



Agenda: Thursday, October 26, 2017, 7:00 a.m.

City of Moscow Council Chambers • 206 E 3rd Street • Moscow, ID 83843

1. **Consent Agenda** - Any item will be removed from the consent agenda at the request of any member of the Board and that item will be considered separately later.
 - A. Minutes from October 5, 2017
 - B. September 2017 Payables
 - C. September 2017 Financials

ACTION: Approve the consent agenda or take such other action deemed appropriate.

2. **Public Comment for items *not on agenda*:** Three minute limit
3. **Announcements**
4. **Sangria Downtown LLC Development and Disposition and Owner Participation Agreements – Bill Belknap**

On April 24, 2015, the Agency entered into an Exclusive Negotiation Agreement (ENA) with Sangria Downtown LLC to acquire and develop the Agency's Sixth and Jackson property. The ENA contained a schedule of performance for the negotiations that required the completion of certain tasks by specific dates. The schedule of performance was formally extended by the Board on January 21, 2016, June 16, 2016, and March 2, 2017 due to both delays in the environmental remediation of the property as well as the development design process that Sangria Downtown has undertaken. At the Board's October 5th meeting the ENA was extended to November 10, 2017.

The fair use appraisal has been completed for the two remnant triangles located on both sides of the Hello Walk (one of approximately 16,000 square feet and one of approximately 11,000 square feet) by Gem Valley Appraisal and the Disposition and Development Agreement (DDA) had been prepared for the Board's consideration. Under the DDA, Sangria Downtown LLC is required to construct the project as previously approved by the Board which includes construction of a 15,421 square foot building including 6,107 square feet of ground floor commercial space, 12 lofted residential units and associated site improvements. Sangria Downtown is required to secure their final financing approval within 120 days and initiate construction by no later than May 31, 2018 and complete construction by no later than June 30, 2019. In consideration these restrictions and conditions the remnant triangles on either side of the Hello Walk would be sold to the Sangria Downtown for \$100,000, which is above the remnant property's appraisal's fair use value of \$25,503. The property conveyance would not occur until the developer's financing and final construction plans have been approved by the Board.

Sangria has also requested reimbursement of the frontage improvements on Jackson Street which would include in street, curb and sidewalk reconstruction and installation of decorative pavers, street trees and lights with an estimated total cost of \$97,448 through a standard Owner Participation Agreement (OPA) where Sangria would fund the improvements and would be reimbursed from tax increment received from their project. Staff has prepared the OPA agreement for the Board's review.

As specified under the recently revised Bylaws, the MURA Finance Committee will meet to review the proposed DDA and OPA on October 24th and Staff will convey their recommendation to the Board at the meeting.

ACTIONS:

1. Approve the proposed Disposition and Development Agreement and with Sangria Downtown LLC; or take other action as deemed appropriate.
2. Approve the proposed Owner Participation Agreement and associated Resolution with Sangria Downtown LLC; or take other action as deemed appropriate.

5. General Agency Updates – Bill Belknap

- Legacy Crossing District
- Alturas District
- General Agency Business

NOTICE: Individuals attending the meeting who require special assistance to accommodate physical, hearing, or other impairments, please contact the City Clerk, at (208) 883-7015 or TDD 883-7019, as soon as possible so that arrangements may be made.



Minutes: Thursday, October 5, 2017, 7:00 a.m.

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Commissioners Present	Commissioners Absent	Also in Attendance
Steve McGeehan, Chair	Steve Drown	Bill Belknap, MURA Executive Director
Art Bettge	Ron Smith	Gary Riedner, Interim Treasurer
Dave McGraw	John Weber	Anne Peterson, MURA Clerk
Brandy Sullivan		

Chair McGeehan called the meeting to order at 7:03 a.m.

1. **Consent Agenda** - Any item will be removed from the consent agenda at the request of any member of the Board and that item will be considered separately later.

A. Minutes from September 21, 2017

ACTION: Approve the consent agenda or take such other action deemed appropriate.

McGraw moved approval of the consent agenda, seconded by Bettge. Motion passed unanimously.

2. **Public Comment for items *not on agenda*:** Three minute limit.

None.

3. **Announcements**

None.

4. **Amendment to Exclusive Negotiation Agreement with Sangria Downtown LLC – Bill Belknap**

On April 24, 2015, the Agency entered into an Exclusive Negotiation Agreement (ENA) with Sangria Downtown LLC to acquire and develop the Agency's Sixth and Jackson property. The ENA contained a schedule of performance for the negotiations that required the completion of certain tasks by specific dates. The schedule of performance was formally extended by the Board on January 21, 2016, June 16, 2016, and March 2, 2017 due to both delays in the environmental remediation of the property as well as the development design process that Sangria Downtown has undertaken. It is anticipated that consideration of the Development and Disposition Agreement (DDA) will be before the Board for consideration in the month of October once the fair use appraisal has been completed for the project. The appraisal is currently scheduled to be delivered to the Agency on October 16th. Staff is recommending that the Board grant an extension to the ENA and schedule of performance to terminate on November 10th, 2017.

ACTION: Approve the proposed extension and amended schedule of performance with Sangria Downtown LLC to November 10th, 2017; or take other action as deemed appropriate.

Belknap reviewed the issues that delayed the schedule of performance and recommended a formal amendment of the ENA to remove any concern during the DDA negotiation. Bettge moved approval, seconded by Sullivan. McGraw said despite the frustrations through this process he thought it was the right thing to do. He asked the status of Sangria's financing approval and Belknap said one of their impediments for final approval is not yet having a Purchase Sale Agreement. The fair use appraisal will set the minimum price the property can be sold for and should be available to Board on October 26 at

which time the purchase price can be established through the DDA, which in turn will have milestone dates for complete financing approval and construction. Motion to amend the schedule of performance carried unanimously.

5. Adoption of Bylaw Amendment Pertaining to Standing Subcommittees – Bill Belknap

At the Board's August 17th meeting the Board discussed the three different standing subcommittees currently identified within the Agency current bylaws. The Finance Committee has generally met at least once a year to review the proposed Agency budget but the other committees have been inactive for the last seven years. The Board directed Staff to prepare an amended draft of the bylaws to remove the Governmental Relations and Marketing Committees and to add specific duties and responsibilities for the Finance Committee. The draft amendments were reviewed by the Board on September 21 at which time the Board directed Staff to prepare the amendments for formal adoption.

ACTION: *Approve the proposed revised Bylaws; to take other action as deemed appropriate.*

Revised bylaws would assign the following specific additional duties to the Finance Committee:

"...review and provision of recommendations to the Agency's Board of Commissioners regarding the following items:

- a. The Agency's draft annual capital improvement plan and appropriations budget;*
- b. The consideration of the issuance of bonds or other debt instruments;*
- c. The purchase, sale, or lease of any real property owned or to be acquired by the Agency;*
- d. Any proposed owner participation agreement or other financial contribution to private or public development projects that are:*
 - i. Not included within the Agency's capital improvement plan; and*
 - ii. Not included within the Agency's annual appropriations budget; and*
 - iii. Where such initial financial contribution or future repayment commitment by the Agency is in excess of fifty thousand dollars (\$50,000).*
- e. Any other matter that may be referred to the Finance Committee by the Board of Commissioners.*

Sullivan suggested terms of appointment might be prudent. Following brief discussion, Commissioners agreed to add the words, "terms shall be at the discretion of the Board." Bettge recommended approval of the revised Bylaws with the additional language in Article IV regarding terms. Sullivan seconded the motion which carried unanimously.

6. Agency Policy Development Discussion – Bill Belknap

During the recent strategic planning process it was identified that the Agency has not adopted formal policies that address and direct many of the Agency's activities. At the Board's August 17th meeting, Staff recommended that the Agency establish and adopt formal policies that address a number of specific areas including various elements of general Agency administration, financial controls, and development project participation. Staff will facilitate a continued discussion of potential policy elements and seek Board direction.

ACTION: *Review draft policy elements and provide Staff with direction.*

In follow-up to the last meeting's discussion about proposed policy topics regarding Agency Administration and Financial Operations, Belknap presented the final section regarding Development Project Participation. Board members thought his proposed topics were all on point. McGeehan acknowledged the difficulty in creating policy and procedure to guide actions while still providing flexibility. Belknap said much of the administrative language was from State statute with additional sample language from other agencies. He didn't expect the final language to be overly lengthy or burdensome. Commissioners directed to staff to proceed with policy text.

7. General Agency Updates – Bill Belknap

- Legacy Crossing District
 - Garrett Thompson reported that environmental testing of his triangle property at Spotswood and the Troy Highway has been approved by IDEQ and TerraGraphics will conduct the testing late this fall.
- Alturas District
 - No update.
- General Agency Business
 - Nothing further.

McGeehan reminded the Board that the October 19th meeting has been postponed to October 26th.

Brenda vonWandruzska asked Riedner about the public comment period for items not on the agenda. Riedner said it is the Board's discretion to respond to any questions presented during the public comment period. If they want to discuss it in detail or to research more fully prior to responding, they may choose to defer the response to a later agenda. Riedner said during a public hearing the Board is required to accept all public input, but during a public meeting the Chair must balance public comments with maintenance of the scheduled agenda.

The meeting adjourned at 7:50 AM.

Steve McGeehan, Agency Chair

Date



Balance Sheet
September 30, 2017

	Total Funds
ASSETS	
Cash	35,330
Investments-LGIP	516,382
Investments-Zions Debt Reserve	44,318
Taxes Receivable	2,425
Accounts Receivable	-
Land Held For Resale	531,256
Land	656,256
Total Assets	<u>1,785,967</u>
LIABILITIES	
Accounts Payable	122,049
Deposits Payable	5,000
Series 2010 Bond - due within one year	27,000
Latah County payback agreement - due within one year	3,500
Series 2010 Bond - due after one year	347,000
Latah County payback agreement - due after one year	105,037
Total Liabilities	<u>609,586</u>
FUND BALANCES	
Net Assets Invest. Cap Assets	326,568
Restricted Fund Balance	44,312
Unrestricted Fund Balance	937,137
Total Fund Balance	<u>1,308,017</u>
Retained Earnings:	<u>-131,637</u>
Total Fund Balance and Retained Earnings:	<u>1,176,380.83</u>
Total Liabilities, Fund Balance and Retained Earnings:	<u>\$1,785,967</u>

Checks by Date - Detail By Check Date

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September 2017

				Check Amount
4501	UAVISTA	Avista	9/26/2017	
	August 2017	6th & Jackson Utilities		37.67
Total for Check Number 4501:				<u>37.67</u>
4502	UCITYMOS	City of Moscow	9/26/2017	
	August 2017	Utilities August 2017		188.95
	September 2017	Administrative Service		3,862.50
Total for Check Number 4502:				<u>4,051.45</u>
4503	UELAMBUR	Elam & Burke	9/26/2017	
	169783	Reimbursement Agreement Review		231.95
Total for Check Number 4503:				<u>231.95</u>
4504	UROSAUER	Rosauers	9/26/2017	
	02-586209	Meeting Materials		17.56
Total for Check Number 4504:				<u>17.56</u>
Total Bills for August 2017				<u><u>4,338.63</u></u>

The Bills paid in October for September are on the Accounts Payable line of the Balance Sheet for \$122,048.89. These will show on the October Check by date and Check approval Paperwork.

Checks for Approval

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September 2017

Check	Check Date	Account Name	Vendor	Void	Amount
4501	09/26/2017	Heat, Lights & Utilities	Avista		37.67
4502	09/26/2017	Heat, Lights & Utilities	City of Moscow		188.95
4502	09/26/2017	Administrative Services	City of Moscow		3,862.50
4503	09/26/2017	Professional Services-Legacy	Elam & Burke		231.95
4504	09/26/2017	Misc. Expense-General	Rosauers		17.56
Report Total:					<u>4,338.63</u>

Accounts payable expenditures as contained herein were made in compliance with the duly adopted budget for the current fiscal year and according to Idaho law.

Steve McGeehan, Chairperson

Bill Belknap, Executive Director

Gary J Riedner, Treasurer

General Ledger Exp to Bud

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Period 01 - 12
Fiscal Year 2017

September 2017

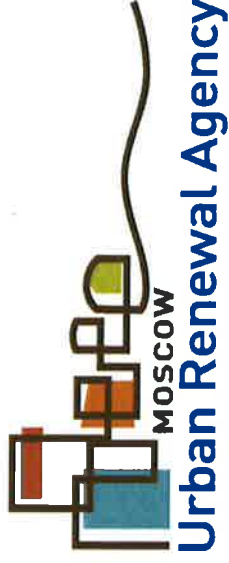


Account Number	Description	Budget	Period Amount	End Bal	Variance	Avail/Uncollect	% Collected
890	Moscow Urban Renewal Agency						
880	URA - General Agency	\$ 46,350.00	\$ 3,862.50	\$ 46,350.00	\$ -	\$ -	100.00%
890-880-10-642-00	Administrative Services	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
890-880-10-642-10	Professional Services-Exec Dir	\$ 6,000.00	\$ -	\$ 850.00	\$ 5,150.00	\$ -	14.17%
890-880-10-642-15	Professional Services-Other	\$ 5,000.00	\$ -	\$ 4,700.00	\$ 300.00	\$ 5,150.00	94.00%
890-880-10-642-20	Professional Services-Auditing	\$ 1,000.00	\$ -	\$ 2,456.95	\$ (1,456.95)	\$ (1,456.95)	245.70%
890-880-10-642-30	Marketing Expense-Computer	\$ 1,000.00	\$ -	\$ 220.32	\$ 779.68	\$ 779.68	22.03%
890-880-10-644-10	Liability Insurance-General	\$ 1,650.00	\$ -	\$ 1,507.00	\$ 143.00	\$ 143.00	91.33%
890-880-10-668-10	Contractual	\$ 61,000.00	\$ 3,862.50	\$ 56,084.27	\$ 4,915.73	\$ 4,915.73	91.94%
E02							
890-880-10-631-10	Postage Expense	\$ 100.00	\$ -	\$ -	\$ 100.00	\$ 100.00	0.00%
890-880-10-631-20	Printing and Binding	\$ 400.00	\$ -	\$ 98.33	\$ 301.67	\$ 301.67	24.58%
890-880-10-647-10	Travel & Meetings-General	\$ 1,000.00	\$ -	\$ 44.44	\$ 955.56	\$ 955.56	4.44%
890-880-10-649-10	Professional Development	\$ 1,000.00	\$ -	\$ -	\$ 1,000.00	\$ 1,000.00	0.00%
890-880-10-669-10	Misc. Expense-General	\$ 500.00	\$ 24.32	\$ 333.22	\$ 166.78	\$ 166.78	66.64%
E03	Commodities	\$ 3,000.00	\$ 24.32	\$ 475.99	\$ 2,524.01	\$ 2,524.01	15.87%
880	URA - General Agency	\$ 64,000.00	\$ 3,886.82	\$ 56,560.26	\$ 7,439.74	\$ 7,439.74	88.38%
890	Urban Renewal Agency						
890-890-10-642-10	Professional Services-Alturas	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
890-890-10-642-12	Land Sale Expense-Alturas	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
890-890-10-644-10	Marketing Expense-Alturas	\$ 4,000.00	\$ -	\$ 73.12	\$ 3,926.88	\$ 3,926.88	1.83%
E02	Contractual	\$ 4,000.00	\$ -	\$ 73.12	\$ 3,926.88	\$ 3,926.88	1.83%
890-890-10-647-10	Travel & Meetings-Alturas	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
890-890-10-658-10	Repairs & Maintenance	\$ 5,000.00	\$ 2,974.40	\$ 2,974.40	\$ 2,025.60	\$ 2,025.60	59.49%
890-890-10-669-10	Misc. Expense-Alturas	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
E03	Commodities	\$ 5,000.00	\$ 2,974.40	\$ 2,974.40	\$ 2,025.60	\$ 2,025.60	59.49%

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Account Number	Description	Budget	Period Amount	End Bal	Variance	Avail/Uncollect	% Collected
890-890-10-770-73 E04	Improvements-Alturas Capital Outlay	\$ - \$ -	\$ - \$ -	\$ - \$ -	\$ - \$ -	\$ - \$ -	0.00% 0.00%
890-890-10-800-00 E20	Termination Plan Other Financing Uses	\$ - \$ -	\$ - \$ -	\$ - \$ -	\$ - \$ -	\$ - \$ -	0.00% 0.00%
890-890-10-699-74 890-890-10-699-99 E81	Depreciation Expense Amortization Expense Depreciation & Amortization	\$ - \$ - \$ -	\$ - \$ - \$ -	\$ - \$ - \$ -	\$ - \$ - \$ -	\$ - \$ - \$ -	0.00% 0.00% 0.00%
890-890-10-900-01 E90	Contingency - Alturas Contingency	\$ - \$ -	\$ - \$ -	\$ - \$ -	\$ - \$ -	\$ - \$ -	0.00% 0.00%
890	Urban Renewal Agency	\$ 9,000.00	\$ 2,974.40	\$ 3,047.52	\$ 5,952.48	\$ 5,952.48	33.86%
895	URA - Legacy Crossing						
890-895-10-642-10 890-895-10-642-12 890-895-10-644-10 E02	Professional Services-Legacy Land Sale Expense-Legacy Marketing Expense-Legacy Contractual	\$ 10,000.00 \$ 10,000.00 \$ 2,000.00 \$ 22,000.00	\$ 472.45 \$ - \$ - \$ 472.45	\$ 7,522.95 \$ - \$ - \$ 7,522.95	\$ 2,477.05 \$ 10,000.00 \$ 2,000.00 \$ 14,477.05	\$ 2,477.05 \$ 10,000.00 \$ 2,000.00 \$ 14,477.05	75.23% 0.00% 0.00% 34.20%
890-895-10-647-10 890-895-10-652-10 890-895-10-658-10 890-895-10-658-51 890-895-10-669-10 890-895-10-675-00 890-895-10-676-15 890-895-10-676-17 890-895-10-676-20 E03	Travel & Meetings-Legacy Heat, Lights & Utilities Repairs & Maintenance Development Participation Misc. Expense-Legacy Fiscal Agent Trustee fees Latah County Reimb. Agreement Jackson St Owner Part. Agr. Agreement Cost Commodities	\$ 1,000.00 \$ 2,000.00 \$ - \$ - \$ 1,000.00 \$ 1,750.00 \$ 2,000.00 \$ 8,300.00 \$ 40.00 \$ 16,090.00	\$ - \$ 454.05 \$ - \$ 157,340.35 \$ 489.00 \$ - \$ - \$ 19,083.50 \$ - \$ 177,366.90	\$ - \$ 3,061.03 \$ - \$ 157,340.35 \$ 489.00 \$ 1,500.00 \$ 3,500.00 \$ 27,102.61 \$ 8.51 \$ 193,001.50	\$ 1,000.00 \$ (1,061.03) \$ - \$ (157,340.35) \$ 511.00 \$ 250.00 \$ (1,500.00) \$ (18,802.61) \$ 31.49 \$ (176,911.50)	\$ 1,000.00 \$ (1,061.03) \$ - \$ (157,340.35) \$ 511.00 \$ 250.00 \$ (1,500.00) \$ (18,802.61) \$ 31.49 \$ (176,911.50)	0.00% 153.05% 0.00% 0.00% 48.90% 85.71% 175.00% 326.54% 21.28% 1199.51%

General Ledger Exp to Bud

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Account Number	Description	Budget	Period Amount	End Bal	Variance	Avail/Uncollect	% Collected
890-895-10-770-35	1% Public Art	\$ 1,825.00	\$ -	\$ -	\$ 1,825.00	\$ 1,825.00	0.00%
890-895-10-770-71	Land-Legacy	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
890-895-10-770-73	Improvements-Legacy	\$ 500,000.00	\$ (63,573.05)	\$ 23,163.72	\$ 476,836.28	\$ 476,836.28	4.63%
890-895-10-770-97	Infrastructure Improvements	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
E04	Capital Outlay	\$ 501,825.00	\$ (63,573.05)	\$ 23,163.72	\$ 478,661.28	\$ 478,661.28	4.62%
890-895-10-676-10	Bond Issuance Cost	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
E05	Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
890-895-10-900-01	Contingency - Legacy	\$ 15,000.00	\$ 5,260.00	\$ 5,260.00	\$ 9,740.00	\$ 9,740.00	35.07%
E90	Contingency	\$ 15,000.00	\$ 5,260.00	\$ 5,260.00	\$ 9,740.00	\$ 9,740.00	35.07%
895	URA - Legacy Crossing	\$ 554,915.00	\$ 119,526.30	\$ 228,948.17	\$ 325,966.83	\$ 325,966.83	41.26%
899	Dept						
890-899-11-790-01	Bond Principal - Alturas	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
890-899-11-791-01	Bond Interest-Alturas	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
890-899-12-790-01	Bond Principal - Legacy	\$ 374,000.00	\$ -	\$ 27,000.00	\$ 347,000.00	\$ 347,000.00	7.22%
890-899-12-791-01	Bond Interest - Legacy	\$ 17,286.00	\$ -	\$ 14,535.52	\$ 2,750.48	\$ 2,750.48	84.09%
E05	Debt Service	\$ 391,286.00	\$ -	\$ 41,535.52	\$ 349,750.48	\$ 349,750.48	10.62%
890-899-10-990-00	Ending Fund Bal Unassigned	\$ 56,461.00	\$ -	\$ -	\$ 56,461.00	\$ 56,461.00	0.00%
890-899-11-990-00	End Fund Bal Assigned-Alturas	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
890-899-11-990-01	End Fund Bal Res-Alturas	\$ 41,900.00	\$ -	\$ -	\$ 41,900.00	\$ 41,900.00	0.00%
890-899-12-990-00	End Fund Bal Assigned-Legacy	\$ 160,217.00	\$ -	\$ -	\$ 160,217.00	\$ 160,217.00	0.00%
890-899-12-990-01	End Fund Bal Res-Legacy	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
E95	Ending Fund Balance	\$ 258,578.00	\$ -	\$ -	\$ 258,578.00	\$ 258,578.00	0.00%
899	Dept	\$ 649,864.00	\$ -	\$ 41,535.52	\$ 608,328.48	\$ 608,328.48	6.39%

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Account Number	Description	Budget	Period Amount	End Bal	Variance	Avail/Uncollect	% Collected
890	Moscow Urban Renewal Agency	\$ 1,277,779.00	\$ 126,387.52	\$ 330,091.47	\$ 947,687.53	\$ 947,687.53	25.83%

General Revenue

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Account Number	Description	Budgeted Revenue	Period Revenue	YTD Revenue	Variance	Uncollected Bal	% Avail/Uncollect	% Received
890	Moscow Urban Renewal Agency							
890-000-00-410-00	Property Taxes - Alturas	\$ -	\$ -	\$ -	\$ -	\$ -	0%	0%
890-000-00-410-01	Property Taxes - Legacy	\$ 182,500.00	\$ 179,343.03	\$ 179,343.03	\$ 3,156.97	\$ 3,156.97	2%	98%
890-000-00-431-11	EPA Clean-up Grant - Legacy	\$ -	\$ 14,723.72	\$ 14,723.72	\$ (14,723.72)	\$ (14,723.72)	0%	0%
890-000-00-471-00	Investment Earnings	\$ 1,000.00	\$ 4,073.41	\$ 4,073.41	\$ (3,073.41)	\$ (3,073.41)	-307%	407%
890-000-00-478-10	Sale of Land - Alturas	\$ -	\$ -	\$ -	\$ -	\$ -	0%	0%
890-000-00-478-11	Sale of Land - Legacy	\$ 500,000.00	\$ -	\$ -	\$ 500,000.00	\$ 500,000.00	100%	0%
890	Moscow Urban Renewal Agency	\$ 683,500.00	\$ 198,140.16	\$ 198,140.16	\$ 485,359.84	\$ 485,359.84	71%	29%
Revenue Total		\$ 683,500.00	\$ 198,140.16	\$ 198,140.16	\$ 485,359.84	\$ 485,359.84	71%	29%



Memorandum

To: MURA Board; MURA Finance Committee
From: Bill J. Belknap, Executive Director
cc: Gary J. Riedner, Acting Treasurer
Date: October 20, 2017
Re: Sangria Downtown LLC Development and Disposition Agreement

Over the course of the last two years, the Agency has been in negotiation with Sangria Downtown LLC regarding the acquisition and development of the Agency-owned property located at the southwest corner of Sixth and Jackson Streets. The negotiations have been significantly delayed due to the prolonged environmental remediation work that was required on the property which was just concluded earlier this year. Sangria has completed their project design development and the Agency has completed the fair use value appraisal of the project, both of which are necessary to move forward with the consideration of the Development and Disposition Agreement.

Property Background

Beginning in 2005 and following the retraction of rail service in Moscow, many of the prior seed warehouses located within the area between downtown and the University of Idaho Campus began to be demolished. This large land use transition sparked a community visioning discussion focused on the future development of that area. The City of Moscow established the Legacy Crossing Urban Renewal District in 2008 to assist in the transition and redevelopment of the area. The Legacy Crossing District Plan identified several goals and objectives, including:

- Eliminate conditions impeding the City's economic growth in an area located between Moscow's historic downtown and the University of Idaho campus;
- Provide connectivity improvements for pedestrian and vehicular traffic;
- Install or improve public infrastructure;
- Improve and add to open space;
- Seek more cohesive zoning arrangements;
- Encourage development of mixed-use projects consisting of residential, office, and supporting commercial and retail; and,
- Enhance the City's economic development and viability.

One of the common aspirations identified during the community visioning work was the desire to better connect downtown with the University of Idaho Campus with roadway and corridor

improvements and pedestrian pathways. Among these connections, the continuation of Hello Walk into downtown became a central element and focus of community planning efforts. Hello Walk is a well-known pedestrian walkway located on the U of I Administration Building lawn which is projected to extend to the intersection of Sixth and Jackson Street. The walk was named after Alfred Upham, the president of the university in the 1920s. Upham insisted on saying “hello” to all those he passed on his walk from his house to his office in the Administration Building.

Understanding the difficulty in requiring the construction of Hello Walk diagonally through private property and recognizing the importance of this element within the community vision, the Agency began consideration of the acquisition of the Sixth and Jackson property in 2009. Ultimately the Agency purchased the property in 2010, stating at that time that it was the Agency’s intent to develop Hello Walk and then potentially resell any remnants of the property that might remain.

Since acquiring the property, the Agency has removed several deteriorated structures, completed environmental remediation and partnered with the City of Moscow to complete a roadway realignment project on Sixth Street to improve intersection safety at Sixth and Jackson Streets. The Agency is now considering the sale of the property remnants to Sangria Downtown LLC.

Proposed Development Project

Sangria proposes to construct a \$2.35M 15,000 square foot mixed use building that would include 6,500 square feet of ground floor commercial space which will become the new home of Sangria Grille, along with 12 lofted apartment units on the second and third floors. The project will also include the development of 20 off-street parking stalls and other associated site improvements. The project design and plans have been previously presented and approved by the Agency Board.

Fair Use Value Appraisal Process

Idaho Code grants URAs the authority to sell, lease, or otherwise transfer real property or any interest therein acquired by it for an urban renewal project. It specifies that such real property or interest shall be sold, leased, otherwise transferred, or retained at not less than its fair value for uses in accordance with the urban renewal plan. In determining the fair value, an urban renewal agency shall take into account and give consideration to the uses provided in such plan, the restrictions upon it, and the covenants, conditions and obligations assumed by the purchaser or lessee or by the urban renewal agency retaining the property.

Within most URA development projects, an urban renewal agency is conveying the property to a private party to construct a very specific project that has been deemed by the Agency to further the goals and objectives of the Plan and community vision. Every project has unique and specific financial characteristics that must be assessed to determine the fair value of the property as the developer is obligated to develop that specific project. This value is determined through a residual land value analysis that examines the specific income generation, operational expenses, construction costs and prevailing market capitalization rates to establish the fair value of the property for the specific project. There are certain elements that can be determined that are fixed and known, including:

- Market rents – What the local market can support for specific real estate products (retail, office, residential)

- Operating expenses – Taxes, utilities, reserves and replacement, management fees
- Construction cost – What it costs to construct the project (design, permits, utility connection fees, building construction, site improvements, public improvements)
- Capitalization rates – Rate of return on a real estate investment (varies by real estate product type, local market dynamics, perceived project risk, and others)
- Developer fees – The fee to be paid by the developer for the work and expertise in developing the real estate project

These known values can be utilized to determine the remaining project “value” that can be assigned to the land, and thus establishing the fair use value for a specific project. The Moscow URA engaged Gem Valley Appraisals to perform this analysis upon Sangria’s proposed project.

Fair Use Value Appraisal Result

The fair use value appraisal (attached) that was completed upon the project included several assumptions regarding market rental rates, anticipated project operation costs, construction costs as reported by Sangria, and market capitalization rates. It is important to note that Sangria did not seek a developer fee and therefore that fee is not included within the appraisal analysis. All of the appraisal assumptions appear to be well supported by current market data with the appraisal report. The rental rate assumptions appear to be on the high side with expenditures somewhat low, which would result in a project value that will be on the high side of the potential analysis range. The fair use appraisal concluded that the indicated value of the remnant parcels for the Sangria project is \$25,503.

Palouse Commercial 3rd Party Review

In addition to the fair use appraisal performed by Gem Valley Appraisals, the Agency engaged their contracted commercial real estate services provider, Palouse Commercial Real Estate, to review Gem Valley’s fair use appraisal and to evaluate and confirm the assumptions that were utilized within the appraisal study. In general, Palouse Commercial concluded that the market rents appeared to be reasonable, however they noted that the expense ratios and capitalization rates appeared to be below common market rates. Palouse Commercial calculated a residual land value typical of a more common arms-length real estate development transaction that included developer fees, tenant improvement allowances and more conservative operational expense assumptions. Utilizing these assumptions their analysis concluded that the indicated residual land value for the Sangria project was -\$441,446.

Developer’s Proposed Purchase Price

Under Idaho Code, the fair use appraisal establishes the minimum price that the Agency may sell the property for to a private developer. Sangria is aware of the results of the appraisal and within their letter dated October 20, 2017, proposes a purchase price of \$100,000 for the remnant properties. Within their offer letter, Sangria recognizes that the fair use appraisal value was significantly less, however they indicate that they are willing to accept a lower return rate due to the importance of the location for their restaurant.

Development and Disposition Agreement Contents

The Development and Disposition Agreement (DDA) serves as the purchase sale contract and governs the sale and development of the property. Under the draft DDA, the purchase price of the property would be \$100,000. The DDA also contains specific milestones that must be achieved prior to property conveyance, including:

- Securing project financing and proof of developer equity within 120 days of effective date of the Agreement
- Submission and approval of final construction drawings no later than 12/31/2017
- Delivery of title report and acceptance within 10 days of effective date of the Agreement
- Property closing prior to commencement of construction

In addition, the DDA also includes milestones pertaining to the development of the property, including:

- Commencement of construction no later than May 31, 2018
- Completion of construction no later than June 30, 2019
- Certification of project completion upon completion of the project

Sangria Downtown Development

Corner of 6th and Jackson Street • Moscow • Idaho • 83843

10/27/2017

URA Board
City of Moscow
Washington Street
Moscow, Idaho 83843

Dear Board Members of the Moscow Urban Renewal Agency,

We are excited to bring this stage of the project to completion and move forward with the construction of the Sangria Downtown Development.

As you all are aware, we have very thoroughly researched every aspect of this challenging project. During the ENA period, we have taken into consideration the local market, as well as the scope, scale, quality, aesthetics, community impact, and costs of the project. We have a comprehensive understanding of what it will take to successfully execute the Agency's vision for Legacy Crossing as outlined in your Request For Proposal, and we are prepared to deliver on that request.

Legacy Crossing is a challenging site to develop based on the very unique set of requirements set forth by the Agency. These requirements combined with market rent rates and the cost of construction in our area have made the margins for viability extremely thin. However, as a developer, we have unique attributes that make this project more appealing and feasible to us than it would be to another developer. Namely, we will be bringing our local business with a successful 15-year track record to be the anchor tenant of the 6,500sq. ft. retail space on the ground level of the building for the next 20+ years. This element of our project allows us to make certain concessions and justify thinner margins than might be appealing to a traditional developer.

In addition to meeting the Agency's stringent and high-quality building and site-design requirements, we have thoughtfully added in affordable features and elements that we believe reflect the ethos of this community. Examples of these include: multiple swales for storm water retention planted with native grasses, trees, shrubs, and other perennials; rain water reclamation for a seasonal water feature; native pollinator habitats on the rooftop and ground levels; large shade trees; green spaces designed as pocket parks for the public; a restaurant garden; self-watering hanging flower-baskets along the building's entire length on 6th street; upscale, timeless, and durable finishes in the apartment units; a thoughtful building design that speaks to the history of the site, is appropriate for a downtown setting, and will age with grace, remaining aesthetically relevant for decades to come.

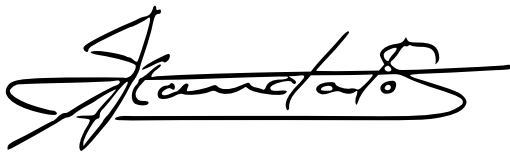

This project will allow us to create many more jobs in Moscow that pay above a living wage and provide benefits, including health insurance, paid vacation, paid maternity and paternity leave, and paid sick leave, as the new Sangria Grille will be larger, open for lunch, dinner, and brunch, have a private meeting space and event venue, and will require property management staff for the apartments above. Also, our purchasing philosophy and dedication to sourcing food locally means that when our business expands, so too does business for local farmers, ranchers, and artisans. Our business model keeps dollars spent *in* The Palouse, *on* The Palouse.

We are very ready to begin this project and are heavily vested, as we have spent over \$150,000.00 to date for completed, engineered plans, as well as accounting, legal, and consulting fees. We are partnering with Latah Credit Union for financing and they have everything they need to proceed short of a finalized land purchase price.

The purchase price we are offering the Agency for the property at 6th and Jackson is \$100,000. The board will have noticed in the attached appraisal that Gem State appraised the land value at \$25,000. In addition to offering \$75,000 more than the land has been valued, we are willing to accept a return on our investment (cap rate) that is lower than market. This is only feasible because we are bringing our own 6,500sq. ft. anchor tenant. We are requesting that the MURA assist the project by reimbursing us for the cost of the proposed public improvements along Jackson Street, including new curbing, brick pavers, street trees, and street lighting through an owner participation agreement. In addition to the reduced cap rate and additional \$75,000 offering, we are not earning a standard developer fee for this project which other developers would surely require.

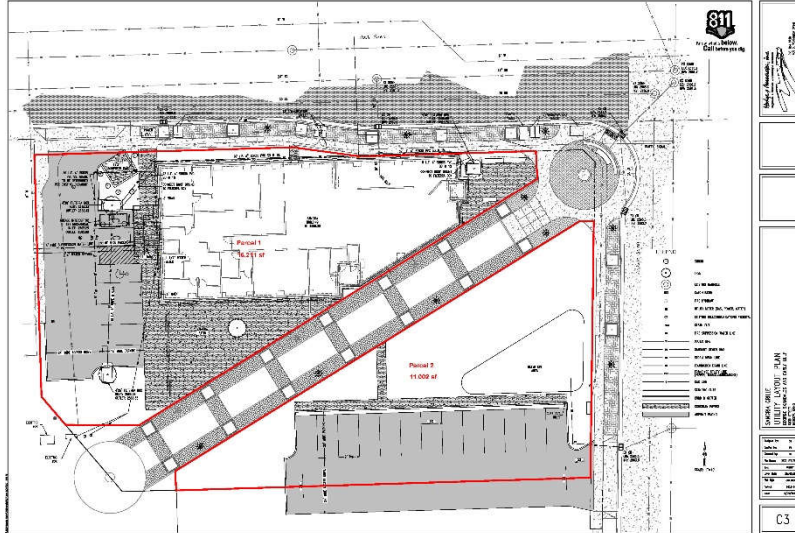
In closing, we would like to thank the Agency for working to support this community's developments. We support the Moscow Urban Renewal Agency and are looking forward to executing its vision for Legacy Crossing.

Sincerely,

A handwritten signature in black ink, appearing to read "Skandalos", with a long horizontal flourish extending to the right.A handwritten signature in black ink, appearing to read "Carly", with a large loop at the end.

Carly Lilly & George Skandalos
Sangria Downtown Development

Appraisal of 6th & Jackson Development Parcels I and II



W 6th St. and S Jackson St.,
Moscow, Latah County, ID 83843
Project Number: 2017-148

Appraisal Report

Of
Parcel I – 16,221 SF
Parcel II – 11,002 SF
Totalling 27,223 SF
Or 0.63 Acres of

Urban Development Primary Land Type
and includes
Land Only

Known As
6th & Jackson Development Site

Located in Township 39N, Range 5W in Latah County
0 W 6th St. and S. Jackson
Moscow, ID 83843

Effective Date of Appraisal: 10/15/2017
Report Date: 10/16/2017

PREPARED FOR:

Moscow Urban Renewal Agency
C/O Bill J. Belknap
221 E Second St., Moscow, ID 83843
(208) 883-7011

Client Reference No.: 2016-047A

PREPARED BY:

Ruby M. Stroschein, MAI
Gem Valley Appraisal
828 S. Washington Suite D
Moscow, ID 83843
208-882-7200
Internal File No.: 800069



October 16, 2017

Gem Valley Appraisal
828 S. Washington Suite D
Moscow, ID,

Moscow Urban Renewal Agency
C/O Bill J. Belknap
221 E Second St.,
Moscow, ID 83843

RE: Appraisal Report of two triangular parcels totaling 0.63 Acre of Urban Development Known As "Hello Walk" 6th & Jackson Development Site Located in Township 39N, Range 5W in Latah County, 0 W 6th St and S. Jackson., Moscow, ID 83843 with GPS Coordinates of Lat. 46.7297 Long. -117.0033

Client's Ref. No.: 2017-148
Internal Ref. No.: 800334

Dear Client,

In fulfillment of our agreement as outlined in the email from Bill Belknap on September 20, 2017, Ruby M. Stroschein, MAI of Gem Valley Appraisal hereby transmits the attached Narrative Appraisal Report to Conclude the fee simple 'fair value in use estimate' of the subject property as of the last date of inspection, October 15, 2017. The intended use of the appraisal is for internal decision making regarding property disposition. The intended Primary User of this report is Moscow Urban Renewal Agency, C/O. Bill J. Belknap, Executive Director. There are no additional user(s) authorized to use this report.

