

**Complete Appraisal, Summary Report
Fee Simple Estate**

Boise City Armory

**801 Reserve Street
Boise, Ada County, Idaho**

KJK File ID: 05.4730

Client

Mr. Jeffrey B. Jones, AICP
Economic Development Manager
City of Boise
P.O. Box 500
150 N. Capitol Boulevard
Boise, Idaho 83701-0500

Effective Date As Is

January 3, 2006

Report Date

January 6, 2006

Prepared By

Michael Wright
Idaho Certified General Appraiser CGA-854

Reviewed & Approved by

Bradford T. Knipe, MAI, ARA, CCIM, CRE (ret.)
Idaho Certified General Appraiser CGA-117

KNIPE JANOUSH KNIPE, LLC
Commercial & Agricultural Real Estate Advisory Services

Table of Contents

COVER

LETTER OF TRANSMITTAL

OVERVIEW OF UNDERLYING ASSUMPTIONS I

CERTIFICATE OF APPRAISER.....III

TABLE OF CONTENTSIV

PART I: INTRODUCTION & EXECUTIVE SUMMARY1

SUMMARY OF IMPORTANT FACTS & CONCLUSIONS2

PROJECT STRENGTHS & WEAKNESSES.....4

 Project Strengths.....4

 Project Weaknesses / Potential Detriments.....5

 Conclusions.....5

PROPERTY HISTORY13

 Overview13

 National Historic Register.....13

SCOPE OF THE ASSIGNMENT18

 The Appraisal Process18

 Type of Appraisal and Type of Appraisal Report18

 Steps of the Appraisal Process.....18

PART II: DEFINITION OF THE APPRAISAL PROBLEM.....20

DEFINITIONS21

 Purpose of the Appraisal.....21

 Intended Use of the Appraisal.....21

 Intended User21

 Definition of Market Value21

 Definition of Property Rights Appraised.....22

 Effective Dates22

 As Is Premise.....22

 Highest and Best Use Definition23

AREA & NEIGHBORHOOD TRENDS.....24

 Area Data.....24

 Neighborhood & District Influences.....32

 Prices & Rates38

 Conclusions38

ZONING & ADMINISTRATIVE REQUIREMENTS.....39

 District Defined39

 Allowable Uses40

 Likelihood of a Zoning Change.....40

 Developmental Restrictions41

 Conclusions.....41

REAL ESTATE TAXES AND ASSESSMENTS42

SITE DESCRIPTION43

 Physical Characteristics43

 Utilities and Easements44

 Off-Site Influences45

 Flood Zone Determinations46

Conclusions 46

DESCRIPTION OF THE IMPROVEMENTS 47

 Overview 47

 Site Improvements 49

 Conclusions 49

Part I: Introduction & Executive Summary

Summary of Important Facts & Conclusions

Identification	Boise City Armory
Property Type	Development ground/shell building
Location	801 Reserve Street, Boise, Idaho
Owner of Record	City of Boise
Legal Description	Meets and bounds description available in the Addenda
Property Rights Appraised	Fee simple estate
Appraisal / Report Classification	Complete / Summary
Limitations of Scope	None
Values Estimated	Market value as is Market value as is with contributory building shell value
Date of the Report	January 6, 2006
Effective Date of Valuation	
As Is Scenarios	January 3, 2006
As Vacant	January 3, 2006
Neighborhood	
Identification	Northeast periphery of the Boise CBD
Neighborhood Type	Residential and mix-use, primarily medical & professional office.
Assessment & Taxation Data	Presently tax-exempt. See Taxes & Assessments Section
Zoning	Boise City R-2 and R-3/Medium & High Density Residential
Parcel Size	216,288± SF / 4.965± AC
Building Improvements	Depression era poured concrete.

Highest & Best Use

If Vacant

High-density residential condominium development.

As Improved

High-density residential condominium development incorporating the existing improvements if the conversion costs are determined to be a financially feasible undertaking. If not, demolition of the existing improvements making way for redevelopment of the site.

SUMMARY OF VALUE ESTIMATES

Scenario A

Fee Simple Value of Defined Site, As Is (less demolition)	\$1,925,000
Per Square Foot	\$8.90 ±

Scenario B

Fee Simple Value of Defined Site, As Is (plus existing improvements)	\$2,485,000
Per Square Foot	\$11.50 ±

Historical Exposure

12 to 24 months.

Estimated Marketing Period

Sale within 12 to 24 months, if professionally marketed at concluded as is market value.

Project Strengths & Weaknesses

The following factors are considered most relevant to market value and marketability of the subject:

Project Strengths

Location Influences

- The subject property is located in an established residential/medical district on the northeastern periphery of the Boise central business district (CBD).
- The subject is proximate to a city park and the Boise Foothills, providing excellent recreational opportunities.
- The subject is within walking distance of three hospitals as well as the Federal and Ada County Courthouse.
- The subject's location is within a few blocks of the pedestrian core of downtown Boise.

Property Influences

- The subject parcel is fully-serviced by the public sector, including typical utilities, police and fire protection.
- The subject has Boise City geothermal service available to the site.
- The subject site is generally level.
- The subject's size and right-of-way frontage on three sides make it very conducive for a variety of development scenarios.
- The subject is listed on the National Register of Historic Places and redevelopment of the existing improvements consistent with the requirements of the State Historical Preservation Office could result in a significant tax credit benefit to a redeveloper interested in persevering and renovating the existing improvements.

Market Influences

- There has been significant redevelopment activity in the northern and eastern periphery of downtown Boise.
- The subject's neighborhood is virtually built-out, and the subject provides one of the very few development/redevelopment options.

- The demand for residential development ground in the downtown core and periphery has increased significantly in the past 12 to 24 months. In particular, there are multiple high-density residential condominium projects under construction or in the planning stages to meet what has recently emerged as pent-up demand for residential units proximate to the CBD.

Project Weaknesses / Potential Detriments

Location Influences

- None

Property Influences

- The existing improvements are extremely aged and the interior improvements are considered to provide no contributory value. The exterior shell may have contributory value under certain redevelopment scenarios, but extensive engineering analysis is required in order to gauge the structural soundness of the shell building and the economic viability of converting the existing improvements to an alternative use.

Market Influences

- None

Conclusions

The subject parcel has a minor corner location on the periphery of the Boise CBD and is proximate to amenities such as a city park and the Boise Foothills. In addition, the subject is within minutes of employment centers such as three hospitals, both the Federal and Ada County Courthouse, and the downtown financial/retail district.

The existing improvements are extremely aged and they could constitute a positive or negative influence on the subject's market value. Depending upon the viability of a renovation / conversion of the existing improvements relative to a developer's vision for the property, the improvements could be viewed as either a detriment or benefit.



Subject Photograph 1

View from the northwest corner of the parcel looking east along Reserve Street.

All Photos Taken by MVW



Subject Photograph 2

View from the northeast corner of the parcel looking west along Reserve Street. The Armory Building is to the left.



Subject Photograph 3

View from the northeastern corner of the site looking southwest over the parking lot with the Armory Building in the background.



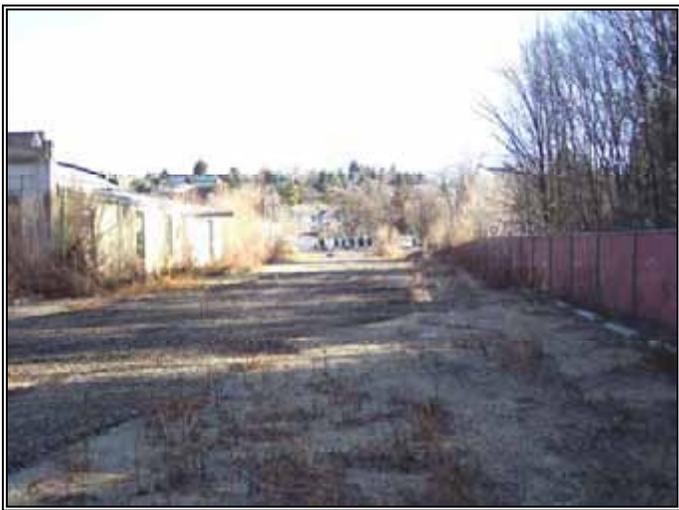
Subject Photograph 4

View of the northern elevation (facing Reserve Street) from near the northwestern corner of the parcel.



Subject Photograph 5

View from near the southwestern corner of the parcel looking at the western (facing the fire station) elevation of the Armory Building.



Subject Photograph 6

View from near the southwestern corner of the parcel looking along the southern property boundary.



Subject Photograph 7

View of the southern elevation (facing Logan Street) of the Armory Building.



Subject Photograph 8

View of the eastern (facing the parking lot) elevation of the Armory Building.



Subject Photograph 9

View from the southeast corner of the parcel looking northwest over the parking lot with the Armory in the background.



Subject Photograph 10

View of the northern elevation of the Armory.



Subject Photograph 11

View of the western half of the central (drill hall) portion the building.



Subject Photograph 12

View of the eastern half of the central portion the building.



Subject Photograph 13

Interior view of the first floor finished area along the northern elevation of the building.



Subject Photograph 14

Interior view of the first floor finished area.



Subject Photograph 15

Interior view of the first floor finished area.



Subject Photograph 16

Interior view of the second floor finished area.



Subject Photograph 17

Interior view of the second floor finished area.



Subject Photograph 18

Interior view of the second floor finished area.



Subject Photograph 19

View of a first floor restroom.

Property History

Overview

The subject property was originally designed with the intention of housing the Idaho National Guard Armory building in 1931. Due to lack of funding, the existing building was constructed in three distinct phases. The first stage now constitutes the single-story rear of the building, originally constructed as stables and later converted to a garage and maintenance shop. The central portion (originally utilized as a drill hall) and the first and second floors of the front portion of the building were constructed in 1936 and 1937. The east and west ends of the second floor were constructed 1956. The eastern portion of the subject site, tax parcel R4671540210, was acquired by the City of Boise in 1993.

