $0 |
| | $84,780 | $508,563 | $125,000 | $45,000 | $40,000 | $60,000 |
| Financing | Assumed Cash $0 | Cash to Seller $0 | Cash to Seller $0 | Cash to Seller $0 | Cash to Seller $0 | Cash to Seller $0 |
| | $84,780 | $508,563 | $125,000 | $45,000 | $40,000 | $60,000 |
| Conditions of Sale | Arm's Length $0 | Arm's Length $0 | Arm's Length $0 | Arm's Length $0 | Arm's Length $0 | Arm's Length $0 |
| | $84,780 | $508,563 | $125,000 | $45,000 | $40,000 | $60,000 |
| Atypical On-/Off-Site Expenses | None $0 | None $0 | None $0 | None $0 | None $0 | None $0 |
| | $84,780 | $508,563 | $125,000 | $45,000 | $40,000 | $60,000 |
| Other | None $0 | None $0 | None $0 | None $0 | None $0 | None $0 |
| Analysis Price | $84,780 | $508,563 | $125,000 | $45,000 | $40,000 | $60,000 |
| Analysis Price/SF Usable | $6.00 | $6.25 | $5.30 | $3.61 | $5.42 | $5.14 |
| Market Conditions/Yr @ 3% | 8.3% | 1.5% | 11.2% | 12.1% | 22.4% | 31.3% |
| Adjusted Price | $91,841 | $516,291 | $138,973 | $50,444 | $48,979 | $78,776 |
| Adjusted Price/SF | $6.50 | $6.34 | $5.89 | $4.05 | $6.64 | $6.75 |
| **QUALITATIVE ADJUSTMENTS FOR PHYSICAL DIFFERENCES** | | | | | | |
| Neighborhood Location | CBD | Lew. Orchards Similar | Soutwest Lew. Similar | CBD Similar | CBD Similar | CBD Similar |
| Size | 0.32 AC | 1.87 AC Inferior | 0.54 AC Similar | 0.29 AC Similar | 0.17 AC Superior | 0.27 AC Similar |
| Lot Orientation | Corner | Corner Similar | Corner Similar | Interior Inferior | Corner Similar | Corner Similar |
| Primary Arterial Exposure (VPD) | 10,738 | 18,362 Superior | N/Av Inferior | 5,082 Inferior | 1,407 Inferior | 27,270 Superior |
| Zoning | C-4 | C-5 Similar | C-2 Sim/Sup | C-4 Similar | C-4 Similar | C-5 Similar |
| Other | | | | Circuitous Acces: Inferior | | |
| Overall Comparison | Similar | Similar | Inferior | Inferior | Similar | Superior |
| **Final Adjusted Price/SF** | **$6.50** | **$6.34** | **$5.89** | **$4.05** | **$6.64** | **$6.75** |

## ADJUSTMENTS

In addition to adjustments made for cash equivalency and other terms of the transaction, qualitative adjustments have been applied, as necessary, for differences in physical characteristics, such as size, location, exposure, lot orientation, and zoning.

In this case, none of the sales required adjustments for terms of sale. The next adjustment is for market conditions at time of sale. The best evidence for an appropriate adjustment for market conditions (time) is by an analysis of the sale/resale of the same property. None of the land sales used in this analysis was useful for extracting such an adjustment. Considering the lack of market data, in addition to the subject's location, we have applied a moderate annual appreciation rate of 3%/yr to the land sale comparables used in this analysis.

## DISCUSSION OF LAND SALES

The comparable sales analyzed reflect value rates ranging from $4.05/SF to $6.75/SF, with an average of $6.03/SF after adjusting for market conditions. Sale 4 ($4.05/SF) marks the lower end of the range for the comparables. The site was purchased for use as a storage lot for inventory of a nearby auto sales company. This site is located in downtown Lewiston and has inferior exposure and access compared to the subject. This sale is a low indicator for the subject. Sale 5 ($6.64/SF) was the acquisition of a parking lot for a nearby business. This sale is situated a few blocks north of the subject and has inferior exposure, but is superior in size to the subject. This sale is a good indicator of value for the subject. Sale 2 ($6.34/SF) is the sale of a site at a signalized intersection in southeast Lewiston. This sale is superior in exposure and access, but this is offset by its substantial size inferiority. Thus, a similar value would be expected for the subject.

Sale 6 ($6.75/SF) is included only as supplemental information, because of its age. This sale is situated at 5th Street, between "D" Street and Main Street, kitty-corner from the subject site. After adjusting for market conditions, this sale is at the upper end of the range of comparables. This sale has frontage along three roadways and thus has superior exposure. Therefore, a lower rate is anticipated for the subject. Sale 3 ($5.89/SF) is a site located in the southwestern Lewiston, which was subsequently developed with an office building. This is a low indicator of value for the subject site. Sale 1 ($6.50/SF) is the sale of the subject site. The value of the site is predicated upon the value allocated to the usable land by the listing/selling agent that facilitated the sale of the subject in February 2005. Given the rates indicated by the sale comparables, the rate allocated to the subject's usable land from its recent sale, after adjusting for market conditions, is a good indicator for the subject. The following table summarizes the comparability of each site relative to the subject.

SALE COMPARABLE RANKING ANALYSIS

| No. | Property | $/SF | Comparison to Subject |
|---|---|---|---|
| 6 | Town Square Land | $6.75 | Superior |
| 5 | "C" Street Land | $6.64 | Similar |
| *1-Subj.* | *Clearwater Hall Site* | *$6.50* | - |
| 2 | Syringa Bank Site | $6.34 | Similar |
| 3 | Sullivan Site | $5.89 | Inferior |
| 4 | "D" Street Land | $4.05 | Inferior |

## LAND VALUE CONCLUSION

Based on the preceding analysis, a value of $6.50/SF is concluded, giving primary emphasis to the rate allocated to the subject's usable land from its most recent sale. Applied to the subject's 14,130 SF of usable land, the indicated value is as follows:

| | | | |
|---|---|---|---|
| Land Value/SF | | $6.50 | /SF |
| Times Site Area | x | 14,130 | SF |
| Indicated Value | | $91,845 | |
| | | | |
| Rounded To | | **$92,000** | |

# VALUATION OF THE IMPROVEMENTS

The next step in the Cost Approach is to estimate the depreciated value of the improvements. To do so, the appraiser first estimates the replacement cost new of the building and land improvements as of the date of the appraisal. Three sources have been relied upon for cost estimates: 1) the developer's cost budget, 2) the Marshall Valuation Service, a nationally recognized cost reporting authority, and 3) actual construction costs as available from other similar facilities recently developed in the market.

## COST OF IMPROVEMENTS NEW

**Developer's Cost Budget** – The following table is a summary of the developer's cost budget. Since the costs were not current, it was necessary to make an upward adjustment to account for inflation. Therefore, cost multipliers from the Marshall Valuation Service were applied to the original costs. This resulted in a total cost of $4,524,507, or $93.40/SF, which is exclusive of land acquisition costs.

| DEVELOPER'S CONSTRUCTION COST | | | | | | |
|---|---|---|---|---|---|---|
| Property/Location | SF | Built | Building Cost | MVS Cost Multiplier | Current Cost (MVS Time Adj) | Cost/SF |
| Clearwater Hall<br>402-418 Main Street<br>Lewiston, Idaho | 48,444 | 2006 | $4,207,223 | 1.075 | $4,524,507 | $93.40 |

**Marshall Valuation Service** – The Marshall Valuation Service Cost Estimate is summarized in the following table. As shown, the subject building was analyzed as a mixture of average quality Class "C" Mixed Retail Center with Residential Units described on page 33 of Section 13 in the cost manual and average/good quality Class "C/D" Dormitory as described on page 14 of Section 11 in the cost manual. The cost calculation is further refined using multipliers for current and local costs. The base construction cost per square foot of the building area was estimated at $86.23. Additionally, lump-sum additions are necessary to account for site work/landscaping, appliances, and loan fees related to permanent financing. After these adjustments, the total hard and soft costs are estimated at $4,291,982, or $88.60/SF overall.

**MARSHALL VALUATION SERVICE COST ESTIMATE**
*Clearwater Hall*
Dec-07

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Building Type: | | | *Retail Space* | *Living Units* | | | |
| MVS Section | | | 13 | 11 | | | |
| Page | | | 33 | 14 | | | |
| Quality | | | Average | Avg/Good | | | |
| Construction Class | | | C | C/D | | | |
| Base SF Cost | | | $67.95 | $103.58 | | | |
| Sprinkler Refinement: | | + | $2.00 | $2.00 | | | |
| Refined Square Foot Cost: | | | $69.95 | $105.58 | | | |
| Multipliers | | | | | | | |
| Floor Area/Perim.: | | | 0.937 | 0.877 | | | |
| Story Height: | | | 1.064 | 1.000 | | | |
| Current: | | | 1.060 | 1.043 | | | |
| Local: | | x | 0.960 | 0.950 | | | |
| Cum. Multiplier | | | 1.015 | 0.869 | | | |
| Adjusted SF Cost: | | | $70.97 | $91.70 | | | |
| Times Bldg. SF: | | x | 12,787 | 35,657 | | | |
| Base Cost New: | | | $907,433 | $3,269,834 | | | |
| Total Base Cost New | | | | | | | $ 4,177,267 |
| Lump Sum Additions: | | | | | | | |
| Site Work/Asphalt: | 14,130 SF @ | $ | 2.50 | /SF | = | $ 35,325 | |
| Refrigerators: | 32 Units @ | $ | 470 | /SF | = | $ 15,040 | |
| Permanent Financing: | 2% of | | 75% | LTV | = | $ 64,350 | |
| Total Lump Sum Additions: | | | | | | | $ 114,715 |
| Total Hard & Soft Costs Before Profit: | | | | | | $ 88.60 /SF or | $ 4,291,982 |

**Cost Comparable** - As shown in the following table, there is only one recently built facility that is similar to the subject. This cost comparable is Brewster Residence Hall, built in 2002 in Cheney, Washington, for students of Eastern Washington University. This property was built by the same developer as the subject, and is very similar is design. Brewster Residence Hall was built of wood-frame construction with a brick veneer. The four-story building has retail on the main level, in addition to administrative offices, a bike storage room, and a laundry facility. The building includes 2, 3, and 4 bedroom student-housing units in the upper levels. There is a common area kitchen on the 1st and 3rd floors. There are community lounges located on the 2nd and 3rd floors. The 4th floor has a skylight and a balcony, which overlooks the 3rd floor. Since the comparable was not current, it was necessary to make an upward adjustment to account for inflation. Therefore, cost multipliers from the Marshall Valuation Service were applied to the original costs.

CONSTRUCTION COST COMPARABLE

| Property/Location | SF | Built | Building Cost | MVS Cost Multiplier | Current Cost (MVS Time Adj) | Cost/SF | Construction | Comments |
|---|---|---|---|---|---|---|---|---|
| Brewster Residence Hall<br>410 Second Avenue<br>Cheney, WA | 47,548 | 2002 | $3,274,822 | 1.314 | $4,301,593 | $90.47 | Wd-Frame/ Brick Veneer | 4-Story student-oriented housing development with retail on the main floor. |

## CONSTRUCTION COST CORRELATION

The developer's costs reflected a rate of $93.40/SF, or a total cost of $4,524,507. The Marshall Valuation Service shows a rate of $4,291,982, or $88.60/SF, which is lower than the developer's costs, but only slightly lower than the cost comparable at a rate of $4,301,593, or $90.47/SF. For newer construction like the subject, the developer's cost is commonly given greater emphasis. Also, the developer's costs are considered more reliable, as they are based on the specific construction characteristics of the subject. Therefore, replacement cost new has been estimated at a total of $4,481,070, or $92.50 per square foot.

## ENTREPRENEURIAL INCENTIVE

Entrepreneurial profit is defined as "*A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development.*"[1]

The Cost Approach is based on the principle of substitution, and assumes that no prudent buyer would pay more for a property than the cost to acquire a similar site and construct improvements of equivalent desirability and utility without any undue delay. As such, for a developer to choose construction as an equivalent option in comparison to acquisition of an existing property, it is necessary to add a figure for entrepreneurial profit. Although a particular development may or may not ultimately be profitable, it is still necessary to include this margin to reflect the anticipation of profit that a developer would require to undertake new construction, and to expend the time and effort to undertake the development.

Sales of newly constructed properties had indicated entrepreneurial profit rates 8% to 18% of the properties construction cost new. The most recent comparable indicates a rate near the low side of the range, at 8%. This also coincides with recent interviews with local contractors and developers in their willingness to accept a lower profit margin in order to

[1] The Appraisal Institute, *The Dictionary of Real Estate Appraisal, 4th ed.*

continue developing in a market with rising costs and stable rents. Considering the characteristics of the subject development, a profit margin of 15%, or $672,161 is considered an appropriate expected margin.

## DEPRECIATION

Depreciation is the difference between the market value of an improvement and its replacement cost new. Depreciation in an improvement can result from three major causes operating individually or in combination. These causes are physical deterioration, functional obsolescence, and external obsolescence.

Physical deterioration includes such factors as the age of the improvements, general wear and tear, and deferred maintenance. This depreciation may be curable or incurable. As the subject was completed just over one year ago, the facility would not be expected to have any physical depreciation.

Curable physical deterioration, or deferred maintenance, is a curable defect caused by deferred maintenance. As stated, the subject's newer condition would preclude it from any physical deterioration.

Functional obsolescence is a reduction in value due to inadequacies or superadequacy in the subject's construction and includes such factors as the design and/or building characteristics not being well conceived or well utilized. Functional obsolescence can be curable or incurable. It is curable only when it is economically plausible to correct. The subject improvements appear to be adequately functional for their use as a mixed-use facility.

External obsolescence is a loss in value due to influences outside the property that caused an adverse influence. This could occur through depressed market conditions, certain legislative actions, neighborhood transition, adverse adjacent property influences, and various other reasons. No adjustment is applied for external obsolescence.

No forms of depreciation are deducted, thus the total depreciation deduction is $0, leading to an estimate for the depreciated value of the improvements totaling $5,153,231.

## COST APPROACH CONCLUSION

This leads to a hypothetical stabilized value via the Cost Approach as follows:

| | | |
|---|---|---|
| Construction Cost New (48,444 SF x $92.50/SF) | | $4,481,070 |
| Entrepreneurial Profit @ 15% | + | $672,161 |
| Total Development Cost New | | $5,153,231 |
| Less Depreciation | - | $0 |
| Depreciated Value of the Improvements | | $5,153,231 |
| Plus Land Value | + | $92,000 |
| Estimated Value | | $5,245,231 |
| | | |
| Rounded To: | | $5,250,000 |

# SALES COMPARISON APPROACH

## OVERVIEW

In the Sales Comparison Approach, market value is estimated by comparing properties similar to the subject that have recently been sold, are listed for sale, or are under contract. A major premise of this approach is that the market value of a property is directly related to the prices of comparable, competitive properties. It is also based on the principle of substitution, which holds that the value of the property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability within a reasonable amount of time.

The subject comprises two uses in the same facility, with 12,787 SF of retail space on the main floor and 26,805 SF of rentable area for student-oriented housing on the upper levels. The focus of our research was on sales, listings, and offers of other student-oriented/multi-family apartment complexes and retail centers in the Lewiston area. Notably, relatively few properties with these uses have sold in recent years, and it was necessary to consider other sales outside of the immediate area. The subject's living units will be analyzed first, followed by the retail space.

Regarding the subject's living units, the primary physical units of comparison are the price per unit and the price per square foot. The living units have a larger than typical amount of space that is not included in the net rentable area due to the student-oriented design, which includes over 8,500 SF of space for interior corridors and stairs, study room, lobbies, storage rooms, and janitorial rooms. Therefore, the price per square foot comparison is not considered an appropriate technique for the subject, and as such, is not used. However, we did include a price per bedroom comparison. Additionally, a measure of comparison based on income, the Effective Gross Income Multiplier (EGIM), is used in this approach. The EGIM technique is appropriate within the Sales Comparison Approach because it is recognized that purchasers are most often concerned with the income-producing ability of the property.

The effective gross income multiplier is derived by dividing the comparable's sales price by its effective gross income. The EGIM has the advantage of simplicity and ease of calculation. It is based on the premise that rents and sale prices move in the same direction, and essentially, in the same proportion as net incomes and sale prices.

As mentioned, relatively few apartment sales have occurred in the Lewiston/Clarkston market, and of those sales that were found, none were considered appropriate for comparison to the subject. Therefore, it was necessary to broaden our search to include Eastern Washington and Western Idaho. However, among those sales that have occurred, few are similar in terms of quality, location, and investment size. We have adjusted for these differences in construction type/quality and age to provide a more reliable measure of comparison for the value of the subject.

On the subsequent pages are details of the sale comparables, followed by an adjustment grid that summarizes the sales and shows the adjustments made for the superior and inferior characteristics of each property in comparison to the subject.

