



Agenda: March 25, 2015, 7:00 a.m.

City of Moscow Council Chambers • 206 E 3<sup>rd</sup> 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 February 18, 2015
- B. Minutes from February 26, 2015
- C. February 2015 Payables and Financials

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

2. **Public Comment for items *not on agenda*:** 3 minute limit

3. **Announcements – Gary J. Riedner**

4. **MURA Annual Report – Gary J. Riedner**

Per Idaho Code §50-2006(c), urban renewal agencies are to provide an annual report by March 31 of each year to the Moscow City Council. This report is submitted in fulfillment of that requirement and to provide information to the public. As required by Idaho Code §50-2011(f), the annual report identifies the real property held by the Agency and sets forth the reasons such property remains unsold and indicates the Agency's plans for disposition of the real property, if necessary. The attached draft report is submitted to the Agency and a notice has been published in the Moscow-Pullman Daily News that the draft report is available for review and that the Agency will take comments on the report during its meeting on March 25, 2015. Upon receiving comments, the Agency will either accept the draft report as submitted or direct that changes be made to the draft report. The Agency will then be asked to approve a resolution adopting the annual report. Upon adoption of the resolution, the annual report will be filed with the City of Moscow, to be discussed at the April 6, 2015 City Council meeting.

**ACTION:** Invite public comment regarding the annual report. Accept the annual report with or without changes, close the public comment period and approve Resolution 15-01 adopting the 2014 Annual Report and authorize the Interim Executive Director to forward a copy to the City of Moscow; or take such action deemed appropriate.

5. **MURA Draft Audit Presentation – Don Palmer/Gary J. Riedner, Presnell Gage PLLC**

The draft 2014 MURA audit is attached and will be presented by MURA Treasurer Don Palmer and the auditors, Presnell Gage PLLC.

**ACTION:** Receive 2014 audit report and accept 2014 MURA audit, or take such other action deemed appropriate.

**6. Presentation of Legacy Crossing Market Assessment and Absorption Study - Gary**

On August 18, 2014 the Moscow City Council approved a professional services agreement to conduct a market assessment and absorption study for the Legacy Crossing Urban Renewal District that was jointly funded by the MURA, University of Idaho and the City. The study was intended to provide a detailed assessment of the study area and sub-areas to evaluate strengths and weaknesses with respect to the prospective land use program options, and evaluate current and projected residential and commercial markets and their application to redevelopment opportunities within the District. Johnson Economics of Portland Oregon was selected to conduct the study which is now complete.

**ACTION:** Accept Johnson Economics market assessment and absorption study report.

**7. Public Improvements relating to the MURA's 6th & Jackson Property – Gary J. Riedner**

Staff will report on the status of:

- Improvements to the intersection of 6<sup>th</sup> and Jackson Streets and impacts on MURA's property
- Environmental assessment and cleanup efforts
- Modifications to utilities

**8. Status of Proposed Development of MURA's 6th and Jackson Property/Draft Exclusive Negotiation Agreement with Sangria Downtown LLC - Gary J. Riedner**

Proposals were received in response to the RFP issued for the development of the MURA's property located at the southwest corner of the intersection of 6<sup>th</sup> & Jackson streets in Moscow and Sangria Development was selected as the successful proposer at the MURA meeting of February 26, 2015. A draft Exclusive Negotiation Agreement has been developed and submitted for review by the MURA's legal Counsel.

**ACTION:** Review process for sale of property and review and approve draft ENA, or take such other action deemed appropriate.

**9. Status of Executive Director/Professional Support Services – Gary J. Riedner**

**10. General Agency Updates– Gary J. Riedner**

- Election of Officers
- Standing Committees
  - Legislative Committee
  - Marketing Committee
  - Finance Committee
- Redevelopment Association of Idaho/Legislative Update

**11. District Updates – Gary J. Riedner**

- Alturas Technology Park Urban Renewal District
- Legacy Crossing Urban Renewal District

**12. Adjourn**

**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: February 18, 2015, 7:00 a.m.

**City of Moscow Council Chambers • 206 E 3<sup>rd</sup> Street • Moscow, ID 83843**

McCabe called the meeting to order at 7:00 a.m.

**Attendance:**

**Commission Members**

John McCabe, Chair  
John Weber  
Steve McGeehan  
Brandy Sullivan  
Art Bettge  
Steve Drown  
Dave McGraw

**Staff Present**

Gary J. Riedner, Interim Exec. Director/City Supervisor  
Don Palmer, Finance Director  
Bill Belknap, Community Development Director  
Stephanie Kalasz, City Clerk  
Alisa Anderson, Grants Manager

**Others**

Mayor Lambert  
Gina Taruscio, Chamber  
Members of the Public

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 January 21, 2014
- B. January 2015 Financials

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

Bettge moved and Weber seconded approval of the consent agenda. Motion carried unanimously.

2. **Public Comment for items *not on agenda*:** 3 minute limit – None offered

3. **Announcements – Gary J. Riedner**

Riedner said there will be a water basin adjudication workshop on February 24<sup>th</sup>. The Mayor's State of the City Address will be at noon today and is sponsored by the Chamber of Commerce.

4. **Update on Public Improvements at 6th & Jackson Intersection – Gary J. Riedner**

Staff will report on the status of the proposed intersection improvements and impacts on adjacent properties.

Riedner displayed a drawing of the proposed public improvements at the URA 6<sup>th</sup> and Jackson property. He discussed what is proposed to be done and said the improvements need to be approved by the Idaho Transportation Department (ITD). When staff has the drawings they will be brought to the Board for consideration. There was discussion about some signs being removed in the area and about details of the drawing.

5. **6th and Jackson Property - Gary J. Riedner**

Proposals were received in response to the RFP issued for the development of the MURA's property located at the southwest corner of the intersection of 6<sup>th</sup> & Jackson streets in Moscow and have been assessed by the Review

Committee. Staff will present an overview of the proposals and distribute the individual proposals to the Agency Board.

**ACTION:** Receive presentation and proposals and set date for discussion of selection of successful proposal or take such other action deemed appropriate.

Riedner presented the issue as written above. He displayed an old aerial photo of the property that was purchased by the URA in 2010. He discussed issues with the property including clean-up and utilities. He explained the history of the Legacy Crossing District and the community vision for the area. He listed the key redevelopment elements and discussed the design guidelines for the Legacy Crossing Overlay District. He said the reason behind purchasing the property was the development of the Hello Walk since imposing the requirement upon a private property owner was not feasible. He read some excerpts from the minutes at the time of the acquisition. He displayed a layout of the originally proposed design for Hello Walk. He discussed the tax exempt status of the property and the URA's requirements to maintain that status. He explained what has been done to the property to date.

Riedner discussed the RFP process and explained what was included in the information packet and the choices of the Board regarding the proposals. He discussed how a selected project would proceed. He displayed the stated RFP objectives and requirements and provided an overview. He discussed the evaluation criteria. He said three proposals were received and all have been brought forward for consideration. He said the proposals are still confidential documents and public records requests are currently being reviewed by the Agency's Attorney. All but the financial information is considered open to public review at this time. He gave an overview of each project (Andersons, Gritman and Sangria) and displayed drawings and diagrams of the proposed developments. He said the proposals were reviewed by six assessors and he explained the matrix criteria used. He discussed the proposal review process and said the rankings were included in the proposals given to the Board. The proposals ranked Sangria first, Gritman second and Anderson Group third and most of the assessors came up with the same results. He said it is now up to the URA Board to make a decision and he discussed the next steps. There was some discussion.

There was discussion about scheduling presentations from the proposers. Staff will try to make Thursday, February 26<sup>th</sup> work. There was also discussion about taking public comment and Riedner said it is not appropriate at this time. He indicated that the Board needs to base the decision on the proposal, not on public opinion. He said after a proposer is chosen then public comment could be taken. There was some discussion and the Board said they would like to have an approximate 30 minute discussion after the presentations and they may make a final decision at that time but if they cannot come to an agreement then the decision may come at a later meeting.

A break was taken at 8:03 a.m. The meeting reconvened at 8:13 a.m.

#### **6. Request for Additional Funding for Legal Services for Redevelopment Association of Idaho (RAI) Legislative Support – Gary J. Riedner**

Due to two-prong legislative action this year on efforts to restrict/change/update current urban renewal legislation, a significant amount of time for all RAI Board members and for the RAI legal team at Elam & Burke has been necessary. Because of this, there will be substantially more legal expense than prior years. As such, a request is being made for members to approve an increased amount of funding for the 2015 legal legislative fund. The Moscow Urban Renewal Agency is being requested to consider increasing its contribution.

**ACTION:** Discuss increase and provide staff direction.

Riedner said there is a movement in Boise to redraft the urban renewal laws with some people looking at Utah as an example. He explained the reasoning behind it and what they would like to do. He said this is a project requiring a lot of attention so the RAI is requesting that each agency increase its contribution toward legal services. He asked the Board to increase its participation from \$500 to \$1000.



Weber said the work needs done and it is important to stay on top of things as well as be a leader. This is not a lot of money. McGraw said in terms of lawyers \$500 isn't much and he asked if more would be needed. Riedner said the RAI may ask for more if needed. McGraw moved and Bettge seconded to increase the URA's contribution from \$500 to \$1000. There was discussion about the professional services line item. Motion carried unanimously.

DRAFT

## **7. General Agency Updates– Gary J. Riedner**

- Standing Committee Appointments
  - Legislative Committee
  - Marketing Committee
  - Finance Committee
- Redevelopment Association of Idaho

Riedner indicated that that Legislative Committee met and he distributed related information. He said there is proposed legislation that would prohibit entities from using eminent domain for paths and trails. The second legislation is would prohibit the use of tax allocation revenues for municipal buildings. RAI will be taking a stance against this legislation. They would rather have the entire URA law revised instead of making piece meal changes each year. There is a transportation bill being considered and the funding would be used to improve deteriorating bridges. There is also a local option sales tax bill. There is still a movement to have URA Board members elected but we like our model. There is still discussion about the length of time allowed for districts. He said the Board will be kept updated as the legislative session continues. There was some discussion.

He said the Marketing Committee will be meeting soon as well as the Finance Committee. Palmer said staff is finishing up the Audit with Presnell Gage and as soon as it is ready the Finance Committee will meet.

## **8. Legacy Crossing Update – Gary J. Riedner**

- Update on Absorption/Market Study
- EPA Assessment/Cleanup Grant

Riedner said the final draft of the Absorption Study will be presented soon. He said staff has met regarding the EPA Assessment/Cleanup Grant and he discussed how the clean-up will be done. He displayed an aerial photo of the 6<sup>th</sup> and Jackson property that had an overlay to show utilities and need to be relocated underground.

## **9. Alturas Update – Gary J. Riedner**

No report was given. Riedner said he did talk to a business owner in Colorado but nothing has come of it that he is aware of.

## **10. Adjourn**

The meeting adjourned at 8:48 a.m.



Agenda: February 26, 2015, 7:00 a.m.

City of Moscow Council Chambers • 206 E 3<sup>rd</sup> Street • Moscow, ID 83843

McCabe called the meeting to order at 7:00 a.m.

Attendance:

Commission Members	Staff Present	Others
John McCabe, Chair	Gary J. Riedner, Interim Exec. Director/City Supervisor	Wayne Krauss
John Weber	Don Palmer, Finance Director	Members of the Public
Steve McGeehan	Bill Belknap, Community Development Director	
Brandy Sullivan	Stephanie Kalasz, City Clerk	
Art Bettge	Alisa Anderson, Grants Manager	
Steve Drown	Kevin Lilly, Deputy Director - Engineering	
Dave McGraw	Laurie Lewis, Deputy Clerk	

### 1. Welcome – John McCabe

McCabe distributed a letter explaining that he may have a conflict of interest due to his position at the bank and his community involvement so he will recuse himself from the process. McGeehan chaired the meeting. McGraw acknowledged that the County Commissioners wrote a letter of support for the Gritman project but he was not involved with that process and although he read the letter this week, he will not let that influence his decision.

### 2. Overview of Process – Gary J. Riedner

Riedner explained that the URA (with the criteria of Legacy Crossing in mind) purchased the property to facilitate the Hello Walk and possibly dispose of the remainder of the property. He displayed a concept drawing. He discussed the Request for Proposal process and the guidelines. He said this is a focal point for the City and the University. He explained the criteria and how the proposed developments should be evaluated.

### 3. 6th and Jackson Property Proposal Presentations – Gary J. Riedner

- 7:00 Anderson Group, LLC
- 7:30 Gritman Medical Park, LLC
- 8:00 Sangria Development

Anderson Group – John Anderson presented for the Anderson Group. He read a statement from his father about their proposal. He said they intend on having a co-development structure with their adjoining property and they want to work with interested businesses. They will refine their proposal in the open public process. They plan a multiuse facility. It may take more time but it will be a better final result and a catalyst for the revitalization of Legacy Crossing. The Anderson Group wants to work with the URA to develop this area. He displayed a photo of their property with the grain elevator and what some alternatives for the property may look like.

Weber asked how funding is proposed for the development. Anderson said they have some significant stakeholders for the project. Clayton Anderson said this process has helped them find two stakeholders which will assist with financing the project. J. Anderson said the timeframe was difficult to meet and it is important to take some time to develop the plan. There was some discussion.

McGraw asked about the intended to be in the building and was told it will be commercial, retail and residential. Drown asked how the Anderson group would accomplish the co-development with their property. Anderson said with their other property, more parking will be available and there may be a connection between buildings. Sullivan asked how the Hello Walk would be addressed. Anderson said the Hello Walk would go through the building. C. Anderson said this is just an initial proposal and a comment was made that the path would be closed at night but that was never something they proposed. They will work with stakeholders and the public to develop a design that will be best for the community. J. Anderson said there is no interest in small scale development. There was more discussion about the timeline. J. Anderson said once they are approved, the project should be able to move quickly and they should be able to make significant progress in 18 months. He discussed plans for their adjacent property. McGeehan asked how the project would enhance the entrance to the University and J. Anderson discussed plans for the area.

Kara Besst, Gritman Hospital, introduced herself and read Gritman's vision statement. She explained that they would like to keep this local. She said this is proposed to be a for-profit establishment and will provide needed health care services and jobs. They are the largest private employer in Moscow. She displayed photos and drawings of the proposal and explained the necessary services that would be provided in this building.

B.J. Swanson said health care is the highest growth industry. She explained how they can assist growth in Moscow. She said Legacy Place will have a great economic impact on the community and she explained the projections. She said Gritman is not asking for any help from the URA for their project so the URA can use the funds elsewhere. Legacy Place would be the first cog in a network and they have been in conversations with the Anderson Group and want success for them as well. She explained the CHAS Latah Community Health Clinic would be available to everyone regardless of ability to pay. She said Gritman has a proven track record for success in development. She indicated that they have a short timeline with a completion to be done within 11 to 12 months. Their projects are on time and on budget. She said their south couplet property will likely be used on a project to be in conjunction with the University of Idaho.

Jimmy Anderson said this proposal fills the purpose of urban renewal. He explained how the Gritman project will fill the mission of urban renewal including creation of many new jobs and will help the economy. Weber said the URA runs on tax increment financing and he asked how we can be assured down the road that Gritman won't take the tax exempt status. Swanson said Gritman Medical Park would collect rent from the occupants and Idaho Tax Code would not allow them to be tax exempt. Sullivan asked what Gritman goals could still be accomplished if they worked with the Anderson Group. Swanson said they could be the key to the Anderson Group success. Health care facilities are high quality construction. There was discussion about the location of the CHAS Clinic. She said since they are nonprofit, they are able to charge less because they want services that benefit the community.

McGeehan said part of the goal of this area is to bring excitement, etc. to the area and asked how the Gritman Development would do that. Swanson said restaurants in the area could use the parking at night but there is also a plaza where there could be events and art shows. Weber asked if there is any future retail uses proposed for the property. Swanson said they have a 1200 square foot space and people have expressed an interest in it. Sullivan asked if the plan is set. Swanson said this is a great plan but it can still be fluid.

Sangria Development – Carly Lilly and George Skandalos presented for Sangria Development. They provided information about the success of Sangria (currently located at the Mall) and said they followed with Maialina in the downtown. They have been looking at this spot for years. They signed a short term lease with the mall because they wanted to own their restaurant rather than lease. They introduced Greg Castellaw from Castellaw Kom Architects who created the design for the project.

Castellaw discussed other projects done by his firm. He read a portion of the RFP and said this design fits perfectly. Lilly said this is vibrant, fun and active and their vision is a mixed use. MURA objectives are great and it should be a great experience. She said Maialina has really increased pedestrian traffic and they have a passion for sustainability. She became obsessed with buying local and she tries to figure out ways to do even more. Supporting local families helps the economy in the community. She said they want the building to have a historic feel so it will last a long time and bridge a gap between the University and downtown. They are looking at additional retail spaces and they want to cater to everyone not just a certain sect of the community. Skandalos said they want a space that could be repurposed in the future if needed. She said they have a suggestion for the Hello Walk but they are willing to put it in wherever the Board needs to have it.

Castellaw displayed a floorplan of the proposed development, explained the proposal and discussed some options. The second floor has apartments which are needed downtown. The roof would have a garden and possibly a bar and the space would be used for weddings and parties. Castellaw said the roof will provide an opportunity for reclaimed water as well. He displayed elevation views and images of the proposed structure.

Lilly discussed the intended style for the inside of the restaurant. Skandalos said they serve over 70,000 people per year and the people will go to other business and possibly other restaurants if there is a wait at Sangria. He said they are very community minded.

McGeehan asked about the economic impact of this development. Skandalos said they have saved money so they can buy their own building and not just pay rent. They currently pay higher than market rent. McGraw asked if they plan on hiring more employees. Skandalos said yes, they have always wanted to expand but can't in their current location. Lilly said they anticipate 40 to 50 new jobs. McGeehan asked about the timeline. Skandalos said the first phase would be the restaurant and Hello Walk. A draft schedule was distributed.

Drown asked about the parking and access. Lilly said the parking spaces are really for the residents and with Maialina people just find places to park and walk to the restaurant. Sullivan asked if they would work with one of the other developments. Lilly said they would not do this unless they could own their own building but they are willing to working with the Andersons to benefit both properties. She said they think the Silos project is important.

A recess was taken at 8:24 a.m. The meeting reconvened at 8:33 a.m.

#### **4. Board Discussion – Gary J. Riedner/John McCabe**

**ACTION:** Discuss proposals and select successful proposal or take such other action deemed appropriate.

Bettge thanked the presenters for three good projects. He said the URA acquired the property specifically to link the downtown and the University. Consideration of the proposals has to be done based on the RFP criteria and that cannot be changed. He discussed his concerns about the Anderson project regarding timeline and funding. He said Gritman has a good proposal and needed facility but it is not in the right place and doesn't really fit in this lot of Legacy Crossing. The Sangria Group answered the RFP questions and gave what was asked

for (all elements required) in the application. The community was in support of the design concept and increasing density in the downtown area. He said they don't mean to discourage the groups that are not selected. In terms of predictability and meeting what was asked for as a bridge from downtown to University, Sangria came out ahead.

Weber said he has gone through this several times and listened to the presentations today. All of the conditions don't necessarily need to be met on every lot. The transition should not end at 6<sup>th</sup> and Jackson. They City and University discussed collaboration on the Hello Walk but the University hasn't done much. The financial burden and how quickly this will get done should be considered. One project has the finances and can have the development completed within the timeline. Although they did not meet all of the criteria, there are a number of high paying jobs and they can expand so he has to come down on the side of Gritman.

Drown said it was stated very clearly in the RFP that energy, excitement and creativity are a priority. Sangria has given a timeline, finances and the intent and spirit of what the URA desires. McGraw said he looks at the economic benefit of this and Gritman would be bringing more high paying jobs and those people will be eating at establishments in the area. He said they were not asked what most benefits society as a whole and Gritman does that far ahead of the others. He was impressed that Gritman was willing to work with the Anderson Group. He said medical services will be needed for many years to come. He supports Gritman. Bettge said a larger benefit to consider is how this sets the stage for what else is to come in Legacy Crossing. The Gritman proposal is nice but a nine to five office building does not meet the intent of Legacy Crossing or the zoning. A good pin at the beginning is a good start to the rest of Legacy Crossing.

Sullivan said all three have shown potential and possibility of growth to the site which is the purpose of the URA. She said she wants to stick to the goals of the site. There is no argument that there is community good to Gritman but she has to look objectively looking at the written goals of the site and matching the criteria. She said she has ties to all three parties so she has to go by the objectives and the best fit. With the Anderson Group, the challenge is not knowing the what the final proposal is. It is more comprehensive but has many unknown parts including the financial issues so it is difficult to assess compared to the other two. She said the Anderson Group and Sangria group fit the multiuse and vitality more so than Gritman. Gritman is good for the community but she has to go back to the goals for the site.

Weber said the Gritman proposal will probably have the longest standing positive effect and it will give more financial gain so the URA Board can pursue other projects. They will supply a number of jobs that will be high paying. He said he likes the niceties of the Sangria proposal but the Board needs to make the decision overall for the short and long term benefit of the community. McGraw agreed and said the Gritman would benefit the entire region.

Drown said the Sangria represents a quality of life issue and they are assisting other things such as supporting local farmers, etc. it isn't just about a restaurant and it may be a smaller scale than Gritman but they are promoting local and healthy eating. Sullivan said the Sangria building is proposed to be a recyclable building so it can be used for something else in the future while a medical building may not be able to transition to something else.

McGeehan said this is tough. It is a very important piece of property and the URA has been working on it for a long time. He said he sees strengths more than weaknesses. He said the job creation in Gritman's project is important. He commended the Anderson Group for thinking outside the box and all groups will be neighbors in some way. Sangria has a proven track record and has met the energy and vitality that the URA wanted.

Sullivan said she would love for all of these developments to come through in the future even if only one can have this spot. She discussed what is unique about this location for each of these projects.

Weber said Gritman will continue on. The Anderson Group has been looking for a way to make it work and will probably continue. He said Sangria can make it work and can make it work profitably but it can be done somewhere else.

Sullivan said then she thinks the Board should go with the specific criteria set for this location. Bettge said the URA needs to go with the goals it set including design criteria. Predictability is important and this is supposed to be a gateway to the rest of the development and provide a keystone and anchor point. He will stick to those concepts.

Riedner read through the duties of the Board.

McGraw moved to accept the Gritman proposal and Weber seconded the motion. Roll Call Vote: Ayes: Weber, McGraw. Nays: Sullivan, McGeehan, Bettge, Drown.

Bettge moved and Drown seconded approval of the Sangria proposal. Ayes: McGeehan, Bettge, Drown. Nays: Weber, McGraw. Abstentions: Sullivan.

Motion carried.

Riedner discussed how the process moves forward now. He said there is no guarantee and negotiations have to occur for the project to move forward. The URA must sell the property for fair use appraisal value. He explained how things would move forward if the negotiations are successful.

## **5. Adjourn**

The meeting adjourned at 9:11 a.m.

## Checks by Date - Detail By Check Date

User: jdinubilo  
 Printed: 03/03/2015 10:23 A.M.