The subject of this appraisal is a combination of Parcel I comprised of 16,211 SF; and Parcel II with 11,002 SF net useable area, totaling 27,23 SF, or .63 Acre of Urban Development property type that includes Land Only. The property was last inspected by Ruby M. Stroschein, MAI on October 15, 2017.

The real property is composed of the following tax parcel number(s): RPM00000180025A

This appraisal conforms with the following professional standards, guidelines, procedures, and requirements set forth by state and federal regulatory agencies and professional organizations: Appraisal Institute (AI)

The definition of value used in this appraisal is: Fair Value in Use. Value in Use is defined by The Dictionary of Real Estate Appraisal as i) The present value of estimated future cash flows expected to arise

from the continuing use of an asset and from its disposal at the end of its useful life. li) The present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Appraisal Conditions of Value that apply are listed as follows: Current Fair Value In-Use.

As a result of the appraiser's investigation and analysis of the market data collected, the conclusion of the fee simple Current Fair Value In-Use, specific to construction of Sangria restaurant and apartments per Design Plans submitted by b.a.d. studio, dated 08-11-17 referenced 6th & Jackson as of October 15, 2017 is: \$25,503

The value conclusion noted here and the analysis of subject value described in the attached appraisal report is subject to the Limiting Conditions and Extraordinary Assumptions outlined in the body of the report. This submission includes this letter of transmittal as well as the narrative appraisal report attached. Use of any part of this work separate from the rest is in violation of the agreement between the Client and the Appraiser.

Thank you for this opportunity to develop this appraisal and work with you. If you have any questions, please feel free to contact our office.

Respectfully submitted,



Ruby M. Stroschein, MAI

WA Certified General Appraiser, CGA-1100422

ID Certified General Appraiser, CGA-175

Licenses expire: ID: 4/18/2018 & WA: 4/18/2019

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Regional Location Map Indicating Location of Subject



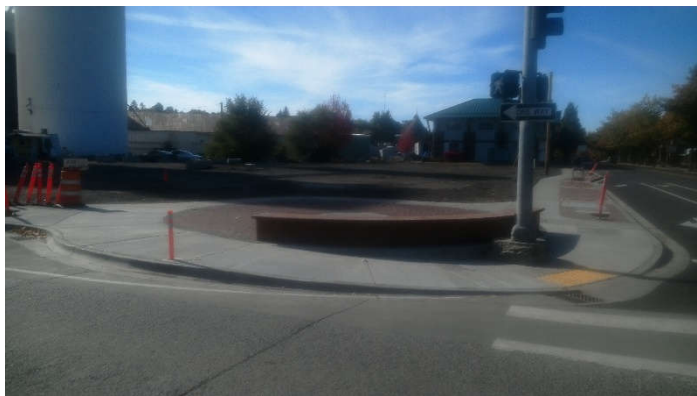
Subject Representative Photos (Taken October 15, 2017)



Facing west from the NE corner of the lot



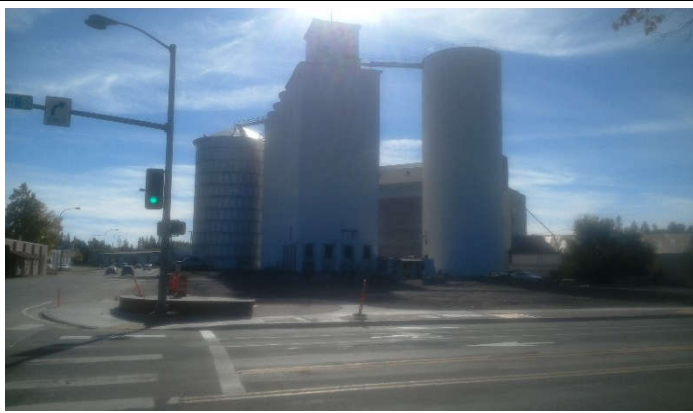
Facing southwest from the NE corner of the lot



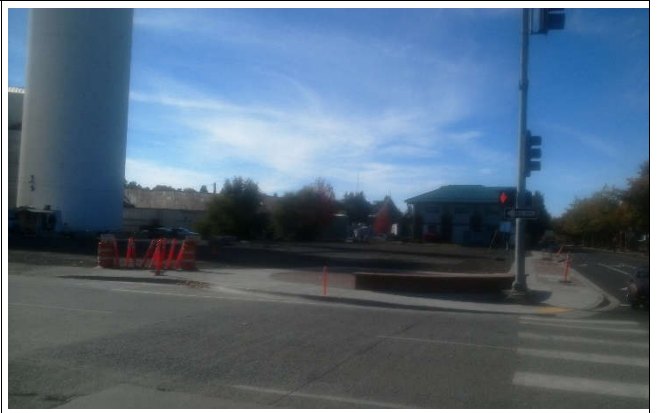
Subject, Facing southwest from across the street



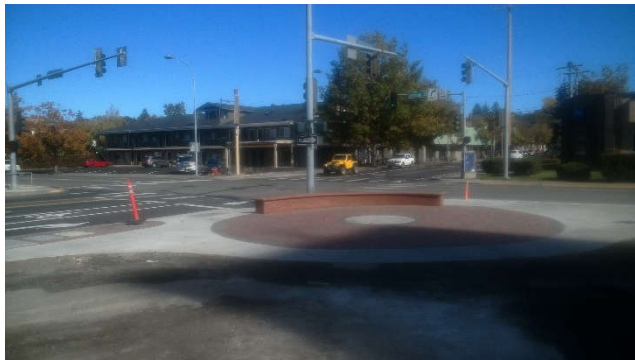
Facing south



Facing south from the NW corner of the intersection



Facing west from the SE corner of the intersection



Facing northeast from northeast corner of the lot



Facing east from the NE corner of the intersection

Assumptions and Limiting Conditions

This appraisal report is prepared and the certification of the Appraiser is subject to the following conditions and to such other specific and limiting conditions as are set forth by the Appraiser in the report.

1. No responsibility is assumed for the legal description provided or for matters pertaining to 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 property management are assumed.
4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
5. All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.
6. It is assumed that 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.
7. It is assumed that 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 non-conformity has been identified, described, and considered in the appraisal.
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 opinion of value contained in this report is based.
10. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
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, ureaformaldehyde, 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 materials on or in the property that would cause a loss in 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 the total value estimated in this report between the land and the improvement applies only under the stated program of utilization. The separate values allocated to the land and building must not be used in conjunction with any other appraisal and are invalid if so used.
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 arrangement have been previously made.
15. Neither all or any part of the contents of this report (especially any conclusions as to the 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 proposed improvements are assumed to have been completed unless otherwise stipulated, so any construction is assumed to conform with the building plans referenced in the report.
17. The appraiser assumes that the reader or user of this report has been provided with copies of available building plans and all leases and amendments, if any that encumber the property.
18. If no survey was developed as part of the appraisal process, the conclusions and analysis developed in this report are based on the legal description provided the appraiser by the Client. Should a survey prove this information inaccurate, it may be necessary for this appraisal to be adjusted. Any adjustments necessary subsequent to the current engagement will require a separate engagement of the appraiser by the Client.
19. The forecasts, projects, 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. Any opinions of value provided in the report apply to the entire property, and any pro-rata or division of the total into fractional interests will invalidate the opinion of value, unless such pro-rata or division of interests has been set forth in the report.
21. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative impact upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.
22. The Appraiser assumes no responsibility for matters of a legal nature affecting the property appraised or its title, which is assumed to be good and marketable unless discussed to the contrary in this report.
23. The Appraiser will not disclose the contents of the appraisal report except as provided for in the Uniform Standards of Professional Practice and/or as allowed by the bylaws and

regulations of the professional appraisal organization with which the appraiser is affiliated.

24. Definitions of appraisal related terms used in this appraisal are illustrated in the body of the report. The reader should refer to the Dictionary of Real Estate Appraisal, 5th Edition for definition of any appraisal related terms not specifically addressed in the Definitions Section of this report.

Statement of Extraordinary Assumptions and Hypothetical Conditions

EXTRAORDINARY ASSUMPTIONS

The opinions of value presented in this report are in conjunction with the following extraordinary assumptions:

This appraisal is based on the extraordinary assumption the project as set forth will not substantially change, that the 'value in use' of the land in fee simple is based on the Pro Forma as set forth.

This land appraisal is based on the extraordinary assumption the project, as set forth, is viable and feasibly sound, that in no way does this appraisal represent the viability or feasibility of the project, that the cost of the project was provided by the client and was not verified by the appraiser. That the concluded overall land value is based on a feasibility analysis and is in no way to be represented as the 'Market Value' of the project 'as-thought built' and represents ONLY a scenario in which a residual land value was analyzed based on a specific project.

This appraisal of the site is based on the extraordinary assumption the site is clean, and environmentally safe. This appraisal is based on the assumption that a portion of the site is being used for 'Hello Walk' . The precise square footage or legal description is assumed to be 16,211 square feet in Parcel I; and 11,002 square feet in Parcel II as provided in the site schematic.

If any of these assumptions made for purposes of this analysis are different or not true, the value of the site concluded herein, would be different.

HYPOTHETICAL CONDITIONS

The opinions of value presented in this report are in conjunction with the following hypothetical conditions:

None.

ANALYSIS OVERVIEW

Gathered and Analyzed commercial and small loft-style apartments rental data, expense ratios, utilities expenses, and market derived capitalization rates.

COMMENTS REGARDING SCOPE OF WORK

The appraiser has considered the implications of the Urban Renewal Zone overlay relative to value in use. Additionally, the appraiser has NOT considered the market and marketability of potential uses that bring the highest potential value to the land and HAS NOT considered the feasibility of the proposed Sangria Downtown LLC Legacy Crossing building. Residual land analysis is based on a Pro Forma provided to the appraiser using market rents and rent conditions required, i.e. parking, and has been analyzed in order to conclude 'Fair Value In-Use' as defined herein.

Certification

Ruby M. Stroschein, MAI

I certify that, to the best of my knowledge and belief:

The statements of fact contained in this report are true and correct and no important facts have been withheld.

- The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and my personal, unbiased professional analysis, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of 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.
- My analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with Appraisal Institute (AI)
- Scope of work included work required to Conclude the fee simple 'fair value in use estimate' of the subject property as of the date of inspection.
- Current or Prospective Interest and Prior Services are set forth as follows: In the prior three years, the appraiser has been engaged in services regarding the subject property. The appraiser does not currently or prospectively have interest in the subject property or parties involved.
- I personally inspected the property that is subject of this report on 10/15/2017.
- No one has provided professional assistance to the appraiser in writing the report, compiling and researching area market data and trends.
- This use of this report is subject to the requirements relating to Appraisal Institute review by its duly authorized representatives.
- That my opinion as of 10/15/2017, the effective date of value, the Fee Simple property rights in the subject property, are set forth as follows and are based upon my independent appraisal and the exercise of my professional judgment.
- The Appraisal Assignment was not based on a requested minimum value, a specific valuation, or the approval of a loan.
- As of this date of this report, 10/16/2017, Ruby M. Stroschein, MAI has completed the continuing education program for the Appraisal Institute.

- The opinion of value stated above, as well as every other element of this appraisal, are qualified in the entirety by the Contingent and Limiting Conditions set forth in this appraisal report and which is an integral part of the appraisal. The report is intended for the use of Moscow Urban Renewal Agency. No copying or distribution of any part of this report is authorized without the client and appraiser's written consent.

Respectfully submitted,



Ruby M. Stroschein, MAI
WA Certified General Appraiser, CGA-1100422
ID Certified General Appraiser, CGA-175
Licenses expire: ID: 4/18/2018 & WA: 4/18/2019
Signature Date: October 16, 2017

Summary of Salient Facts and Conclusions

Project Name: 6th & Jackson Development Site

Property ID: 0 W 6th St. and S. Jackson St.
Moscow, ID 83843

Property Owner(s): Moscow Urban Renewal Agency
221 E Second Street, Moscow, ID 83843
(208) 883-7011
bbelknap@ci.moscow.id.us

Land Size: Two Irregular sites comprised of 27,223 useable Square Feet, or 0.63 Acre

Primary Land Type: Urban Development

Property Includes: Land Only

Property Location: Latitude 46.7297
Longitude -117.0033

APN/Legal Description: A parcel of land located in the NENE of Section 18, Township 39 North, Range 5 West, B.M., and as shown on Record of Survey recorded under Recorder's Fee No. 506752 and being more particularly described as follows:

BEGINNING at the northeast corner of said Section 18; thence S. 87°45'28" W., 363.92 feet (record 355.69 feet) along the north line of said Section 18; thence S. 00°45'10" W., 40.19 feet, to a point on the west right-of-way line of Jackson Street and the TRUE POINT OF BEGINNING, thence S. 00°45'10" W., 153.39 feet; thence S. 88°17'28" W., 207.70 feet (record 216.18 feet); thence N. 40°29'13" W., 53.83 feet; thence N 01°42'23" W., 111.29 feet; thence N. 88°17'28" E., 248.00 feet (record 256.27 feet) to the TRUE POINT OF BEGINNING.

TOGETHER WITH an easement as more fully set out in that certain Grant of Easements recorded under Recorder's Fee No. 487236.

Less and Except the land described as "Hello Walk" and public city sidewalks.

Current Land Use: Vacant Land

History of Land Use: Otto's Produce Stand

Highest and Best Use: This appraisal is based on Fair Value in Use based on a specific use. Market Value drives Highest and Best Use Analysis.

Effective Date(s) of Value: October 15, 2017

Date of the Appraisal: October 16, 2017

Opinion of Value in Use Conclusions: **\$25,503**

Introduction

Client: Moscow Urban Renewal Agency

Attn: Bill J. Belknap - (208) 883-7011

Intended users: Moscow Urban Renewal Agency, C/O. Bill J. Belknap, Executive Director

Other Intended Users: Other intended users of this narrative appraisal report are to be: None

Appraiser(s): Ruby M. Stroschein, MAI

Intended Use: The intended use of this appraisal is internal decision making regarding property disposition. This valuation contains confidential information.

Report Type: Appraisal Report

Report Format: Narrative

Appraisal Problem: Conclude the fee simple 'fair value in use estimate' of the subject property as of the date of inspection. for internal decision making regarding property disposition

Inspection Date: October 15, 2017

Effective Date of Value: October 15, 2017

Report Date: October 16, 2017

Interest Valued: Fee Simple

Appraisal Conditions: Current Fair Value in Use

Value Definition: Fair Value in Use

Transaction History including Prior Transfers, Prior Sales, Listings, and Expired or Withdrawn Listings:

Historic Transaction Type	Transaction Description	Date	Price	Grantor, Seller or Lessor	Grantee, Buyer or Lessee
Prior Transfer of Title	Sale	2010-09-02	\$450,000.00	Duane and Terri Brelsford	Moscow Urban Renewal Agency
Prior Offering	Listing or Offering	2008-05-07	\$550,000.00	Duane and Terri Brelsford	

Transaction History Comments:

After acquiring the property, Moscow Urban Renewal paid an additional \$50,000 to raze the existing buildings and perform some environmental remediation at a reported cost of \$54,000.

Scope of Work

Scope of Research & Analysis: Gathered and Analyzed land sales data

Scope of Work Comments: The appraiser has considered the implications of the Urban Renewal Zone overlay relative to value in use. The appraiser HAS NOT considered the market and marketability of potential uses that bring the highest potential value to the land and feasibility of the proposed Sangria Downtown LLC Legacy Crossing building. The appraiser has considered applicable market rents and capitalization rates from market studies developed by Gem Valley Appraisal Service in 2017 based on the project data provided to the appraiser by the client. Residual land analysis and feasibility have been analyzed in order to conclude 'Fair Value In-Use' as defined herein based on the proposed project provided.

Exposure Time: Exposure time reasoning is based on the premise the property is exposed to open market conditions. The scope of this appraisal assignment is to value the property 'as-though in use' therefore this analysis invokes Jurisdictional Exception to the USPAP requirement to conclude exposure time.

Marketing Time: Marketing time is not applicable to this analysis

Regional Market Overview

A property is a fixed and integral part of its region and its neighborhood, and as such cannot be treated as an entity separate from its environment. Thus, the value of real property is not intrinsic, but is influenced by surrounding forces and shares its future with the region and specific neighborhood in which it is located. The major population center associated with this parcel is Moscow, Idaho, the county seat for Latah County. However, the secondary major population center is Pullman, Washington only six miles to the West. Moscow is home to the University of Idaho and Pullman is home to Washington State University, both have major impact on the economics of this region.



Land Form & Climate – West Latah County consists of rolling hills predominantly used for dry crop wheat and legume production. East Latah County is the Clearwater National Forest, and is a major timber-producing area. The 4-season climate is moderate, with normally cold winters and low-humidity in the summer. Moscow gets 24 inches of rain per year, the US average is 37. Snowfall is 50 inches. The average US city gets 25 inches of snow per year. The number of days with any measurable precipitation is

117. On average, there are 169 sunny days per year. The July high is around 83 degrees. The January low is 23.

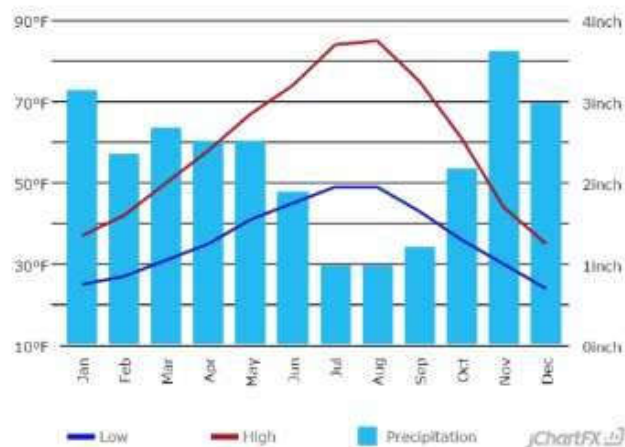
Boundaries and Access – Access to Moscow is primarily provided by US-95 and SH-8. US-95 is a north-south U.S. Highway near the western border of the state of Idaho, stretching from Oregon to British Columbia. SR8 runs from the state line to the west, at the edge of Moscow, all the way out to Elk River, Idaho, in Clearwater County, about fifty miles away.

The following is a general summary of Moscow's real estate development structure:

Commercial Districts:

Downtown (CBD) - Owner-occupied small retail stores, restaurants, and entertainment venues fill Moscow's downtown, as well as major banks and small professional offices. Many buildings include apartment units on upper floors. Gritman Medical Center anchors the south end of downtown.

95 North - Retail stores including Rosauers Grocery Store, Walgreens, Moscow Building Supply, and the new Meineke Mufflers make up most of this commercial district, though some offices exist and Rodeo Drive inline retail center. Vacant commercial development land to the north of Moscow Building Supply.



95 South - University Housing Development, Service Centers for farm and auto service, Agriculture grain storage and J&J Building Supply.

East SR 8 (Troy Highway) - Strip malls and eating establishments fill the north side of SR8 here. Eastside Marketplace, a neighborhood mall; two bank branches, and Spence Hardware and Farm Supply store. Alturas Technology Park fills the rest of the area south of Eastside Marketplace.

West SR 8 (Pullman Road) - Strip malls and car-accessed establishments fill the north side of SR8 here. Palouse mall, some big box stores, hotels, gas stations, and some medical offices fill the rest of the area. The University of Idaho is located on the south side of SR8 here.

Residential Districts:

NW - The Northwest quarter of Moscow is one of the most significant multi-family areas in Moscow. Though some single-family dwellings exist, typically those further from SR8, this is a major residential center, primarily for student due to the location of the University directly across SR8.

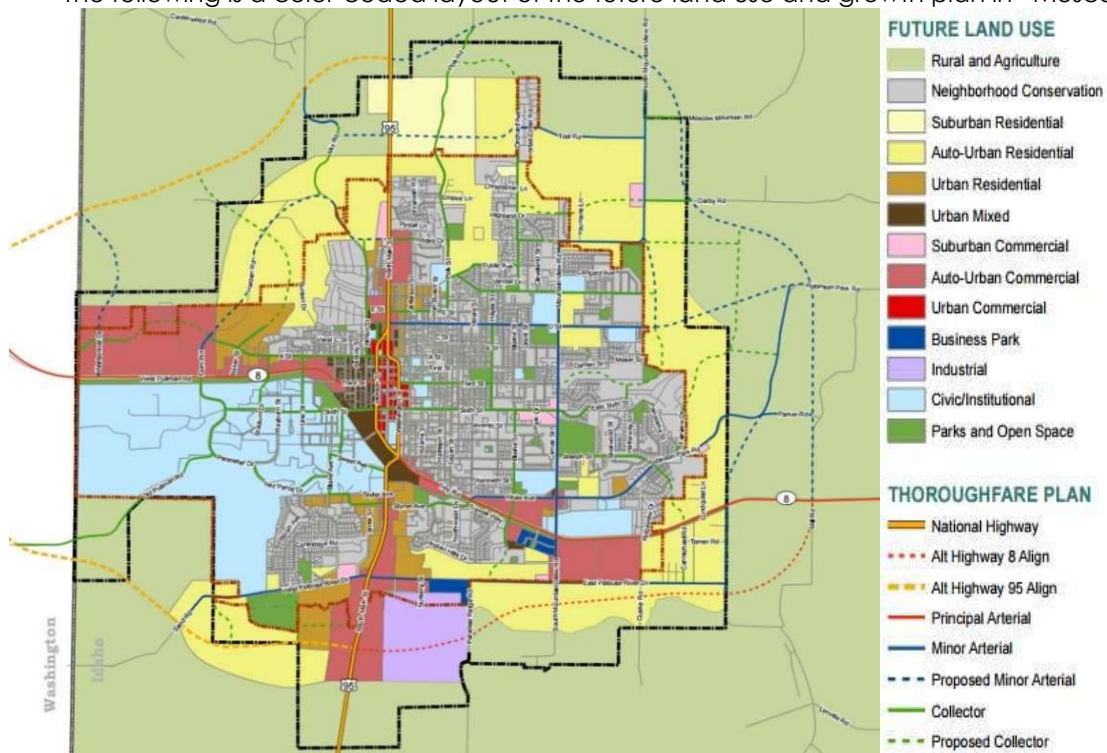
SW - University housing takes up both the Northern side and Southeast corner of the University land.

South of the university are apartment complexes and single-family residences. Most of the apartment complexes are along US-95.

SE - A large apartment complex was constructed along US-95, geared toward the student population of the University of Idaho. Between 95 and SR8 along Styner Ave is another Multi-Family area.

NE - The heart of Moscow's single-family residential district is the NE quarter of Moscow. Land-use is predominately single-family, though some multi-family exists within this sector. A new 120-unit multi-family apartment complex is currently being developed.

The following is a color-coded layout of the future land use and growth plan in Moscow.



Economic Development - According to the latest October 2016 Work Force Trends that is provided by the Idaho Department of Labor, the chart to the right lists the major employers in the Latah County area. The number of private-owned business has declined in the last 10 years from 990 in 2005 to 947 in 2015. The decreased result in a loss of 311 jobs. The largest decline in employers were in trade, utilities & transportation (-39) and construction (26). The number of employee Latah County added new businesses at a fair pace during the last 10 years.

The Latah Economic Development Council created the Alturas Technology Park with the University of Idaho and the city of Moscow to foster technology based businesses interested in locating near the university.

Major Employers
Bennett Lumber Products
City of Moscow
Economic Modeling Specialists Limited (EMSI)
Good Samaritan Society
Gritman Medical Center
Latah County
Moscow School District
Northwest River Supplies
WinCo Foods
University Inn
University of Idaho

Covered Employment & Average Annual Wages Per Job for 2005, 2014 & 2015	2005		2014		2015	
	Average Employment	Average Wages	Average Employment	Average Wages	Average Employment	Average Wages
Total Covered Wages	13,905	\$26,263	13,174	\$32,988	13,418	\$34,336
Agriculture	409	\$38,853	357	\$47,055	415	\$44,240
Mining	17	\$30,142	14	\$52,519	14	\$59,604
Construction	579	\$27,749	387	\$30,936	412	\$31,939
Manufacturing	435	\$37,007	357	\$43,867	355	\$43,093
Trade, Utilities, & Transportation	2,406	\$20,475	2,283	\$25,142	2,325	\$27,834
Information	204	\$24,309	128	\$34,954	109	\$33,198
Financial Activities	483	\$27,020	364	\$34,068	361	\$34,854
Professional and Business Services	671	\$29,873	851	\$36,541	890	\$35,855
Educational and Health Services	1,519	\$23,383	1,560	\$31,167	1,567	\$32,668
Leisure and Hospitality	1,789	\$8,723	1,727	\$12,372	1,824	\$13,118
Other Services	328	\$19,352	254	\$26,487	256	\$28,690
Government	5,066	\$33,924	4,892	\$42,381	4,890	\$44,540

UI Overview – As one of the largest employers in the county and Moscow, educational services, health care and social assistance accounted for 41.7% of all Moscow employed peoples in the 2010 census – most employed by University of Idaho, a land-grant institution in Moscow and is classified by the prestigious Carnegie Foundation as high research activity. University of Idaho students are a big part of Moscow's population. According to a recent news article published by the University, there has been reported increases in new resident



undergraduate and new international student enrollment for fall semester 2015. Overall, fall 2015 student enrollment for the Moscow campus has declined 0.7% to 10,812 students, compared to 10,736 students in the fall of 2014. This decrease is due in part to a decrease in transfer students. The University has recently taken proactive steps to better facilitate transfer student access to the U of I, including through a new transferring process called VandaLink with Idaho community colleges. These numbers rotate every four years, bringing with them a new spectrum of consumer preferences and demands. University of Idaho is the engine driving Moscow economically, socially, and politically.

Government Services – Latah County is governed by an elected Board of County Commissioners. The City of Moscow serves as the county seat. The city of Moscow has an elected mayor, an elected six-member council, and an appointed administrative officer – the city supervisor.

Zoning – There is a strong emphasis on farmland preservation in Latah County, which limits new construction outside of existing population centers. Latah County Planning and Zoning regulates the Latah County Comprehensive Land Use. Between 75% and 80% of land in Latah County is privately owned. The predominant land use is timber and dry crop agriculture in Agriculture/Forest Zone.

Taxes – The State of Idaho imposes a state income tax. The combined state and local excise tax rate as of October 2016 was 6% per the Tax Foundation website. Property taxes support local government's operating funds and a significant portion of K-12 education with mill-levy over-rides.

Regional Economics – The Palouse relies on agriculture and higher education for its economic base. Latah County dominates the Wheat and Lentil of Idaho. The City of Moscow, excluding the agriculture sector, is the primary trade, cultural, and population center for the County. The college towns of Moscow and Pullman, Washington form a dominant economic unit referred to as the "University Cities" because they each contain their state's respective Land-Grand University.

Industry & Trade – With the assistance of economic development organizations such as the Palouse Knowledge Corridor (PKC), the Clearwater Economic Development Council, Moscow Chamber of Commerce, Palouse Economic Development Council, and Latah Economic Development Council – the regional community has made strides in facilitating the expansion of existing business and the recruitment of new industry. Growth of research firms has been particularly significant, fueled by the growth of EMSI and local college graduates.

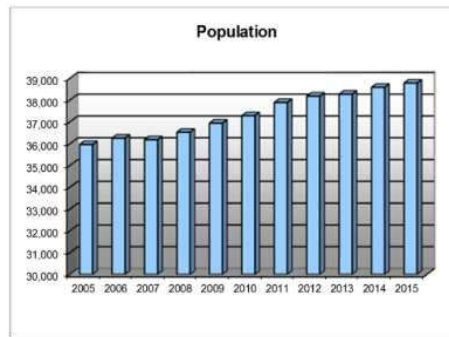
Latah County	
Population Change (2015 - 2016)	1%
Total Population (2016)	39,196
Poverty Rate (2015)	20%
Number of Jobs (2015)	21,611
Average Annual Wage for Jobs (2015)	\$24,417
Unemployment Rate (March 2017)	3.6%
<i>Source: Indicators Northwest & Department of Labor</i>	

Labor Force	Apr 16	Apr 17
Civilian Labor Force	19,720	19,611
Total Employment	19,048	19,095
Unemployed	673	516
% of Labor Force, Unemployed	3.4	2.6
State of Idaho % Unemployed	3.8	3.4
U.S. % Unemployed	5.0	4.4

Employment Trends – Per the most recent information provided by the Idaho Department of Labor and Indicators Northwest, Latah County was ranked 10th – from most to least – among the 44 counties in 2015. The University of Idaho provides a fourth of the county's jobs. Manufacturing, retail stores, construction and health services were the source of many new jobs in the three years prior to the recession. Construction fell sharply from the peaks it reached in 2007 and has remained low to this day. Retail jobs have also declined. About 220 jobs were regained when the Moscow Walmart reopened in January of 2012. Retail stores and services benefited from enrollment growth at the University of Idaho in Moscow and Washington State University eight miles west in Pullman, where student enrollment is above 21,000. Many county residents work at the fast-growing Schweitzer Engineering Laboratories in Pullman.

Manufacturing jobs, especially at lumber mills, fell sharply after the recession began in late 2007. Most of those jobs have returned. Manufacturing and professional services are expected to grow in the next few years. Growing emphasis by the university on transferring technology developed in its laboratories to commercial applications should bolster employment.

Population Trends – Latah County's population grew 7.8% from 35,864 in 2004 to 38,778 in 2015, while the U.S. population grew 8.8% Idaho's grew 15.9%. Because of students at the University of Idaho, a 26% of the county's population is 20 to 29 years old while 14% of the U.S. population is. Applications for driver's licenses show 8% of people who move to the county come from foreign countries.



Moscow, the county seat, had a population of 25,060 in 2015. The populations of other cities were 955 in Genesee, 880 in Troy, 805 in Potlatch, 578 in Juliaetta, 508 in Deary, 298 in Kendrick, 53 in Bovill and 189 in Onaway.

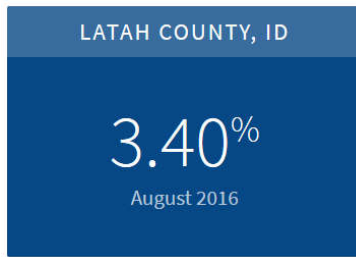
Analysis of Moscow and Latah County's Current Economic Conditions
Current statistics that are being focused on as relevant economic indicators include unemployment, retail spending, and changes in housing values/stock. The local economy, particularly in Moscow, is considered healthier than the national indicators.

Historic Population & Enrollment			
Year	Moscow Population	Latah Population	UI Enrollment Moscow Campus
1990	18,398	30,617	11,494
2000	21,291	34,935	12,731
2009	24,338	38,046	10,950
2010	23,800	37,278	11,327
2011	23,842	37,830	11,520
2012	24,499	38,055	11,464
2013	24,534	38,078	11,143
2014	24,747	38,411	10,736
2015	25,060	38,778	10,812
2016			11,780

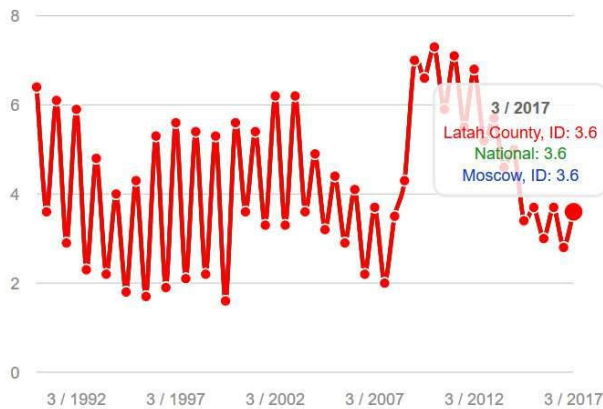
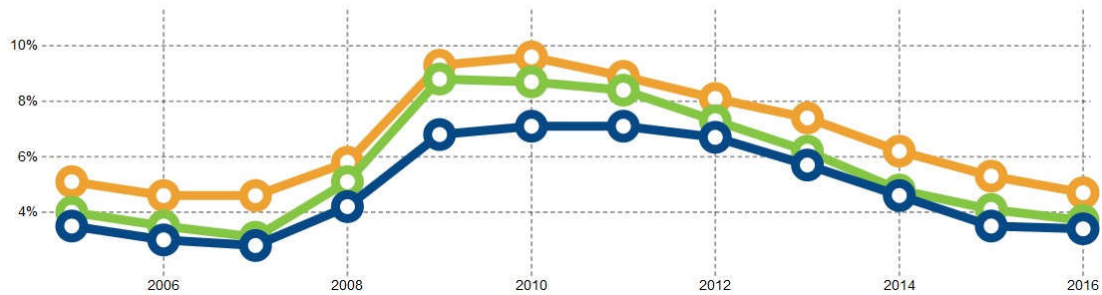
Sources: US Census Bureau & U of I.

Unemployment – People are counted as unemployed if they are at least 16 years old, are without a job and available for work, and have recently made specific efforts to find employment. The unemployment rate is the number of unemployed as a percent of the entire labor force. The County's unemployment rate has historically been exceptionally low because of the stability of university employment, the abundance of full-time students not in the job market, an agricultural base that doesn't require a large labor force, and few migrant workers.

Seasonal variations in unemployment typically result from significant layoffs caused by the annual summer slow-down in business due to summer break for the universities. Latah County's monthly unemployment rate was 3.4% in August 2016. This compares to 3.7% in Idaho as a whole. Latah's average annual unemployment rate in 2015 was 3.5% compared to 4.1% for Idaho and was less than the previous year's rate of 4%. Local employment is most significantly tied to University of Idaho.



■ Latah County ■ Idaho ■ US



Current Retail Spending – In the past few years there were a few business closures in the area, Vern Eide Ford of Moscow, Office Depot, Macy's Department Store, Firehouse Grill & Pub, and the Jack-n-the box restaurant. Walmart remodeled and reopened their store after closing it for over a year with original intent of going dark after opening an 180,000-sf store in Pullman. Moscow has a very active core anchored by Moscow Food Co-op and St. Andrews College. A new Marshalls is going into the Palouse Mall.

Current Land Use and Commercial Trends:

An analysis of the overall commercial real estate marketplace indicates that this market is healthy with regards to Moscow's commercial areas. As shown in the table on the following pages new commercial construction permits appear to fluctuate with business deciding to renovate older well-established buildings. Moscow is a university town with good employment stability, and typically economic and/or real estate downturns have less of an effect compared to regional or national markets. The overall current Moscow commercial market vacancy rate is estimated between 5% to 8% with multiple refurbished spaces in Moscow's CBD recently occupied.

The Moscow area has experienced moderate and mostly stable growth in the past six to eight years. Based on the following, commercial growth remains relatively active. The current anticipated commercial construction project still in the planning phase is the mixed-use project located at the corner of Sixth and Jackson, a relocation of an established restaurant in Moscow, the Sangria Grille.

2011:

- Remodel/addition to the new Walmart in Moscow was completed on January 25, 2012.
- The new FSA building that is adjacent to the Alturas Technology Park was completed in January of 2012.
- The new Latah Farm Bureau and the Care Net of the Palouse buildings off of Farm Road were completed.

2012:

- Construction has been completed on the new Fairfield Inn & Suites off of W. Pullman Road along with the addition of the new Auto Zone on the adjacent pad site.
- Intermodal transit center on the University of Idaho campus opened in December of 2012.
- Viral Science completed construction on their new building off of N. Jackson Street in August.

2013:

- New Dutch Bros. Coffee Drive-Through
- Reconstruction of Zip Trip Convenience Store at North Main and D Street
- Acquisition and remodel of Federal Building offices in CBD of Moscow
- Reconstruction of Old Moscow-Pullman Daily News Building

2014, 2015, 2016 & 2017:

- New Construction of Revolution Motorsports located at 230 W. E. Street
- New Starbucks located at 1930 West Pullman Road by the Palouse Mall
- The University of Idaho is in the process of a \$19.5 million renovation of the College of Education. Construction is planned to be finished in August 2016.
- New Culligan Water Building located at 320 N Jackson Street
- New Meineke Muffler nearing the end of construction at 970 N Main Street
- New 3,200 sf multi-tenant building including Jimmy John's Gourmet Sandwich Shop located at Sixth and Jackson Street.
- Newly renovated Buffalo Wild Wings at 1710 W. Pullman Rd, scheduled to open this month.
- New \$5.5 million Delta Zeta sorority on the U of I campus that now houses 85 women and is located at 706 Elm Street.
- New Panda Express located adjacent to the new Starbucks by the Palouse Mall.
- New Petco that took over a portion of the old Office Depot in the Palouse Mall.
- Renovation of older grain terminal into a three-tenant strip mall at the corner of US-95 and SH-8.
- Renovating former Time Warner Building into the new Potlatch Federal Credit Union Pullman Road.
- Former commercial building renovated into the new Rants & Raves Brewery located at 310 N. Jackson Street.