# IMPROVED APARTMENT SALES SUMMARY

| Clearwater Hall<br>Dec-07 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| IDENTIFICATION | | Subject | | 1 | | 2 | | 3 | | 4 | | 5 | |
| Property | | | Clearwater Hall<br>402-418 Main Street<br>Lewiston, Idaho | | Conrad Smith Apartments<br>1424-1536 Northwood St<br>Moscow, ID | | Levick Apartments<br>1565-1575 Levick St<br>Moscow, ID | | Taylor Apartments<br>621-703 Taylor Ave<br>Moscow, ID | | Russet Square Apartments<br>231 Lauder St<br>Moscow, ID | | Clarke Terrace<br>100-150 NW Terre View Dr<br>Pullman, WA |
| Location | | | Lewiston, ID | | Moscow, ID | | Moscow, ID | | Moscow, ID | | Moscow, ID | | Pullman, WA |
| Buyer | | | | | Douglas M Grant | | Marietta Davis Trust | | Marietta Davis Trust | | Matthew Philbrook | | Jasper LP, Chipman-Roberts LLC |
| Seller | | | | | Smith Family Revocable Living Trust | | Joseph Juseen & Pamela Persoon | | Southridge Properties | | Russet Square Asociates | | Pullman Progress Two, LLC |
| Appraisal/Sale Date | Dec-07 | | | | Aug-06 | | Aug-06 | | Aug-06 | | Mar-06 | | Mar-05 |
| Analysis Price | | | | | $1,770,382 | | $1,057,241 | | $1,893,796 | | $1,603,979 | | $4,067,135 |
| Verification | | | | | Matt Becker<br>303-579-3342 | | Bridget Becker<br>208-835-8792 | | Bridget Becker<br>208-835-8792 | | Dan (Palouse Properties)<br>208-882-6280 | | Kevin Kirkman<br>509-334-7444 |
| PROPERTY CHARACTERISTICS | | | | | | | | | | | | | |
| Year Built | | | 2006 | | 1992 | | 1992 | | 1997/1998 | | 1978 | | 1990/1992 |
| No. of Units | | | 32 | | 36 | | 24 | | 21 | | 40 | | 60 |
| No. of Bedrooms | | | 117 | | 72 | | 47 | | 60 | | 68 | | 158 |
| Rentable SF | | | 26,805 | | 32,400 | | 17,180 | | 20,382 | | 26,760 | | 61,570 |
| Avg SF/Unit | | | 838 | | 900 | | 716 | | 971 | | 669 | | 1,026 |
| Land Size (Acres) | | | 0.32 | | 1.25 | | 0.72 | | 0.87 | | 1.79 | | 1.76 |
| INCOME INFORMATION | | | | | | | | | | | | | |
| EGI | | As estimated in | $345,128 | | $223,668 | | $135,441 | | $234,000 | | $232,128 | | $515,278 |
| EGIM | | Income Approach | | | 7.72 | | 7.60 | | 7.88 | | 6.68 | | 7.49 |
| Avg. EGI/Unit/Yr | | | $10,785 | | $6,213 | | $5,643 | | $11,143 | | $5,803 | | $8,588 |
| Avg. EGI/SF/Yr | | | $12.88 | | $6.90 | | $7.88 | | $11.48 | | $8.67 | | $8.37 |
| NOI | | | $131,011 | | $122,868 | | $81,383 | | $155,500 | | $120,128 | | $294,245 |
| OAR w/Res. | | | | | 7.12% | | 7.90% | | 8.43% | | 7.75% | | 7.62% |
| Expense/Unit | | | $6,691 | | $2,800 | | $2,252 | | $3,738 | | $2,800 | | $3,684 |
| Expense/SF | | | $7.99 | | $3.11 | | $3.15 | | $3.85 | | $4.19 | | $3.59 |
| Expense Ratio | | | 62.0% | | 45.1% | | 39.9% | | 33.5% | | 48.2% | | 42.9% |
| TERMS OF SALE ADJUSTMENTS (SEQUENTIAL) | | | | | | | | | | | | | |
| Face Price | | | | | $1,726,700 | | $1,030,000 | | $2,095,000 | | $1,550,000 | | $4,000,000 |
| Property Rights Conveyed | | Fee Simple | | Fee Simple | $0 | Fee Simple | $0 | Fee Simple | $0 | Fee Simple | $0 | Fee Simple | $0 |
| | | | | | $1,726,700 | | $1,030,000 | | $2,095,000 | | $1,550,000 | | $4,000,000 |
| Financing | | Assumed Cash to Seller | | Cash to Seller | $0 | Cash to Seller | $0 | Cash to Seller | $0 | Cash to Seller | $0 | Cash to Seller | $0 |
| | | | | | $1,726,700 | | $1,030,000 | | $2,095,000 | | $1,550,000 | | $4,000,000 |
| Conditions of Sale | | Arm's Length | | Arm's Length | $0 | Arm's Length | $0 | Arm's Length | $0 | Arm's Length | $0 | Arm's Length | $0 |
| | | | | | $1,726,700 | | $1,030,000 | | $2,095,000 | | $1,550,000 | | $4,000,000 |
| Immediate Expenditures | | None | | None | $0 | None | $0 | None | $0 | None | $0 | None | $0 |
| | | | | | $1,726,700 | | $1,030,000 | | $2,095,000 | | $1,550,000 | | $4,000,000 |
| Other | | None | | None | $0 | None | $0 | House | ($250,000) | None | $0 | Excess Land | ($140,000) |
| Analysis Price | | | | | $1,726,700 | | $1,030,000 | | $1,845,000 | | $1,550,000 | | $3,860,000 |
| Analysis Price/Unit | | | | | $47,964 | | $42,917 | | $87,857 | | $38,750 | | $64,333 |
| Analysis Price/BR | | | | | $23,982 | | $21,915 | | $30,750 | | $22,794 | | $24,430 |
| Market Conditions/Yr @ | 2.0% | | | | 3% | | 3% | | 3% | | 3% | | 5% |
| Total Market Adjusted Price | | | | | $1,770,382 | | $1,057,241 | | $1,893,796 | | $1,603,979 | | $4,067,135 |
| Total Mkt Adjusted Price/Unit | | | | | $49,177 | | $44,052 | | $90,181 | | $40,099 | | $67,786 |
| Total Mkt Adjusted Price/BR | | | | | $24,589 | | $22,494 | | $31,563 | | $23,588 | | $25,741 |
| ADJUSTMENTS FOR PHYSICAL DIFFERENCES (CUMULATIVE) | | | | | | | | | | | | | |
| Price Per Unit Adjustment | | | | | | | | | | | | | |
| Effective Age ATOS/Yr @ | 1.5% | 0 Yrs | | 10 Yrs | 15.0% | 14 Yrs | 21.0% | 5 Yrs | 7.5% | 25 Yrs | 37.5% | 10 Yrs | 15.0% |
| Construction Type/Quality | | Wood-Brick-Masonry/Average | | Wood/Average | 35.6% | Wood/Fair-Avg | 45.4% | Wood/Average | 35.6% | Wood/Average | 35.6% | Wood/Average | 35.6% |
| Size Adjustment | 25.0% | 838 | | 900 | -1.7% | 716 | 4.3% | 971 | -3.4% | 669 | 6.3% | 1,026 | -4.6% |
| Location Adjustment | | Lewiston, ID | | Moscow, ID | 0.0% | Moscow, ID | 0.0% | Next to Campus | -20.0% | Moscow, ID | 0.0% | Pullman, WA | 0.0% |
| Parking Adjustment | | None/Street | | Open | -3.8% | Open | -4.2% | Open | -2.0% | Open | -4.6% | Carports | -4.7% |
| Other | | | | | | | | | | | | | |
| Net Adjustment | | | | | 45.1% | | 66.5% | | 17.6% | | 74.7% | | 41.3% |
| Final Adjusted Price/Unit | | | | | $71,348 | | $73,330 | | $106,048 | | $70,064 | | $95,789 |
| Price Per Bedroom Adjustment | | | | | | | | | | | | | |
| Effective Age ATOS/Yr @ | 1.5% | 0 Yrs | | 10 Yrs | 15.0% | 14 Yrs | 21.0% | 5 Yrs | 7.5% | 25 Yrs | 37.5% | 10 Yrs | 15.0% |
| Construction Type/Quality | | Wood-Brick-Masonry/Average | | Wood/Average | 35.6% | Wood/Fair-Avg | 45.4% | Wood/Average | 35.6% | Wood/Average | 35.6% | Wood/Average | 35.6% |
| Location Adjustment | | Lewiston, ID | | Moscow, ID | 0.0% | Moscow, ID | 0.0% | Next to Campus | -20.0% | Moscow, ID | 0.0% | Pullman, WA | 0.0% |
| Parking Adjustment | | None/Street | | Open | -3.8% | Open | -4.2% | Open | -2.0% | Open | -4.6% | Carports | -4.7% |
| Other | | | | | | | | | | | | | |
| Net Adjustment | | | | | 46.8% | | 62.2% | | 21.0% | | 68.4% | | 45.9% |
| Final Adjusted Price/SF | | | | | $36,100 | | $36,488 | | $38,197 | | $39,727 | | $37,558 |

## EFFECTIVE GROSS INCOME MULTIPLIER

The sales exhibit effective gross income multipliers (EGIMs) ranging from 6.68 to 7.88, with an average of 7.48. EGIMs tend to have an inverse relationship in comparison to expense ratios. The expense ratios for the comparables ranged from 33.5% to 48.2. The relationship between EGIM and expense ratio is arrayed in the following chart.

| Sale # | Property | EGIM | Expense % |
|---|---|---|---|
| 4 | Russet Square Apartments | 6.68 | 48.2% |
| *Subj.* | *Clearwater Hall* | - | *47.5%* |
| 1 | Conrad Smith Apartments | 7.72 | 45.1% |
| 5 | Clarke Terrace | 7.49 | 42.9% |
| 2 | Levick Apartments | 7.60 | 39.9% |
| 3 | Taylor Apartments | 7.88 | 33.5% |

Some basic consistency is found among the comparables, with the properties generally showing lower EGIMs for those with higher expense ratios. The subject's expense ratio, as estimated, is 47.5%, which is at the upper end of the range of comparables. Considering the characteristics of the subject, an EGIM toward the lower end of the range is appropriate. An EGIM of 7.00 is concluded.

The concluded EGIM is applied as follows:

| | |
|---|---|
| Concluded EGIM | 7.00 |
| Times Effective Gross Income | x $463,613 |
| Indicated Value | $3,245,291 |
| | |
| Rounded To | **$3,250,000** |

## SALES COMPARISON APPROACH CONCLUSION – APARTMENT SALES

The following summarizes the market value conclusions via each of the two techniques use:

| Technique | Total |
|---|---|
| Price Per Unit | $2,720,000 |
| Price Per Bedroom | $4,450,000 |
| Effective Gross Income Multiplier | $3,250,000 |

As shown above, the three techniques used yielded a very dissimilar indication of values, ranging from $2,450,000 to $4,450,000. The price/unit and price/BR comparisons are hindered by the large amount of adjustment needed for comparison to the subject. For this reason, the EGIM technique is considered the most reliable in this instance.

Giving primary emphasis to the EGIM technique, the estimated value via the Sales Comparison Approach is **$3,500,000**.

The next step is to analyze the subject's retail space. On the subsequent pages are details of the sale comparables, followed by an adjustment grid that summarizes the sales and shows the adjustments made for the superior and inferior characteristics of each property in comparison to the subject.

# IMPROVED RETAIL SALES SUMMARY

**Clearwater Hall**
Dec-07

| IDENTIFICATION | Subject | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| Property | Clearwater Hall<br>402-418 Main Street<br>Lewiston, Idaho | University Pointe<br>317 W 6th St<br>Moscow, ID | Stadium Way Retail<br>400 Blk, Stadium Way<br>Pullman, WA | 21st Street Retail Ctr<br>1325 21 St<br>Lewiston, ID | Deranleau Building<br>730 21st St<br>Lewiston, ID | Thain Retail Center<br>102 Thain Rd<br>Lewiston, ID |
| Buyer | | Cobb Irrevocable Trust | WFT Pullman | 319 Trenton LLC | 726 21st Street LLC | N/Ap |
| Seller | | University Pointe, LLC | Eastern OR Land Development | Dave Black | Deranleau Trust | Chrislinc Properties, LLC |
| Appraisal/Sale Date Dec-07 | | May-06 | Sep-04 | Jul-04 | Mar-04 | Listing |
| Analysis Price | | $3,650,000 | $3,835,304 | $1,910,000 | $990,095 | $1,448,700 |
| Verification | | Jim Boudreau<br>509-334-4700 | Tony Viera<br>253-395-2595 | George Green<br>208-799-3010 | George Green<br>208-799-3010 | Marshall Clark<br>509-325-3333 |
| **PROPERTY CHARACTERISTICS** | | | | | | |
| Year Built/Renovated | 2006 | 2003 | Rem-2004 | 2004 | 1961/2004 | 2005 |
| Construction Type | Brick-Concrete | Masonry/Brick-Glass Ext | Wood Frame | Steel/Glass | Block | Wood Frame/Brk Accts |
| Construction Quality | Average | Average/Good | Average | Good | Average | Good |
| Effective Age | 0 Yrs | 3 Yrs | 10 Yrs | 0 Yrs | 10 Yrs | 1 Yrs |
| GBA (SF) | 12,787 | 25,000 | 20,000 | 9,750 | 7,169 | 13,178 |
| No. of Stories | 1 | 2 | 1 | 1 | 1 | 1 |
| Land Size (AC) | 0.32 | 1.28 | 1.15 | 0.69 | 0.92 | |
| Land Size (SF) | 14,130 | 55,757 | 50,000 | 30,246 | 40,030 | 0 |
| Land to Building Ratio | 1.1:1 | 2.2:1 | 2.5:1 | 3.1:1 | 5.6:1 | 0.0:1 |
| Other | Storefront retail facility with frontage along two roadway's in Lewiston's "downtown" corridor. | Two-story building with office on the upper level and retail/storefront office on the main level. Newer building with lobby and elevator. | Retail bldg rem'd in 2004 w/several high-end tenants, incl. Barnes & Noble and Starbucks. Price includes freestanding Burger King, deduction based on NOI. | Newer strip center along main commercial corridor in Lewiston. | Retail building along main retail corridor that was completely gutted after sale at a cost of $375,000 and subsequently used as blood center. | Newer retail strip building that is fully occupied and located along main commercial corridor in Lewiston. |
| **TERMS OF SALE ADJUSTMENTS (SEQUENTIAL)** | | | | | | |
| Face Price | | $3,650,000 | $4,550,000 | $1,910,000 | $615,095 | $2,787,678 |
| Property Rights Conveyed | Leased Fee | Leased Fee $0 | Leased Fee $0 | Leased Fee $0 | Leased Fee $0 | Fee Simple $0 |
| | | $3,650,000 | $4,550,000 | $1,910,000 | $615,095 | $2,787,678 |
| Financing | Cash to Seller | Cash to Seller $0 | Cash to Seller $0 | Cash to Seller $0 | Cash to Seller $0 | Cash to Seller $0 |
| | | $3,650,000 | $4,550,000 | $1,910,000 | $615,095 | $2,787,678 |
| Conditions of Sale | Arm's Length | Arm's Length $0 | Arm's Length $0 | Arm's Length $0 | Arm's Length $0 | Arm's Length $0 |
| | | $3,650,000 | $4,550,000 | $1,910,000 | $615,095 | $2,787,678 |
| Immediate Expenditures | None | None $0 | None $0 | None $0 | Remodel $375,000 | None $0 |
| | | $3,650,000 | $4,550,000 | $1,910,000 | $990,095 | $2,787,678 |
| Other | None | None $0 | Burger King ($714,696) | None $0 | None $0 | None $0 |
| **VALUE INDICATORS** | | | | | | |
| Analysis Price | | $3,650,000 | $3,835,304 | $1,910,000 | $990,095 | $2,787,678 |
| Analysis Price/SF | | $146.00 | $191.77 | $195.90 | $138.11 | $211.54 |
| Net Operating Income | As estimated in $132,039 | $244,864 | $295,000 | $149,411 | N/Av | $191,138 |
| NOI/SF | Income Approach $10.33 | $9.79 | $14.75 | $15.32 | N/Av | $14.50 |
| Overall Rate | | 6.71% | 7.69% | 7.82% | N/Av | 7.00% |
| Market Conditions/Yr 2.0% | | 3.0% | 6.5% | 6.8% | 7.4% | 0.0% |
| Total Market Adjusted Price | | $3,760,724 | $4,083,536 | $2,039,164 | $1,063,285 | $2,787,678 |
| Total Mkt Adjusted Price/SF | | $150.43 | $204.18 | $209.14 | $148.32 | $211.54 |
| **ADJUSTMENTS FOR PHYSICAL DIFFERENCES (CUMULATIVE)** | | | | | | |
| Effective Age ATOS/Yr @ 1.5% | 0 Yrs | 3 Yrs 4.5% | 10 Yrs 15.0% | 0 Yrs 0.0% | 10 Yrs 15.0% | 1 Yrs 1.5% |
| Construction Type/Quality | Brk-Conc/Avg | Wd-Frm/Avg-Gd -11.9% | Wd Frm/Avg 11.5% | Steel-Glass/Gd -13.7% | Block/Average 0.0% | Wd Frm/Good -15.7% |
| Location | Downtown Lewiston | Moscow, ID 0.0% | Pullman, WA -10.0% | SE Lewiston -10.0% | SE Lewiston -10.0% | SE Lewiston -10.0% |
| Other | None | None 0.0% | None 0.0% | None 0.0% | None 0.0% | None 0.0% |
| Net Adjustment | | -7.4% | 16.5% | -23.7% | 5.0% | -24.2% |
| **Final Adjusted Price/SF** | | **$139.33** | **$237.95** | **$159.64** | **$155.73** | **$160.42** |

## ADJUSTMENTS

### TERMS OF TRANSACTION ADJUSTMENTS

Financing – Each of the sales reflects a cash or cash equivalent transaction, and no adjustments for financing are necessary.

Conditions of Sale – An adjustment for conditions of sale compensates for unusual buyer or seller motivations that influence sale price. For instance, when a seller gives the buyer an atypical rebate, discount, credit, or something of value to induce a conveyance, it is logical to deduct the worth of the giveback from the sale price. Residual sums represent the net or effective sale price. All of the comparable sales are arm's length transactions, and no adjustments are necessary.

Immediate Expenditures – This adjustment is often applied to account for costs that were necessary to cure deferred maintenance or to make the facility usable as intended. Sale 4 was remodeled subsequent to its sale at a cost of $375,000. Therefore, this sale was adjusted upward by this amount. None of the other sales required an adjustment for immediate expenditures.

Market Conditions - The best method of deriving a market conditions (time) adjustment comes from the sale/resale of the same property. It is noteworthy that over the past several years, overall capitalization rates have continued to fall as rental rates have continued to rise for newer properties, resulting in some appreciation in the retail market. Since typical lease escalations for retail space range from 2-3%/yr, we have applied a 2%/yr upward adjustment for changes in market conditions since the time of the sale.

### ADJUSTMENTS FOR PHYSICAL DIFFERENCES

The preceding adjustments led to a figure that reflects the price that would be paid for each sale if it were a fee simple, arm's length, cash transaction occurring on the date of the appraisal. These prices will then be further adjusted for physical differences in comparison to the subject. In this case, the primary physical components of comparison are effective age, construction type/quality, and location. Other physical differences may also be applied as needed for specific issues.

Effective Age – Although a total economic life of 45 years would imply a depreciation rate of 2.2%/yr, it must be recognized that properties tend to show less depreciation in the early part of their useful lives. For this reason, effective age adjustments are applied at a lower rate of 1.5%/yr.