Feb 2015

			Check Amount
Check No:	4298	Check Date:	02/05/2015
Vendor:	UCITYMOS	City of Moscow	
Invoice:	Feb-15	Executive Director Salary	4,285.00
	Feb-15	First 1/2 Admin. Fee	15,000.00
			<u>19,285.00</u>
Check No:	4299	Check Date:	02/05/2015
Vendor:	UMOSPULD	News Review Publishing Co.	
Invoice:	104506	Alturas Lots	64.60
	104079	RFP - Legacy	198.27
			<u>262.87</u>
Date Total:			<u><u>19,547.87</u></u>
Check No:	ACH	Check Date:	02/11/2015
Vendor:	UCITYMOS	City of Moscow	
Invoice:	Monthly Bill	Water, Sewer, Street Light	168.45
			<u>168.45</u>
Date Total:			<u><u>168.45</u></u>
Check No:	4300	Check Date:	02/20/2015
Vendor:	UTEMP	Stephanie Kalasz	
Invoice:	6824	Meeting Supplies Reimb. 2/18	14.71
			<u>14.71</u>
Check No:	4301	Check Date:	02/20/2015
Vendor:	UMOSPULD	News Review Publishing Co.	
Invoice:	105429	Alturas RFP	64.60
			<u>64.60</u>
Check No:	4302	Check Date:	02/20/2015
Vendor:	UREDEV	Redevelopment Assoc. of Idaho, Inc.	
Invoice:	Feb 2015	Legislative Contribution	500.00
			<u>500.00</u>
Date Total:			<u><u>579.31</u></u>
Check No:	ACH	Check Date:	02/25/2015
Vendor:	UZIONS	Zions First National Bank	
Invoice:	Feb 2015	Interest Pymt - Legacy Bond	9,742.75
	Feb-15	Interest Earnings on Investment - applied to Bond Pymt.	-640.28
			<u>9,102.47</u>
Check No:	4303	Check Date:	02/25/2015
Vendor:	UELAMBUR	Elam & Burke	
Invoice:	156067	Legal Fees - General - House Bill 560	18.50
	156067	Legal Fees - RFP Alturas	938.00
			<u>956.50</u>
Date Total:			<u><u>10,058.97</u></u>
Report Total:			<u><u>30,354.60</u></u>



## Checks for Approval

User: jdinubilo  
Printed: 03/03/2015 - 3:43 PM

Feb 2015



Check	Check Date	Account Name	Vendor	Amount
0	02/11/2015	Heat, Lights & Utilities	City of Moscow	168.45
0	02/25/2015	Bond Interest - Legacy	Zions First National Bank	9,742.75
0	02/25/2015	Investment Earnings	Zions First National Bank	-640.28
4298	02/05/2015	Professional Services-Exec Dir	City of Moscow	4,285.00
4298	02/05/2015	Administrative Services	City of Moscow	15,000.00
4299	02/05/2015	Marketing Expense-Legacy	News Review Publishing Co.	198.27
4299	02/05/2015	Marketing Expense-Alturas	News Review Publishing Co.	64.60
4300	02/20/2015	Travel & Meetings-General	Stephanie Kalasz	14.71
4301	02/20/2015	Marketing Expense-Alturas	News Review Publishing Co.	64.60
4302	02/20/2015	Professional Services-Other	Redevelopment Association of Idaho, Inc.	500.00
4303	02/25/2015	Professional Services-Other	Elam & Burke	18.50
4303	02/25/2015	Professional Services-Alturas	Elam & Burke	938.00
Report Total:				<u>30,354.60</u>

\_\_\_\_\_  
John McCabe, Chairperson

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

\_\_\_\_\_  
Gary Riedner, Interim Executive Director

\_\_\_\_\_  
Donald L. Palmer, Treasurer

# General Ledger Revenue Analysis

User: jDinubilo  
Printed: 03/19/15 10:16:40  
Period 05 - 05  
Fiscal Year 2015

Feb 2015



Account Number	Description	Budgeted Revenue	Period Revenue	YTD Revenue	Uncollected Bal	% Received
<b>890</b>	<b>Moscow Urban Renewal Agency</b>					
890-000-00-410-00	Property Taxes - Alturas	\$ 394,000.00	\$ 8,329.42	\$ 243,154.99	\$ 150,845.01	61.71%
890-000-00-410-01	Property Taxes - Legacy	\$ 100,000.00	\$ 80,898.89	\$ 111,562.53	\$ (11,562.53)	111.56%
890-000-00-431-11	EPA Clean-up Grant - Legacy	\$ 111,757.00	\$ -	\$ -	\$ 111,757.00	0.00%
890-000-00-471-00	Investment Earnings	\$ 1,000.00	\$ 768.36	\$ 1,117.45	\$ (117.45)	111.75%
890-000-00-478-10	Sale of Land - Alturas	\$ 157,380.00	\$ -	\$ -	\$ 157,380.00	0.00%
890-000-00-478-11	Sale of Land - Legacy	\$ 467,965.00	\$ -	\$ -	\$ 467,965.00	0.00%
890-000-00-910-00	Beg Fund Bal Unassigned	\$ 46,349.00	\$ -	\$ -	\$ 46,349.00	0.00%
890-000-00-911-00	Beg Fund Bal Assigned-Alturas	\$ 617,250.00	\$ -	\$ -	\$ 617,250.00	0.00%
890-000-00-911-01	Beg Fund Bal Res-Alturas	\$ 115,175.00	\$ -	\$ -	\$ 115,175.00	0.00%
890-000-00-912-00	Beg Fund Bal Assigned-Legacy	\$ 183,194.00	\$ -	\$ -	\$ 183,194.00	0.00%
890-000-00-912-01	Beg Fund Bal Res-Legacy	\$ 68,312.00	\$ -	\$ -	\$ 68,312.00	0.00%
<b>890</b>	<b>Moscow Urban Renewal Agency</b>	<b>\$ 2,262,382.00</b>	<b>\$ 89,996.67</b>	<b>\$ 355,834.97</b>	<b>\$ 1,906,547.03</b>	<b>15.73%</b>
<b>Revenue Total</b>		<b>\$ 2,262,382.00</b>	<b>\$ 89,996.67</b>	<b>\$ 355,834.97</b>	<b>\$ 1,906,547.03</b>	<b>16.00%</b>

# General Ledger Expense vs Budget

User: jDinubilo  
Printed: 03/19/15 10:17:04  
Period 05 - 05  
Fiscal Year 2015

Feb 2015



Account Number	Description	Budget	Period Amount	End Bal	Variance	Avail/Uncollect	% Collected
890	Moscow Urban Renewal Agency						
880	URA - General Agency						
890-880-10-642-00	Administrative Services	\$ 30,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	50.00%
890-880-10-642-10	Professional Services-Exec Dir	\$ 51,420.00	\$ 4,285.00	\$ 21,425.00	\$ 29,995.00	\$ 29,995.00	41.67%
890-880-10-642-15	Professional Services-Other	\$ 5,000.00	\$ 518.50	\$ 1,768.50	\$ 3,231.50	\$ 3,231.50	35.37%
890-880-10-642-20	Professional Services-Auditing	\$ 4,700.00	\$ -	\$ -	\$ 4,700.00	\$ 4,700.00	0.00%
890-880-10-642-30	Professional Services-Computer	\$ 2,000.00	\$ -	\$ 19.95	\$ 1,980.05	\$ 1,980.05	1.00%
890-880-10-644-10	Marketing Expense-General	\$ 1,000.00	\$ -	\$ 300.00	\$ 700.00	\$ 700.00	30.00%
890-880-10-668-10	Liability Insurance-General	\$ 1,540.00	\$ -	\$ 1,492.00	\$ 48.00	\$ 48.00	96.88%
E02	Contractual	\$ 95,660.00	\$ 19,803.50	\$ 40,005.45	\$ 55,654.55	\$ 55,654.55	41.82%
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	\$ -	\$ -	\$ 400.00	\$ 400.00	0.00%
890-880-10-647-10	Travel & Meetings-General	\$ 1,000.00	\$ 14.71	\$ 45.80	\$ 954.20	\$ 954.20	4.58%
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	\$ -	\$ -	\$ 500.00	\$ 500.00	0.00%
E03	Commodities	\$ 3,000.00	\$ 14.71	\$ 45.80	\$ 2,954.20	\$ 2,954.20	1.53%
880	URA - General Agency	\$ 98,660.00	\$ 19,818.21	\$ 40,051.25	\$ 58,608.75	\$ 58,608.75	40.60%
890	Urban Renewal Agency						
890-890-10-642-10	Professional Services-Alturas	\$ 40,000.00	\$ 938.00	\$ 1,141.50	\$ 38,858.50	\$ 38,858.50	2.85%
890-890-10-642-12	Land Sale Expense-Alturas	\$ 23,000.00	\$ -	\$ -	\$ 23,000.00	\$ 23,000.00	0.00%
890-890-10-644-10	Marketing Expense-Alturas	\$ 10,000.00	\$ 129.20	\$ 258.40	\$ 9,741.60	\$ 9,741.60	2.58%
E02	Contractual	\$ 73,000.00	\$ 1,067.20	\$ 1,399.90	\$ 71,600.10	\$ 71,600.10	1.92%
890-890-10-647-10	Travel & Meetings-Alturas	\$ 1,500.00	\$ -	\$ -	\$ 1,500.00	\$ 1,500.00	0.00%
890-890-10-658-10	Repairs & Maintenance	\$ 10,750.00	\$ -	\$ -	\$ 10,750.00	\$ 10,750.00	0.00%
890-890-10-669-10	Misc. Expense-Alturas	\$ 500.00	\$ -	\$ -	\$ 500.00	\$ 500.00	0.00%
E03	Commodities	\$ 12,750.00	\$ -	\$ -	\$ 12,750.00	\$ 12,750.00	0.00%

# General Ledger Expense vs Budget

User: jDinubilo

Printed: 03/19/15 10:17:04

Period 05 - 05

Fiscal Year 2015

Feb 2015



Account Number	Description	Budget	Period Amount	End Bal	Variance	Avail/Uncollect	% Collected
890-890-10-770-73 E04	Improvements-Alturas Capital Outlay	\$ 40,000.00 \$ 40,000.00	\$ - \$ -	\$ - \$ -	\$ 40,000.00 \$ 40,000.00	\$ 40,000.00 \$ 40,000.00	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	\$ 157,380.00 \$ 157,380.00	\$ - \$ -	\$ - \$ -	\$ 157,380.00 \$ 157,380.00	\$ 157,380.00 \$ 157,380.00	0.00% 0.00%
890	Urban Renewal Agency	\$ 283,130.00	\$ 1,067.20	\$ 1,399.90	\$ 281,730.10	\$ 281,730.10	0.49%
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	\$ 12,500.00 \$ 40,000.00 \$ 3,000.00 \$ 55,500.00	\$ - \$ - \$ 198.27 \$ 198.27	\$ 6,266.50 \$ - \$ 198.27 \$ 6,464.77	\$ 6,233.50 \$ 40,000.00 \$ 2,801.73 \$ 49,035.23	\$ 6,233.50 \$ 40,000.00 \$ 2,801.73 \$ 49,035.23	50.13% 0.00% 6.61% 11.65%
890-895-10-647-10 890-895-10-652-10 890-895-10-669-10 890-895-10-675-00 890-895-10-676-15 890-895-10-676-17 890-895-10-676-20 E03	Travel & Meetings-Legacy Heat, Lights & Utilities Misc. Expense-Legacy Fiscal Agent Trustee fees Latah County Reimb. Agreement Jackson St Owner Part. Agr. Agreement Cost Commodities	\$ 1,000.00 \$ 1,925.00 \$ 500.00 \$ 1,750.00 \$ 2,000.00 \$ 9,000.00 \$ 1,200.00 \$ 17,375.00	\$ - \$ 168.45 \$ - \$ - \$ 4,000.00 \$ - \$ - \$ 4,168.45	\$ - \$ 673.80 \$ - \$ - \$ 4,000.00 \$ - \$ - \$ 4,673.80	\$ 1,000.00 \$ 1,251.20 \$ 500.00 \$ 1,750.00 \$ (2,000.00) \$ 9,000.00 \$ 1,200.00 \$ 12,701.20	\$ 1,000.00 \$ 1,251.20 \$ 500.00 \$ 1,750.00 \$ (2,000.00) \$ 9,000.00 \$ 1,200.00 \$ 12,701.20	0.00% 35.00% 0.00% 0.00% 200.00% 0.00% 0.00% 26.90%
890-895-10-770-35 890-895-10-770-71	1% Public Art Land-Legacy	\$ 1,000.00 \$ -	\$ - \$ -	\$ - \$ -	\$ 1,000.00 \$ -	\$ 1,000.00 \$ -	0.00% 0.00%

# General Ledger Expense vs Budget

User: jDinubilo

Printed: 03/19/15 10:17:04

Period 05 - 05

Fiscal Year 2015

Feb 2015



Account Number	Description	Budget	Period Amount	End Bal	Variance	Avail/Uncollect	% Collected
890-895-10-770-73	Improvements-Legacy	\$ 142,457.00	\$ -	\$ -	\$ 142,457.00	\$ 142,457.00	0.00%
890-895-10-770-97	Infrastructure Improvements	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
E04	Capital Outlay	\$ 143,457.00	\$ -	\$ -	\$ 143,457.00	\$ 143,457.00	0.00%
890-895-10-676-10	Bond Issuance Cost	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
E05	Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
890-895-10-900-01	Contingency - Legacy	\$ 16,500.00	\$ -	\$ -	\$ 16,500.00	\$ 16,500.00	0.00%
E90	Contingency	\$ 16,500.00	\$ -	\$ -	\$ 16,500.00	\$ 16,500.00	0.00%
895	URA - Legacy Crossing	\$ 232,832.00	\$ 4,366.72	\$ 11,138.57	\$ 221,693.43	\$ 221,693.43	4.78%
899	Dept						
890-899-11-790-01	Bond Principal - Alturas	\$ 109,950.00	\$ -	\$ -	\$ 109,950.00	\$ 109,950.00	0.00%
890-899-11-791-01	Bond Interest-Alturas	\$ 5,225.00	\$ -	\$ -	\$ 5,225.00	\$ 5,225.00	0.00%
890-899-12-790-01	Bond Principal - Legacy	\$ 423,000.00	\$ -	\$ -	\$ 423,000.00	\$ 423,000.00	0.00%
890-899-12-791-01	Bond Interest - Legacy	\$ 19,490.00	\$ 9,742.75	\$ 9,742.75	\$ 9,747.25	\$ 9,747.25	49.99%
E05	Debt Service	\$ 557,665.00	\$ 9,742.75	\$ 9,742.75	\$ 547,922.25	\$ 547,922.25	1.75%
890-899-10-990-00	Ending Fund Bal Unassigned	\$ 47,349.00	\$ -	\$ -	\$ 47,349.00	\$ 47,349.00	0.00%
890-899-11-990-00	End Fund Bal Assigned-Alturas	\$ 786,840.00	\$ -	\$ -	\$ 786,840.00	\$ 786,840.00	0.00%
890-899-11-990-01	End Fund Bal Res-Alturas	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
890-899-12-990-00	End Fund Bal Assigned-Legacy	\$ 186,594.00	\$ -	\$ -	\$ 186,594.00	\$ 186,594.00	0.00%
890-899-12-990-01	End Fund Bal Res-Legacy	\$ 69,312.00	\$ -	\$ -	\$ 69,312.00	\$ 69,312.00	0.00%
E95	Ending Fund Balance	\$ 1,090,095.00	\$ -	\$ -	\$ 1,090,095.00	\$ 1,090,095.00	0.00%
899	Dept	\$ 1,647,760.00	\$ 9,742.75	\$ 9,742.75	\$ 1,638,017.25	\$ 1,638,017.25	0.59%
890	Moscow Urban Renewal Agency	\$ 2,262,382.00	\$ 34,994.88	\$ 62,332.47	\$ 2,200,049.53	\$ 2,200,049.53	2.76%



**Balance Sheet**  
**February 28, 2015**

	Total Funds
<b>ASSETS</b>	
Cash	87,903
Investments-LGIP	1,260,227
Investments-Zions Debt Reserve	42,606
Land Held For Resale	531,256
Land	505,803
Infrastructure Assets	1,186,207
Accumulated Depreciation	(694,989)
Total Assets	<u>2,919,013</u>
<b>LIABILITIES</b>	
Accounts Payable	(35)
Bonds Payable-Current	133,948
Series 2010A Bonds Payable Long Term	399,000
Total Liabilities	<u>532,913</u>
<b>FUND BALANCES</b>	
Net Assets Invest. Cap Assets	508,385
Restricted Fund Balance	133,948
Unrestricted Fund Balance	1,450,264
Total Fund Balance	<u>2,092,597</u>
Retained Earnings:	<u>293,502</u>
Total Fund Balance and Retained Earnings:	<u>2,386,099</u>
Total Liabilities, Fund Balance and Retained Earnings:	<u>\$2,919,012</u>



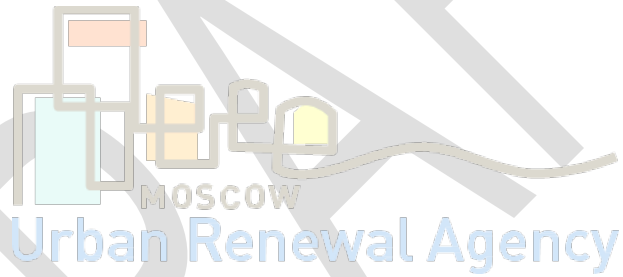
# Annual Report

& Financial Statements for Fiscal Year 2014

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### ***2014 ANNUAL REPORT FOR THE MOSCOW URBAN RENEWAL AGENCY***

The Mission of the Agency (Agency) is to promote and support projects that achieve sustainable economic growth, vitality, and which enhance the community.

Per Idaho Code §50-2006(c), urban renewal agencies are to provide an annual report by March 31 of each year to the jurisdiction's governing body. For the Agency that is the Moscow City Council. This report is submitted in fulfillment of that requirement and to provide information to the public. The report will be available from March 23 through March 25, 2015, for inspection during business hours in the office of the City Clerk or on the Urban Renewal Agency's website at [www.moscowura.com](http://www.moscowura.com).

As required by Idaho Code §50-2006(c), the Agency will consider for approval the draft annual report of the Agency's 2014 activities at their meeting on March 25, 2015. Written comments are welcomed and may be submitted to the Agency in advance of the meeting. Comments and responses from that period will be included in the final version of this report.

**The comment period will remain open from March 23, 2015 to March 25, 2015.**

### ***FOR MORE INFORMATION...***

As required by Idaho Code §50-2011(f), the annual report identifies the real property held by the Agency and sets forth the reasons such property remains unsold and indicates the Agency's plans for disposition of the real property, if necessary. If you have any questions or to submit comments, please contact:

**Gary J. Riedner, Interim Director**  
206 E. Third Street Moscow, Idaho 83843  
(208)883-7006  
[www.moscowura.com](http://www.moscowura.com)  
[griedner@ci.moscow.id.us](mailto:griedner@ci.moscow.id.us)

### *UNDERSTANDING URAs*

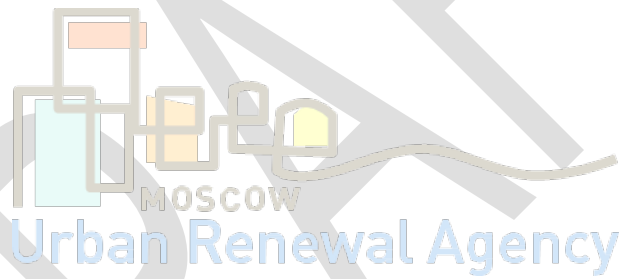
Urban renewal and revenue allocation financing are the most significant tools available to Idaho communities for attracting and retaining businesses, generating economic development, promoting job creation and encouraging development of deteriorating and underutilized areas. The State of Idaho provides limited options for cities and counties to use in financing site preparation, infrastructure and other needed incentives necessary to attract and retain businesses. Revenue allocation financing allows communities to make a site ready for development, including extending water, sewer, streets and other improvements that reduce the cost to businesses of relocating or expanding.

Urban renewal and revenue allocation financing is particularly important because of the competitive nature of economic development, where Idaho communities face competition from communities in other states or countries where incentives such as tax abatements, local revenue sharing, and incentives for recruitment often exist. Many Idaho cities (some with more than one project area), have chosen these tools to revitalize their city. The positive impacts of urban renewal can be seen across the state of Idaho.

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### ***MOSCOW URBAN RENEWAL AGENCY PROFILE***

The Agency was organized by the Moscow City Council in 1995 pursuant to resolution 95-08 in accordance with Idaho Urban Renewal Law, Ch. 20, Title 50, Idaho Code (the "Law") and the Local Economic Development Act, Ch. 29, Title 50, Idaho Code (the "Act"). The Agency acts as an arm of the Idaho State government, entirely separate and distinct from the City of Moscow as provided in Idaho Code Section 50-2006.

The purpose of the Agency is to undertake urban renewal projects in areas designated by the City of Moscow to be deteriorating, and to undertake this rehabilitation, conservation, redevelopment or a combination thereof in the interest of the public health, safety, morals or welfare of the residents of the City of Moscow.

The Agency is comprised of seven Commissioners appointed by the Mayor, and confirmed by the City Council, with terms as specified by the Mayor, as authorized by Moscow City Council Resolution 2008-17. Membership is constituted as follows: Two (2) members of the Moscow City Council; One (1) member of the Latah County Commission; and, four (4) members from the citizenry at large. Terms are staggered in such a fashion that no more than three (3) expire in any given year. The Board of Commissioners elects the Chairman, Vice-Chairman and Secretary from the ranks of the Commission, the Treasurer office may be filled by Commissioners or by staff appointments made by the Commission.



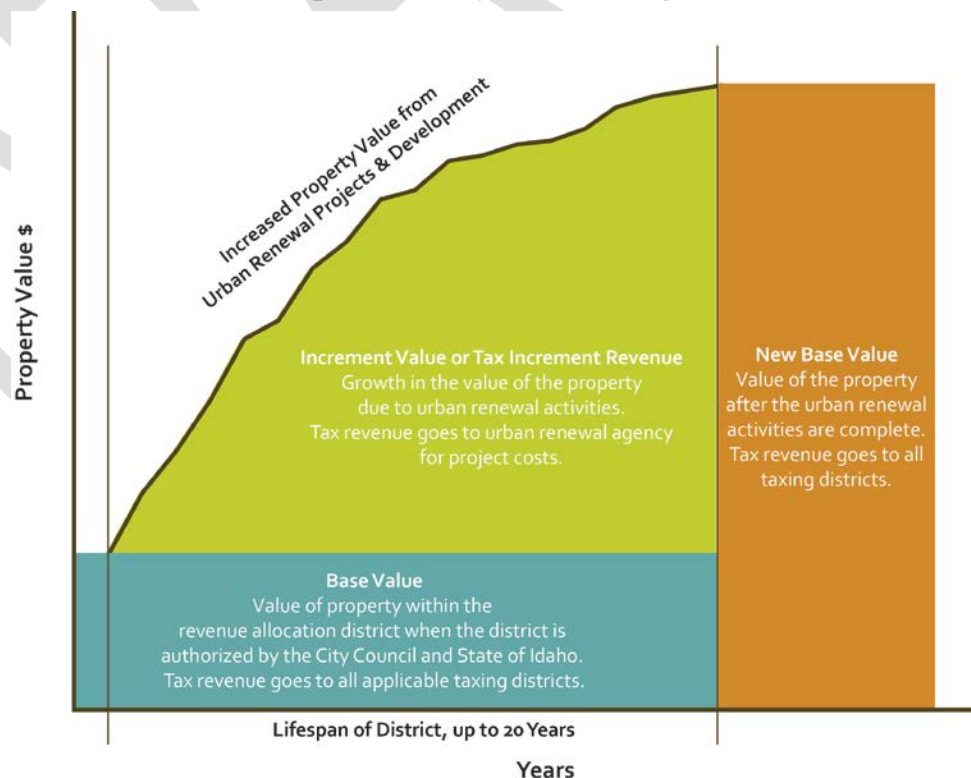
*Comtech EF Data Corporation*

The Chairperson is the Chief presiding officer of the Agency. The Chair executes all deeds, bonds, contracts and other legal documents authorized by the Commission. Some of the Chair's duties may be delegated by the Board of Commission to the Agency's part-time Executive Director who oversees the day-to-day operations of the Agency and carries out the policies of the Board.

The City of Moscow is responsible for defining the geographic boundaries and legal creation of all urban renewal districts within the city. The Alturas Technology Park District was created in 1995 and the Legacy Crossing District was created in 2008. The Agency works with the City of Moscow and the private sector to remedy blight and to facilitate economic development within these two districts. The Agency's activities within these districts are directed by specific urban renewal plans adopted by the Moscow City Council. The Agency provides funding for these efforts through the use of tax incremental financing.

As illustrated in the following graphic, when the city establishes a tax increment financing district, the value on the property in the district is set as of the date the district is created. The property tax revenue collected on this base value goes to the various taxing entities providing services to that property. Any increase in value over the base is called the increment value and the tax revenue generated from the increment value is transferred to the Agency. These tax increment revenues are used by the Agency to pay for public improvements and other revitalization activities in that district. When the district closes (now up to 20 years) the increment value is added back to the base value on the tax rolls. This helps diversify and strengthen the economic bases of both the city and the county.

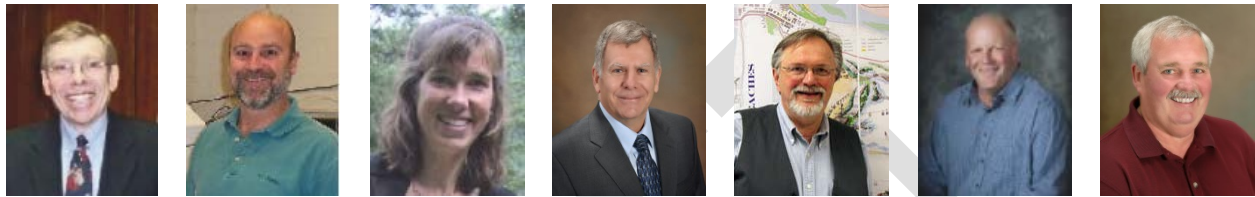
Though urban renewal is a separate item on property tax statements, local property owners pay the same amount of tax whether or not an urban renewal district is established in their area.





## AGENCY BOARD AND STAFF

The Agency is comprised of seven Commissioners appointed by the Mayor, and confirmed by the City Council, with terms specified by the Mayor, as authorized by Moscow City Council Resolution 2008-17. Officers of the agency consist of a Chairperson, Vice Chairperson, Secretary and Treasurer. Formal policy decisions are made by the Agency Board of Commissioners.



### 2014 MURA Board (pictured from left to right)

John McCabe, Chair

Steve McGeehan, Vice Chair

Brandy Sullivan, Secretary

Art Bettge, Commissioner

Steve Drown, Commissioner

Dave McGraw, Commissioner

John Weber, Commissioner

In addition, the City of Moscow provides ongoing staff support to the agency to assist in meeting operational needs of the Agency.