- The recently renovated Anchor Building located at 106 N. Main Street houses the new Lodge-pole Restaurant and the new Humble Burger.
- New Hunga Dunga Brewing Company in the renovated former Stookey's Seed Property.
- New Quad Cities Nissan Dealership in the former Ambassador Auto located at 525 W. 3rd Street.
- New \$6 Million Gritman Medical Office building located on South Main Street.
- New Mixed-Use Property located at 402 Sixth Street. Two tenant street retail with residential above.
- New diner style restaurant located at the corner of West Third and South Jackson.
- New multi-family apartment complex at South Main and Sweet Avenue.
- New Townhouse and Garden Apartments on East Indian Hills Drive.

Land Use and Homogeneity:

Land Use Regulations within the delineated boundaries of the subject neighborhood a mixture of single family residential, multi-family residential, University of Idaho Campus, and motor business.

Residential/Multi-Family Trends:

According to the City of Moscow's quarterly newsletter published in October of 2015 the City of Moscow has continued to see significant construction activity in 2015. Single-family residential development has been on the increase as the housing market continues to recover. Through September of this year, 23 new single-family homes have been permitted for construction which is a 20% increase over the same time last year.

It is anticipated that single-family residential construction levels will continue to increase this fall and into next year as demand has been strong this year and new subdivisions (such as Rolling Hills 8th Addition, Indian Hills 6th Addition and Southgate 3rd Addition) are completed to provide further opportunities for new single-family housing in Moscow.

The greatest area of multi-family growth in the past three years has been along White Avenue and Joseph Street which includes a variety of low-income apartments, high density moderate housing, and upper-end development on the hillsides that have better views. High density moderately priced (+/- \$200K) developments tend to be in the flat-lands, evidenced by the Tiempo Development. The overall current Moscow vacancy rate for multi-family properties is estimated between 7 to 9%. Multi-family housing development continues to be strong with 32 units permitted for construction this year which just under last year's activity during the same time.

There are also several multi-family developments in the planning phases that are anticipated to be in construction within the next 12 months.

- ☐ Merrell Apartments – 18 units situated in 3 buildings along White Avenue are under construction.
- ☐ Kestrel Development has planned 120-unit apartment complex in multiple phases located on the 2300 block of E. Whitman Avenue. Currently finishing with the second phase.
- ☐ Vashon Construction is proposing to build 150 units located at the corner of US-95 and SH-8.
- ☐ **Moscow Building Permit Trend Tables**

New Commercial Building Permits			New SFR Building Permits			New Multi-Family Building Permits		
Year	#	Value	Year	#	Value	Year	#	Value
2010	6	\$1,560,000	2010	54	\$5,585,000	2010	36 Units	\$3,540,000
2011	3	\$375,000	2011	23	\$4,902,000	2011	30 Units	\$1,477,000
2012	10	\$7,327,730	2012	22	\$4,691,167	2012	122 Units	\$9,401,684
2013	2	\$850,450	2013	26	\$5,487,828	2013	54 Units	\$6,044,297
2014	12	\$7,913,164	2014	21	\$4,941,673	2014	66 Units	\$6,687,120
2015	3	\$6,985,000	2015	32	\$7,323,383	2015	44 Units	\$4,409,987
2016	4	\$1,296,376	2016	31	\$7,597,757	2016	31 Units	\$3,899,606
June 2017	6	\$10,407,552	June 2017	15	\$4,099,929	June 2017	0	\$0

Source: www.moscow.id.us; as of May 2017

- The total new construction building permits for 2016 issued in the City of Moscow were approximately 6% were for commercial structures, 47% were for multi-family dwellings and the remaining 47% were single family dwellings. This new residential construction represents an investment of just over \$5.1 million in the community.

Current Investment Property Financing

70% to 75% loan-to-value ratios	Monthly payments
4.5% to 5.5% nominal annual interest rates	5-year average rate adjustment
5-year and 30-year amortization terms	1.25 to 1.5 debt coverage ratio

Conclusion:

The economic activity of Moscow is intertwined with the neighboring city of Pullman, Washington. These two cities are the commercial hub for the agricultural/timber areas of the Palouse region. Both Moscow and Pullman are home to the only land-grant universities located in the states of Idaho and Washington.

Demographics and Social influences in Moscow are tied to the University of Idaho.

Land Use Discussion

North: Mix of SFR/Multi-Family housing and commercial: Jimmy John's, Moscow Alehouse, EMSI, Salvation Army

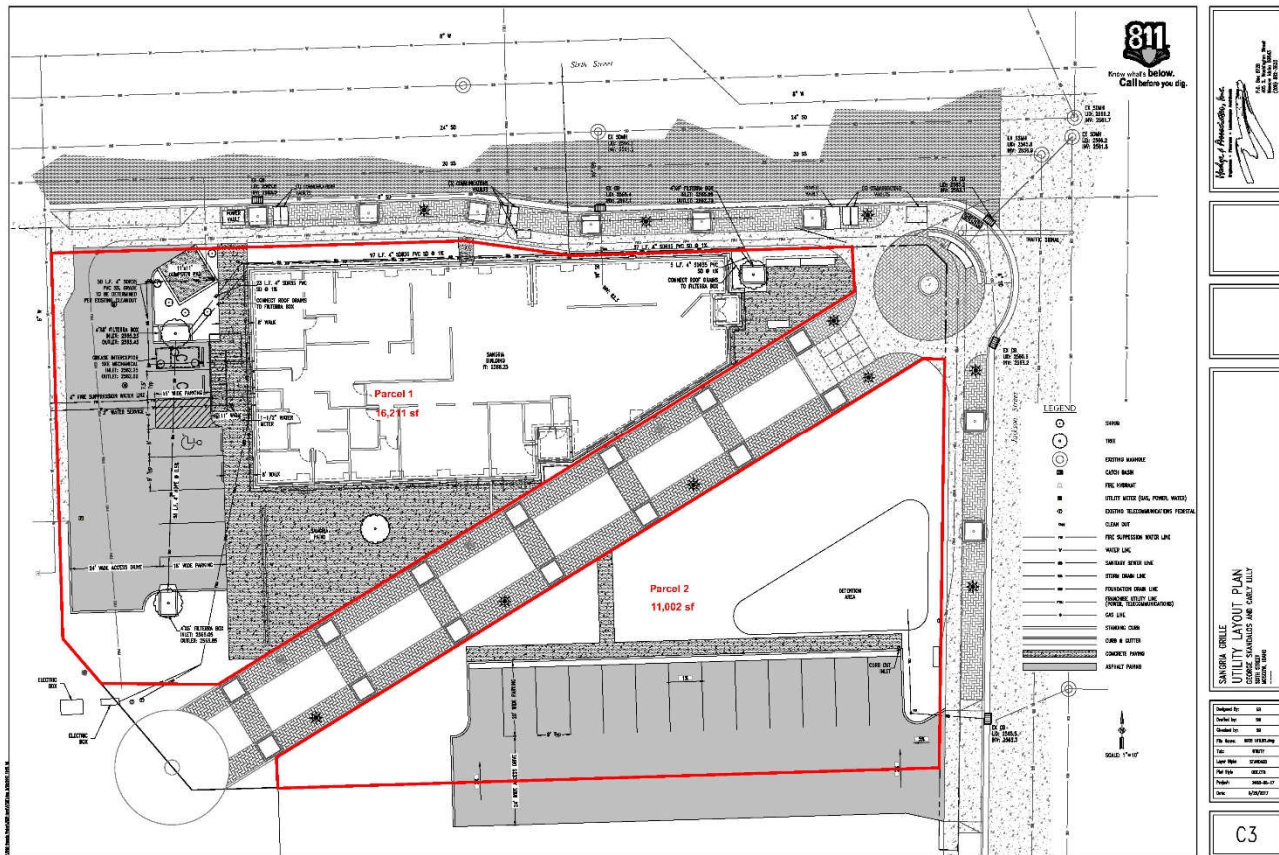
South: Seed/Grain Warehouse and Storages (no longer in operation) recently sold, University owned Buildings, Gritman Medical Center, Chas Clinic.

East: Moscow Main Street Commercial: Banner Bank, Nectar Restaurant & Wine, Blue's Brew & BBQ, One World Cafe, former Royal Motor Inn, now remodeled and re-named The Monarch, Family Medicine, etc.

West: Mix of SFR/Multi-Family housing, University Campus, and Commercial: Gambino's, Domino's Pizza, Stax-Moscow, Patty's Mexican Kitchen & Catering

Neighborhood Delineation: The neighborhood is defined by University Zoning to the west, 3rd Street to the north, US 95/South Main Street to the south and Washington to the East.

Property Description



Legal Description:

A parcel of land located in the NENE of Section 18, Township 39 North, Range 5 West, B.M., and as shown on Record of Survey recorded under Recorder's Fee No. 506752 and being more particularly described as follows:

BEGINNING at the northeast corner of said Section 18; thence S. 87°45'28" W., 363.92 feet (record 355.69 feet) along the north line of said Section 18; thence S. 00°45'10" W., 40.19 feet, to a point on the west right-of-way line of Jackson Street and the TRUE POINT OF BEGINNING, thence S. 00°45'10" W., 153.39 feet; thence S. 88°17'28" W., 207.70 feet (record 216.18 feet); thence N. 40°29'13" W., 53.83 feet; thence N 01°42'23" W., 111.29 feet; thence N. 88°17'28" E., 248.00 feet (record 256.27 feet) to the TRUE POINT OF BEGINNING.

TOGETHER WITH an easement as more fully set out in that certain Grant of Easements recorded under Recorder's Fee No. 487236.

Description is the entire site, not the two non-contiguous parcels being analyzed in this analysis totaling 27,223 SF of useable site area bisected by Hello Walk

Project Name: 6th & Jackson Development Site aka “Hello Walk”

Property ID: 0 W 6th St. and S. Jackson St.
Moscow, ID 83843

Property Owner(s): Moscow Urban Renewal Agency
Bill. J. Belknap
(208) 883-7011
221 E Second Street, Moscow, ID 83843
(208) 883-7011
bbelknap@ci.moscow.id.us

Land Size: Parcel I: triangular 16,211 Sq. Ft.; Parcel II: triangular 11,002 Sq. Ft.

Land Shape: Parcel 1 is trapezoid and Parcel II is triangular, minimizing utility.

Primary Land Type: Urban Development

Property Includes: Land Only

Property Directions: The Southwest corner of W 6th & S Jackson Streets.

Does the Property have Legal Access? Yes

Describe Legal Access: One approach from 6th Street to Parcel I; and one approach from South Jackson Street to Parcel II aka US 95, a state controlled access highway. 18 regular Off-street parking; 1 handicap parking space. Both approaches appear to be right-turn only.

Does the Property have Physical Access? Yes

Describe Physical Access: Physical access is the same as Legal Access;

General Accessibility and Road Surface Conditions: The subject site is located at the southwest corner of 6th Street, a two-way city street with right turning lanes at a major intersection with a stop-light and pedestrian crossing; and US95-Jackson Street, a south-bound three-lane major arterial. Pedestrian side-walks, curb and gutter on both sides of 6th Street and Jackson Street. Parcel I has frontage on West 6th Street, and Parcel II has frontage on South Jackson Street.

Description of easements, rights-of-way, and/or encroachments that affect this property:

None known

Mineral Rights: To the appraiser's knowledge all mineral rights are conveyed

Utilities:

Utility Description	Service Availability	Service Provider	Comments
Electricity	Available within immediate area	Avista	Utilities will be buried on the site
Water	City/Public System	City of Moscow	
Sewer	City/Public System	City of Moscow	
Telephone Land Line	Available within immediate area	Several	

RE Tax/Assessment:

Parcel No.	No. Acres	Assessed Taxable Value			RE Taxes	Tax Rate	\$/Acre	Assessed Market Value		
		Land	Impr.	Total				Land	Impr.	Total
RPM000001800 25A	0.87	\$0	\$0	\$0	\$0		\$0.00	\$0	\$0	\$0
TOTAL:	0.87	\$0	\$0	\$0	\$0	NaN	\$0.00	\$0	\$0	\$0

Real Estate Assessment and Tax Comments: the subject property is owned by Urban Renewal and is not assessed.

History of Land Use: Vacant Land and Otto's Produce

Soils - Predominant soil type(s) and description(s):

1. Latahco silt loam, 0 to 3 percent slopes. All areas are prime farmland. Somewhat poorly drained. Non-irrigated Capability Class: 3w

Annual Average Precipitation in inches: 26 inches

Growing Season - Frost Free Days: 115 days

Predominant Topography Slopes: 0 to 3 percent slopes

Elevation: 2562 feet

Zoning Ordinance Authority: Latah County Planning & Building

Land Use Zone: UMC - Urban Mixed Commercial

Allowed Uses and Limitations: To provide a location for urban mixed development including a range of compatible commercial uses such as retail, eating, and drinking, and hospitality establishments, professional and personal service uses, as well as residential uses. The UMC Zoning district is intended to promote the urban development form, promote a mixture of commercial and residential land uses. This Zoning District is appropriately applied in close proximity to the Central Business District and the downtown area where the urban form of development is appropriate and intensity of allowed commercial land uses can be accommodated.

Does Property Conform to Zoning Ordinance? Conforming

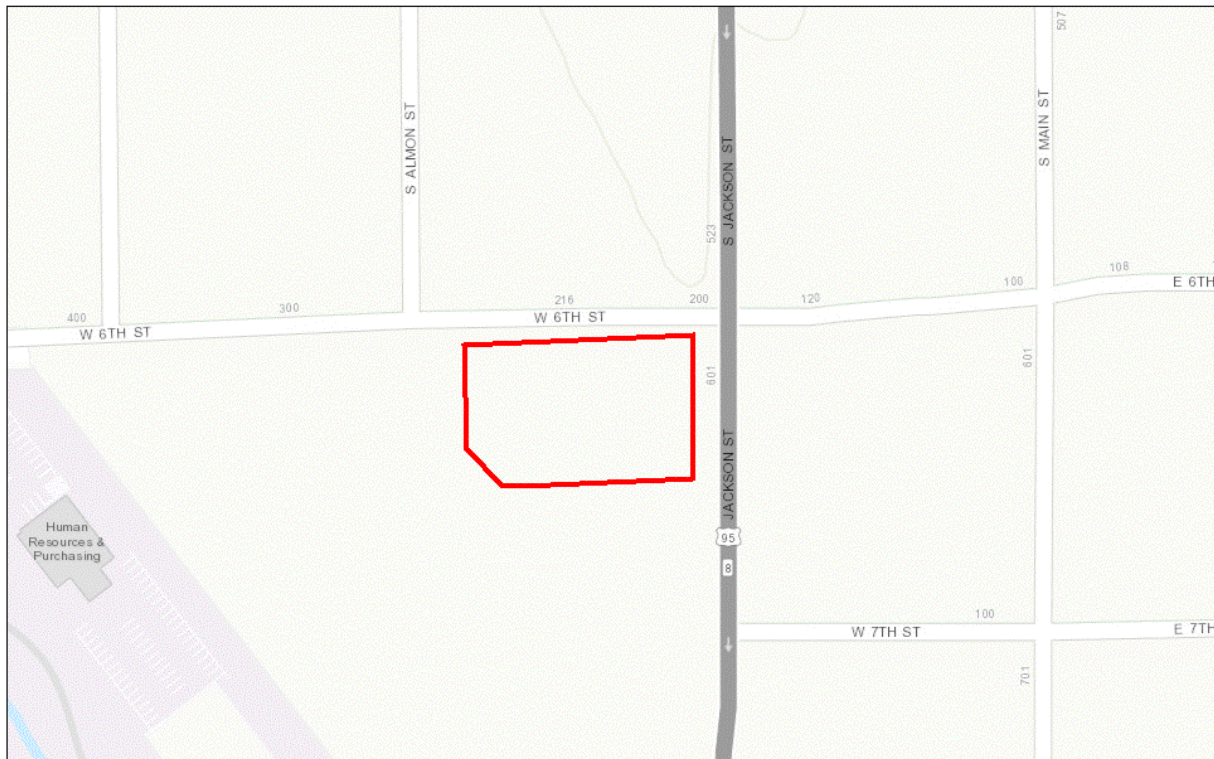
Comments on land development potential, change of use, or limitations: Parcel shapes and sizes minimize potential commercial development.

Flood Zone: Not in a Flood Zone

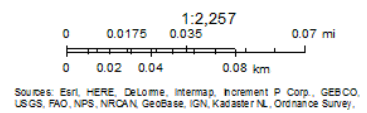
Wetlands: No

Topography Map

6th & Jackson Development Site



October 16, 2017



Soils Data

Latah County, Idaho

26—Latahco silt loam, 0 to 3 percent slopes

Map Unit Setting

National map unit symbol: 2ph6k
Elevation: 2,310 to 2,880 feet
Mean annual precipitation: 23 to 29 inches
Mean annual air temperature: 43 to 46 degrees F
Frost-free period: 95 to 130 days
Farmland classification: Prime farmland if drained

Map Unit Composition

Latahco and similar soils: 80 percent
Minor components: 5 percent
Estimates are based on observations, descriptions, and transects of the mapunit.

Description of Latahco

Setting

Landform: Drainageways
Landform position (two-dimensional): Toeslope
Landform position (three-dimensional): Tread
Down-slope shape: Concave
Across-slope shape: Linear
Parent material: Loess

Typical profile

A1 - 0 to 14 inches: silt loam
A2 - 14 to 20 inches: silt loam
Ec - 20 to 28 inches: silt loam
Btc - 28 to 60 inches: silty clay loam

Properties and qualities

Slope: 0 to 3 percent
Depth to restrictive feature: More than 80 inches
Natural drainage class: Somewhat poorly drained
Capacity of the most limiting layer to transmit water (Ksat):
Moderately high (0.20 to 0.60 in/hr)
Depth to water table: About 10 to 16 inches
Frequency of flooding: Occasional
Frequency of ponding: None
Available water storage in profile: High (about 11.1 inches)

Interpretive groups

Land capability classification (irrigated): 4w
Land capability classification (nonirrigated): 4w
Hydrologic Soil Group: C/D
Ecological site: DRY MEADOW (R009XY019ID)
Hydric soil rating: No

Flood Map

FloodInsights



FloodInsights Report For:
E 6TH ST, MOSCOW, ID 83843
Geocoding Accuracy: (*) Location placed manually by user
Original Input Address: E 6TH ST, MOSCOW, ID 83843

Flood Zone Determinations (Non-Guaranteed)

SFHA Within 250 feet of multiple flood zones?

Out No

Map Number

1600900002D

Community	Community_Name	Zone	Panel	Panel_Dte	COBRA
160090	MOSCOW, CITY OF	X	0002D	April 15, 2002	COBRA_OUT

FIPS CensusTract

16057 0054.00



FloodMap Legend

Flood Zones

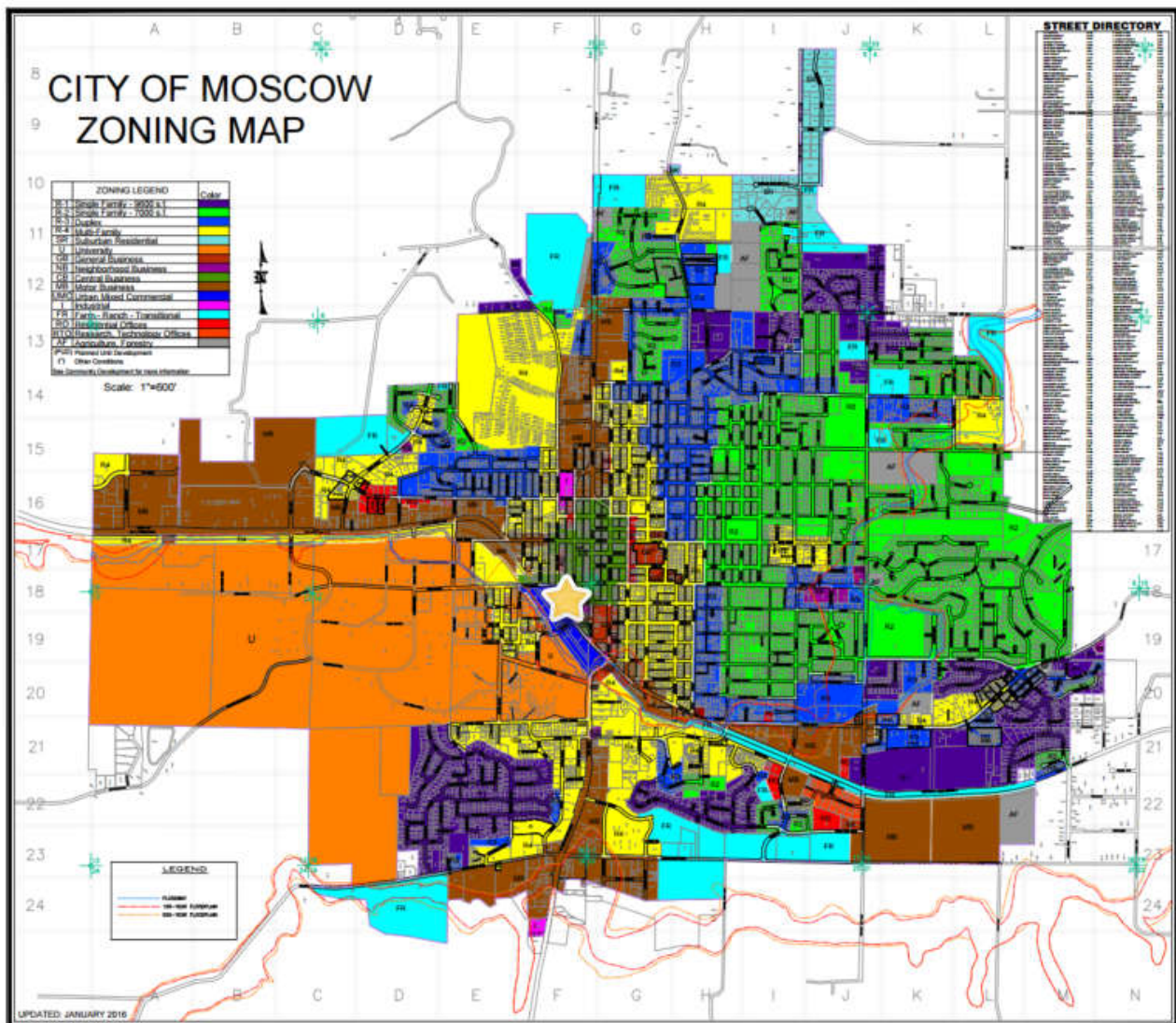
- Areas inundated by 500-year flooding
- Areas outside of the 100- and 500-year floodplains
- Areas inundated by 100-year flooding
- Areas inundated by 100-year flooding with velocity hazard
- Floodway areas
- Floodway areas with velocity hazard
- Areas of undetermined but possible flood hazards
- Areas not mapped on any published FIRM

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Zoning Map

ZONING LEGEND		Color
R-1	Single Family - 9600 s.f.	Green
R-2	Single Family - 7000 s.f.	Yellow
R-3	Duplex	Blue
R-4	Multi-Family	Orange
SR	Suburban Residential	Light Blue
U	University	Dark Blue
GB	General Business	Light Green
NB	Neighborhood Business	Light Yellow
CB	Central Business	Light Orange
MB	Motor Business	Light Purple
UMC	Urban Mixed Commercial	Light Blue
I	Industrial	Light Green
FR	Farm - Ranch - Transitional	Light Yellow
RO	Residential Offices	Light Orange
RTO	Research, Technology Offices	Light Purple
AF	Agriculture, Forestry	Light Green
(PUD)	Planned Unit Development	Light Blue
(*)	Other Conditions	Light Green

See Community Development for more information



Highest and Best Use

Introduction

Definition: Highest and Best use may be defined as: "The reasonably probably 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."

Function: To qualify the property as it relates to market behavior, considering the economic principles that affect value such as supply and demand, substitution, balance and conformity. (Paraphrased from The Appraisal of Real Estate, Fourteenth Edition, Appraisal Institute)

Purpose: Creates the foundation for identifying the sub-market, including comparable sales I will use to establish value. Determines what, if any, of the whole and/or part(s) of site and/or improvements that is super-adequate and/or inadequate and consider them accordingly.

Vacant Land Site Features:

Legal and Physical Access:	One approach from 6th Street a bi-directional Moscow City Street. 7 Off-Street parking (includes handicap parking). One right-hand approach from S. Jackson Street with 12 off-street parking spaces as-improved. Physical access is the same as Legal Access;
Zoning:	UMC - Urban Mixed Commercial
Land Size:	16,211 Sq. Ft. Triangle; and 11,002 Sq. Ft. Triangle
Easements and ROW Description:	Hello Walk bisects the parcel
Topography:	0 to 3 percent slopes
Annual Precipitation:	26 inches

Highest and Best Use As-Though Vacant/As-Vacant

1) Legally permissible:

In order to consider highest and best use of the property, I have first determined which uses are legally permissible. In order to analyze this, I have researched legal restrictions that relate to the subject land uses. These include:

- Private restrictions
- Zoning
- Building codes
- Historic district controls
- Environmental regulations
- Long-term leases

The subject property is located in the Urban Mixed Commercial (UMC) zoning District. The intent of the UMC Zoning District is as follows: "The principal purpose of the UMC Zoning District is to provide a location for urban mixed development including a range of compatible commercial uses such as retail, eating and drinking, and hospitality establishments, professional and personal service uses, as well as residential uses. The UMC Zoning District is intended to promote the urban development form, promote a mixture of commercial and residential land uses. This zoning District is appropriately applied in close proximity to the Central Business District and the downtown area where the urban form of development is appropriate and intensity of allowed commercial land uses can be accommodated.

" The UMC Zone allows for a large range of uses which include retail establishments, professional or personal service offices, research and development establishments that includes limited light manufacturing, eating and drinking establishments, entertainments, hotels and motels, public parks and plazas, daycare facilities, vertically mixed-use development, and off-street facilities. Discretionary uses that require Conditional Use Permit approval include churches, drive-up windows, light manufacturing, large daycare facilities, commercial schools and education institutions, residential uses located on the ground floor which are not located behind commercial uses, and structures over 65 feet in height."

The Legacy Crossing Overlay District (LCO) component of the project would establish the area where certain development design standards are to be applied. Since the current Zoning Code does not address the quality of development, site circulation, or pedestrian facilities within the subject area, an overlay district is needed to apply the proposed Design Guidelines that would guide these aspects of development. The specific aspects of the development that the Design Guidelines document will address will be site access, internal circulation, streetscape design, pedestrian connectivity, building design, parking, public spaces and amenities, and sustainable development practices.

New development projects within the LCO would undergo a review by the Planning and Zoning Commission and City Staff to ensure that they are in conformance with the Design Guidelines or, in some circumstances, approve any justified deviations to the Design Guidelines. The LCO District is what establishes what areas are subject to the Design Guidelines and also specifies the review and approval process that new development would be subject to. The City's current zoning code does not currently address the type of quality of building that may be constructed (for example a metal pole building would be allowed under the City's zoning code), nor does it adequately address site circulation and pedestrian facilities that are desired within the Project Area.

The City envisions development in the Project Area will be similar in quality and character to that of the downtown and University of Idaho Campus. The Design Guidelines address the following development aspects:

- Site Access
- Internal Circulation
- Streetscape Design
- Pedestrian Connectivity
- Building Design
- Parking
- Public Spaces and Amenities
- Sustainable Development Practices

Review Process

Development projects within the Project Area would undergo a review by the Planning and Zoning Commission and Community Development Department staff to ensure that they are in conformance with the Design Guidelines, or to approve any justified deviations to the Guidelines. The Overlay Zone would establish the area that is subject to the Design Guidelines and detail the review and approval process.

Sec. 4-2. Legacy Crossing Overlay (LCO) Zoning District.

A. Intents and Purposes. With the retraction of historic agricultural industrial uses from the downtown area and in special consideration of its unique and sensitive characteristics, the City finds that redevelopment within the LCO area requires an increased level of review to ensure the logical and orderly redevelopment and provision of public services within the LCO area.

B. Relationship to Underlying Zoning. It is the intent of the LCO that the underlying zoning district designation shall specify the permitted land uses within the LCO and the LCO review process shall be contained to the review of design of proposed development within the LCO.

C. Development Review. Prior to the issuance of any building permit for a new principal structure, or for a substantial improvement (as defined by this Code) to any existing principal structure, all development proposals within the LCO shall be reviewed for conformance with the LCO Design Guidelines, as duly adopted by Resolution of the Council, in accordance with the provisions of this Section.

D. Development Review Process. Review of a proposed LCO development shall consist of three (3) stages: a Pre-application Meeting; a Preliminary LCO Development Review; and a Final LCO Development Review.

1. Pre-application Meeting. The pre-application meeting is intended to provide the opportunity to identify and discuss the conformance of the proposed development concept with the underlying zoning designation and the intents, purposes and requirements of the LCO Design Guidelines, and to provide an informal review opportunity of a proposed development prior to substantial design investment by the applicant.

a. Required Pre-application Meeting Materials. The applicant shall provide concept plans which show the proposed development, including a concept site plan, building elevations, and the number, floor area, and proposed use of all proposed structures and land areas of the development site. Such plans shall be of adequate scale, resolution and detail to provide the Zoning Administrator with adequate information to assess the conformance of proposed development to the LCO Design Guidelines. § 4-2 TITLE 4 — ZONING CODE § 4-2

b. Upon completion of the Pre-application Meeting, the Zoning Administrator shall provide the applicant with comments and suggestions for any recommended amendments and/or modifications to the development concept for use in further development of the application.

2. Preliminary Development Review.

a. Preliminary LCO Development Application Materials. Prior to review by the Planning and zoning Commission, the applicant shall submit five (5) copies of the following development application materials to the Zoning Administrator:

i. A development site plan that includes all the following:

(a) Property boundary lines and individual lot lines of each parcel which is to be created for separate ownership;

(b) Existing and proposed grade plan in two foot (2') maximum contour intervals of the development site and extending a minimum of twenty feet (20') outside the development site;

(c) The location of all buildings and all off-street parking areas;

(d) The location of all planned and existing thoroughfares and walks, their widths and nature of their improvements, and whether they are to be public or private;

(e) The location of easements for water lines, fire hydrants, sewer and storm sewer lines, and other utilities;

(f) Areas to be conveyed, dedicated, reserved or used for parks, playgrounds or any other public use;

(g) Landscaping and tree planting plans including the location of existing trees and shrubs which are to be retained;

(h) Any other details deemed necessary during the Pre-application Meeting to demonstrate conformance with the LCO Design Guidelines.

ii. Elevation drawings of all proposed structures including a description of proposed building materials and all proposed land uses including a computation of total square footages dedicated to the proposed uses; and

iii. Lighting and signage plans.

- b. All submitted plans shall be drawn to a standard engineer's or architect's scale and may contain multiple categories of the above-listed information on any one (1) plan drawing, provided that such plan drawing represents all information in an accurate and readily identifiable manner. Plans shall contain information and detail as necessary to determine compliance with applicable codes, and to determine conformance with the LCO Design Guidelines and intent of this Section.
- c. Determination of Completeness. Upon receipt of the Preliminary Review submission from Applicant, the Zoning Administrator shall distribute the proposed development plans to the appropriate development review parties for review and comment upon the proposed developments plans. Upon determination that the application materials are complete and in substantial conformance with applicable City standards and requirements, the Zoning Administrator shall schedule the Preliminary LCO Development Application for review by the Planning and Zoning Commission.
- d. Preliminary Review Public Comment Period. Prior to the Preliminary Review by the Commission, notice of the proposed development shall be published in the paper of record and posted upon the § 4-2 TITLE 4 — ZONING CODE § 4-2 subject property. Such notice shall describe the nature of the proposed development, the location where materials relating to the proposed development may be viewed, and provide fifteen (15) calendar days from the date of publication and posting for written comments regarding the proposed development to be submitted to the Zoning administrator. All written comments received by the Zoning Administrator shall be included with the preliminary review materials for the Commission's consideration.
- e. Preliminary Development Review Process. The Preliminary Review shall be conducted by the Commission as a regular agenda item. The Commission shall evaluate the conformance of the proposed development with the LCO Design Guidelines and may give approval of the proposed development, or approval subject to required modifications or conditions, or may deny the development proposal. All decisions of the Commission shall be based upon the criteria established within the LCO Design Guidelines. If the proposed development will include Conditionally Permitted Uses or require a Variance, the Commission shall serve as the hearing body for the proposed Conditional Use or Variance in conjunction with the Preliminary Review.
- f. Appeal of the Preliminary Decision. The decision of the Commission relative to a proposed LCO development may be appealed to the Council by the applicant or by any affected person, as defined by this Code, in accordance with this Code.
- g. Duration of Preliminary Approval. Preliminary approval of a LCO development proposal shall expire eighteen (18) months following the date of approval by the Commission and shall be automatically null and void on such date unless final approval has been granted prior to such time.
3. Final Review. The final review process is intended to provide an opportunity to review the final development plans for conformance with the intent of the Preliminary Development Review approval.
- a. Final LCO Development Application Review Materials. The applicant shall provide five (5) copies of the proposed final LCO development plans to the Zoning Administrator not less than twenty-one (21) days in advance of the meeting of the Commission at which the proposed final development plans shall be reviewed. The final LCO development plan submission shall include final version of all materials required for the Preliminary development review, in addition to the following items:
- i. Evidence of clear title to any lands to be conveyed or reserved for parks, scenic ways, playgrounds, schools, public buildings, or other public purposes;
 - ii. Final plans for location of water, sewer, drainage and all other utilities, and plans for street improvements and grading;
 - iii. A final phasing plan; and
 - iv. Any proposed development agreements, deed restrictions, or other commitments necessary to assure compliance with the proposed final LCO development plan.
- b. Final LCO Development Review Process. If the proposed final LCO development plan is substantially similar to the LCO development plan application submitted to the Commission for preliminary approval and, if it adequately incorporates all required conditions or modifications, it

may be considered as a regular agenda item at a meeting of the Commission. The Commission may grant final approval, may grant final approval with § 4-2 TITLE 4 — ZONING CODE § 4-2 minor modifications or conditions, or may deny the application if it is not in substantial conformance with the preliminary approval and/or conditions of preliminary review approval. Phased building permits and construction shall be allowed in accordance to phasing plans presented and approved within the original approval.

c. Appeal of the Final Decision. The decision of the commission relative to a proposed LCO development final approval may be appealed to the Council by the applicant or by any affected person, as defined by this Code, in accordance with this Code.

d. Duration of Final LCO Development Approval. If building permits required for the approved LCO development are not obtained within twenty-four (24) months following the date of final approval by the Commission, such LCO development final approval shall be immediately revoked and shall be automatically null and void on such date. Within twenty-four (24) months following the date of LCO development final approval by the Commission, the applicant of such LCO development may request one (1) extension of not more than twelve (12) months from the date of the request for extension. The request for extension shall be reviewed and approved or denied by the Commission. No further extension shall be granted. 4. LCO Project Amendment. After final approval of a LCO Development, the Zoning Administrator shall administer the permitting and development review process for the project. The Zoning Administrator shall be allowed to approve minor amendments to the project that do not substantively alter the intent and considerations, or specific conditions of the Commission's project approval. If the Zoning Administrator finds that the proposed amendment substantively alters the intent and considerations, or specific conditions of the Commission's approval, the proposed amendment shall be considered by the Commission as a regular agenda item. (Ord. 2012-09, 06/04/2012)

Site value is determined by the Development Plan, market conditions, density of development, costs of development, risks of Agency, risks of Developer, Developer participation in the funding of public facilities and amenities, and estimated or actual Developer profit based on the fair value for uses in accordance with the Plan. Requirement of the site plan includes Hello Walk walkway bisecting the site as set forth in the Legacy Crossing plan.

2) Physically Possible:

The site is level at street grade, is two triangular parcels, separated by Hello Walk. Each site, separately, has frontage. Parcel I has 248' frontage on a major connector (6th Street) to University of Idaho; and Parcel II has 153.39' frontage on a major arterial (Jackson). The site does not have corner site utility with the division of Hello Walk bisecting the two parcels. Average Vehicles Per Day as of April 17, 2013 is 7,996 VPD E/W west of Jackson; 7,678 VPD E/W east of Jackson; 11,601 VPD South of 6th Street; and 12,670 VPD north of 6th Street. Additionally, 6th Street is a heavily traveled bicycle route with a dedicated bicycle lane. All utilities are available to the site. Soil is Latahco silt loam, 0 to 3 percent slopes. The usable site area requires separate uses for each parcel. The site has one approach to each separate parcel with only right-hand turn on 6th street in and out, and right-hand turn on one-way Jackson Street. The site is located at a stop light.

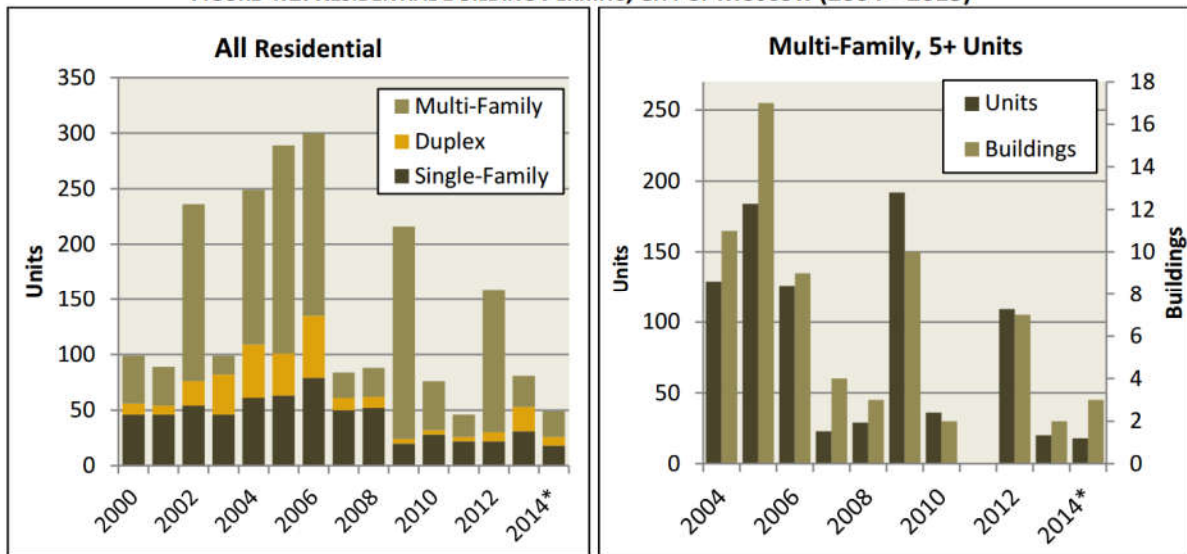
In previous discussions with Michael Ray, Mike Ray, City of Moscow stated off-street parking within this district has been reduced to approximately 50% of parking required under typical R-4 and Motor Business zone, increasing potential site area allocated to building footprint, with a maximum building height of 65 feet. While this is legally permissible, this does not consider consumer preferences for parking areas in close proximity to shopping, eating, and living areas.