Other – An adjustment is applied for differences in construction type/quality, although an adjustment for this factor is based only on true differences in quality or finish because much of the physical differences between properties are already reflected in the effective age adjustment. Location is also adjusted for, while others items, as necessary, are simply considered in reconciling to a final value rate from within the range.

### DISCUSSION OF SALE COMPARABLES

Sale 1 is the sale of University Pointe in May 2006 for $3,650,000. This two-story, 25,000 SF facility was built in 2003 and comprises retail on the ground floor and office space in the upper level. The building is of above-average quality, is elevatored, and is located on the periphery of the U of I Campus in Moscow, Idaho. After adjustments, this sale reflects a rate of $139.33/SF. This building is superior in size and is considered a low indicator for the subject.

Sale 2 is the sale of the Stadium Way Retail Center in September 2004 for $4,550,000. This facility was completely renovated prior to the sale and included a freestanding Burger King on a pad site. Tenants include Starbucks, Little Caesar's, Sprint, Blockbuster, Supercuts and Barnes & Noble. After adjustments for market conditions, effective age, construction type, location and the included Burger King, this sale indicates a rate of $237.95/SF. This sale required the greatest amount of gross adjustments and is considered an outlier, relative to the other sale comparables. This is a high indicator of value for the subject.

Sale 3 is the sale of the 21st Street Retail Center for $1,910,000 in July 2004. At the time of sale this 9,750 SF retail facility was newly built of good-quality steel-frame construction with four retail bays. Tenants included Starbucks, a Sprint Store, Check into Cash, and a Rent-A-Center. After adjustments, this sale reflects a value rate of $159.64/SF. This sale is slightly superior in size compared to the subject. Additionally, this building is occupied by national tenants. This sale is an indicator of the upper bracket of value for the subject.

Sale 4 is the sale of the Deranleau Building in March 2004 for $825,000. The property comprised a retail building and warehouse. The warehouse and underlying land was allocated at $209,905, leaving $615,095 for the retail building and accompanying land. The retail building was completely gutted and remodeled after the sale at a cost of $375,000. This equates to a total adjusted price of $990,095 for the retail building. The 7,169 SF retail building was originally built in 1961, prior to its renovation in 2004, of masonry block construction. The building is currently leased to Diversified Specialty Institutes, which uses the building for blood transfusions. After adjustments, this sale indicates a rate of $155.73/SF. This building is superior in size, but this is offset by its inferior overall appeal, compared to the subject. A similar rate would be expected for the subject.

Sale 5 is the listing of a newer retail center across from a Wal-Mart store in south Lewiston. The 12,178 SF retail facility is currently listed at $2,787,678 and comprises four retail bays that are fully occupied by Anytime Fitness, Unicel, Cash Advance, and Mattress Outlet. After adjustments, this listing indicates a rate of $160.42/SF. This is considered a slightly high indicator of value for the subject.

## PRICE PER SQUARE FOOT

After adjustments for the differences described previously, the comparable sales reflected a range from $139.33/SF to $237.95/SF, with an average of $170.61/SF. When Sale 2 ($237.95/SF) is excluded, the range narrows to between $139.33/SF and $160.42/SF, with an average of $153.78/SF.

Sale 1 ($139.33/SF) was the most recent, but due to its inferior size, is a low indicator for the subject. Sale 2 ($237.95/SF) is at the upper end of the range and is an outlier among the comparables. This is a high indicator for the subject. Sale 3 ($159.64/SF) is superior in size and is considered an indicator of the upper bracket of value for the subject. Sale 4 ($155.73/SF) is inferior in overall appeal compared to the subject, but is superior in size. A similar rate is expected for the subject. Sale 5 ($160.42/SF) is the listing of a newer retail facility at a major signalized intersection in south Lewiston. Due to the listing status of this comparable, a lower rate would be expected for the subject.

## SALES COMPARISON APPROACH CONCLUSION – RETAIL SPACE

Based on the preceding analysis, the data best supports a market value of $155/SF for the subject improvement. This is applied as follows:

| | | |
|---|---|---|
| Indicated Value/SF | | $155.00 |
| Times Building Area (SF) | x | 12,787 |
| Indicated Value | | $1,981,985 |
| | | |
| Rounded To: | | **$1,980,000** |

## SALES COMPARISON APPROACH CONCLUSION

The previously concluded values of the subject living units and retail space must be combined to arrive at a total value via the Sales Comparison Approach. This leads to a hypothetical stabilized value via the Sales Comparison Approach as follows:

| | | |
|---|---|---|
| Indicated Value of Living Space | | $3,500,000 |
| Plus Value of the Retail Space | + | $1,980,000 |
| | | |
| Total Indicated Value | | **$5,480,000** |

# INCOME APPROACH

## INCOME APPROACH OVERVIEW

In the Income Approach, the expected rental income for a proposed property is estimated based on a comparison to rents achieved for similar properties in the market area. Deductions are made for vacancy and collection loss and expenses. The prospective net operating income is then estimated. For an existing property, the subject's operating history is analyzed and compared to other properties in the market. After estimating the stabilized NOI, an applicable capitalization method, and appropriate capitalization rates are developed and used in computations that lead to an indication of value.

There are two methods of income capitalization: direct capitalization and yield capitalization, or discounted cash flow analysis. Both methods convert the future benefits property ownership into a present value. These methods convert income streams and resale value upon reversion into a capitalized, lump-sum value. In direct capitalization, the overall rate reflects a market-derived rate that includes both a *return on* and *return of* the investment in one blended rate, as applied to the stabilized income estimate for one year of operation. In yield capitalization, the cash flows over a typical investment holding period are discounted to their present value, including both cash flows from operation and the future resale of the property upon reversion. In this analysis, only the direct capitalization technique is employed.

# SUBJECT OPERATING INFORMATION

## INCOME/EXPENSE HISTORY

We were provided with income/expense pro forma data and have included in the following table a reconstructed version for September 2007 to August 2008. While the income used in the pro forma is based on student housing, it should be noted that some of the expenses (real estate taxes and insurance) are likely inclusive of the subject's retail space.

| INCOME/EXPENSES PRO FORMA - Reconstructed *Clearwater Hall* | | | | |
|---|---|---|---|---|
| Units: | 32 | | | |
| Bedrooms: | 117 | | | |
| SF NRA: | 26,805 | | | |
| Year: | 2007/2008 | | | |
| Item: | % of EGI | $/Unit | $/BR | Total |
| Gross Housing Income: | 100.00% | $10,176 | $2,783 | $325,617 |
| Expenses | | | | |
| Real Estate Taxes | 18.84% | $1,917 | $524 | $61,336 |
| Personal Property Taxes | 1.38% | $141 | $38 | $4,500 |
| Insurance | 5.23% | $532 | $145 | $17,020 |
| Repair & Maintenance | 0.42% | $43 | $12 | $1,380 |
| Elevator | 1.06% | $108 | $29 | $3,450 |
| Utilities (Water & Sewer) | 4.24% | $431 | $118 | $13,800 |
| Energy (Gas & Elec) | 8.48% | $863 | $236 | $27,600 |
| Telephone/Internet | 3.25% | $331 | $90 | $10,580 |
| Miscellaneous | 0.00% | $0 | $0 | $0 |
| Total Expenses | 42.89% | $4,365 | $1,194 | $139,666 |
| NOI | 57.11% | $5,811 | $1,589 | $185,951 |

As stated previously, the subject currently operates under a management agreement with Lewis-Clark State College (LCSC). A copy of this agreement is included in the addenda of this report. For the purposes of this analysis, the subject will be analyzed as though the management contract were not in effect. In the expense analysis portion of the Income Approach, the subject's operating income will be projected based upon an analysis of available operating data for other apartment buildings of similar use.

## SUBJECT LEASING ACTIVITY

The subject's student housing has had an average occupancy rate of about 74% since it was completed in August 2006, with the exception of the summer term. The housing is reportedly mostly vacant during the summer months. The student housing is currently 74% occupied. The rental rates for the student housing are summarized in the following table.

**STUDENT HOUSING RENTAL RATES**
*Clearwater Hall*
Dec-07

Living Units

| No. | Type (BR/BA) | Bdrms | Avg SF/Unit | Rents/BR | Subtotal Rent/Mo. | Annual Rent |
|---|---|---|---|---|---|---|
| 3 | 1/1 | 3 | 423 | $365 | $1,095 | $13,140 |
| 1 | 2/1 | 2 | 555 | $365 | $730 | $8,760 |
| 4 | 3/1 | 12 | 757 | $365 | $4,380 | $52,560 |
| 19 | 4/1 | 76* | 856 | $365 | $27,740 | $332,880 |
| 1 | 4/2 | 4 | 1,129 | $365 | $1,460 | $17,520 |
| 4 | 5/2 | 20 | 1,138 | $365 | $7,300 | $87,600 |
| 32 | Average: | 117 | 838 | $365 | $42,705 | $512,460 |

*Includes 3 smaller bdrms at $335/mo and 2 larger bdrms at $395/mo.

It should be noted that the $365/mo rental rate, shown in the above table, that LSCS remits to the developer is not the rate that LCSC collects from the student tenant. Lewis-Clark State College collects approximately $538/mo from the student tenant. The lower remittance rate reflects the unreimbursed costs that LCSC incurs for trash removal, cable, repair and maintenance, supplies, janitorial, and personnel.

The subject's retail space is vacant. However, a lease agreement has been drawn up on about 7,047 SF of the subject's retail space that is located at the northeast corner of the building. The terms of this agreement are displayed in the table below.

| | | | |
|---|---|---|---|
| Tenant: | Club Rain | | |
| Landlord: | College Town Development Idaho | | |
| Suite Size (SF): | 7,047 SF | | |
| Initial Term (Yrs): | 5 Yrs | | |
| Rent: | Years | Rent/Yr | Rent/SF |
| | 1 | $60,000 | $8.51 |
| | 2 | $61,800 | $8.77 |
| | 3 | $63,654 | $9.03 |
| | 4 | $65,564 | $9.30 |
| | 5 | $67,531 | $9.58 |
| Expense Term: | Triple-Net | | |

The owner reported that this lease will not be signed, as the rental rate is considered too low. The Town Square, across the street to the east of the subject, is a much older retail/office building that purportedly recently leased its 3,685 SF corner retail space for $12.00/SF/Yr. This building was built in 1892 and is inferior in condition, compared to the subject. Attempts to contact the owner of the Town Square to confirm the aforementioned lease were met with negative results.

Therefore, the entire 12,787 SF of the subject's ground-floor retail space is available for lease, and is currently being marketed at a rate of $12.00/SF/Yr, based on triple-net expense terms. The lease rates for the subject's retail space is summarized in the following table.

| RETAIL RENTAL RATES<br>*Clearwater Hall*<br>Dec-07 | | | | |
|---|---|---|---|---|
| Bay | Area (SF) | Proposed Rent/SF | Subtotal Rent/Mo | Developer's Proposed Annual |
| 1 | 1,948 | $12.00 | $1,948 | $23,376 |
| 2 | 993 | $12.00 | $993 | $11,916 |
| 3 | 2,799 | $12.00 | $2,799 | $33,588 |
| 4 | 7,047 | $12.00 | $7,047 | $84,564 |
| | 12,787 | $12.00 | $12,787 | $153,444 |

It should be noted that while the retail space is divided into four bays, it would be possible to divide this space into more, or fewer bays, depending upon tenant demand. Additionally, the retail space is at a "base shell" state, as not all the space has been improved to a "vanilla shell" with walls ready to be painted, a concrete floor, a drop ceiling with lights, electrical outlets, HVAC, and restrooms. This will be taken into account when arriving at an "as is" value after the reconciliation.

# MARKET DATA

The next step in the analysis is to determine the market rent levels for the subject via a comparison to comparable rental properties in the market. Additionally, due to the student-oriented design of the subject, other student-oriented housing developments were also considered. The subject's student housing will be analyzed first, followed by the subject's retail space. Those properties that were considered the most useful for estimating the subject's market rent are summarized in a grid, after the rent comparable details that follow.

## RENT COMPARABLE SUMMARY – STUDENT HOUSING

**Clearwater Hall**
Dec-07

| No. | Property/Location | Built | Units | Bdrms | BR / BA | Avg Unit SF | Rent/BR | No. Vac | Vac. % | Air Conditioning | Dishwasher | Disposal | Microwave | Private Deck/Patio | Exercise Room | Open Parking | Common Laundry | Furnished Bedrooms | Storage |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Subj. | Clearwater Hall | 2006 | 3 | 3 | 1 / 1 | 423 | $538 | 28 | 24.3% | X | | | | | | | X | X | X |
| | 402-418 Main Street | | 1 | 2 | 2 / 1 | 555 | | | | | | | | | | | | | |
| | Lewiston, ID | | 4 | 12 | 3 / 1 | 757 | | | | | | | | | | | | | |
| | | | 19 | 76 | 4 / 1 | 856 | | | | | | | | | | | | | |
| | | | 1 | 4 | 4 / 2 | 1,129 | | | | | | | | | | | | | |
| | | | 4 | 20 | 5 / 2 | 1,138 | | | | | | | | | | | | | |
| 1 | College Place | 2006 | 22 | 80 | 4 / 1 | 1,210 | $566 | 21 | 23.9% | X | | X | X | | | X | X | X | X |
| | 500 8th Avenue | | | 5 | 5 / 1 | 1,344 | | | | X | | X | X | | | X | X | X | X |
| | Lewiston, ID | | | 3 | 3 / 1 | 1,265 | | | | X | | X | X | | | X | X | X | X |
| 2 | Brewster Residence Hall | 2002 | 40 | 14 | 2 / 1 | N/Av | $612 | 13.3 | 10.0% | X | | | | | | X | X | X | X |
| | 410 2nd Avenue | | | 39 | 3 / 1 | N/Av | $612 | | | X | | | | | | X | X | X | X |
| | Cheney, WA | | | 80 | 4 / 1 | | | | | | | | | | | | | | |
| 3 | College Crest | 1974 | 54 | 162 | 3 / 1.5 | 1,000 | $395 | 9 | 5.6% | | X | X | | | | X | X | | |
| | 1555 NE Merman Drive | | | | | | | | | | | | | | | | | | |
| | Pullman, WA | | | | | | | | | | | | | | | | | | |
| 4 | Cougar Crest Apartments | 1997/98 | 63 | 39 | 3 / 2 | 1,260 | $350 | 0 | 0.0% | X | X | X | | X | X | X | X | | X |
| | 2055 Skyview Drive NE | | | 200 | 4 / 2 | 1,260 | $310 | | | X | X | X | | X | X | X | X | | X |
| | Pullman, WA | | | | | | | | | | | | | | | | | | |
| 5 | Breier Building Apartments | 1925 | 40 | 28 | 1 / 1 | 570 | $390 | 0 | 0.0% | X | | X | | | | X | | | X |
| | 633 Main Street | | | 24 | 2 / 1 | 770 | $244 | | | X | | X | | | | X | | | X |
| | Lewiston, ID | | | | | | | | | | | | | | | | | | |
| | TOTAL | | 219 | 674 | Low: | | $244 | 43.3 | 6.4% | | | | | | | | | | |
| | | | | | Avg: | | $435 | | | | | | | | | | | | |
| | | | | | High: | | $612 | | | | | | | | | | | | |

## DISCUSSION OF RENT COMPARABLES – STUDENT HOUSING

Rental 1 is College Place, located directly across the street from the LCSC campus. This project was built at the same time as the subject and comprises 88 bedrooms in 22 units in one, three-story building. Like the subject, this facility includes furnished bedrooms, common laundry, storage, and air conditioning. However, the common area of each pod, or living unit, is not furnished. Twenty of the units comprise four-bedrooms and one bathroom, while the other two units include a three-bedroom unit and a five-bedroom unit. Additional amenities include disposals and open parking.

Rental 2 is the Brewster Residence Hall, located in Cheney Washington. The complex was built in 2002 on the edge of the campus of Eastern Washington University. The four-story facility is privately owned, but is managed by Eastern Washington University. The building has a bookstore, coffee house, laundry facility, bike storage room, and administrative offices on the main level. The complex comprises 140 bedrooms that include two-, three-, and four-bedroom units. Each unit has a kitchen area with a refrigerator and sink, and a bathroom with a toilet and bathtub. There is an additional sink located just outside the bathroom. There are also two common area kitchens with a stove/oven, microwave, and sink. Each bedroom is furnished with a loft-able bed, chest of drawers, an armoire, and a desk and chair. Complex amenities include two lounge areas, an elevator, common laundry, and open parking.

Rental 3 is the College Crest Apartments, located in Pullman, Washington. The complex comprises 54 three-bedroom units that can be leased on an individual bedroom basis. Each of the units has a separate outside entrance, in addition to a sink and a chest of drawers and a built-in desk. All these units are equipped with a sofa, chair, end tables, lamp, and a dining room table with four chairs. Additionally, the units include a living room, dishwasher, garbage disposer, and electric baseboard heat. Complex amenities include common laundry and open parking.

Rental 4 is the Cougar Crest Apartments, located in Pullman, Washington. The complex comprises three- and four-bedroom units that groups of individuals typically get together and rent on an individual bedroom basis. The three-bedroom units have a den, which is utilized as a fourth bedroom in the four-bedroom units. Each bedroom has a sink and vanity, in addition to a phone jack and cable TV outlet. The units are equipped with dishwasher, garbage disposer, wall-mounted air conditioning, private deck/patio with storage closet, electric baseboard heat, and 2 baths. Complex amenities include common laundry, open parking, and a small exercise room.

Rental 5 is the Breier Building Apartments, located in downtown Lewiston, two blocks east of the subject. This five-story building was constructed in 1925 with office space on the main level and 40 apartment units on the upper levels. The facility comprises one- and two-bedroom units, each equipped with garbage disposer and storage. Complex amenities include laundry and open parking.

## MARKET RENT CONCLUSIONS – STUDENT HOUSING

The subject has 32 units that comprise 117 bedrooms, each furnished with a loft-able bed, an armoire, and a desk and chair. Each unit has a living room/kitchen area equipped with a refrigerator, kitchen sink, dining table with chairs, sofa, coffee table, and chair. The majority of the units have one bathroom with a shower and toilet that will have a sink located just outside the bathroom. Additionally, the facility has common laundry, a study room, and storage rooms. The subject is located in downtown Lewiston, with the Lewis-Clark State College campus located approximately seven blocks to the south.