### Staff (pictured from left to right)

Gary J. Riedner, Interim Executive Director, Moscow City Supervisor

Jeff Jones, Former Executive Director, *resigned 2014*

Don Palmer, Treasurer

Stephanie Kalasz, City Clerk

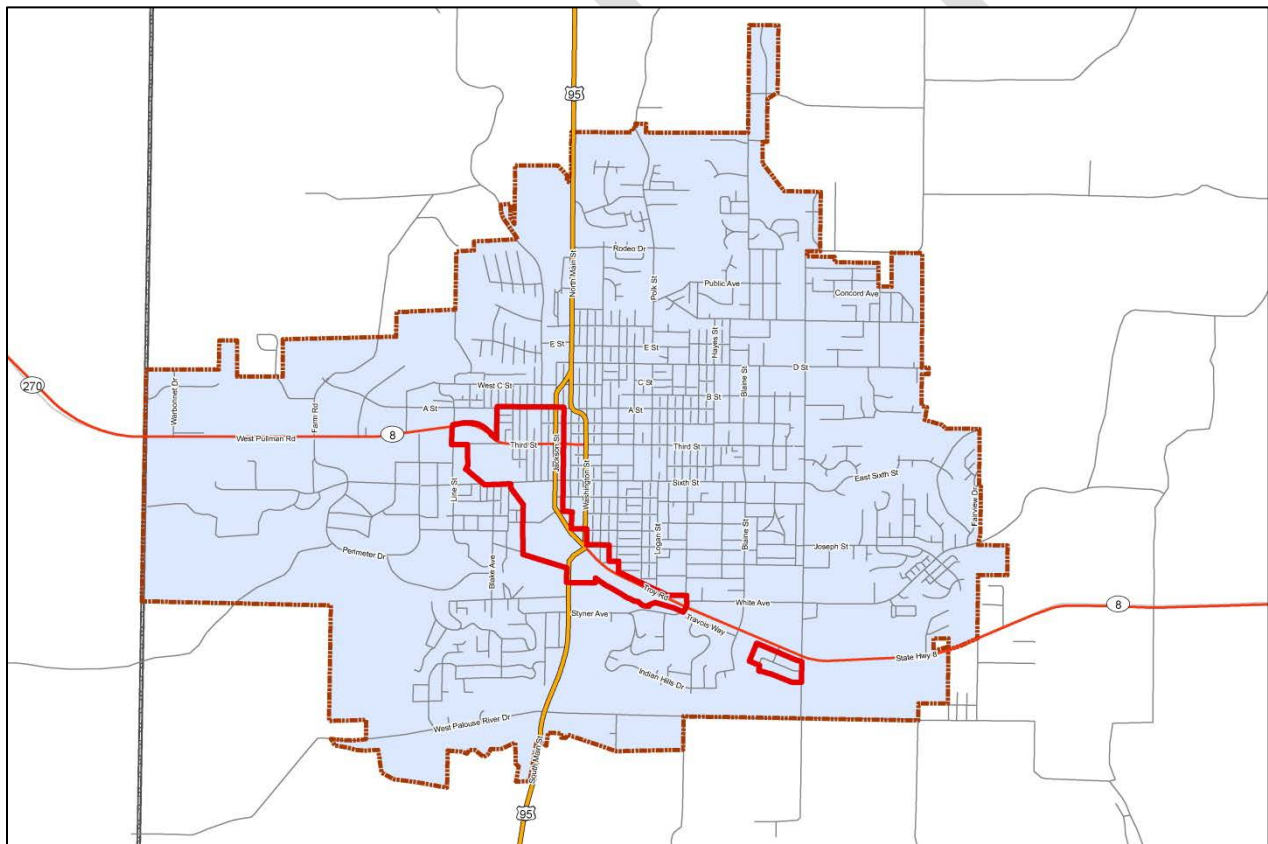
Joelle Dinubilo, Accounting Specialist

Ryan P. Armbruster, Elam & Burke, P.A., Legal Counsel

## THE DISTRICTS OF THE AGENCY

The Agency operates in two urban renewal districts: The Alturas Technology Park and Legacy Crossing.

Applying a variety of redevelopment strategies to improve economic conditions and enhance the quality of life across the city, the Agency's catalog of projects demonstrates that there is no one-size-fits-all solution for community redevelopment. When taken as a whole, this diversity of efforts translates into a cohesive framework, serving critical community, business, and economic development needs.





## FINANCIAL STATEMENTS

MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO	
STATEMENT OF NET POSITION	
September 30, 2014	
	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 1,098,035
Accounts receivable	111
Land held for sale	531,256
Capital assets	
Land	505,803
Infrastructure, net of accumulated depreciation of \$694,989	491,218
Total assets	<u>2,626,423</u>
<b>LIABILITIES</b>	
Accounts payable	877
Series 2007 Bond - due within one year	109,948
Series 2010 Bond - due within one year	24,000
Latah County payback agreement - due within one year	4,000
Series 2010 Bond - due after one year	399,000
Latah County payback agreement - due after one year	110,537
Total liabilities	<u>648,362</u>
<b>NET POSITION</b>	
Net investment in capital assets	508,385
Restricted	
Debt service	159,483
Unrestricted	<u>1,310,193</u>
Total net position	<u>\$ 1,978,061</u>

### MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO

#### STATEMENT OF NET ASSETS - Detail September 30, 2014

---

##### Assets

- Total Cash & Investments - \$1,098,035 at year end
- Accounts Receivable: LGIP Accrued Interest \$111
- Land held for sale in the amount of \$531,256 is the Alturas Property
- Capital Assets Land - \$505,803

##### Liabilities

- Accounts Payable - \$877
- Total Bond, Loan Principal, and Latah County payback agreement due in FY 2015 is \$109,948, \$24,000, and \$4,000 respectively (Total \$137,948)
- Non-current Liabilities - \$509,537

##### Net Position

- Restricted for Debt Service - \$159,483
- \$1,310,193 is considered unrestricted, it includes the URA's ownership in Land held for resale
- Invested in Capital Assets, net of Related Debt - \$508,385

## MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO

### STATEMENT OF ACTIVITIES Year Ended September 30, 2014

		Program Revenues	Net Revenue (Expense) and Changes in Net Assets
	Expenses	Operating Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES			
Project administration	\$ 105,244	\$ 3,560	\$ (101,684)
Depreciation	58,488		(58,488)
Interest expense	30,211		(30,211)
Total governmental activities	<u>193,943</u>	<u>3,560</u>	<u>(190,383)</u>
GENERAL REVENUES			
Property taxes levied for general purposes			510,514
Investment income/losses			<u>3,744</u>
Total general revenues			<u>514,258</u>
Change in net position			323,875
NET POSITION, beginning of year			1,768,723
PRIOR PERIOD ADJUSTMENT			<u>(114,537)</u>
NET POSITION, end of year			<u>\$ 1,978,061</u>

MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO				
BALANCE SHEET - GOVERNMENTAL FUNDS				
September 30, 2014				
	General	Alturas Technology Park District	Legacy Crossing District	Total
<b>ASSETS</b>				
Cash and investments	\$ 46,653	\$ 754,841	\$ 296,541	\$ 1,098,035
Accounts receivable	111			111
Land held for sale		531,256		531,256
Total assets	<u>\$ 46,764</u>	<u>\$ 1,286,097</u>	<u>\$ 296,541</u>	<u>\$ 1,629,402</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 60	\$ 157	\$ 660	\$ 877
Total liabilities	<u>60</u>	<u>157</u>	<u>660</u>	<u>877</u>
<b>Fund Balance</b>				
Nonspendable		531,256		531,256
Restricted for debt service		115,171	44,312	159,483
Assigned		639,513	251,569	891,082
Unassigned	46,704			46,704
Total fund balance	<u>46,704</u>	<u>1,285,940</u>	<u>295,881</u>	<u>1,628,525</u>
Total liabilities and fund balance	<u>\$ 46,764</u>	<u>\$ 1,286,097</u>	<u>\$ 296,541</u>	<u>\$ 1,629,402</u>
<b>RECONCILIATION OF THE STATEMENT OF NET POSITION TO THE BALANCE SHEET</b>				
<b>Total fund balance - Governmental Funds</b>				\$ 1,628,525
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are financial resources and, therefore, are not reported in the funds				997,021
Long-term liabilities, consisting of bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds				<u>(647,485)</u>
<b>Total net position - Governmental Activities</b>				<u>\$ 1,978,061</u>

**MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**Year Ended September 30, 2014**

	General	Alturas Technology Park District	Legacy Crossing District	Total
<b>REVENUES</b>				
Property taxes		\$ 393,705	\$ 116,809	\$ 510,514
Grants and contributions			3,560	3,560
Investment income/losses	1,005		2,739	3,744
Total revenues	1,005	393,705	123,108	517,818
<b>EXPENDITURES</b>				
Current				
Legal and professional fees	56,769	2,765	3,966	63,500
Insurance	1,492			1,492
Advertising	583	807		1,390
Management services	30,000			30,000
Repairs and maintenance		994	1,801	2,795
Other administration expenses	1,751		4,316	6,067
Debt service				-
Principal retirement		95,964	23,000	118,964
Interest		9,766	20,445	30,211
Total expenditures	90,595	110,296	53,528	254,419
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(89,590)	283,409	69,580	263,399
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers	90,595	(90,595)		-
Total other financing sources (uses)	90,595	(90,595)	-	-
Net change in fund balances	1,005	192,814	69,580	263,399
FUND BALANCES AT BEGINNING OF YEAR	45,699	1,093,126	226,301	1,365,126
FUND BALANCES AT END OF YEAR	\$ 46,704	\$ 1,285,940	\$ 295,881	\$ 1,628,525

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**Net change in fund balances - Governmental Funds** **\$ 263,399**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

This is the amount of depreciation taken during the current period. (58,488)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Principal payments made on long-term debt 118,964

**Change in net position - Governmental Activities** **\$ 323,875**

MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO			
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS GENERAL FUND Year Ended September 30, 2014			
	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Investment income/losses	\$ 2,000	\$ 1,005	\$ (995)
Total revenues	2,000	1,005	(995)
<b>EXPENDITURES</b>			
Current			
Legal and professional fees	61,420	56,769	4,651
Insurance	1,550	1,492	58
Advertising	1,000	583	417
Management services	30,000	30,000	0
Other administration expenses	6,700	1,751	4,949
Total expenditures	100,670	90,595	10,075
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(98,670)	(89,590)	9,080
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers	258,050	90,595	(167,455)
Total other financing sources (uses)	258,050	90,595	(167,455)
Net change in fund balances	159,380	1,005	(158,375)
FUND BALANCES BEGINNING OF YEAR	(159,380)	45,699	205,079
FUND BALANCES END OF YEAR	\$ 0	\$ 46,704	\$ 46,704

**MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS  
ALTURAS TECHNOLOGY PARK DISTRICT FUND  
Year Ended September 30, 2014

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property taxes	\$ 354,529	\$ 393,705	\$ 39,176
Total revenues	354,529	393,705	39,176
<b>EXPENDITURES</b>			
Current			
Legal and professional fees	46,540	2,765	43,775
Advertising	5,000	807	4,193
Repairs and maintenance	6,000	994	5,006
Other administration expenses	1,500		1,500
Debt Service			
Principal retirement	95,965	95,964	1
Interest	9,785	9,766	19
Capital outlay			
Improvements	135,000		135,000
Contingency	24,820		24,820
Total expenditures	324,610	110,296	214,314
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	29,919	283,409	253,490
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale	157,380		(157,380)
Operating transfers	(258,050)	(90,595)	167,455
Total other financing sources (uses)	(100,670)	(90,595)	10,075
Net change in fund balances	(70,751)	192,814	263,565
FUND BALANCES BEGINNING OF YEAR	70,751	1,093,126	1,022,375
FUND BALANCES END OF YEAR	\$ 0	\$ 1,285,940	\$ 1,285,940

<b>MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO</b>			
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS LEGACY CROSSING DISTRICT FUND Year Ended September 30, 2014			
	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property taxes	\$ 93,675	\$ 116,809	\$ 23,134
Grants and contributions	150,317	3,560	(146,757)
Investment income/losses		2,739	2,739
Total revenues	<u>243,992</u>	<u>123,108</u>	<u>(120,884)</u>
<b>EXPENDITURES</b>			
Current			
Legal and professional fees	44,258	3,966	40,292
Advertising	500		500
Repairs and maintenance	3,000	1,801	1,199
Other administration expenses	6,450	4,316	2,134
Debt service			
Principal retirement	446,000	23,000	423,000
Interest	20,445	20,445	
Capital outlay			
Improvements	177,004		177,004
Contingency	16,559		16,559
Total expenditures	<u>714,216</u>	<u>53,528</u>	<u>660,688</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(470,224)</u>	<u>69,580</u>	<u>539,804</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale	467,965		(467,965)
Total other financing sources (uses)	<u>467,965</u>	<u>0</u>	<u>(467,965)</u>
Net change in fund balances	(2,259)	69,580	71,839
FUND BALANCES BEGINNING OF YEAR	<u>2,259</u>	<u>226,301</u>	<u>224,042</u>
FUND BALANCES END OF YEAR	<u>\$ 0</u>	<u>\$ 295,881</u>	<u>\$ 295,881</u>



## Budget to Actual Revenues - Detail 30-Sep-14

### Property Taxes - Alturas Technology Park

Budgeted:	\$	354,529
Actual:	\$	393,705
Excess:	\$	39,176

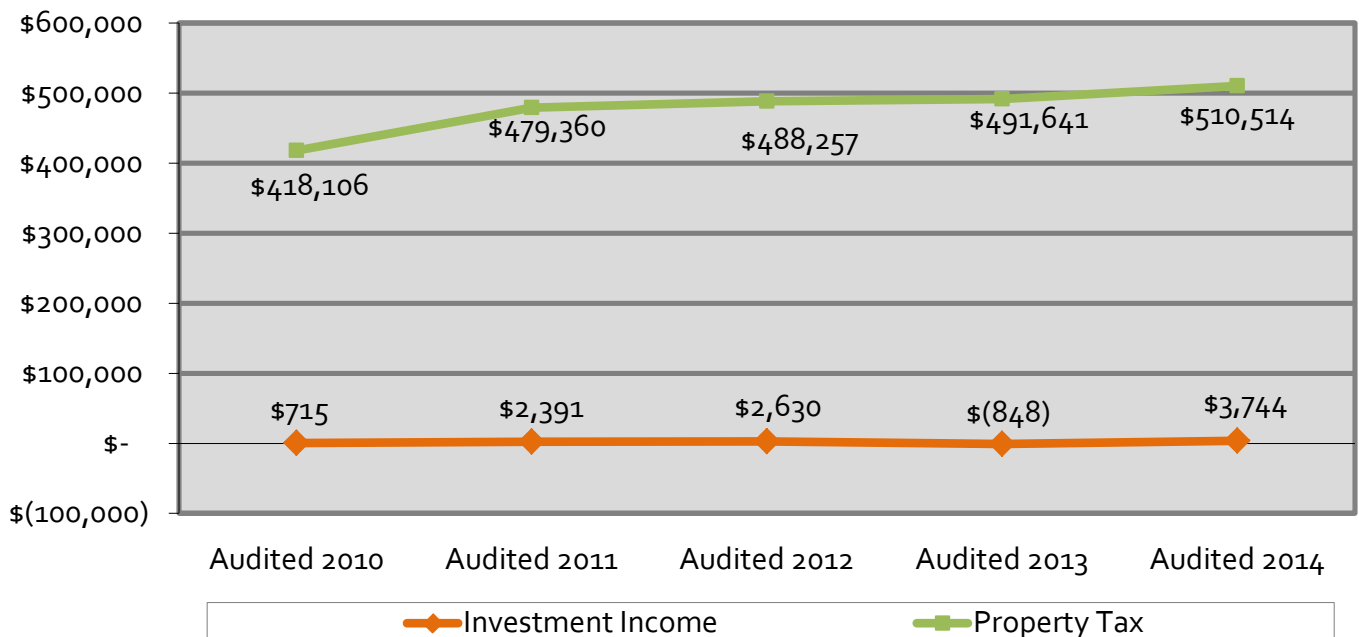
### Property Taxes - Legacy Crossing

Budgeted:	\$	93,675
Actual:	\$	116,809
Excess:	\$	23,134

### Investment Income/Losses - General Fund

Budgeted:	\$	2,000
Actual:	\$	1,005
Excess:	\$	995

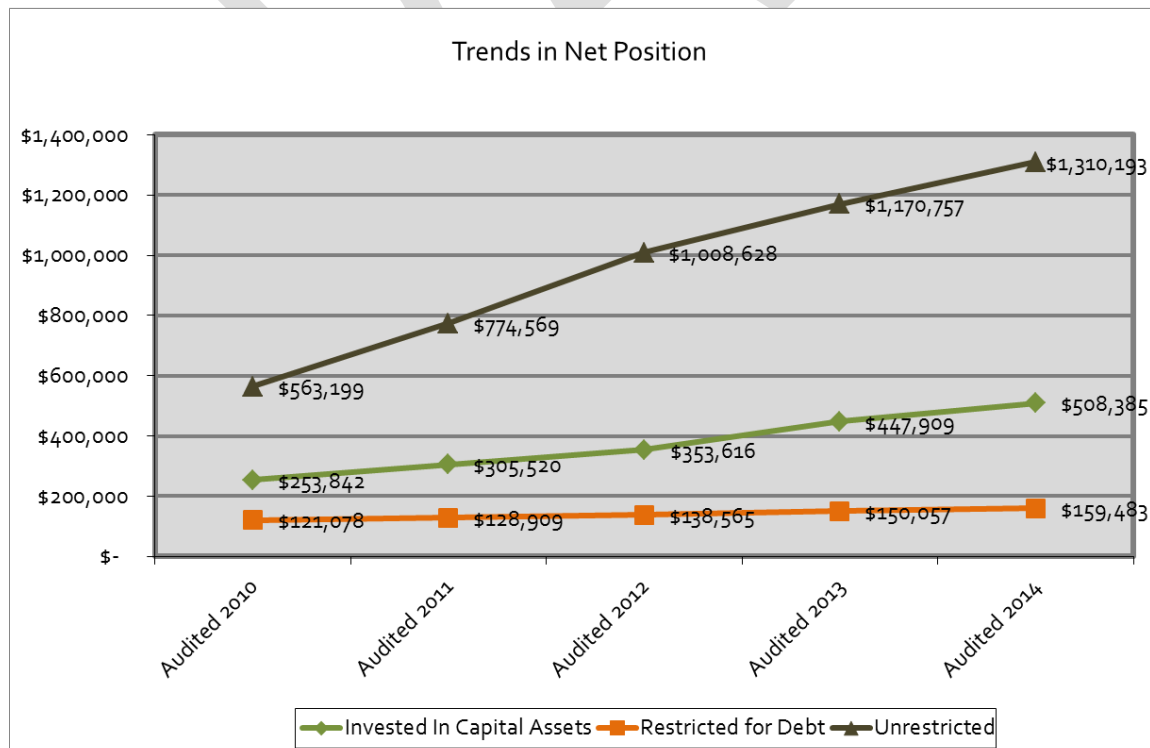
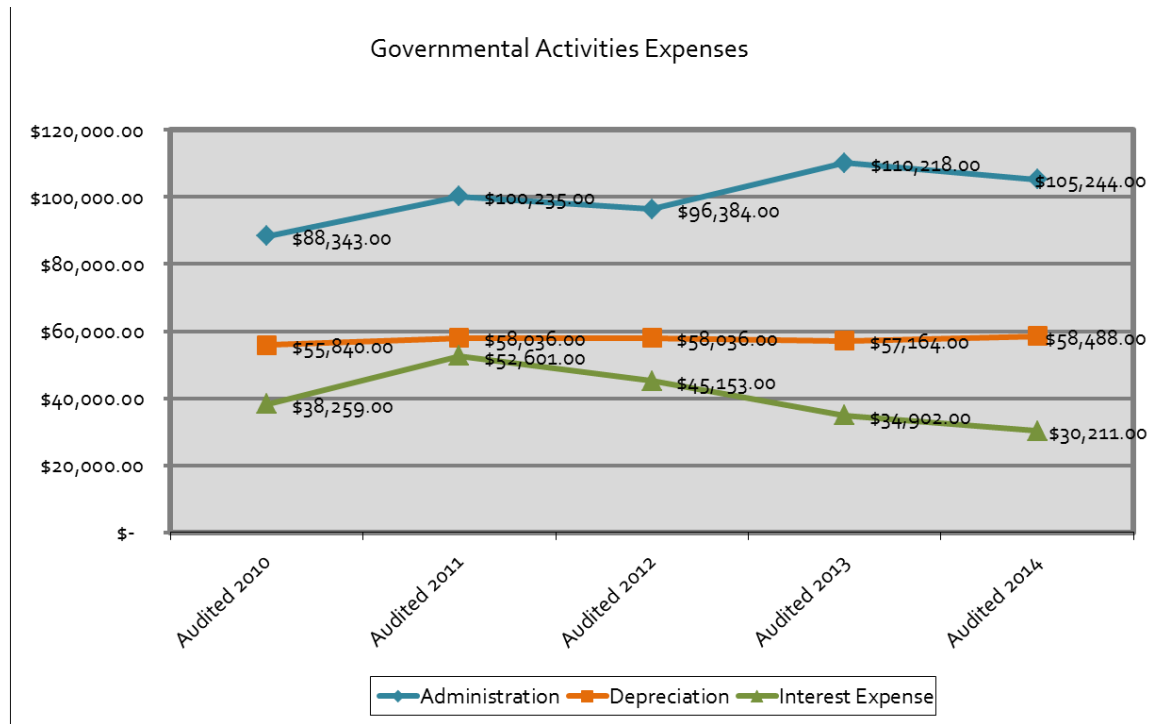
## Property Tax & Investment Income Revenue Trend



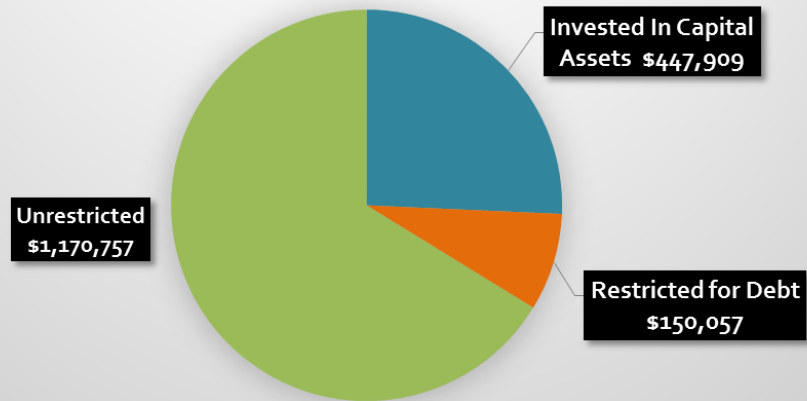
Budget to Actual Expenditures - Legacy Crossing September 30, 2014	
<b><u>Legal &amp; Professional Fees</u></b>	<b><u>Other Administrative Costs</u></b>
Budget: \$ 44,258.00	Budget: \$ 6,450.00
Actual: \$ 3,966.00	Actual: \$ 4,316.00
Variance: \$ 40,292.00	Variance: \$ 2,134.00
<b><u>Advertising</u></b>	
Budget: \$ 500.00	
Actual: \$ -	
Variance: \$ 500.00	
<b><u>Repairs &amp; Maintenance</u></b>	
Budget: \$ 3,000.00	
Actual: \$ 1,800.96	
Variance: \$ 1,199.04	

Budget to Actual Expenditures -Alturas September 30, 2014	
<b><u>Legal &amp; Professional Fees</u></b>	<b><u>Other Administrative Costs</u></b>
Budget: \$ 46,540.00	Budget: \$ 1,500.00
Actual: \$ 2,765.00	Actual: \$ -
Variance: \$ 43,775.00	Variance: \$ 1,500.00
<b><u>Advertising</u></b>	
Budget: \$ 5,000.00	
Actual: \$ 807.12	
Variance: \$ 4,192.88	
<b><u>Repairs &amp; Maintenance</u></b>	
Budget: \$ 6,000.00	
Actual: \$ 994.25	
Variance: \$ 5,005.75	

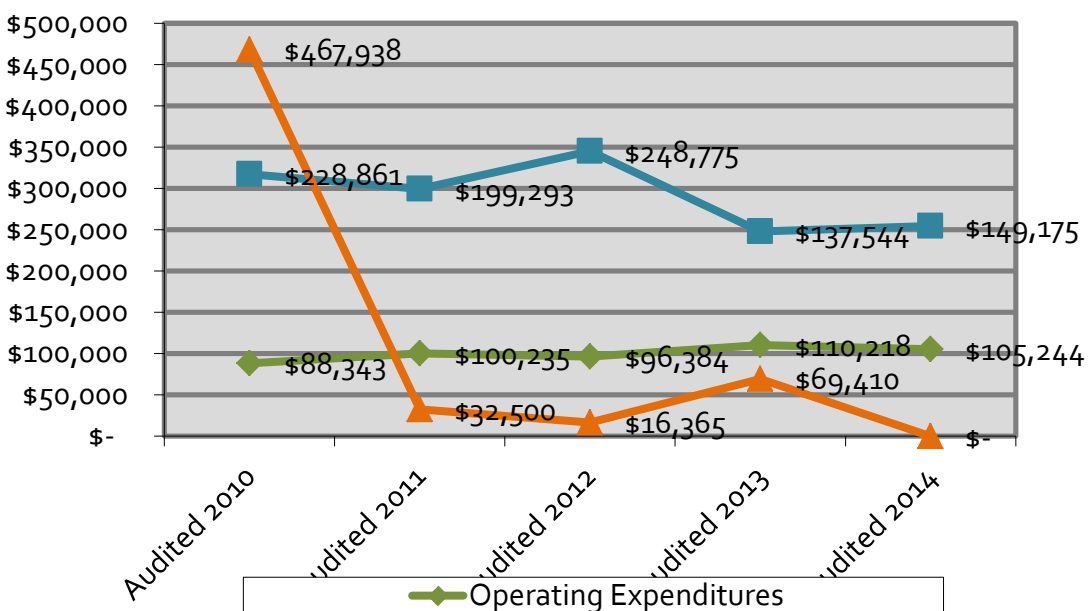
Budget to Actual Expenditures -General Fund September 30, 2014	
<b><u>Legal &amp; Professional Fees</u></b>	<b><u>Other Administrative Costs</u></b>
Budget: \$ 61,420.00	Budget: \$ 6,700.00
Actual: \$ 56,769.15	Actual: \$ 1,751.05
Variance: \$ 4,650.85	Variance: \$ 4,948.95
<b><u>Advertising</u></b>	<b><u>Management Services</u></b>
Budget: \$ 1,000.00	Budget: \$ 30,000.00
Actual: \$ 583.00	Actual: \$ 30,000.00
Variance: \$ 417.00	Variance: \$ -
<b><u>Insurance</u></b>	
Budget: \$ 1,550.00	
Actual: \$ 1,492.00	
Variance: \$ 58.00	