The City utilized the Amory building as a storage/warehousing facility up until approximately 1999, at which time the City and the New Heritage Theater Company began negotiations for a lease and development agreement of the subject property. On September 26, 2000 the Boise City Council approved (Resolution 16187) the renovation and lease of the Armory building to be used as a professional theater and acting school. The lease agreement was for a 75-year term at a yearly lease rate of \$1.00 per year, and was entered into on May 1, 2001.

An asphalt parking lot inclusive of striping and concrete curbing was constructed by, or for, St. Luke's Regional Medical Center for auxiliary parking on the eastern portion of the subject site. It is unclear when the parking lot improvements were constructed or who paid for them, but based on aerial photographs it appears to be sometime during, or subsequent to, 2003.

The City of Boise is reportedly in litigation with the New Heritage Theater Company and is intending to nullify the existing lease agreement based on the lessee failing to perform relative to the "construction, renovation, operation and maintenance" of the Armory building as articulated in the lease agreement, which is available in the Addenda.

It has been reported that several developers have expressed interest in the subject building for a potential alternative use, but we are unaware of any requisite seismic, mold, structural or environments studies as to suitability of reuse, or associated development plans or formal offers to purchase the subject property.

National Historic Register

Based on the National Register of Historic Places Registration Form (available in the Addenda) the Idaho National Guard Armory was placed on the National Register of Historic Places in 1998 based on two criteria. The first is for its association with the "reorganization and professionalism of the Idaho National Guard during the period between the two World Wars" and the second being the fact the "building was designed by the prominent firm of Tourtelotte & Hummel and represents one of their more significant commissions from the 1930s."

According to Mr. Don Watts, of the State Historic Preservation Office of the Idaho State Historical Society, the National Register of Historic Places is a federal government program administered through the National Park Service. All states have a state historic preservation office to administer the national program in their respective jurisdictions. States may elect to have their own historic preservation program as well (for example, Oregon has the Oregon Register of Historic Sites). Idaho has no separate program (however, the Idaho Legislature passed legislation allowing cities and counties to create their own preservation ordinances). To be eligible for the National Register, a property must be at least 50 years old, relatively in-tact, and of some historic significance to the nation, state or community. An historic place or property is defined as a building, structure, object, site, or district. Exceptions and qualifications are considered on a case-by-case basis.

Anyone can nominate a property for the National Register of Historic Places and he or she need not have an ownership interest in the property. However, the owner is notified in the process of consideration of such a listing, and if the property owner does not desire to have the building so nominated, it will not be listed against their wishes.

Restrictions on Use Imposed by National Register Status

Mr. Watts explained it is a common misperception that being listed on the National Register of Historic Places (and thus designated a certified historic structure) limits development / redevelopment opportunities. Rather, this listing and certification imposes no limits to a private-sector developer or a state or local government entity. If a buyer of a designated property wished to demolish the building entirely, add to it, paint it, entirely gut it, or any of the myriad of options physically and legally possible, the buyer could do so.

The only exception regarding National Register status would be if a federal government agency was the purchaser or was involved by either conducting, funding, approving or licensing a given project. In that instance, the federal government agency is obligated to contact the State Historical Preservation Office (SHPO), and provide them information on the scope of the changes planned. The SHPO then has 30 days to investigate the planned changes, and issue findings of:

- A. No Effect to the Historically Significant Characteristics of the Property,
- B. No Adverse Effect to the Historically Significant Characteristics of the Property, or
- C. Adverse Effect to the Historically Significant Characteristics of the Property.

In the minimal case, this could delay the owner's plans by 30 days, and in the extreme case, there could be a significant delay. For example, if federal funds or approval were to be involved in a demolition or renovation project, and if the State Historical Preservation Office finds the project to have an adverse impact on the existing structure's historical significance, a process of mitigation begins. This might require the project to be "recorded," which typically means detailed as-built plans are done, and the project is extensively photographed with black-and-white, perspective-adjusted photos to document for posterity what once existed on the site. This process can delay the owner's project for a few months.

The State Historical Preservation Office does not, however, have any police powers to prevent the planned change or demolition. Rather, SHPO is charged with ensuring that the federal agency involved with the project consults with SHPO on their projects which may affect historic properties, and to consider mitigation recommendations by SHPO toward the aim of minimizing harm to such historic properties (e.g., in the case of an intended demolition, the federal agency might be encouraged to document for future interest a building which was deemed to have historical significance prior to its demolition, through the previously described process of recording of floor plans and taking photographs).

Tax Incentives for Rehabilitation

Where a property's federal historical listing status may have an impact directly on a contemplated investment decision is in terms of the potential for a significant tax credit. To qualify for tax incentives, the following conditions must be met:

1. The applicant cannot be tax exempt to begin with (thus, it would not be applicable if the subject were bought by a state agency, the federal government, the City of Boise, Capital City Development Corporation, or any other non-profit entity);
2. The qualifying expenditures must be substantial (defined below); and
3. The rehabilitation must meet established historic preservation standards.

Definition of Substantial Rehabilitation

The IRS regulations define "substantial" as exceeding the owner's adjusted basis in the building improvements. For example, assuming an all-cash purchase of a hypothetical 55,000 square foot historic building for \$2.5 million, of which \$550,000 is allocated to the building (in this case equating to just over \$10 per square foot of the subject's gross building area), qualifying rehabilitation costs must exceed \$550,000. Assuming the cost of a qualified renovation and rehabilitation is \$30 per square foot of gross building area, it would exceed the \$10 per square foot adjusted basis, and therefore such a renovation would in theory qualify for a 20 percent tax credit: $(\$30/\text{SF} \times 55,000 \text{ SF} = \$1,650,000 \times 20 \text{ percent} =)$, of approximately \$330,000.

Since this is a tax credit, as opposed to a tax deduction, it is a dollar-for-dollar offset against the owner's tax liability, and is therefore NOT dependent upon the owner's tax bracket. Factors which could potentially change this scenario would be if the owner's basis was lowered by depreciation or otherwise changed by a 1031 Exchange; or if the owner's tax credit exceeded his tax liability. These are matters best addressed by a tax attorney or accountant.

The eligibility for this tax credit is not a one-time limited event. However, it should be obvious that it would become increasingly difficult to continue to rehabilitate the same property and have that investment exceed the basis in the building, necessary to qualify for a tax credit, at least without the significant passage of time between such undertakings, or without making the investment economically unsound (infeasible).

Rehabilitation Meeting Preservation Standards

As the name suggests, some rehabilitation work may not be “certifiable” in terms of maintaining a certified historic structure designation. In fact, the most important thing to understand is that certain changes to a building invalidate the project for tax credits entirely, not just that component of total expenditures which is not in line with approved rehabilitation methods. For example, sand-blasting a brick facade may invalidate the status entirely, because according to Mr. Watts, it removes the protective hard shell on brick and similar masonry units, and the exposed inner portion of the brick deteriorates rapidly thereafter. Changing-out windows can invalidate the tax incentive potential as well. Any energy conservation measures must still meet historical preservation standards, and they are evaluated on a project-by-project basis (e.g., window upgrades).

According to Mr. Watts, for a hypothetical historic building, the findings of the State Historical Preservation Office might be that the features of historical significance are the facade, the windows and the common areas of the building’s interior (stairs, lobbies, corridors, etc.). He suggested that a poured concrete exterior could be cleaned, and possibly some of the windows could be changed, as long as the architectural character did not change. However, if buildings of the subject’s vintage typically were not painted, the subject probably could not be painted, the concrete could not be covered with stucco, and the windows could not be changed out en masse—as these changes would change the architectural style. The historically significant features of the project—both interior and exterior—must be retained to maintain eligibility for tax credits. In some cases, particularly where the historically significant features are deemed to be on the exterior, as long as the facade, windows, and common area historical elements were preserved—it may be reasonable to expect that much of the interior partitions of an historic building can be gutted and the floor plan changed significantly. As a general guideline, the fewer the changes to significant interior and exterior features, the better are the prospects for certification for the tax credit program. In some cases, the further away changes are from areas typically open to the general public, and the further from having a unique or characteristic interior, the better the chances of significant changes being approved without jeopardizing historic certification status.

Application Process

According to Mr. Watts, the biggest mistake owners/developers make in seeking the tax incentives for historical rehabilitation are doing the work first, and then seeking the preservation certification after. Often, by that time, some changes have already been made which invalidate the applicant’s tax credit eligibility. What Mr. Watts suggested was that the starting place for any historical property where tax incentives might be sought is for the owner / prospective owner to come to the State Historical Preservation Office, and work with them from the beginning. They will walk through the project with the owner, his architect, engineers and contractors, and help formulate a plan of acceptable changes and identify elements that an owner will need to leave intact in order to maintain eligibility.

The final certification approval is issued by the National Park Service, after their consultation with the State Historic Preservation Office, and consideration of its recommendations.

Summary of National Register Status

The subject was individually placed on the National Register in 1998. In addition to providing enhanced appeal to those who appreciate historical properties, the certification does provide the theoretical potential for tax incentives to an owner who undertakes a qualifying rehabilitation. In many instances, where renovation costs would be substantial, this tax credit could very well make the difference between saving the building, and demolishing it.

Though some analysts try to incorporate tax credits into the equation, market value (value to the market at large) is estimated on pre-tax dollars, and the tax credits move the analysis into the realm of investment value (value to a specific investor based on his or her return requirements). The relevant point here is that there are several variables affecting eligibility to take advantage of the tax credit. For example, Mr. Gary Christensen reports that he was eligible for a 20 percent tax credit on his renovation of the Fidelity Building, but after the first couple of years, his tax position was such that he was not able to use it. Discussions with Mr. Ken Howell, an investor who has undertaken several historical renovations, and Mr. Scott Rodie, former Chief Appraiser for U.S. Bancorp, indicated that tax credits can be sold if the owner goes through the syndication process. A rule of thumb of 50 cents on the dollar was offered, but we have heard of instances approaching 90 cents on the dollar.

All these market participants were unanimous on one point: tax credits may or may not "sweeten the pot" in a specific investment analysis, but the risk and effort involved in realizing them are borne entirely by the buyer of a property, not the seller, and thus it was the consensus that a prudent buyer would pay little or no more for a property theoretically eligible for such rehabilitation credits, than for the same property without such potential.