The comparables reflect a range of $244/mo to $612/mo per bedroom, with an average of $435/mo. Comparables 1, 2, 3 and 4 lease on an individual bedroom basis and reflect an average of $474/BR/mo.

Comparable 1 ($566/BR/mo) is College Place, which is located southwest of the subject, across the street from the LCSC campus. This 88-bedroom, student-oriented facility was recently completed at the same time as the subject, is managed by LCSC, and like the subject, is restricted to student tenants. This building is similar to the subject, but is closer to the college. However, the common area of each unit is not furnished. Considering the proximity of this comparable to the LCSC campus, this rate is a high indicator for the subject.

Comparable 2 ($612/BR/mo) is located in Cheney, Washington, and is the very similar to the subject, since it is a student-oriented residence hall that's occupancy is restricted to Eastern Washington University (EWU) students. Like the subject, this facility has furnished bedrooms, common laundry, and storage area. However, the complex does have a lounge area, open parking, and two common area kitchens with a stove/oven, microwave, and sink. The building was constructed in 2002 on the edge of EWU's campus. Due to this comparables additional amenities, the rate indicated is high for the subject.

Comparable 3 ($395/BR/mo) is located in Pullman, Washington, near the campus of Washington State University (WSU). This project was built in 1974 and is inferior to the subject in terms of age and quality. The bedrooms are equipped with a chest of drawers and a built-in desk. Additionally, all these units are equipped with a sofa, chair, end tables, lamp, and a dining room table with four chairs, much like the subject. However, this comparable also has dishwashers, garbage disposers, sinks in each bedroom, separate outside entrances to each of the units, and open parking. Considering this facility's age, quality, and amenities, this is an indicator of the upper lease rate that the subject could potentially achieve.

Comparable 4 ($310/BR/mo to $350/BR/mo) is also located in Pullman, Washington, near the WSU campus. Groups of individuals typically get together and rent the units on an individual bedroom basis. This facility was built in the late 1990s and has an exercise room, private decks/patios, and a sink and vanity in each bedroom, unlike the subject. However, this is somewhat offset by its inferior age and lack of furnished bedrooms. This complex is an indicator of the lower bracket of lease rates that the subject could expect to achieve. Comparable 5 ($244/BR/mo to ($390/BR/mo) is an old building that is located about two blocks east of the subject. This comparable includes disposals and open parking, and is inferior in age and doesn't include furnished bedrooms. However, the one-bedroom units ($390/BR/mo) are not shared, and therefore are superior in this respect. Thus, the subject would be expected to fall within the upper range of rates reflected by this comparable. Considering the preceding discussion, a rate of **$375/BR/mo** is concluded for the subject's bedrooms.

As additional supplemental market information, we have also included the rental rates of a few multi-family apartment complexes in the subject's market area as an added check on the subject's concluded lease rate. These comparables are summarized in the following table.

| RENT COMPARABLE SUMMARY<br>Clearwater Hall | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| No. | Property/Location | Built | Units | Bdrms | BR / BA | Avg Unit SF | Rent/BR | No. Vac | Vac. % |
| 1 | Westridge Apts | 1996 | 108 | 36 | 1 / 1 | 690 | $555 | 0 | 0.0% |
| | 950 Vineland Drive | | | 96 | 2 / 1 | 867 | $325 | | |
| | Clarkston, WA | | | 36 | 2 / 2 | 921 | $355 | | |
| | | | | 18 | 3 / 2 | 1,190 | $285 | | |
| 2 | Eightplex | 2003 | 8 | 16 | 2 / 1 | 900 | $313 | 0 | 0.0% |
| | 706 17th Ave | | | | | | | | |
| | Lewiston, ID | | | | | | | | |
| 3 | Four Horses Apts | 1977 | 30 | 10 | 1 / 1 | 700 | $450 | 0 | 0.0% |
| | 1712 5th Street | | | 16 | 2 / 1.5 | 850 | $288 | | |
| | Lewiston, ID | | | 16 | 2 / 2 | 900 | $313 | | |
| | TOTAL | | 146 | 244 | | Low: | $285 | 0 | 0.0% |
| | | | | | | Avg: | $361 | | |
| | | | | | | High: | $555 | | |

As shown above, these comparables range from $285/BR/mo to $555/BR/mo, with an average of $361/BR/mo. The subject's concluded rate of $375/BR/mo falls within this range and is very near the average rate. Comparable No. 2 is the newest of the comparables and reflects a rate that is less than the subject's rate. Considering the supplemental comparables, the subject's concluded rate of $375/BR/mo appears to be appropriate.

As previously discussed, the subject's retail space will now be analyzed. It should be noted that the subject's retail space is not typical in comparison to its immediate area. The subject is located in Lewiston's central business district, which is mainly composed of older buildings that were built around 1900. Therefore, the majority of the buildings have dated storefront retail space that does not match the quality of the subject's retail space. The majority of the newer retail facilities in Lewiston are located along Thain Road in the southeast section of the city. Thus, the subject's lease rate would likely be at the upper end of the range of rates received for the dated retail space that is located in the subject's immediate area and below the newer retail space that is located in Lewiston's new retail corridor along Thain Road, which is continuing to develop.

A grid summarizing the rental rates for properties that were considered most useful for comparison to the subject's retail space is displayed after the rent comparable details that follow.

## RENT COMPARABLE SUMMARY - RETAIL

**Clearwater Hall**
Dec-07

| No. | Property | Built | SF GLA | Tenant/Type | Tenant Size (SF) | Rental Rate ($/SF/Yr) | Expenses | Lease Term | In-Line Bay Depth | Vacant SF | Overall Vacancy | Contact | Comments |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | H&R Block Bldg<br>1446 Main St<br>Lewiston, ID | 1996 | 2,784 | H&R Block | 2,784 | $5.96 | NNN<br>(adjusted from modified gross) | 3 Yrs | N/Av | 0 | 0% | Confidential | Average-quality building of wood-frame construction that was built in 1996 as an optical shop. Leased by H&R Block in 2006. |
| 2 | Strip Center<br>1702-1716 'G' St<br>Lewiston, ID | 1978-88<br>(Rem'd 2004) | 11,058 | Storefront Ofc/Retail | 2,762 | $8.83 | NNN<br>(adjusted from modified gross) | Various | N/Av | 0 | 0% | Confidential | Average-quality storefront strip center that includes off-street parking. |
| 3 | SL Start<br>207 3rd St<br>Lewiston, ID | 1897<br>(Rem'd 2004) | 7,500 | SL Start | 2,762 | $11.67 | NNN<br>(adjusted from modified gross) | 4 Yrs | 86' | 0 | 0% | Heather Okeefe<br>509-328-2740 | Storefront retail/office space in older building that was extensively renovated in 2004. |
| 4 | Strip Retail Center<br>102 Thain Rd<br>Lewiston, ID | 2005 | 13,178 | Mattress Outlet<br>Cash Advance<br>Unicel<br>Anytime Fitness | 5,650<br>1,300<br>1,316<br>4,912 | $13.63-$22.00<br>($16.94/SF - Avg) | NNN | Various | 50' - 60' | 0 | 0% | Marshall Clark<br>509-325-3333 | Retail strip center completed in July 2005 at busy signalized intersection across street from Wal-Mart Store. |
| Subj. | Clearwater Hall<br>402-418 Main St<br>Lewiston, ID | 2006 | 12,787 | Retail | 993 - 5,787 | $12.00 | NNN | | 60' - 70' | 12,787 | 100% | | Storefront retail in four-story building in Lewiston's central business district, with student-oriented housing units in upper levels. |

## DISCUSSION OF RENT COMPARABLES – RETAIL

Rental 1 is a building occupied by H&R Block, about 0.75-miles east of the subject along Main Street. The 2,784 SF building was originally constructed as an optical store in 1996. The building is currently being leased at a rate of $5.50/SF/Yr (adjusted from modified gross to triple-net). The building has superior parking, but is inferior in age and condition compared to the subject. As a result, this is a low indicator for the subject's retail space.

Rental 2 is a strip center with various storefront office/retail tenants. The 8,000 SF building is located one mile to the east of the subject. Most of the newer tenants in this building are leasing at a rate of about $8.83/SF/Yr (adjusted from modified gross to triple-net). This comparable has superior parking compared to the subject, but it is inferior in age, condition, exposure and overall appeal. Consequently, this is a low indicator for the subject.

Rental 3 is the SL Start Building, located approximately two blocks northwest of the subject. This 11,058 SF building was originally constructed in 1897, but was extensively remodeled in 2004. SL Start occupies 3,453 SF of the two-story building, but reportedly only approximately 80%, or 2,762 SF is usable due to the ill-conceived design of the renovated space. This equates to an adjusted lease rate of $11.67/SF/Yr (adjusted for usable space and from modified gross expense terms to triple-net). This comparable has superior parking compared to the subject, since its lease includes about 10 off-street parking stalls. The condition is somewhat similar to the subject, however the design, exposure, and age are inferior. The rate indicated by this rental is an indicator of the lower rental bracket for the subject.

Rental 4 is a newer strip retail building at the southwest corner of Thain Road and Stewart Avenue, a signalized intersection across the street from a Wal-Mart Store. This 13,178 SF retail center has four retail bays and is fully occupied. The bays range is size from 1,300 SF to 5,650 SF, with rental rates ranging from $13.63/SF/Yr to $22.00/SF/Yr, with an average of $16.94/SF/Yr. This facility is similar in age and condition to the subject, but has superior exposure. A lower rate would be expected for the subject than those indicated by this comparable.

## MARKET RENT CONCLUSIONS – RETAIL

To better illustrate the comparison of the subject to each of the comparables, we have utilized a ranking analysis, displayed in the following chart. As shown, the subject lies between Rental 3 ($11.67/SF/Yr) and Rental 4 ($13.63/SF/Yr).

| No. | Comparable Rental | Typical Rent/SF/Yr | Overall Comparison |
|---|---|---|---|
| 4 | Strip Retail Center | $13.63 - $22.00 | Superior |
| - | *Subject* | *$12.00* | - |
| 3 | SL Start | $11.67 | Inferior |
| 2 | Strip Center | $8.83 | Inferior |
| 1 | H&R Block Building | $5.96 | Inferior |

This subject's current asking rate of $12.00/SF/Yr is well supported by the market comparables. Therefore, a lease rate of $12.00/SF/Yr is concluded for the subject's retail space.

Conclusion of Gross Rental Income – As shown at the end of this section, the projected gross rental income for the subject, including student housing and retail income, is $679,944.

Laundry Income – The subject facility has a common laundry room on site with leased laundry machines from Hainsworth Company, a major leasing company for coin-operated laundry machines. We spoke with a representative from Hainsworth Company, who reported that student housing such as the subject typically generate 1.5 loads of laundry per student per week. Based on the subject's average occupancy rates and the laundry rates, this equates to an annual income of $6,264. Hainsworth's typical lease arrangement is for the property owner to retain ½ of the revenue earned by the machines. This would lead to a yearly income for laundry of $3,132. Therefore, the laundry income retained by the subject owners is estimated at $3,132/Yr, or $26.77/BR/Yr.

Miscellaneous/Other Income: This category includes income retained from deposits, late fees, and other revenue. This item is projected at 3% of the living units rental revenue per year, or $15,795.

All the discussed sources of income result in a Projected Gross Income of $698,871.

## VACANCY

The rent comparables reflect an average vacancy of 6.4% for the student-oriented living units. There are no formal vacancy surveys that we are aware of for the Lewiston-Clarkston area. The subject is a newer facility that is well located in Lewiston's central business district about seven blocks north of the LCSC campus, comprises functional units, and has commensurate amenities with its targeted tenant pool. The subject's student housing has experienced an average occupancy rate of about 75% during the academic year, and approximately 8% during the summer term. This equates to a yearly vacancy rate of about 40%. As previously discussed, College Place, an 88-bedroom student-oriented facility located across the street from the LCSC campus that was completed at the same time as the subject, has also remained at about 75% occupied.

However, as mentioned earlier, LCSC charges students approximately $538/Mo. Thus subject's vacancy rate would likely decline if its lease rates decreased to the concluded market rate of $375/Mo. Additionally, the summer vacancy rate would be expected to decrease substantially, since the subject's lease terms would allow 12-month leases that could be paid on a monthly basis. Currently, under the management agreement, the subject allows 12-month leases; however, the rent for the entire lease term must be paid up front, which severely discourages students from entering into a 12-month lease contract.

Additionally, we have considered future demand for student housing at LCSC, which is summarized in the following table.

| Student Housing Demand Projections | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Implied Annual Growth Rate: | 4.37% | | | | | | | | | |
| **Year:** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** |
| Total Enrollment (Fall Count) | 2,953 | 3,108 | 3,471 | 3,325 | 3,451 | 3,394 | 3,612 | 3,770 | 3,934 | 4,106 |
| Enrollment Increase | 251 | 155 | 363 | -146 | 126 | -57 | 218 | 158 | 165 | 172 |
| Percentage Enrollment Increase | 9.29% | 5.25% | 11.68% | -4.21% | 3.79% | -1.65% | 6.42% | 4.37% | 4.37% | 4.37% |
| Total Student Housing (Number of Beds) | | | | | 246 | 312 | 312 | 312 | 312 | 312 |
| *Clark Hall** | | | | | *78* | *78* | *78* | *78* | *78* | *78* |
| *Parrish House*** | | | | | *29* | *29* | *29* | *29* | *29* | *29* |
| *Talkington Hall**** | | | | | *92* | - | - | - | - | - |
| *Red Lion***** | | | | | *47* | - | - | - | - | - |
| *College Place* | | | | | - | *88* | *88* | *88* | *88* | *88* |
| ***Clearwater Hall*** | | | | | - | *117* | *117* | *117* | *117* | *117* |
| Occupied Student Housing as Percentage of Enrollment | | | | | 6.8% | 7.6% | 7.3% | 7.2% | 7.2% | 7.2% |
| Occupied Student Housing (Number of Beds) | | | | | 234 | 257 | 262 | 272 | 283 | 296 |
| Total Student Housing Occupancy Rate | | | | | 95% | 82% | 84% | 87% | 91% | 95% |

*Clark Hall mainly houses athletes, which are required to reside on campus; **Parrish Hall mainly houses upperclassman, with a GPA of 3.0 or greater; ***Talkington Hall was closed down in 2006.
****Some students were temporarily housed at the Red Lion hotel, until additional housing could be constructed.

As shown in the previous table, total occupancy rate for student housing at LCSC is currently 84%. However, this is projected to increase to 95% by 2010, based on enrollment projections that were predicated on the enrollment history under the current LCSC administration (a common practice used in enrollment forecasting).

Considering the lower market rates, improved contract terms, and increased occupancy projections, a stabilized vacancy rate of 15% is concluded for the subject student-oriented living units. This rate takes into account an increase in vacancy during the summer term.

The subject's retail space currently has an unsigned lease for 7,047 SF. However, the subject owner reported that this lease will not be signed, as the rental rate is considered too low. Of the retail lease comparables surveyed, all were found to be fully occupied. However, due to the limited number of comparables, we have also consulted the *Korpacz Real Estate Investor Survey*, which showed that most institutional investors used a vacancy and credit loss assumption for the "National Strip Shopping Center Market" of between 1% and 10%.[11] Considering the preceding discussion, a stabilized vacancy rate of 5% is concluded for the subject retail space.

This results in a reduction of $89,486 annually, and leads to a total effective gross income estimate of $609,385/yr.

## OPERATING EXPENSES

The operating expenses for the student-oriented living units will be analyzed first, followed by an analysis of the retail space expenses.

Operating expenses for garden apartment complexes typically range from about $2.50/SF to $3.75/SF of leasable area in properties with full amenities, before an allowance for replacement reserves. Rents vary widely from property to property; therefore, analyzing expenses as a percentage of effective gross income does not provide a reliable indication. Reserves for the replacement of short-lived items are rarely allocated and less often funded by apartment owners, but must be considered in an appraisal analysis to reflect the periodic replacement of these items on a stabilized basis.

The only expense information provided for the subject facility was a pro forma, which was displayed near the beginning of the Income Approach. Therefore, we have considered the experience of two comparable apartment properties and the developer's expense pro

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11 PricewaterhouseCoopers, *Korpacz Real Estate Investor Survey,* 3rd Qtr. 2007, p. 45.

forma. After analyzing this data, operating expenses payable by the owner were estimated for a stabilized year by category. This information is summarized on the following pages.