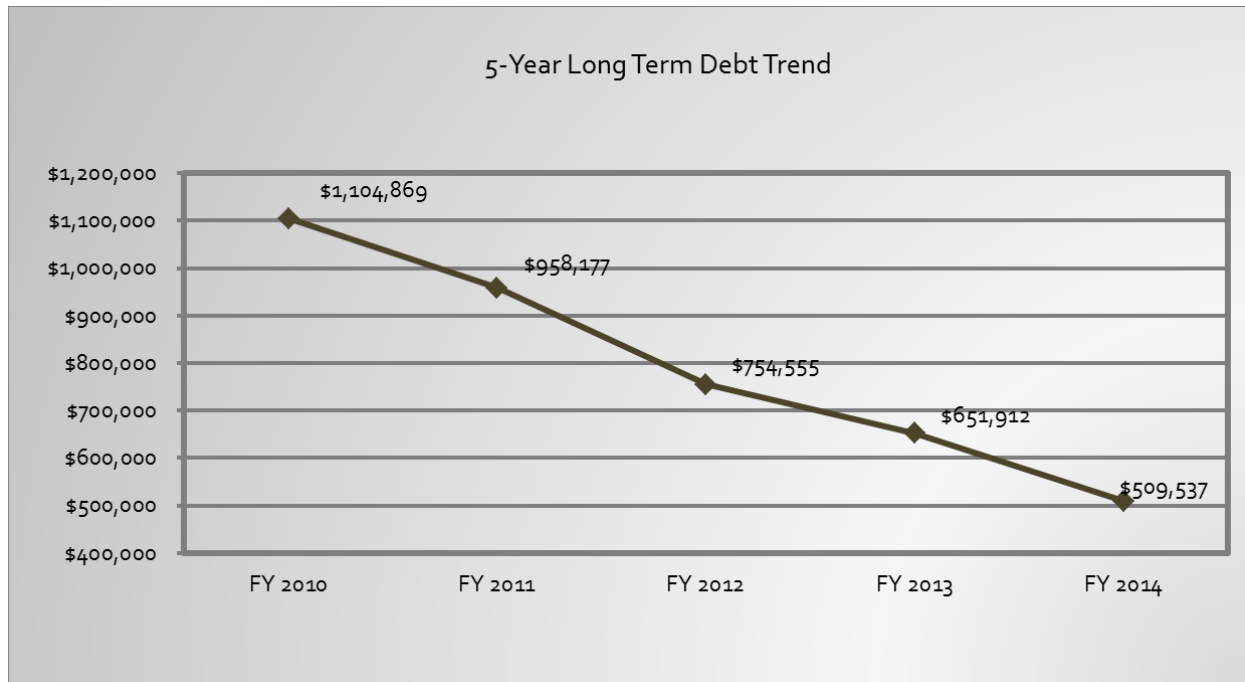


## Audit 2014 Net Asset Categories



## Expenditure Trends





## ***ALTURAS TECHNOLOGY PARK URBAN RENEWAL DISTRICT***

The Alturas Technology Park is the Agency's first District and is currently home to many of Moscow's premier high-tech companies, including Comtech EF Data Corporation, Alturas Analytics, Inc., Anatek Labs, Inc., and BioTracking, LLC. The majority of these firms are linked to outside/non local markets and are considered primary industries. Wealth enters the local economy principally by way of these industry types.

Established in 1996, the assessed value of property within the revenue allocation area was approximately \$6.4 million. Improvements and developments made as a result of the Alturas Research and Technology Park Urban Renewal Plan have assisted in increasing property values dramatically and today the same area is valued at more than \$22 million.

The export industries within the Alturas Technology Park have a profound economic impact on the Moscow economy. In the past



*Alturas Technology Park*

year these companies had a total payroll of over \$6 million and paid an average wage of over \$50,000, which is significantly higher than the city's median household income of \$35,389.<sup>1</sup> During that period, the park contributed an estimated adjusted impact of \$26.7M to the local community.

When a community or region increases the number of high-wage primary industry jobs, a force pulls up the bottom rung of the economic ladder, lifting individuals through a series of wage and skill steps, improving the standard of living for most people. This force causes part-time low paying retail and service jobs to fold into full-time jobs at higher wage levels and with fringe benefits.

The Agency has six (6) lots left for sale within the Alturas Technology Park. The lots range in size from 28,370/SF to 38,885/SF and were last appraised at \$2.34/SF (Fair Market Value). As noted later in this report, the Agency continued to market the remaining 6 lots in Alturas and has engaged Palouse Commercial Real Estate to provide marketing and real estate brokerage services.

Economic Modeling Specialists International (EMSI), a CareerBuilder company, moved from Alturas Technology Park into a newly remodeled building in downtown Moscow, within the boundaries of the Legacy Crossing District. EMSI is engaged in processing labor market data into information that helps educational institutions, workforce planners, and regional developers. EMSI currently employs 115 people internationally, with 107 employees in their Moscow office. The firm is anticipating additional growth in employment in the upcoming calendar year. The average wage of EMSI's employees is over \$50,000 per year.

Alturas Technology Park Urban Renewal District was created by Moscow City Ordinance 96-12, which was passed on July 1, 1996. The duration of the district is 20 years from that date. The Agency is currently developing a strategy for closure of the district in accordance with Idaho law.

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<sup>1</sup> In 2014, Economic Modeling Specialists International moved from Alturas Technology Park to a location within Legacy Crossing Urban Renewal District. The statistics for Alturas Technology Park were estimated prior to EMSI's relocation.



### *LEGACY CROSSING URBAN RENEWAL DISTRICT*

The Legacy Crossing District was created in June of 2008 and is the Agency's second urban renewal district. The Legacy Crossing District covers approximately 163 acres and includes a majority of the blighted and underutilized properties located between Moscow's historic downtown and the University of Idaho.

By definition, reurbanization involves redeveloping already urbanized areas, which decreases pressure for development of greenfield sites outside the City. Reurbanization provides an opportunity to learn from mistakes of the past and to create high-quality, livable urban environments while building at a human scale. Reurbanization can ensure a range of places where new kinds of businesses can locate and promote diversity of housing types and choice. Finally, reurbanization can support community building and social integration.

The opening of the Intermodal Transit Center, the reconstruction of College Street and the placement of the new bike /pedestrian bridge have provided a huge boost in capital and have jump-started the process of reurbanization. This is evidenced by EMSI's move into a newly remodeled building within the district, as well as by the construction of a new Jimmy Johns restaurant and plans by several other property owners to build or renovate existing buildings within the District.

The Legacy Crossing District continues to be challenged by the financial impacts of a tax increment error calculation (Idaho Tax Commission software) which reduced the Agency's revenues by 40% in calendar year 2013 (from \$144,052 in 2012 to \$97,548 in 2013). Fortunately, the valuation of property within the District increased in the 2014 calendar year, resulting in increment revenues of \$116,809, an increase of 19%.

The miscalculation of tax increment for 2009, 2010, and 2011 resulted in an overpayment of \$114,537 in tax revenues to the Agency in previous years and requires that the overpayment be reimbursed to Latah County for the benefit of the taxing entities. The Agency entered into a Release and Settlement Agreement with Latah County, which was approved by Agency Board

Resolution 2014-06. The agreement provides that the full amount will be repaid over a fifteen year period, in recognition that the error which caused the overpayment was not the fault of the Agency or Latah County.

The Agency has been forced to utilize more Owner Participation Agreements as opposed to tax increment revenue bond financing or direct investment strategies, because of the impacts of the recent recession, reduction in property values and the effect of the settlement for overpayment of tax increment revenue. Owner Participation Agreements require private developers or companies front the costs for new public infrastructure and are repaid from future tax increment revenues. This method of financing public improvements was utilized in the recent remodeling and revitalization of the EMSI Building (formerly the News-Review Building, home to the Moscow-Pullman Daily News). The Agency worked with a coalition consisting of the City of Moscow, Idaho Department of Commerce, Idaho Transportation Department, Wintz Construction and EMSI to provide public improvements, including fiber-optic service and improved sidewalks and public space adjacent to the building.

Continued utilization of these public-private partnerships will provide the resources necessary to redevelop the Legacy Crossing District into a vibrant and attractive mixed use neighborhood, including the design and development of the Hello Walk extension.

In 2010, the Agency purchased a property with The Legacy Crossing District, located at the southwestern corner of the intersection of 6<sup>th</sup> and Jackson streets. The property was purchased to enhance opportunities to connect downtown Moscow to the University of Idaho campus. The Agency and the City of Moscow understood that the property was the keystone to connectivity between the University and downtown and to the development of Hello Walk. Furthermore, it was recognized that imposing the development of a pedestrian corridor upon a private property owner was not feasible and the Agency decided to acquire the site. Agency discussions held at the time of purchase was always upon creating Hello Walk with potential remnant triangles that could support limited private development.

The property was the site of a former agricultural business and the Agency immediately began to clear the site, removing structures and debris. The site was then evaluated through the EPA Brownfields Assessment Coalition grant.

Certain pollutants were discovered during Phase I and Phase II environmental assessments. The Assessment grant is also being used to develop a plan for site remediation, to a level which is acceptable to the EPA and Idaho Department of Environmental Quality (DEQ). The Agency applied for, and was successful in obtaining an EPA cleanup grant, in the amount of \$115,317. The EPA cleanup grant will be utilized to conduct the actual remediation and monitoring of the property, which will allow for its re-use. Less than \$5,000 of the grant funds were expended in 2014, but it is expected that the cleanup will occur in 2015, with potential monitoring into 2016.

The property also borders 6<sup>th</sup> Street right of way, adjacent to the eastbound traffic lanes, including a right-turn-only lane. The 6<sup>th</sup> and Jackson intersection, particularly the eastbound lanes, are considered problematic because of alignment. The City of Moscow has identified approximately 3000 square feet of the Agency's property which the City would like to use for re-alignment of the eastbound traffic lanes. Preliminary plans have been provided to the Agency, and the Board has indicated a willingness to enter into negotiations. It is expected that those negotiations and potential property transfer would occur in 2015.

In November 2014, the Agency issued a Request for Proposals (RFP) for the redevelopment of the property. The pertinent terms of the RFP included the following language:

- The Agency is seeking developers who are willing to develop this lot for purposes and uses in conformance with the Legacy Crossing District Plan, Urban Mixed Commercial Zone, Legacy Crossing District Overlay District and Legacy Crossing District Overlay District Design Guidelines.
- The Agency envisions urban development of an esthetically pleasing and efficient mixed-use project that complements downtown, which incorporates the intent of the Legacy Crossing District Plan and Overlay District Design Guidelines.
- The subject property is a keystone location and key focal point linking the downtown area with the University of Idaho campus.
- Proposed developments are encouraged to take advantage of this unique site and incorporated entertainment and/or eating and drinking

establishments and residential and/or hospitality uses that will create energy and excitement and activate this key location.

The RFP responses were due on January 12, 2015. It is anticipated that proposals received will be evaluated for compliance with the directives of the RFP and the pertinent development guidelines, including the Legacy Crossing District Urban Renewal Plan, City of Moscow Urban Mixed Commercial Zone, Legacy Crossing Overlay District and Legacy Crossing Overlay District Design Guidelines. If a proposal is accepted, the Agency will negotiate an Exclusive Negotiation Agreement (ENA) agreement, which process guides discussions regarding development nature and form, agency project assistance, and conditions and obligations of disposition. The goal of the ENA is to provide a process within to negotiate a Disposition and Development Agreement (DDA) to formally document terms of transaction and responsibilities of the parties.

### ***EPA BROWNFIELDS COALITION ASSESSMENT & CLEANUP GRANT***

Creating the opportunity for economic revitalization through Brownfield redevelopment is a primary goal of the Agency.

The United States Environmental Protection Agency (EPA) defines brownfields as, “real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant.” These problem properties are not uncommon. According to the General Accounting Office (GAO), there are close to 450,000 brownfields in the United States.

In 2010, the Agency partnered with the City of Moscow and Latah County and was awarded an EPA Brownfields Assessment Coalition Grant totaling \$475,000.

The grant allows for environmental assessments and cleanup planning for sites located primarily within the Legacy Crossing District. The Agency’s Executive Director is also the Project Manager for the EPA Brownfield Coalition Grant and partners with Alisa Anderson, City of Moscow Grants Manager in administering the grant.

In 2014, Phase II Environmental Site Assessment activities took place for the following properties in the City of Moscow:

- MURA-owned lot located at the southwestern corner of the intersection of 6<sup>th</sup> & Jackson Streets
- 1102 S. Main Street
- 207 N. Main Street
- Potential Industrial Park site located on US95 and Palouse River Drive

In 2014, cleanup planning activities consisting of Alternative Brownfield Cleanup Alternatives (ABCA) took place for the following properties in the City of Moscow:

- MURA-owned lot located at the southwestern corner of the intersection of 6<sup>th</sup> & Jackson Streets

For the public/private sectors, brownfield redevelopment can mean new business opportunities, the potential for profit on unused or under-utilized properties, increased environmental stewardship, and access to untapped markets.

### **INVENTORY OF MURA OWNED PROPERTIES**

District	Property Address	Parcel Number	SF /Acres	Planned Reuse
Alturas	1362 Alturas Drive	RPM00270010020	29,412/SF	Fee Simple Sale
Alturas	1412 Alturas Drive	RPM00270010030	28,370/SF	Fee Simple Sale
Alturas	1425 Alturas Drive	RPM00270020040	38,885/SF	Fee Simple Sale
Alturas	1383 Alturas Drive	RPM00270020030	36,997/SF	Fee Simple Sale
Alturas	1345 Alturas Drive	RPM00270020020	34,531/SF	Fee Simple Sale
Alturas	1293 Alturas Drive	RPM00270020010	35,029/SF	Fee Simple Sale
Legacy	Lot located at the southwestern corner of the intersection of 6 <sup>th</sup> and Jackson streets	RPM00000180025	0.87 Acres	Public pathway, public plaza, and future fee simple sale

As noted above, the Agency owns six (6) lots within the Alturas Technology Park District and one (1) lot within the Legacy Crossing District.



In FY2014, the Agency executed a contract with a Palouse Commercial Real Estate, a commercial brokerage to provide the following scope of services:

- Develop strategies for sale of designated Agency-owned properties (such as conducting a study of comparable properties.
- Develop marketing materials (electronic and/or hard copy) to advertise sites for sale, distribute the materials to potential buyers via the appropriate form(s) of media and report results to the Agency on an agreed upon frequency
- Advise the Agency related to strategies to promote and sell the remaining lots in Alturas Technology Park.
- Participate in site tours of Agency-owned property that is for sale for potential buyers;
- Analyze offers from potential buyers and advise the Agency with respect to negotiations;
- Represent the Agency in negotiations with a prospective buyer from the time of offer until closing;
- Coordinate real estate transaction closings; and
- Handle all other customary activities and services associated with real estate transactions.



6th and Jackson Street Property

### *PUBLIC COMMENTS & RESPONSE*

***COMMENTS AND RESPONSES FROM THE MARCH 23 – 25, 2015 COMMENT PERIOD WILL BE INCLUDED PRIOR TO SUBMISSION TO GOVERNING BOARD (MOSCOW CITY COUNCIL)***

### *LEGAL NOTICE*

***AFFIDAVIT OF PUBLICATION TO BE INCLUDED UPON SUBMISSION TO GOVERNING BOARD (MOSCOW CITY COUNCIL)***

DRAFT



Moscow, Idaho

## Financial Statements



For The Fiscal Year Ended  
September, 30 2014



# MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO

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**March 3, 2015**

To the Moscow Urban Renewal Agency Board of Commissioners and Citizens of the City of Moscow:

We are pleased to submit to you the *Audited Financial Statements for the Moscow Urban Renewal Agency* (hereafter "the Agency") for the fiscal year ended September 30, 2014.

Idaho State Law requires that all government development authorities submit audited financial statements to the entity that sponsored their corporate existence. For the Moscow Urban Renewal Agency this entity is the City of Moscow. The statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS).

This report consists of management's representations concerning the finances of the Agency. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the Agency's assets from loss, theft, or misuse and to compile sufficient and reliable information for the preparation of the Agency's financial statements. Because the cost of internal controls should not outweigh their benefits, internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management we assert that to the best of our knowledge and belief this financial report is complete and reliable in all material respects.

The Agency's financial statements have been audited by Presnell Gage, PLLC, a company of certified public accountants. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion on the Agency's financial statements for the fiscal year ended September 30, 2014.

The Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this Letter of Transmittal and the two should be read in conjunction.

### **Profile of the Moscow Urban Renewal Agency**

The Agency was organized by the Moscow City Council in 1995 pursuant to resolution 95-08 in accordance with *Idaho Urban Renewal Law*, Ch. 20, Title 50, *Idaho Code* (the "Law") and the *Local Economic Development Act*, Ch. 29, Title 50, *Idaho Code* (the "Act"). The Agency acts as an arm of the Idaho State government entirely separate and distinct from the City of Moscow as provided in *Idaho Code* Section 50-2006.

206 E Third Street  
Moscow ID 83843  
P: 208-883-7007  
F: 208-883-7018  
[www.moscowura.com](http://www.moscowura.com)

The purpose of the Agency is to undertake urban renewal projects in areas designated by the City of Moscow to be deteriorating, and to undertake this rehabilitation, conservation, redevelopment, or a combination thereof, in the interest of the public health, safety, morals or welfare of the residents of the City of Moscow.

The Agency is comprised of seven Commissioners appointed by the Mayor, and confirmed by the City Council, with terms as specified by the Mayor, as authorized by Moscow City Council Resolution 2008-17. Membership is constituted as follows: Two (2) members of the Moscow City Council; one (1) member of the Latah County Commission; and, four (4) members from the citizenry at large. Terms are staggered in such a fashion that no more than three (3) expire in any given year. The Board of Commissioners elects the Chairman, Vice-Chairman, and Secretary from the ranks of the Commission. The Treasurer's office may be filled by Commissioners or by staff appointments made by the Commission.

The Chairperson is the chief presiding officer of the Agency. The Chairman executes all deeds, bonds, contracts, and other legal documents authorized by the Commissioners. Some of the Chairman's duties may be delegated by the Board of Commissions to the Agency's half-time Executive Director, who oversees the day-to-day operations of the Agency and carries out the policies of the Board.

The City of Moscow is responsible for defining the geographic boundaries and legal creation of all urban renewal districts within the City. The Alturas Technology Park District was created in 1995 and the Legacy Crossing District was created in 2008. The Agency works with the City of Moscow and the private sector to remedy blight and to facilitate economic development within these two districts. The Agency's activities within these districts are directed by specific urban renewal plans adopted by the Moscow City Council. The Agency provides funding for these efforts through the use of tax incremental financing.

When the City establishes a tax increment financing district, the value on the property within the district is frozen as of the year the district is established. The ad valorem taxes collected on the frozen or "base" value is paid to the various taxing entities providing services to that property. Any subsequent increase in the value of property above the base is called the "increment" value and the tax revenue generated from the increment value is transferred to the Agency. These tax increment revenues are used by the Agency to pay for public improvements and other revitalization activities in that district. When the district closes (now up to 20 years) the increment value is added back to the base value on the tax rolls. This helps diversify and strengthen the economic bases of both the City and the County.

Though urban renewal is a separate item on property tax statements, local property owners pay the same amount of tax whether or not an urban renewal district is established in their area.

### **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Agency operates.

## **Local Economy**

Moscow is a city in northern Idaho, situated along the Washington/Idaho border, with a population of 24,829 (2014 U.S. Census estimate). Moscow is the county seat and largest city in Latah County. Moscow is the home of the University of Idaho, the land grant institution and primary research university for the state, as well as the home of New Saint Andrews College. Eight miles (13 km) west is Pullman, Washington, home of Washington State University, also a land grant institution.

Moscow is the principal city in the Moscow, Idaho, Micropolitan Statistical Area (McrSA), which includes Latah County. The City contains over 60 percent of the County's population, and while the University of Idaho is the dominant employer in Moscow, the City also serves as an agricultural and commercial hub for the Palouse region. Moscow leads all cities in the Micropolitan Statistical Area (McrSA) in most measures of economic power, including population, income, employment, bank deposits, assessed valuation, office space, and college enrollment.

The 2014 population of the City was estimated at 24,829 (2014 U.S. Census estimate), which places it as the 12th largest city in Idaho. The City's population is expected to grow to 25,754 persons by 2019 with an annual average growth rate of 0.73 percent. The unemployment rate (not seasonally adjusted) for Latah County for the month ending September 2014 was 3.2 percent.

## **Long-term Financial Planning**

Prior to the fourth Monday of March of the current year, the Latah County auditor notifies the Agency of the total taxable valuation of all the taxable property situated within the Alturas Technology Park District and the Legacy Crossing District for the preceding calendar year for the purpose of assisting the Agency to develop its annual budget.

In July 2014, the Latah County Assessor released its report on the Agency's assessed valuation for fiscal year 2014. Total assessed valuation within the Alturas Technology Park District increased by 9.54 percent. The Agency's tax increment revenue for fiscal year 2014 declined by \$388 (or 0.10 percent) to \$393,705 from \$394,093 received in 2013. Total assessed valuation within the Legacy Crossing District increased by 17.53 percent. The Agency's tax increment revenue for fiscal year 2014 increased by \$19,261 or 19.75 percent to \$116,809 from \$97,548 received in fiscal year 2013.

A tax increment calculation error occurred for the Legacy Crossing District. Following the 2012 property tax assessment process, Latah County notified the Agency that after a review of the assessment process, a tax increment calculation error had been made in the Legacy Crossing District, and the Agency had been allocated too much assessed value. It has been determined that the Agency received an overpayment of \$114,537 of property tax receipts over the previous three-year period. Pursuant to an agreement made between the Agency and Latah County, the overpayment will be repaid to Latah County on behalf of the effected taxing entities over a period beginning in fiscal year 2015 and ending in fiscal year 2029.

The block north of the Legacy Crossing District's property on the corner of Sixth Street and Jackson Street, was also very active this past year, with improvements to public pedestrian facilities, including replacement of sidewalk, curb, gutter, street lights, and street trees adjacent to a recently remodeled building located at 409 South Jackson. The building is leased to Economic Modeling Specialists International (EMSI), a CareerBuilder company, which compiles and analyzes labor market data for private and public clients.

## **Major Current Fiscal Year Initiatives**

Sixth and Jackson Property. The Agency owns a .84 acre property at the southwest corner of the intersection of Sixth and Jackson Streets in Moscow. The Executive Director, as directed by the Agency's Board of Commissioners, manages the activities necessary to prepare the property for disposition and redevelopment. Such activities include site investigation and environmental mitigation/cleanup, surveying, professional engineering, appraisal services, legal services, potential review of proposals in conformance with design and development criteria, selection of a successful proposer and preparation of required agreements necessary for disposition and development of the site.

Federal EPA Brownfield Grant and EPA Cleanup Grant. The Agency's Executive Director manages the Greater Moscow Coalition Federal EPA Brownfield Grant and has completed environmental assessments on over 20 acres of property within the community. Five (5) of the six (6) properties are located within the Legacy Crossing District. All of the properties except the 317 West Sixth Street project were completed by year-end.

Community Gem Grant. A public facilities project that included improved access to fiber optic facilities, and replacement of sidewalk, curb, gutter, street lights, and street trees was made possible with the assistance of an Idaho Community Gem Grant awarded to the City of Moscow. Contributions from the property owner, EMSI, and funds from the Agency through an Owner Participation Agreement were combined with the Gem Grant funds to finish the project. Other new development in the same block included the construction and opening of a new gourmet sandwich shop called Jimmy Johns with additional space available for lease in the same building. The new and upcoming improvements in the Legacy Crossing District are creating a new pedestrian friendly town-gown atmosphere connecting downtown Moscow to the University of Idaho campus. The improvements will increase the number of pedestrians and visitors, which will in turn support local businesses, stimulate investments in the area, and will eliminate blighted conditions in the redevelopment project area.

## **Accounting System and Budget Control**

The annual budget serves as the foundation for the Agency's financial planning and control. The Agency's Executive Director and Treasurer prepare the annual budget. The Agency must notify the Latah County clerk of the date, time, and location of the Agency's budget hearing for the upcoming fiscal year no later than April 30 of each year. The Agency's Board of Commissioners must adopt a prospective budget prior to the scheduled public hearing. Legal notice of the proposed budget and budget hearing must be published twice, at least seven (7) days apart in the official newspaper. The final budget document must be adopted and published by September 30 of each year.

The planning of the budget, proposed presentation, public hearing notices, public hearing, adoption, and submission to Latah County is outlined in the annual budget calendar each year ensuring all legal compliance and disclosure. The Agency's adopted budget threshold is the Agency's total balance of revenues and expenditures. The Agency may amend the current year's budget at any time during the fiscal year so long as it follows the same public hearing requirements needed for the budget's original certification. Amendments to the budget are occasionally necessary for unanticipated revenues.