In the subject's case, no restrictions to market value, marketability or use or reuse are known to exist as a result of the subject's listing on the National Register of Historic Places. It should also be clear to the reader that historical preservation tax issues affect each buyer differently, and thus do not meet the requirements as a determinant of market value.

Notably, the subject is not located in a Boise City Historic Preservation District, and per discussions with Julie Archambeault of the Boise Historic Preservation Department, the subject has not be designated as a historic building and/or landmark at a local level.

Scope of the Assignment

The Appraisal Process

Real property appraisal is the systematic acquisition, classification, analysis and presentation of data toward the goal of arriving at a reliable estimate of the value of the subject property.

The first step in the process, corresponding to Part I: Executive Summary is rather self-explanatory. It provides the “big picture” and summarizes the relevant issues, including a summary of important facts & conclusions, identification of the scope and limitations of the appraisal and the appraisal report, property strengths & weaknesses, an estimate of exposure and marketing periods, and an overview of the project.

Part II: Definition of the Appraisal Problem is the identification and discussion of all issues relevant to an understanding of the subject property and its market segment. This involves presentation of relevant definitions, adequate identification and description of the subject property, the effective date of the value estimate, the property rights being appraised, and the type of value sought.

Once this has been accomplished, we report our research and analysis of the factors that influence the valuation of the subject property. Among other considerations, these include area, neighborhood and/or community analyses, consideration of property taxes, and zoning, culminating in a discussion of the subject site and existing improvements. In a sense, the process of defining the appraisal problem works from the general to the specific.

Having been afforded economic, social, legal and physical perspectives developed for the subject property in Part II of the report, in Part III: Property Valuation, we will analyze the subject’s highest and best use, which will assist in the identification and analysis of comparable market data. With this data, the property is valued by the cost, sales comparison and income capitalization approaches to value, as applicable to the subject of this appraisal.

Type of Appraisal and Type of Appraisal Report

Type of Appraisal:	Complete Appraisal
Type of Report:	Summary Appraisal Report
Limitation of Scope:	None

Steps of the Appraisal Process

The scope of the appraisal required investigating sufficient data relative to the subject property to derive an opinion of value. The depth of the analysis was intended to be appropriate in relation to the significance of the appraisal problem.

An inspection of the property and its neighborhood was conducted to determine the physical features and condition of the subject, and the environment in which it is located. A search of municipal records has been completed to ascertain the current and historical assessment and ownership data regarding the property.

The subject property's current physical and legal condition, its background, and history were researched with the due diligence expected of a professional real estate appraiser in the course of performing appraisal services. We have attempted to analyze the subject property as seen through the eyes of the hypothetical, "most probable" buyer.

This appraisal report is intended to be an "appraisal assignment." That is, the intention is that the appraisal service is performed in such a manner that the results of the analysis, opinion, or conclusion be that of a disinterested third party.

We expressly assume all data obtained from the client, the owner, and other sources, was accurately reported and reliable.

The sales comparison approach to value was developed to determine the fee simple value of the underlying land as well as any potential contributory value of the existing improvements.

The reader is reminded that Idaho is a non-disclosure state. Buyers of real estate are not required to disclose their purchases, and those who elect to disclose their purchases to local assessors are often suspected of understating the prices to favorably impact their assessed values. Confirmation of sales often relies on reports of buyers, sellers, brokers / agents for one of the parties to the sale, the local assessor, an appraiser familiar with the sale, or an appraiser who was able to confirm the sale with one of these parties. We make reasonable efforts to verify the accuracy of the sale (and lease) information, and expressly assume the information to have been factually provided to us. To the extent that this might be an erroneous assumption in some circumstances, we reserve the right to revise our value estimates accordingly when such discrepancies become known to us.

Other than in the Letter of Transmittal and Special Assumptions sections when authored by a single appraiser, we prefer to utilize plural pronouns (e.g., we, us, our and ours) rather than singular pronouns (e.g., I, me, my and mine) in the narrative. In the interest of disclosure as mandated by the Uniform Standards of Professional Appraisal Practice, Michael Wright was responsible for the data collection, analysis of the data, and the reporting of the findings of the analysis. Brad Knipe conducted a desk review and edited the resulting report. An examination of the data acquired, and the reasoning and conclusions based thereupon, are presented in the body of the report to follow.

Part II: Definition of the Appraisal Problem

Definitions

Purpose of the Appraisal

The purpose of this appraisal is to estimate the following for the subject property:

- As is fee simple market value

and to clearly communicate the data and reasoning leading to the formulation of the identified value estimates.

Intended Use of the Appraisal

It is our understanding that the function of this appraisal is as follows:

- To establish value for the possible sale of the subject.

The stated function of the report, regardless of any intended or ultimate use of the report, does not impact the estimation of value, as defined below.

Intended User

It is our understanding that the intended user of this appraisal is:

- The City of Boise (our client)

We will not be responsible to parties other than the intended users of this report without the express mutual, written consent between our original client and Knipe Janoush Knipe, LLC.

Definition of Market Value

The 2005 Edition of USPAP defines **market value** as follow:

[A] type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal.

Comment: Forming an opinion of market value is the purpose of many real property appraisal assignments, particularly when the client's intended use includes more than one intended user. The conditions included in market value definitions establish market perspectives for development of the opinion. These conditions may vary from definition to definition but generally fall into three categories:

1. the relationship, knowledge, and motivation of the parties (i.e., seller and buyer);
2. the terms of sale (e.g., cash, cash equivalent, or other terms); and
3. the conditions of sale (e.g., exposure in a competitive market for a reasonable time prior to sale).

Appraisers are cautioned to identify the exact definition of market value, and its authority, applicable in each appraisal completed for the purpose of market value. (USPAP 2005: Definitions, pp. 3, 4)

The most typically-employed definition of market value, other than for litigation or federal government work, is that set forth in the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). It is this definition upon which our appraisal is premised:

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 own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in United States 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.

The preceding definition is virtually identical to that appearing in the Federal Register, Vol. 55, No. 163, August 22, 1990, pp. 34228-29, and The Appraisal of Real Estate.

Definition of Property Rights Appraised

The property rights of concern to the client are those of the fee simple estate. According to the third edition of the Dictionary of Real Estate Appraisal, fee simple estate may be defined as:

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Effective Dates

The relevant dates are summarized as follows:

The effective date of the as is market value estimate is:	January 3, 2006
The date of the report is:	January 6, 2006

The effective dates of the value estimates put the values in their applicable context. The value conclusions estimated are valid only in this context, and are subject to change with changing market conditions.

As Is Premise

Market value "as is" as of a specific appraisal date means:

An estimate of market value of the property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date the appraisal is prepared."

Highest and Best Use Definition

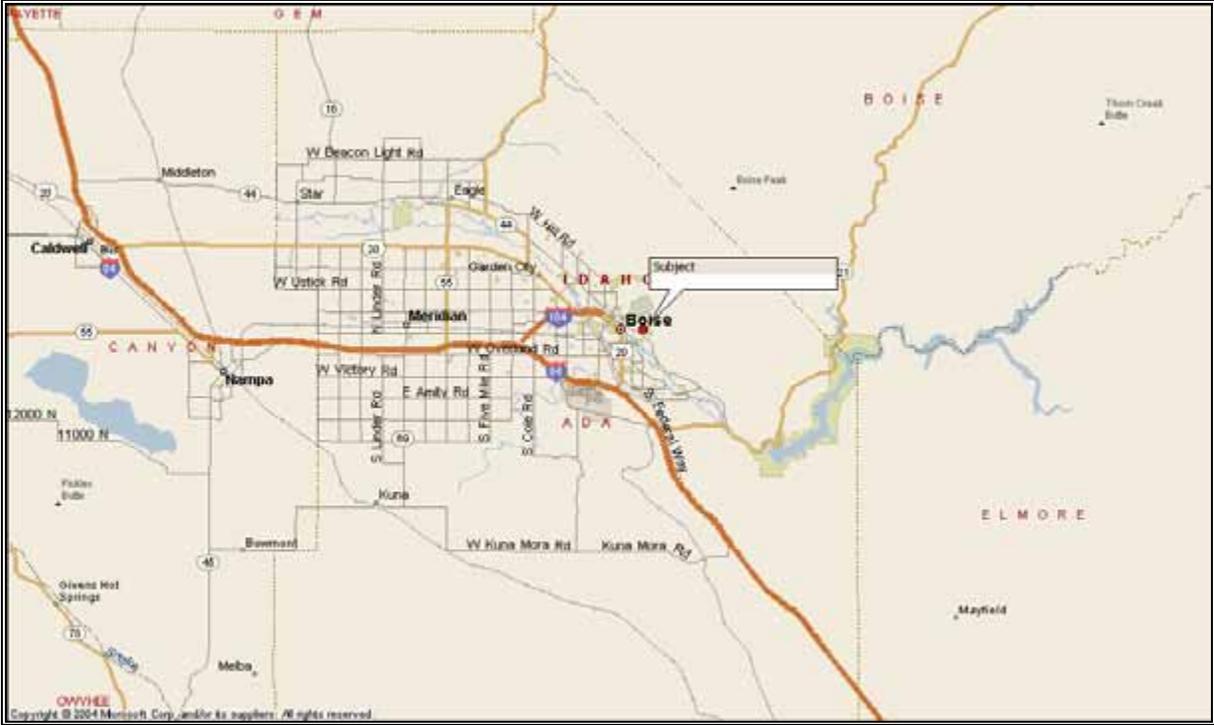
The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.¹

The four criteria the highest and best use must meet are physical possibility, legal permissibility, financial feasibility, and maximum productivity.