Because residential uses are only permitted on upper floors, and only on the first floor as long as street frontage is a commercial use, a variance is not required for the proposed building which is designed for a commercial restaurant on the main floor.

3) Financially Feasible:

Historically, there has been no demand for commercial/retail multi-story buildings. Demand in the area has been one-story slab-on-grade construction. This was demonstrated in an attempt to do retail-commercial mixed use in University Place building on West Sixth Street and was not as successful as the developer believed it would be. Duane Brelsford had envisioned an additional mixed use retail/commercial building similar to Phase I being built to the east. There was no interest in that project and Duane ended up selling the subject land to the City of Moscow for Legacy Crossing development in 2012.

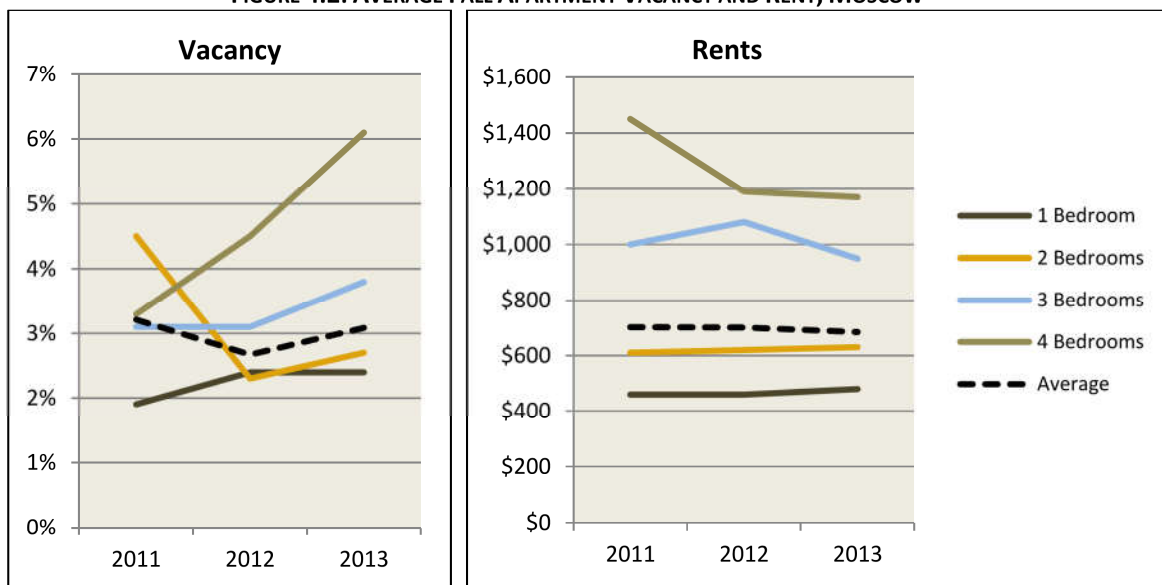
FIGURE 4.1: RESIDENTIAL BUILDING PERMITS, CITY OF MOSCOW (2004 – 2013)



* 2014 YTD

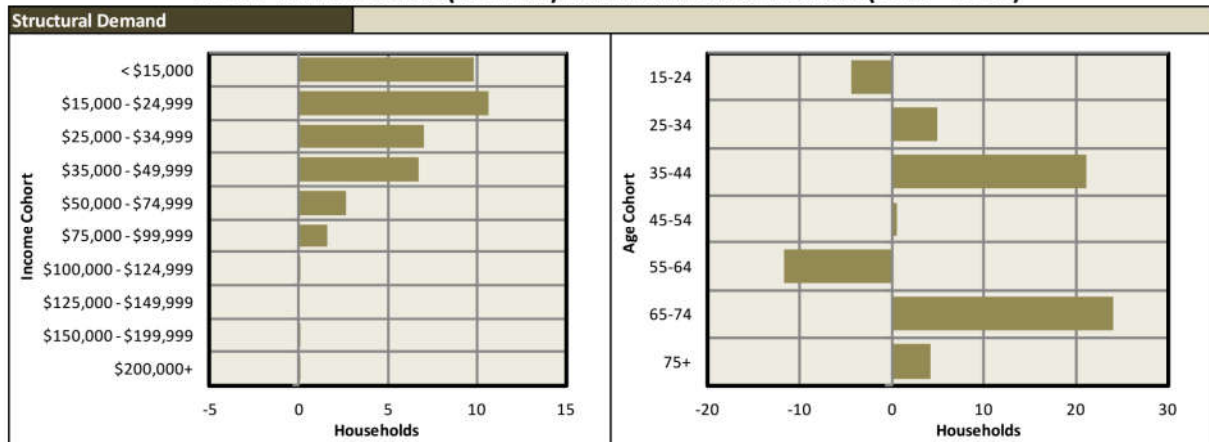
SOURCE: City of Moscow

FIGURE 4.2: AVERAGE FALL APARTMENT VACANCY AND RENT, MOSCOW



SOURCE: Palouse Commercial Real Estate

FIGURE 4.8: STRUCTURAL (NET NEW) RENTAL APARTMENT DEMAND (2014 – 2019)



SOURCE: JOHNSON ECONOMICS

The subject analysis is based on value in use, or land residual analysis developed in the following analysis using the client's building description, which has been designed to be accommodated by the two rectangular parcels, including cost to build to vanilla shell (no restaurant FF&E) and apartments. Restaurant tenant improvements and FF&E were not considered due to lack of data for rents on turn-key establishments similar to the proposed project:

Valuation Methodology

Real property appraisal is the systematic acquisition, classification, analysis and presentation of data toward the goal of arriving at a reliable estimate of value of a subject property. To this point, I have presented a summary report of important facts and conclusions, a state of assumptions and underlying conditions, and relevant definitions such as the effective date of value estimate, the property rights being appraised, and the type of value sought. I have presented a discussion of strengths and weaknesses of the property. In addition, I have identified and described the subject property, and considered its zoning and history. The supporting information is retained in our file.

There are three commonly accepted approaches used in valuing real estate. These are the Cost Approach, the Income Approach, and the Sales Comparison Approach; they are defined as follows:

Cost Approach—One of the three traditional appraisal approaches to estimating value. In this approach, value is based on adding the contributing value of any improvements (after deduction for accrued depreciation) to the value of the land as if it were vacant based on its highest and best use. If the interest appraised is other than fee simple, additional adjustments may be necessary for non-realty interest and/or the impact of existing leases or contracts. The depreciated cost method was utilized to conclude the contributory value of the existing improvements.

Sales Comparison Approach—One of the three traditional appraisal approaches to estimating value. Value is estimated by comparing similar properties that have sold recently to the subject property. Formerly referred to as the "market approach". The Sales Comparison Approach to Value was utilized to conclude the "as though vacant" value of the subject site.

Income Approach—One of the three traditional appraisal approaches to estimating value. In this approach, value is based on the present value of future benefits of property ownership. In direct capitalization, a single year's income is converted to a value indication using a capitalization rate. In yield capitalization, future cash flows are estimated and discounted to a present value using a capitalization rate. The income approach is not considered applicable.

Appraisal Methods Used:

Value in Use establishing a residual land value based on the approved project.

Residual Land Value Analysis

Established Market Rents for Restaurant and Apartments:

Retail	Market \$/SF	CAM	Rent+CAM	PGI	Vacancy	EGI	No TI	NRSF
100%								
6,812								
6,107	\$15.47	\$3.00	\$18.47	\$112,796	10.00%	\$101,517	Vanilla Wall	6107
Totals				\$112,796		\$101,517	NRSF	6107
Total NRSF	6,107			\$18.47			Rent/SF	\$18.47
							Effective Gross Inc.	\$101,517
							Vacancy Rate	10.00%
Apartments	Rent/SF/Mo	Rent/Mo	Months	PGI	Vacancy	EGI		NRSF
12	Total							
11	1 BR	\$770.00						
1	Studio	\$600.00						
2nd Floor								
11	1 BR Units							
467	1.65	\$771	12	\$101,713	5.00%	\$96,627		5137
998	Common Area							
4,857	GBA 2nd Floor (doesn't include lofts)							
2nd Floor Loft								
1	Studio	Market						
332	1.8	\$598	12	\$7,171	5.00%	\$6,813		332
	Common Area							
3,752	GBA Loft							
11,576	NRSF							
15,421	GBA							
75%	Efficiency							
Total Apt. PGI & EGI								
			Total PGI	\$221,680	Total EGI	\$204,956	Blended Vacancy	7.54%

On the following pages are tables of local market rental data used to conclude market rents on the 6,107 SF Net Rentable Square Footage (NRSF) of the Sangria Grille Restaurant; and 12 apartments.

The \$108,883 Annual Rent of all apartments is divided by 12 months to conclude a monthly rental income of \$9,073, divided by 12 apartments to conclude \$756.14/month weighted average for the apartments.

A 5% vacancy was applied to the apartments

Market rent for the restaurant, vanilla wall (does not include tenant improvements or FF&E for the restaurant) is concluded to be \$15.47/sf plus CAM/pass-through of \$3/SF to cover maintenance under a Triple-Net lease structure. Total rent of \$18.47 is applied to 6,107 net rentable square footage generating \$112,796 Potential Gross Income. A vacancy rate of 10% is applied for single-tenant special use building, leaving effective gross income of \$101,517.

Based on Similar-Size Units from Comparable Rentals					
Comp No.	Subject	1	2	3	4
Property Name	Pullman Armory Building	Bridgeway	Square One	Cordova	Graystone Church
Address	540 East Main Street	350 E. Main Street	107 S. Grand Avenue	141 N. Grand Avenue	430 NE Maple
City & State	Pullman, WA	Pullman, WA	Pullman, WA	Pullman, WA	Pullman, WA
Weighted Avg. Apt. Size	752 sf/unit	810-950 sf units	663-709 sf units	1200 sf units	820-890 sf units
Year Built	REM 2013-2016	2004	1927/Rem 2006	1920/REM 80s	REM 2005
Type of Lease	Modified Gross	Modified Gross	Modified Gross	Modified Gross	Modified Gross
Lease Rate	\$1.77/sf	1.07-1.24	\$1.29	\$1.00	\$1.10 - \$1.34
Effective Year Built	2008	2006	2000	1990	2005
Lease Term	Annual	Annual	Annual	Annual	Annual
Quantitative Adjustments					
Expense Structure	Modified Gross	0.00%	0.00%	0.00%	0.00%
	High-End	20.00%	0.00%	15.00%	0.00%
Non Real Estate Item	Finish/Amenities				
Market Conditions/Time		0.00%	0.00%	0.00%	0.00%
Adj Price/GBA		\$1.44	\$1.29	\$1.15	\$1.34
Location	E. Main Street	0.00%	0.00%	0.00%	0.00%
Qualitative Analysis	Good Exposure	Main Street - Same Exposure	Grand - Main	Inferior Location of CBD	WSU Campus - Considered Equal
Physical	1% Per Yr. Diff	2%	8%	18%	3%
Qualitative Analysis		Semi-Inferior	Semi-Superior	Semi-Superior	Semi-Superior
Apartment Finish	Gd Qual. Finish	0%	0%	0%	0%
Qualitative Analysis	CBD Apartments	CBD Apartments	CBD Apartments	CBD Apartments	College Hill Apts.
Total Adjusted \$/SF	\$1.47	\$1.47	\$1.39	\$1.36	\$1.38

All Units have dedicated Parking of 1 space/bedroom

Support for Expense and Capitalization Conclusions:

Comparable	1	2	3	4	5	6	7
Street Address	700 NE Reaney Way	1105 NW Nye Street	631 NE Oak St. & 640 NE Gray Ln.	430 NE Oak Street	211 N Peterson Drive	815 S Lincoln Street	613/615 Taylor Ave.
INCOME DATA							
EGI	\$109,462	\$36,936	\$147,060	\$32,775	\$86,070	\$230,888	\$35,226
EGIM	8.46	11.51	6.63	12.20	8.91	6.71	10.50
Avg. EGI/NR SF/Year	\$8.79	\$6.84	\$15.60	\$9.10	\$10.63	\$9.49	\$9.41
Avg. EGI/Unit/Year	\$4,976	\$6,156	\$13,369	\$5,463	\$7,173	\$5,772	\$5,871
Avg. EGI/Bedroom/Year	\$4,378	\$3,078	\$4,325	\$3,642	\$3,742	\$5,019	\$3,523
NOI with Reserves	\$68,961	\$24,008	\$98,530	\$21,071	\$55,945	\$125,617	\$22,897
OAR with Reserves	7.45%	5.65%	10.11%	5.27%	7.29%	8.10%	6.19%
Expense/Unit	\$1,841	\$2,155	\$4,411.82	\$1,951	\$2,510	\$2,632	\$2,055
Expense/Bedroom	\$1,620	\$1,077	\$1,427.35	\$1,672	\$1,310	\$2,289	\$10,527
Expense/SF Net Rentable	\$3.25	\$2.39	\$5.15	\$3.25	\$2.95	\$4.33	\$3.29
Expense Ratio - with Reserves	37%	35%	33.00%	36%	35%	46%	35%

Comparable	1	2	3	4	5	6	7
Street Address	1450 SE Harvest Dr.	1605 Levick St.	1695 Levick St.	1683 & 1673 Levick St.	613/615 Taylor Ave.	1330 S. Main Street	1209 - 1215 S. Mountain View Rd
City/State	Pullman, WA	Moscow, ID	Moscow, ID	Moscow, ID	Moscow, ID	Moscow, ID	Moscow, ID
Seller	Kirkman	Remington	Peterson	Masonbrink	Grant	Vandal Ridge LLC	Lyons
Buyer	Weston Family Trust, LLC	Garfield	Raebel	Pickard	Ahmann	Pecarovich Properties	Merrell Enterprises, LLC
INCOME DATA							
EGI	\$270,864	\$27,132	\$27,360	\$58,482	\$39,672	\$95,040	\$123,120
EGIM	12.55	10.25	9.87	9.47	9.33	8.63	10.56
Avg. EGI/NRSF/Year	\$12.14	\$8.48	\$8.55	\$9.14	\$10.60	\$7.69	\$9.95
Avg. EGI/Unit/Year	\$10,032.00	\$6,783.00	\$6,840.00	\$7,310.25	\$6,612.00	\$5,940.00	\$10,260.00
Avg. EGI/Bedroom/Year	\$6,945.23	\$3,391.50	\$3,420.00	\$3,655.13	\$3,967.20	\$3,065.81	\$5,130.00
NOI with Reserves	\$176,061.60	\$17,635.80	\$17,784.00	\$38,013.30	\$25,786.80	\$58,687.00	\$80,028.00
OAR with Reserves	5.18%	6.34%	6.59%	6.86%	6.97%	7.16%	6.16%
Expense/Unit	\$3,511	\$2,374	\$2,394	\$2,559	\$2,314	\$2,079	\$3,591
Expense/Bedroom	\$2,431	\$1,187	\$1,197	\$1,279	\$1,389	\$1,073	\$1,796
Expense/SF Net Rentable	\$4.25	\$2.97	\$2.99	\$3.20	\$3.71	\$2.69	\$3.48
Expense Ratio - with Reserves	35%	35%	35%	35%	35%	35%	35%

- Rental Rate Data on Restaurants

The adjusted market rental rates for restaurants range from 11.08/SF to \$18.93/SF. The average adjusted rate is \$15.47, reflective of a modified gross lease arrangement. The average rate is based on modified gross lease terms; the lease rate can be adjusted to NNN lease terms if necessary. The tenant's only expenses are in-unit utilities for the properties in the following chart. The above rates are indicative of larger population bases, and would require adjustments for applicability to rural markets.

Restaurant Lease Data, Larger Markets

<u>Comparable</u>	<u>SF</u>	<u>\$/SF</u>
1	2,400	\$18.01
2	5,700	\$11.44
3	6,259	\$17.88
4	14,100	\$11.08
5	4,787	\$18.93
<i>Median</i>		<i>\$17.88</i>
<i>Average</i>		<i>\$15.47</i>
<i>Low</i>		<i>\$11.08</i>
<i>High</i>		<i>\$18.93</i>

A larger local Moscow restaurant in a secondary/limited exposure location (4,580 SF) is currently leased for \$9.00/SF under NNN lease terms; this rate would be reflective of a larger restaurant with more expenses passed onto the tenant.

A restaurant rental comparable contained in my work file that is located in a national tenant anchored environment is \$18.75/SF, contracted until 2018, plus CAM charges (NNN expense structure). Terms are typically 3 – 5 years.

- Rental Rate Data on Fast Food

National chain fast food establishments are generally under 3,000 SF in size, which often accounts for their relatively high rent/SF indication. Two leases are contained in my work file, with rates of \$19.67/SF and \$22.56/SF. Both properties are located in Moscow, are occupied by national chain tenants, and are operating under NNN expense terms.

Capitalization Rate Indications – Fast Food/Restaurant/Tavern

Capitalization rates for restaurants tend to run higher compared to general retail. The OAR data is fairly limited regionally with respect to sales derived market lease investments. Several rates were derived for mixed use properties with a restaurant and/or tavern component, with rates ranging as follows. For single use facilities, the average rate may be more appropriate.

<i>Average</i>	8.19%; <i>Median</i>	7.58%
<i>High</i>	12%; <i>Low</i>	7.05%

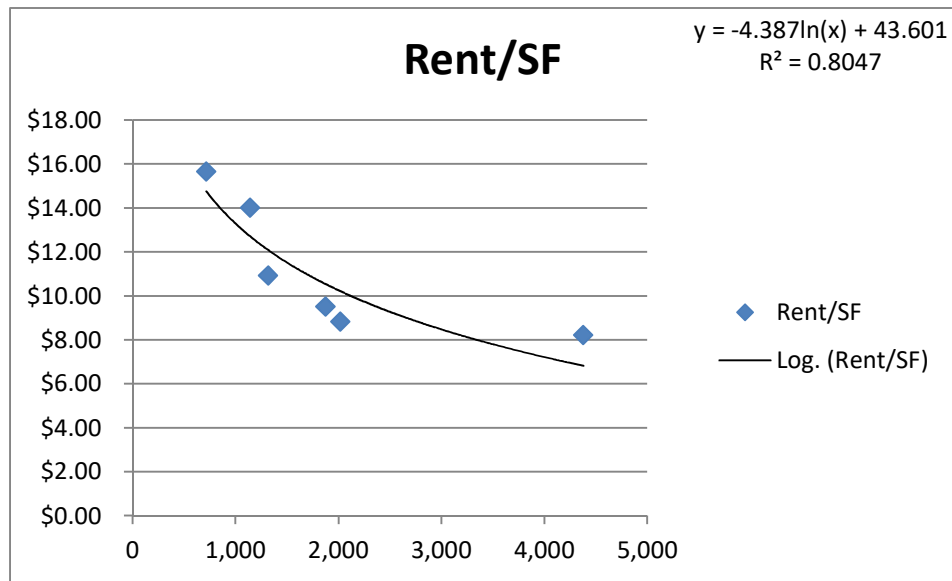
Retail

Retail data tends to vary based on location. The data presented for shopping plazas and in-line strip facilities, which are generally located outside of the CBD, is previously presented. The following data pertains more toward Moscow's CBD, with some limited rural market data also presented.

- CBD Rental Rates, Moscow Market

Physical - Physical characteristics typically used in comparison are location, size, age, and building condition. A finish or quality adjustment was not applied. The adjusted rental rates presented reflect average to good condition retail and/or service CBD locations. The rental rate is calculated based on net leasable finished area only. All locations are similar with respect to pedestrian traffic; a location adjustment couldn't be derived.

In the case of the analysis of Moscow CBD lease rates, a fairly significant inverse size relationship was established. The relationship is simply explained as where more square footage is rented, generally the less paid per square foot. The relationship isn't linear – i.e. the price/SF isn't going to approach zero as the building continues to get larger. The following model is generated using all commercial CBD comparable leases:



SUMMARY OUTPUT

Regression Statistics

Multiple R	0.897058128
R Square	0.804713284
Adjusted R Square	0.755891605
Standard Error	1.484056686
Observations	6

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	36.30190702	36.30190702	16.48270404	0.015350105
Residual	4	8.809696987	2.202424247		
Total	5	45.11160401			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	43.60126258	8.007180907	5.445270075	0.005523736	21.36976435	65.83276082	21.36976435	65.83276082
LN (SF)	-4.386959089	1.080561163	-4.05988966	0.015350105	-7.38707784	-1.386840338	-7.38707784	-1.386840338

Based on the regression statistics, the relationship is statistically significant with an 80% confidence interval. The results of the equation indicate a rental rate ranges as follows, relative to the size of the subject suites. The following summarizes the data from the comparable leases:

Retail/Service, CBD, Moscow Equivalent Market

Comparable	SF	Rent/SF
1	2,018	\$8.83
2	1,320	\$10.91
3	4,380	\$8.22
4	717	\$15.65
5	1,144	\$14.00
6	1,875	\$9.50
<i>Median</i>	1,598	\$10.21
<i>Average</i>	1,909	\$11.19
<i>Low</i>	717	\$8.22
<i>High</i>	4,380	\$15.65

Durations are typically 2 – 5 years, with most leases closer to 2 years. The analysis applies an NNN lease structure.

Pro Forma – Proposed Project:

VALUE IN USE PRO FORMA - ANALYSIS OF RESIDUAL LAND VALUE

Analysis Date:	Oct-17	As-though built to Vanilla Finish on Restaurant Apartments finished + Appliances Scenario DOES NOT Include TI for Restaurant	
NRSF:	11,576		
GBA:	15,421		
Income Breakdown		Annual Income	% Of PGI
Retail NRSF	6,107 Rent+CAM = \$18.47/SF	\$ 112,796	48.30%
Apartments	5,469 12 Units @ \$756 WTD AVG	\$ 108,864	46.62%
See Breakdown			
Percentage Rent		\$ -	0.00%
Recoveries - Taxes & Insurance	For Restaurant Space Only	\$ 11,870	5.08%
Parking Income		\$ -	0.00%
Other Income		\$ -	0.00%
Potential Gross Income (PGI)		\$ 233,531	100.00%
Weighted Average of Vacancy and Loss		-7.5%	\$ (17,608)
Effective Gross Income (EGI)		\$ 215,922	92.46%
Expense Breakdown		Annual Expense	Per SF
Real Estate Taxes	11.26%	\$ 24,310	\$ 2.10
Property Insurance	\$0.35/SF	\$ 4,052	\$ 0.35
Management	5.00%	\$ 5,215	\$ 0.45
Professional Services	Lump Sum	\$ 5,000	\$ 0.43
Leasing Commission	1.5% of Annual Base Rent	\$ 1,564	\$ 0.14
Repairs & Maintenance (Apts)	\$0.25/SF	\$ 1,367	\$ 0.12
Replacement Reserves	5% of Base EGI	\$ 5,215	\$ 0.45
Common Area Utilities + WSG for Apartment Tenants		\$ 11,520	\$ 1.00
Miscellaneous	1.5% of EGI	\$ 3,239	\$ 0.28
Total Expenses		\$ 61,481	\$ 5.31
Expense Ratio (Expenses/EGI)		28.47%	
Net Operating Income (NOI)		\$ 154,442	\$ 13.34
Capitalization Rate based on Investor Rate		6.50%	
Value		\$ 2,376,026	\$ 154.08

To Conclude a residual land value, the inferred value of the improved parcel based on the proposed improvements using a development scenario as set forth herein. Hard and Soft Costs are set forth on the following page and deducted from the overall value to infer a residual land value.

Costs - 6,107 NRSF Sangria + 11 1-BR Apt. and 1 Studio Apt.					
General Conditions		Carlton	\$141,492	6.62%	
Architect & Engineering		Developer	\$95,000	4.44%	
Permits and General Facilities		Developer	\$75,803	3.54%	
Site Work		Carlton	\$120,000	5.61%	
Concrete		Carlton	\$122,517	5.73%	
Masonry		Carlton	\$139,010	6.50%	
Metals		Carlton	\$240,130	11.23%	
Wood & Plastics		Carlton	\$160,826	7.52%	
Thermal and Moisture Protection		Carlton	\$48,650	2.27%	
Doors & Windows		Carlton	\$168,395	7.87%	
Finishes		Carlton	\$139,214	6.51%	
Specialties		Carlton	\$7,350	0.34%	
Equipment		Carlton	\$34,015	1.59%	
Furnishing		Carlton	\$0	0.00%	
Special Construction		Carlton	\$9,949	0.47%	
Conveying Systems		Carlton	\$0	0.00%	
Mechanical		Carlton	\$263,167	12.30%	
Electrical		Carlton	\$120,000	5.61%	
Elevator		(On hold)	\$0	0.00%	
Site Work Parcel 2		Hodge & Assoc	\$253,327	11.84%	
		Sub-Total	\$2,138,845	100.00%	
		Loan Fees - 1.5%	\$24,062		
		Project Interest	\$72,186		
		Project Insurance	\$3,500		
		Contingency 5%	\$111,930		
		Total	\$2,350,523		
		Tota; Project SF	15421		
			\$152.42		
		NO Entrepreneurial Profit to Developer			
		NO Allowance for Tenant Improvements or FF&E			
Source:		Hodge & Assoc			
		Carlton			
		At-Market Soft Costs			

Following are three scenarios showing high and low ranges based on national economic indicators:

Economic Indicators | PwC Real Estate Investor Survey, Q2 2017

	Regional Mall		CBD Office		Warehouse		Apartment	
	Q2 2017	Q1 2017	Q2 2017	Q1 2017	Q2 2017	Q1 2017	Q2 2017	Q1 2017
Discount Rate (IRR)^a								
Range (%)	5.00–11.50	5.50–11.50	5.50–9.50	5.50–9.50	5.50–9.00	5.50–9.00	5.50–10.00	5.50–10.00
Average (%)	7.60	7.70	7.05	7.09	6.66	6.74	7.28	7.24
Change (bps)		-10		-4		-8		+4
Overall Cap Rate (OAR)^a								
Range (%)	4.00–10.00	4.00–10.00	3.50–7.50	3.50–7.50	4.00–6.90	4.25–6.90	3.50–8.00	3.50–8.00
Average (%)	6.20	6.13	5.68	5.55	5.27	5.37	5.40	5.33
Change (bps)		+7		+13		-10		+7
Residual Cap Rate								
Range (%)	4.00–10.00	4.00–10.00	4.75–7.50	4.75–7.50	5.00–7.00	5.00–7.00	4.50–8.00	4.25–8.00
Average (%)	6.70	6.70	6.13	6.11	5.95	6.03	5.82	5.75
Change (bps)		0		+2		-8		+7

	At Market - New Building	.25 Over	.25 Under
	At 6.5%	At 6.75%	At 6.25%
Indicated Value	\$2,376,026	\$2,288,025	\$2,471,067
Total Cost to Build*	\$2,350,523	\$2,350,523	\$2,350,523
Indicate Value to Land	\$25,503	-\$62,498	\$120,544
SAY			
Value	\$2,376,026	\$2,350,523	\$2,471,067
Equity Investment 30%	\$594,006	\$587,631	\$617,767
Loan Amount	\$1,782,019	\$1,762,892	\$1,853,300
(\$120,177.65) Payment Annualized		(\$118,887.74)	(\$124,984.76)
BTECF	\$154,442	\$154,442	\$154,442
Debt/Income Ratio	1.29	1.30	1.24
25 Years at 4.5%		25 Years at 4.5%	25 Years at 4.5%

* Does not include TI or FF&E for Restaurant

This IS NOT an appraisal of the project, as complete. The appraiser has not made an in-depth analysis of the improvements, or studied plans and specifications or performed a marketability or market analysis on the subject property to conclude feasibility of the project. The appraiser has applied projects as supplied, but not verified for purposes of developing a "current fair value in use."

Final Reconciliation and Conclusion of Value

<p style="text-align: center;">Summary of Conclusions, 6th & Jackson Development Site Two Non-Contiguous Parcels of Urban Development Primary Land Type 0 W 6th St., Moscow, ID 83843 As of October 15, 2017</p>		
Residual Land Value	Current Fair Value In Use Fee Simple	\$ 25,503
Sales Comparison Approach to Value	Current Fair Value In Use Fee Simple	Not analyzed
Final Conclusion to Value	Current Fair Value In Use Fee Simple	\$ 25,503

Addenda

Definitions

Appraiser(s) Qualifications

Definition of Terms

Appraisal: (noun) the act or process of developing an opinion of value; an opinion of value. (adjective) of or pertaining to appraising and related functions such as appraisal practice or appraisal services. USPAP 2014-2015, The Appraisal Foundation

Appraisal Practice: valuation services performed by an individual acting as an appraiser, including but not limited to appraisal and appraisal review. USPAP 2014-2015, The Appraisal Foundation

Appraisal Review: the act or process of developing and communicating an opinion about the quality of another appraiser's work that was performed as part of an appraisal or appraisal review assignment. USPAP 2014-2015, The Appraisal Foundation

Appraiser: one who is expected to perform valuation services competently and in a manner that is independent, impartial, and objective. USPAP 2014-2015, The Appraisal Foundation

Appraiser's Peers: other appraisers who have expertise and competency in a similar type of assignment. USPAP 2014-2015, The Appraisal Foundation

Assignment: 1) an agreement between an appraiser and a client to provide a valuation service; 2) the valuation service that is provided as a consequence of such an agreement. USPAP 2014-2015, The Appraisal Foundation

Assignment Results: an appraiser's opinions and conclusions developed specific to an assignment. USPAP 2014-2015, The Appraisal Foundation

Assumption: that which is taken to be true. USPAP 2014-2015, The Appraisal Foundation

Client: (the party or parties who engage, by employment or contract, an appraiser in a specific assignment. USPAP 2014-2015, The Appraisal Foundation

Confidential Information: information that is either 1) identified by the client as confidential when providing it to an appraiser and that is not available from any other source; or 2) classified as confidential or private by applicable law or regulation. USPAP 2014-2015, The Appraisal Foundation

Cost: the amount required to create, produce, or obtain a property. USPAP 2014-2015, The Appraisal Foundation

Credible: worthy of belief. USPAP 2014-2015, The Appraisal Foundation

Estate: a right or interest in property. The Dictionary of Real Estate Appraisal, 4th Ed., Appraisal Institute

Exposure Time: estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of the sale at market value on the effective date of the appraisal. USPAP 2014-2015, The Appraisal Foundation

Extraordinary Assumption: an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. USPAP 2014-2015, The Appraisal Foundation

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 power, and escheat. The Dictionary of Real Estate Appraisal, 4th Ed., Appraisal Institute

Highest and Best Use: the reasonably probable and legal use of vacant and 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. The Dictionary of Real Estate Appraisal, 4th Ed., Appraisal Institute

Hypothetical Condition: a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. USPAP 2014-2015, The Appraisal Foundation

Improvements: buildings or other relatively permanent structures or developments located on, or attached to, land. The Dictionary of Real Estate Appraisal, 4th Ed., Appraisal Institute

Intended Use: the use or uses of an appraiser's reported appraisal or appraisal review assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment. USPAP 2014-2015, The Appraisal Foundation

Intended User: the client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser on the basis of communication with the client at the time of the assignment. USPAP 2014-2015, The Appraisal Foundation

Jurisdictional Exception: an assignment condition established by applicable law or regulation, which precludes an appraiser from complying with a part of USPAP. USPAP 2014-2015, The Appraisal Foundation

Leased Fee Interest: an ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease. The Dictionary of Real Estate Appraisal, 4th Ed., Appraisal Institute

Leasehold Interest: the interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions. The Dictionary of Real Estate Appraisal, 4th Ed., Appraisal Institute

Market Value: 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. USPAP 2014-2015, The Appraisal Foundation

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)
- 3) The conditions of sale (e.g., exposure in a competitive market for a reasonable time prior to sale.

Personal Property: identifiable tangible objects that are considered by the general public as being "personal" – for example, furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all tangible property that is not classified as real estate. USPAP 2014-2015, The Appraisal Foundation

Price: the amount asked, offered, or paid for a property. USPAP 2014-2015, The Appraisal Foundation

Real Estate: an identified parcel or tract of land, including improvements, if any. USPAP 2014-2015, The Appraisal Foundation

Real Property: the interests, benefits, and rights inherent in the ownership of real estate. USPAP 2014-2015, The Appraisal Foundation

Report: any communication, written or oral, of an appraisal or appraisal review that is transmitted to the client upon completion of an assignment. USPAP 2014-2015, The Appraisal Foundation

Scope of Work: the type and extent of research and analysis in an appraisal or appraisal review assignment. USPAP 2014-2015, The Appraisal Foundation

Signature: personalized evidence indicating authentication of the work performed by the appraiser and the acceptance of the responsibility for content, analysis, and the conclusions in the report. USPAP 2014-2015, The Appraisal Foundation

Value: the monetary relationship between properties and those who buy, sell, or use those properties. USPAP 2014-2015, The Appraisal Foundation

Value in Use: The definition of value used in this appraisal is: Fair Value in Use. Value in Use is defined by The Dictionary of Real Estate Appraisal as i) The present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. ii) The present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Appraiser Qualifications

Ruby Miles Stroschein, MAI



The ZIA Building, Suite D
GVA, A Real Estate Appraisal Company
828 S. Washington Street
Moscow, ID 83843

VOICE: 208-882-7200
FAX: 208-883-9788
CELL: 208-596-0979
Web Site: gemvalleyappraisal.com
Email: ruby@gemvalleyappraisal.com

Professional Societies and Designations:

Member of the Appraisal Institute, member #2433

Professional Licenses and Certifications:

Licensed Residential Appraiser, Idaho, 1991.
Certified General Appraiser, Idaho, 1994. **ID-CGA-175** Exp. 4-18-2018
Certified General Appraiser, Washington, 1997. **WA-1100422** Exp. 4-18-2019

Education:

Master's Degree, Agricultural Economics, **University of Idaho**, Moscow, ID – December 2008
Undergraduate, **University of Idaho**, Moscow, ID - May 2001

Founding Organizations:

1984 to present: **Gem Valley Appraisal Service** – Founder and Joint Owner with Sarah Miles who joined the firm in 2001. GVA has served north central Idaho and eastern and south-central Washington for 17 years. GVA formerly served southeast and south-central Idaho for 13 years (84-97). GVA specializes in Agriculture and Timber-Forest properties. GVA also specializes in conservation and condemnation Yellow Book appraising and litigation. Proficient in commercial, special use, and multi-family appraisals.

2010 to present: **AppraiserMetrics™ dba KeyLock Solutions**, Founder, CEO and President – AppraiserMetrics, LLC is a cloud-based software company for comp data and real estate data storage and retrieval, appraisal management, and evaluation and appraisal reporting. The service

was founded on providing a portal for credible, accurate, standardized real estate comp data specializing in Agriculture, Timber-Forest, Transitional Vacant Land, and Special Purpose properties.

Experience:

- 2015: “Reviewing a Timberland Appraisal for Accuracy and Credibility,” two-day course with the Western Forestry and Conservation Association, July 2015
- 2014: Sarah Miles and I completed over 55 agriculture and forest-timber appraisals for estate settlement, financing, internal auditing purposes.
- 2013: Co-Instructor, Independent Fee Appraisers of Spokane – one-day course on “Appraiser’s Guide to Multiple Regression” Idaho and Washington CE Approved
- 2012: Instructor, Idaho Association of Assessment Personnel – two-day course on “Cost Approach” and “Appraiser’s Guide to Multiple Regression.”
- 2009: Instructor, Finance 445, Washington State University, Pullman, WA (Commercial RE Appraisal)
- 2002 -2008: Instructor, Ag Econ 361, Farm and Natural Resource Appraisal, University of Idaho, Moscow, ID
- 2000-2004: Research Associate to Dr. Jim Nelson for NIATT Proximity Damages Study for ITD, University of Idaho.

Complete commercial, agricultural, and residential appraisals for the following organizations and others:

Wells Fargo Bank	Farmer Mac	Zions Bank
AmericanWest Bank	State Bank of Garfield	Columbia Bank
Washington DOT	US Bank	Potlatch Corporation
Farm Service Agency	Idaho Transportation Dept	FDIC
NW Farm Credit	State of Washington	Latah County
PPH Home Mortgage	Bank of America	City of Troy
University of Idaho	City of Pullman	City of Moscow
City of Palouse	WSU	City of Kendrick
Citicorp	Banner Bank	Community Bank
City of Lewiston	Lewiston Regional Airport	Asotin County
USFS	USACE	ID Dept. Lands
Palouse Land Trust	Sterling Bank	Wheatland Bank
ID Dept. of Lands	ID Fish & Game	Latah County

1984-1995: Broker, appraiser, owner of Gem Valley Real Estate and Appraisals, Grace and Aberdeen, Idaho.
Utah/Idaho Real Estate Broker, commercial, agricultural, and residential appraisals and agricultural financial consulting.