## **Awards and Acknowledgements**

We would like to commend the City of Moscow staff and the Agency's audit committee for their efficient and dedicated service in helping to prepare this report. Special thanks are extended to Joelle Dinubilo, Stephanie Kalasz, John Farbo, and Marla Kraut for always improving upon the previous year's reporting. We also wish to thank John McCabe, Chairman, and the Board of Commissioners for their support in planning and conducting the financial operations of the Agency in a responsible and progressive manner. Credit must also be given to the Agency's auditors, Presnell Gage, PLLC, for their most valuable assistance in preparation of this report.

Respectfully submitted,

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Gary J. Riedner  
Interim Executive Director

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Don Palmer  
Agency Treasurer



## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Moscow Urban Renewal Agency  
Moscow, Idaho

### Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Moscow Urban Renewal Agency, a component-unit of the City of Moscow, Idaho, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Moscow Urban Renewal Agency as of September 30, 2014, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 10 through 18 and 23 through 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 03, 2015, on our consideration of the Moscow Urban Renewal Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Moscow Urban Renewal Agency's internal control over financial reporting and compliance.

PRESNELL GAGE PLLC

March 03, 2015



## MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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This section offers readers an overview and analysis of the fiscal year 2014 financial activities of the Moscow Urban Renewal Agency (hereafter "the Agency") of the City of Moscow, Idaho. It should be read in conjunction with the Agency's audited financial statements, which follow this section.

#### 2014 FINANCIAL HIGHLIGHTS

- The Agency's total net position was \$1,978,061.
- The Agency's liabilities at September 30, 2014, were \$648,362.
- The Agency's total year-end fund balances were \$1,628,525.
- The net property tax increase of \$18,873 is the difference between the decrease of \$388 of increment revenue generated from within the Alturas Technology Park District and the increase of \$19,261 in increment revenue generated from within the Legacy Crossing District. Property tax increment revenues are calculated on the change in property valuations as assessed by the Latah County Assessor.
- Redevelopment activities continue at the Agency-owned property located at the southwest corner of the intersection of Sixth and Jackson Streets in Moscow, including the completion of a Phase II Environmental Site Assessment (ESA), the preparation of an Analysis of Brownfields Cleanup Alternatives (ABCA) plan, and the successful application/award of a \$115,317 Environmental Protection Agency (EPA) Hazardous Substances Cleanup Grant.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

The Agency's annual financial report consists of several sections. Taken together, they provide a comprehensive overview of the Agency's activities. The sections of the report are as follows:

***Management's Discussion and Analysis.*** This section of the report provides financial highlights, overview, and economic factors affecting the Agency.

***Basic Financial Statements.*** This section includes the Government-wide financial statements, fund financial statements, and notes to the financial statements. Government-wide financial statements consist of the statement of net position and the statement of activities and utilize the accrual basis of accounting. The statements are intended to be more business-oriented and assist in assessing the *operational accountability* of the entity. The fund financial statements are similar to the government-wide statements; however, they use the modified accrual basis of accounting and focus on the *fiscal accountability* of the entity.

##### Government-Wide Statements

- The statement of net position found on page 19 focuses on resources available for future operations. This statement presents a snapshot view of the assets the Agency owns, the liabilities it owes, and the net difference. The net difference is further separated into amounts indicating the Agency's capital assets, net of related debt, restricted for debt service, and unrestricted amounts.
- The statement of activities found on page 20 focuses on gross and net costs of the Agency's programs and the extent to which such programs rely upon property tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

## **MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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#### **Fund Financial Statements**

- The balance sheet located on page 21 is similar to the statement of net position; however, the balance sheet omits long-term assets and long-term liabilities. This format helps assess current assets, which are available to meet current liabilities and debt service payments. Also, there is a reconciliation of the balance sheet and the statement of net position, which outlines why there are differences in the two statements.

There are four statements of revenues, expenditures, and changes in fund balances on pages 22-25. The statement on page 22 reconciles the differences to the government-wide statement of activities. The statement on page 23 has the budget-to-actual revenues and expenditures for the year for the general fund and helps in assessing whether the Agency raised and spent funds according to the budget plan. The statements on pages 24 and 25 reflect the statements of revenues, expenditures, and changes in fund balances for the Alturas Technology Park District Fund and Legacy Crossing District Fund, respectively.

#### **Notes to the Basic Financial Statements**

- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Agency's financial condition.

#### **Report by the Independent Certified Public Accountants**

- The report by the independent certified public accountants includes supplemental communication on the Agency's compliance and internal controls as required by Idaho statutes.

#### **MAJOR AGENCY INITIATIVES IN FISCAL YEAR 2014**

During fiscal year 2014, the Agency continued its management support functions with the support of a half-time Executive Director, who also holds a half-time position as Economic Development Specialist with the City of Moscow. The Executive Director is responsible for the day-to-day operations of the Agency, coordination of Agency meetings and general business, and other duties defined in the official job description. Pursuant to agreement, the City of Moscow administers the payroll and benefits for the combined position and all employee expenses are shared equally between the Agency and the City of Moscow. During fiscal year 2014, Jeff Jones, the Agency's Executive Director resigned his position. Gary J. Riedner, Moscow City Supervisor and a previous Agency Executive Director, was appointed Interim Executive Director and is expected to serve until a successor is appointed. The Agency meets certain criteria such that it is considered a component unit of the City of Moscow but continues to maintain its financial independence.

## MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Legacy Crossing District.** The Agency owns a lot located at the southwest corner of the intersection of Sixth and Jackson Streets in Moscow, within the Legacy Crossing District. The Agency's primary focus is the redevelopment of the property through continued environmental assessment/remediation and facilitating the construction of improvements in conformance with the Legacy Crossing Plan. On May 29, 2013, the Agency was awarded an EPA Hazardous Substances Cleanup Grant. The Sixth and Jackson property is one of the beneficiaries of an EPA Brownfield Assessment Grant and has underwent testing throughout the past year to develop a remediation plan to remove contaminated soils in order to prepare the property for redevelopment. The Agency has also been awarded an EPA Cleanup Grant to fund the removal of soils to allow the property to be redeveloped. The cleanup activities will be completed during the summer of 2015 in order that the property can be developed in conformance with the Legacy Crossing District Plan.

Opposite the corner of Legacy Crossing's Sixth and Jackson Street lot is Jimmy Johns, a sandwich restaurant. This new construction project houses Jimmy Johns and additional commercial space available for lease within the building. On the same block north of Jimmy Johns is a redevelopment project that included improved access to public fiber-optic facilities, replacement of sidewalk, curb, gutter, street lights, and street trees in front of a recently remodeled building located at 409 South Jackson. The building is leased to Economic Modeling Specialists International (EMSI), a CareerBuilder company, which compiles and analyzes labor market data for private and public clients. This project was made possible with the assistance of an Idaho Community Gem Grant awarded to the City of Moscow. Contributions from the property owner, EMSI, and funds from the Agency through an Owner Participation Agreement were combined with the Gem Grant funds to finish the project. These and anticipated future improvements are intended to support the Legacy Crossing District Plan by encouraging a pedestrian friendly, town-gown atmosphere connecting downtown Moscow to the University of Idaho campus. The improvements will assist in increasing the number of pedestrians and visitors, which will in turn support local businesses, stimulate investments in the area, and will eliminate blighted conditions in the redevelopment project area.

As part of the creation of the Legacy Crossing District, all the parcels were given a base value premised on the 2008 property values. Assessed values above the 2008 base for those parcels benefit the District. Once the area is established, a tax code area is created that identifies those taxing entities levying taxes within the area. Beginning in 2009, any increase in the properties' assessed values times the levies, generates tax increment revenue for the District. The assessment process utilized by the County for three subsequent years (from the base year of 2008) used certain software developed and provided by the Idaho State Tax Commission. It was determined that the software during this three-year period of time experienced a "glitch" that needed to be manually overridden by the Latah County Assessor's office in order to have prevented an over allocation of value. The Agency had no part of the assessment process or establishment of the various tax levies.

Following the 2012 property tax assessment process, the County contended that the Agency received an over payment of \$114,537 of property tax receipts over the three-year period. A settlement agreement between the Agency and Latah County was signed by the Agency on September 30, 2014, but not yet signed by the County. It is anticipated that there are no barriers to their signing and it is merely a timing issue as of the close of the fiscal year. A prior period adjustment was made in the current year to record the \$114,537 liability and to correct equity for the prior year over payment of property taxes.

## MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Greater Moscow Area Brownfield Coalition.** The Agency is a coalition partner with the City of Moscow and Latah County, administering a \$475,000 EPA Brownfield Coalition Assessment Grant. The Agency, as a participating member of this coalition grant, has provided a benefit to the following properties within the Legacy Crossing Urban Renewal District as of September 30, 2014:

1102 South Main Street	\$ 77,752
317 West Sixth Street	60,592*
207 North Main	39,857
Almon and "A" Street	75,002
Lilly and Asbury	29,637

\*The 317 West Sixth Street property has an additional \$27,138 in assessment work to be completed before cleanup planning activities are initiated.

The Agency anticipated and budgeted that the Brownfield cleanup would be completed, the lot sold, and the loan on the lot paid off in the current year. Because this did not occur, as well as a \$50,000 (of the budgeted \$150,317) Business Opportunity Grant not being awarded to the Agency, the budgeted revenues and expenditures greatly exceed the actual activity (see page 25 - statement of revenues, expenditures, and changes in fund balance – budget to actual – Legacy Crossing). Furthermore, only \$3,560 of the \$100,317 Brownfield cleanup grant was expended for training purposes.

**Alturas Technology Park.** As real estate market conditions continue to improve, the Agency will aggressively market the remaining six lots in the Alturas Technology Park District targeting markets like agribusiness, biotechnology, software/IT, institutes and associations, and young technology professionals. Towards that end, the Agency entered into an agreement for real estate brokerage services to assist the Agency with the marketing and sale of the remaining lots.

MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO

MANAGEMENT'S DISCUSSION AND ANALYSIS

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

Trends in the Urban Renewal Agency's Net Position

	2014	2013	2012
Cash and investments	\$ 1,098,035	\$ 834,771	\$ 659,759
Accounts receivable	111	89	614
Land held for sale	531,256	531,256	531,256
Land	505,803	505,803	505,803
Capital assets	491,218	549,706	558,056
Total assets	2,626,423	2,421,625	2,255,488
Total liabilities	648,362	652,902	754,679
Net position			
Invested in capital assets, net of related debt	508,385	447,909	353,616
Restricted debt service	159,483	150,057	138,565
Unrestricted	1,310,193	1,170,757	1,008,628
Total net position	1,978,061	1,768,723	1,500,809
Total liabilities and net position	\$ 2,626,423	\$ 2,421,625	\$ 2,255,488

The Agency's total assets for 2014 exceeded its liabilities by \$1,978,061. The total capital assets are \$997,021 net of depreciation. The capital assets owned by the Agency include the infrastructure within the Alturas Technology Park and the lot purchased within the Legacy Crossing District.

**Outstanding Debt.** At the end of fiscal year 2014, the Agency had total outstanding bonded debt of \$532,948 as noted on page 32. These bonds are limited obligations of the Agency for both Alturas Technology Park and Legacy Crossing District. Additional information on the Agency's long-term debt can be found in Note 6 in the notes to the financial statements.

**MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO****MANAGEMENT'S DISCUSSION AND ANALYSIS****Trends in the Urban Renewal Agency's Changes in Net Position**

	2014	2013	2012
General revenues:			
Property tax	\$ 510,514	\$ 491,641	\$ 488,257
Other revenues:			
Investment income (losses)	3,744	(848)	2,630
Grants and contributions	3,560		
Refunds and reimbursements			497
Total revenues	517,818	490,793	491,384
Expenditures:			
Project administration	105,244	110,218	96,384
Depreciation	58,488	57,164	58,036
Interest	30,211	34,902	45,153
Total expenditures	193,943	202,284	199,573
Increase in net position	\$ 323,875	\$ 288,509	\$ 291,811
Net position, October 1	\$ 1,768,723	\$ 1,500,809	\$ 1,208,998
Prior period adjustment	(114,537)	(20,595)	
Net position, September 30	1,978,061	1,768,723	1,500,809

The net property tax increase of \$18,873 is the difference between the decrease of \$388 of increment revenue generated from within the Alturas Technology Park District and the increase of \$19,261 in increment revenue generated from within the Legacy Crossing District. Property tax increment revenues are calculated on the change in property valuations as assessed by the Latah County Assessor. Total interest income increased \$4,592 for fiscal year 2014. The increase in interest income reflects changes in the market value of investment bonds held by the Agency and interest rates, which continued to be flat during fiscal year 2014. The Agency implements all Governmental Accounting Standards Board (GASB) pronouncements so that we are in compliance with the accounting standards for governments. Additional information comparing the Agency's budgeted to actual expenditures can be found in the statement of revenues, expenditures, and changes in fund balances on pages 23-25.

## MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### FUND FINANCIAL ANALYSIS

##### Trends in the Urban Renewal Agency's Balance Sheet

	2014	2013	2012
Cash and investments	\$ 1,098,035	\$ 834,771	\$ 659,759
Accounts receivable	111	89	614
Land held for sale	531,256	531,256	531,256
Total assets	1,629,402	1,366,116	1,191,629
Total liabilities	877	990	124
Fund balance			
Nonspendable	531,256	531,256	531,256
Restricted	159,483	150,057	138,565
Assigned	891,082	638,114	477,265
Unassigned	46,704	45,699	44,419
Total fund balance	1,628,525	1,365,126	1,191,505
Total liabilities and fund balance	\$ 1,629,402	\$ 1,366,116	\$ 1,191,629

The Agency's balance sheet reflects the fiscal year 2014 amount restricted for debt service, including an increase of the amount restricted from \$150,057 to \$159,483 - reflecting the annual change in debt service for both the Alturas Technology Park District and Legacy Crossing District's debt service payments. Increased cash and investments from the prior year are the result of the following: Increased cash for debt service requirements, costs associated with future land sales, marketing, public infrastructure, and increased legal costs associated with the planned closure of the Alturas Technology District. Furthermore, Legacy Crossing District cash that has been set aside for improvements to the Agency's lot located at the southwest corner of the intersection of Sixth and Jackson Street have been carried forward while the Agency continues the environmental clean-up/mitigation of this property.

#### ECONOMIC CONDITIONS AFFECTING THE AGENCY

**Employment.** The Latah County unemployment rate (not seasonally adjusted) for the month ending in September 2014 was 3.2 percent compared with 5.6 percent in September 2013. The September 2014 unemployment rate (not seasonally adjusted) of 3.2 percent was below a state unemployment rate of 3.5 percent and a national unemployment rate of 7.4 percent. <sup>1</sup>

Latah County saw employment growth in the following sectors from 2013-2014: <sup>2</sup>

- Real Estate Rental and Leasing (3 percent)
- Management of Companies and Enterprises (3 percent)
- Administrative and Support and Waste Management and Remediation Services (1 percent)
- Private Educational Services (1 percent)
- Wholesale Trade (9 percent)
- Professional, Scientific, and Technical Services (2 percent)
- Arts, Entertainment, and Recreation (1 percent)

<sup>1</sup>U.S. Bureau of Labor Statistics

<sup>2</sup>Source: QCEW Employees – EMSI 2014.1 Class of Worker

## MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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Latah County saw employment retractions in the following sectors: <sup>3</sup>

- Accommodation and Food Service (-3 percent)
- Construction (-1 percent)
- Retail Trade (-3 percent)
- Transportation and Warehousing (-2 percent)
- Information (-7 percent)
- Finance and Insurance (-6 percent)
- Government (-1 percent)

Non Disclosed:

- Mining, Quarrying, and Oil and Gas Extraction (Non Disclosed)
- Utilities (Non Disclosed)

Real Estate:

- The average home sale price in Latah County decreased 9.44 percent from \$219,200 in 2013 to \$198,517 in 2014 after a 2.53 percent increase the prior year. <sup>4</sup>
- The average home sale price in the City of Moscow decreased 12.4 percent from \$230,500 in 2013 to \$201,916 in 2014, after a 2.46 percent increase the prior year. <sup>5</sup>

Tourism:

- During fiscal year 2014, Latah County transient occupancy tax increased 9.98 percent from fiscal year 2013. <sup>6</sup>

Building Permits:

- Total permitted construction value in the City of Moscow increased 52.89 percent from \$18.51 million in 2013 to \$28.3 million in calendar year 2014. <sup>7</sup>

***Urban Renewal and Tax Increment Financing (TIF).*** The State of Idaho offers few financial incentives for economic development. Urban renewal and tax increment financing is one of the few economic development tools available to local government.

As an urban renewal agency, the Agency receives tax increment revenues calculated on the assessed value over the frozen base, which was set at the time of creation of an urban renewal district. When the Agency completes projects, it is actually investing in itself; as the value of the properties increase in the District, the tax increment revenues also increase. Because states are cutting or delaying aid to local governments in significant numbers, transferring costs from themselves to their cities, counties, and K-12 schools, and in some cases additionally passing laws that limit the local government's ability to raise taxes, urban renewal and tax increment financing are vital economic development programs in Idaho.

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<sup>3</sup> Source: QCEW Employees - EMSI 2014.1 Class of Worker

<sup>4</sup> Latah County MLS

<sup>5</sup> Latah County MLS

<sup>6</sup> Idaho Department of Commerce, Tourism Department

<sup>7</sup> City of Moscow Community Development Department.



## **MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Alturas Technology Park District continues to provide economic benefit to the City of Moscow with a direct and indirect investment to the local economy of \$26.7M. Building on the success of the Alturas Technology Park District, the Legacy Crossing District was created in 2008 to provide a vision and direction for the redevelopment of an obsolete railroad corridor adjacent to downtown Moscow, and to increase economic opportunities for the community.

The Legacy Crossing District will have long-term positive impacts on the community and the Agency's financial status. The reurbanization of inner-city districts, particularly those with land uses transitioning from industrial uses to mixed-uses, requires an extended planning horizon. Redevelopment activities continue on the Agency-owned property located at the southwest corner of the intersection of Sixth and Jackson Streets, including the completion of a Phase II Environmental Site Assessment, the continued evaluation of contamination monitoring wells, the analysis and review of Brownfields Cleanup Alternatives (ABCA) plan, and the preparation of an ALTA/ACSM Land Title Survey.

The Agency also provided funding towards the Jackson Street Sidewalk Reconstruction Project by entering into an "Owner Participation (reimbursement) Agreement" to facilitate redevelopment of the EMSI building frontage and improve the public infrastructure.

A majority of the building permit value was related to new commercial construction: \$15.1 million in calendar year 2014 as compared to \$5.7 million in calendar year 2013, which indicates that residential markets are continuing to be challenged.

No new lot sales were completed in the Alturas Technology Park for fiscal year 2014. In general, the technology park continues to be challenged and other commercial activity in Moscow is generally comprised of new restaurants or office buildings are locating into either existing buildings or building a new facility. There are a limited number of existing commercial properties available in Moscow for companies to choose from and most would require a substantial retrofit. So, as national and economic conditions continue to improve, the Agency anticipates greater interest in the Agency's lots in Alturas Technology Park.

### **FINANCIAL CONTACT**

This financial report is designed to provide a general overview of the Agency's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Moscow Urban Renewal Agency Treasurer, P.O. Box 9203, Moscow, Idaho, 83843.

**MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO**

**STATEMENT OF NET POSITION**  
September 30, 2014

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	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 1,098,035
Accounts receivable	111
Land held for sale	531,256
Capital assets	
Land	505,803
Infrastructure, net of accumulated depreciation of \$694,989	491,218
Total assets	<u>2,626,423</u>
<b>LIABILITIES</b>	
Accounts payable	877
Series 2007 Bond - due within one year	109,948
Series 2010 Bond - due within one year	24,000
Latah County payback agreement - due within one year	4,000
Series 2010 Bond - due after one year	399,000
Latah County payback agreement - due after one year	110,537
Total liabilities	<u>648,362</u>
<b>NET POSITION</b>	
Net investment in capital assets	508,385
Restricted	
Debt service	159,483
Unrestricted	<u>1,310,193</u>
Total net position	<u>\$ 1,978,061</u>

See accompanying notes

**MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO**

STATEMENT OF ACTIVITIES  
Year Ended September 30, 2014

		Program Revenues	Net Revenue (Expense) and Changes in Net Assets
	Expenses	Operating Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES			
Project administration	\$ 105,244	\$ 3,560	\$ (101,684)
Depreciation	58,488		(58,488)
Interest expense	30,211		(30,211)
Total governmental activities	<u>193,943</u>	<u>3,560</u>	<u>(190,383)</u>
GENERAL REVENUES			
Property taxes levied for general purposes			510,514
Investment income/losses			<u>3,744</u>
Total general revenues			<u>514,258</u>
Change in net position			323,875
NET POSITION, beginning of year			1,768,723
PRIOR PERIOD ADJUSTMENT			<u>(114,537)</u>
NET POSITION, end of year			<u><u>\$ 1,978,061</u></u>

See accompanying notes

**MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO**

BALANCE SHEET - GOVERNMENTAL FUNDS  
September 30, 2014

	General	Alturas Technology Park District	Legacy Crossing District	Total
<b>ASSETS</b>				
Cash and investments	\$ 46,653	\$ 754,841	\$ 296,541	\$ 1,098,035
Accounts receivable	111			111
Land held for sale		531,256		531,256
<b>Total assets</b>	<b>\$ 46,764</b>	<b>\$ 1,286,097</b>	<b>\$ 296,541</b>	<b>\$ 1,629,402</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 60	\$ 157	\$ 660	\$ 877
<b>Total liabilities</b>	<b>60</b>	<b>157</b>	<b>660</b>	<b>877</b>
<b>Fund Balance</b>				
Nonspendable		531,256		531,256
Restricted for debt service		115,171	44,312	159,483
Assigned		639,513	251,569	891,082
Unassigned	46,704			46,704
<b>Total fund balance</b>	<b>46,704</b>	<b>1,285,940</b>	<b>295,881</b>	<b>1,628,525</b>
<b>Total liabilities and fund balance</b>	<b>\$ 46,764</b>	<b>\$ 1,286,097</b>	<b>\$ 296,541</b>	<b>\$ 1,629,402</b>

RECONCILIATION OF THE STATEMENT OF NET POSITION TO THE BALANCE SHEET

<b>Total fund balance - Governmental Funds</b>	<b>\$ 1,628,525</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are financial resources and, therefore, are not reported in the funds	997,021
Long-term liabilities, consisting of bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	(647,485)
<b>Total net position - Governmental Activities</b>	<b>\$ 1,978,061</b>

See accompanying notes

**MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended September 30, 2014

	General	Alturas Technology Park District	Legacy Crossing District	Total
<b>REVENUES</b>				
Property taxes		\$ 393,705	\$ 116,809	\$ 510,514
Grants and contributions			3,560	3,560
Investment income/losses	\$ 1,005		2,739	3,744
Total revenues	<u>1,005</u>	<u>393,705</u>	<u>123,108</u>	<u>517,818</u>
<b>EXPENDITURES</b>				
Current				
Legal and professional fees	56,769	2,765	3,966	63,500
Insurance	1,492			1,492
Advertising	583	807		1,390
Management services	30,000			30,000
Repairs and maintenance		994	1,801	2,795
Other administration expenses	1,751		4,316	6,067
Debt Service				
Principal retirement		95,964	23,000	118,964
Interest		9,766	20,445	30,211
Total expenditures	<u>90,595</u>	<u>110,296</u>	<u>53,528</u>	<u>254,419</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(89,590)</u>	<u>283,409</u>	<u>69,580</u>	<u>263,399</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers	90,595	(90,595)		0
Total other financing sources (uses)	<u>90,595</u>	<u>(90,595)</u>	<u>0</u>	<u>0</u>
Net change in fund balances	1,005	192,814	69,580	263,399
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>45,699</u>	<u>1,093,126</u>	<u>226,301</u>	<u>1,365,126</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 46,704</u>	<u>\$ 1,285,940</u>	<u>\$ 295,881</u>	<u>\$ 1,628,525</u>

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

**Net change in fund balances - Governmental Funds** \$ 263,399

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

This is the amount of depreciation taken during the current period. (58,488)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Principal payments made on long-term debt 118,964

**Change in net position - Governmental Activities** \$ 323,875

See accompanying notes

**MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS  
GENERAL FUND  
Year Ended September 30, 2014

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Investment income/losses	\$ 2,000	\$ 1,005	\$ (995)
Total revenues	<u>2,000</u>	<u>1,005</u>	<u>(995)</u>
<b>EXPENDITURES</b>			
Current			
Legal and professional fees	61,420	56,769	4,651
Insurance	1,550	1,492	58
Advertising	1,000	583	417
Management services	30,000	30,000	0
Other administration expenses	6,700	1,751	4,949
Total expenditures	<u>100,670</u>	<u>90,595</u>	<u>10,075</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(98,670)</u>	<u>(89,590)</u>	<u>9,080</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers	<u>258,050</u>	<u>90,595</u>	<u>(167,455)</u>
Total other financing sources (uses)	<u>258,050</u>	<u>90,595</u>	<u>(167,455)</u>
Net change in fund balances	159,380	1,005	(158,375)
FUND BALANCES BEGINNING OF YEAR	<u>(159,380)</u>	<u>45,699</u>	<u>205,079</u>
FUND BALANCES END OF YEAR	<u>\$ 0</u>	<u>\$ 46,704</u>	<u>\$ 46,704</u>

See accompanying notes

**MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS  
ALTURAS TECHNOLOGY PARK DISTRICT FUND  
Year Ended September 30, 2014

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property taxes	\$ 354,529	\$ 393,705	\$ 39,176
Total revenues	<u>354,529</u>	<u>393,705</u>	<u>39,176</u>
<b>EXPENDITURES</b>			
Current			
Legal and professional fees	46,540	2,765	43,775
Advertising	5,000	807	4,193
Repairs and maintenance	6,000	994	5,006
Other administration expenses	1,500		1,500
Debt Service			
Principal retirement	95,965	95,964	1
Interest	9,785	9,766	19
Capital outlay			
Improvements	135,000		135,000
Contingency	24,820		24,820
Total expenditures	<u>324,610</u>	<u>110,296</u>	<u>214,314</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>29,919</u>	<u>283,409</u>	<u>253,490</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale	157,380		(157,380)
Operating transfers	(258,050)	(90,595)	167,455
Total other financing sources (uses)	<u>(100,670)</u>	<u>(90,595)</u>	<u>10,075</u>
Net change in fund balances	(70,751)	192,814	263,565
FUND BALANCES BEGINNING OF YEAR	<u>70,751</u>	<u>1,093,126</u>	<u>1,022,375</u>
FUND BALANCES END OF YEAR	<u>\$ 0</u>	<u>\$ 1,285,940</u>	<u>\$ 1,285,940</u>

See accompanying notes

**MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS  
LEGACY CROSSING DISTRICT FUND  
Year Ended September 30, 2014

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property taxes	\$ 93,675	\$ 116,809	\$ 23,134
Grants and contributions	150,317	3,560	(146,757)
Investment income/losses		2,739	2,739
Total revenues	<u>243,992</u>	<u>123,108</u>	<u>(120,884)</u>
<b>EXPENDITURES</b>			
Current			
Legal and professional fees	44,258	3,966	40,292
Advertising	500		500
Repairs and maintenance	3,000	1,801	1,199
Other administration expenses	6,450	4,316	2,134
Debt service			
Principal retirement	446,000	23,000	423,000
Interest	20,445	20,445	
Capital outlay			
Improvements	177,004		177,004
Contingency	16,559		16,559
Total expenditures	<u>714,216</u>	<u>53,528</u>	<u>660,688</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(470,224)</u>	<u>69,580</u>	<u>539,804</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale	467,965		(467,965)
Total other financing sources (uses)	<u>467,965</u>	<u>0</u>	<u>(467,965)</u>
Net change in fund balances	(2,259)	69,580	71,839
FUND BALANCES BEGINNING OF YEAR	<u>2,259</u>	<u>226,301</u>	<u>224,042</u>
FUND BALANCES END OF YEAR	<u>\$ 0</u>	<u>\$ 295,881</u>	<u>\$ 295,881</u>

See accompanying notes



# MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO

## NOTES TO FINANCIAL STATEMENTS

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### 1. SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity.** The Moscow Urban Renewal Agency (the "Agency"), a component unit of the City of Moscow, Idaho, was organized on June 19, 1995, under the Idaho Urban Renewal Law, Chapter 20, Title 50 of the *Idaho Code*. As such, the Agency acts as a legal entity, separate and distinct from the City of Moscow, even though members of the City Council also serve as members of the Agency's governing board. However, the Agency is considered a component unit of the City of Moscow due to the oversight authority of the City Council.