**EXPENSE COMPARABLE SUMMARY**

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Location | Moscow | | | | Pullman | | | | Lewiston - Subject's Exp Pro Forma | | | |
| Year Built | 1992-97 | | | | 1992-95 | | | | 2007/2008 | | | |
| No. Units | 84 | | | | 55 | | | | 32 | | | |
| No. Bdrms | 144 | | | | 143 | | | | 117 | | | |
| SF NRA | 71,520 | | | | 51,046 | | | | 26,805 | | | |
| Avg. SF/Unit | 851 | | | | 928 | | | | 838 | | | |
| Description | Electric FA heat, washer/dryer hook-ups, and open parking. | | | | Electric bb heat, washer/dryer in unit, and open parking (some covered). | | | | Gas forced air heat, common laundry, study room, storage space, and no parking. | | | |
| | $/SF | $/BR | % of EGI | Total | $/SF | $/BR | % of EGI | Total | $/SF | $/BR | % of EGI | Total |
| Income | | | | | | | | | | | | |
| Rental Income | $5.87 | $2,915 | 98.4% | $419,830 | $8.36 | $2,984 | 98.5% | $426,721 | $12.15 | $2,783 | 100.0% | $325,617 |
| Parking Revenue | | | | N/Ap | $0.00 | $0 | 0.0% | $0 | | | | N/Ap |
| Laundry Revenue | $0.10 | $48 | 1.6% | $6,883 | $0.00 | $0 | 0.0% | $0 | $0.00 | $0 | 0.0% | $0 |
| Other Income | $0.00 | $0 | 0.0% | $0 | $0.00 | $0 | 0.0% | $0 | $0.00 | $0 | 0.0% | $0 |
| Misc./Ret. Deposits | $0.00 | $0 | 0.0% | $0 | $0.13 | $46 | 1.5% | $6,600 | $0.00 | $0 | 0.0% | $0 |
| Effective Gross Income | $5.97 | $2,963 | 100.0% | $426,713 | $8.49 | $3,030 | 100.0% | $433,321 | $12.15 | $2,783 | 100.0% | $325,617 |
| Expenses | | | | | | | | | | | | |
| Real Estate Taxes | $0.80 | $398 | 13.4% | $57,315 | $0.75 | $268 | 8.8% | $38,320 | $2.29 | $524 | 18.8% | $61,336 |
| Insurance | $0.19 | $94 | 3.2% | $13,580 | $0.18 | $66 | 2.2% | $9,407 | $0.63 | $145 | 5.2% | $17,020 |
| Energy (Gas & Electricity) | $0.11 | $54 | 1.8% | $7,824 | $0.07 | $26 | 0.9% | $3,781 | $1.03 | $236 | 8.5% | $27,600 |
| Utilities (Water & Sewer) | $0.25 | $126 | 4.2% | $18,078 | $0.30 | $107 | 3.5% | $15,234 | $0.51 | $118 | 4.2% | $13,800 |
| Trash Removal | | | | Included above | $0.24 | $87 | 2.9% | $12,396 | | | | Not Included |
| Maintenance & Repairs | $0.26 | $128 | 4.3% | $18,480 | $0.54 | $192 | 6.3% | $27,446 | $0.05 | $12 | 0.4% | $1,380 |
| Redecorating/Cleaning | | | | Incl. Above | $0.09 | $34 | 1.1% | $4,794 | | | | Not Included |
| Landscaping | $0.02 | $10 | 0.4% | $1,500 | $0.31 | $109 | 3.6% | $15,624 | | | | Not Included |
| Parking Maint. & Snow Removal | | | | Incl. Above | $0.00 | $0 | 0.0% | $0 | | | | Not Included |
| Professional Management | $0.51 | $252 | 8.5% | $36,288 | $0.57 | $203 | 6.7% | $29,075 | | | | Not Included |
| Marketing | $0.00 | $0 | 0.0% | $0 | $0.01 | $3 | 0.1% | $495 | | | | Not Included |
| Office/Administrative | $0.00 | $0 | 0.0% | $0 | $0.00 | $0 | 0.0% | $0 | | | | Not Included |
| Legal/Audit/Professional | $0.00 | $0 | 0.0% | $0 | $0.00 | $0 | 0.0% | $50 | | | | Not Included |
| Miscellaneous | $0.05 | $23 | 0.8% | $3,348 | $0.02 | $5 | 0.2% | $778 | | | | Not Included |
| Total Expenses W/O Reserves | $2.19 | $1,086 | 36.7% | $156,413 | $3.08 | $1,101 | 36.3% | $157,400 | $4.52 | $1,035 | 37.2% | $121,136 |
| Net Operating Income | $3.78 | $1,877 | 63.3% | $270,300 | $5.41 | $1,930 | 63.7% | $275,921 | $7.63 | $1,748 | 62.8% | $204,481 |

Real Estate Taxes - The subject is currently assessed at $4,253,499, which results in a total tax bill of $78,971. However, as the retail tenants will be responsible for their pro rate share of the real estate taxes, their share must be deducted from the total taxes in order to arrive at the subject's student housing share of the taxes. Since the student housing accounts for 74% of the total property, their share of the real estate tax is calculated at $58,439, or $0.11/SF. Based on this information the subject's taxes are applied at a tax amount of $58,400/yr, or $2.18/SF.

Personal Property Taxes – Since the subject's units are furnished, a cost for personal property tax is incurred. The subject's pro forma indicates a personal property tax of $4,500/yr. As such, this amount has been applied to the subject.

Insurance rates vary widely from property to property, depending on quality, amenities, existence of sprinklers, and other market factors. The expense comparables reflect insurance rates ranging from $0.18/SF to $0.19/SF. The developer's pro forma reflects an expense rate of $0.63/SF for this item, which is much higher than the comparables. However, additional insurance coverage, due to the characteristics of the subject's tenants, is likely. Therefore, a rate of $0.63/SF, or $17,020/yr has been projected for the subject.

Energy (Gas & Electricity) - The two expense comparables indicated an expense of $0.07/SF and $0.11/SF for this item. However, these expenses reflect costs incurred for their common area only. The subject provides gas and electricity for the tenants, and therefore a higher rate is anticipated. The subject's pro forma shows a rate of $1.03/SF for this expense. A representative for the owner stated that gas and electricity generally average between $2,000 and $2,200 per month. This equates to a range of $24,000 to $26,400 per year, or $0.90/SF to $0.98/SF. Considering this information, a rate of $1.00/SF is estimated for the subject.

Utilities (Water & Sewer) - The comparables displayed a total expense for these items at $0.25/SF and $0.30/SF. The owner's pro forma reflected a rate of $0.51/SF for this item. Considering the characteristics of the subject and its tenants, a combined rate of $0.50/SF is projected.

Trash Removal - Only one of the comparables reported this expense as a separate line item, which was $0.24/SF. The developer's pro forma did not show a separate line item for this expense. According to Lewis-Clark State College, which currently pays for this expense item, incur a monthly cost of $600 for trash removal. This equates to a rate of $7,200/yr, or $0.27/SF. A rate of $0.27/SF/yr is estimated for the subject.

Maintenance and Repairs can vary widely from year to year. The comparables reported expenses ranging from $0.26/SF to $0.54/SF. The subject's pro forma shows a rate of $0.05/SF. However, this is under the current management contract, in which Lewis-Clark State College pays for routine maintenance. As this analysis will arrive at a value as though this contract were not in place, a rate will need to be estimated for this expense item. The subject has furnished units, and thus a rate at the upper end of the comparables is indicated. Therefore, this expense item is projected at $0.55/SF.

Elevator - None of the comparables were helpful in estimating this expense, as they are not elevatored complexes. A representative for the owner reported they have a maintenance contract for the elevator at a cost of approximately $1,900/yr. Based on this information, a rate of $1,900/yr, or $0.07/SF is applied to the subject.

Redecorating and Cleaning Expenses typically range from a combined total of $0.08/SF to $0.18/SF. Only one of the comparables reported this expense as a separate line item, which was $0.09/SF. Considering the tenant makeup, a rate of $0.15/SF is estimated for the subject.

Landscaping and Grounds Expenses can vary according to the size and extent of on-site landscaping. Among the comparables, these combined charges ranged from $0.02/SF to $0.31/SF. The developer's pro forma did not show a separate line item for this expense. Considering the subject's small site size and very minimal landscaping needs, $0.05/SF is concluded for the subject.

Professional Management Expenses typically range from 5.0% to 12.0% of effective gross income, depending on the number of units, the income level generated by the complex, and the difficulty of management. Larger, easily managed properties are obtaining management fees of 4.0% to 5.0% for professional management only. The expense comparables indicated rates ranging from 4.0% to 6.7% of EGI, while a survey from the Urban Land Institute on multifamily housing indicates a rate of 5.0% for elevatored apartment complexes in the Northwest. Given the size of the subject and the characteristics of the potential tenants, a professional management expense of 6.0% of Effective Gross Income is applied to the subject.

**Marketing Expenses** vary widely with occupancy levels and overall market conditions. Only one of the comparables reported this expense as a separate line item, which was $0.01/SF. The pool of potential tenants for the subject is limited, due to the specific tenant base that it accommodates. Considering the subject's location, its special purpose design for student housing and the involvement of LCSC, a minimal rate of $0.02/SF is applied to the subject.

**Office and Administrative Expenses** can vary widely, depending on what items are included in this category. None of the comparables reported an expense for this item. The owner's expense pro forma did not show a separate line item for this expense. Given the characteristics of the subject, a minimal charge of $0.05/SF annually is estimated the subject.

**Legal, Audit, and Professional Service Expenses** can also vary widely, and are often sporadic. Legal fees tend to be higher during times of high vacancy and the resulting credit loss. Assuming careful screening and operation of the subject, a charge of $0.05/SF is applied to the subject.

**Telephone/Internet Expenses** – As these expense items are included in the student leases, it is necessary to account for their costs. The owner's pro forma indicates a charge of $10,580/yr, or $0.39/SF for this item. As such, this expense is projected at $10,580/yr.

**Miscellaneous Expenses** often vary, depending on what items are included in this category. Other complexes typically indicate a range of $0.03/SF to $0.08/SF, though property managers are inconsistent in what charges are recorded under this "catch all" category. A rate of $0.03/SF is applied to the subject.

**Reserves** are not often allocated by apartment owners, but must be included to reflect an annualized estimate of the ongoing cost for the replacement of short-lived items. In this analysis, we have estimated the current replacement cost and life of the short-lived components listed below. Because the sinking fund factor is calculated at an estimated "real" rate of return (taking inflation into account), it is not necessary to trend this cost upward. The following grid summarizes the reserves that are projected for the subject facility.

**REPLACEMENT RESERVE SEGREGATION**
*Clearwater Hall*

| Short-Lived Item | Life (Years) | Units | | Rate | Total Cost | SFF @ Real Rate of 2% | Annual Reserve | $/SF |
|---|---|---|---|---|---|---|---|---|
| **Bedrooms** | | | | | | | | |
| Loftable Bed | 7 | 117 | BRs @ | $ 124 | $ 14,508 | 0.1345120 | $ 1,951 | $ 0.07 |
| Mattress | 7 | 117 | BRs @ | $ 83 | $ 9,711 | 0.1345120 | $ 1,306 | $ 0.05 |
| Armoire | 7 | 117 | BRs @ | $ 403 | $ 47,151 | 0.1345120 | $ 6,342 | $ 0.24 |
| Desk | 7 | 117 | BRs @ | $ 243 | $ 28,431 | 0.1345120 | $ 3,824 | $ 0.14 |
| Chiar | 7 | 117 | BRs @ | $ 64 | $ 7,488 | 0.1345120 | $ 1,007 | $ 0.04 |
| **Units** | | | | | | | | |
| Refrigerators | 15 | 32 | Units @ | $ 300 | $ 9,600 | 0.0578255 | $ 555 | $ 0.02 |
| Sofa | 7 | 32 | Units @ | $ 1,131 | $ 36,192 | 0.1345120 | $ 4,868 | $ 0.18 |
| Coffee Table | 7 | 32 | Units @ | $ 157 | $ 5,024 | 0.1345120 | $ 676 | $ 0.03 |
| Dining Table | 7 | 32 | Units @ | $ 224 | $ 7,168 | 0.1345120 | $ 964 | $ 0.04 |
| Dining Chairs | 7 | 117 | Units @ | $ 24 | $ 2,808 | 0.1345120 | $ 378 | $ 0.01 |
| **Lobby Areas** | | | | | | | | |
| Sofa | 7 | 2 | Units @ | $ 1,131 | $ 2,262 | 0.1345120 | $ 304 | $ 0.01 |
| Sette | 7 | 1 | Units @ | $ 888 | $ 888 | 0.1345120 | $ 119 | $ 0.00 |
| Chair | 7 | 6 | Units @ | $ 612 | $ 3,672 | 0.1345120 | $ 494 | $ 0.02 |
| Coffee Table | 7 | 2 | Units @ | $ 157 | $ 314 | 0.1345120 | $ 42 | $ 0.00 |
| End Table | 7 | 2 | Units @ | $ 122 | $ 244 | 0.1345120 | $ 33 | $ 0.00 |
| Carrel | 7 | 5 | Units @ | $ 358 | $ 1,790 | 0.1345120 | $ 241 | $ 0.01 |
| Chair (for carrel) | 7 | 5 | Units @ | $ 24 | $ 120 | 0.1345120 | $ 16 | $ 0.00 |
| **Facilty** | | | | | | | | |
| Roof Cover | 20 | 13,578 | SF @ | $ 1.20 | $ 16,294 | 0.0411567 | $ 671 | $ 0.03 |
| Floor Cover | 10 | 35,657 | SF @ | $ 1.50 | $ 53,486 | 0.0913265 | $ 4,885 | $ 0.18 |
| Totals | | | | | $ 247,150 | | $ 28,678 | $ 1.07 |

Adding the reserves estimate summarized above, the subject's expenses for the student-oriented living units total $220,426, or $8.22/SF. This rate is higher than the typical apartment complex operating expenses. However, given that the subject rents will include all utilities, and that the subject will furnish the bedrooms, units, and lobby areas, this rate is appropriate. This leads to a net operating income estimate of $243,187/yr for the subject's living units. The next step is to analyze the subject's retail space expenses.

The subject's retail space will be leased on a triple-net expense basis, meaning that tenants are responsible for the payment of all operating expenses either directly, or in the form of a reimbursement to the owners. Despite this expense situation, most investors will still anticipate some costs associated with ownership/asset management, and the likelihood of some capital improvement costs, particularly upon turnover ore renewal.

Asset Management Fee: This is a "catch all" category that accounts for those items that cannot realistically be charged back to the tenants as a reimbursement. It includes most in-house costs associated with the operation of the project. According to the Korpacz Real Estate Investor Survey, most investors include an asset management fee ranging from 2.5% to 5.0% for shopping centers as an "above the line" charge.[12] This expense is estimated at 3% of EGI, or $4,373.

Replacement Reserves: This category is used to account for the replacement of short-lived items and capital improvements for which tenants are not likely to be charged. This can include structural damage, roof replacement, HVAC repairs/replacement, etc. The Korpacz survey referenced above also shows that investors will typically apply a deduction for replacement reserves ranging from $0.10/SF to $0.30/SF. Considering the condition of the subject, a rate of $0.15/SF is applied. This equates to $1,918/yr.

This leads to a net operating income estimate of $139,481/yr for the subject's retail space.

## DIRECT CAPITALIZATION RATE

The subject's capitalization rate for its student-oriented living units will be analyzed first, followed by an analysis of the subject's retail space capitalization rate.

The best source for deriving direct capitalization rates is typically by comparison to market sales, with consideration given to such factors as tenant quality, date of transaction, quality, and location. Overall rates can be extracted from the five apartment sales used in the Sales Comparison Approach. As shown on the following chart, the overall rates reflect a range from 7.12% to 8.43%, with an average of 7.76%.

OVERALL RATE SUMMARY - COMPARABLE SALES

*Clearwater Hall*

| No. | Property | Yr Built | Units | Sale Date | Analysis Price | Overall Rate |
|---|---|---|---|---|---|---|
| 1 | Conrad Smith Apts | 1992 | 36 | Aug-06 | $1,770,382 | 7.12% |
| 2 | Levick Apartments | 1992 | 24 | Aug-06 | $1,057,241 | 7.90% |
| 3 | Taylor Apaprtments | 1997/1998 | 21 | Aug-06 | $1,893,796 | 8.43% |
| 4 | Russet Square Apts | 1978 | 40 | Mar-06 | $1,603,979 | 7.75% |
| 5 | Clarke Terrace | 1990/1992 | 60 | Mar-05 | $4,067,135 | 7.62% |

The comparables reflect a fairly narrow range of rates, from 7.12% to 8.43%, with an average of 7.76%. However, it should be noted that due to the subject's student-oriented

12 PricewaterhouseCoopers, *Korpacz Real Estate Investor Survey,* 1st Qtr. 2007, p. 5.

design, that it may be attractive to a more limited pool of investors. According to the *Korpacz Real Estate Investor Survey*, the "National Apartment Market" experienced an average overall rate of 5.76%, with a range of 3.50% to 8.00%, for the third quarter of 2007.[13] This was a reduction from the previous quarter and a year ago, which were 6.28% and 7.01%, respectively. Overall rates in Lewiston generally tend to lie above the rates indicated for larger metropolitan markets, which constitute the bulk of the survey.

Given the preceding information and the subject's newer construction, investment size, amenity level, and design, a rate of 7.75% is concluded for the subject's living units.

The overall rates for the subject's retail space can be extracted from four of the five retail sales used in the Sales Comparison Approach. As shown on the following chart, the overall rates reflect a range from 6.71% to 7.82%, with an average of 7.31%.

| OVERALL RATE SUMMARY - COMPARABLE SALES *Clearwater Hall* | | | | | | |
|---|---|---|---|---|---|---|
| No. | Property | Yr Built | SF | Sale Date | Analysis Price | Overall Rate |
| 1 | University Pointe | 2003 | 25,000 | May-06 | $3,835,304 | 6.71% |
| 2 | Stadium Way Retail | Rem-04 | 20,000 | Sep-04 | $3,835,304 | 7.69% |
| 3 | 21st Street Retail Center | 2004 | 9,750 | Jul-04 | $1,910,000 | 7.82% |
| 4 | Thain Retail Center | 2005 | 13,178 | Listing | $2,787,678 | 7.00% |

Sale 4 (7.00%) is located in Lewiston and is the most similar to the subject in terms of age and investment size. However, this is a listing, and therefore is considered slightly low for the subject. Sale 1 (6.71%) is the most recent sale among the comparables, and is located on the fringe of the U of I campus in Moscow. This is an indicator of the lower range that the subject could be expected to achieve. Sale 3 (7.82%) is located in Lewiston, but is somewhat dated, and thus doesn't reflect the general downward trend in capitalization rates over the past few years. As a result, a lower rate would be expected for the subject.

According to the *Korpacz Real Estate Investor Survey*, the "National Strip Shopping Center Market" experienced an average overall rate of 7.20%, with a range of 5.70% to 9.00%, for the fourth quarter of 2007.[14] As previously mentioned, overall rates in Lewiston generally tend to lie above the rates indicated for larger metropolitan markets, which constitute the bulk of the survey.

Given the preceding information and the subject's newer construction and investment size, a rate of 7.25% is concluded for the subject's retail space.

## INCOME APPROACH CONCLUSION

Applying the concluded overall rate of 7.75% for the subject's living units to its corresponding projected net operating income of $243,187/yr, results in an indicated value of $3,137,897. Additionally, applying the concluded overall rate of 7.25% for the subject's retail space to its corresponding projected net operating income of $139,481/yr, leads to an indicated value of $1,923,876. These values combine for a total indicated hypothetical stabilized value via the Income Approach of **$5,060,000** (rd). This analysis is summarized on the following page.