¹ *The Appraisal of Real Estate, Tenth Edition*, 1992, p. 275

Area & Neighborhood Trends

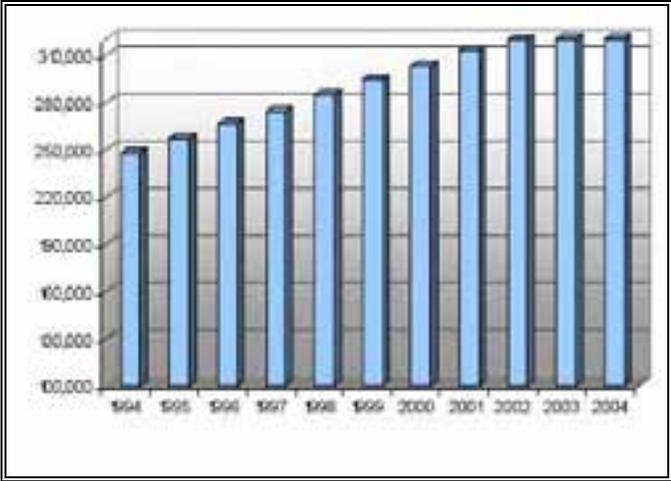
Area Data



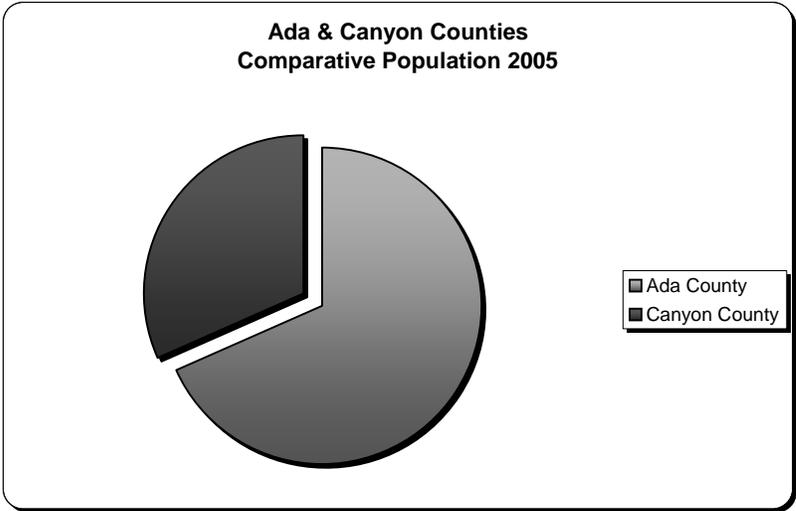
Location Boise is the capital of Idaho, and the county seat of Ada County. The subject is located in on the northeastern periphery of the Boise Central Business District.

Population, Idaho 1,429,096 (2005) Up 41.95 percent since 1990 Census

Population, Ada County 332,523 (2004) Up 61.6 percent since 1990



Comparative Canyon County Population



Ada County	361,484
<u>Canyon County</u>	<u>167,141</u>
Combined	528,625

Canyon Co. as % of Ada-Canyon Counties

2000	30%
2002	31%
2003	31%
2004	32%
2005	32%

Population Growth Figures

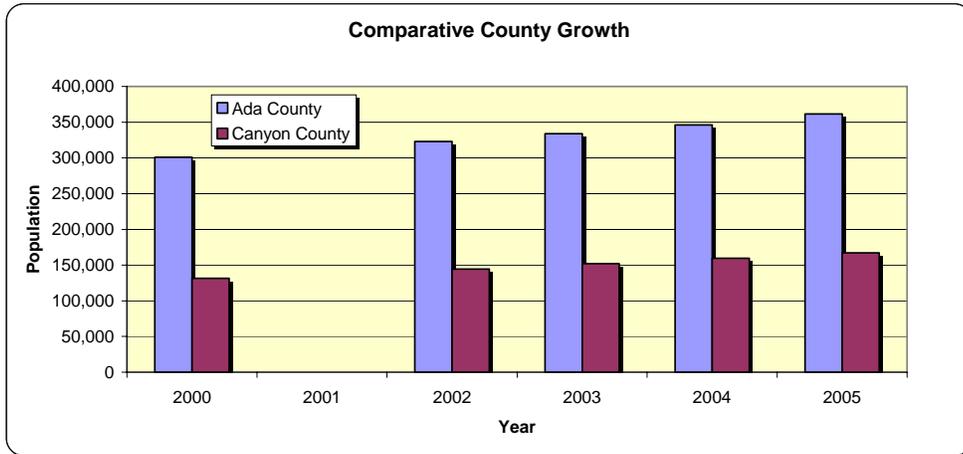
Ada County

	Boise			Eagle			Garden City		
Year	Pop.	Gain	%/YR	Pop.	Gain	%/YR	Pop.	Gain	%/YR
2000	185,787			11,085			10,624		
2001	NA			NA			NA		
2002	193,085	3,649	2.0%	13,380	1,148	10.4%	11,124	250	2.4%
2003	195,931	2,846	1.5%	14,144	764	5.7%	11,589	465	4.2%
2004	200,062	4,131	2.1%	16,418	2,274	16.1%	11,675	86	0.7%
2005	208,219	8,157	4.1%	18,428	2,010	12.2%	11,941	266	2.3%
Averages		4,696	2.4%		1,549	11.1%		267	2.4%
Medians		3,890	2.0%		1,579	11.3%		258	2.3%

	Kuna			Meridian			Total County		
Year	Pop.	Gain	%/YR	Pop.	Gain	%/YR	Pop.	Gain	%/YR
2000	5,382			34,919			300,904		
2001	NA			NA			NA		
2002	7,386	1,002	18.6%	39,744	2,413	6.9%	323,161	11,129	3.7%
2003	8,649	1,263	17.1%	42,481	2,737	6.9%	333,809	10,648	3.3%
2004	9,696	1,047	12.1%	47,690	5,209	12.3%	346,212	12,403	3.7%
2005	10,587	891	9.2%	56,108	8,418	17.7%	361,484	15,272	4.4%
Averages		1,051	14.3%		4,694	10.9%		12,363	3.8%
Medians		1,025	14.6%		3,973	9.6%		11,766	3.7%

Canyon County

	Caldwell			Nampa			Total County		
Year	Pop.	Gain	%/YR	Pop.	Gain	%/YR	Pop.	Gain	%/YR
2000	25,967			51,867			131,441		
2001	NA			NA			NA		
2002	28,857	1,445	5.6%	58,952	3,543	6.8%	144,417	6,488	4.9%
2003	30,716	1,859	6.4%	63,227	4,275	7.3%	152,174	7,757	5.4%
2004	33,059	2,343	7.6%	67,401	4,174	6.6%	159,531	7,357	4.8%
2005	35,086	2,027	6.1%	72,211	4,810	7.1%	167,141	7,610	4.8%
Averages		1,919	6.4%		4,200	7.0%		7,303	5.0%
Medians		1,943	6.3%		4,225	7.0%		7,484	4.9%



5 Mile Radius From Boise CBD	1990	2000	2004
Avg. Household Income	\$36,342	\$53,968	\$57,867
Median Household Income	\$28,649	\$40,374	\$43,369
Per Capita Income	\$14,744	\$22,308	\$24,459

Housing

The following table summarizes inventoried housing units within a five mile radius of the subject.

Housing Unit Trends 5 Mile Radius From CBD			
	1990	2000	2004
Total Housing Units	57,766	71,495	83,302
Owner Occupied Housing Units	60.3%	58.1%	58.6%
Renter Occupied Housing Units	35.1%	37.4%	36.8%
Vacant Housing Units	4.6%	4.6%	4.6%

The increases in housing units were due to the significant increases in average and median household income levels in the surveyed area.

As will be evidenced below, the median price for housing in Ada County has increased 37.20 percent since 1999 although the volume of sales has fallen from 1999 to 2004.

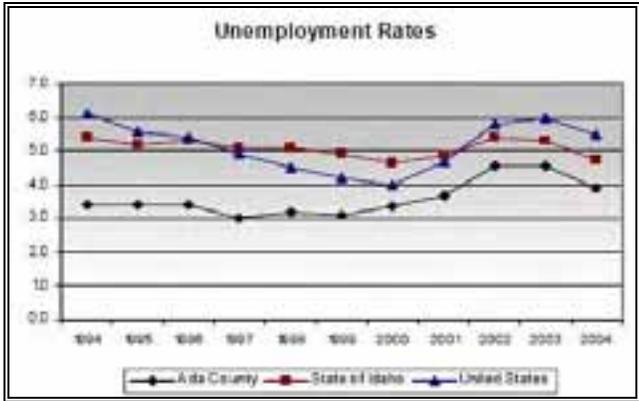
Ada County Housing Sales Volume & Median Prices				
Year	New Construction		Existing Homes	
	Sales	Median Price	Sales	Median Price
1999	5,176	\$137,392	9,160	\$114,227
2000	2,262	\$144,734	3,784	\$119,355
2001	2,198	\$158,788	4,528	\$126,651
2002	2,204	\$160,990	4,441	\$132,276
2003	2,567	\$166,653	4,942	\$136,725
2004	3,185	\$188,490	6,496	\$140,236
% Change from 1999 to 2004		37.20%	22.75%	
% Average Annual		7.44%	4.55%	

(Source: MLS)

Labor Force & Employment



(Source: Idaho Department of Labor)



The Ada County *Civilian Labor Force* exhibited strong growth through the past decade, increasing by 30.2 percent, or 41,624 individuals. During the last year, the labor force in Ada County grew by 2,774 individuals. Over the decade, while the number of individuals in the labor force increased, so did opportunities in employment. As a result, while the number of unemployed persons increased along with the labor force, the increases remained proportionate to one another keeping the unemployment rate fairly steady up until 2002. In 2002 the average annual unemployment rate increased to 4.7 percent from 3.5 percent in 2001.