The actions of the Agency are binding, and business, including the incurrence of long-term debt, is routinely transacted in the Agency's name by its appointed representatives. The Agency is broadly empowered to engage in the general economic revitalization and redevelopment of the City through acquisition and development of property, public improvements, and revitalization activities in those areas of the City determined to be in a declining condition, which are in a redevelopment project area.

The Alturas Technology Park is the Agency's first project. Phase I of the project was constructed during 1997 and 1998, and consists of six saleable lots and a public park. Bonds were issued to finance the development costs. All six lots had been sold and occupied prior to the beginning of the current fiscal year.

On March 12, 2004, the Agency's Board of Directors approved a plan to construct Phase II of the Alturas Technology Park. The City of Moscow's Planning and Zoning Commission found the plan to conform with the City of Moscow's Comprehensive Land Use Plan and it was approved by the City Council. The Agency approved an amendment to the plan, which contains provisions for financing Phase II and allows costs to be incurred for public improvements, an economic feasibility study, project costs, fiscal impact study, financing costs, and a plan for acquisition, disposition, and retention of assets, including real property. Construction of Phase II began in the fall of 2005 and completed prior to the beginning of the current fiscal year.

During the fiscal year ended September 30, 2008, a central portion of the City of Moscow was declared a deteriorating area. A second urban renewal district was defined and named Legacy Crossing District. During the course of fiscal year 2007-2008, a plan was written, public comment was obtained, and a feasibility study conducted. The final Legacy Crossing Urban Renewal District plan was accepted by the City Council in June 2008 and filed as approved by the Idaho State Tax Commission in August 2008. During fiscal year 2009-2010, the Agency issued bonds to finance the purchase of the land relating to Legacy Crossing District.

**Measurement Focus and Basis of Accounting.** The financial statements of the Moscow Urban Renewal Agency have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Agency uses the following two bases of accounting in these financial statements:

#### **Economic Resources Measurement Focus and Accrual Basis of Accounting**

Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO

NOTES TO FINANCIAL STATEMENTS

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1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Measurement Focus and Basis of Accounting (Continued).*

**Current Financial Resources Measurement Focus and Modified Accrual Basis of Accounting**

Under this measurement focus, revenues are recognized when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Agency considers revenues as available if they are collected within 60 days after year-end.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

***Restricted Resources.*** Program expenses are allocated to restricted program revenue first and then to the next highest level of net position/fund balance restrictions when both restricted and unrestricted resources are available.

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB #54) defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB #54 requires the fund balance amounts to be properly reported within one of the fund balance categories below:

**Nonspendable**

Includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

**Restricted**

Includes amounts that can be spent only for the specific purpose stipulated by external resource providers, constitutional provisions, or enabling legislation.

**Committed**

Includes amounts that can only be used for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

**Assigned**

Includes amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

**Unassigned**

Residual classification of fund balance that includes all spendable amounts that have not been restricted, committed, or assigned.

# MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO

## NOTES TO FINANCIAL STATEMENTS

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### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Agency-Wide Financial Statements.** The statement of net position and the statement of activities display information about the overall Agency. Eliminations have been made to minimize the double-counting of internal activities. These statements reflect only governmental activities of the Agency since there are no “business-type activities” within the Agency. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the Agency’s sole function of economic development within the Agency boundaries. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements.** The fund financial statements provide information about the Agency’s funds. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The Agency has only governmental-type funds. Because there are only three funds, they are all presented on the face of the fund financial statements.

**Basis of Presentation.** The Agency uses the following governmental funds:

General Fund – This fund was created by the Agency, separate and apart from all other funds of the Agency, designated the “General Fund,” into which shall be deposited the excess interest revenues earned and incremental tax revenues received each year, after the provision has been made for payment of principal and interest on the bonds. The provision is determined by the Board and is sufficient to pay the costs of administration of the Agency for the fiscal year.

Alturas Technology Park and Legacy Crossing District Funds – These funds were created by the Agency as special funds held by the Agency, separate and apart from all other funds of the Agency, designated the “Alturas Technology Park Fund” and the “Legacy Crossing District Fund.” All incremental tax revenues relating to each individual project area shall be deposited promptly upon receipt by the Agency into the associated fund and shall be used only for the following purposes and in the following order of priority:

- First, to pay the interest on the bonds and notes payable relating to the associated project.
- Second, to pay the principal of the bonds and notes payable relating to the associated project.
- Third, to fund the general fund.
- Fourth, to fund construction in the project areas for plans as legally approved by the Moscow Urban Renewal Agency Commission.
- Fifth, for any lawful purpose of the Agency.

# MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO

## NOTES TO FINANCIAL STATEMENTS

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### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Use of Estimates.** The Agency uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that the Agency uses.

**Budgets.** As required by Idaho law, the Agency has adopted a budget, which is presented on the face of the financial statements.

**Deposits and Investments.** Cash is invested by the Agency until it is needed for the purpose of maximizing investment earnings. The investments are reported at fair value at September 30, 2014. The fair value is combined with the checking account balance and is presented as cash and investments.

**Land Held for Sale.** Land held for sale consists of properties purchased with the intent to sell the properties in the short-term. Land held for sale is stated at the lower of cost or fair market value. Land held for sale is not depreciated or amortized.

**Capital Assets.** Capital assets are long lived assets of the Agency as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The Agency records all capital assets at their original cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets consist of infrastructure at the Alturas Technology Park, which are depreciated using the straight-line method over their estimated useful life of 20 years, and the land relating to the Legacy Crossing District.

**Long-Term Obligations.** Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for early payment in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability.

**Personnel.** The Agency employs no personnel and, thus, has no liability disclosures for pension costs, employee compensated absence, or payroll tax accruals. The Agency agrees to pay \$30,000 to the City of Moscow for services provided through City Administration, Public Works, Finance, and Community Development departments. Additionally, the Agency retains an Executive Director whose duties and responsibilities are equally separated from the City's Economic Development Director. The Agency contracts with the City for one-half of the full time position, as stipulated in the City Services Agreement between the City and the Agency.

### 2. PROPERTY TAXES

In accordance with Idaho law, property taxes are levied in dollars in September for each calendar year. Levies are made on or before the second Monday of September. One-half of the property taxes are due on or before December 20th, and the remaining one-half is due on or before June 20th of the following year. A lien is filed on property after three years from the date of delinquency.

**MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO**

**NOTES TO FINANCIAL STATEMENTS**

**2. PROPERTY TAXES (CONTINUED)**

The Agency has no direct taxing power. The agency receives property taxes based upon the increase in assessed value of property caused by construction and growth in valuation since the base year. All taxing districts within the tax allocation area receive property tax revenue from their respective tax rate at the base year's assessed value. The assessed property values of the Alturas Technology Park District and Legacy Crossing District in the base years were \$6,478,723 and \$47,710,183, respectively. Each year since the base year, the assessed valuation has grown due to new construction, remodeling, or growth in value.

The increased valuation since the base years and their related property tax increment is listed as follows:

Year	Alturas Technology Park District		Legacy Crossing District	
	Valuation Increase	Tax Revenue	Valuation Increase	Tax Revenue
1996	Base Year			
1997	\$ 412,961			
1998	2,152,755	\$ 8,715		
1999	3,035,029	37,802		
2000	6,733,645	55,711		
2001	7,870,259	122,694		
2002	7,791,240	142,102		
2003	9,154,368	158,102		
2004	12,532,351	182,716		
2005	13,902,634	216,171		
2006	15,874,049	226,213		
2007	16,528,808	267,176		
2008	17,743,264	275,300	Base Year	
2009	22,026,234	310,320	\$ 3,345,847	
2010	20,773,182	365,086	8,323,295	\$ 53,020
2011	20,959,640	349,530	8,377,408	129,830
2012	21,781,341	344,205	5,340,592	144,052
2013	20,097,246	394,093	4,898,388	97,548
2014	22,015,034	393,705	5,757,256	116,809

# MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO

## NOTES TO FINANCIAL STATEMENTS

### 3. CASH AND INVESTMENTS

At September 30, 2014, the carrying amount of the Agency's cash deposits was \$11,188, and the bank balance was \$14,625. The entire cash balance is FDIC insured.

As of September 30, 2014, the Agency had the following investments and maturities:

	Less than 1	1-5	Greater than 5	Interest Rate	Fair Value
Governmental Activities					
Cash and equivalents	\$ 4,312			0.00	\$ 4,312
U.S. government agencies			\$ 38,294	3.20	38,294
Idaho State Treasurer's Local Government Investment Pool	1,044,241			0.13	1,044,241
Total investments	<u>\$1,048,553</u>	<u>\$ 0</u>	<u>\$ 38,294</u>		<u>\$1,086,847</u>

*Interest rate risk:* In accordance with its investment policy, the Agency manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

*Credit risk:* As of September 30, 2014, the Agency's investment in the Idaho State Treasurer's Local Government Investment Pool is unrated. The Agency's investments held through Zions Bank are AAA rated by Moody's Investor Service and are implicitly guaranteed by the U.S. government.

*Concentration of credit risk:* The Agency's investment policy states that the Agency shall mitigate concentration risk by:

1. Limiting investments to avoid over concentration in securities from a specific issuer or business sector,
2. Limiting investment in securities that have higher credit risks,
3. Investing in securities with varying maturities, and
4. Continuously investing a portion of the portfolio in readily available funds such as the State Treasurer's Local Government Investment Pool, government-sponsored agencies, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

*Custodial credit risk – investments:* For an investment, this is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency's policies include investments approved by *Idaho Code 50-1013*, which limit custodial credit by purchasing marketable securities by an implied guarantee of the United States of America, and the Agency uses brokers that qualify under Securities & Exchange Commission *Rule 15C3-1*.

**MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO**

**NOTES TO FINANCIAL STATEMENTS**

**4. LAND HELD FOR SALE**

As of September 30, 2014, land held for sale, which is stated at the lower of cost or fair value, consists of six lots within the Alturas Technology Park. It is intended that these lots be disposed of by way of sale and steps have been taken for this purpose. The value of these lots was \$531,256 at September 30, 2014.

**5. CAPITAL ASSETS**

Capital assets consist of land, infrastructure for water, sewer, curbs and sidewalks, street lighting, and paving. Activity for the year ended September 30, 2014, was as follows:

	Beginning Balances 10/01/13	Increases	Decreases	Ending Balances 09/30/14
Capital assets not being depreciated				
Land	<u>\$ 505,803</u>			<u>\$ 505,803</u>
Total assets not being depreciated, net	<u>505,803</u>			<u>505,803</u>
Capital assets being depreciated				
Infrastructure	1,186,207			1,186,207
Less accumulated depreciation for infrastructure	<u>(636,501)</u>		<u>(58,488)</u>	<u>(694,989)</u>
Total assets being depreciated, net	<u>549,706</u>		<u>(58,488)</u>	<u>491,218</u>
Governmental activities capital assets, net	<u>\$ 1,055,509</u>	<u>\$ 0</u>	<u>\$ (58,488)</u>	<u>\$ 997,021</u>

**6. LONG-TERM OBLIGATIONS**

The following is a summary of debt transactions of the Agency for the fiscal year ended September 30, 2014:

	Series 2007 Revenue Allocation Bond	Series 2010 Revenue Allocation Bond	Total
Debt payable, 9/30/13	<u>\$ 205,912</u>	<u>\$ 446,000</u>	<u>\$ 651,912</u>
Additions			0
Principal payments	<u>(95,964)</u>	<u>(23,000)</u>	<u>(118,964)</u>
Debt payable, 9/30/14	<u>\$ 109,948</u>	<u>\$ 423,000</u>	<u>\$ 532,948</u>

**MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO**

**NOTES TO FINANCIAL STATEMENTS**

**6. LONG-TERM OBLIGATIONS (CONTINUED)**

Debt outstanding at September 30, 2014, consisted of the following:

Revenue Allocation Bonds - Series 2007 - \$561,795 Revenue Allocation (Tax Increment) Bonds due in annual installments, with an interest rate at September 30 of 4.75 percent.

Revenue Allocation Bonds - Series 2010 - \$510,000 Revenue Allocation (Tax Increment) Bonds due in annual installments, with an interest rate at September 30 of 4.39 percent.

At September 30, 2014, the annual debt service requirements to maturity, assuming current interest rates, are as follows:

Year Ending September 30	Series 2007		Series 2010	
	Principal	Interest	Principal	Interest
2015	\$ 109,948	\$ 5,223	\$ 24,000	\$ 19,486
2016			25,000	18,432
2017			27,000	17,287
2018			28,000	15,999
2019			29,000	14,591
2020-2024			169,000	49,801
2025-2027			121,000	10,756
	<u>\$ 109,948</u>	<u>\$ 5,223</u>	<u>\$ 423,000</u>	<u>\$ 146,352</u>

Revenue Allocation Bonds are limited obligations of the Agency and are not general obligations of the Agency or the City of Moscow, Idaho. These bonds and other issued debt and the related interest are payable solely from property tax revenues from the designated project fund, reserve funds, and any unobligated funds of the Agency.

The Agency also agreed to a long-term payback agreement with Latah County, Idaho for the repayment of \$114,537 of property taxes received in prior years (see note 8 for details). The payback agreement calls for annual installment payments over 15 years with no interest. At September 30, 2014, the annual required payments to Latah County are as follows:

Year Ending September 30	Tax Repayment Agreement
2015	\$ 4,000
2016	2,000
2017	3,500
2018	3,500
2019	3,500
2020-2024	23,500
2025-2029	74,537
	<u>\$ 114,537</u>

The total interest expense in 2014 amounted to \$30,211 in the governmental funds.



## MOSCOW URBAN RENEWAL AGENCY, MOSCOW, IDAHO

### NOTES TO FINANCIAL STATEMENTS

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#### 7. FUND BALANCE CLASSIFICATIONS

***Nonspendable.*** Nonspendable fund balances represent amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. The Agency's nonspendable fund balance consists of land that is held for resale and is not considered to be in a spendable form.

***Restricted.*** Restricted net position/fund balances represent amounts whose use is restricted by creditors, grantors, laws and regulations of other governments, or through enabling legislation. Restrictions for the Agency include resources of the Alturas Technology Park District and the Legacy Crossing District that are set aside for the specific purpose of satisfying debt service requirements set forth by the Agency's individual bond related covenants.

***Assigned.*** The fund balances classified as assigned are for use for specific purposes but do not rise to the level of restricted or committed. The Agency has assigned balances that include the activities of special revenue funds.

***Unassigned.*** The unassigned fund balance is in the general fund and has not been restricted, committed, or assigned to specific purposes within the general fund.

#### 8. PROPERTY TAX REPAYMENT AGREEMENT AND PRIOR PERIOD ADJUSTMENT

As part of the creation of the Legacy Crossing District, all the parcels were given a base value premised on the 2008 property values. Assessed values above the 2008 base for those parcels benefit the District. Once the Area is established, a tax code area is created that identifies those taxing entities levying taxes within the Area. Beginning in 2009, any increase in the properties' assessed values times the levies, generates tax increment revenue for the District. The assessment process utilized by the County for three subsequent years from the base year of 2008 used certain software developed and provided by the Idaho State Tax Commission. It was determined that the software during this three-year period of time experienced a "glitch" that needed to be manually overridden by the Latah County Assessor's office in order to have prevented an over allocation of value. The Agency has no part of the assessment process or the establishment of the various tax levies.

Following the 2012 property tax assessment process, the County notified the Agency that after a review of the assessment process for the past three years, the District had been allocated too much assessed value. Disclosure note 2 on page 30 identifies these changes. The County determined that the Agency received an overpayment of \$114,537 of property tax receipts over a three-year period.

Although a final settlement agreement between the Agency and Latah County had yet to be finalized at September 30, 2014, both organizations agreed to a final settlement, and a prior period adjustment was necessary to record the liability on the Statement of Net Position and to correct the Net Position from prior years for the overstatement of property tax income.

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## SUPPLEMENTARY INFORMATION

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## INDEPENDENT AUDITOR'S REPORT - GOVERNMENT AUDITING STANDARDS

Board of Commissioners  
Moscow Urban Renewal Agency  
Moscow, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Moscow Urban Renewal Agency as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Moscow Urban Renewal Agency's basic financial statements, and have issued our report thereon dated March 03, 2015.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Moscow Urban Renewal Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Moscow Urban Renewal Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Moscow Urban Renewal Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

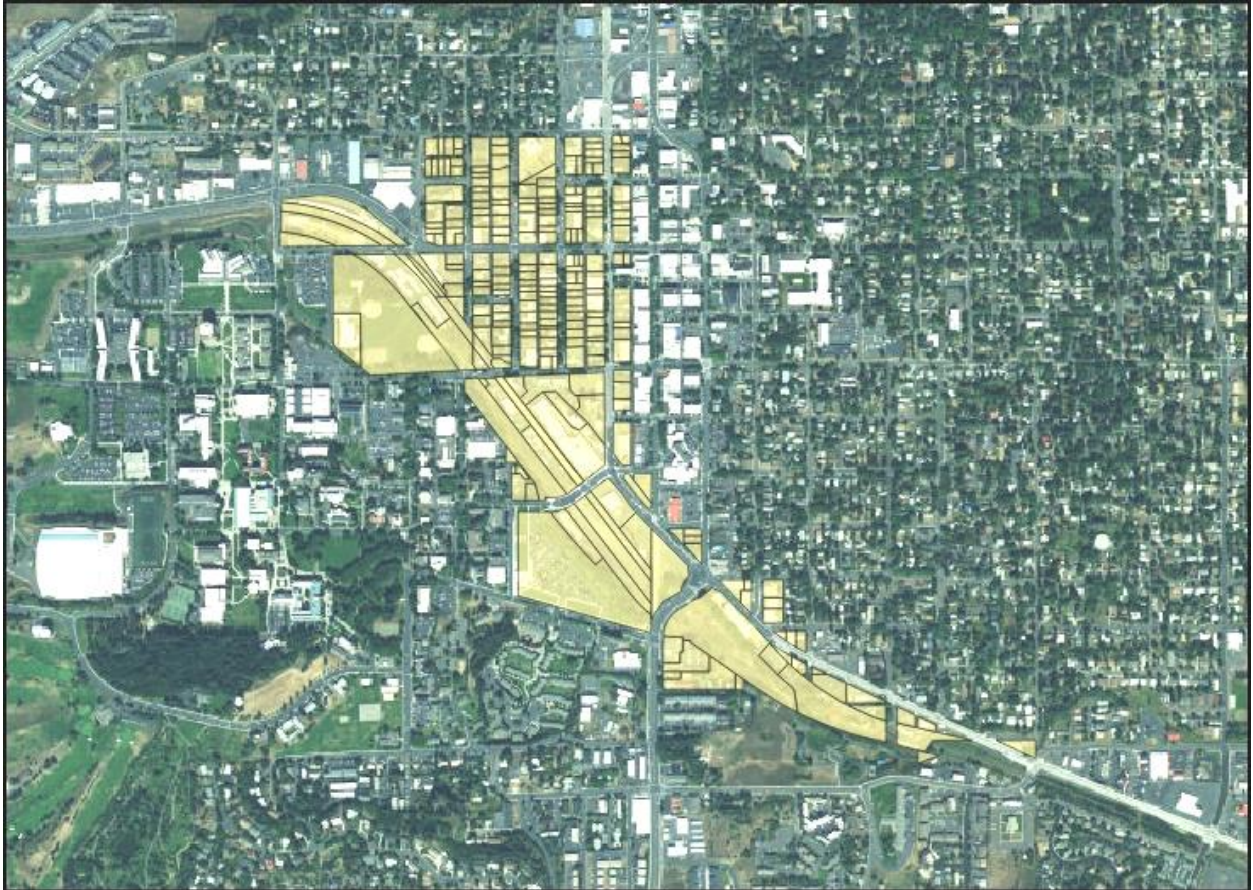
As part of obtaining reasonable assurance about whether the Moscow Urban Renewal Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PRESNELL GAGE PLLC

March 03, 2015



**MARKET ANALYSIS FOR  
LEGACY CROSSING URBAN RENEWAL DISTRICT,  
MOSCOW, IDAHO**

**PREPARED FOR  
THE CITY OF MOSCOW,  
FEBRUARY 2015**



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## JOHNSON ECONOMICS, LLC

621 SW Alder, Suite 605  
Portland, Oregon 97205



## **I. INTRODUCTION**

JOHNSON ECONOMICS was retained by the City of Moscow to evaluate development opportunities within the Legacy Crossing Urban Renewal District across a number of different land use types, including retail, office and residential uses. The main components of this analysis are:

- 1) Inspection and evaluation of the study area with respect to competitive market position for the respective land use types.
- 2) Evaluation of relevant current and projected economic and demographic trends.
- 3) Evaluation of current market conditions and trends for the respective use types.
- 4) Evaluation of current and projected demand for the respective use types in light of market conditions and economic and demographic trends.
- 5) Evaluation of achievable market pricing for the respective use types.
- 6) Assessment of the redevelopment potential within the study area, including an identification of sites, use types and product types with development potential over the near- to mid-term.

This report summarizes the findings and conclusions of our market analysis.



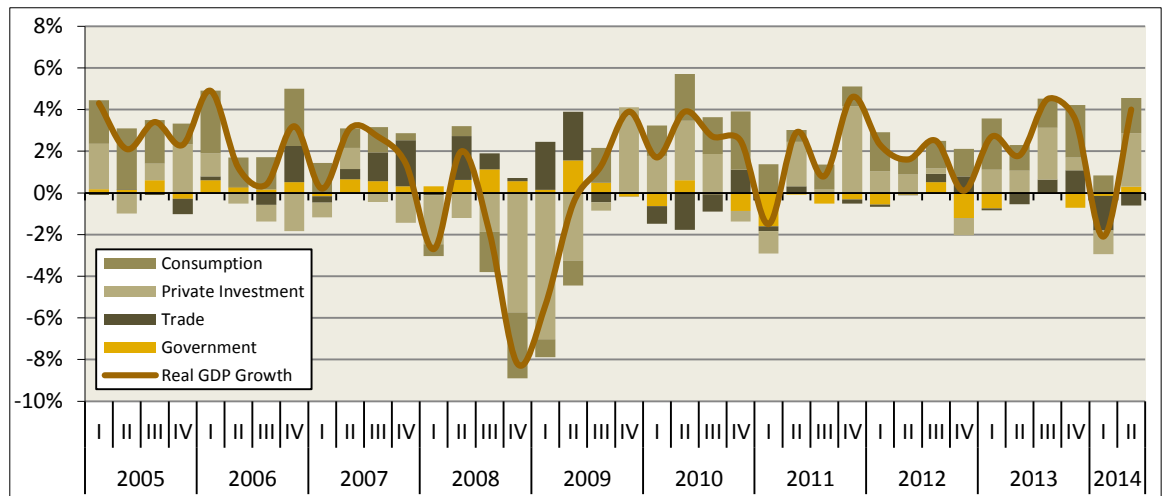
## II. ECONOMIC TRENDS AND CONDITIONS

### THE NATIONAL ECONOMY

#### Economic Output

The national economy appears to have recovered from the “Great Recession.” If we ignore the weather-related contraction in the first quarter of 2014, the economy has expanded at healthy rates over the past twelve months. In the second half of 2013 the expansion was 3.4% (annualized), and the growth rate in the second quarter of 2014 was 4.0%, according to preliminary BEA estimates. Private consumption has been the primary driver of growth since the recession, with particularly strong demand for durable goods. Over the last two years, significant contributions have also come from private investment, both in the form of home purchases and corporate investments.