1981-1984: Associate real estate broker for Maughan and Associates, Soda Springs, Idaho.

1977-1979: Administrative assistant for Tudor S. Gourley Law Office, McLean, Virginia.
Managed the real estate settlement department and acted as consultant to Fairfax Title Company.

1976-1977: Sales associate for Better Homes Realty, Springfield, Virginia.

1973-1975: Administrative assistant for Utah Mortgage Realtors, Logan, Utah. Director for speculation building projects, real estate closing, and property management.

1972: Legal secretary for Rigby and Thatcher Law Office, Rexburg, Idaho.

Community Service:

Former Chair and Member, State of Idaho Appraisal Licensing Board, three-term member
Housemother, FarmHouse Fraternity, University of Idaho
Member, Moscow Chamber of Commerce
Member and past-president, Moscow Rotary Club
President, Rotary Veterans Memorial Pavilion, 501c3 dba The Palouse Ice Rink
Former director, Governing Board of Directors of Caribou Memorial Hospital
Former director, Gritman Medical Center Foundation

Professional Publications:

"Valuation of Indirect Losses Due to Proximity Damages on Residential Property in Idaho." Research report submitted to Idaho Transportation Department, co-authored with Sarah E. Miles, CGA and Dr. James Nelson, University of Idaho. Report is currently being used as a template by WCRER in WashDOT proximity damage research grant.

Report can be viewed at http://www.gemvalleyappraisal.com/publications/KLK469_N05-08.pdf

"Determinants of Farmland Values in the Rapidly Developing Boise, Idaho Metro Area: Applying Mathematical Modeling to Highest and Best Use Analysis." Journal, American Society of Farm Managers and Rural Appraisers. [July 10, 2007] Co-authored with Dr. James Nelson, Dr. Joel Hamilton and graduate student, April Beasley.

Article can be viewed at: http://www.gemvalleyappraisal.com/publications/272_Nelson_1.pdf

Professional Presentations:

IAAP Continuing Education Presenter – Multiple Regression Modeling and Cost Approach, 2015

“Tools and Resources for Data Collection” presenter for Unitary Appraisal School, 2012, Logan, UT and ASFMRA NW Chapter fall meeting, October 2011 - developing credible sources of data collection for market derived analysis.

Invitation to be a presenter at National Convention, American Society of Farm Managers and Rural Appraisers in San Diego, Feb 08 addressing “Mathematical Modeling to Highest and Best Use Analysis”.

Co-recipient of the 2007 Gold Quill Award for publication in the Journal, American Society of Farm Managers and Rural Appraisers.

“Highest and Best Use” break-out session for Idaho Department of Lands 2005 annual convention.

Recent UASFLA Appraisals for Federally and State Funded Projects and Conservation Easements:

UASFLA Appraisal for Idaho Department of Lands – Idaho County, October 2016

UASFLA Appraisal for PUW Airport Realignment Project – numerous re-appraisals for property owners - 2016

UASFLA Appraisal for Robinson Park Road Bridge Project – 2016

UASFLA Appraisal for Idaho Department of Lands – Hollibaugh Timberland Exchange - 2015

2288 UASFLA Appraisals for ITD – widening and realignment of US 12 – summer 2014

UASFLA Appraisal for Clearwater County Roads and Bridges – Grangemont Road Project for acquisition and temporary construction easement on Grangemont Road, Clearwater County, Idaho. April 2013

UASFLA Appraisal for Judy B. LaLonde Conservation Easement, IRS-Compliant appraisal, funded by Palouse Land Trust. July 2013.

30 parcels for widening of A Street Project, Moscow, ID – Yellow Book Compliant Summary Reports, fall 2011 and spring 2012.

Paradise Creek Ecosystem Rehabilitation Corridor – V102-V104, University of Idaho and USACE “Before and After” UASFLA (Yellow Book) Appraisal, October 2010.

UASFLA Appraisal for Idaho Department of Lands. 2010

UASFLA Federal Infrastructure project – Lewiston-Nez Perce County Regional Airport. 80 +/- acre proposed airport business part. 2010

UASFLA appraisal for Lewiston City to acquire an assemblage parcel. 2010

SR 272 Inverse Condemnation UASFLA Compliant “B&A” Appraisal for Washington State Attorney General’s Office on behalf of Washington DOT – August 2009

UASFLA US 95 Condemnation Appraisals for Idaho Transportation Department from Lewiston Hill to Genesee on 33 parcels, including two wetlands mitigation parcels.

Idaho Fish and Game acquisition for US 12 turn-out at Myrtle Beach, Nez Perce County, Idaho.

Idaho Fish and Game acquisition of boat ramp on the Snake River, Asotin County, Washington.
UASFLA Idaho Transportation Department acquisition for US 12 passing lane, Clearwater County, Idaho.
UASFLA Idaho Department of Transportation Inverse Condemnation claim for SR 3, Orofino, Idaho
US Forest Service – five condemnation appraisals for permanent easement acquisitions on Main Salmon River Road, Idaho County, Idaho for two bridge replacements in December 2007.
Six abandoned railroad corridor parcels through the City of Moscow for Paradise Creek Realignment for US Army Corp of Engineers in December 2006.

Appraisal Education:

2013: USPAP Update – Appraisal Institute
2012: ASFMRA Fall Continuing Education – Kennewick, WA
2012: ACOW at the Summit – Snoqualmie, WA August 16-17
2011: Appraisal Institute Advanced Concepts & Case Studies, Kent, WA Nov 14-19
2011: AG Industry Out Look: ASFMRA
2010: Wind Powered Electric Generators Impact on Land Ownership: ASFMRA
2010: Understanding Conservation Easement Valuations: ASFMRA
2008: 502 – Advanced Appraisal Studies: Conservation Easement Valuation, University of Idaho
2007: Advanced Case Condemnation Case Studies, Appraisal Institute – 15 CRH
2007: Uniform Appraisal Standards for Federal Land Acquisitions, Appraisal Institute – 15 CRH
2007: 7-Hour USPAP Update, Appraisal Institute
2006: Appraising Special Use Properties, Appraisal Institute
2004: Successfully completed Appraisal Institute Comprehensive Exams for MAI Designation.
2004: Advanced Sales Comparison and cost Approach (530), challenged, Appraisal Institute.
2004: Highest and Best Use and Market Analysis (520), Austin, TX, Appraisal Institute.
2003: Advanced Income Approach (510), Atlanta, GA, Appraisal Institute.
2003: Advanced Applications (550), Pleasanton, CA, Appraisal Institute
2003: Business Practices and Ethics (420), Seattle, WA, Appraisal Institute
2003: USPAP Update, Twin Falls, Idaho, American Society of Farm Managers and Rural Appraiser, 7 classroom hours.
2000: Advanced Rural Appraisal (A-30), Denver, Colorado, American Society of Farm Managers and Rural Appraisers. 45 classroom hours.
2000: Uniform Standards of Professional Appraisal Practice, Twin Falls, Idaho, American Society of Farm Managers and Rural Appraisers. 20 classroom hours.
2000: Eminent Domain (A-28), Bettendorf, Iowa, American Society of Farm Managers and Rural Appraisers. 30 classroom hours.

1999: Highest and Best Use of Appraisal, Jackpot, Nevada, American Society of Farm Managers and Rural Appraisers. 30 classroom hours.

1998: MAI Appraisal Reporting, Seattle, Washington, Appraisal Institute. 30 classroom hours.

1997: Timber Valuation, Spokane, Washington, Appraisal Institute. 30 classroom hours.

1996: Principles of Rural Appraisal (A-20), Salt Lake City, Utah, American Society of Farm Managers and Rural Appraisers. 45 classroom hours.

1995: Farm and Ranch Cost Seminar, Idaho Falls, Idaho, American Society of Farm Managers and Rural Appraisers. 15 classroom hours.

1994: Appraising from Blueprints, Boise, Idaho, Appraisal Institute. 8 classroom hours.

1993: Advanced Farm and Ranch Appraising, Princeton, Indiana, Independent Fee Appraisers. 32 classroom hours.

1993: Report Writing and Valuation Analysis, Portland Oregon, Appraisal Institute. 45 classroom hours.

STATE OF WASHINGTON
CERTIFIED GENERAL REAL ESTATE APPRAISER

RUBY MILES STROSCHEIN
GEM VALLEY APPRAISAL SVCE
828 S WASHINGTON STE D
MOSCOW ID 83843

1100422
License Number

04/18/2019
Expiration Date


Pat Kohler, Director

Bureau of Occupational Licenses
Department of Self Governing Agencies

The person named has met the requirements for licensure and is entitled
under the laws and rules of the State of Idaho to operate as a(n)

CERTIFIED GENERAL APPRAISER

RUBY M STROSCHEIN
1464 ALPOWA AVENUE
MOSCOW ID 83843


Tana Cory
Chief, B.O.L.

CGA-175
Number

04/18/2018
Expires



PALOUSE COMMERCIAL REAL ESTATE

(208) 882-3800

103 E Main Street, Moscow, ID 83843

102 W Main Street Suite #9, Pullman, WA 99163

www.palousecommercial.com

October 20, 2017

Palouse Commercial Real Estate

213 S. Main

Moscow, ID 83843

Moscow Urban Renewal Agency

C/O Bill J. Belknap

221 E second St.,

Moscow, ID 8384

RE: Task Order 2017-001.

Dear Client,

In fulfilment of Task Order 2017-001, Justin Rasmussen hereby submits the attached letter and supporting exhibits summarizing his findings and recommendations pertaining to the Sangria Downtown LLC's project pro forma and land value analysis used to establish the residual land value and purchase price.

Thank you for the opportunity to serve you.

Respectfully,

Sangria Downtown LLC's Pro Forma Analysis Review

Market Rents

Given the location and quality of the proposed development, the market rents utilized in the project analysis, for both the commercial and residential components, are in line with current market conditions.

Operational Expenses

The operational expenses of 28.47% of EGI used in the analysis are within the expected range of 25% to 50% for a mixed-use product with a multifamily and NNN lease retail component. However, they are on the low end of the expected range. It would be prudent to use an expense ratio of at least 35% when calculating operational expenses.

Capitalization Rate

The capitalization rate of 6.5% used in the analysis is in line with current market conditions. However, a conservative analysis would use a 7% capitalization rate to help account for the risk inherent in the investment.

Pro Forma

While the market rents, operational expenses, and the capitalization rate used in the analysis are in line with current market conditions, there are several assumptions related to project feasibility and cost that have been overlooked or minimized. These assumptions need to be incorporated and given their proper weight in the analysis before a reliable estimate of residual land value can be established.

I have prepared two proformas (see Exhibits A and B) utilizing the market rents, operational expenses, and capitalization rate provided in order to clarify and provide a better basis for analysis. I used the same methodology to prepare Exhibit A that was used to prepare the pro forma presented in the appraisal. For Exhibit B, I incorporated several assumptions that more accurately reflect a true "Go/ No Go" value in use pro forma.

By following the methodology used in the appraisal, I established the residual land value to be \$25,564 (see Exhibit A, sheet 9 "Value in Use Feasibility", line 18 "Justified Land Cost, Total Cost"), confirming the validity of the pro forma. However, this conclusion assumes that the developer expects to make no profit, relies upon too low of a capitalization rate, can obtain extremely favorable financing (both construction and permanent financing), intends to allot no money toward tenant improvements, and has minimal cost overruns.

In Exhibit A, I incorporated these missing, but vital, assumptions to provide a stronger basis for analysis. I set the developer's target profit mark-up to 8% (which is the industry wide minimum threshold), put the construction loan interest rate at 5.3% (a much more feasible rate), and set the capitalization rate to 7%, following the logic stated above. These modifications to the pro forma set the residual land value at -\$441,446. (see Exhibit B, sheet 9 "Value in Use Feasibility", line 18 "Justified Land Cost, Total Cost").

Conclusion

The residual land value presented in the appraisal of \$25,503 is inaccurate due to the proforma's lack of adherence to industry norms. -\$441,446 represents a more accurate residual land value using a value in use pro forma typical of the industry standards.

Value in Use Feasibility

"Front Door Approach"

Calculate

Clear

1	Total Project Cost	\$2,371,184
2	x Target Mark-up	
3	= Required Profit	
4	+ Total Project Cost	\$2,371,184
5	= Required Net Value	\$2,371,184
6	+ Cost of Sale	
7	= Required Total Value	\$2,371,184
8	x Market Capitalization Rate	6.5%
9	= Required NOI	\$154,127
10	+ Operating Expenses	\$58,559
11	= Gross Operating Income	\$212,686
12	- Collected Pass-Thrus	\$24,019
13	= Effective Rental Income	\$188,667
14	+ Vacancy and Credit Losses	\$9,930
15	= Potential Rental Income	\$198,597

Minimum Rents Per Square Foot Needed to Achieve Target

16	Weighted Average Rent Per Square Foot	\$17.16
17	Category "A" Space Rent Per Square Foot	\$14.86
18	Category "B" Space Rent Per Square Foot	\$19.72
19	Category "C" Space Rent Per Square Foot	

"Back Door Approach"

Calculate

Clear

1	Potential Rental Income	\$200,438
2	- Vacancy and Credit Losses	\$10,022
3	= Effective Rental Income	\$190,416
4	+ Collected Pass-thrus	\$24,019
5	= Gross Operating Income	\$214,435
6	- Operating Expenses	\$58,646
7	= Net Operating Income	\$155,789
8	÷ Market Capitalization Rate	6.5%
9	= Total Value	\$2,396,748
10	- Cost of Sale	
11	= Net Value	\$2,396,748
12	- Profit	
13	= Justified Total Cost	\$2,396,748
14	- All Costs Except Land	\$2,371,184
15	= Justified Land Cost	\$25,564

Justified Land Cost Breakdown

16	Per Acre	\$68,692
17	Per Square Foot	\$1.58
18	Total Cost	\$25,564

Value in Use Feasibility

"Front Door Approach"

Calculate

Clear

1	Total Project Cost	\$2,399,108
2	x Target Mark-up	8%
3	= Required Profit	\$191,929
4	+ Total Project Cost	\$2,399,108
5	= Required Net Value	\$2,591,036
6	+ Cost of Sale	\$136,370
7	= Required Total Value	\$2,727,407
8	x Market Capitalization Rate	7.0%
9	= Required NOI	\$190,918
10	+ Operating Expenses	\$60,495
11	= Gross Operating Income	\$251,414
12	- Collected Pass-Thrus	\$24,019
13	= Effective Rental Income	\$227,395
14	+ Vacancy and Credit Losses	\$11,968
15	= Potential Rental Income	\$239,363

Minimum Rents Per Square Foot Needed to Achieve Target

16	Weighted Average Rent Per Square Foot	\$20.68
17	Category "A" Space Rent Per Square Foot	\$17.91
18	Category "B" Space Rent Per Square Foot	\$23.76
19	Category "C" Space Rent Per Square Foot	

"Back Door Approach"

Calculate

Clear

1	Potential Rental Income	\$200,438
2	- Vacancy and Credit Losses	\$10,022
3	= Effective Rental Income	\$190,416
4	+ Collected Pass-thrus	\$24,019
5	= Gross Operating Income	\$214,435
6	- Operating Expenses	\$58,646
7	= Net Operating Income	\$155,789
8	÷ Market Capitalization Rate	7.0%
9	= Total Value	\$2,225,552
10	- Cost of Sale	\$111,278
11	= Net Value	\$2,114,274
12	- Profit	\$156,613
13	= Justified Total Cost	\$1,957,661
14	- All Costs Except Land	\$2,399,108
15	= Justified Land Cost	(\$441,446)

Justified Land Cost Breakdown

16	Per Acre	(\$1,186,195)
17	Per Square Foot	(\$27.23)
18	Total Cost	(\$441,446)

DISPOSITION AND DEVELOPMENT AGREEMENT
URBAN RENEWAL AGENCY OF MOSCOW, IDAHO, (“MURA”)

and

Sangria Downtown, LLC

_____, 2017

Legacy Crossing Urban Renewal District, 2008

DISPOSITION AND DEVELOPMENT AGREEMENT

THIS DISPOSITION AND DEVELOPMENT AGREEMENT (hereinafter “Agreement” or “DDA”) is entered into by and between THE URBAN RENEWAL AGENCY OF THE CITY OF MOSCOW, IDAHO, an independent public body corporate and politic (hereinafter “Agency”), and Sangria Downtown, LLC (hereinafter “Developer”). Collectively Agency and Developer shall be referred to as the “Parties.” Agency and Developer agree as follows:

RECITALS

WHEREAS, Agency, an independent public body, corporate and politic, is an urban renewal agency created by and existing under the authority of Title 50, Chapters 20 and 29 of the Idaho Code; and

WHEREAS, the Moscow City Council adopted its Ordinance No. 2008-10 on June 2, 2008, approving the Legacy Crossing Urban Renewal District Redevelopment Plan 2008 (hereinafter the “Plan”); and

WHEREAS, the Agency owns a parcel of property located at the Southwest corner of Sixth and Jackson Streets of approximately ThirtyThree Thousand Seven Hundred Fifty Six square feet (33,756 sf) in size (hereinafter “Agency Property”); and

WHEREAS, Agency seeks to initiate a development project to revitalize the Project Area in compliance with the Plan; and

WHEREAS, Agency issued a Request for Proposal (“RFP”) public notice regarding development of the Agency Property on December 3rd, 6th, and 17th of 2014 with the period for application open for forty (40) days in the *Moscow Pullman Daily News* newspaper, with RFP responses due to Agency within that forty day period; and

WHEREAS, three proposals were received by Agency concerning development of the Agency Property; and

WHEREAS, Agency reviewed the three proposals at its February 26, 2015, Board meeting; and

WHEREAS, Agency selected Sangria Downtown LLC’s development proposal at its February 26, 2015, Board meeting; and

WHEREAS, Agency and Developer have previously completed an Exclusive Negotiation Agreement (hereinafter “ENA”) pertaining to the Developer’s willingness to develop the Agency Property in compliance with the objectives of the Plan, and to provide for a development consistent with the relevant zoning regulations and compliant with the covenants, conditions and restrictions on the Property; and

WHEREAS, Agency staff and Developer representatives have negotiated the DDA for the purpose of developing the Site; and

WHEREAS, the development project proposed by Developer has been appraised by Gem Valley Appraisers as required by Idaho Code Section 50-2011(a) and a copy of such appraisal report is available at the offices of Agency;

WHEREAS, Developer has agreed to develop the Agency Property in compliance with the Plan and related laws, ordinances, and covenants, conditions and restrictions;

WHEREAS, Agency and Developer desire to enter into this Agreement for the purpose of permitting Developer to purchase and develop the Agency Property in accordance with the Plan;

WHEREAS, this Agreement and the accommodation of approval of this Agreement by Agency are deemed to be in the best interest of the public; and

WHEREAS, Agency staff and Developer have negotiated this Agreement for purposes of development of the Agency Property.

NOW, THEREFORE, AGENCY AND DEVELOPER AGREE AS FOLLOWS:

AGREEMENTS

I. SUBJECT OF AGREEMENT

A. Purpose.

The purpose of this Agreement is to effectuate the Plan and the Project by providing for the disposition and development of certain real property (the Agency Property) included within the boundaries of the Project Area (the Project Area).

The disposition of the Agency Property shall be for purposes of development as stated in this Agreement and not for speculation.

The development of the Agency Property pursuant to this Agreement and the fulfillment generally of this Agreement are in the vital and best interests of the City of Moscow, Idaho (hereinafter "City"), and the health, safety, morals, and welfare of its residents and are in accord with the public purposes and provisions of applicable Federal, State, and local laws and requirements.

B. The Development Plan

This Agreement is subject to the provisions of the Plan as recommended by Agency and approved by the Moscow City Council effective after publication following June 2, 2008, of the Plan, as it may be subsequently amended pursuant to this Agreement, and is incorporated herein by reference and made a part hereof as though fully set forth herein.

C. The Project Area

The Project Area is located in Moscow, Idaho, and the exact boundaries thereof are specifically described in the Plan.

D. The Agency Property

The Agency Property is that portion of the Project Area shown on the Map of the Agency Property (Attachment 1).

E. Parties to This Agreement

1. Agency

Agency is an independent public body, corporate and politic, exercising governmental functions and powers and organized and existing under the Idaho Urban Renewal Law of the State of Idaho, Title 50, Chapter 20, Idaho Code. The office of Agency is located at P O Box 9203, Moscow, Idaho, 83843, c/o Moscow Urban Renewal Agency, ATTN: Executive Director. Agency, as used in this Agreement, includes the Urban Renewal Agency of Moscow, Idaho and any assignee of or successor to its rights, powers, and responsibilities.

2. Developer

Developer is Sangria Downtown, LLC. The principal office of Developer is located at 2124 W. Pullman Road, Moscow, Idaho, 83843. Developer reserves the right to transfer the rights under this Agreement as allowed herein. Wherever the term "Developer" is used herein, such term shall include any permitted nominee, assignee, or successor in interest as herein provided.

Developer represents and warrants that its undertakings pursuant to this Agreement are and will be used for the purpose of the timely development of the Agency Property and not for speculation in landholding except as to the extent of this Agreement. Developer further recognizes that in view of:

a. the importance of the redevelopment of the Agency Property to the general welfare of the community;

b. the reliance by the Agency on the real estate expertise of Developer and the continuing interest which Developer will have in the Agency Property to assure the quality of the use, operation, and maintenance of the development thereof; and

c. the fact that a change in control of the Developer or any other act or transaction involving or resulting in a significant change in the ownership or a change with respect to the identity of the parties in control of Developer or the degree thereof is for practical purposes a transfer or disposition of the Agency Property.

The qualifications and identity of Developer are of particular concern to City and Agency and it is because of such qualifications and identity that Agency has entered into this Agreement with Developer. No voluntary or involuntary successor in interest of Developer shall acquire any rights or powers under this Agreement except as expressly set forth herein. Except as provided hereinbelow, Developer shall not assign all or any part of this Agreement without the prior written approval of Agency,

which approval shall not be unreasonably withheld. It shall not be unreasonable for Agency to withhold its approval when using criteria such as those used by this and other redevelopment agencies in selecting developers for similar developments, or because the proposed transferee does not have a current financial strength, experience or reputation for integrity equal to or better than Developer as of the date this Agreement has been executed by Agency.

For the reasons stated above, Developer represents and warrants for itself and any successor in interest of itself that, without the prior written approval of Agency, which approval shall not be unreasonably withheld, there shall be no change in the ownership of Developer or with respect to the identity of the parties in control of Developer or in the relative distribution of their interest in or degree of control of Developer, by any method or means (other than such changes occasioned solely by the death or incapacity of an individual) until Developer has constructed the improvements to the Agency Property in accordance with the Scope of Development (Attachment 2). It shall not be unreasonable for Agency to withhold its approval when using criteria such as those used by this and other redevelopment agencies in selecting redevelopers for similar developments or because, Agency reasonably determines that the proposed transferee does not have a current financial strength, experience, or reputation for integrity equal to or better than Developer as of the date this Agreement has been executed by Agency. Developer shall promptly notify Agency of any and all changes whatsoever in the identity of the parties having an interest in or control of Developer or of its general partners or in the degree of interest or control of which it or any of its agents have been notified or otherwise have knowledge or information. This Agreement may be terminated by Agency if there is any significant change (voluntary or involuntary) in the membership, management, or control of Developer in violation of this Agreement (other than such changes occasioned solely by the death or incapacity of an individual) that has not been approved by Agency prior to the time of such change.

Notwithstanding any other provision hereof, Developer reserves the right, at its discretion, without the prior written consent of Agency, and subject to the disclosure requirements set forth below, to join and associate with other persons in joint ventures, partnerships, or other entities for the purpose of acquiring and developing the Agency Property or portions thereof provided that Developer maintains operating control of such entities and remains fully responsible to the Agency as provided in this Agreement with respect to the Agency Property. Wherever the term "Developer" is used herein, such term shall include any permitted nominee or assignee as herein provided. This section is not deemed to include mortgage-lender participation and conditions therein, provided such mortgage-lender participation complies with this Agreement.

Provided further, however, Developer is required to make full disclosure to the Agency of its principals, officers, major stockholders, major partners, joint ventures, key managerial employees involved in this Project, and all similar material information concerning Developer and such key participants to the extent relevant to Developer's performance hereunder. Any significant change during the period of this Agreement in the controlling interest of Developer or the control by Developer of the development of the Agency Property covered by this Agreement is subject to the approval of the Agency, such approval not to be unreasonably withheld.

F. Deposit

1. Amount and Form of Deposit

Developer, prior to or simultaneously with the execution of this Agreement by Agency, shall deposit with Agency cash, certificate of deposit issued by a Federal or State bank, or other form of

security instrument acceptable to Agency (hereinafter “Developer’s Deposit”) in the amount of Five Thousand Dollars (\$5,000) drawn against the account of Developer on such banks as Agency shall approve. Developer’s Deposit shall serve as security for the good faith and reasonably diligent performance of certain obligations and duties of Developer set forth in this Agreement or its retention by Agency as liquidated damages. Such Developer’s Deposit shall not be subject to draw by the Agency except as provided below.

Agency shall be under no obligation to pay or earn interest on Developer’s Deposit, but if interest shall accrue or be payable thereon, such interest, when received by Agency, shall become part of the Developer’s Deposit. Subject to Section F.2., the Developer’s Deposit shall be applied against the Purchase Price at Closing.

2. Return or Retention of Developer’s Deposit; Liquidated Damages

In the event that this Agreement is terminated by Developer pursuant to paragraphs a., b., c., d. or f. of Section V.F.1. or by the Agency pursuant to paragraphs a., g., h., or i. of Section V.F.2., then Developer’s Deposit shall be returned to Developer. In the event that this Agreement is terminated by Developer pursuant to paragraph e. of Section V.F.1. and Developer has acted in good faith and has made reasonably diligent efforts to perform the acts and obligations required of it as referenced in such paragraphs or such sections, then Developer’s Deposit shall also be returned to Developer. Concurrent with the return of Developer’s Deposit, the Agency shall execute a release of credit, certificate of deposit, or other form of security instrument which represents Developer’s Deposit.

In the event that this Agreement is terminated by Agency pursuant to paragraphs b., c., d., e., or f. of Section V.F.2., then Developer’s Deposit shall be retained by the Agency. In the event that this Agreement is terminated by Developer pursuant to paragraph e. of Section V.F.1. and Developer has not acted in good faith or has not made reasonably diligent efforts to perform the acts and obligations required of it as referenced in such sections, then Developer’s Deposit (including interest) may also be retained by the Agency. The retention of Developer’s Deposit shall entitle and permit Agency, without any prerequisite approvals or actions, to draw on or cash the certificate of deposit, or other form of security instrument which represents Developer’s Deposit.

Agency and Developer, by this Agreement, mutually agree that liquidated damages may be paid to Agency from Developer’s Deposit as a result of the failure of Developer to perform certain acts and obligations required of it under this Agreement or to act in good faith and to make reasonably diligent efforts to perform certain other acts and obligations required of it under this Agreement. The acts and obligations to which such liquidated damages are applicable are those set forth in this Section and in Sections V of this Agreement. Agency and Developer mutually agree that it would be impractical or extremely difficult to fix actual damages to Agency in case of such failures of Developer and that the amount set forth in Section I.F. as Developer’s Deposit is a reasonable estimate of the damages which Agency would suffer. The right to retention by Agency of any of Developer’s Deposit as liquidated damages as set forth herein shall, therefore, be the sole Agency remedy against Developer in such events, and any of Developer’s Deposit retained by Agency shall thereafter be Agency’s property without any deduction, offset, or recoupment or any right thereof whatsoever.

If Developer is in default with respect to any provision of this Agreement, Agency may use, but shall have no obligation to use, Developer’s Deposit or any portion of Developer’s Deposit to cure such default or to compensate Agency for any expense or damage sustained by Agency and resulting

from such default. If this Agreement has not been terminated as a result of such default, Developer, on demand from Agency, shall promptly restore such Developer's Deposit to the full amount required by this Agreement.

3. Nonrefundable Deposit

From and after the dates and in the amounts set out in the Schedule of Performance (Attachment 3), Developer's Deposit shall no longer be refundable to Developer on any condition, without regard to any other provision of this Agreement.

If this Agreement has not been terminated and Developer's Deposit has not been previously disposed of, then, at the option of Developer and upon delivery to Agency of a contractor's performance and labor and material bond naming Agency as a co-obligee and covering the work to be performed by Developer upon the Agency Property, Developer's Deposit shall be either applied as part of the Purchase Price for the Agency Property or returned to Developer.

II. DISPOSITION OF THE AGENCY PROPERTY

A. Disposition and Conveyance

1. Disposition and Conveyance of Agency Property

In accordance with and subject to all the terms, covenants, and conditions of this Agreement, Agency agrees to convey the entire fee estate of the Agency Property in the condition required to Developer on or before March 1, 2018, and subject to all conditions contained herein and, additionally, subject to any mutually agreed upon extensions of time. Developer agrees to develop the Agency Property within the times, for the consideration, and subject to the terms, conditions, and provisions as herein provided, including, without limitation, as provided in the Scope of Development (Attachment 2) and the Schedule of Performance (Attachment 3).

In accordance with and subject to all the terms, covenants, and conditions of this Agreement, Agency agrees to sell and Developer agrees to purchase for development the Agency Property for the sum of one hundred thousand and zero one/hundredths dollars (\$100,000.00), plus two thousand dollars (\$2,000.00) for real estate expenses incurred by the Agency, for a total sum of one hundred and two thousand and zero one/hundredths dollars (\$102,000.00). The entire Purchase Price shall be deposited in the escrow established in no later than the date set forth in the Schedule of Performance (Attachment 3) to this Agreement. The purchase price for the said Agency Property is no less than the value established within the re-use appraisal completed on October 16, 2017 by Gem Valley Appraisal.

C. Escrow

1. The parties agree to open an escrow with Latah Title Company as escrow agent (the "Escrow Agent"), in Moscow, Idaho, within the time established in the Schedule of Performance (Attachment 3). This Agreement constitutes the joint escrow instructions of Agency and Developer, and a duplicate original of this Agreement shall be delivered to the Escrow Agent upon the opening of escrow. Agency and Developer shall provide such additional escrow instructions as shall be necessary and consistent with this Agreement. The Escrow Agent hereby is empowered to act under this Agreement

and, upon indicating its acceptance of the provisions of this Section II.C. in writing delivered to Agency and to Developer within five (5) days after the opening of the escrow, shall carry out its duties hereunder.

2. Developer shall irrevocably deposit with the Escrow Agent the Purchase Price for the Agency Property in accordance with the provisions of Section II.A.1. of this Agreement.

Developer shall also pay in escrow to the Escrow Agent the following fees, charges, and costs promptly after the Escrow Agent has notified Developer of the amount of such fees, charges, and costs, but not earlier than ten (10) days prior to the scheduled date for the close of escrow:

- a. One half (1/2) of any notary fees; and
- b. The portion of the premium for the title insurance policy or special endorsements to be paid by Developer as set forth in Section II.I. of this Agreement.

The Agency shall timely and properly execute, acknowledge, and deliver a deed conveying to Developer title to the Agency Property in accordance with the requirements of Section II.E. of this Agreement, together with an estoppel certificate certifying that Developer has completed all acts (except deposit of the Purchase Price) necessary to entitle Developer to such conveyance, if such be the fact. Any insurance policies governing the Agency Property are not to be transferred.

3. The Agency shall pay in escrow to the Escrow Agent the following fees, charges, and costs promptly after the Escrow Agent has notified the Agency of the amount of such fees, charges, and costs but not earlier than ten (10) days prior to the scheduled date for the close of escrow:

- a. Costs necessary to place the title to the Agency Property in the condition for conveyance required by the provisions of this Agreement;
- b. The escrow fee;
- c. Cost of drawing the deed;
- d. The recording fees;
- e. One half (1/2) of any notary fees;
- f. The premium for a standard title insurance policy to be paid by the Agency as set forth in Section II.I. of this Agreement;
- g. Ad valorem taxes, if any, upon the Agency Property for any time prior to the conveyance of title and not attributable to Developer under Section II.J. of this Agreement; and
- h. Any state, county, or city documentary transfer tax.

Upon delivery of a deed to the Escrow Agent by the Agency pursuant to Section II.E. of this Agreement, the Escrow Agent shall record such deed when title can be vested in Developer in accordance with the terms and provisions of this Agreement. The Escrow Agent shall buy, affix, and cancel any transfer stamps required by law and pay any transfer tax required by law. Any insurance policies governing the Agency Property are not to be transferred.

The Escrow Agent is authorized to do the following:

- a. The Escrow Agent is authorized to pay and charge Agency and Developer, respectively, for any fees, charges, and costs payable under Section II.C. of this Agreement. Before such payments are made, the Escrow Agent shall notify Agency and Developer of the fees, charges, and costs necessary to clear title and close the escrow.

b. The Escrow Agent is authorized to disburse funds and deliver the deed and other documents to the parties entitled thereto when the conditions of this escrow have been fulfilled by Agency and Developer.

c. The Escrow Agent is authorized to record any instruments delivered through this escrow, if necessary or proper, to vest title in Developer in accordance with the terms and provisions of this Agreement.

All funds received in this escrow shall be deposited by the Escrow Agent with other escrow funds of the Escrow Agent in a general escrow account or accounts with any state or national bank doing business in the state of Idaho. Such funds may be transferred to any other such general escrow account or accounts. All disbursements shall be made by check of the Escrow Agent. All adjustments shall be made on the basis of a thirty (30) day month.

If this escrow is not in condition to close before the time for conveyance established in Section II.D. of this Agreement, either party who then shall have fully performed the acts to be performed before the conveyance of title may, in writing, terminate this Agreement in the manner set forth in Section V. hereof, as the case may be, and demand the return of its money, papers, and documents. Thereupon all obligations and liabilities of the parties under this Agreement shall cease and terminate in the manner set forth in Section V. hereof. If neither the Agency nor Developer shall have fully performed the acts to be performed before the time for conveyance, no termination or demand for return shall be recognized until ten (10) days after the Escrow Agent shall have mailed copies of such demand to the other party or parties at the address of its or their principal place or places of business. If any objections are raised within the ten (10) day period, the Escrow Agent is authorized to hold all money, papers, and documents with respect to Agency Property until instructed in writing by both Agency and Developer or, upon failure thereof, by a court of competent jurisdiction. If no such demands are made, the escrow shall be closed as soon as possible. The terms of this paragraph shall not affect the rights of the Agency or Developer to terminate this Agreement under Section V. hereof. Nothing in this Section II.C. shall be construed to impair or affect the rights or obligations of Agency or Developer to specific performance.

Any amendment of these escrow instructions shall be in writing and signed by both Agency and Developer. At the time of any amendment, the Escrow Agent shall agree to carry out its duties as Escrow Agent under such amendment.

All communications from the Escrow Agent to the Agency or Developer shall be directed to the addresses and in the manner established in Section I.E. and Section III.B. of this Agreement for notices, demands, and communications between Agency and Developer. Nothing in this Section shall be construed to impair or affect the rights or obligations of Agency or Developer to specific performance.

Agency shall not be liable for any real estate commissions or brokerage fees which may arise herefrom. Agency represents that it has not engaged any broker, agent, or finder in connection with this transaction. Developer represents that it has not engaged a broker in connection with this transaction and will be responsible for brokerage fees. Developer agrees to hold Agency harmless from any claim concerning any real estate commission or brokerage fees and agrees to defend and indemnify Agency from any claim asserted concerning the commission or brokerage fees. Provided, however, nothing herein shall prevent Developer from pre-leasing space for Project, thus incurring real estate commissions or brokerage fees. In no event, though, shall Agency be liable for any real estate commission or brokerage fees.

D. Conveyance of Title and Delivery of Possession

Provided that Developer is not in default under this Agreement, all conditions precedent to such conveyance have occurred, and subject to any mutually agreed upon extensions of time, conveyance to Developer of title to Agency Property shall be completed on or prior to the date specified in the Schedule of Performance (Attachment 3). Agency and Developer agree to perform all acts necessary to conveyance of title in sufficient time to convey title in accordance with the foregoing provisions.

Unless otherwise agreed to by the parties, possession shall be delivered to Developer subject to the provisions of Section II.H. of this Agreement concurrently with the conveyance of title, except that limited access may be permitted before conveyance of title as permitted by this Agreement.

E. Form of Deed

Agency shall convey to Developer or Developer's nominee title to the Agency Property by bargain and sale deed in a form mutually satisfactory to Developer, the Title Company (which will insure the title therein), and Agency consistent with the terms of this Agreement.

F. Condition of Title

Within (10) days of the Effective Date, Agency shall provide a preliminary title report to Developer for its review and approval. Developer shall thereafter have thirty (30) days within which to reasonably object to any exceptions shown thereon. Agency shall take all necessary actions to remove such objected-to exceptions and, if it is unable to do so prior to such date for close of escrow, on further thirty (30) day extension period within which to do so shall be granted.

In the event Agency is unable to remove objected-to exceptions, Developer may accept title subject to those exceptions or may refuse to close escrow, in which case this Agreement shall be terminated pursuant to Section V. of this Agreement. Developer shall accept, however, those covenants, conditions, restrictions, or equitable servitudes associated with the Agency Property provided, however, no covenants, conditions, restrictions, or equitable servitudes shall prohibit or limit the development permitted by the Scope of Development (Attachment 2).

Subject to Agency's representations and warranties expressly set forth in this Agreement, which representations and warranties shall survive Closing, Developer acknowledges and agrees that any portion of the Property that it acquires from Agency pursuant to this Agreement shall be purchased "as is."