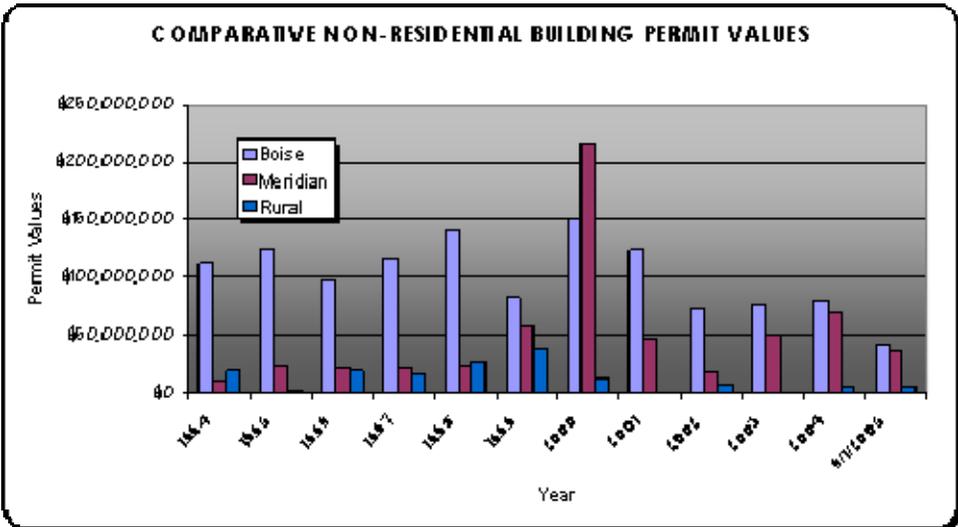
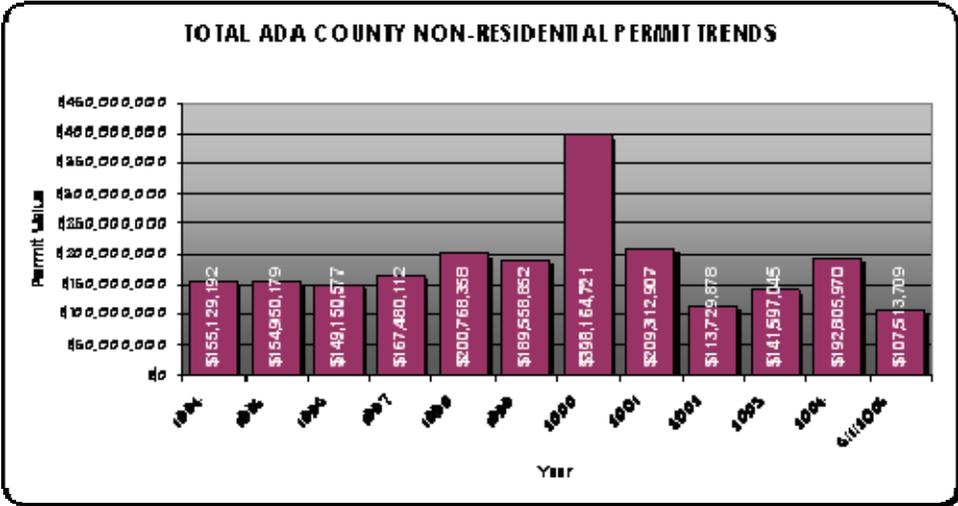
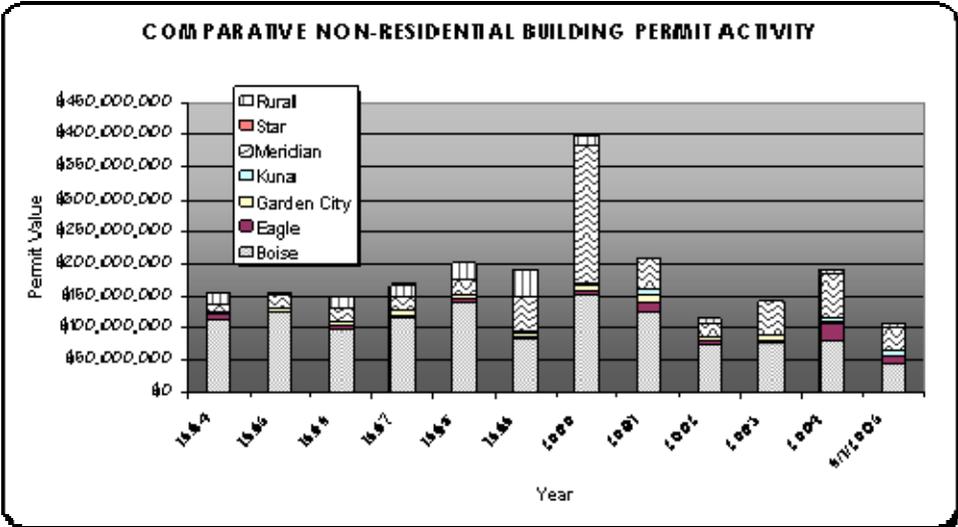
The economic slowdown in 2002 led by major employment losses in the high-tech industry contributed the most to the increased unemployment rate in 2002 and in 2003. Beginning in late 2003 and on into 2004 the slowdown subsided and the unemployment rate was back under 4 percent getting back closer to the levels of the 1990's and early 2000's. *Nonfarm Payroll Jobs* in Ada County increased by 65.4 percent, or 72,743 jobs, in the past decade.

All industrial sectors experienced an increase in the number of jobs with the largest increases in *Services* and *Mining & Construction* at 103.7 percent and 99.1 percent, respectively. *Finance, Insurance, & Real Estate* experienced a growth of only 17.9 percent over the last ten years; the growth rate of the industry has slowed after several mergers occurred in the mid-1990s. *Manufacturing* increased 51.9 percent over the decade with new jobs created primarily in electronics manufacturing. The Boise City MSA, which consists of Ada and Canyon Counties, was ranked the 5th best place in the United States to do business and advance a career, according to Forbes Magazine.