**FIGURE 3.1: CONTRIBUTIONS TO CHANGE IN REAL GROSS DOMESTIC PRODUCT, ANNUALIZED (2005 – 2013)**



SOURCE: Bureau of Economic Analysis

Though there are signs of strength, the economy faces several headwinds. Domestic demand is still tempered by post-recession caution, both among households and firms, and the government is cutting spending to ensure that it can handle the fiscal challenge represented by aging baby boomers. Further, continued weakness in Europe, Asia and South America translates to low global demand for U.S. goods. All these factors put a drag on employment growth, which in turn restrains consumer spending. This is particularly evident in the service sector, which has expanded by only one percent in each of the last two years.

Over the near term, growth is expected to be driven primarily by domestic consumers and firms. U.S. firms have recently shown optimism by boosting their inventory levels and increasing their borrowing. If this optimism persists, hiring and corporate investment might be stronger in the near future. Most predictions for 2014 GDP growth currently hover around 2.5%, while 2015 is expected to see growth around 3%. In the long run, annual economic growth is expected to fluctuate around 2%.

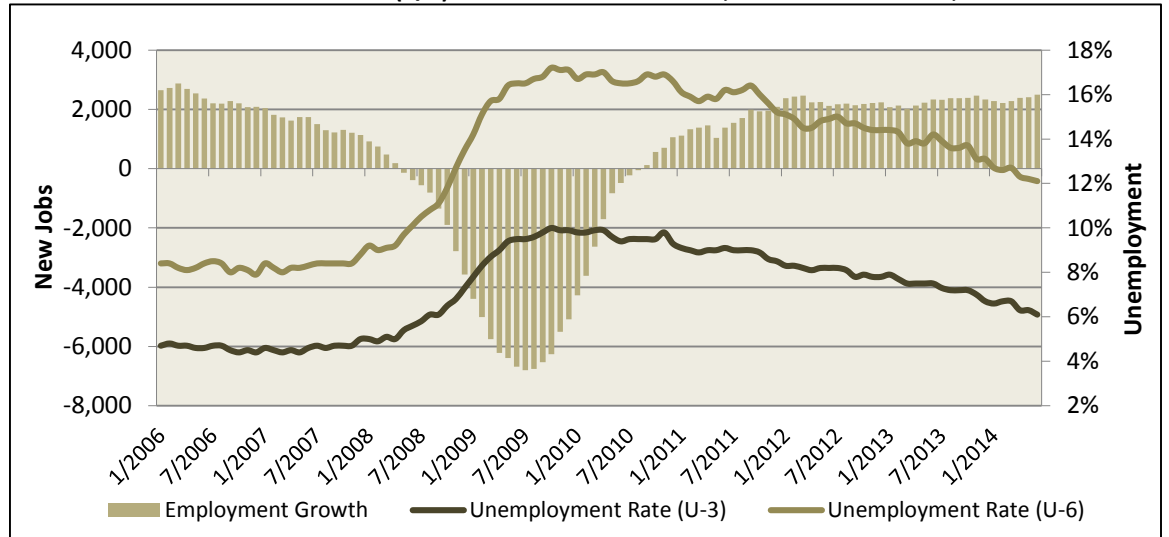
#### Employment

The “Great Recession” eliminated over 8.7 million jobs in the U.S., pushing up the unemployment rate to 10% at its peak. It has taken nearly five years to recover these jobs and bring the unemployment rate – currently at 6.1% – down below its historical average (6.2%). However, the U-6 unemployment rate, which also takes into account workers who are underemployed or who have left the labor market in discouragement, is still high at 12.1%.





**FIGURE 3.2: EMPLOYMENT GROWTH (Y/Y) AND UNEMPLOYMENT RATES, SEASONALLY ADJUSTED, UNITED STATES**

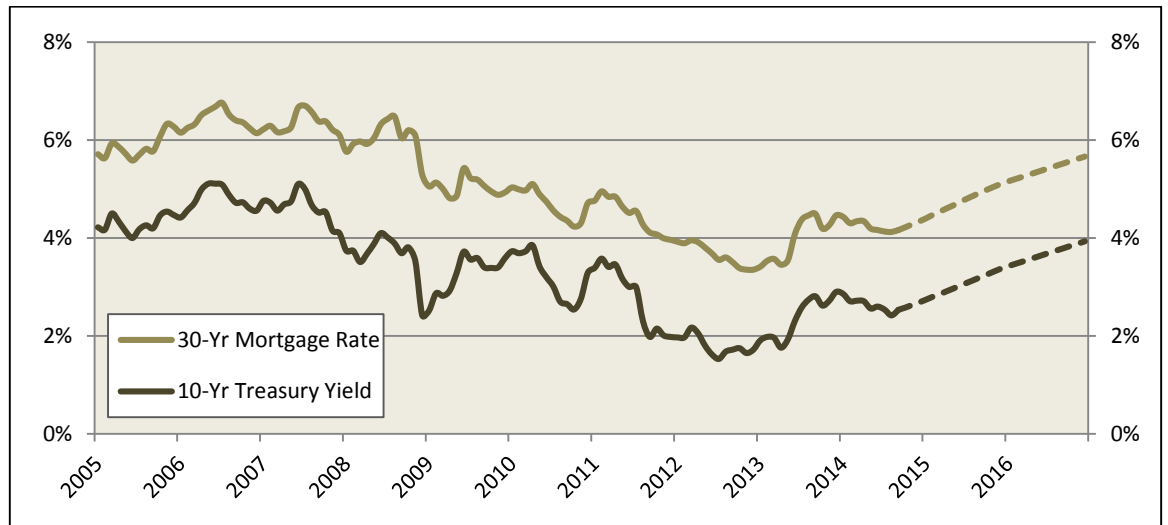


SOURCE: U.S. Bureau of Labor Statistics

#### **Inflation, Monetary Policy, and Interest Rates**

Inflation has remained subdued since the recession, reflecting the combination of weak global demand for commodities and tepid domestic wage growth. Though there have been signs of increasing domestic wage growth recently, the global outlook is still quite dim, with weakness in China and a Europe dangerously close to deflation. With the Federal Reserve having unwound its stimulative bond buying program and ready to raise short-term interest rates, it is therefore unlikely that inflation will move significantly above the Fed's 2% target. At the present, the Fed is expected to begin to raise interest rates cautiously in mid- or late 2015. Most economists expect long-term interest rates to climb by around 35 to 50 basis points in each of the next two years.

**FIGURE 3.3: INTEREST RATES ON MORTGAGES AND 10-YEAR TREASURY NOTES**



SOURCE: Federal Reserve Bank of Philadelphia, Freddie Mac, Johnson Economics



### **Risks of a New Recession**

Historically, business cycles last about eight years on average, from peak to peak. In terms of GDP growth, the last peak was reached in 2004, and the bottom was hit in 2009. One might therefore think that we should be due for another downturn in the very near future. However, this cycle has been anomalous in many ways, not the least in terms of job recovery. And so far, there are few signs that the economy is getting ahead of itself with over-leveraging and inflated asset prices. There are, however, threats to the U.S. economy from overseas. China, in particular, is a cause of some concern due to its high debt levels and risky investments. With its scale, China could trigger a global recession. However, it has the resources and political will to postpone a crisis for several years. Europe has also been a source of concern recently due to a decline in inflation. If prices across the continent begin to fall, it could have a paralyzing effect on the economy, with ripple effects reaching the United States. With the current momentum in the U.S. economy, these threats are in the near term more likely to cause a deceleration than a recession. If they did cause a recession, it is likely to be shorter and shallower than the previous one.

### **THE LOCAL ECONOMY**

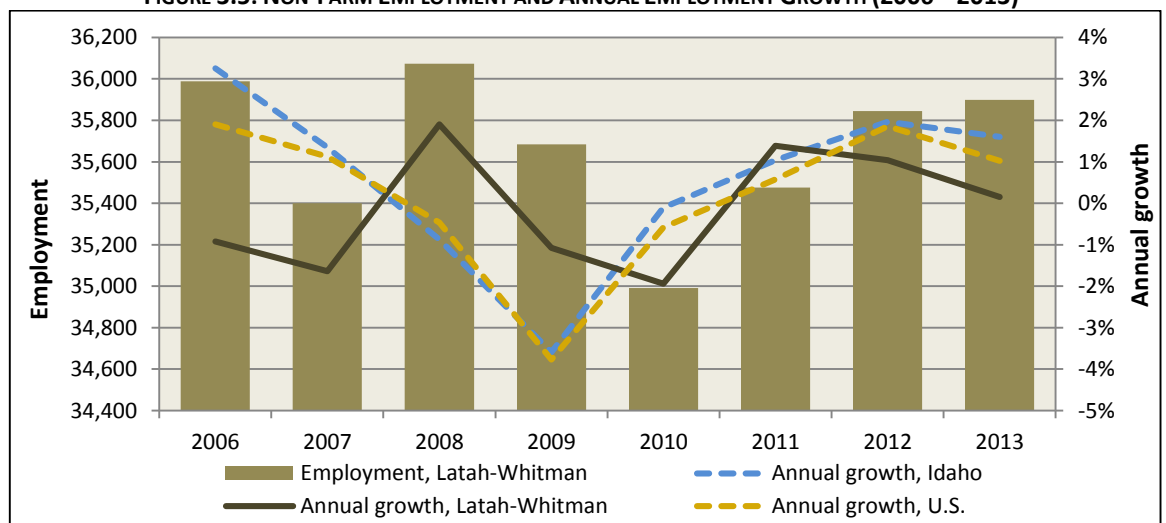
The economic activity of Moscow is intertwined with that of Pullman, Washington. Together, the two cities form the commercial hub for a large agricultural area and a number of smaller cities in the Palouse region. This overview will therefore look at wider trends in Latah and Whitman Counties as well as more specific trends within the City of Moscow. Employment data is only available at the county level.

Both Moscow and Pullman are home to large land-grant universities: University of Idaho in Moscow and Washington State University in Pullman. Students account for more than 40% of the total population of the combined Latah-Whitman region, and the universities employ more than one-fourth of the workforce. Aside from the reliance on the universities, the two counties reflect typical rural economies, with a large agricultural sector and relatively small financial, information, and professional services industries.

### **Employment**

University and agriculture employment helped limit job losses in the Latah-Whitman region in the most recent downturn. However, like many other parts of Idaho and rural America, the region has seen only weak employment growth since, and the region has not yet regained the jobs it lost in the downturn. The region is currently on a weak trend, with flat growth in 2013 and a decline of 1.6% (Y/Y) so far in 2014.

**FIGURE 3.5: NON-FARM EMPLOYMENT AND ANNUAL EMPLOYMENT GROWTH (2006 – 2013)**

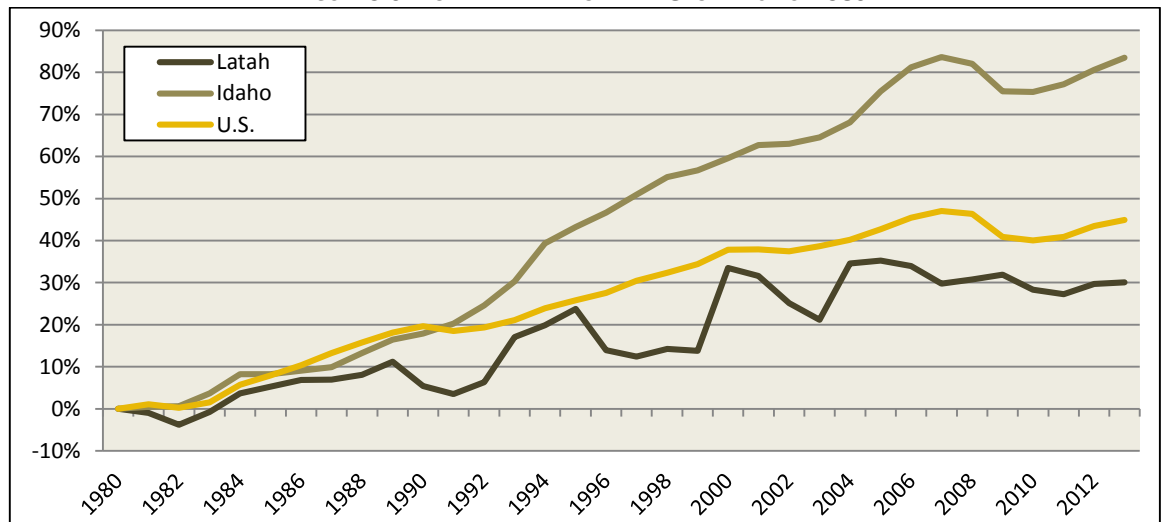


SOURCE: Washington State Employment Security Department (WAESD), Idaho Department of Labor



Despite relatively stable employment in recent years, the Latah-Whitman region has historically been quite volatile. This is not uncommon for small economies with a narrow economic base. The volatility can be seen in the following chart, which compares growth in Latah, Idaho, and the U.S. since 1980. The chart also shows that local employment growth has underperformed these wider geographies. Weak and unpredictable growth can create a difficult environment for real estate investments and development.

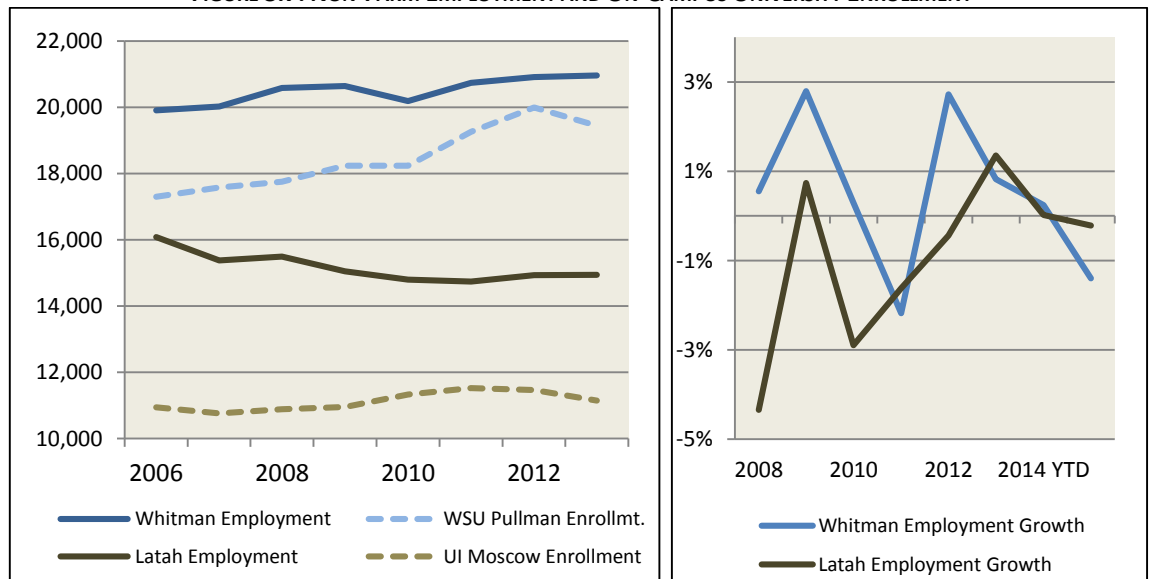
**FIGURE 3.6: NON-FARM EMPLOYMENT GROWTH SINCE 1980**



SOURCE: Idaho Department of Labor

Whitman County has experienced stronger growth than Latah County in recent years. This is in large part due to stronger university enrollment, reflecting that demand from students for goods and services have ripple effects in the wider economy. The following charts show employment and on-campus university enrollment in the two counties, illustrating the importance of enrollment.

**FIGURE 3.7: NON-FARM EMPLOYMENT AND ON-CAMPUS UNIVERSITY ENROLLMENT**



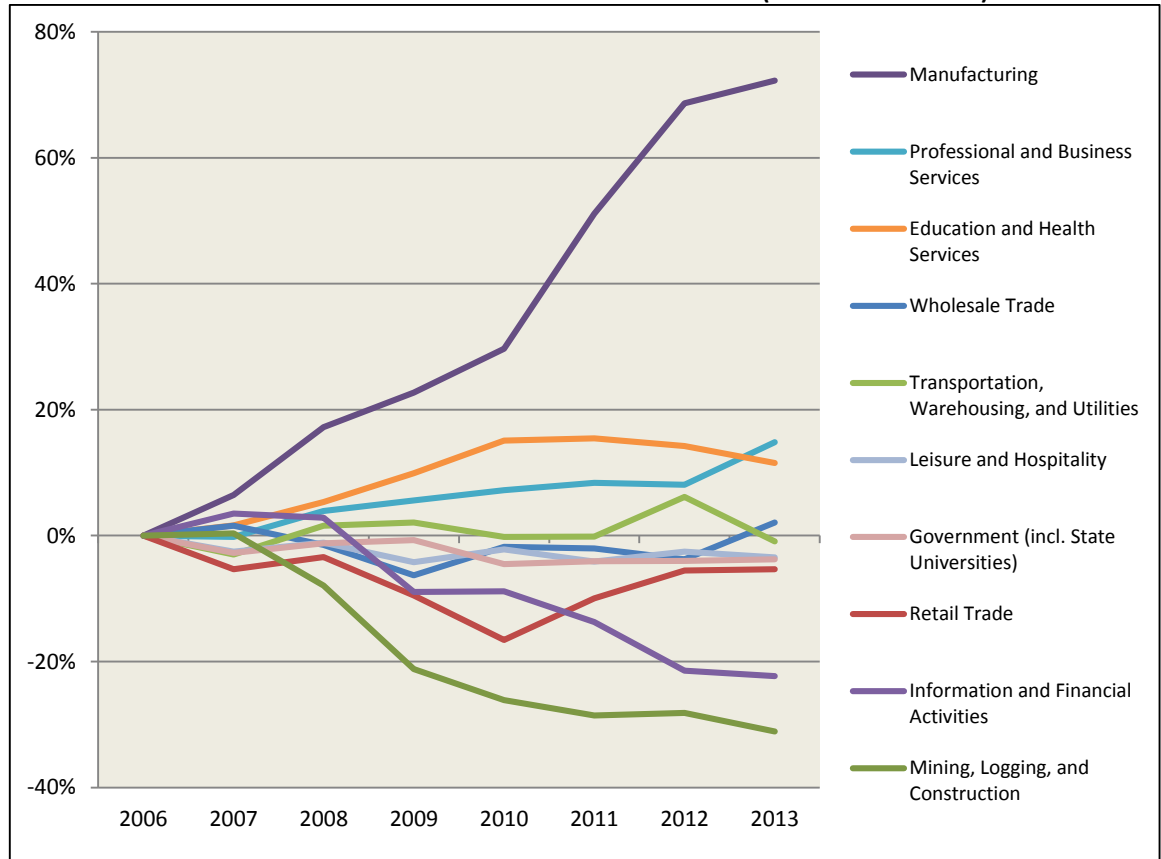
SOURCE: WAESD, Idaho Department of Labor, City of Moscow



### Employment by Industry

The manufacturing sector has been the bright spot in recent years, growing from 1,600 to 2,800 jobs between 2006 and 2013. Schweitzer Engineering in Pullman has been the major driver of this growth. Besides manufacturing, the two national growth industries, health and professional services, have also contributed new jobs, though at a slower pace than nationally. Construction has been the laggard. The uptick in construction employment seen elsewhere in the nation over the last two years has been absent in the Latah-Whitman region.

**FIGURE 3.7: EMPLOYMENT GROWTH BY INDUSTRY SINCE 2006 (LATAH AND WHITMAN)**

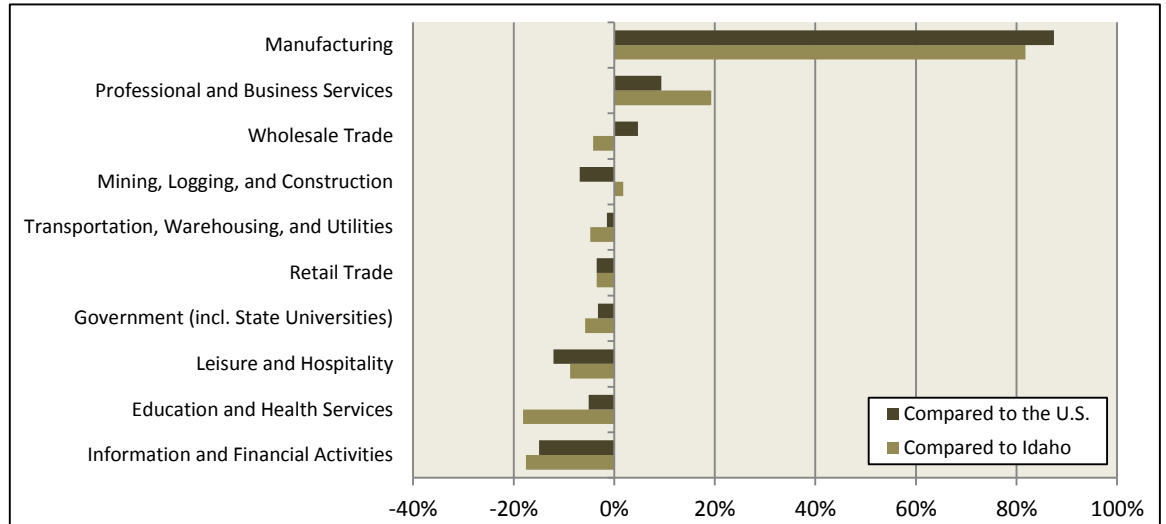


SOURCE: WAESD, Idaho Department of Labor

The following chart displays Latah-Whitman's industry growth compared to Idaho and the United States. Aside from the strong growth in manufacturing, Latah-Whitman has outperformed state and national trends in the professional services sector. Most of the gain in this industry came in 2013, when Latah County alone added around 70 professional services jobs – most of them related to the expansion of Economic Modeling Specialists after its purchase by CareerBuilder. Information and financial services have been the weakest industries relative to state and national trends. These industries are undergoing consolidation and a shift to digital and online content. So far, the region has not succeeded in capturing the new software jobs created in these two industries. Latah County saw a particularly severe loss in the financial industry in 2013, when it lost 38 jobs (9% of the industry), mostly within the insurance sector.



FIGURE 3.8: EMPLOYMENT SHARE-SHIFT SINCE 2006



SOURCE: WAESD, Idaho Dept. of Labor, U.S. Bureau of Labor Statistics

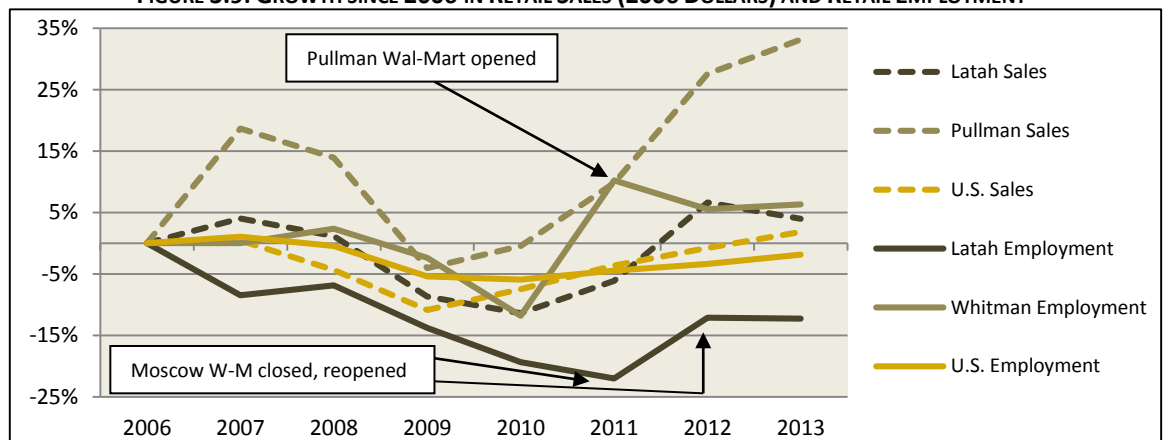
### Retail Employment

Retail employment is of particular interest in this study. The retail sector has been weak nationwide after the downturn, reflecting tepid wage growth and cautious use of credit. Brick-and-mortar stores have been the hardest hit, as they continue to cede market share to online competitors. In the nation as whole, gross sales returned to 2007 peak levels in early 2013. However, retail employment has not yet reached pre-recession levels, as self-service scanners and websites increasingly replace in-store sales personnel.

Latah owns a disproportionate share of the Latah-Whitman retail market, as it employs roughly 40% more retail workers than Whitman, despite having a smaller population and workforce. Some retail employment has migrated from Latah to Whitman in recent years, in particular due to Wal-Mart closing its Moscow store and opening a Pullman store in late 2010. It reopened its Moscow store in 2012, causing some employment to flow back into Whitman.