G. Time for and Place of Delivery of Deed

Subject to any mutually agreed upon extensions of time, Agency shall deposit the Bargain and Sale Deed for Agency Property with the Escrow Agent on or before the date established for the conveyance of the Agency Property in the Schedule of Performance (Attachment 3).

H. Payment of Purchase Price and Other Payments and Recordation of Deed

Developer shall irrevocably deposit with the Escrow Agent no later than as set forth in the Schedule of Performance, Attachment 3, subject to any extension of time mutually agreed upon in writing by Agency and Developer, which shall not be unreasonably withheld, the Purchase Price; provided, the Escrow Agent shall have notified Developer in writing that the deed, properly executed and acknowledged by Agency, has been delivered to the Escrow Agent and title is in condition to be conveyed

in conformity with the provisions of Section II.F. of this Agreement. Upon the close of escrow, the Escrow Agent shall file the deed in the records of Latah County, Idaho, and shall deliver to Developer a title insurance policy insuring title in conformity with Section II.I. of this Agreement and shall deliver the Purchase Price to Agency, less all escrow costs and fees payable by Agency.

I. Title Insurance

Concurrently with recordation of the deed conveying title to the Agency Property, the Agency shall provide and deliver to Developer a title insurance policy, issued by a company licensed to do business in the State of Idaho and acceptable to Developer, insuring that the title is vested in Developer in the condition required by Section II.F. of this Agreement. The Title Company shall provide Agency with a copy of the title insurance policy, and the title insurance policy shall be in the amount of the Purchase Price.

Agency shall pay only for that portion of the title insurance premium attributable to a standard owner's form policy of title insurance in the amount of the purchase price. Developer shall pay for all other premiums for title insurance coverage or special endorsements.

Concurrently with the recording of the deed conveying title to the Agency Property, the Title Company shall, if requested by Developer, provide Developer with an endorsement to insure the amount of Developer's estimated development costs of the improvements to be constructed thereon. Developer shall pay the entire premium for any such increase in coverage requested by it.

J. Taxes and Assessments

Ad valorem taxes and assessments, if any, on the Agency Property and taxes upon this Agreement, or any rights hereunder, levied, assessed, or imposed for any period commencing prior to the conveyance of title shall be borne by Agency. All ad valorem taxes and assessments levied or imposed for any period commencing after closing of the escrow shall be paid by Developer.

L. Inspections; Condition of the Agency Property

1. Inspections

Within the time set forth therefore in the Schedule of Performance (Attachment 3), Developer shall have conducted Developer's own investigation of the Agency Property, its physical condition, the soils and toxic conditions of the Agency Property, and all other matters which in Developer's judgment affect or influence Developer's proposed use of the Agency Property and Developer's willingness to develop the Agency Property pursuant to this Agreement.

Developer's investigation may include, without limitation, the preparation by a duly licensed soils engineer of a soils report for the Agency Property. If, in Developer's reasonable judgment, the physical condition of the Agency Property is in material respects unsuitable for the use or uses to which the Agency Property will be put to the extent that it is not economically feasible for Developer to develop the Agency Property pursuant to this Agreement, the Developer shall have the option either to (a) take any action necessary to place the Agency Property in a condition suitable for development, at no cost to the Agency; or (b) terminate this Agreement pursuant to the provisions of Section V. hereof. If Developer has not notified Agency of its intent to terminate this Agreement within the time set forth in

the Schedule of Performance (Attachment 3) for the conduct of such investigation, Developer shall be deemed to have waived its right to terminate this Agreement pursuant to this Section.

2. As Is

Agency has provided Developer with all information of which it has actual knowledge concerning the physical condition of the Agency Property, including, without limitation, information about any Hazardous Materials, as defined below. Developer acknowledges and agrees that any portion of the Agency Property that it acquires from Agency pursuant to this Agreement shall be purchased “as is”, in its current physical condition, with no warranties, express or implied, as to the physical condition thereof, the presence or absence of any latent or patent condition thereon or therein, including, without limitation, any Hazardous Materials thereon or therein and any other matters affecting the Agency Property.

3. Indemnity

Developer agrees, from and after the date of recording of the deed conveying title to the Agency Property from Agency to Developer under this Agreement, to defend, indemnify, protect, and hold harmless Agency and its officers, beneficiaries, employees, agents, attorneys, representatives, legal successors, and assigns (“Indemnitees”) from, regarding, and against any and all liabilities, obligations, orders, decrees, judgments, liens, demands, actions, Environmental Response Actions (as defined herein), claims, losses, damages, fines, penalties, expenses, Environmental Response Costs (as defined herein), or costs of any kind or nature whatsoever, together with fees (including, without limitation, reasonable attorney fees and expert and consultant fees), whenever arising, resulting from, or in connection with the actual or claimed generation, storage, handling, transportation, use, presence, placement, migration, and/or release of Hazardous Materials (as defined herein) at, on, in, beneath, or from the Agency Property (sometimes herein collectively referred to as “Contamination”). Developer’s defense, indemnification, protection, and hold harmless obligations herein shall include, without limitation, the duty to respond to any governmental inquiry, investigation, claim, or demand regarding the Contamination, at Developer’s sole cost; provided, however, such indemnity, release and waiver, and environmental sections shall not apply to any property retained by Agency, whether originally described as the Agency Property.

4. Release and Waiver

Developer hereby releases and waives all rights, causes of action, and claims Developer has or may have in the future against the Indemnitees arising out of or in connection with any Hazardous Materials (as defined herein) at, on, in, beneath, or from the Agency Property.

5. Definitions

As used in this Agreement, the term Environmental Response Actions means any and all activities, data compilations, preparations of studies or reports, interactions with environmental regulatory agencies, obligations and undertakings associated with environmental investigations, removal activities, remediation activities, or responses to inquiries and notice letters as may be sought, engendered, initiated, or required in connection with any local, state, or federal governmental or private party claims, including any claims by Developer.

As used in this Agreement, the term Environmental Response Costs means any and all costs associated with Environmental Response Actions, including, without limitation, any and all fines, penalties, and damages.

As used in this Agreement, the term Hazardous Materials means any substance, material, or waste which is (1) defined as a hazardous waste, hazardous material, hazardous substance, extremely hazardous waste, or restricted hazardous waste under any provision of federal or Idaho law; (2) petroleum; (3) asbestos; (4) polychlorinated biphenyls; (5) radioactive materials; (6) designated as a hazardous substance pursuant to Section 311 of the Clean Water Act, 33 U.S.C. § 1251, *et seq.* (33 U.S.C. § 1321), or listed pursuant to Section 307 of the Clean Water Act (33 U.S.C. § 1317); (7) defined as a hazardous substance pursuant to the Resource Conservation and Recovery Act, 42 U.S.C. § 6901, *et seq.* (42 U.S.C. § 6903); (8) defined as a hazardous substance pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. § 9601, *et seq.* (42 U.S.C. § 9601); or (9) determined by Idaho, federal, or local governmental authority to be capable of posing a risk of injury to health, safety, or property, including underground storage tanks.

6. Materiality

Developer acknowledges and agrees that the defense, indemnification, protection, and hold harmless obligations of the Developer for the benefit of Agency set forth in this Agreement are a material element of the consideration to Agency for the performance of its obligations under this Agreement and that Agency would not have entered this Agreement unless Developer's obligations were as provided for herein.

M. Environmental Assessment

Currently, the Parties do not anticipate the necessity of Developer undertaking any specific mitigation measures. Agency certifies that to the best of its knowledge and understanding, no mitigation measures are necessary for this Project to proceed, except that Developer shall comply with any flood plain requirements imposed by City ordinance.

III. DEVELOPMENT OF THE AGENCY PROPERTY

A. Scope of Development

The Agency Property shall be developed in accordance with the Plan and applicable zoning codes and regulations of the City of Moscow relating to the subject property, and as provided in the Scope of Development (Attachment 2), subject to the terms and conditions of this Agreement. Either Agency or its designee may oversee such development pursuant to this Agreement.

B. Communication and Cooperation Between Parties

The Parties acknowledge and agree that communication and cooperation between the Parties is imperative to the successful development of the Agency Property to achieve the objectives of the Plan; therefore Developer shall provide Agency with written status reports as requested by the Agency.

All communications between the parties shall be directed as follows:

Agency: Moscow Urban Renewal Agency

Developer: Sangria Downtown LLC

P O Box 9203
Moscow, ID 83843
c/o Executive Director

2124 W. Pullman Road
Moscow, ID 83843

The Parties understand and agree that they shall immediately notify the other Party of any issues, problems, or opportunities that may have the potential to affect the Agency Property and development of surrounding properties. The Parties agree to confer regarding any issues, problems, or opportunities raised by either Party and shall use their best reasonable efforts to cooperate in good faith to resolve any issues or problems so raised or to take advantage of any opportunities so raised.

Nothing herein shall limit the reviewing authority of Agency granted under this Agreement.

C. Cost of Construction

The cost of developing the Agency Property and constructing all improvements thereon shall be borne by Developer, except for work expressly set forth in this Agreement to be performed or paid for by Agency or others. Agency and Developer shall each pay the costs necessary to administer and carry out their respective responsibilities and obligations under this Agreement.

D. Construction Schedule

After the conveyance of title to the Agency Property, Developer shall promptly begin and thereafter diligently prosecute to completion the construction of the improvements and the development of the Agency Property as provided in the Scope of Development (Attachment 2). Developer shall begin and complete all construction and development within the times specified in the Schedule of Performance (Attachment 3) or such reasonable extension of said dates as may be granted by Agency. The Schedule of Performance is subject to revision from time to time as mutually agreed upon in writing between Developer and Agency.

During the period of construction Developer, as requested by Agency, shall submit to Agency on a monthly basis a written progress report of the construction.

E. City and Other Governmental Agency Permits

Before commencement of construction or development of any buildings, structures, or other work of improvement upon the Agency Property (but not necessarily before conveyance of title), Developer shall, at its own expense, secure or cause to be secured any and all permits (except subdivision approval which is the obligation of Agency) which may be required by City or any other governmental agency affected by such construction, development, or work. Agency shall provide its best efforts to assist Developer in securing these permits.

F. Rights of Access

For the purpose of assuring compliance with this Agreement, representatives of Agency and City shall have the reasonable right of access to the Agency Property without charges or fees and at normal construction hours during the period of construction for the purposes of this Agreement, including, but not limited to, the inspection of the work being performed in constructing the improvements. Such representatives of Agency or City shall be those who are so identified in writing by

the Executive Director of Agency. Anyone who comes onto the Agency Property shall comply with applicable OSHA or other safety regulations.

G. Local, State, and Federal Laws

Developer shall carry out the construction of the improvements in conformity with all applicable laws, including all applicable federal and state labor standards.

H. Antidiscrimination During Construction

Developer, for itself and its successors and assigns, agrees that in the construction of the improvements provided for in this Agreement, Developer will not discriminate because of handicap or disability, race, color, creed, religion, sex, sexual orientation, marital status, ancestry, or national origin.

I. Responsibilities of the Agency

Agency, without expense to Developer or assessment or claim against the Agency Property, shall perform any work specified herein and in the Scope of Development (Attachment 2) for Agency to perform within the times specified in the Schedule of Performance (Attachment 3).

J. Taxes, Assessments, Encumbrances, and Liens

Developer shall pay when due all ad valorem property taxes and personal property taxes and assessments assessed and levied on the Agency Property and Development for any period subsequent to conveyance of title to or delivery of possession of the Agency Property. Prior to the issuance of a Certificate of Completion, Developer shall not place or allow to be placed on the Agency Property any mortgage, trust deed, encumbrance, or lien unauthorized by this Agreement. The preceding sentence does not apply to any mortgage, trust deed, or encumbrance securing Developer's financing for the Project. Developer shall remove or have removed any levy or attachment made on the Agency Property, or any portion thereof, or shall assure the satisfaction thereof within a reasonable time, but in any event prior to a sale thereunder. Nothing herein contained shall be deemed to prohibit Developer from contesting the validity or amounts of any tax, assessment, encumbrance, or lien or to limit the remedies available to Developer with respect thereto.

The covenants set forth in Section IV.A., B., and C. of this Agreement shall survive termination of this Agreement shall run with the land and shall be set forth in the Bargain and Sale Deed.

K. In-Lieu-of Taxes

In the event the Property or any improvements thereon or any possessory interest therein should at any time be subject to ad valorem taxes or privilege taxes levied, assessed, or imposed on such Property, Developer shall pay taxes upon the assessed value of the entire Property and any improvements thereon and not merely upon the assessed value of its ownership of Agency Property interest.

In the event the Agency Property or any portion thereof or leasehold interest is leased, conveyed, or transferred to an entity exempt or partially exempt from ad valorem taxes and to the extent that ad valorem, privilege, or any other taxes or assessments levied on the Agency Property or any improvements thereon are of a lesser amount than would be levied if the Agency Property or any portion thereof were entirely in private, nonexempt ownership, Developer shall be responsible to pay as in-lieu-of

taxes the difference between the taxes and assessments actually levied and the taxes and assessments which would be levied if the Agency Property or any portion thereof were privately owned. Developer shall pay such difference to Agency within thirty (30) days after the taxes for such year become payable to the taxing agencies and in no event later than the delinquency date of such taxes established by law.

Any in-lieu-of taxes received by Agency pursuant to this Section shall be treated by Agency as Incremental Tax Revenues and promptly deposited upon receipt into the appropriate Agency Account.

IV. USE OF THE AGENCY PROPERTY

A. Uses

Developer covenants and agrees for itself, its successors, its assigns, and every successor in interest that during construction and thereafter, Developer, its successors, and assignees shall devote the Agency Property to the uses specified in the Plan, the Bargain and Sale Deed, Moscow City Code (including the Moscow Zoning Code), and this Agreement for the periods of time specified therein. The foregoing covenants shall run with the land.

B. Obligation to Refrain From Discrimination

Developer covenants that it shall not engage in discrimination against or segregation of any person or group of persons on account of handicap or disability, age, race, color, creed, religion, sex, sexual orientation, marital status, ancestry, or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Agency Property, nor shall Developer establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the Agency Property. The foregoing covenants shall run with the land.

C. Effect and Duration of Covenants

Except as otherwise provided, the covenants contained in this Agreement and the Bargain and Sale Deed shall remain in effect until December 31, 2032 (the termination date of the Plan). The covenants against discrimination shall remain in effect in perpetuity. The covenants established in this Agreement and the Bargain and Sale Deed shall, without regard to technical classification and designation, be binding for the benefit and in favor of Agency, Agency's successors and assigns, City, and any successors in interest to the Agency Property or any part thereof.

Agency and the City of Moscow are deemed the beneficiaries of the terms and provisions of this Agreement and of the covenants running with the land for and in its own rights and for the purposes of protecting the interests of the community and other parties, public or private, in whose favor and for whose benefit this Agreement and the covenants running with the land have been provided. This Agreement and the covenants shall run in favor of Agency and the City of Moscow without regard to whether Agency has been, remains, or is an owner of any land or interest therein in the Agency Property, any parcel or subparcel, or in the Project Area. Agency shall have the right, if this Agreement or the covenants are breached, to exercise all rights and remedies and to maintain any actions or suits at law or in equity or other proper proceedings to enforce the curing of such breaches to which it or any other beneficiaries of this Agreement and the covenants may be entitled.

D. Rights of Access Public Improvements and Facilities

Agency, for itself and for City and other public agencies, at their sole risk and expense, reserves the right to enter the Agency Property or any part thereof at all reasonable times and with as little interference as possible for the purposes of construction, reconstruction, maintenance, repair, or service of any public improvements or public facilities located on the Agency Property. Any such entry shall be made only after reasonable notice to Developer. Any damage or injury to the Agency Property resulting from such entry shall be promptly repaired at the sole expense of the public agency responsible for the entry.

Notwithstanding the above, Developer, its successors, and its assigns shall be subject to all ordinances and laws of City of Moscow, County of Latah, or State of Idaho for the protection of health, safety, and welfare.

V. DEFAULTS, REMEDIES, AND TERMINATION

A. Defaults: General

Subject to any extensions of time, failure or delay by either Party to perform any term or provision of this Agreement constitutes a default under this Agreement. The Party who so fails or delays must immediately commence to cure, correct, or remedy such failure or delay and shall complete such cure, correction, or remedy with reasonable diligence and during any period of curing shall not be in default.

The Party claiming default shall give written notice of default to the Party in default specifying the default complained of by the injured Party. Except as required to protect against further damages and except as otherwise expressly provided in this Agreement, the Party claiming default may not institute proceedings against the Party in default until sixty (60) days after giving such notice, said sixty (60) days constituting the period to cure any default. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default.

Except as otherwise expressly provided in this Agreement, any failure or delay by either Party in asserting any of its rights or remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies or deprive such Party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert, or enforce any such rights or remedies.

It is expressly understood and agreed that each of the covenants, promises, stipulations, and agreements of the parties hereto and under the provisions of this Agreement are an integral and indivisible part of the consideration given by each to the other and that each covenant, promise, stipulation, and agreement of the Parties shall be deemed and construed as material. It is further understood and agreed that time is of the essence of this Agreement; that failure, refusal, or neglect for any reason whatsoever of either party hereto to perform any of the covenants, promises, stipulations, or agreements to be performed by the party pursuant to the terms and provisions of this Agreement shall constitute a material default on the part of the party failing to perform such covenant, promise, stipulation, or agreement; and that the occurrence of any such default on the part of either party shall give the other party the right to terminate or otherwise enforce this Agreement in accordance with the provisions of this Article V.

B. Legal Action

In addition to any other rights or remedies, either Party may institute legal action to cure, correct, or remedy any default or recover damages for any default or to obtain any other remedy consistent with the purpose of this Agreement. Such legal actions must be brought in the Second Judicial District Court of the State of Idaho, in and for the County of Latah, or in the United States District Court for the District of Idaho. The laws of the State of Idaho shall govern the interpretation and enforcement of this Agreement.

C. Rights and Remedies Are Cumulative

Except as otherwise expressly stated in this Agreement, the rights and remedies of the Parties are cumulative, and the exercise by any Party of one or more of such rights or remedies shall not preclude the exercise by it, at the same time or different times, of any other rights or remedies for the same default or any other default by the other Party. Specifically, Agency retains all the rights and remedies stated herein without exception. In the event Agency invokes the liquidated damages remedy, Agency retains all of the remedies set forth herein which are recognized by law or equity.

D. Damages

If Developer or Agency defaults with regard to any of the provisions of this Agreement, the non-defaulting Party shall serve written notice of such default upon the defaulting Party. If the default is not cured or commenced to be cured by the defaulting Party within sixty (60) days after service of the notice of default, the defaulting Party shall be liable to the other Party for any damages caused by such default.

Provided, however, nothing herein shall be construed so as to prevent Agency from invoking the liquidated damages remedy, following the notice and cure provisions of this Agreement.

E. Specific Performance

If Developer or Agency defaults under any of the provisions of this Agreement, the non-defaulting Party shall serve written notice of such default upon the defaulting Party. If the default is not commenced to be cured by the defaulting Party within sixty (60) days of service of the notice of default, the non-defaulting Party, at the non-defaulting Party's option, may institute an action for specific performance of the terms of this Agreement.

F. Remedies and Rights of Termination Prior to Conveyance of the Agency Property to Developer

1. Termination by Developer

In the event that prior to the conveyance of the Agency Property to Developer:

a. Agency does not tender conveyance of title to the Agency Property or possession thereof in the manner and condition and by the date provided in this Agreement, and any such failure is not cured within sixty (60) days after written demand by Developer; or

b. Agency is unable to perform its obligations as set forth in the Scope of Development (Attachment 2); or

c. Agency shall notify Developer in writing that it is not economically or financially feasible for Agency to finance its obligations under this Agreement within the time established therefore in the Schedule of Performance (Attachment 3); or

d. The zoning of the Agency Property shall be such that it shall not permit the development, construction, use, operation, or maintenance of the improvements specified in the Scope of Development (Attachment 2) and in this Agreement to be developed and constructed thereon; or

e. Developer, after and despite diligent effort and prior to the dates established therefore in the Schedule of Performance (Attachment 3), is unable to obtain and submit the final evidence of financing reasonably acceptable to Developer or on or before Agency's approval of Developer's final evidence of financing, notifies Agency in writing that, in the Developer's judgment, it is not economically or financially feasible for Developer to perform or finance its obligations under this Agreement in the time established therefore in the Schedule of Performance (Attachment 3); or

f. Any appropriate governmental entity takes action which results in the refusal to release any federal funds previously committed to Agency for this Project,

then this Agreement may, at the option of Developer, be terminated by written notice thereof to Agency. Upon such termination, neither Agency nor Developer shall have any further rights against or liability to the other under this Agreement, and Agency shall return Developer's Deposit to Developer as provided, herein.

2. Termination by Agency

In the event that prior to the conveyance of the Agency Property to Developer:

a. Agency shall notify Developer in writing that it is not economically or financially feasible for Agency to finance its obligations under this Agreement within thirty (30) days of the Effective Date; or

b. Developer fails to maintain the amount of Developer's Deposit as required by this Agreement; or

c. Developer transfers or assigns or attempts to transfer or assign this Agreement or any rights herein or in the Agency Property or the buildings or improvements thereon in violation of this Agreement; or

d. there is any significant change in the ownership or identity of Developer or the Parties in control of Developer; or

e. Developer does not pay the Purchase Price and take title to the Agency Property under tender of conveyance by Agency pursuant to this Agreement; or

f. Developer is in breach or default with respect to any other obligation of Developer under this Agreement, subject to the cure provisions; or

g. The zoning of the Agency Property shall be such that it shall not permit the development, construction, use, operation, and maintenance of the improvements specified in the Scope of Development (Attachment 2) and in this Agreement to be developed and constructed thereon; or

h. Agency is unable to perform its obligations as set forth in the Scope of Development (Attachment 2); or

i. Any appropriate governmental entity takes action which results in the refusal to release federal funds previously committed to Agency for this Project,

then this Agreement and any rights of Developer or any assignee or transferee in this Agreement pertaining thereto or arising therefrom with respect to Agency may, at the option of Agency, be terminated by Agency by written notice thereof to Developer.

When Agency is entitled to retention of Developer's Deposit because Agency has exercised its election to terminate this Agreement, Developer's Deposit may be retained by Agency as liquidated damages and as its property without any deduction, offset, or recoupment whatsoever. If Developer should default upon its obligations making it necessary for Agency to terminate this Agreement and to procure another Party or Parties to develop the Agency Property in substantially the manner and within the period that such Agency Property would be developed under the terms of this Agreement, then the damages suffered by Agency by reason thereof would be uncertain. Such damages would involve such variable factors as the consideration which such Party would pay for the Agency Property, the expenses of continuing the ownership and control of the Agency Property, the rights of interested parties and negotiating with such parties, postponement of tax revenues therefrom to the community, and the failure of Agency to effect its purposes and objectives within a reasonable time, resulting in additional immeasurable damage and loss to Agency and the community. It is impracticable and extremely difficult to fix the amount of such damages to Agency, but the Parties are of the opinion, upon the basis of all information available to them, that such damages would approximately equal the amount of Developer's Deposit held by Agency at the time of the default of Developer, and the amount of such Deposit shall be paid to Agency upon any such occurrence as the total of all liquidated damages for any and all such defaults and not as a penalty. In the event that this paragraph should be held to be void for any reason, Agency shall be entitled to the full extent of damages otherwise provided by law.

Developer and Agency specifically acknowledge this liquidated damages provision by their signatures here:

By _____,
URA of Moscow

By _____
Developer

VI. GENERAL PROVISIONS

A. Notices, Demands, and Communications Between the Parties

Formal notices, demands, and communications between Agency and Developer shall be sufficiently given if dispatched by registered or certified mail, postage prepaid, return receipt requested, to the principal offices of Agency and Developer. Such written notices, demands, and communications may be sent in the same manner to such other addresses as either Party may from time to time designate by mail.

B. Conflicts of Interest

No member, official, or employee of Agency shall have any personal financial interest, direct or indirect, in this Agreement, nor shall any such member, official, or employee participate in any decision relating to this Agreement which affects his or her personal financial interests or the financial

interests of any corporation, partnership, or association in which he or she is directly or indirectly involved.

Developer warrants that it has not paid or given, and will not pay or give, any third person any money or other consideration for obtaining this Agreement, other than principals.

C. Warranty Against Payment of Consideration for Agreement

Developer warrants that it has not paid or given, and will not pay or give, any third person any money or other consideration for obtaining this Agreement other than normal costs of conducting business and costs of professional services such as for architects, engineers, and attorneys.

D. Nonliability of Agency Officials and Employees

No member, official, or employee of Agency shall be personally liable to Developer in the event of any default or breach by Agency or for any amount which may become due to Developer or on any obligations under the terms of this Agreement.

E. Forced Delay; Extension of Times of Performance

In addition to the specific provisions of this Agreement, performance by any Party hereunder shall not be deemed to be in default where delays or defaults are due to war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; casualties; acts of God; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; lack of transportation; governmental restrictions or priority; litigation; unusually severe weather; inability to secure necessary labor, material, or tools; delay of any contractor, subcontractor, or suppliers; acts of another Party; proceedings before or acts or failures to act of any public or governmental agency or entity, including approvals by any historic preservation agency (other than acts or failures to act of Agency shall not excuse performance by Agency); approvals by building officials for issuance of building permits; and temporary cessation of work for archeological digs, environmental analysis, or removal of hazardous or toxic substances; or any causes beyond the control or without the fault of the Party claiming an extension of time to perform. An extension of time for any such cause shall only be for the period of the forced delay, which period shall commence to run from the time of the commencement of the cause. If, however, notice by the Party claiming such extension is sent to the other Parties more than thirty (30) days after the commencement of the cause, the period shall commence to run only thirty (30) days prior to the giving of such notice. Times of performance under this Agreement may also be extended in writing by the Parties.

F. Plans and Data

Where Developer does not proceed with the purchase and development of the Agency Property, Agency may retain possession of any site data, including any soils or engineering tests concerning the Agency Property previously submitted by Developer. Agency or any other person or entity designated by Agency shall be free to use such site data for any reason whatsoever without cost or liability thereof to Developer or any other person, except to the extent Agency may have to reach agreement with Developer's architects.

G. Approvals by the Parties

Wherever this Agreement requires Agency and/or Developer to approve any contract, document, plan specification, drawing, or other matter, such approval shall not be unreasonably withheld.

H. Bodily Injury, Property Damage, and Workers' Compensation Insurance

Prior to the commencement of construction on the Agency Property or any portion thereof, Developer shall furnish or cause to be furnished to Agency duplicate originals or appropriate certificates of bodily injury and property damage insurance policies in the amount of at least One Million Dollars (\$1,000,000) for any person, One Million Dollars (\$1,000,000) for any occurrence, and One Million Dollars (\$1,000,000) property damage. Developer shall also furnish or cause to be furnished to Agency evidence satisfactory to Agency that any contractor with whom it has contracted for the performance of work on the Agency Property carries worker's compensation insurance as required by law. Developer shall also furnish to Agency evidence of Developer's risk insurance insuring the Project from damage and loss during construction in an amount acceptable to Agency.

I. Indemnification

Developer shall indemnify and hold Agency, City, and their respective officers, agents, and employees harmless from and against all liabilities, obligations, damages, penalties, claims, costs, charges, and expenses, including reasonable architect and attorney fees (collectively referred to in this Section as "claim"), which may be imposed upon or incurred by or asserted against Agency, City, or their respective officers, agents, and employees by reason of any of the following occurrences during the term of this Agreement; provided, however, Developer shall have no obligation to indemnify and hold Agency or City, respectively, and their respective officers, agents, and employees harmless from and against any matter to the extent it arises from the active negligence or willful act of Agency or City, respectively, or their respective officers, agents, or employees or from conduct resulting in an award of punitive damages against Agency or City, respectively;

a. Any work or thing done in, on, or about the Agency Property, including, without limitation, the construction of the initial improvements, any subsequent improvements, or any tenant improvements, by or at the direction of Developer or by any Party whatsoever; or

b. Any use, nonuse, possession, occupation, condition, operation, maintenance, or management of Agency Property or any part thereof; or

c. Any negligence on the part of Developer or any of its agents, contractors, servants, employees, subtenants, operators, licenses, or invitees; or

d. Any accident, injury, or damage to any person or property occurring in, on, or about the Agency Property or any part thereof, whether during construction or after construction; or

e. Any failure on the part of Developer to perform or comply with any of the terms, provisions, covenants, and conditions contained in this Agreement to be performed or complied with on its part.

In case any action or proceeding is brought against Agency, City, or their respective officers, agents, and employees by reason of any such claim, Developer, upon written notice from Agency or City, shall, at Developer's expense, resist or defend such action or proceeding by counsel selected by Developer or Developer's insurance carrier.

J. Attorney Fees

In the event of any action or proceeding at law or in equity between Developer and Agency to enforce any provision of this Agreement or to protect or establish any right or remedy of either Party hereunder, the unsuccessful Party to such litigation shall pay to the prevailing Party all costs and expenses, including reasonable attorney fees incurred therein by such prevailing Party (including such costs and fees incurred on appeal), and if such prevailing Party shall recover judgment in any such action or proceeding, such costs, expenses, and attorney fees shall be included in and as a part of such judgment.

VII. SPECIAL PROVISIONS

A. Amendment of Plan

Pursuant to the provisions of the Plan or modification or amendment therefore, Agency agrees that no amendment which changes the uses or development permitted on or adjacent to the Agency Property or changes the restrictions or controls that apply to the Agency Property or otherwise affects the Agency Property shall be made or become effective without the prior written consent of Developer. Amendments to the Plan applying to other property in the Project Area shall not require the consent of Developer.

B. No Third-Party Beneficiary

The provisions of this Agreement are for the exclusive benefit of Agency, City, Developer, and their successors and assigns, and not for the benefit of any third person; nor shall this Agreement be deemed to have conferred any rights, express or implied, upon any third person except for provisions expressly for the benefit of a mortgagee or lender of Developer or its successors and assigns.

C. Amendments to This Agreement

Developer and Agency agree to mutually consider reasonable requests for amendments to this Agreement which may be made by any of the Parties hereto, lending institutions, bond counsel, or financial consultants to Agency or Developer, provided such requests are consistent with this Agreement and would not substantially alter the basic business terms included herein.

D. Dispute Resolution

In the event that a dispute arises between the Parties concerning (i) the meaning or application of the terms of, or (ii) an asserted breach of this DDA, the Parties shall meet and confer in a good faith effort to resolve their dispute. The first such meeting shall occur within thirty (30) days of the first written notice from either Party evidencing the existence of the dispute. The Chair of Agency and the Managing Member of Developer shall both be included among the individuals representing the Parties at the first such meeting. If the Parties shall have failed to resolve the dispute within thirty (30) days after delivery of such notice, the Parties agree to first endeavor to settle the dispute in an amicable manner by mediation or other process of structured negotiation under the auspices of a nationally or regionally recognized organization providing such services in the Northwestern States or otherwise, as the Parties may mutually agree before resorting to litigation or to arbitration. Should the Parties be unable to resolve the dispute to their mutual satisfaction within thirty (30) days after such completion of mediation or other process of structured negotiation, each Party shall have the right to pursue any rights or remedies it may have at law or in equity.

E. Implementation Agreements

Certain elements of this Agreement may be fully and finally determined and agreed to between Agency and Developer. The Parties shall agree in writing on any of these elements in an Implementation Agreement or agreements during the course of this Agreement.

F. Submission of Evidence of Equity Capital and Mortgage Financing

1. Financing Requirements

If Developer finances, seeks equity capital, or intends to use internal sources of funds for the acquisition and development of the Agency Property and related activities, such financing and internal financing shall be subject to the approval of Agency, which approval will not be unreasonably withheld.

During Agency's review process described herein, Agency may request, as condition of Agency's approval, documents and information which provide confirmation of Developer's financing and capacity to complete the Project. The Agency may also condition approval of such documents with a requirement that Developer provide an appropriate completion guaranty or other security which shall guarantee full performance of construction upon conveyance of the Agency Property to Developer, including acceptable written documentation from Developer's lender which assures completion of Project.

In the event Agency has not approved the final loan agreement and other related documents within ninety (90) days from the execution of this Agreement, this Agreement shall terminate as set forth below.

2. Termination of Agreement for Lack of Financing

In the event Developer fails to meet the compliance dates set forth in this Section concerning the financing, this Agreement shall be terminated by written notice of termination by Agency to Developer. Notwithstanding any other provision of this Agreement to the contrary, such written notice shall be final, Developer shall have no right or time to cure, and such action shall not be subject to dispute resolution. In the event this Agreement is terminated as set forth in this Section, Agency shall return to Developer, Developer's Deposit.

It is the purpose of this procedure to ensure to the satisfaction of Agency that the Agency Property will not be conveyed unless and until there are sufficient financing and development commitments to commence and to complete the construction of the Agency Property.

All information required to be submitted to Agency under this Section VII.F. shall be kept confidential by Agency and shall not be publicly disclosed absent an order by a court of competent jurisdiction. As an alternative to formal submittal of this required information, Developer may allow an inspection and review of such information by Agency.

At any time prior to the issuance of a Certificate of Completion, Developer shall have the right to present for approval amendments to the evidence of financing. Any such amendments to Developer's evidence of financing shall comply with the provisions of this Section and shall be reviewed and approved by Agency as set forth in this Section.

In addition to the requirements previously set forth herein, any commitment letter, loan agreement, or similar document submitted by Developer shall conclusively state lender's acceptance of the notice provisions and rights described herein.

G. Resale to the Agency Required Upon Project Failure

DEVELOPER shall commence building on the Agency Property by May 31, 2018. Should no building commence by May 31, 2018, the Agency or its assigns or successors in interest shall have the right to purchase said Agency Property for the original purchase price.

VIII. ENTIRE AGREEMENT, WAIVERS, AND AMENDMENTS

This Agreement is executed in two (2) duplicate originals, each of which is deemed to be an original. This Agreement comprises pages 1 through 26, inclusive, and Attachments 1 through 4, attached hereto and incorporated herein by reference, all of which constitute the entire understanding and agreement of the Parties.

This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto and supersedes all negotiations or previous agreements between the Parties with respect to all or any part of the subject matter hereof.

All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of Agency and Developer, and all amendments hereto must be in writing and signed by the appropriate authorities of Agency and Developer.

IX. EFFECTIVE DATE OF AGREEMENT

This Agreement, when executed by Developer and delivered to Agency, must be authorized, executed, and delivered by Agency within forty-five (45) days after the date of signature by Developer or this Agreement shall be void, except to the extent that Developer shall consent in writing to further extensions of time for the authorization, execution, and delivery of this Agreement. Developer recognizes that Agency must comply with certain notice, solicitation, and comment periods and a disclosure process as required by law. Because of that process Agency may be unable to execute this Agreement as proposed, and in such event, this Agreement shall be void. The effective date of this Agreement shall be the date when this Agreement has been signed by Agency.

Dated this ____ day of _____, 2017 AGENCY:

THE URBAN RENEWAL AGENCY OF
MOSCOW, IDAHO

By _____
Steve McGeehan, Chair

Dated this ____ day of _____, 2017 DEVELOPER:

By _____
_____, Managing Member
Sangria Downtown, LLC

ACKNOWLEDGMENT

STATE OF IDAHO)
) ss.
COUNTY OF LATAH)

On this _____ day of _____, 2017, before me, a Notary Public in and for said State, appeared _____, known to me to be the person named above and acknowledged that he/she executed the foregoing document as the duly authorized representative for _____.

Notary Public for the State of Idaho
Residing at _____
My commission expires _____

ACKNOWLEDGMENT

STATE OF IDAHO)
) ss.
COUNTY OF LATAH)

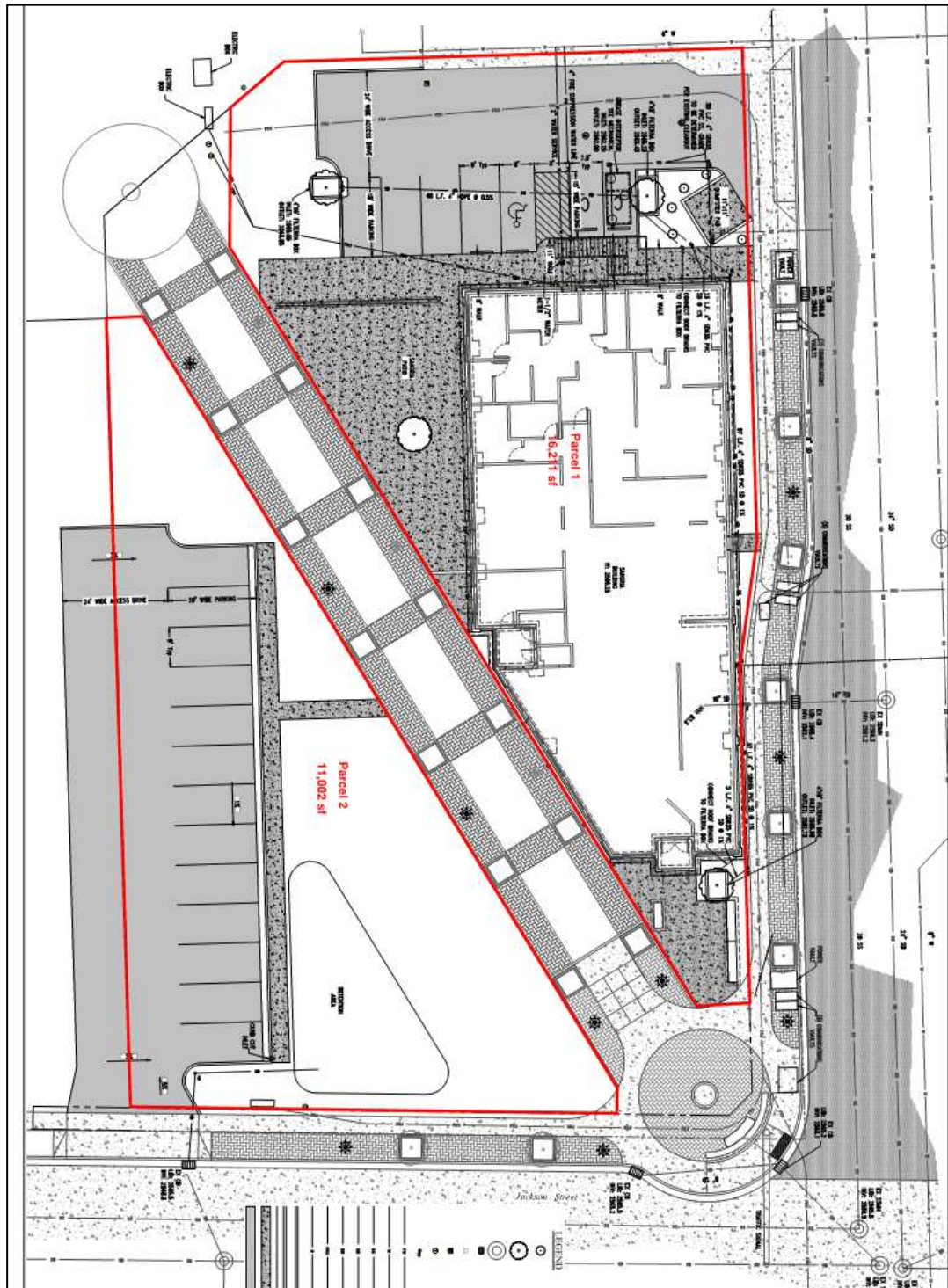
On this _____ day of _____, 2017, before me, a Notary Public in and for said State, appeared _____, known to me to be the person named above and acknowledged that he/she executed the foregoing document as the duly authorized representative for _____.