Commercial Building Permits

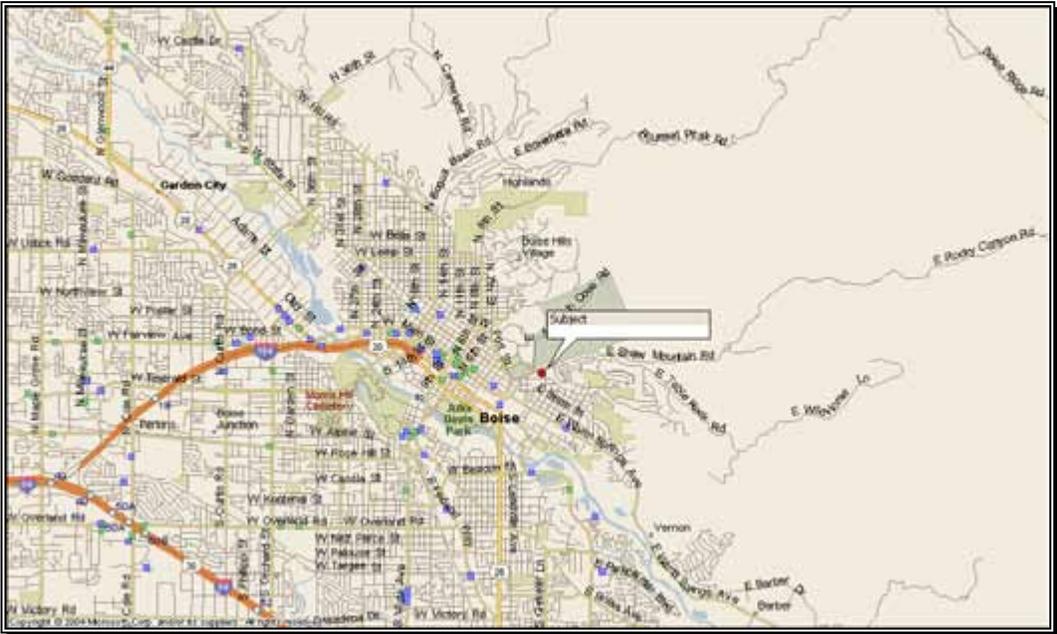
ADA COUNTY BUILDING PERMIT SUMMARY

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	6/1/2005
Commercial												
Boise	\$34,852,942	\$59,632,122	\$77,604,847	\$75,382,025	\$113,300,400	\$75,921,986	\$84,046,463	\$114,605,919	\$73,128,525	\$47,226,980	\$71,391,293	\$40,863,324
Eagle	\$1,332,270	\$20,000	\$4,063,769	\$1,518,508	\$969,866	\$2,294,160	\$7,492,953	\$12,071,504	\$8,098,884	\$3,717,635	\$15,272,368	\$11,250,692
Garden City	\$2,839,024	\$2,671,500	\$5,409,200	\$5,196,405	\$4,726,400	\$4,293,030	\$9,433,628	\$10,480,000	\$3,569,000	\$7,955,027	\$3,438,489	\$2,072,099
Kuna	\$248,100	\$0	\$1,014,899	\$1,410,373	\$0	\$928,459	\$226,954	\$555,491	\$980,778	\$534,611	\$2,822,740	\$198,614
Meridian	\$8,696,046	\$22,681,524	\$16,924,486	\$20,397,751	\$18,490,151	\$25,229,052	\$210,966,278	\$15,021,951	\$14,793,864	\$30,767,860	\$64,038,355	\$23,184,423
Star	\$0	\$0	\$0	\$0	\$0	\$0	\$423,000	\$0	\$78,000	\$0	\$2,057,900	\$1,575,899
Rural	\$6,072,400	\$2,587,964	\$11,820,836	\$13,109,267	\$15,610,291	\$26,684,737	\$6,657,419	\$33,000	\$8,255,443	\$0	\$4,320,127	\$1,822,169
Total County	\$54,040,782	\$87,593,110	\$116,838,037	\$117,014,329	\$153,097,116	\$135,351,424	\$319,246,695	\$152,767,865	\$108,904,494	\$90,202,113	\$163,341,272	\$80,967,220
Industrial												
Boise	\$73,365,632	\$64,442,308	\$793,896	\$2,955,048	\$6,660,000	\$4,948,250	\$31,740,910	\$4,155,000	\$376,675	\$506,780	\$0	\$1,041,105
Eagle	\$0	\$15,000	\$0	\$78,000	\$0	\$0	\$0	\$0	\$0	\$0	\$635,440	\$0
Garden City	\$0	\$138,000	\$697,800	\$294,000	\$0	\$0	\$0	\$650,000	\$0	\$0	\$0	\$0
Kuna	\$8,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,480,600	\$0
Meridian	\$0	\$0	\$1,164,791	\$0	\$604,000	\$11,900,000	\$321,000	\$3,564,000	\$0	\$0	\$787,524	\$0
Star	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$565,000	\$0
Rural	\$0	\$17,900	\$274,880	\$0	\$3,466,858	\$1,623,666	\$0	\$0	\$0	\$0	\$0	\$348,057
Total County	\$73,373,632	\$64,613,208	\$2,931,367	\$3,327,048	\$10,730,858	\$18,471,916	\$32,061,910	\$8,369,000	\$376,675	\$506,780	\$3,468,564	\$1,389,162
Public/Quasi-public												
Boise	\$3,796,320	\$1,560,704	\$18,978,939	\$37,735,998	\$20,280,066	\$2,065,254	\$35,868,506	\$5,785,484	\$519,140	\$28,464,173	\$5,695,412	\$699,976
Eagle	\$7,865,000	\$0	\$203,928	\$877,150	\$4,400,316	\$1,709,538	\$0	\$3,267,559	\$0	\$1,082,880	\$1,107,923	\$1,012,923
Garden City	\$0	\$859,800	\$0	\$2,008,500	\$750,000	\$650,000	\$0	\$0	\$136,000	\$612,994	\$2,000,000	\$30,000
Kuna	\$0	\$144,818	\$0	\$954,380	\$0	\$14,800	\$0	\$10,919,733	\$1,139,596	\$0	\$0	\$7,163,587
Meridian	\$3,010,000	\$178,539	\$3,111,236	\$1,654,454	\$3,659,904	\$20,553,370	\$5,222,914	\$27,914,833	\$2,653,973	\$20,728,105	\$12,474,799	\$13,125,888
Star	\$0	\$0	\$0	\$0	\$0	\$0	\$375,000	\$0	\$0	\$0	\$0	\$0
Rural	\$13,043,458	\$0	\$7,087,070	\$3,908,253	\$7,850,096	\$10,742,550	\$5,389,696	\$288,433	\$0	\$0	\$4,718,000	\$3,124,953
Total County	\$27,714,778	\$2,743,861	\$29,381,173	\$47,138,735	\$36,940,384	\$35,735,512	\$46,856,116	\$48,176,042	\$4,448,709	\$50,888,152	\$25,996,134	\$25,157,327
Ada County Total Non-Residential Permits by Community												
Boise	\$112,014,894	\$125,635,134	\$97,377,682	\$116,073,071	\$140,240,476	\$82,935,490	\$151,655,879	\$124,546,403	\$74,024,340	\$76,197,933	\$80,315,092	\$42,604,405
Eagle	\$9,197,270	\$35,000	\$4,267,697	\$2,473,658	\$5,370,182	\$4,003,698	\$7,492,953	\$15,339,063	\$8,098,884	\$4,800,515	\$24,942,507	\$12,263,615
Garden City	\$2,839,024	\$3,669,300	\$6,107,000	\$7,498,905	\$5,476,400	\$4,943,030	\$9,433,628	\$11,130,000	\$3,705,000	\$8,568,021	\$4,948,489	\$2,102,099
Kuna	\$256,100	\$144,818	\$1,014,899	\$2,364,753	\$0	\$943,259	\$226,954	\$11,475,224	\$2,120,374	\$534,611	\$4,303,340	\$7,362,201
Meridian	\$11,706,046	\$22,860,063	\$21,200,513	\$22,052,205	\$22,754,055	\$57,682,422	\$216,510,192	\$46,500,784	\$17,447,837	\$51,495,965	\$69,959,682	\$36,310,311
Star	\$0	\$0	\$0	\$0	\$0	\$0	\$798,000	\$0	\$78,000	\$0	\$2,622,900	\$1,575,899
Rural	\$19,115,858	\$2,605,864	\$19,182,786	\$17,017,520	\$26,927,245	\$39,050,953	\$12,047,115	\$321,433	\$8,255,443	\$0	\$5,713,960	\$5,295,179
Total County	\$155,129,192	\$154,950,179	\$149,150,577	\$167,480,112	\$200,768,358	\$189,558,852	\$398,164,721	\$209,312,907	\$113,729,878	\$141,597,045	\$192,805,970	\$107,513,709
Source: Ada Planning Association/Community Planning Association (COMPASS)												
Grand Totals	\$155,129,192	\$154,950,179	\$149,150,577	\$167,480,112	\$200,768,358	\$189,558,852	\$398,164,721	\$209,312,907	\$113,729,878	\$141,597,045	\$192,805,970	\$107,513,709

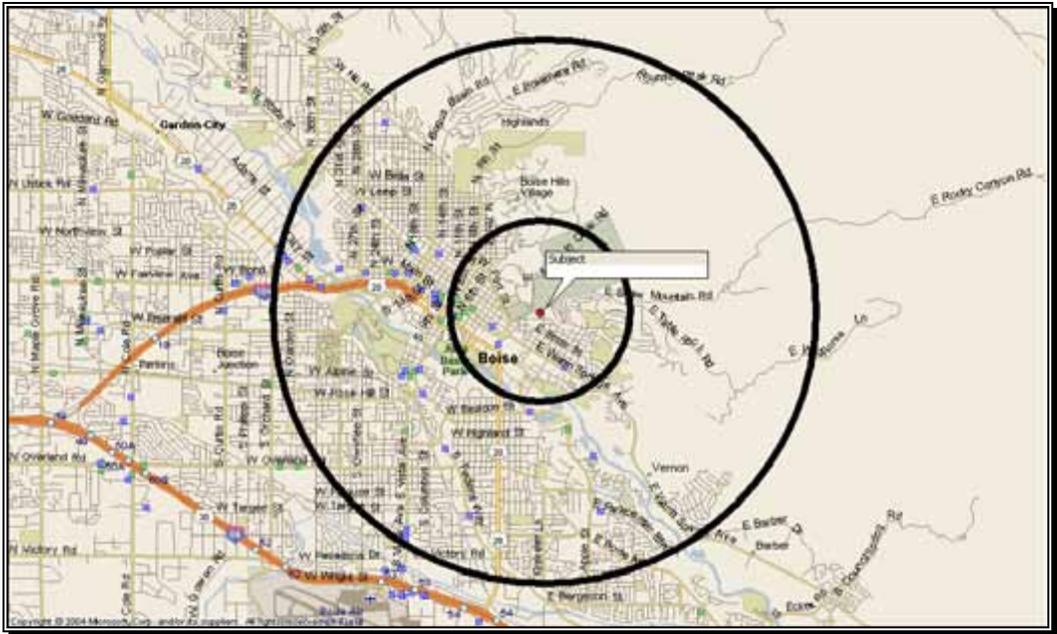


Neighborhood & District Influences

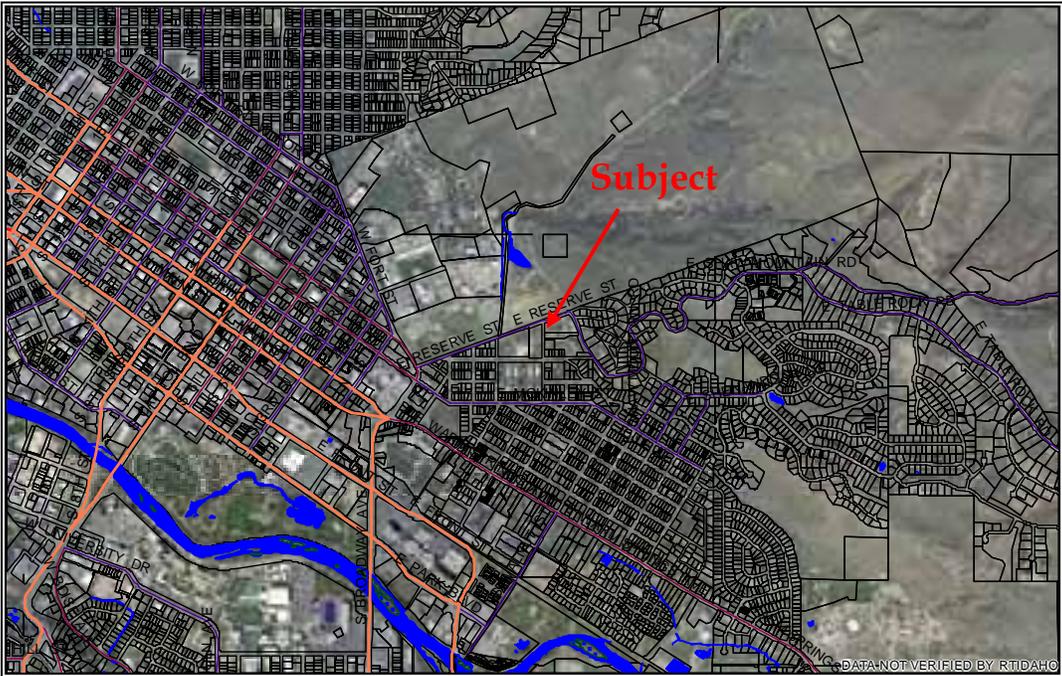
Vicinity Map



City Map—Showing 1- and 3-Mile Radii



Neighborhood/District Map



Neighborhood Defined Downtown Boise & eastern periphery

Neighborhood Boundaries
South Boise River
West 16th Street
North Boise Foothills
East Old Penitentiary Road

Overall Trends The neighborhood is characterized as well-established residential districts (some of which are classified as historic), CBD mixed-use districts dominated by office space, and medical nodes consisting of three hospitals and supportive medical facilities. The primary influences on the subject are the Elks Rehabilitation Hospital, the V.A. Hospital, St. Luke’s Regional Medical Center, and the federal government campus located along Avenue B and Front Streets to the west and southwest of the subject. Secondary influences include the subject’s proximity to the downtown financial/retail district as well as the governmental influences of the State Capital and Ada County Courthouse.

Neighboring Properties

The subject is located on the western end of the northeast Boise residential district, situated adjacent to Boise City Fire Department No. 1, Marquis Care Center (assisted living facility), the Laurel Park Apartments, and the Fort Boise Recreation and Community Center.

Recent Neighborhood Activity

Very little direct activity has occurred in the northerly periphery with the exceptions of hospital and related expansions. However, 3 or so blocks to the south, the downtown and southern periphery districts have seen considerable development and redevelopment activity.