13 PricewaterhouseCoopers, *Korpacz Real Estate Investor Survey*, 3rd Qtr. 2007, p. 34.
14 PricewaterhouseCoopers, *Korpacz Real Estate Investor Survey*, 3rd Qtr. 2007, p. 12.

**INCOME APPROACH SUMMARY**
**Clearwater Hall**
**Dec-07**

Rental Income

Living Units

| No. | Type (BR/BA) | Bdrms | Rent/BR/Mo | Subt/Rent/Mo | Annual |
|---|---|---|---|---|---|
| 3 | 1/1 | 3 | $375 | $ 1,125 | $ 13,500 |
| 1 | 2/1 | 2 | $375 | $ 750 | $ 9,000 |
| 4 | 3/1 | 12 | $375 | $ 4,500 | $ 54,000 |
| 19 | 4/1 | 76 | $375 | $ 28,500 | $ 342,000 |
| 1 | 4/2 | 4 | $375 | $ 1,500 | $ 18,000 |
| 4 | 5/2 | 20 | $375 | $ 7,500 | $ 90,000 |
| 32 | | 117 | | $43,875 | |

Retail Space

| SF GLA | Rent/SF/Yr | Annual |
|---|---|---|
| 12,787 | $12.00 | $ 153,444 |

| | Living Units | Retail Space | TOTAL Annual |
|---|---|---|---|
| Potential Rental Income | $ 526,500 | $ 153,444 | $ 679,944 |
| Miscellaneous Income | | | |
| Laundry Income: | $ 3,132 | | |
| Misc./Ret. Deposits: 3.0% of Rental Revenue | $ 15,795 | | |
| Potential Gross Income | $ 545,427 | $ 153,444 | $ 698,871 |
| Less Vacancy & Credit Loss @ | 15.0% $ (81,814) | 5.0% $ (7,672) | $ (89,486) |
| Effective Gross Income | $ 463,613 | $ 145,772 | $ 609,385 |

| Less Expenses | $/SF | $/BR | % of EGI | Total |
|---|---|---|---|---|
| Real Estate Taxes | $ 2.18 | $ 499 | 12.6% | $ 58,400 |
| Personal Property Taxes | $ 0.17 | $ 38 | 1.0% | $ 4,500 |
| Insurance | $ 0.63 | $ 145 | 3.7% | $ 17,020 |
| Energy (Gas & Elec) | $ 1.00 | $ 229 | 5.8% | $ 26,805 |
| Utilities (Water/Sewer) | $ 0.50 | $ 115 | 2.9% | $ 13,403 |
| Trash Removal | $ 0.27 | $ 62 | 1.6% | $ 7,200 |
| Maintenance & Repairs | $ 0.55 | $ 126 | 3.2% | $ 14,743 |
| Elevator | $ 0.07 | $ 16 | 0.4% | $ 1,900 |
| Redecorating/Cleaning | $ 0.15 | $ 34 | 0.9% | $ 4,021 |
| Landscaping/Grounds | $ 0.05 | $ 11 | 0.3% | $ 1,340 |
| Professional Management | $ 1.04 | $ 238 | 6.0% | $ 27,817 |
| Marketing | $ 0.02 | $ 5 | 0.1% | $ 536 |
| Office/Administrative | $ 0.05 | $ 11 | 0.3% | $ 1,340 |
| Legal/Audit/Professional | $ 0.05 | $ 11 | 0.3% | $ 1,340 |
| Telephone/Internet | $ 0.39 | $ 90 | 2.3% | $ 10,580 |
| Miscellaneous | $ 0.03 | $ 7 | 0.2% | $ 804 |
| Replacement Reserves | $ 1.07 | $ 245 | 6.2% | $ 28,678 |
| | $ 8.22 | $ 1,884 | 47.5% | $ 220,426 |

| Less Expenses | $/SF | % of EGI | Total |
|---|---|---|---|
| Asset Mgmt Fee | $0.34 | 3.0% | $4,373 |
| Structural/Reserves | $0.15 | 1.3% | $1,918 |
| | $0.49 | 4.3% | $6,291 |

| | Living Units | Retail Space | TOTAL Annual |
|---|---|---|---|
| Total Operating Expenses | $ (220,426) | $ (6,291) | $ (226,717) |
| Net Operating Income | $ 243,187 | $ 139,481 | $ 382,668 |
| Capitalized @ | 7.75% | 7.25% | 7.56% |
| Indicated Stabilized Value | $ 3,137,897 | $ 1,923,876 | $ 5,061,773 |
| **Total Value Via The Income Approach (Rd)** | | | $ 5,060,000 |

# RECONCILIATION

## HYPOTHETICAL LEASED FEE INTEREST WITHOUT MANAGEMENT AGREEMENT

Reconciliation involves analyzing the various methods of estimating value and arriving at a final conclusion of market value. Factors considered in the analysis include the type of property being appraised, the appropriateness and reliability of each approach, and the quality, quantity and appropriateness of the available data. The results of the three approaches are as follows:

| | |
|---|---|
| Cost Approach | $5,250,000 |
| Sales Comparison Approach | $5,480,000 |
| Income Approach | $5,060,000 |

The Cost Approach is most often used to test the feasibility of a proposed project, rather than to estimate market value. It is also less useful for evaluating leased fee, versus fee simple, interest in a property. The reliability of this approach is also largely dependent upon the ability to accurately estimate depreciation. For new or proposed properties with no depreciation, this is not a problem. For older properties, however, depreciation can be a major percentage of value and is difficult to estimate reliably.

In the subject's case, it represents newer construction, and costs were consistent among the cost comparables. However, as previously stated, the Cost Approach is more useful as a check on the feasibility of a project, as opposed to an estimate of market value. Therefore, the Cost Approach is given little weight in this final analysis.

The Sales Comparison Approach is most valuable for homogeneous properties that sell frequently. Although the market for retail and apartment facilities is fairly active, and a number of sales were analyzed, there is very little homogeneity with respect to investment size, quality, tenant profile, or location among the sales. As a result, it was necessary to apply substantial subjective adjustments to account for these differences, which led to a fairly broad range of value/SF indications. Given the quality and quantity of the data available for analysis, in addition to the substantial adjustments, this approach is given only secondary emphasis in the final analysis.

The Income Approach is given significant consideration in the final value conclusion. Typical buyers of commercial real estate are primarily concerned with the income-generating potential of a property, and thus make purchase decisions based largely on the income a property is currently or will possibly produce. In this case, although minimal operating history was available for the subject, rents and expenses were generally well supported by other properties in the market area. Based on the good quality and quantity of the data, and the importance placed on this approach by investors, this approach is considered the most reliable, and is given primary emphasis.

Overall, most reliance has been placed on the results of the Income Approach, with secondary consideration to the Sales Comparison Approach.

Based on the preceding analysis and subject to the assumptions and limiting conditions contained within this report, we are of the opinion that the hypothetical stabilized market value of the leased fee interest in the subject property without the management agreement in effect, as of October 6, 2009, the date of stabilization, will be:

FIVE MILLION TWO HUNDRED THOUSAND DOLLARS
($5,200,000)

# VALUE AS IS

Two discounts are necessary to arrive at a value upon completion but prior to stabilization: 1) Vanilla shell discount for retail space and 2) absorption discount for retail space.

## BASE SHELL DISCOUNT

The preceding analysis led to a hypothetical valuation of the subject upon stabilization, as though the retail space were finished with a "Vanilla Shell" (finished walls, ceilings, and bathrooms). The subject's retail space is currently finished to a "Base Shell" state with bare studs, open ceiling, concrete/dirt floors, and no plumbing. Therefore, a discount is required in order to account for the difference in value between the "Base Shell" and the "Vanilla Shell." This is accomplished by applying a build-out cost to the retail portion of the subject.

The Marshall Valuation Service (MVS) indicates a cost of $35.05/SF to build-out shopping center interior retail space with drywall, tile ceilings, vinyl composition/carpet floor cover, adequate lighting and outlets, small restrooms, and package A/C. Whereas another source suggests a cost of $10/SF for walls ready to be painted, a concrete floor, a drop ceiling with lights, electrical outlets, HVAC, and restrooms. In addition, the subject owner suggested a cost of $15/SF. Considering the amount of build-out needed for the subject, a rate of $15/SF is applied to the retail space. This equates to a rounded discount of $190,000 ($10/SF X 12,787 SF = $191,805).

## ABSORPTION DISCOUNT

The subject's retail space has been vacant since it was completed in August 2006. The owner sites two reasons for this lack of leasing activity. 1) The leasing agents that are currently marketing the subject property's retail space are based in Spokane, Washington, and therefore are not local. After discussions with other business owners in the immediate vicinity of the subject, the owner reported that local representation is important. 2) The owner also reported that representatives from Lewis-Clark State College had unknowingly misstated the lease rate when queried by purportedly potential tenants. The college had apparently indicated that the asking rate for the retail space was $12/SF/Mo, rather than $12/SF/Yr.

To measure the difference between the values "upon stabilization" and "as is," the rent loss and additional expenses can be estimated and discounted into a present value. This discount is then subtracted from the stabilized value to arrive at the as is value.

The first step in this analysis is to estimate the projected time it will take to bring the property to stabilization. The best measure of absorption is by a comparison to the absorption periods of other, similar projects in the market area. We are only aware of two recently developed retail projects in the Lewiston area that are similar in size to the subject.

1) A 13,178 SF strip retail center was completed in July 2005 at a major signalized intersection across the street from a Wal-Mart store in southeast Lewiston. This retail center was only recently fully absorbed in November 2007. Thus the strip center took approximately 28 months to absorb, which equates to an absorption rate of approximately 470 SF/Mo. The developer of this project, Marshall Clark stated that retail takes longer to absorb in Lewiston, compared to other market areas, and suggested that other developments in Lewiston have also taken longer than normal to absorb.

2) The 21st Street Retail Center, a 9,750 SF strip retail facility located along 21st Street in southeast Lewiston was completed in 2004. This retail center reportedly took two years to absorb, which equates to an absorption rate of 406 SF/Mo.

Assuming a 95% stabilized occupancy, there will be approximately 12,148 SF of retail space that will need to be occupied before stabilization is reached. It is estimated that the subject will lease space at approximately 400 SF/Mo. Using this absorption rate, it will take approximately thirty-one months to absorb the subject's retail space. Given that the subject was completed in August 2006, theoretically, about fifteen months has already been accrued. However, due to the reportedly poor marketing of the facility, only nine months is considered to have accrued to the subject's absorption period. Therefore, it will take an additional twenty-two months to lease the subject's retail space. Additionally, some marketing and leasing commissions will be incurred prior to reaching stabilization.

**ABSORPTION DISCOUNT (TO VALUE UPON COMPLETION)**
*Clearwater Hall*

| | | | |
|---|---|---|---|
| Retail Space to Lease to 95% Stabilized Occupancy: | 12,148 SF | Discount Rate (Safe Rate) | 3.0% /Yr |
| Absorption Rate: | 400 /Mo | Commissions | 6% x 3 yr lease term |
| Average Rent/SF/Mo: | $12.00 | | |

| End of Year: | 0 | 1 | 2 | 3 |
|---|---|---|---|---|
| SF to Lease to Stabilization: | 12,148 | 12,148 | 7,348 | 2,548 |
| Less SF Leased During Period: | 0 | 4,800 | 4,800 | 2,548 |
| Ending SF to Lease to Stabilization: | 12,148 | 7,348 | 2,548 | (0) |
| | | | | |
| Total SF Vacant | 12,148 | 7,348 | 2,548 | 0 |
| Times Avg. Income/SF/Yr | | $12.00 | $ 12.00 | $ 12.00 |
| Total Rental Income Unearned/Yr | | ($88,172) | ($30,572) | $0 |
| Commissions on Leased Space @ 6% | | ($10,368) | ($10,368) | ($5,504) |
| Total Absorption Costs | | ($98,540) | ($40,940) | ($5,504) |
| Present Value of Absorption Costs & Rent Loss, Discounted @ | 0.25% /mo | = | ($100,000)* | |

*Calculation excludes discounted value for the first nine months of absorption costs.

As shown in the table above, after deducting leasing commissions (6% x lease rate x 3 years), and rent loss, the indicated absorption cost is $100,000 (Rd). Deducting the base shell discount of $190,000 and the absorption discount of $100,000 from the stabilized value conclusion of $5,200,000, the hypothetical "as is" market value of the leased fee interest in the subject property, as of December 6, 2007, is:

FOUR MILLION NINE HUNDRED TEN THOUSAND DOLLARS
($4,910,000)

# ANALYSIS WITH MANAGEMENT AGREEMENT

The previous analysis led to a hypothetical market value of the leased fee interest in the subject as though the current management contract with Lewis-Clark State College (LCSC) were not in effect. Key excerpts of this management contract are included in the addenda of this report.

As the subject is a student-oriented housing facility, it would still rely on student demand from LCSC even if the management agreement were not in place. However, the management agreement does defray some of the operating expenses incurred by the subject. Therefore, the Income Approach will be readdressed to make the appropriate adjustments to the expenses that are affected by the management agreement. Since the Cost and Sales Comparison Approaches are not affected by the management agreement, these approaches have not been revisited.

## INCOME APPROACH

Under the management agreement, the management is responsible for janitorial, trash removal, maintenance of landscaping. Therefore, the following expense items that were included in the previous analysis, will be excluded:

1) Trash Removal,
2) Redecorating/Cleaning, and
3) Landscaping/Grounds.

Additionally, under the management agreement, the owner is responsible for all structural and mechanical elements of the facility. Therefore, general maintenance costs will be absorbed by the management. In the prior analysis, this expense item was estimated at \$0.55/SF. Since structural and mechanical costs are not separately broken out in the Urban Land Institute's survey of multifamily housing (a national survey commonly referenced as source material for operating costs of apartments), we have relied on BOMA International's Experience Exchange Report for income and expense data, a nationally recognized income and expense data source for commercial real estate. According to the BOMA report, HVAC, electrical, structural, plumbing, and general exterior maintenance are estimated at \$0.23/SF. Therefore, the subject's maintenance and repairs is estimated at \$0.23/SF.

Additionally, taking into account the subject's average occupancy rate near 60% (inclusive of the summer occupancy rate), while considering the increasing student housing occupancy rates projected in the Income Approach section of this report, a vacancy rate of 25% is used in this analysis. Since the management agreement doesn't allow for a management fee, unless occupancy rates equal or exceed 85%, it is unlikely that a management fee will be charged. As a result, an expense for management is excluded in this analysis.

After the preceding changes have been applied to the subject's expenses, the resulting net operating income (NOI) is \$226,753/yr. Applying the previously concluded overall rate of 7.75% for the subject's living units to the net operating income of \$226,753/yr, an indicated value of \$2,925,845 results. When this value is added to the previously concluded value of \$1,923,876 for the subject's retail space, as concluded in the prior

Income Approach, this leads to an indicated value of **$4,850,000** (rd). This analysis is summarized on the following table.

**INCOME APPROACH SUMMARY - *WITH MANAGEMENT AGREEMENT***
**Clearwater Hall**
**Dec-07**

| Rental Income | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Living Units | | | | | | Retail Space | | | TOTAL |
| No. | Type (BR/BA) | Bdrms | Rent/BR/Mo | Subt/Rent/Mo | Annual | SF GLA | Rent/SF/Yr | Annual | Annual |
| 3 | 1/1 | 3 | $365 | $ 1,095 | $ 13,140 | 12,787 | $12.00 | $ 153,444 | |
| 1 | 2/1 | 2 | $365 | $ 730 | $ 8,760 | | | | |
| 4 | 3/1 | 12 | $365 | $ 4,380 | $ 52,560 | | | | |
| 19 | 4/1 | 76 | $365 | $ 27,740 | $ 332,880 | | | | |
| 1 | 4/2 | 4 | $365 | $ 1,460 | $ 17,520 | | | | |
| 4 | 5/2 | 20 | $365 | $ 7,300 | $ 87,600 | | | | |
| 32 | | 117 | | $42,705 | | | | | |
| Potential Rental Income | | | | | $ 512,460 | | | $ 153,444 | $ 665,904 |
| Miscellaneous Income | | | | | | | | | |
| Laundry Income: | | | | | $ 3,132 | | | | |
| Misc./Ret. Deposits: | | 3.0% | of Rental Revenue | | $ 15,374 | | | | |
| Potential Gross Income | | | | | $ 530,966 | | | $ 153,444 | $ 684,410 |
| Less Vacancy & Credit Loss @ | | | | 25.0% | $ (132,742) | | 5.0% | $ (7,672) | $ (140,414) |
| Effective Gross Income | | | | | $ 398,224 | | | $ 145,772 | $ 543,996 |

| Less Expenses | $/SF | $/BR | % of EGI | Total |
|---|---|---|---|---|
| Real Estate Taxes | $ 2.18 | $ 499 | 14.7% | $ 58,400 |
| Personal Property Taxes | $ 0.17 | $ 38 | 1.1% | $ 4,500 |
| Insurance | $ 0.63 | $ 145 | 4.3% | $ 17,020 |
| Energy (Gas & Elec) | $ 1.00 | $ 229 | 6.7% | $ 26,805 |
| Utilities (Water/Sewer) | $ 0.50 | $ 115 | 3.4% | $ 13,403 |
| Trash Removal | $ - | $ - | 0.0% | $ - |
| Maintenance & Repairs | $ 0.23 | $ 53 | 1.5% | $ 6,165 |
| Elevator | $ 0.07 | $ 16 | 0.5% | $ 1,900 |
| Redecorating/Cleaning | $ 0.15 | $ - | 0.0% | $ - |
| Landscaping/Grounds | $ 0.05 | $ - | 0.0% | $ - |
| Professional Management | $ - | $ - | 6.0% | $ - |
| Marketing | $ 0.02 | $ 5 | 0.1% | $ 536 |
| Office/Administrative | $ 0.05 | $ 11 | 0.3% | $ 1,340 |
| Legal/Audit/Professional | $ 0.05 | $ 11 | 0.3% | $ 1,340 |
| Telephone/Internet | $ 0.39 | $ 90 | 2.7% | $ 10,580 |
| Miscellaneous | $ 0.03 | $ 7 | 0.2% | $ 804 |
| Replacement Reserves | $ 1.07 | $ 245 | 7.2% | $ 28,678 |
| | $ 6.60 | $ 1,466 | 49.1% | $ 171,471 |

| Less Expenses | $/SF | % of EGI | Total |
|---|---|---|---|
| Asset Mgmt Fee | $0.34 | 3.0% | $4,373 |
| Structural/Reserves | $0.15 | 1.3% | $1,918 |
| | $0.49 | 4.3% | $6,291 |

| | Living Units | Retail Space | TOTAL Annual |
|---|---|---|---|
| Total Operating Expenses | $ (171,471) | $ (6,291) | $ (177,762) |
| Net Operating Income | $ 226,753 | $ 139,481 | $ 366,234 |
| Capitalized @ | 7.75% | 7.25% | 7.55% |
| Indicated Stabilized Value | $ 2,925,845 | $ 1,923,876 | $ 4,849,721 |
| **Total Value Via The Income Approach (Rd)** | | | **$ 4,850,000** |

Overall, most reliance has been placed on the results of the Income Approach, with secondary consideration to the Sales Comparison Approach.