Notary Public for the State of Idaho
Residing at _____
My commission expires _____

Attachments

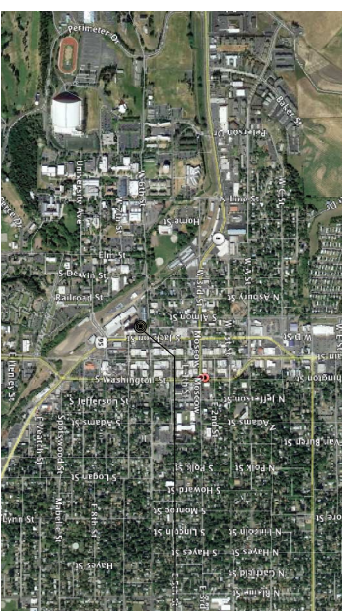
Attachment 1	Map of the Agency Property
Attachment 2	Scope of Development
Attachment 3	Schedule of Performance

Attachment 1
Map of the Agency Property



Attachment 2

SIXTH & JACKSON - MOSCOW, ID 83843

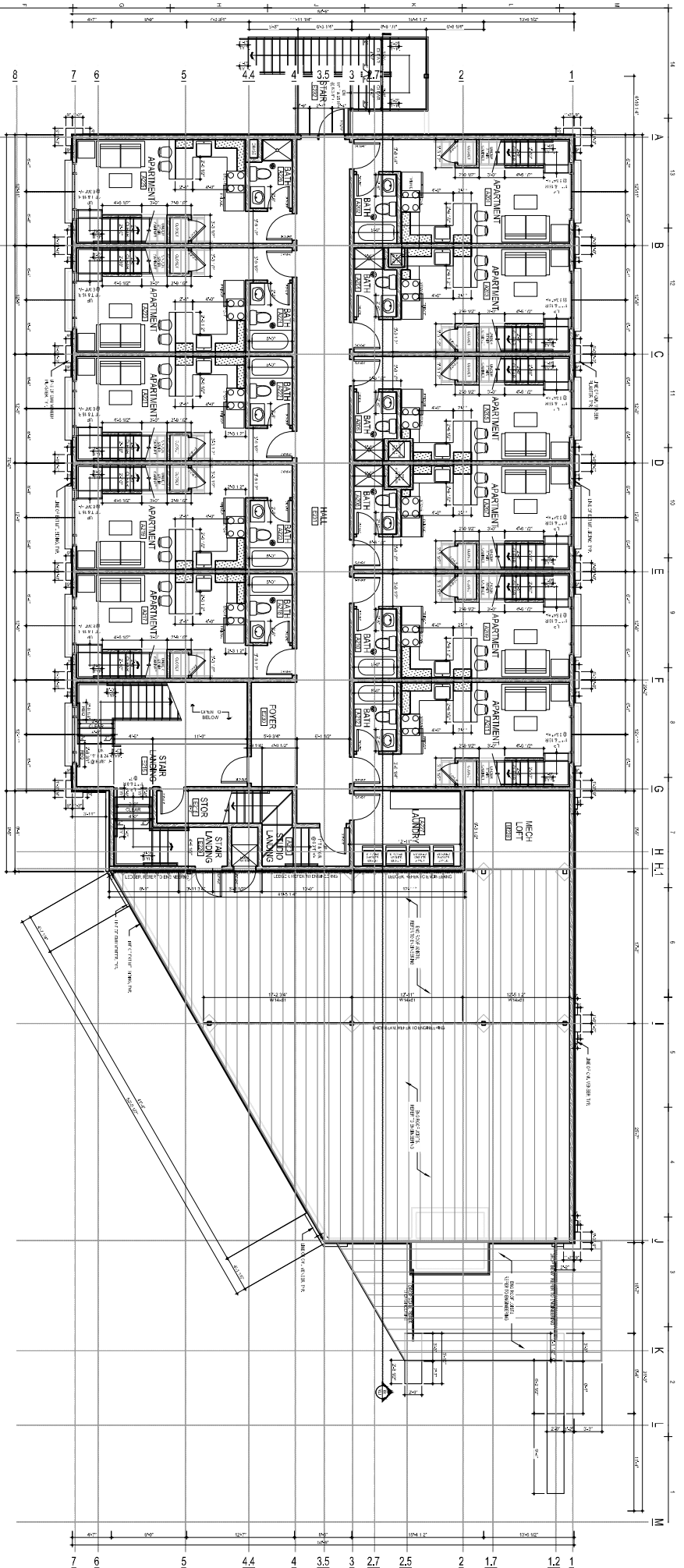
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SANGRIA DEVELOPMENT - MIXED USE



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1 SECOND FLOOR PLAN



GENERAL PLAN NOTES

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KEYED NOTES

- KEYED NOTES**

NOTE: NOT ALL WORDS ARE IN GREEN.

 1. **REQUIREMENTS FOR THE CREDIT GRADING:** THE STUDENT MUST:
 - a. ATTEND ALL CLASSES
 - b. PASS ALL EXAMS
 - c. PASS ALL LABS
 - d. PASS ALL PROJECTS
 - e. PASS ALL ASSIGNMENTS
 2. **REQUIREMENTS FOR THE CREDIT GRADING:** THE STUDENT MUST:
 - a. ATTEND ALL CLASSES
 - b. PASS ALL EXAMS
 - c. PASS ALL LABS
 - d. PASS ALL PROJECTS
 - e. PASS ALL ASSIGNMENTS
 3. **REQUIREMENTS FOR THE CREDIT GRADING:** THE STUDENT MUST:
 - a. ATTEND ALL CLASSES
 - b. PASS ALL EXAMS
 - c. PASS ALL LABS
 - d. PASS ALL PROJECTS
 - e. PASS ALL ASSIGNMENTS
 4. **REQUIREMENTS FOR THE CREDIT GRADING:** THE STUDENT MUST:
 - a. ATTEND ALL CLASSES
 - b. PASS ALL EXAMS
 - c. PASS ALL LABS
 - d. PASS ALL PROJECTS
 - e. PASS ALL ASSIGNMENTS
 5. **REQUIREMENTS FOR THE CREDIT GRADING:** THE STUDENT MUST:
 - a. ATTEND ALL CLASSES
 - b. PASS ALL EXAMS
 - c. PASS ALL LABS
 - d. PASS ALL PROJECTS
 - e. PASS ALL ASSIGNMENTS
 6. **REQUIREMENTS FOR THE CREDIT GRADING:** THE STUDENT MUST:
 - a. ATTEND ALL CLASSES
 - b. PASS ALL EXAMS
 - c. PASS ALL LABS
 - d. PASS ALL PROJECTS
 - e. PASS ALL ASSIGNMENTS
 7. **REQUIREMENTS FOR THE CREDIT GRADING:** THE STUDENT MUST:
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 - d. PASS ALL PROJECTS
 - e. PASS ALL ASSIGNMENTS
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 - a. ATTEND ALL CLASSES
 - b. PASS ALL EXAMS
 - c. PASS ALL LABS
 - d. PASS ALL PROJECTS
 - e. PASS ALL ASSIGNMENTS

WALL TYPE GENERAL NOTES:

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STRUCTURE POPULATION

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SANGRIA DEVELOPMENT - MIXED USE

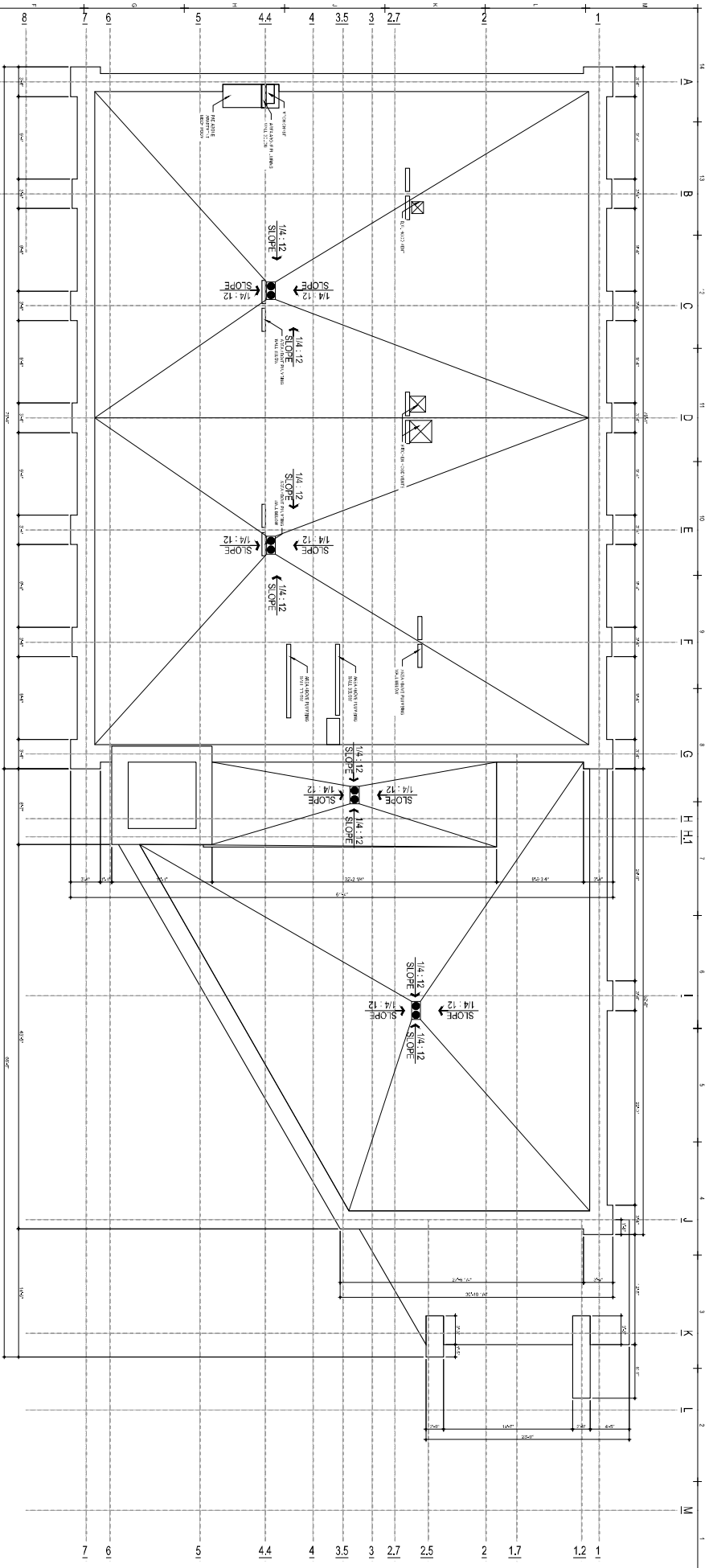
ETHAN ANDERSON
WOLFCOM, EDWARD TOWERS

6TH & JACKSON

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08-11-17 PERMIT DRAWINGS



GENERAL PLAN NOTES

- 1. CONFORMANCE WITH ALL APPLICABLE CODES, ORDINANCES AND REGULATIONS.
- 2. ALL DIMENSIONS ARE TO FACE UNLESS NOTED OTHERWISE.
- 3. REFER TO THE NOTES FOR FURTHER INFORMATION.
- 4. REFER TO THE NOTES FOR FURTHER INFORMATION.
- 5. REFER TO THE NOTES FOR FURTHER INFORMATION.
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- 12. REFER TO THE NOTES FOR FURTHER INFORMATION.

MULTI-TYPE GENERAL NOTES

- 1. ALL DIMENSIONS ARE TO FACE UNLESS NOTED OTHERWISE.
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KEYED NOTES

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MULTI-TYPE GENERAL NOTES

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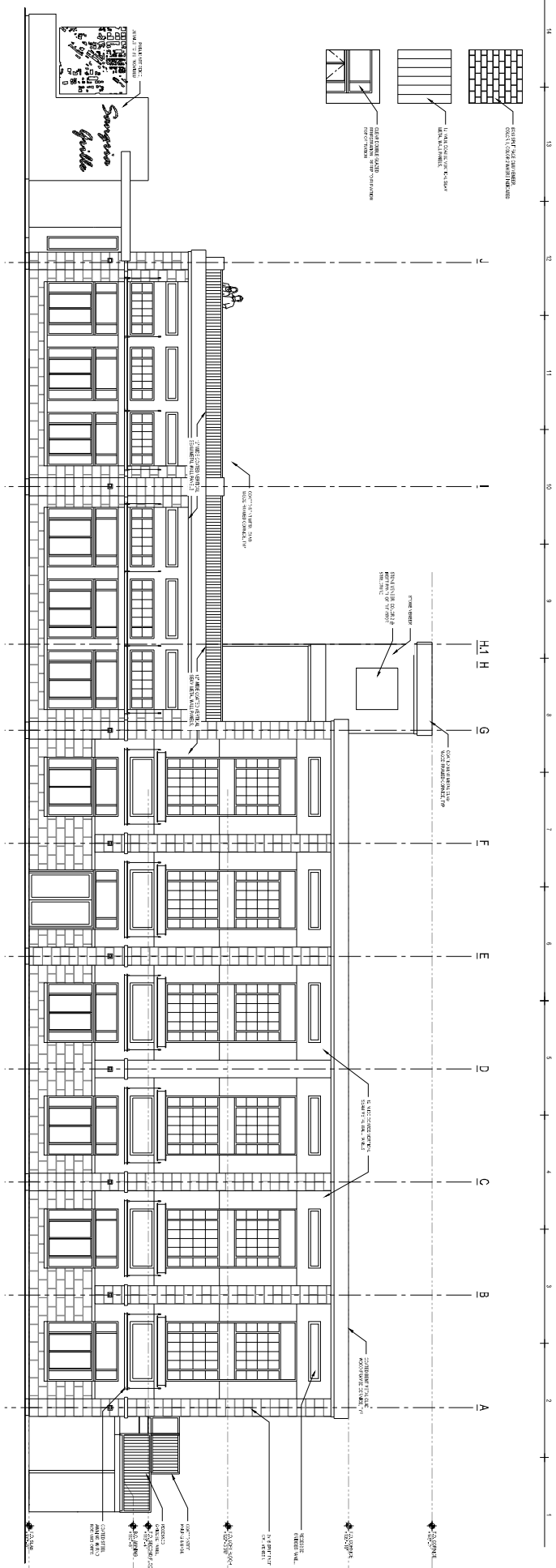


SANGRIA DEVELOPMENT - MIXED USE

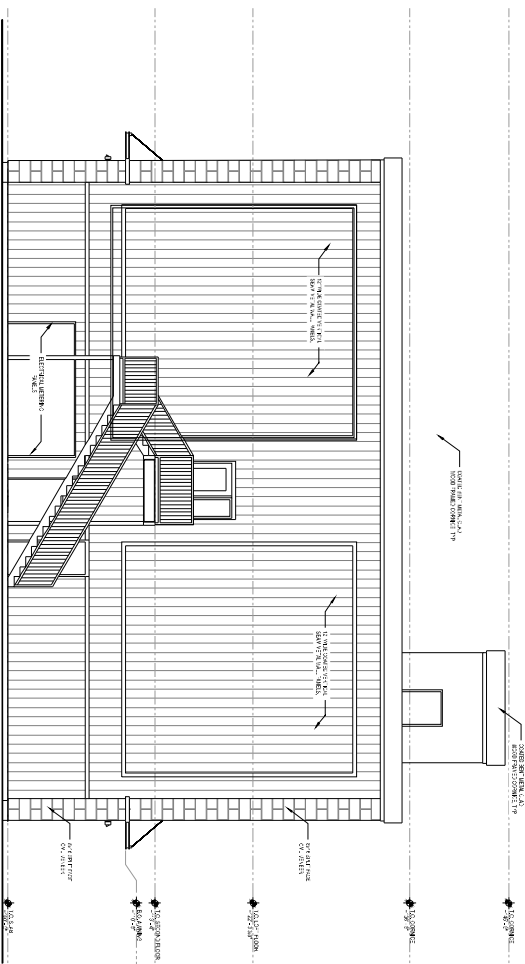
08-11-17 PERMIT DRAWINGS

6TH & JACKSON

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SANGRIA DEVELOPMENT - MIXED USE

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WROTE: DAVID LEE

6TH & JACKSON

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U.S. DEPARTMENT OF AGRICULTURE
FOREST SERVICE
WASHINGTON, D.C. 20250
F-336 (Rev. 11-1-79)

A5.2

Attachment 3

Schedule of Performance

<u>Action</u>	<u>Date</u>
<u>Execution of Agreement by Developer.</u> Developer shall execute and deliver this Agreement to Agency.	On or before November 10, 2017.
<u>Deposit.</u> Developer shall deliver the Deposit to Agency.	Upon execution of this Agreement.
<u>Execution of Agreement by Agency.</u> Agency shall execute and deliver this Agreement to Developer.	On or before November 10, 2017.
<u>Opening of Escrow.</u> Agency shall open an escrow for conveyance of the Site to Developer.	No later than December 1, 2017.
<u>Submission—Agency's Required Information Concerning the Site.</u> Agency shall submit to Developer: (a) a legal description of the Agency Property and a map of the Agency Property; and (b) the form of deed.	No later than ten (10) days prior to closing.
<u>Nonrefundable Deposit.</u> Developer's deposit shall become nonrefundable under any condition.	Upon the approval by Agency of Developer's evidence of financing.
<u>Submission—Evidence of Developer's Equity Capital and Mortgage Financing.</u> Developer shall submit to Agency for review and approval evidence of equity capital and mortgage financing necessary for acquisition and development of the Site.	Within one hundred and twenty (120) days of execution of this Agreement.
<u>Approval—Evidence of Equity Capital and Mortgage Financing.</u> Agency shall approve or disapprove Developer's evidence of equity capital and mortgage financing.	Within ten (10) days after receipt thereof by the Agency.
<u>Zoning of the Site.</u> Agency and Developer, using their best efforts will cause the zoning of the Site to be such as to permit the development and construction of improvements in accordance with this Agreement and the use, operation, and maintenance of such improvements.	Completed.

Delivery—Preliminary Title Report. Agency shall deliver the preliminary title report for the Site to Developer.

Within ten (10) days of execution of this agreement.

Deposit of Deed. Agency shall deposit the deed to the Site and required sums into the escrow.

Prior to the date set forth herein for the closing under the escrow.

Submission—Final Construction Drawings, Landscaping, and Grading Plans. Developer shall prepare and submit to Agency for review and approval of final Construction Drawings and Landscaping and Grading Plans for the Site as follows:

- A. Plans sufficient to obtain an excavation permit;
- B. Plans sufficient to obtain a structural building permit; and
- C. Plans sufficient to obtain a final building permit for the Project, including landscaping plans.

By December 31, 2017.

By December 31, 2017.

By December 31, 2017.

Closing Under Escrow. Agency shall convey title to the Site to Developer, and Developer shall accept such conveyance.

Prior to the date set forth herein for the commencement of the construction of the Project.

Submission—Certificate of Insurance. Developer shall furnish to Agency duplicate originals or appropriate certificates of bodily injury and property damage insurance policies.

Prior to the date set forth herein for the commencement of construction of the Project.

Governmental Permits. Developer shall obtain any and all permits required by the City or any other governmental agency.

Prior to the date set forth herein for the commencement of construction of the Project.

Commencement of Construction of Developer's Improvements. Developer shall commence construction of the improvements to be constructed on the Site.

On or before May 31, 2018.

On or before June 30, 2019.

Completion of Construction of Developer's Improvements. Developer shall complete construction of the improvements to be constructed on the Site.

Issuance—Certificate of Completion. Agency shall furnish Developer with a Certificate of Completion.

Promptly after completion of all construction required to be completed by Developer on the Site and upon written request therefor by Developer.



OWNER PARTICIPATION AGREEMENT

BY AND BETWEEN

THE MOSCOW URBAN RENEWAL AGENCY

AND

SANGRIA DOWNTOWN LLC

FOR

SANGRIA DOWNTOWN PROJECT

, 2017

OWNER PARTICIPATION AGREEMENT

THIS OWNER PARTICIPATION AGREEMENT (hereinafter “Agreement”) is entered into this _____ day of _____, 2017, by and between the MOSCOW URBAN RENEWAL AGENCY, a public body, corporate and politic (hereinafter “Agency”), organized pursuant to the Idaho Urban Renewal Law of 1965, Title 50, Chapter 20, Idaho Code, as amended (hereinafter the “Law”), and undertaking projects under the authority of the Local Economic Development Act, Title 50, Chapter 29 Idaho Code as amended (hereinafter the “Act”), and Sangria Downtown LLC, an Idaho Limited Liability Company or its assigns (hereinafter “Participant”), collectively referred to as the “Parties” and each individually as “Party,” on the terms and provisions set forth below.

RECITALS

WHEREAS, Agency, an independent public body, corporate and politic, is an urban renewal agency created by and existing under the authority of the Law and the Act; and

WHEREAS, the Moscow City Council adopted its Ordinance No. 2008-10 on June 2, 2008, approving the Legacy Crossing Urban Renewal District Redevelopment Plan (hereinafter the “Urban Renewal Plan”); and

WHEREAS, Participant is under negotiations to purchase the real property located at 201 W. Sixth Street, Moscow, Idaho, Assessor’s Parcel Number RPM00000180025, upon which Participant is constructing improvements and investing significant resources in developing its property; and

WHEREAS, in order to complement the newly constructed building improvements on the property, Participant desires to make improvements to the adjacent public infrastructure, including street reconstruction, improvements to sidewalks, curbs, gutters, street lighting, storm drainage and landscaping improvements (hereinafter referred to as the “Project” as defined below); and

WHEREAS, Participant has worked with the City of Moscow to develop a design for the Project and to secure the City’s approval of the Project; and

WHEREAS, Section 504 of the Urban Renewal Plan authorizes Agency to use revenue allocation financing to fund specific projects and improvements to implement the Urban Renewal Plan;

WHEREAS, said Project implements several objectives outlined in Section 302 of the Urban Renewal Plan;

WHEREAS, Section 303 of the Urban Renewal Plan authorizes Agency to enter into Owner Participation Agreements to implement the Urban Renewal Plan;

WHEREAS, as a result of Participant’s commitment to proceed with the Project and to construct public improvements in the public right-of-way which will enhance public access, safety, aesthetics, and environmental and economic well-being, Participant’s commitment to comply with

the terms of the Urban Renewal Plan, and Agency's commitment to reimburse Participant in compliance with the Urban Renewal Plan, the Parties deem it necessary to enter into this Owner Participation Agreement to define their respective obligations;

WHEREAS, by entering into this Agreement and complying with its terms, Agency finds that Participant has complied with the provisions and requirements of the Urban Renewal Plan;

WHEREAS, the Agency Board, at its _____, 2017 Board meeting, approved the Project Term Sheet, a copy of which is attached hereto as Attachment 1 (Term Sheet);

WHEREAS, the Agency Board, at its _____, 2017 Board meeting, adopted Resolution No. 2017-0_ authorizing the Chair of the Agency Board to execute this Agreement and related Promissory Note on behalf of the Agency.

NOW, THEREFORE, in consideration of the above recitals, which are incorporated into this Agreement; the mutual covenants contained herein; and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

I. EFFECTIVE DATE

The effective date of this Agreement shall be the date when this Agreement has been signed by the Parties (last date signed) and shall continue until the completion of all obligations of each Party, subject to the following: To be eligible for reimbursement under this Agreement, Participant must complete construction of the Project within eighteen (18) months from the Effective Date. Provided if Participant is diligently constructing the Project, upon written request by Participant, Agency shall grant one extension for a period not to exceed twelve (12) months which consent shall not be unreasonably withheld, conditioned, or delayed.

II. SUBJECT OF AGREEMENT

A. Recitals, Purpose of This Agreement, and Interest

The Parties agree that the foregoing recitals are not mere recitations but are covenants of the Parties, binding upon them as may be appropriate and a portion of the consideration for the agreements contained herein. The mutual consideration and covenants contained herein are intended to achieve the objectives and obligations of both Parties. The Agency's commitment herein is intended to comply with the Agency's authority under the Law, the Act, and the Urban Renewal Plan and is intended to constitute a grant of Agency funds and not be deemed a gift or donation of public funds.

The purpose of this Agreement is to effectuate the Urban Renewal Plan and a portion of the Legacy Crossing Urban Renewal District by providing necessary improvements to the public infrastructure within the Legacy Crossing Urban Renewal District.

The Project improvements to the public infrastructure and the fulfillment generally of this Agreement are in the vital and best interests of the City and the health, safety, and welfare of its residents and are in accordance with the public purposes and provisions of applicable federal, state, and local laws and requirements. Implementation of this Agreement will further the goals and objectives of the Urban Renewal Plan.

B. The Plan

This Agreement is subject to the provisions of the Legacy Crossing Urban Renewal District Redevelopment Plan as adopted by the Moscow City Council through its Ordinance No. 2008-10 on June 2, 2008.

C. The Project Area

The Urban Renewal Project Area (Project Area) is located in the City of Moscow, and the exact boundaries of the Project Area are more specifically described in the Urban Renewal Plan.

D. The Project

The Project shall mean the development within the Project Area undertaken by Participant or its successors or assigns upon the private property and public right-of-way adjacent to 201 W. Sixth Street. The Project consists of private and public improvements contained and contemplated in the "Project Design Diagram" attached to this Agreement as Attachment 2 which is incorporated herein by reference, and as more particularly described in the "Project Description," attached hereto as Attachment 3 which is incorporated herein by reference, including, but not limited to: street, sidewalk and curb demolition and reconstruction, installation of street lighting, installation of tree wells and tree grates and planting of street trees. The Project shall comply with all the provisions of the Urban Renewal Plan and all applicable City building and zoning ordinances.

E. The City

The term City as used herein shall be the City of Moscow, Idaho.

F. Agency Participation Policy

Generally, the Agency will agree to financially participate with a private developer, when such participation achieves the objectives of the Urban Renewal Plan, is not duplicative of other public entity funding and does not replace or substitute for the obligations imposed by other governmental agencies on the Participant. The specific participation by the Agency for the Project is as set forth herein.

G. Parties to This Agreement

1. Agency

The Agency is an independent public body, corporate and politic, exercising governmental functions and powers and organized and existing under Law and the Act. The office of the Agency is located at 221 East Second Street, Moscow, Idaho. “Agency,” as used in this Agreement, includes the Moscow Urban Renewal Agency and any assignee of or successor to its rights, powers, and responsibilities.

2. Participant

The Participant is Sangria Downtown LLC, an Idaho Limited Liability Company. The principal address of the Participant is 2124 W. Pullman Road, Moscow, Idaho, 83843.

Whenever the term “Participant” is used herein, such term shall include any permitted nominee, assignee, or successor in interest as herein provided. The Participant qualifies as an “owner participant” as that term is used in the Urban Renewal Plan.

H. City Agreements and Approvals

City Agreements shall mean those certain agreements between Participant and City concerning, among other things, financial participation by the City in the Project, any required demolition permits or building permits, official review and approval by City for development of the Project.

Any default by Participant not cured within any cure period set forth in the agreements or approvals described above, shall constitute a default under this Agreement, with the Agency reserving any of its rights and remedies under this Agreement concerning default.

I. Funding of Project Improvements

In consideration of the terms of this Agreement, Agency agrees that certain of the Project costs may be eligible for reimbursement by the Agency in conformance with this Agreement. Such improvements are described in Attachment 4A of this Agreement and as further defined below.

- Actual costs incurred by Participant for Project construction, which costs are not funded by the City, any grants or other governmental financial sources. Such costs shall not exceed NINETY SEVEN THOUSAND FOUR HUNDRED AND FORTY EIGHT DOLLARS (\$97,448).

The Agency expects that the Participant will provide funds, together with certain contributed funds, if any, which will be sufficient to pay in full the costs of construction

for the Project. The Agency does reserve the right to certify all Project costs prior to issuance of any Agency funds per this Agreement, to assure the reasonableness of such costs, to verify the costs incurred, and to assure such expenditures by the Agency achieve the Agency's objectives and compliance with the Law and any other applicable statutory provisions. The Agency may rely upon a schedule of values or other similar construction or engineering references to determine the reasonableness of the costs incurred. The Agency acknowledges it approves the design and specifications of the Project.

The Agency shall commence to reimburse Participant upon receipt of acceptance of the Project by the City of Moscow and any other state or local agencies having jurisdiction, and delivery of an itemized statement by Participant to the Agency setting forth in detail the total amount of the costs for which the Agency is responsible. Such reimbursement shall be subject to the availability of funds as contained herein.

The participation of Agency in the funding of the Project will be based on the verification of the costs of such improvements as set forth in Section III (I). Agency must be satisfied that the cost of such improvements is reasonable given the market conditions and usual and customary costs for the Project improvements. Such costs must be reasonable in light of the costs normally encountered for such development.

III. PROJECT IMPROVEMENT AND AGENCY'S PARTICIPATION

A. Project Improvements by Participant.

Participant represents that the Project will fully comply with the Urban Renewal Plan, the "Project Design Diagram" attached to this Agreement as Attachment 2, the "Project Description" attached to this Agreement as Attachment 3, and with requirements of City.

B. Cost of Construction

The cost of the Project improvements shall be borne by the Participant. Certain of the Project costs may be eligible for reimbursement by the Agency in conformance with this Agreement.

C. Agency, City, and Other Governmental Agency Permits

Participant shall, at Participant's own expense, secure or cause to be secured any and all permits or approvals which may be required by Agency, City, or any other governmental agency relative to Project construction.

D. Improvements by the Agency

As a result of the proposed Project, there will be improved infrastructure, which will consist of public improvements contained and contemplated in the "Project Design Diagram" (Attachment 2) and the "Project Description," (Attachment 3), including, but not limited

to: street, curbing, and sidewalk demolition and reconstruction, installation of street lighting, installation of tree wells and tree grates and planting of street trees.

Agency specifically finds and determines that the improvements are directly related to public facilities and when constructed will provide a higher quality of development that should assist Agency in achieving redevelopment of adjacent properties in the Project Area, and meeting the objectives of the Urban Renewal Plan. Because of Participant's improvements to the real property located at 201 W. Sixth Street, Moscow, Idaho, which achieves several of the objectives contained within the Urban Renewal Plan, Agency finds that a portion of the Project improvements may be funded by the Agency. Agency finds that the Project is in the best public interest and provides for enhanced development of adjacent properties within the Project Area.

E. Indemnification

Participant shall indemnify and hold Agency, City, and their respective officers, agents, and employees harmless from and against all liabilities, obligations, damages, penalties, claims, costs, charges, and expenses, including reasonable architect and attorney fees (collectively referred to in this Section as "Claim"), which may be imposed upon or incurred by or asserted against Agency, City, or their respective officers, agents, and employees by reason of any of the following occurrences during the term of this Agreement including, but not limited to:

1. Relating to the construction or design of the Project;
2. Any negligence on the part of Participant or any of its agents, contractors, servants, employees, subtenants, operators, licensees, or invitees; or
3. Any accident, injury, or damage to any person or property occurring in, on, or about the Project or any part thereof; or
4. Any failure on the part of Participant to perform or comply with any of the terms, provisions, covenants, and conditions contained in this Agreement to be performed or complied with on its part.

Notwithstanding the foregoing, Participant shall have no obligation to indemnify and hold Agency or City, respectively, and their respective officers, agents, and employees harmless from and against any matter to the extent it arises from the active negligence or willful act of Agency or City, respectively, or their respective officers, agents, or employees.

In case any claim, action or proceeding is brought against Agency, City, or their respective officers, agents, and employees by reason of any such claim, Participant, upon written notice from Agency or City, shall, at Participant's expense, resist or defend such claim, action or proceeding.

F. Antidiscrimination during Construction

The Participant, for itself and its successors and assigns, agrees that in pursuit and construction of the Project provided for in this Agreement, the Participant will not discriminate against any employee or applicant for employment because of race, age, color, creed, religion, sex, marital status, ancestry, or national origin.

G. Approvals

Participant shall be responsible for obtaining any required approvals of the City or any other state or local agency having jurisdiction, for the installation and construction of the Project. Participant shall keep Agency advised of the status of the approval process and shall advise Agency immediately if any such approvals shall effect the scope and purpose of this Agreement. The Project shall be designed, constructed, and installed in keeping with all applicable City standards.

H. Proof of Agency Financing

The Participant, in order to enhance its development, has agreed to undertake the Project. In consideration of this activity by the Participant, Agency agrees to reimburse the Participant for eligible Project costs as set forth in this Agreement.

Participant has agreed to fund the Project through its independent resources and/or financing. Agency's funding mechanism for its financial participation in Project shall be by way of advance of funds by Participant and the Agency agrees to reimburse and repay the Participant for such advance payable in two parts as described below.

Within sixty (60) days of acceptance of the Project improvements by the City, and any other state or local agency having jurisdiction, and upon the Agency's issuance of the Verification of Costs Statement, or upon resolution of any dispute regarding the Certification of Costs pursuant to Section III.(I), the Agency shall pay to Participant a one-time payment of fifty percent (50%) of the eligible Project costs confirmed and verified pursuant to Section III(I) in an amount not to exceed NINETY SEVEN THOUSAND FOUR HUNDRED AND FORTY EIGHT DOLLARS (\$97,448).

The remaining fifty percent (50%) of the eligible Project costs confirmed and verified pursuant to Section III(I) (hereinafter the "Participant Advance") shall be reimbursed in an amount not to exceed NINETY SEVEN THOUSAND FOUR HUNDRED AND FORTY EIGHT DOLLARS (\$97,448), as set forth in Attachment 4A of this Agreement. The Participant shall be repaid by the Agency through an amount of fifty percent (50%) of revenue allocation (tax increment) funds actually received specifically from the land and improvements located at 201 W. Sixth Street, Moscow, Idaho, also identified as Assessor's Parcel Number RPM00000180025. Such Participant Advance shall be defined by the Limited Recourse Promissory Note, the form of which is attached hereto as Attachment 4B. The Participant Advance shall be repaid without interest. Agency reserves the right to prepay all or any portion of the Limited Recourse Promissory Note at any time by

payment of the then principal amount. Agency shall disburse revenue allocation (tax increment) proceeds from 201 W. Sixth Street, Moscow, Idaho beginning with the first receipt of revenue allocation from Latah County after completion of the Project and acceptance of the same as required by this Agreement.

Participant and Agency contemplate the full reimbursement of the Participant Advance no later than December 31, 2032.

It is the specific intent of the parties that the Limited Recourse Promissory Note shall be paid from the tax increment monies, if any, which are paid or are payable to the Agency as a direct result of the land and improvements located at 201 W. Sixth Street, Moscow, Idaho. If, for any reason, the tax increment monies anticipated to be received by Agency as a direct result of the land and improvements located at 201 W. Sixth Street, Moscow, Idaho are unpaid, reduced, curtailed, or limited in any way by enactments, initiative, referendum, delinquency, or judicial decree, the Agency shall have no obligation to pay the tax increment obligation to the Participant as described in this Agreement from other sources or monies which Agency has or might hereinafter receive. Because of the limitation on available funds, no amortization schedule shall be prepared or used by the Parties. Rather, Agency's obligation is to pay the fifty percent (50%) of the tax increment monies received as described herein, from the time period specified or until the principal amount is paid, whichever occurs first. Agency's obligation shall only be to pay the above-described percentages of the amounts of tax increment monies received by Agency from the Project, notwithstanding said amount may be reduced, curtailed, or limited in any way, and there shall be no amounts added to the principal in the event the tax increment monies are reduced, curtailed, or limited in any way. Agency shall commence such payment pursuant to Section 5 of Exhibit 1 of the Promissory Note, after completion of the Project and acceptance of the Project improvements by the City of Moscow and any other state or local agency having jurisdiction and shall continue such payments until the final principal amount, as determined be the Verification of Costs (in an amount not to exceed NINETY SEVEN THOUSAND FOUR HUNDRED AND FORTY EIGHT DOLLARS (\$97,448)), has been paid, or as of December 31, 2032, whichever occurs first.