In the early 1990s, the City of Boise developed their Community House on River Street. In 1994, two blocks north at River and Myrtle, Pioneer Plaza was developed, a 3-story office. A second phase was added in 1999, and achieved lease-up in 2000. About that same time, River Plaza was developed at the northeast corner of River and 13th Streets. River Plaza is a mixed open-market and Section 42-subsidized multifamily project of 116 units. The project is 3 stories above ground-level parking, with a courtyard design. The southernmost building in the project is a 3-story professional office built to suit three non-profit entities. At 9th and River Streets is a recent 3-story office known as The Cornerstone, which has a ground floor river-fronting restaurant known as the Cottonwood Grill. Northeast of that, at approximately 9th and Myrtle Streets, a parking garage was completed, between the 8th Street Marketplace and the Boise Center on the Grove.

A new convention center is planned between the Myrtle-Front couplet, between 11th and 13th Street. However, voters have twice turned down a ballot initiative to allow it, so its future is uncertain.

At 14th and River, Idaho Orthopedic Associates recently completed an ambulatory surgical center.

C.W. Moore Plaza is approximately an 8-story office with a penthouse events center, located at 5th and Front. It was developed in the late 1990s and is believed to be fully occupied.

One Front Street is a 4-story office building built in 1999-2000, across Front Street from the Courthouse, that achieved early acceptance at \$19.50/SF, but which to our knowledge has never gotten beyond about 70 percent occupancy.

Of specific relevance to the reason for strong development in the couplet is the recent relocation and development of the Ada County Courthouse complex. This larger property contains a total of 12 to 14 acres and is located west of Broadway Avenue, on the north side of Front Street, east of the CBD. The site was chosen due to its proximity to the CBD. An investor group purchased the land in the early 1990s for approximately \$6 per square foot, and it was put in the county's name in approximately 1995. The primary purpose for the county was to consolidate offices/agencies that were in various locations due to over-crowding at the main facility. As such, the new courthouse facility houses several county agencies and contains approximately 320,000 square feet. Extensive ancillary development is planned or has been completed for the larger project, including parking garages, subsidized multifamily housing, retail space, office space, etc.

The significance of the courthouse development is how it has impacted land values for properties in the Myrtle/Front Street corridor. Once the location of the new courthouse complex was announced (approximately 10 years ago), land prices for properties considered within walking distance to the new courthouse began to escalate at a rate higher than other commercial and residential properties in the CBD periphery that are not proximate to the proposed courthouse. Prior to the announcement of the proposed Ada County Courthouse, land in this immediate vicinity was selling at prices ranging roughly from \$6 to \$11 per square foot. Parcels of similar size and location are now commanding sale prices ranging roughly from \$20 to \$30 per square foot.

While the core area of the downtown district has historically been the focal point of the CBD, the previously-noted developments and expansion efforts have started to broaden the CBD to include the area just south of the CBD.

Along the Front Street "Courthouse Corridor" the Civic Plaza Apartments, approximately 298 units of rent-restricted housing units has completed lease-up and the Idaho Water Center, containing lease space for both government and private-sector tenants including the University of Idaho, U.S. Forest Service and CH2MHILL.

East of the CBD—specifically along the Broadway corridor south of the subject, recent developments in the past 5 to 10 years have included the development of a Marriott Courtyard hotel at ParkCenter and Broadway, a Perkins, and a Carl’s Jr. The nearby St. Luke’s Regional Medical Center has undergone several phased additions. On this same corridor south of the Boise River, retail development has occurred, and limited redevelopment activity is ongoing.

Proposed & Current Developments

Despite a continued soft office market, several projects are in various stages of planning or development:

The old Black Angus restaurant was recently demolished making way for the construction of the Riverfront Plaza office building.

Adjacent it to the east of 501 Front (southeast corner 5th and Front) is the proposed 6-story Bella Plaza, an office condo project.

Nahas et al. have been planning a 12-story high-rise at the corner of Capitol and Front. This project is to have an underground parking structure.

BoDo, the revamped name for the 8th Street Marketplace, recently opened some of the planned development, including: Ann Taylor Loft, P.F. Chang’s restaurant, Tully’s Coffee, a nine-screen Edwards Cinema, parking garage and an Office Depot. A 186-room Hampton Inn is under construction, and there are plans for additional retail and office projects.

Gary Christensen recently demolished the old First Security Parking Garage at the northeast corner of 10th and Bannock, and a 12-story office known as the Banner Bank Building is under construction. Each floor is to be a condo unit, available for sale or for lease. The anchor tenant is to be Banner Bank.

Currently there are multiple downtown condominium projects in various stages of development. The most notable are The Jefferson, a 40-unit residential development located at southeast corner of 4th and Jefferson, scheduled to commence construction in the spring of 2006; The Metropolitan located at 1511 W. Bannock is a planned 88-unit development with 32,000 SF of office/retail on the ground floor and is scheduled to commence construction in the spring of 2006; the City Side Lofts located at the SE corner of 13th and Myrtle is a 42-unit development currently under construction and the Royal Plaza located on the NW corner of 11th and Main.

Two recent land acquisitions adjacent to the to the intersection of Front and Park Streets proximate to the Washington Group International headquarters are planned for high-density residential developments, possibly with a ground level commercial component.

The J. Crist Art Gallery located on Main Street is in the final phases of construction.

Infrastructure Changes

In the early 1990s, Myrtle and Front Streets were realigned into a two-way couplet between Chinden Boulevard in Garden City, and Broadway Avenue in Boise, forming the Broadway-Chinden Connector (part of the Interstate-184 Business Loop). This created the impetus for the transition of the peripheral districts to mixed residential and commercial uses. Also in the early 1990s, the City of Boise created the Residential-Office zoning district for the downtown periphery, to encourage mixed office, residential and limited retail uses in the subject's district. The most recent infrastructure change was the 2001 completion of another bridge over the Boise River just east of Broadway, which channels into the Connector.

Distance to CBD

The pedestrian core of the Boise CBD is generally that area bounded by 6th Street, Jefferson Street, 10th Street and Front Street. The subject's location is roughly 8 blocks east of this core, and its periphery CBD location is considered an amenity of the property.

Infrastructure

Maintenance of roads, recreational areas and facilities is provided by the public sector. Boise City Police and the Boise Fire Department provide public safety services.

Economic Base

Downtown Boise is the financial district of the community, as well as home to the legal community. After an exodus in the late 1980s, downtown Boise has a thriving retail sector, and is home to the community's only high-rise development.

Prices & Rates

Land Prices

Land sale activity has ranged from about \$7 per square foot in the periphery, to over \$40 per square foot in the downtown core. The typical range in the CBD periphery is \$10 to \$15 per square foot, with the area between Capitol Blvd. and Broadway around the Connector recently trending into the mid-\$20s and approaching the low-\$30s per square foot, influenced by completion of the new Ada County Courthouse and Administrative Campus.

Conclusions

The subject is located in the northeastern periphery of the CBD, and just a few blocks north of the Courthouse Corridor. The parcel is located within walking distance of the U.S. Federal Building, the Ada County Courthouse and three hospitals, dictating the most probable type of use relative to its zoning is high-density residential.

Zoning & Administrative Requirements

District Defined

The subject property is split zoned, falling within the Boise City Combined Residential (R-2) and Multi-Family Residential (R-3) zoning districts.



The R-2 district is defined as:

It is the purpose of the R-2 District classification to accommodate a need for medium density residential zones within the City. Land may be classified R-2 in conformity with the goals and objectives of the Comprehensive General Plan to create medium density residential zones on the periphery of more intensive land use areas, to intersperse in the R-2 District limited garden type apartments and in some selected areas, upon City approval, permit quasi-residential uses as well as for the purpose of creating balanced residential zoning patterns within the City. (5777, Amended, 01/28/1997)

The R-3 district is described as:

It is the purpose of the R-3 District classification to provide higher density residential zones, well integrated into the community pattern to accommodate a demonstrated need for residential uses convenient to shopping, recreation, cultural and other concentrated community facilities and to provide an orderly transition from more intensive, high density uses to less intensive, lower density uses. (5777, Amended, 01/28/1997)

Allowable Uses

Permitted uses in the R-2 district include single-family residential dwellings, duplex - one per lot, mobile home, one "A" per lot, and child care within school building after school. Other uses allowed with a conditional use permit include assisted living for more than 8 residents, 3 to 6 dwelling units in 1 building, fraternity or sorority house, mobile home parks, recreation center and schools (public, private or parochial).

Permitted uses within the R-3 district can be generally described as single-family dwellings or duplexes, professional offices if bordering a commercial or industrial zone and high-density multiple-family dwellings.

Likelihood of a Zoning Change

As depicted in the previous zoning map, the subject is split zoned, with roughly 50 percent of the site lying in the R-3 zoning district and approximately 50 percent lying in the R-2 district. The current Boise City Comprehensive Plan and associated Land Use Map indicate this is the indented use for the area, illustrated on the current Land Use Map:



As will be discussed in the Highest and Best Use section, the highest and best use of the subject property is high-density residential development, and a rezoning of the western ½ of the subject site from R-2 to R-3 results in higher development density and a higher return to the land. We discussed the possibility of a rezone of this portion with Angela Wood of the Boise City Planning and Zoning Department who stated that based on the current Comprehensive Plan and Land Use Map, a rezone might require an amendment of the Comprehensive Plan. Ms. Wood suggested the likelihood of a Comprehensive Plan amendment specific to the situation at hand would best be answered by Kathleen Lacey, the Chief Comprehensive Planner. Ms. Lacey researched the subject property relative to the Land Use Chapter of the Comprehensive Plan, referencing Policy 7, which states:

In any instance where the land use map land use designation does not follow an existing parcel line, the actual delineation of uses shall be established at the time of zoning and/or development request. The zoning must generally adhere to the land use boundaries depicted on the land use map, but flexibility in interpretation of the boundary may be granted by the Planning and Zoning Commission. (Boise City Comprehensive Plan, 8.2.7)

Ms. Lacey stated based the subject being under common ownership, and the surrounding development, that rezoning the eastern portion of the subject parcel to R-3 is consistent with the Comprehensive Plan and would not require an amendment of the Comprehensive Plan. Additionally, Ms. Lacey reported that she would recommend to the P & Z Commission that such a rezone be approved and considered the likelihood of such to be very high.