Based on the preceding analysis and subject to the assumptions and limiting conditions contained within this report, we are of the opinion that the stabilized market value of the leased fee interest in the subject property with the management agreement in effect, as of October 6, 2009, the date of stabilization, will be:

FOUR MILLION EIGHT HUNDRED THOUSAND DOLLARS
($4,800,000)

# VALUE AS IS – WITH MANAGEMENT AGREEMENT

As with the prior analysis that valued the subject without the management agreement, to arrive at an "as is" value, the vanilla shell and absorption discounts must be deducted from the stabilized value. This is applied as follows:

| | | |
|---|---|---|
| Leased Fee Value W/Management Agreement | | $4,800,000 |
| Less Vanilla Shell Discount | | $190,000 |
| Less Absorption Discount | - | $100,000 |
| Indicated Value | | $4,510,000 |

YEAR 2007

| | | SF | Rent Per Bed | Annual Rent Per SF | Annual | Monthly | September-07 | October-07 | November-07 | December-07 | January-08 | February-08 | March-08 | April-08 | May-08 | June-08 | July-08 | August-08 | Total '07-'08 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenues: | | | | | | | | | | | | | | | | | | | |
| INCOME | | | escalator | 0% | | | | | | | | | | | | | | | |
| Retail Level | | 13,336 | | | $ 66,680.00 | $ 5,556.67 | $ - | $ - | $ - | $ - | $ - | $ 5,000.00 | $ 5,000.00 | $ 11,336.00 | $ 11,336.00 | $ 11,336.00 | $ 11,336.00 | $ 11,336.00 | $ 66,680.00 |
| Student Housing | 91 | 32,664 | 365 | $ 12.20 | $ 398,580.00 | $ 33,215.00 | 32,425.00 | 33,149.00 | 33,149.00 | 33,149.00 | 33,149.00 | 33,149.00 | 33,149.00 | 33,149.00 | 33,149.00 | 8,000.00 | 8,000.00 | 12,000.00 | $ 325,617.00 |
| Total SF | | 46,000 | | | | | | | | | | | | | | | | | |
| | Gross Income | | | | $ 465,260.00 | $ 38,771.67 | 32,425.00 | 33,149.00 | 33,149.00 | 33,149.00 | 33,149.00 | 38,149.00 | 38,149.00 | 44,485.00 | 44,485.00 | 19,336.00 | 19,336.00 | 23,336.00 | 392,297.00 |
| | Vacancy | 0.0% | | | | | - | - | - | - | - | - | - | - | - | - | - | - | $ - |
| GROSS INCOME | | | | | | | $ 32,425.00 | $ 33,149.00 | $ 33,149.00 | $ 33,149.00 | $ 33,149.00 | $ 38,149.00 | $ 38,149.00 | $ 44,485.00 | $ 44,485.00 | $ 19,336.00 | $ 19,336.00 | $ 23,336.00 | $ 392,297.00 |
| EXPENSE | | | escalator | 0% | | | | | | | | | | | | | | | |
| | Real Estate Taxes | | | $ 0.0133 | $ 61,336.00 | $ 5,111.33 | $ 2,000.00 | $ 2,000.00 | $ 2,000.00 | $ 2,000.00 | $ 6,667.00 | $ 6,667.00 | $ 6,667.00 | $ 6,667.00 | $ 6,667.00 | $ 6,667.00 | $ 6,667.00 | $ 6,667.00 | $ 61,336.00 |
| | Personal Property Taxes | | | $ 0.0010 | $ 4,500.00 | $ 375.00 | $ 375.00 | $ 375.00 | $ 375.00 | $ 375.00 | $ 375.00 | $ 375.00 | $ 375.00 | $ 375.00 | $ 375.00 | $ 375.00 | $ 375.00 | $ 375.00 | $ 4,500.00 |
| | Insurance | | | $ 0.3700 | 17,020.00 | 1,418.33 | $ 1,418.33 | $ 1,418.33 | $ 1,418.33 | $ 1,418.33 | $ 1,418.33 | $ 1,418.33 | $ 1,418.33 | $ 1,418.33 | $ 1,418.33 | $ 1,418.33 | $ 1,418.33 | $ 1,418.33 | $ 17,020.00 |
| | Repairs and Maintenance | | | $ 0.0300 | 1,380.00 | 115.00 | $ 115.00 | $ 115.00 | $ 115.00 | $ 115.00 | $ 115.00 | $ 115.00 | $ 115.00 | $ 115.00 | $ 115.00 | $ 115.00 | $ 115.00 | $ 115.00 | $ 1,380.00 |
| | Elevator (1) | | | $ 0.0750 | 3,450.00 | 287.50 | $ 287.50 | $ 287.50 | $ 287.50 | $ 287.50 | $ 287.50 | $ 287.50 | $ 287.50 | $ 287.50 | $ 287.50 | $ 287.50 | $ 287.50 | $ 287.50 | $ 3,450.00 |
| | Janitorial (Reimbursed by LCSC) | | | $ 1.0000 | - | - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | Marketing | | | $ 0.0250 | 1,150.00 | 95.83 | $ 95.83 | $ 95.83 | $ 95.83 | $ 95.83 | $ 95.83 | $ 95.83 | $ 95.83 | $ 95.83 | $ 95.83 | $ 95.83 | $ 95.83 | $ 95.83 | $ 1,150.00 |
| | Energy | | | $ 0.6000 | 27,600.00 | 2,300.00 | $ 2,300.00 | $ 2,300.00 | $ 2,300.00 | $ 2,300.00 | $ 2,300.00 | $ 2,300.00 | $ 2,300.00 | $ 2,300.00 | $ 2,300.00 | $ 2,300.00 | $ 2,300.00 | $ 2,300.00 | $ 27,600.00 |
| | Water, Sewer, Garbage | | | $ 0.3000 | 13,800.00 | 1,150.00 | $ 1,150.00 | $ 1,150.00 | $ 1,150.00 | $ 1,150.00 | $ 1,150.00 | $ 1,150.00 | $ 1,150.00 | $ 1,150.00 | $ 1,150.00 | $ 1,150.00 | $ 1,150.00 | $ 1,150.00 | $ 13,800.00 |
| | Cable TV (Reimbursed by LCSC) | | | $ 0.0600 | - | - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | Telephone/Internet | | | $ 0.2300 | 10,580.00 | 881.67 | $ 881.67 | $ 881.67 | $ 881.67 | $ 881.67 | $ 881.67 | $ 881.67 | $ 881.67 | $ 881.67 | $ 881.67 | $ 881.67 | $ 881.67 | $ 881.67 | $ 10,580.00 |
| Total Expenses | | | | $ 3.06 | $ 140,816.00 | 11,734.67 | $ 8,623 | $ 8,623 | $ 8,623 | $ 8,623 | $ 13,290 | $ 13,290 | $ 13,290 | $ 13,290 | $ 13,290 | $ 13,290 | $ 13,290 | $ 13,290 | $ 140,816 |
| Reimbursible Expenses | | | | $ - | - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

## Clearwater Hall Suites
## Nov-07

**88 Rooms Occupied**

| Suite# | B | C | D | E | F |
|---|---|---|---|---|---|
| 204-4 | $365 | $335 | $365 | $365 | N/A |
| 205-5 | $365 | $365 | $365 | $365 | $365 |
| 206-5 | $365 | $365 | $365 | $365 | $365 |
| 207-4 | $365 | $365 | $365 | $395 | N/A |
| 210-RA | $365 | N/A | N/A | N/A | N/A |
| 211-4 | N/A | N/A | N/A | N/A | N/A |
| 212-RD | RD/DNC | N/A | N/A | N/A | N/A |
| 213-4 | $365 | $365 | $365 | $365 | N/A |
| 215-4 | $365 | $365 | $365 | $335 | N/A |
| 216-4 | $365 | $365 | $365 | $365 | N/A |
| 217-4 | $365 | $365 | $365 | $365 | N/A |
| 218-4 | $365 | $365 | $365 | $365 | N/A |
| 303-5 | $365 | $365 | $365 | $365 | $365 |
| 304-5 | $365 | $335 | $365 | $365 | $365 |
| 305-4 | $365 | $365 | $365 | $395 | N/A |
| 306-4 | $365 | $365 | $365 | $365 | N/A |
| 310-RA | $365 | N/A | N/A | N/A | N/A |
| 311-4 | $365 | $365 | $365 | $365 | N/A |
| 312-3 | $365 | $365 | $365 | N/A | N/A |
| 313-4 | $365 | $365 | $365 | $365 | N/A |
| 315-4 | $365 | $365 | $365 | $335 | N/A |
| 316-3 | $365 | $365 | $365 | N/A | N/A |
| 317-4 | $365 | $365 | $365 | $365 | N/A |
| 318-4 | $365 | $365 | $365 | $365 | N/A |
| 410-RA | $365 | N/A | N/A | N/A | N/A |
| 411-4 | $365 | $365 | $365 | $365 | N/A |
| 412-3 | $365 | $365 | $365 | N/A | N/A |
| 413-4 | $365 | $365 | $365 | $365 | N/A |
| 415-4 | $365 | $365 | $365 | $335 | N/A |
| 416-3 | $365 | $365 | $365 | N/A | N/A |
| 417-4 | $365 | $365 | $365 | $365 | N/A |
| 418-4 | $365 | $365 | $365 | $365 | N/A |

**FY08 payments to owners:**

$335 = Small or Double

$365 = Standard room

$395 = Large single

GO BACK

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# KEY ORDER SUMMARY

## Service Order For: *APPRAISAL*

## General

**Project Name:** **LEWIS CLARK STATE COLLEGE HOUSING**
**KRETS File #:** **KEYW-051223-4961-1**

Due Date: **15-Feb-2006 00:00:00**
Fee Amt : **$6,500.00**

Client: **KeyBank National Association**
Intended User(s): **KeyBank National Association**
Intended Use(s):**Support for Financing Decisions**

Level of Market Analysis: **LEVEL B**
Interest Appraised: **FEE SIMPLE**
Appraisal Report Format: **SELF-CONTAINED**
Appraisal Process: **COMPLETE**

Number of Copies: **5**

You are bound by the KRETS Master Agreement for Appraisal and Consulting Services, the General Appraisal Requirements, and the following supplemental requirements:
**No Supplemental Instructions**

Service Comments: **Complete appraisal, self-contained report of the following valuation scenarios: **** 1. as is market value as of your inspection date. See "Property Comments" below for description of the "as is" condition of the subject. **** 2. Prospective VALUE IN USE at completion of construction and stabilization of occupancy of 117 bed (30 pods) student housing project with 13,336 SF of ground floor retail. **** 3. Prospective VALUE IN USE at completion noting deductions (if any) for stabilization of occupancy. **** The appraisal must be supported by a Level B+ market analysis addressing the existing and proposed supply and demand of competing student housing units and the likely absorption projection for the living units and retail space. **** Identify the likely buyer/user profile of the property and the depth of that market segment.**

Other Comments:

## Values To Be Included In Appraisal Report

**"As Is" Market Value**
**Prospective Market Value Upon Completion of Construction**
**Prospective Market Value Upon Stabilization of Occupancy**

## Property

- **LEWIS CLARK ST COLLEGE HOUSING**
**500 8TH AVE, LEWISTON, NEZ PERCE County, ID 83501 USA**

*Property Type:* **Multifamily-Student Oriented Housing**
*Built In:* **2006**
*Number of Buildings:* **2**
*Building Size:* **44,736SF**
*Number of Stories:* **4**
*Number of Units:* **117**
*Number of Tenants:* **0**
*Current Occupancy:***N/A %**
*Occupant Type:***Non Owner**
*Construction Type:* **N/A**
*Site Size:* **15,500** SF

Property Comments: **The subject is currently one existing 3-story historic building with 10 pods (40 beds) and 6,336 SF of ground level retail on 5,500 SF site on the Lewis and Clark State College campus. The other portion of the subject is currently a vacant 10,000 SF site. The subject at completion of construction will have a total of 117 beds in 30 pod units with 13,336 SF of ground floor retail on a total of 15,500 SF site. The rehab budget for the historic building is $1.7 million plus $3.2 million construction**

**budget for the new building. The project is expected to have occupancy in September 2006 with proforma rents of $375/bed/month and retail rents of $1.17/SF/month.**

## Additional Information Available

- **Budget**
- **Management Contracts**
- **Plans, Specifications and Construction Cost**
- **Proforma Income and Expense Statements**

Documents Provided By: **Thuy Nguyen has the information noted in the order. Please request any other needed information from Thuy and/or the property contact noted in the order.**

## Loan Information

- Purpose of Transaction: **Construction Loan**
- **No Syndication**

Comments: The purpose of the appraisal is to provide information to be used in underwriting a rehab loan on the historic building and a construction loan on the new building.

## KeyBank Contact - Address Reports To:

CHRISTINE FISHER, MAI
VICE PRESIDENT
KEYBANK NATIONAL ASSOCIATION
1211 SW 5TH AVE #400 / OR-20-21-0481
PORTLAND, OR 97204-
Phone: 503-790-7689
Fax: 503-790-7688
E-Mail: CHRISTINE_A_FISHER@KEYBANK.COM

## Contact Information

1. PROPERTY CONTACT:
   BREWSTER, ROBERT
   CONOVER BOND
   206-390-0105
   *email*: BREWSTER@CONOVERBOND.COM
2. BORROWING ENTITY:
   COLLEGE TOWN DEVELOPMENT IDAHO
3. BORROWER CONTACT:
   BREWSTER, ROBERT
   CONOVER BOND
   206-390-0105
   *email*: BREWSTER@CONOVERBOND.COM

## Vendor

JEFFREY LEMBECK
111 W North River Drive, Ste. 203
Spokane, WA, 99201
Phone: 509-326-4130
Fax: 509-326-4148
E-Mail: jeff@lembeckappraisal.com

## Ordered For

**MARGUERITE MOYET**
**425-709-4215**
**MARGUERITE_J_MOYET@KEYBANK.COM**
**601 108TH AVE NE, 2ND FLOOR**
**WA-31-10-0283**

## Ordered By

**THUY NGUYEN**
**425-709-4234**
**THUY_NGUYEN@KEYBANK.COM**
**601 108TH AVE NE**
**WA-31-18-0283**

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## SUBJECT

Request for Proposal and Contract for Evaluation Services –GEAR UP Idaho

## APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V.C.1.d
Idaho State Board of Education Governing Policies & Procedures, Section V.I.3.a

## BACKGROUND/DISCUSSION

As part of the GEAR UP grant requirements, the program must submit annual and biennial evaluation reports to the U.S. Dept. of Education describing the progress made toward the project's overall objectives. This requires consistent collection, analysis, and reporting on the participation and outcome data that enables the U.S. Dept. of Education to verify that GEAR UP Idaho is accomplishing its proposed objectives. Continued funding throughout the grant cycle is dependent upon making progress and meeting the program objectives.

Currently, the required annual reports have been developed and submitted through a process requiring manual collection and compilation of data. General data categories include individual student demographic and academic performance data, information on types of services and programs provided, student participation in the services and programs, teacher professional development activities and participation, parent services, programs and participation, and student and parent surveys.

The State Department of Education initially engaged a contractor to provide evaluation services for GEAR UP. The proposed costs were $430,000 per year and significantly curtailed the availability of funding for services to students in the GEAR UP schools. The contractor was released prior to the start of services. The GEAR UP grant currently has $173,300 of federal funding set aside per year for the purposes of a contract for evaluation services.

## IMPACT

On a national level, the evaluation of GEAR UP programs has led to an expansion in the number of web-based data collection and evaluation providers. Costs range from $75,000 to over $250,000 per year. Total contract costs for GEAR UP Idaho for the remainder of the grant cycle (4 years) may reach $1,000,000.

## STAFF COMMENTS AND RECOMMENDATIONS

Currently data is housed in each of the 38 schools with a GEAR UP Idaho cohort. Manual data retrieval and paper reporting present significant expenditure of staff time in basic data collection, quality review, analysis, and reporting. As the final cohort begins classes this fall, this workload will increase, at a minimum, by one third.

Moving to an electronic data collection, analysis, and reporting system will provide significant savings in staff time at the schools and the Board office. The development of a web-based evaluation system will also provide near real-time tracking of student progress, services and programs, costs, and value of in-kind matching donations.

Based upon the level of data, analysis, and reporting requirements for GEAR UP and other similar grants in terms of size and budget, the GEAR UP Project Manager has set aside a budget of $173,300 per year for evaluation services.

**BOARD ACTION**

A motion to direct the GEAR UP Staff, working with the Executive Director and Division of Purchasing, to develop and release a request for proposal leading to the award of a contract for evaluation services not to exceed $173,300 per year.

Moved by __________ Seconded by __________ Carried Yes _____ No _____

## SUBJECT

Family Medicine Residency Programs FY 2010 Millennium Fund budget request for Clean Start project

## REFERENCE

| | |
|---|---|
| August 2008 | Board approval of FY 2010 line items for agencies and institutions |

## APPLICABLE STATUTE, RULE OR POLICY

Title 67, Chapter 18, Idaho Code

## BACKGROUND / DISCUSSION

FMR Boise and ISU FMR request the Board to support a proposal to the Millennium Fund committee for advanced maternity care and perinatal training. The two residency programs are increasingly placing a new focus on advanced obstetric and newborn care training for family medicine residents because the residents are finding that they are the major obstetric and newborn clinicians in their chosen communities. A major component of that training is on the prevention of diseases caused by smoking and substance abuse - diseases that are disasters both to the pregnant woman and to the developing fetus and newborn. Just as the Millennium Committee jump-started the rural training tracks in FY 2008 and the prevention of substance abuse in rural populations in general, this new "Clean Start" project for FY 2010 would jump-start the focus at both residencies on advanced maternity care and perinatal training.