I. Cost Certification, Agency Verification, and Agency Participation

1. Cost Certification

When the Project improvements have been accepted by the City of Moscow and any other state or local agency having jurisdiction, the Participant shall then submit to Agency an itemized list of Project costs Participant seeks Agency to reimburse. Such reimbursement request shall be made in the form of a Certification of Costs which shall require the Participant to certify actual costs. Agency shall review the Certification of Costs and issue a written Verification of Costs Statement to the Participant. If Agency disputes the Certification of Costs, Agency shall be responsible for the costs of submitting its response and corrected Certification of Costs to the Participant. If the Participant and Agency cannot thereafter agree upon

the Certification of Costs, they shall invoke the dispute resolution process set forth in this Agreement.

2. Warranty

Participant warrants that the materials and workmanship employed in the construction of the Project shall be of good quality and shall conform to generally accepted standards within the construction industry. Such warranty shall extend for a period of eighteen (18) months after completion of the Project and shall be independent of any other warranties required by the City of Moscow or any other state or local agency having jurisdiction.

3. Payment of Verified Costs

Agency shall pay only for those costs which are confirmed and verified by the Verification of Costs Statement as set forth in Subsection 1 above.

4. Amount of Participation by Agency

The exact amount of the participation by Agency shall be determined by the Verification of Costs Statement issued by Agency, provided that the total amount of participation by Agency shall not exceed NINETY SEVEN THOUSAND FOUR HUNDRED AND FORTY EIGHT DOLLARS (\$97,448). Once the final participation amount is determined through the Verification of Costs process, the amount shall be reflected in the Limited Recourse Promissory Note (Attachment 4B), at which time the Note shall be issued and presented to the Participant.

J. Maintenance

The Participant recognizes Agency has no specific authority to accept maintenance responsibility of the Project improvements and that no agreement has been reached with Agency or City to accept any maintenance obligations for the Project improvements. Once the Project improvements have been completed, Participant shall have no obligation to maintain the Project Improvements.

IV. USE AND MAINTENANCE OF THE PROJECT SITE AND ADJACENT AREA

A. Agreement to Comply with Plan

Subject to its entitlements and permits obtained to develop the Project, Participant agrees and covenants to comply with all other provisions and conditions of the Urban Renewal Plan for the period of time such plan is in force and effect.

B. Insurance Requirements.

Participant shall, or through its contractor, agents, representatives, employees or subcontractors shall, at its sole cost, obtain and maintain in force for the duration of the construction of the improvements to the property as part of the Project, insurance of the following types, with limits not less than those set forth below and in a form reasonably acceptable to Agency, against claims for injuries to persons or damages to property which may arise from, or in connection with, the construction of the Project by Participant, its agents, representatives, employees or subcontractors:

1. Commercial General Liability Insurance (“Occurrence Form”) with a minimum combined single limit liability of \$1,000,000 per occurrence for bodily injury and property damage; with a minimum limit of liability of \$1,000,000 each person for personal and advertising injury liability. Such policy shall have a general aggregate limit of not less than \$2,000,000, which general aggregate limit will be provided on a per project basis. The policy shall be endorsed to name Agency, including its respective affiliates, and City as additional insureds.
2. Workers’ Compensation Insurance, including occupational illness or disease coverage, in accordance with the laws of the nation, state, territory, or province having jurisdiction over Participant’s employees, and Employer’s Liability Insurance. Participant shall not utilize occupational accident or health insurance policies, or the equivalent, in lieu of mandatory Workers’ Compensation Insurance or otherwise attempt to opt out of the statutory Workers’ Compensation system.
3. Automobile Liability Insurance covering use of all owned, non-owned, and hired automobiles with a minimum combined single limit of liability for bodily injury and property damage of \$1,000,000 per occurrence. This policy shall be endorsed to name Agency, including its respective affiliates, directors, and employees, as additional insureds.
4. All insurance provided by Participant under this Agreement shall include a waiver of subrogation by the insurers in favor of Agency. Participant hereby releases Agency, including its respective affiliates, directors, and employees, for losses or claims for bodily injury, property damage covered by Participant’s insurance or other insured claims arising out of Participant’s performance under this Agreement or construction of the Project and not as the result of the active negligence or willful act of Agency or City or its respective officers, agents, or employees.
5. Prior to the commencement of the construction of the Project, Certificates of insurance satisfactory in form to Agency (ACORD form or equivalent) shall be supplied to Agency evidencing that the insurance required above is in force, that, to the extent commercially reasonable, not less than thirty (30) days written notice will be given to Agency prior to any cancellation or restrictive modification of the policies, and that the waivers of subrogation are in force. At such time, Participant shall also provide, with its certificate of insurance, executed copies of the additional

insured endorsements and dedicated limits endorsements required in this Agreement. At Agency's request, Participant shall provide a certified copy of each insurance policy required under this Agreement within a reasonable time of such request.

6. The foregoing insurance coverage shall be primary and noncontributing with respect to any other insurance or self-insurance that may be maintained by Agency. The fact that Participant has obtained the insurance required in this Section shall in no manner lessen or affect Participant's other obligations or liabilities set forth in the Agreement.

C. Obligation to Refrain From Discrimination

Participant covenants and agrees for itself, its successors and assigns, that there shall be no discrimination against or segregation of any person or group of persons on account of race, age, color, creed, religion, sex, marital status, handicap, ancestry, or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the improvements located at 201 W. Sixth Street, Moscow, Idaho, nor shall the Participant or any person claiming under or through the Participant establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the improvements located at 201 W. Sixth Street, Moscow, Idaho. The foregoing covenants shall run with the land and shall remain in effect in perpetuity.

D. Local, State and Federal Laws

Participant shall carry out the construction of the Project improvements in conformity with all applicable laws, including all applicable federal and state labor standards.

E. Taxes

1. Taxes Generally

Participant shall pay when due all real estate and personal property taxes and assessments assessed and levied on Participant's ownership of the site.

2. Delinquent Taxes

Participant recognizes the Agency has no authority or involvement in the assessment, tax, or collection process for ad valorem taxes, including real property and personal property taxes. Participant also recognizes the ability of Agency to reimburse Participant for the Participant Advance is dependent on the ad valorem assessment and collection process. Therefore, in the event insufficient taxes are received by Agency because of non-payment, reduction of the tax levy rate or assessed values less than assumed by Agency and Participant or in the event of any tax delinquency by Participant or its successors or assigns to its interests in the land

and improvements located at 201 W. Sixth Street , Moscow, Idaho, Participant must elect to either pay the delinquent taxes or in-lieu-of taxes reflecting higher assessments or levy rate on behalf of those taxpayers or receive less reimbursement from Agency to pay the Participant Advance, but in no event shall Participant receive more than fifty percent (50%) of the incremental taxes actually received by Agency from the site.

V. DEFAULTS, REMEDIES, AND TERMINATION

A. Defaults in General

Neither Party shall be deemed to be in default of this Agreement except upon the expiration of forty-five (45) days from receipt of written notice from the other Party specifying the particulars in which such Party has failed to perform its obligations under this Agreement unless such Party, prior to expiration of said forty-five (45) day period, has rectified the particulars specified in said notice of default. In the event of a default, the nondefaulting Party may do the following:

1. The nondefaulting Party may terminate this Agreement upon written notice to the defaulting Party and recover from the defaulting Party all direct damages incurred by the nondefaulting Party.
2. The nondefaulting Party may seek specific performance of this Agreement and, in addition, recover all damages incurred by the nondefaulting Party. The Parties declare it to be their intent that this Agreement may be specifically enforced.
3. The nondefaulting Party may perform or pay any obligation or encumbrance necessary to cure the default and offset the cost thereof from monies otherwise due the defaulting Party or recover said monies from the defaulting Party.
4. The nondefaulting Party may pursue all other remedies available at law, it being the intent of the Parties that remedies be cumulative and liberally enforced so as to adequately and completely compensate the nondefaulting Party. Notwithstanding the above and stated in this Agreement, in no event shall either Party be entitled to consequential damages.
5. In the event Participant defaults under this Agreement, Agency (the nondefaulting Party) shall have the right to suspend or terminate its payment under this Agreement, as more specifically defined in this Agreement, for so long as the default continues and if not cured, Agency's obligation for payment shall be deemed extinguished. In addition, if Agency funds shall have been paid, seek reimbursement of the grant funds.

B. Legal Actions

In addition to any other rights or remedies, any party may institute legal action to cure, correct, or remedy any default; to recover damages for any default; or to obtain any other remedy consistent with the purpose of this Agreement. Venue for such legal actions is the District Court of the County of Latah, State of Idaho. The nondefaulting party may also, at its option, cure the default and sue to collect the attorney's fees and costs incurred by virtue of curing or correcting the Party's breach.

1. Applicable Law

The laws of the State of Idaho shall govern the interpretation and enforcement of this Agreement.

2. Acceptance of Service of Process

In the event any legal action is commenced by Participant against Agency, service of process on Agency shall be made by personal service upon the Executive Director of Agency or in such other manner as may be provided by law.

In the event any legal action is commenced by Agency against Participant, service of process on Participant shall be made by personal service upon Participant or in such other manner as may be provided by law and shall be valid whether made within or without the State of Idaho.

C. Rights and Remedies Are Cumulative

Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by any party of one or more of such rights or remedies shall not preclude the exercise by it, at the same time or different times, of any other rights or remedies for the same default or any other default by the other party.

D. Damages

If Agency or Participant defaults with regard to any of the provisions of this Agreement, the nondefaulting party shall serve written notice as contained herein. If the default is not cured or commenced to be cured by the defaulting party within forty-five (45) days after service of the notice of default, the defaulting party shall be liable to the other party for any damages caused by such default.

E. Specific Performance

If Agency or Participant defaults under any of the provisions of this Agreement, the nondefaulting Party shall serve written notice of such default upon the defaulting Party. If the default is not commenced to be cured by the defaulting party within sixty (60) days of service of the notice of default, the nondefaulting Party, at the non-defaulting Party's option, may institute an action for specific performance of the terms of this Agreement or for other equitable relief.

VI. GENERAL PROVISIONS

A. Notices, Demands, and Communications between the Parties

Formal notices, demands, and communications between Agency and Participant shall be sufficiently given if dispatched by registered or certified mail, postage prepaid, return receipt requested, to the principal offices of Agency and Participant as set forth in this Agreement. Such written notices, demands, and communications may be sent in the same manner to such other addresses as either party may from time to time designate by mail.

B. Conflicts of Interest

No member, official, or employee of Agency shall have any personal interest, direct or indirect, in this Agreement, nor shall any such member, official, or employee participate in any decision relating to this Agreement which affects his/her personal interests or the interests of any corporation, Partnership, or association in which he/she is directly or indirectly interested.

Participant warrants that it has not paid or given, and will not pay or give, any third party any money or other consideration for obtaining this Agreement.

C. Non-liability of Agency Officials and Employees

No member, official, or employee of Agency shall be personally liable to Participant in the event of any default or breach by Agency or for any amount which may become due to Participant or on any obligations under the terms of this Agreement.

D. Successors and Assigns

This Agreement shall, except as otherwise provided herein, be binding upon and inure to the benefit of the successors and assigns of the parties hereto.

E. Attorney Fees and Costs

In the event that either party to this Agreement shall enforce any of the provisions hereof in any action at law or in equity, the unsuccessful party to such litigation agrees to pay to the prevailing party all costs and expenses, including reasonable attorney fees incurred therein by the prevailing party, and such may be included to the judgment entered in such action.

F. Severability

If any provisions of this Agreement shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Agreement, and this Agreement shall be construed and enforced as if such illegal or invalid provisions had not been contained herein.

G. Headings

The section headings contained herein are for convenience and reference and are not intended to define or limit the scope of any provision of this Agreement.

H. Counterparts

This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

I. Dispute Resolution

In the event that a dispute arises between Agency and Participant regarding the application or interpretation of any provision of this Agreement, the aggrieved party shall promptly notify the other party to this Agreement of the dispute within ten (10) days after such dispute arises. If the Parties shall have failed to resolve the dispute within thirty (30) days after delivery of such notice, the Parties agree to first endeavor to settle the dispute in an amicable manner by mediation or other process of structured negotiation under the auspices of a nationally or regionally recognized organization providing such services in Idaho or the surrounding region or otherwise, as the Parties may mutually agree before resorting to litigation. Should the Parties be unable to resolve the dispute to their mutual satisfaction within thirty (30) days after such completion of mediation or other process of structured negotiation, each Party shall have the right to pursue any rights or remedies it may have at law or in equity.

J. Forced Delay; Extension of Times of Performance

In addition to the specific provisions of this Agreement, performance by any Party hereunder shall not be deemed to be in default where delays or defaults are due to war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; casualties; acts of God; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; lack of transportation; governmental restrictions or priority; litigation; unusually severe weather; acts of another party; environmental analysis, or removal of hazardous or toxic substances; acts or the failure to act of any public or governmental agency or entity (except that acts or the failure to act of Agency shall not excuse performance by Agency); or any other causes beyond the control or without the fault of the Party claiming an extension of time to perform. An extension of time for any such cause shall only be for the period of the forced delay, which period shall commence to run from the time of the commencement of the cause. Times of performance under this Agreement may also be extended in writing by Agency and Participant.

K. Inspection of Books and Records

Agency has the right, upon not less than seventy-two (72) hours' notice, at all reasonable times, to inspect the books and records of Participant pertaining to the Project.

L. Attachments and Exhibits Made a Part

All attachments and exhibits which are attached to this Owner Participation Agreement are made a part hereof by this reference.

VII. AMENDMENTS TO THIS AGREEMENT

Agency and Participant agree to mutually consider reasonable requests for amendments to this Agreement and any attachments hereto which may be made by any of the Parties hereto, lending institutions, bond counsel, financial consultants, or underwriters to Agency, provided said requests are consistent with this Agreement and would not alter the basic business purposes included herein or therein. Any such amendments shall be in writing and agreed to by the Parties.

VIII. ENTIRE AGREEMENT, WAIVERS, AND AMENDMENTS

This Agreement constitute the entire understanding and agreement of the parties.

This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto and supersedes all negotiations or previous agreements between the Parties with respect to all or any part of the subject matter thereof.

All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of Agency and Participant, and all amendments hereto must be in writing and signed by the appropriate authorities of Agency and Participant.

IN WITNESS WHEREOF, the Parties hereto have signed this Agreement the day and year below written to be effective the day and year above written.

DATED this ____ day of _____, 2017.

Moscow Urban Renewal Agency ("Agency")

By _____
Steve McGeehan, Chair
Sangria Downtown LLC ("Participant")

By _____
, Managing Member
Sangria Downtown LLC

ACKNOWLEDGMENTS

STATE OF IDAHO)
) ss.
County of Latah)

On this ____ day of _____, 2017, before me, _____, the undersigned notary public in and for said county and state, personally appeared Steve McGeehan, known or identified to me to be the Chairman of the Moscow Urban Renewal Agency, the public body corporate and politic, that executed the within instrument, and known to me to be the person that executed the within instrument on behalf of said Agency and acknowledged to me that the governing board of such Agency authorized executed the same for the purposes herein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Residing at _____
Commission Expires _____

STATE OF IDAHO)
) ss.
County of Latah)

On this ____ day of _____, 2017, before me, _____, the undersigned notary public in and for said county and state, personally appeared _____, known or identified to me to be Managing Member of Sangria Downtown LLC, and the person who signed the within instrument, and acknowledged to me that he/she has authority to execute and executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Residing at _____
Commission Expires _____

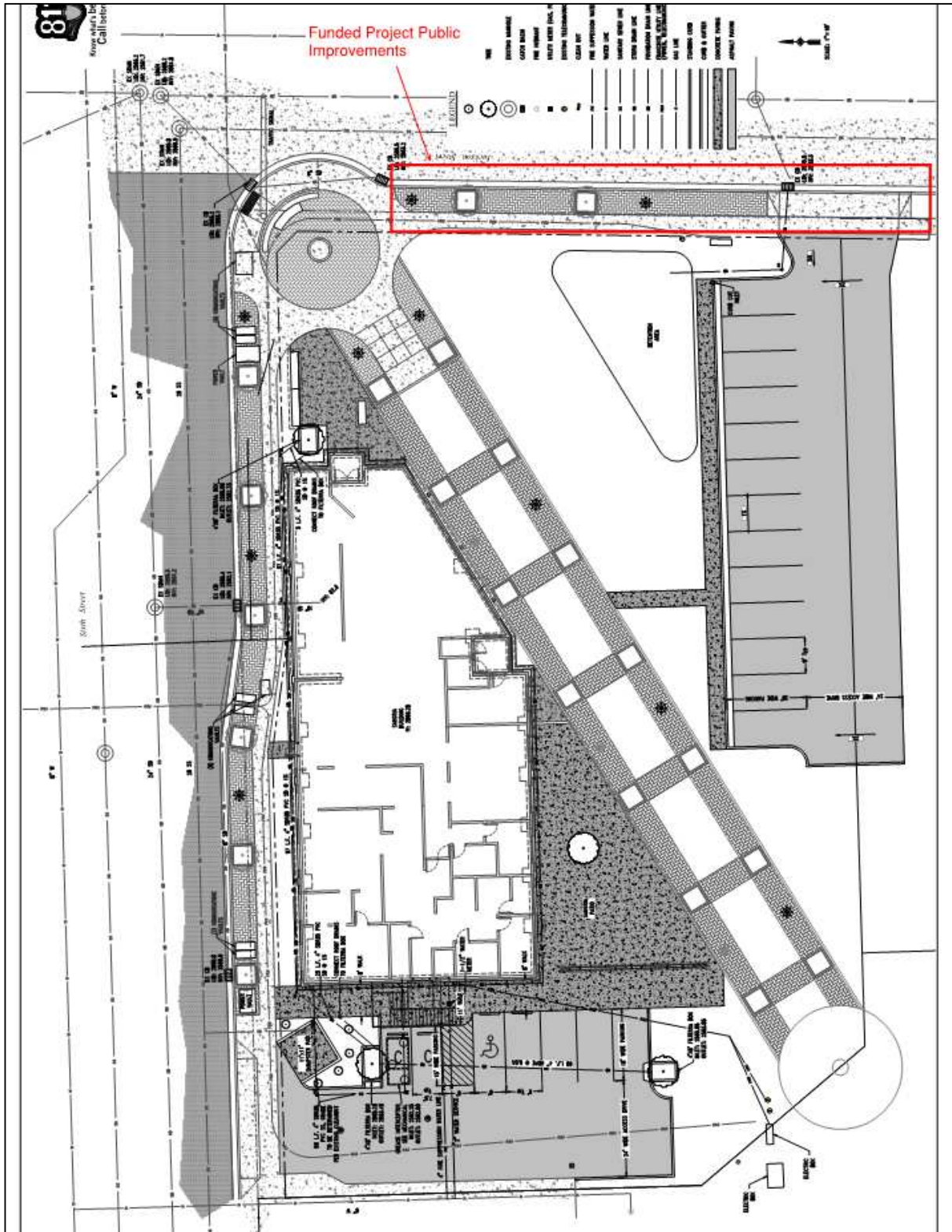
Attachment 1

Project
Term Sheet

Sangria Jackson St Improvements				Project No.:	3928	
Engineer's Estimate						
By:	SB					
Date:	9/15/2017					
ITEM		Quantity	Units	Unit Cost		Item Cost
Mobilization		1	L.S.	\$1,500.00		\$1,500.00
Construction Staking		1	L.S.	\$2,120.00		\$2,120.00
Remove existing curb		118	L.F.	\$18.00		\$2,124.00
Remove existing walk		80	S.Y.	\$15.00		\$1,200.00
Excavation		30	C.Y.	\$60.00		\$1,800.00
Curb and gutter		118	L.F.	\$28.00		\$3,304.00
Street Concrete		118	S.Y.	\$150.00		\$17,700.00
Type I Driveway approach		1	Each	\$3,500.00		\$3,500.00
Striping		1	L.S.	\$1,200.00		\$1,200.00
Street Lighting		2	L.S.	\$12,000.00		\$24,000.00
Catch basins		1	Each	\$2,500.00		\$2,500.00
Street Trees		2	Each	\$1,200.00		\$2,400.00
10' wide Concrete/Brick Walk		118	L.F.	\$105.00		\$12,390.00
Traffic Control		1	L.S.	\$4,000.00		\$4,000.00
Tree Well and grate		2	Each	\$2,500.00		\$5,000.00
						\$0.00
						\$0.00
Construction Total						\$84,738.00
Construction Contingency		15	Percent			\$12,710.70
Total						\$97,448.70

Attachment 2

Project Design Diagram



Attachment 3

Project Description

The purpose of the project is to improve motor vehicle and pedestrian facilities, enhance ADA compliance and improve the general condition and appearance of all pedestrian walkway and sidewalk infrastructure in the area surrounding 201 W. Sixth Street. This project includes demolition, removal and replacement curbing and sidewalks along the Jackson Street frontage adjacent to the subject property located within the Legacy Crossing Urban Renewal District boundary. The work involves the removal of 118 linear feet of deteriorating curbing, 80 square yards of deteriorated sidewalk and the construction of 188 linear feet of curbing, 118 linear feet of new 10 foot wide concrete and brick paver sidewalk, 2 street trees, and 2 new historical style street lights as shown in Attachment 2.

Attachment 4

Agency Reimbursement of Project Improvement Costs

Generally, the objective of the funding of a portion of the Project improvements is to fund those activities, which comply with the eligibility criteria set forth in the Idaho Urban Renewal Law of 1965, Title 50, Chapter 20, Idaho Code, as amended (the “Law”), the Idaho Economic Development Act, Title 50, Chapter 29, Idaho Code, as amended (the “Act”), and the objectives of the Urban Renewal Plan. The extent and amount of such activities and funding by the Agency shall be determined as the Project is constructed. Such determination will be based upon the eligibility of those activities under the statutes and Urban Renewal Plan described above and the reasonable expenses for such activity. Agency and Participant shall review such activities prior to their construction and provide a written record of the determination. The specific activities identified for potential funding through this Owner Participation Agreement and their estimated cost estimates are as follows: street, curb and sidewalk demolition and reconstruction, installation of street lighting, installation of tree wells and tree grates and planting of street trees.

Agency’s commitment shall be limited to eligible activities authorized by the Law, the Act, and the Urban Renewal Plan, as well as the reasonable costs of such activity as more particularly described above. The amount of funding by Agency for such activities and improvements set forth above shall not exceed the total of NINETY SEVEN THOUSAND FOUR HUNDRED AND FORTY EIGHT DOLLARS (\$97,448) reimbursed as follows and as more specifically set forth in the Owner Participation Agreement:

Within sixty (60) days of acceptance of the Project improvements by the City, and any other state or local agency having jurisdiction, and upon the Agency’s issuance of the Verification of Costs Statement, or upon resolution of any dispute regarding the Certification of Costs pursuant to Section III.(I) of the Owner Participation Agreement, the Agency shall pay to Participant a one-time payment of fifty percent (50%) of the eligible Project costs confirmed and verified pursuant to Section III(I) in an amount not to exceed NINETY SEVEN THOUSAND FOUR HUNDRED AND FORTY EIGHT DOLLARS (\$97,448).

The remaining fifty percent (50%) of the eligible Project costs confirmed and verified pursuant to Section III(I) of the Owner Participation Agreement, shall be reimbursed in an amount not to exceed NINETY SEVEN THOUSAND FOUR HUNDRED AND FORTY EIGHT DOLLARS (\$97,448) solely through an amount of fifty percent (50%) of revenue allocation (tax increment) funds actually received specifically from the land and improvements located at 201 W. Sixth Street, Moscow, Idaho, also identified as Assessor’s Parcel Number RPM00000180025 (unless Agency, in its sole discretion, determines to use other proceeds available to it for such purpose)

Attachment 4A

Agency Funding of Project

1. The Project consists of public improvements contained and contemplated in the “Project Design Diagram” attached to this Agreement as **Attachment 2** and as more particularly described in the “Project Description,” attached hereto as **Attachment 3**, including, but not limited to: curb and sidewalk demolition and reconstruction, installation of street lighting, installation of tree wells and tree grates and planting of street trees. Total Agency reimbursement shall not exceed NINETY SEVEN THOUSAND FOUR HUNDRED AND FORTY EIGHT DOLLARS (\$97,448).

LIMITED RECOURSE PROMISSORY NOTE

This Limited Recourse Promissory Note (the “Note”) is entered into as of the _____ day of _____, 2017, between the MOSCOW URBAN RENEWAL AGENCY, a public body, corporate and politic, organized and existing under the Idaho Urban Renewal Law of 1965, Chapter 20, Title 50, Idaho Code, as amended (the “Law”) and the Local Economic Development Act, Chapter 29, Title 50, Idaho Code, as amended (the “Act”) (“Borrower”), and Sangria Downtown LLC (“Lender”).

WITNESSETH:

For One Dollar (\$1.00), and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower and Lender hereby agree as follows:

1. Definitions. As used in this Note, the following terms shall have the indicated meanings:

- (a) “Agreement” means that Owner Participation Agreement between Borrower and Lender dated September ____, 2017.
- (b) “Private Development” means the new development initiated and completed by Lender consisting of the land and improvements located at 201 W. Sixth Street , Moscow, Idaho as defined in the Agreement which generates additional assessed value and ad valorem taxes in excess of the base value, and for purposes of this Note is fifty percent (50%) of the revenue allocation (tax increment) funds actually received specifically from the land and improvements located at 201 W. Sixth Street , Moscow, Idaho.
- (c) “Resolution” means Resolution No. _____, adopted by the Borrower on _____, 2017, and as supplemented or restated, pursuant to which this Note was authorized.
- (d) “Revenue Allocation Area” means all taxable real and personal property within the Urban Renewal Project Area as described in the Urban Renewal Plan as adopted by the Moscow Urban Renewal Agency and approved by the Mayor and the City Council of the City of Moscow, Idaho.
- (e) “Urban Renewal Plan” shall mean that certain document entitled “Legacy Crossing Urban Renewal District Redevelopment Plan” adopted by the City pursuant to the Act and City Ordinance and as amended from time to time.
- (f) “Urban Renewal Project” means the Project improvements and other costs identified in the Urban Renewal Plan, including design, engineering, consulting, insurance, audit, planning, and administration costs of the Borrower.

2. **Promise to Pay.** Borrower promises to pay in lawful money of the United States of America, to the order of Lender, at such place as Lender may from time to time designate, the principal sum not to exceed NINETY SEVEN THOUSAND FOUR HUNDRED AND FORTY EIGHT DOLLARS (\$97,448), upon completion of the Project Improvements and Verification of Costs as defined in the executed Agreement, and continuing until December 31, 2032. The principal sum shall bear no interest.

In conjunction with its receipt of revenue allocation proceeds from the Private Development, the Agency agrees to make semi-annual payments of fifty percent (50%) of the tax revenue allocation proceeds from the Private Development as defined in subsection 1(b), commencing from the first date the Agency receives tax increment monies received specifically from the land and improvements located at 201 W. Sixth Street , Moscow, Idaho, until the principal amount of NINETY SEVEN THOUSAND FOUR HUNDRED AND FORTY EIGHT DOLLARS (\$97,448), has been paid, or December 31, 2032, whichever occurs first. Agency shall have no obligation to make tax increment payments to the Participant for taxes collected and paid to Agency from the Private Development beyond the term described herein.

Borrower may redeem, at any time, in whole or in part, without penalty, the then principal amount outstanding.

3. **Default.** Provided that Borrower has received revenue allocation proceeds from the Private Development sufficient to make semi-annual payments of fifty percent (50%) of the tax revenue allocation proceeds from the Private Development, if any payment required under this Note is not made when due and within forty-five (45) days after notice is given by Lender to Borrower that the same is due, the entire unpaid principal balance hereof, shall, at the option of the Lender, become due and payable without presentment, demand, protest, or further notice of any kind, all of which are hereby expressly waived by Borrower and all endorsers, guarantors, sureties, accommodation parties, and other persons at any time liable for all or any portion of the indebtedness evidenced hereby
4. **Limited Recourse, Collection of Revenue Allocation.** Notwithstanding anything contained in this Note to the contrary, the recourse of Lender for payment of any amounts due hereunder shall be limited solely to fifty (50%) of the revenue allocation proceeds, from the Private Development, as the same are generated from time to time for the period necessary to obtain full payment of all principal payable under this Note. As of December 31, 2032 (or earlier period if redeemed), and upon Borrower's performance of its obligations to receive and disburse revenue allocation generated during such periods to Lender, Lender's obligations under this Note shall cease, and said Note shall be deemed canceled and fully satisfied. In any event, Lender shall not be entitled to receive more than the outstanding principal balance of this Note. The Borrower's obligations hereunder are specifically limited to the obligations contained in Exhibit 1 attached hereto and incorporated herein by reference.
5. **Assignment of Revenue Allocation.** Borrower hereby absolutely, unconditionally, and irrevocably transfers, assigns, and sets over to Lender fifty percent (50%) of the tax revenue

allocation proceeds from the Private Development for the term of this Note until such time as all such amounts due hereon are paid in full, or until December 31, 2032, whichever is earlier.

6. **Non-general Obligation.** As provided by Idaho Code Section 50-2910, the obligations of Borrower hereunder shall not constitute a general obligation or debt of the Borrower, the State of Idaho, or any of its political subdivision or give rise to a charge against their general credit or taxing powers to be payable out of any funds or properties other than the monies deposited in the special fund or funds provided for herein and pledged hereby to the payment of principal on this Note.
7. **Miscellaneous.** Time is of the essence with respect to all obligations of the parties hereunder. The unenforceability or invalidity of any provisions hereof shall not affect the enforceability or validity of any other provisions hereof. The terms hereof shall bind and inure to the benefit of the parties hereto and their respective successors and assigns. This Note is delivered in Moscow, Idaho, and shall be governed by Idaho law.
8. **General Provisions.** Lender may delay or forego enforcing any of its rights or remedies under this Note without losing them. Borrower, to the extent allowed by law, waives presentment, demand for payment, protest, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, Borrower shall not be released from liability.
9. **Subordination.** Lender specifically acknowledges, recognizes, and consents to the subordination of this Note to Agency's other obligations as listed herein:
 - Legacy Crossing Bond Series 2010
 - Obligation to Latah County for Reimbursement of Tax Increment Revenues per the Release Settlement Agreement

IN WITNESS WHEREOF, this Note has been entered into as of the date and year first above written.

BORROWER:
MOSCOW URBAN RENEWAL AGENCY

By: _____
Steve McGeehan, MURA Chair

ATTEST:
By: _____
Anne Peterson, MURA Clerk

LENDER:
SANGRIA DOWNTOWN LLC

By: _____
, Managing Member

Exhibit 1 to the Promissory Note

Description of Financing of Project Improvements

A. Obligation of the Agency to Pay Participant Revenue Allocation (Tax Increment) Proceeds

The Agency covenants and agrees to pay to the Participant a portion of the revenue allocation (tax increment) monies which the Agency shall actually receive specifically from the land and improvements located at 201 W. Sixth Street , Moscow, Idaho following the construction of the Project by the Participant according to the terms and conditions described herein. The revenue allocation proceeds are to be used to reimburse the Participant for the eligible costs of the Project, which the Participant has agreed to construct as described within this Agreement.

1. Tax Increment Monies Are Sole Source of Agency Funding

Agency and Participant agree that the only source of monies available to Agency to pay the Participant herein described are the revenue allocation proceeds to be received by Agency from the Private Development within the Project Area based upon the value of the Private Development to be constructed by Participant. Only the revenue allocation proceeds from the Private Development Site shall be used to make the payments due under this provision of the Agreement. No payments shall be made by Agency to Participant from other revenue allocation proceeds which Agency may receive from time to time from other portions of the Project Area or other redevelopment project areas which have been or may hereinafter be established, designated, or adopted by Agency and City at some future time.

2. Contingencies of Payment

Participant understands that Agency is entitled to receive revenue allocation proceeds pursuant to Idaho Code § 50-2908, which are to be paid to the Agency by Latah County. Participant understands that the revenue allocation proceeds shall become available to Agency only if and when the Private Development to be constructed by Participant on the Site is completed and has a current year assessed value which is greater than the assessed value of the Project Area “base year” established at the time the Urban Renewal Plan was adopted. Participant further understands that Agency is not a taxing agency under Idaho law, has no power to levy a property tax on real or personal property located within the Project Area, or to set a mill levy or rate of tax levy on real or personal property within the Site. Agency is entitled to receive tax increment funds from the Site for the period established by the Law, the Act, and the Urban Renewal Plan. Participant has investigated the provisions of Idaho laws governing the receipt of revenue allocation proceeds by Agency and assumes all risk that the anticipated revenue allocation proceeds derived from the Private Development to be constructed by Participant on the Site and in conformance with the Urban Renewal Plan will be paid to Agency and, if paid, that the amount of revenue allocation proceeds will be sufficient to repay the obligation of Agency to Participant

according to the terms and conditions contained in this Agreement. Participant further assumes the risk that no changes or amendments will be made in the provisions of the Law, the Act, or other tax statutes which would affect or impair either Agency's right or ability to receive the aforesaid revenue allocation proceeds and to pay the indebtedness created by execution of the Agreement, the length of time said monies can be received, or the percentage or the amount of the revenue allocation proceeds paid to or anticipated to be received by Agency based upon the current statutes.

3. Limitation on Making Payments

It is the intention of the parties that Participant shall only be paid from the revenue allocation proceeds, if any, which are paid or are payable to Agency as a direct result of the Private Development constructed by the Participant on the Site. If, for any reason, the revenue allocation proceeds anticipated to be received by Agency as a direct result of the Private Development to be constructed by Participant on the Site are reduced, curtailed, or limited in any way by enactments, initiative referendum, or judicial decree, Agency shall have no obligation to pay the tax increment obligation to Participant as described in this Agreement from other sources or monies which Agency has or might hereinafter receive.

4. Percentage of Tax Increment Payment

Agency agrees to pay to Participant fifty percent (50%) of the revenue allocation proceeds received by Agency from the Private Development Site, which Agency receives as set forth in the Act, Agency adopted policy, or Urban Renewal Plan, commencing upon receipt of revenue allocation proceeds received by Agency from the Private Development Site, after the completion, acceptance, and verification of the of the Agency Funded Public Improvements, the Private Development, and fifty percent (50%) thereafter for a period through December 31, 2032, or until the principal amount is retired, whichever occurs first. Because of the limitation on available funds, no amortization schedule shall be prepared or used by the parties. Rather, Agency's obligation is to pay Participant fifty percent (50%) of the overall revenue allocation proceeds as actually received specifically from the Private Development Site, which Agency receives as set forth in the Act, Agency adopted policy, or the Urban Renewal Plan, for the time period specified or until the principal amount is paid, whichever occurs first. Agency's obligation to Participant shall only be to pay above-described percentages of the amounts of revenue allocation proceeds received by Agency, notwithstanding said amount may be reduced, curtailed, or limited in any way, and there shall be no interest, compounding of interest or amounts added to the principal in the event the revenue allocation proceeds are reduced, curtailed or limited in any way.

5. Time and Terms of Tax Increment Payments

a. For any funds to which Participant is entitled, the payments received each year by Agency from the ad valorem taxes paid by taxpayers to the County Treasurer on the Site shall be paid to Participant within thirty (30) days following receipt of said funds by Agency. Agency anticipates receipt of these funds in January and July of each year from the ad valorem taxes paid by property owners each year.

b. The Act, as amended, provides that Agency will be paid tax increment funds contingent on the amount of assessed value as determined by the Latah County Assessor each year and the rate of tax levy or the percentage of assessment levied by each of the taxing agencies. Agency is not a guarantor of the assessment determination made by Latah County Assessor.

c. The revenue allocation proceeds resulting from the incremental increase in assessed value of the Site as a result of the construction of the Private Development on the Site by Participant (as determined from the assessment records of the Latah County Assessor and the payment records of the Latah County Treasurer) shall be paid to Participant if and only as they are paid to Agency by Latah County, the entity which has the legal responsibility to collect property taxes.

d. Agency agrees to make semi-annual payments of the revenue allocation proceeds, commencing from the first date Agency receives tax increment monies from the Site after completion of the components of the Agency Funded Improvements and the associated Private Development for which a Certificate of Completion has been issued for the period as described in the Agreement, or until the principal amount or the amount adjusted, has been paid; whichever occurs first. Agency shall have no obligation to make tax increment payments to Participant for taxes collected and paid to Agency beyond December 31, 2032.

e. The payments to Participant are secured solely by a pledge of Agency of the revenue allocation proceeds that are produced by the Private Development that are constructed on the Site by Participant, and Participant shall have no other recourse to Agency or City and no recourse whatever to any other party for payment.

6. Interest & Fees

Agency shall pay no interest on Participant Advance and shall not be subject to any fees or charges resulting from any activity authorized in this Agreement.

7. Default

As set forth in the Agreement, if the Participant defaults or breaches any of its obligations contained in the Agreement, and does not timely cure such default or breach as provided in the Agreement, or if Participant fails to obtain from the Agency a Certificate of Completion because the Private Development is not timely completed or is not completed according to the approved plans, the obligation to pay Participant the tax increment payment shall be voidable at the option of Agency until such time as the default is cured and/or the Certificate of Completion is issued. Notwithstanding the foregoing, if Participant is using its best efforts to cure any such delay or default and such delay or default is enforced beyond the Participant's control, then the obligation of Agency to pay the tax increment shall not be voidable for so long as Participant is using its best efforts to cure such default or delay.