Therefore, the likelihood of a rezone of the portion of the subject currently zoned R-2 to the R-3 zoning classification is considered to be very high, and we have analyzed and valued the subject accordingly.

Developmental Restrictions

Following is a table displaying the restrictions for the R-3 category:

Minimum Requirements	R-3
Minimum Lot Area (SF)	
Interior lots	5,000
Minimum Average Lot Width	
Interior lots	50'
Minimum Street Frontage	30'
Setbacks	
Front Yard	20'
Side Yard (min 5' max 15' in L-O)	
1-story	5'
2-story	10'
Above 2-story	15'
Street side yard	20'
Rear yard	
1-story	15'
2-story	15'
More than 2-stories	20'
Yard adjacent to the Interstate or Connector	20'
Maximum building Height	45'
Maximum dwelling units per acre	43.5

Conclusions

The existing Boise City Armory building is a grandfathered, non-conforming use in both the R-2 and R-3 zoning districts. Based on conversations with Boise City representatives, rezoning the subject parcel entirely to the R-3 district is very likely. As such, a potential conversation or demolition of the existing improvements for the redevelopment of a high-density residential project would be an allowable use in the R-3 zoning district.

Real Estate Taxes and Assessments

The parcels are currently owned by the public sector. Therefore, there is no relevant assessment of the land or improvements by the Ada County Assessor's Office.

Site Description

The subject property is comprised of a standalone tax parcel (R4671540210) located at the southwest corner of Reserve Street and Avenue H, and the eastern portion of a tax parcel (R4671540100), which includes the Armory building and the adjacent Boise City Fire Department No. 1. Based on the provided legal description, the subject's boundaries are approximately identified on the following aerial map:



Physical Characteristics

Location	801 Reserve Street
Legal Description	Metes and Bounds description available in the Addenda
Size	4.965± AC/216,288± SF
Shape	Irregular
Frontage	The subject site has approximately 512± linear feet of frontage along Reserve Street, 521± linear feet along Avenue H and 538 linear feet along Logan Street.
Access	The subject has ingress/egress via two curb cuts along Reserve Street and one along Avenue H.

Topography The subject is generally level and at grade with abutting right-of-ways and surrounding parcels.

Developmental Restrictions No significant physical or legal development restrictions are apparent.

Environmental Analysis We were not provided an environmental site assessment report (ESA).

We expressly assume that no hazardous materials or other contamination exist which would constitute a detriment to marketability or value. We profess no expertise in contamination issues.

Soil Conditions We have no expertise in soils suitability or hydrogeology. We are aware of no problems with the subject’s soils that would limit development or redevelopment potential, and observed no signs of settling for building improvements in the area.

Utilities and Easements

Utilities noted

Utility Status		
Service	Apparent Provider	Status
Water	United Water Corporation	Available to and on the subject property
Sewer	City of Boise	Available to and on the subject property
Natural Gas	Intermountain Gas Co.	Available to and on the subject property
Electricity	Idaho Power	Available to and on the subject property
Geothermal	City of Boise	Available to and on the subject property
Telephone	Qwest Communications	Available to and on the subject property

Geothermal The subject is located in an area of Boise served by the City’s geothermal hot water service, illustrated on the following page.



The Amory building has historically utilized geothermal hot water in heating the improvements. The City has a water right for the use of 230,000,000 gallons per year, and based on conversations with Kent Johnson in the Public Works Department, approximately 200,000,000 gallons are currently being utilized annually. Mr. Johnson reports the 200,000,000 gallons is being used to heat roughly 3,000,000 square feet of improvements and that there is capacity within the geothermal water right to accommodate redevelopment of the subject site, which will be discussed in the Highest and Best Use section to follow.

Liens & Easements of Record

We were not provided a title report on the subject property.

No adverse conditions are apparent, and we specifically assume there to be no adverse title issues.

Off-Site Influences

Drainage

Drainage appears to be typical. No adverse conditions are apparent.

Seismic Classification

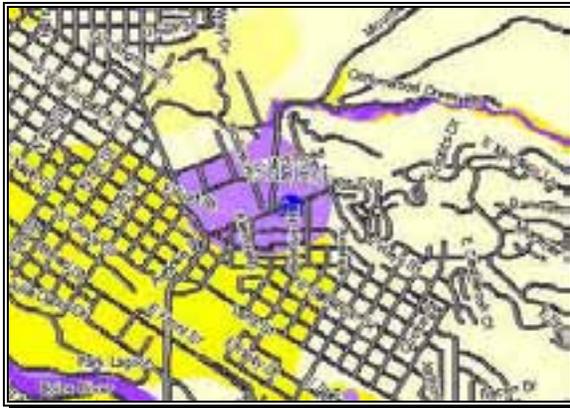
Believed to be UBC Zone 2b. No significant risks apparent. Nonetheless, seismic bracing would likely be required for any reuse of the improvements.

Flood Zone Classification

Immediately following is presented a Transamerica Flood Hazard Certification, as obtained from the following website: <http://www.floodinsights.com/>.

Flood Zone Determinations

Community	Community Name	Zone	Panel	FIPS Code	Census Tract	Panel Date
160002	City of Boise	AO	0281H	16001	0007.00	February 19, 2003



The subject lies within the Cottonwood Creek 100-year floodway, and is situated across the street from the last in a series of three retention areas constructed by the city in the event of Cottonwood Creek flooding, utilized as an off-leash dog park. Jim Wylie of the Boise City Public Works Department indicates the greatest threat of Cottonwood Creek flooding is from a severe thunderstorm, followed by combination of rain and snow. The subject has been previously identified as lying in the Boise City “Floodway Fringe” and “Area of Shallow Flooding” zones, but Mr. Wylie reports there is no specific city mapping associated with these designations, and they are based on the subject property being situated in the FEMA AO flood zone. As such, any development and/or redevelopment of the subject site would require finished floors to be elevated at a minimum to the base flood level in the AO Zone, which would be one foot above existing grade.

Conclusions

Based on the subject’s proximity to employment centers such as three hospitals, the CBD financial center, and the Federal and Ada County Courthouse, the subject has a desirable location for a high-density residential development/redevelopment.

Description of the Improvements

Overview

Recall from the Property History section, the subject was constructed in phases, the first being the single-story rear of the building originally constructed as stables in 1931 and later converted to a garage and maintenance shop. The central portion (originally utilized as a drill hall) and the first and second floors of the front portion of the building were constructed in 1936 and 1937. The east and west ends of the second floor were constructed 1956.

The interior finish and partitioning of the first and second floors of the front portion of the building, as well as the finished area located in the southeast portion of the rear of the building, are in extremely poor condition. Water damage is significant, with numerous areas of water leaking from the roof through the second floor ceiling, through the second level flooring to the ground level sub-flooring. A majority of the interior partitioning walls have been water damaged and/or physically damaged beyond salvage. Overall, the existing interior partitioning and finished areas (including the second floor) is beyond repair and the interior of the building would need to be completely gutted, inclusive of plumbing, heating/cooling and electrical systems, for any possible economically feasible redevelopment scenario. As such, a detailed description of the existing interior improvements is not warranted, and the following building description focuses on the building as a shell.

Based on our physical inspection the building appears to be structurally sound, but any potential renovation/redevelopment would likely require a new roof cover at the very least, and potentially a new roof. In fact, any significant renovation or conversion of the subject building for an alternative use would require extensive engineering analysis relative to the structural integrity of exterior walls, interior load bearing walls and the existing roof, which is well beyond the scope of this analysis.

The building size figures reflected in this report are based on our field measurements, and are assumed to be accurate.

Year of Construction	1931, 1936 & 1937 and 1956
GBA (Above Grade)	40,150± SF
Rear Portion	10,950±SF
Central Portion	14,600±SF
Front Portion (shell only)	7,300+ SF
Basement	7,300± SF

Remaining Economic Life	The varied age of the building components comprising the subject property makes estimating remaining life very subjective. The typical straight-line (age/life) approach to depreciating a property, particularly one of concrete construction such as the subject, is flawed in that normal maintenance can retard deterioration and the typical physical life and value-in-use generally extends well beyond an estimated economic life. The exterior shell of the building appears to be relatively sound, and while admittedly subjective, it is our opinion that these components of the subject will remain functional for an estimated 30± years or longer if renovated and well maintained.
Foundation	Poured in place concrete
Roof	Generally flat, built-up, wood joists and open web steel joists. Middle section is exposed steel bowstrung trusses with intermediate wood framing.
Exterior Walls:	Cast-in-place concrete
Overhead Doors	3 overhead roll-up doors.
Floor Finish	The basement and first floor central and rear area is concrete slab. The front main floor area is wood planking on wood floor joists.
Heating/Cooling	Cooling was apparently added to the building in 1972 and consisted of four rooftop air conditioning units, the condition of which is unknown. In 1986 the existing steam system was converted to geothermal hot water system using existing piping and radiators.
Windows	Windows are single pane in a steel frame, set into the concrete wall.
Basement	The basement was presumably constructed under the front portion of the building in 1936/1937 and includes below grade window wells providing some daylight entry.

Site Improvements

Parking Lots

There is a relatively new parking area adjacent to the east of the building with striped parking stalls, light poles, concrete curbing and landscape islands. There is also more aged paving located in the front (north) of the building and on the west side of the building utilized as a driveway and parking area.

Landscaping

Good lawn area and mature trees in the front of the building, but the islands located in the east parking lot have not been landscaped.

Other

There are concrete side walks on the north and east side of the building, as well as a concrete base and flag pole in the front lawn area. There is roughly 500 feet of chain-link fencing situated on the southwestern portion of the site which appears to have at one time been utilized to enclose an outdoor storage area. Also in this portion of the site there is a 12'X 20' aged concrete block storage building, with no contributory value.

Conclusions

The exterior walls of the subject appear to be sound, but the interior partitioning and finish are damaged beyond repair. This is also likely true of the second floor framing/flooring. Thus, only the exterior shell of the building has potential utility and market value, and only if a developer determines the existing building shell can be converted to an economically viable alternative use.