Grant applications are due to the Joint Millennium Fund Committee by close of business day Friday, October 10, 2008. The Committee will hold a meeting in Boise on October 30, 2008. Funding decisions by the Committee will be made by April 2009.

## IMPACT

According to the Millennium Fund application guidelines, the Committee will only consider applications directly related to one or more of the following:

1. tobacco cessation or prevention
2. substance abuse cessation or prevention
3. tobacco or substance abuse related disease treatment

The Clean Start project is targeted to training on the prevention of diseases caused by smoking and substance abuse - diseases that are disasters both to pregnant women, to developing fetuses and newborns. The Clean Start project also has a training component specifically aimed at teaching residents how to recognize and treat the obstetrical and newborn diseases caused by smoking and substance abuse.

**ATTACHMENTS**

Attachment 1 – Millennium Fund Application Concept Paper Page 3

**STAFF AND COMMENTS AND RECOMMENDATIONS**

The grant will allow the expansion of an existing nutritionist's duties into the prenatal period and subsequent to the grant a prenatal charge component will be allocated to cover her costs. Case management will revert to hospital social services and will not be as intensive or as effective as conceptualize for the grant period.

The Clean Start project will help fund training in substance abuse prevention and cessation and in tobacco and substance abuse related disease treatment. The request is for $810,000 from the Millennium Fund.

Staff recommends approval.

**BOARD ACTION**

A motion to approve the request by Family Medicine Residency Boise and Idaho State University Family Medicine Residency to apply for a Millennium Fund grant for the Clean Start project in the amount of $810,000.

Moved by __________ Seconded by__________ Carried Yes _____ No _____

**Millennium Fund Application Concept Paper**

**DRAFT** for discussion purposes
September 10, 2008

**Joint Applicants:** Family Medicine Residency of Idaho Inc. (FMRI) and Idaho State University Family Medicine Residency (ISU FMR)

**Title:** High-Risk Care and Therapeutic Lifestyle Interventions for a Healthy Baby
**"The Clean Start Project."**

**Program Priority:** Tobacco or Substance Abuse Related Disease Treatment

**Total dollar request estimated: $810,000** (details to be provided upon approval of concept)

| | |
|---|---|
| FMRI Request: | $500,000 |
| ISU FMR Request: | $310,000 |

Project is scalable depending upon available funding

**Fiscal Year:** 2010

**SECTION 1:**

**Introduction:** Family physicians care for pregnant women and their infants throughout Idaho, particularly in isolated rural areas. Many pregnancies are impacted by smoking, drug use and abuse, poverty, unhealthy diets, pre-existing chronic diseases, and poor lifestyle choices that adversely affect maternal and neonatal outcomes. These problems are compounded by poor access to physicians trained in the care of high-risk pregnancies. Treating undesirable outcomes such as developmental delay and pre-maturity after the fact is less successful, and more expensive, than implementing prevention strategies. This proposal is designed to pilot strategies for improving outcomes in this patient population at Idaho's two family medicine programs. Because the programs are unique this paper presents both proposals below. The shared overarching goals of this request are as follows:

**Goal 1:** To pilot at the two Idaho family medicine residency's new approaches to improving outcomes of high-risk pregnancies by developing clean-start interventions at both programs.

**Goal 2:** To encourage residents to incorporate clean-start approaches into their practices upon graduation by incorporating successful strategies into the ongoing curriculum of both programs.

**Goal 3:** To provide information to the Governor, Legislature, and State Board of Education on the most effective approaches which should be incorporated into basic graduate medical educational programs for successful perinatal health outcomes.

The two requests included in this proposal are outlined in more detail below.

**SECTION 2:**

Family Medicine Residency of Idaho (FMRI) Request:

**GOALS**

The goals of this project from FMRI will be the following:

1. To produce healthy outcomes in high risk obstetrical patients and their newborn babies in the following areas:
    a. OB patients that screen positive for the following:
        i. Elicit drug and substance abuse.
        ii. Tobacco use and abuse.
        iii. Alcohol use and abuse.
    b. OB patients that are on therapeutic medications for mental illness, diabetes, and hypertension amongst others for their potential for causing birth defects.
    c. OB patients with unhealthy lifestyles that need education and coaching in the areas of:
        i. Diet.
        ii. Nutrition.
        iii. Exercise.
2. Outstanding family medicine education in the areas of screening, recognition, intervention, and the management of the following:
    a. Elicit drug and substance abuse.
    b. Therapeutic drug use that may cause birth defects.
    c. Healthy lifestyle that will maximize healthy mothers and babies.

**METHODS**

FMRI will achieve the above goals by providing oversight to patient care and resident education using the following:

1. FMRI obstetrical faculty includes doctors Marietta Thompson and Cyndi Hayes.
2. FMRI family medicine faculty, to include doctors Elizabeth Rulon and Jennifer Petrie.
3. FMRI certified nurse midwife – Sarah Cox.
4. FMRI pediatric faculty, to include doctors Perry Brown and Susan Kim.
5. FMRI faculty pharmacologist – Dr. Roger Hefflinger.
6. FMRI faculty behavioral health doctors Alex Reed and Jeralyn Jones.
7. Perinatologists – Doctors Clarence Blea, Stacy Seyb, Richard Lee, and Mike Kasulka.

In addition to this grant, FMRI will develop an Obstetrical Fellowship which will be a permanent program of one year in training that will provide advanced obstetrical training to Family Medicine Residency of Idaho residents after the residency program for a one year period of time. FMRI will also obtain a nutritionist to help with many of the items mentioned above as well as a case manager, which will either be a certified nurse midwife or a registered nurse that will provide active management of this patient population in conjunction with the physicians mentioned.

FMRI is successfully utilizing a group visit model, where groups of eight to ten obstetrical patients go through their pregnancy together under the supervision of our residency teams that maximize healthy maternal and fetal outcomes. It is envisioned that we will utilize similar group model formats for these high risk patients in which care in all the above areas will be rendered, with the power of patients teaching patients and reinforcing positive, health behaviors and healthy choices will be emphasized.

All of these items will be integrated and coordinated through our health information technology of our Centricity Electronic Medical Record to provide screening tools, prevention templates, and intervention and management tools at the point of service with this patient population. We will also utilize the therapeutic lifestyle template that ISU's family medicine program uses.

**<u>OUTCOMES</u>** –
The major outcomes of this Clean Start Millennium Grant for FMRI will be the following:

1. All obstetrical patients will be screened and all high risk obstetrical patients with elicit drug and substance abuse (tobacco abuse, alcohol abuse, and therapeutic medicine use) that could be teratogenic to their newborn babies will be identified.
2. These patients will be managed to provide maximized health outcome to the mothers and their newborn children.
3. Outstanding ongoing, permanent education will be conducted to all 33 of the Family Medicine Residency of Idaho family physician residents to imprint this style of care for their future practices.
4. A permanent obstetrical fellowship program will be initiated that will be a permanent, ongoing program from this project.

Estimated Budget: $500,000 (detail being developed)

**SECTION 3:**

Idaho State University Family Medicine Residency (ISU FMR) Request:

**Goal 1: Enhancement of High risk Obstetrical training to Family Medicine residents.** Both of Idaho's Family Medicine Residencies provide exemplary obstetrical training to their resident physicians. Both Residencies care for a vulnerable and at-risk patient population. The ISU Family Medicine Residency (ISU FMR) cares for a large number of Native Americans, Hispanics and rural poor. Each resident delivers about 180 patients over three years and the residency cares for about 1,000 deliveries per year. Training family physicians to provide high-risk maternity care requires a unique level of supervision. A curriculum will be taught on the recognition of and interventions for the growth retarded fetus of the smoking mother, the abrupted placenta of the cocaine addict and the hypertensive crisis of the amphetamine addict. Resident training in high risk obstetrical management will be maximized by increased access to the Residency's obstetrical coordinator, Donald Dyer, MD. Perinatology consultation and training will be provided by the perinatologist from the University of Utah, Michael Varner, MD. An obstetrically active family physician will be hired part time to role model exemplary care, consultative interactions and preventive management. The case manager described above will identify the high risk patients.

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**SUBJECT**

FY 2010 Budget Requests – College of Western Idaho Occupancy Costs

**REFERENCE**

| | |
|---|---|
| August , 2008 | Board approve Line Items for agencies and institutions |

**APPLICABLE STATUTE, RULE, OR POLICY**

Idaho State Board of Education Governing Policies & Procedures, Section V.B.1.
Title 67, Chapter 35, Idaho Code

**BACKGROUND/DISCUSSION**

At the time of the August Board meeting, the information necessary for the College of Western Idaho (CWI) occupancy costs was not available. CWI requests Board approval to include occupancy costs as its only line item in the FY 2010 budget request.

**IMPACT**

CWI is requesting occupancy costs for the West Academic Building which is being transferred from Boise State University. This facility has a planned occupancy date of January 1, 2009 and occupancy costs estimated at $476,800. CWI is also requesting occupancy costs for the Canyon County Center which has a planned occupancy date of July 1, 2009 and costs estimated at $499,500.

Neither facility has been provided state general funds for occupancy costs in the past.

**ATTACHMENTS**

Attachment 1 – FY 2010 Occupancy Costs Worksheet Page 2

**STAFF COMMENTS AND RECOMMENDATIONS**

Including occupancy costs for these two facilities for CWI will be consistent with approving occupancy costs for the other higher education institutions.

Staff recommends approval.

**BOARD ACTION**

A motion to approve the Line Item for occupancy costs for the College of Western Idaho in the amount of $976,300 and to forward the request to the Division of Financial Management and Legislative Services Office.

Moved by__________ Seconded by__________ Carried Yes_____ No_____

# STATE BOARD OF EDUCATION

## FY 2010 Budget Request

### Colleges & Universities/Agencies
### Calculation of Occupancy Costs

| Institution/Project | Projected Date of Occupancy | % of Use for Non-Aux. Education | Gross Sq Footage | Non-Aux. Sq Footage | (1) FTE | (2) Custodial Costs Sal & Ben | Custodial Costs Supplies | Custodial Costs Total | (3) Utility Estimate | (4) Maintenance Costs Repl Value | Maintenance Costs Cost@1.5% | (5) Other | Total Occ Cost | % qtrs used in FY10 | Prior Year Funding | Revised FY10 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | | | |
| **BOISE STATE UNIVERSITY** | | | | | | | | | | | | | | | | |
| **Park Center** ** | Sept. 2008 | 100% | 83,801 | 83,801 | 3.22 | 107,100 | 8,400 | 115,500 | 146,700 | 16,760,200 | 251,400 | 77,900 | 591,500 | 100% | | 591,500 |
| **Norco Building (floors 3 and 4)** | July-09 | 48% | 81,300 | 39,017 | 1.50 | 49,900 | 3,900 | 53,800 | 68,300 | 8,661,774 | 62,400 | 37,000 | 221,500 | 100% | | 221,500 |
| **Norco Building classroon 1st floor** | July-09 | 2% | 81,300 | 1,374 | 0.05 | 1,700 | 100 | 1,800 | 2,400 | 305,028 | 100 | 1,300 | 5,600 | 100% | | 5,600 |
| **Capitol Village University Adv.** | March-06 | 100% | 8,954 | 8,954 | 0.34 | 11,300 | 900 | 12,200 | 15,700 | 1,790,800 | 26,900 | 8,300 | 63,100 | 100% | | 63,100 |
| **Non Auxiliary Space in Parking Deck** | Oct. 2007 | 50% | 10,346 | 5,173 | 0.20 | 6,600 | 500 | 7,100 | 9,100 | 1,034,500 | 7,800 | 4,800 | 28,800 | 100% | | 28,800 |
| **Capitol Village Emeritus Guild** | March-09 | 100% | 2,111 | 2,111 | 0.08 | 2,700 | 200 | 2,900 | 3,700 | 422,000 | 6,300 | 2,000 | 14,900 | 100% | | 14,900 |
| **Capitol Village Adv. Expansion** | March-09 | 100% | 1,512 | 1,512 | 0.06 | 2,000 | 200 | 2,200 | 2,600 | 302,400 | 4,500 | 1,400 | 10,700 | 100% | | 10,700 |
| **Library - Starbucks (auxiliary) (remove funding)** | | 100% | -1,806 | -1,806 | -0.07 | -2,300 | -200 | -2,500 | -3,200 | -361,200 | -5,400 | (1,700) | -12,800 | 100% | | (12,800) |
| ** Park Center Space utilization is pending. It will need to be reviewed, with potential changes | | | | | 5.38 | 179,000 | 14,000 | 193,000 | 245,300 | | 354,000 | 131,000 | 923,300 | | 0 | 923,300 |
| this schedule. What is being requested is the maximum amount, and this may be reduced | | | | | | | | | | | | | | | | |
| depending on information not yet available. | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | |
| **IDAHO STATE UNIVERSITY** | | | | | | | | | | | | | | | | |
| **Rendezvous Center (Acad Side)** | June-07 | 100% | 101,920 | 101,920 | 3.92 | 130,300 | 10,200 | 140,500 | 178,400 | 15,000,000 | 225,000 | 90,500 | 634,400 | 100% | 300,000 | 334,400 |
| **Meridian Building** | July-09 | 100% | 90,000 | 90,000 | 3.46 | 115,000 | 9,000 | 124,000 | 157,500 | 12,960,000 | 194,400 | 79,700 | 555,600 | 100% | | 555,600 |
| **CAES** | July-08 | 33% | 55,000 | 18,333 | 0.71 | 23,600 | 1,800 | 25,400 | 32,100 | 15,400,000 | 77,000 | 26,400 | 160,900 | 100% | | 160,900 |
| | | | | | 8.09 | 268,900 | 21,000 | 289,900 | 368,000 | | 496,400 | 196,600 | 1,350,900 | | 0 | 1,050,900 |
| | | | | | | | | | | | | | | | | |
| **UNIVERSITY OF IDAHO** | | | | | | | | | | | | | | | | |
| **Alumni Residence Center (A)** | January-06 | 100% | 28,667 | 28,667 | 1.10 | 36,500 | 2,900 | 39,400 | 50,200 | 6,905,905 | 103,600 | 27,600 | 220,800 | 100% | | 220,800 |
| **Vandal Athletic Center (B)** | January-04 | 14% | 35,236 | 5,000 | 0.19 | 6,300 | 500 | 6,800 | 8,800 | 8,175,148 | 17,400 | 10,400 | 43,400 | 100% | | 43,400 |
| **Living Learning Center ©** | May-04 | 5% | 202,616 | 10,180 | 0.39 | 12,900 | 1,000 | 13,900 | 17,800 | 37,800,000 | 28,500 | 38,100 | 98,300 | 100% | | 98,300 |
| **UI Research Park Post Falls** | July-02 | 38% | 30,580 | 11,700 | 0.45 | 14,900 | 1,200 | 16,100 | 20,500 | 5,321,583 | 30,500 | 13,300 | 80,400 | 100% | | 80,400 |
| **Professional Golf Mgmt Program Space** | July-04 | 51% | 3,642 | 1,860 | 0.07 | 2,300 | 200 | 2,500 | 3,300 | 718,835 | 5,500 | 2,000 | 13,300 | 100% | | 13,300 |
| **Teaching and Learning Center** | January-05 | 100% | 27,228 | 27,228 | 1.05 | 34,900 | 2,700 | 37,600 | 47,600 | 4,475,052 | 67,100 | 24,500 | 176,800 | 100% | | 176,800 |
| **Collaborative Center for Applied Fish Stu** | September-06 | 50% | 13,525 | 6,762 | 0.26 | 8,600 | 700 | 9,300 | 11,800 | 3,259,123 | 24,400 | 7,800 | 53,300 | 100% | | 53,300 |
| **Idaho Water Center** | Phased Aug 04 to May 08 | 30% | 225,227 | 67,500 | 2.60 | 86,300 | 6,800 | 93,100 | 118,100 | 54,764,643 | 246,200 | 95,800 | 553,200 | 100% | 375,000 | 178,200 |
| **Demolition 615/617 W. 6th St.** | October-08 | 50% | -3,000 | -1,500 | -0.06 | -2,000 | -200 | -2,200 | -2,600 | -157,928 | -1,200 | (1,300) | -7,300 | 100% | | (7,300) |
| | | | | | 6.05 | 200,700 | 15,800 | 216,500 | 275,500 | | 522,000 | 218,200 | 1,232,200 | | 0 | 857,200 |
| | | | | | | | | | | | | | | | | |
| **LEWIS-CLARK STATE COLLEGE** | | | | | | | | | | | | | | | | |
| **Nursing & Health Science Faculty** | July-09 | 100% | 60,000 | 60,000 | 2.31 | 77,200 | 6,000 | 83,200 | 105,000 | 16,000,000 | 240,000 | 59,000 | 487,200 | 100% | | 487,200 |
| | | | | | | | | | | | | | | | | |
| **Collge of Southern Idaho** | | | | | | | | | | | | | | | | |
| **Health Science & Human Services** | January-10 | 100% | 72,400 | 72,400 | 2.78 | 87,300 | 7,200 | 94,500 | 126,700 | 18,000,000 | 270,000 | 70,100 | 561,300 | 50% | | 280,700 |
| | | | | | | | | | | | | | | | | |
| **Collge of Western Idaho** | | | | | | | | | | | | | | | | |
| **BSU West Academic Bldg tranferred to CWI** | January-09 | 100% | 65,000 | 62,600 | 2.41 | 75,700 | 6,300 | 82,000 | 109,600 | 15,000,000 | 225,000 | 60,200 | 476,800 | 100% | | 476,800 |
| **Canyon County Center** | July-09 | 100% | 77,000 | 77,000 | 2.96 | 92,900 | 7,700 | 100,600 | 134,800 | 12,960,000 | 194,400 | 69,700 | 499,500 | 100% | | 499,500 |
| | | | | | 5.37 | 168,600 | 14,000 | 182,600 | 244,400 | | 419,400 | 129,900 | 976,300 | | 0 | 976,300 |