The Pullman Wal-Mart store, combined with strong WSU enrollment, has fueled a strong sales rebound in Whitman, and the county currently employs 6% more retail workers than in 2006. The rebound has been more muted in Latah, which has seen a decline of 12% in retail employment over this period (figure 3.9).

FIGURE 3.9: GROWTH SINCE 2006 IN RETAIL SALES (2006 DOLLARS) AND RETAIL EMPLOYMENT

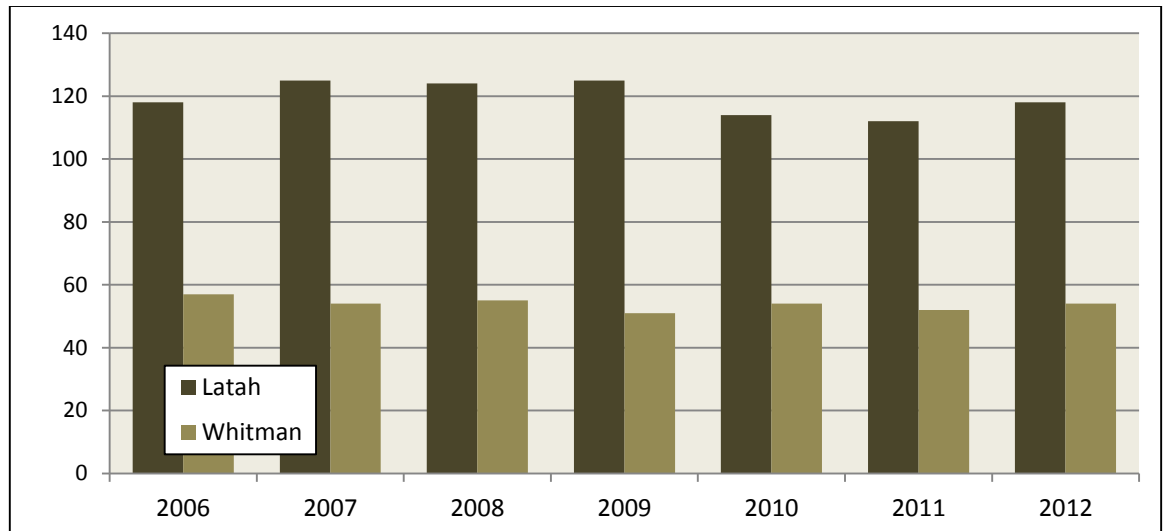


SOURCE: WAESD, Idaho Dept. of Labor, Idaho Tax Commission, WA Dept. of Revenue, U.S. Dept. of Commerce



The smaller retailers in the Latah-Whitman area do not appear to have participated in the local sales rebound to the degree that Wal-Mart has. If we look at the number of retail establishments rather than the number of employees, there has been a decline in Latah since the downturn, while Whitman has remained stable. (Data on establishments is only available through 2012.)

**FIGURE 3.10: RETAIL ESTABLISHMENTS (2006 – 2012)**

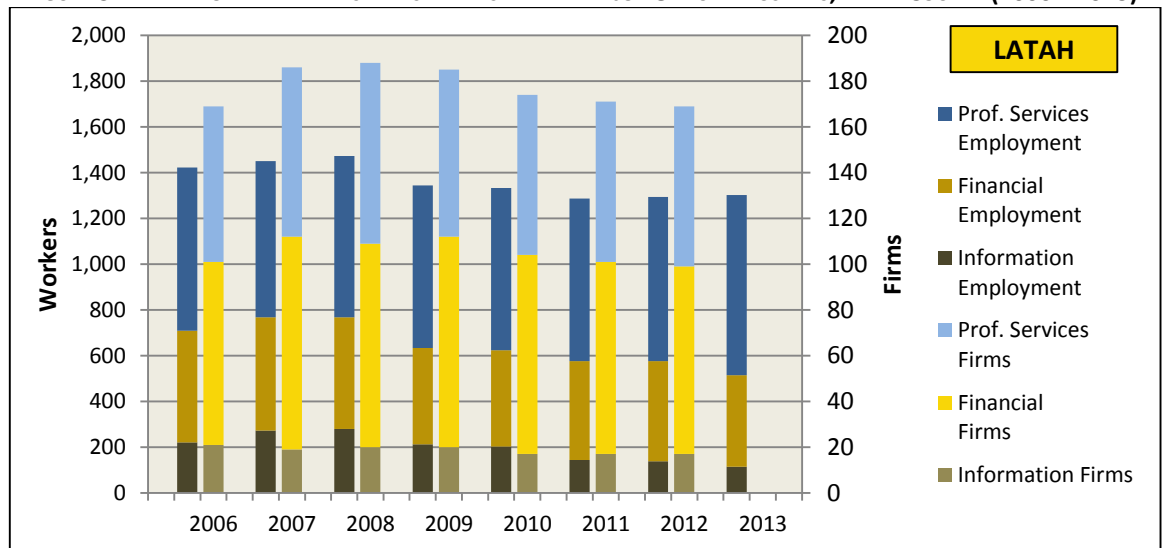


SOURCE: U.S. Census Bureau

### **Office Employment**

Employment in the typical office industries has also been weak. Within Latah County, the combined number of workers in the information, financial, and professional/business services industries has been flat since 2011. Expansion at Economic Modeling Specialists has made up for payroll declines at many other firms. The total number of establishments continued to decline through 2012, with a total loss of 20 firms since 2008.

**FIGURE 3.11: EMPLOYMENT AND ESTABLISHMENTS WITHIN MAJOR OFFICE INDUSTRIES, LATAH COUNTY (2006 – 2013)**

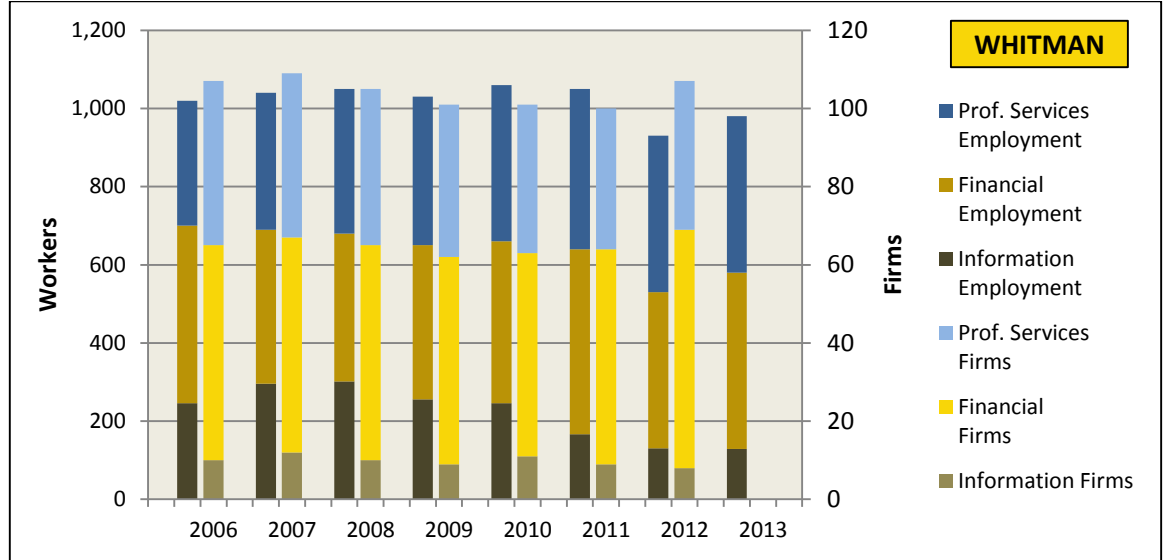


SOURCE: Idaho Department of Labor, U.S. Census Bureau



The enrollment growth experienced at WSU Pullman appears to have had limited impact on the major office industries in Whitman, although it likely staved off some layoffs and shut-downs that otherwise might have taken place. Eight firms closed their doors between 2007 and 2008, but employment was relatively stable until 2012, when major job losses came in the financial sector. The gain in the number of establishments in 2012 came among small financial firms, perhaps because some laid-off workers started on their own.

**FIGURE 3.12: EMPLOYMENT AND ESTABLISHMENTS WITHIN MAJOR OFFICE INDUSTRIES, WHITMAN COUNTY (2006-2013)**

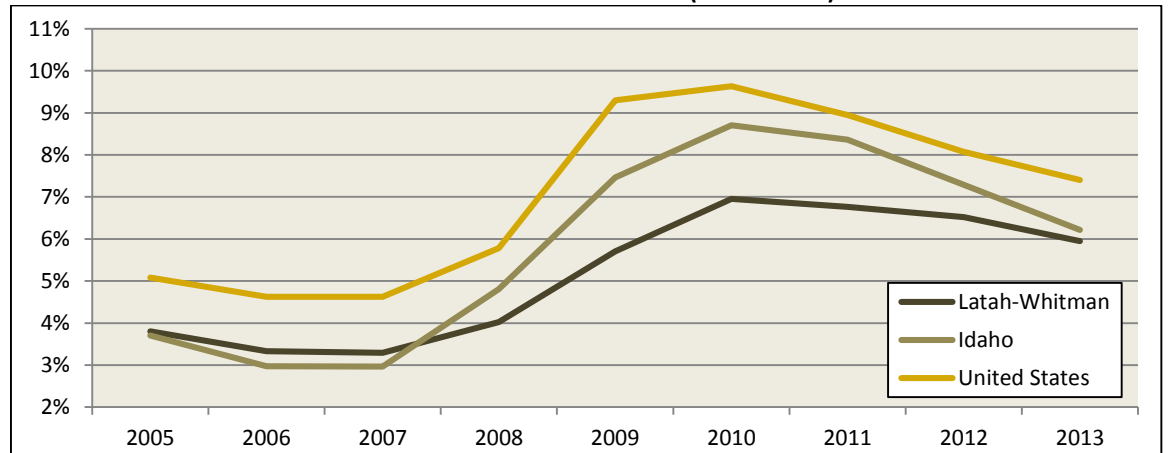


SOURCE: WAESD, U.S. Census Bureau

### Unemployment

Latah-Whitman has historically had unemployment well below state and national averages. However, in recent years, the local unemployment rate has hovered near the state average. Due to the recent weak employment growth, the Latah-Whitman unemployment rate has declined at a slower pace than national and state rates following the downturn. Estimates for mid-2014 indicate that Idaho's unemployment rate (4.7%) currently is half a percentage point below that of Latah-Whitman (5.2%).

**FIGURE 3.13: UNEMPLOYMENT RATE (2005 – 2013)**



SOURCE: Washington State Employment Security Department, Idaho Department of Labor



Unemployment impacts real estate markets in several ways. When the local unemployment rate is higher than in nearby markets, some workers are likely to move to where firms are offering more jobs and higher wages. This has a direct negative impact on residential and retail markets. Office and industrial markets do not necessarily see a negative impact, as firms that are looking to expand or relocate will often prefer areas with good access to inexpensive labor, providing other resources are also available. However, firms that are dependent on attracting skilled labor from outside the market will often consider the prospects of employment for spouses of their employees, and such firms may find that markets with lower unemployment and higher wages offer better prospects overall.

### Wages

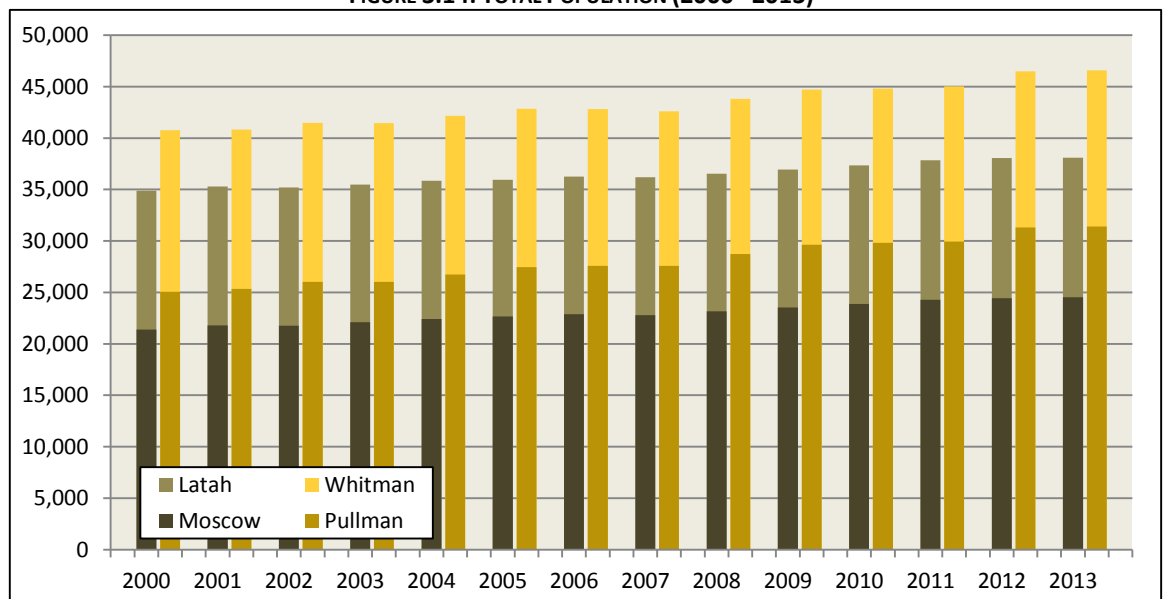
Wages in Latah and Whitman are well below state averages. The 2013 average was \$31,900 in Latah and \$40,800 in Whitman. The state averages, in comparison, were \$36,800 in Idaho and \$53,000 in Washington. The discrepancy between the two counties reflects the higher share of university jobs in Whitman and higher share of retail jobs in Latah.

## LOCAL DEMOGRAPHIC TRENDS

### Population

The population of university towns can be difficult to estimate with precision, as students surveyed by the Census Bureau do not always report their college residence as their de facto place of residence. According to official estimates, the City of Moscow had 24,500 people in 2013, with Latah County having a total population of 38,000. Moscow's population increased by 2,500 over the past ten years – an increase that represents an average annual growth rate of 1.1%. This is slightly below the state average of 1.2%, but higher than the national growth rate of 0.7%. Pullman has grown significantly faster, due to the strong enrollment growth at WSU. Pullman added 5,400 people over this period, for an annual growth rate of 1.9%. Pullman's current population is 31,400, while that of Whitman County is 46,600.

FIGURE 3.14: TOTAL POPULATION (2000 - 2013)



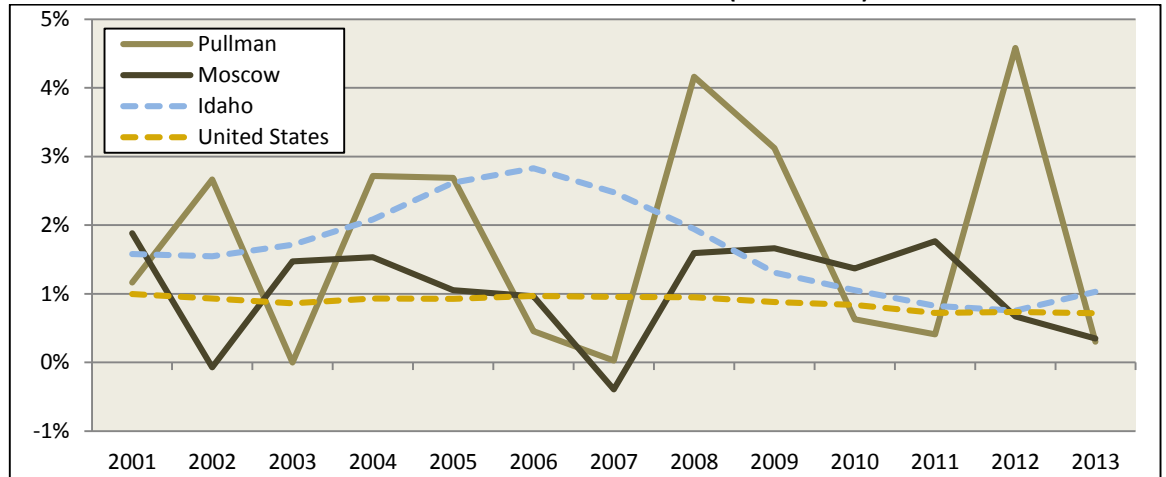
SOURCE: U.S. Census Bureau





The year-to-year population growth in the two cities has been volatile, and largely mirrored enrollment growth at WSU and UI. The post-recession enrollment boost that UI Moscow experienced between 2009 and 2012 pushed annual growth rates above one percent, but the growth rate has since fallen as these students have graduated and the number of new students has declined.

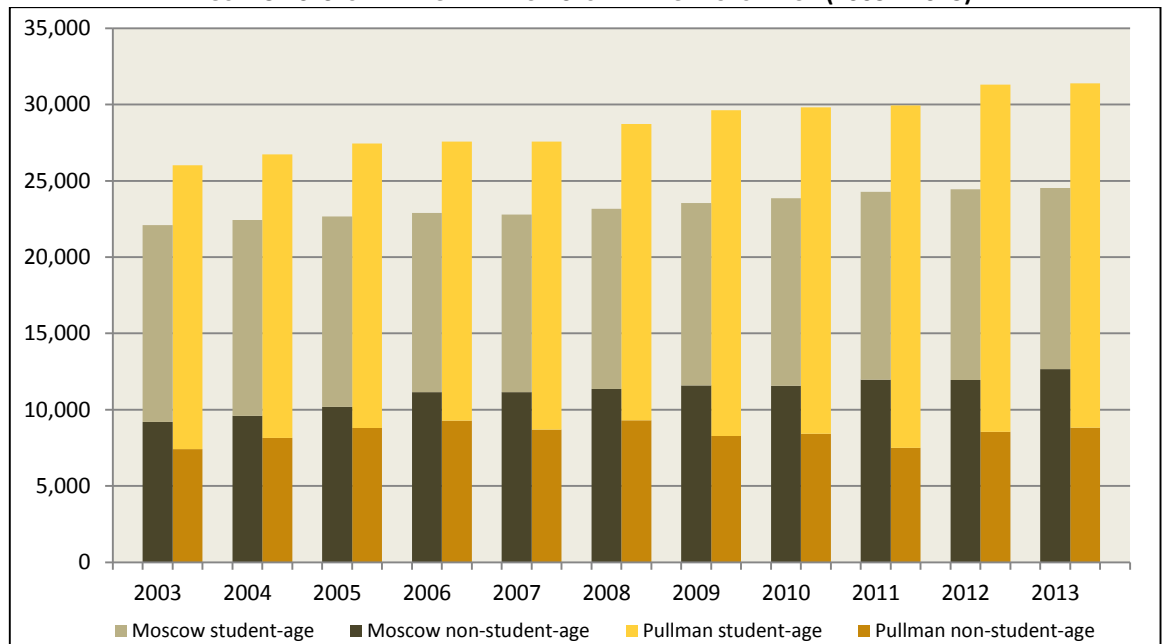
**FIGURE 3.15: ANNUAL POPULATION GROWTH (2001 - 2013)**



SOURCE: U.S. Census Bureau

There is a significant difference between the population growth of Moscow and Pullman in terms of the segments that have contributed to the growth. Pullman has seen rapid growth among student-age segments (15-29 years old) since the downturn (+16% since 2008), but a decline among other age groups (-5%). Moscow, on the other hand, saw no change in its student-age population over this period, but an 11% increase among non-student-age segments. It may appear that the influx of students to Pullman is driving away some non-students, causing them to settle in Moscow.

**FIGURE 3.16: STUDENT-AGE AND NON-STUDENT-AGE POPULATION (2003 – 2013)**



SOURCE: U.S. Census Bureau



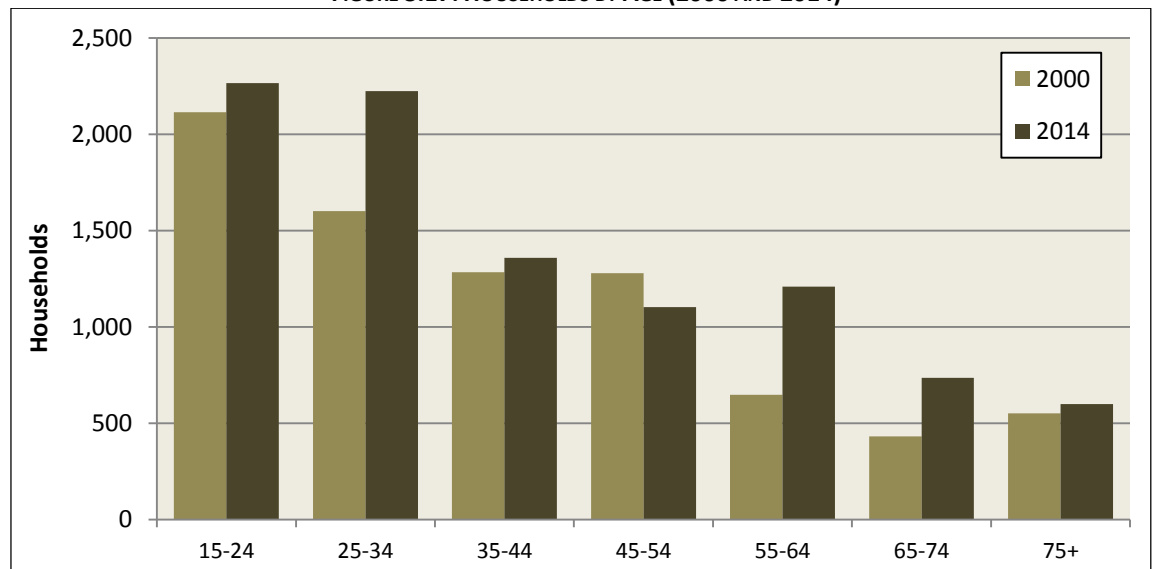
### **Household Growth**

Moscow had 9,600 households in 2012, according to the Census Bureau – an increase of 1,900 units since the 2000 Census. Moscow’s rate of household growth has been higher than its general population growth, due to an increasing share of students living in households rather than group quarters (dormitories). The average annual household growth between 2000 and 2012 was 1.8%, compared to 1.1% population growth.

Estimates for 2014 households, produced by Nielsen Claritas,<sup>1</sup> indicate 9,494 current households in the city. This represents a decline of around 100 households since 2012 and a negative growth rate of -0.5% in each of the last two years. The average annual growth rate for the 2010 – 2014 period was 0.8%, compared to 1.7% in the prior decade.

The following chart displays how the distribution of households across different age groups has changed since the 2000 Census, using estimates for 2014 by Nielsen Claritas. As noted earlier, the estimates likely understate student households. The chart reveals a relatively young population, with particular growth among student-age and empty-nester/retirement households over the period. Growth among the older categories is consistent with wider demographic trends, reflecting the aging of the baby boomer cohort.

**FIGURE 3.17: HOUSEHOLDS BY AGE (2000 AND 2014)**



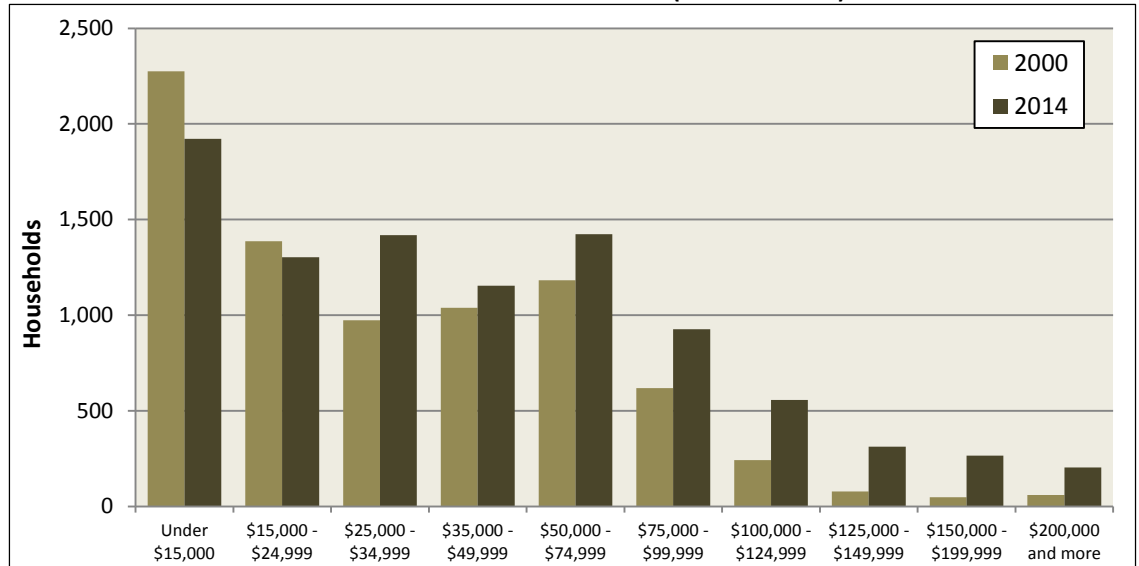
SOURCE: Nielsen Claritas

The following chart displays a profile of Moscow’s households by household income (adjusted to current dollars). The chart reveals strong growth among middle- and upper-income households. This likely reflects employment growth at the two universities, as well as growth among firms like Economic Modeling Specialists. It also likely reflects growth in the empty-nester segment, which tends to earn higher wages than younger segments.

<sup>1</sup> Nielsen Claritas is a third-party provider of demographic data, which uses census data and a number of other public and private data sources to identify trends and make projections for the near and mid-term future.



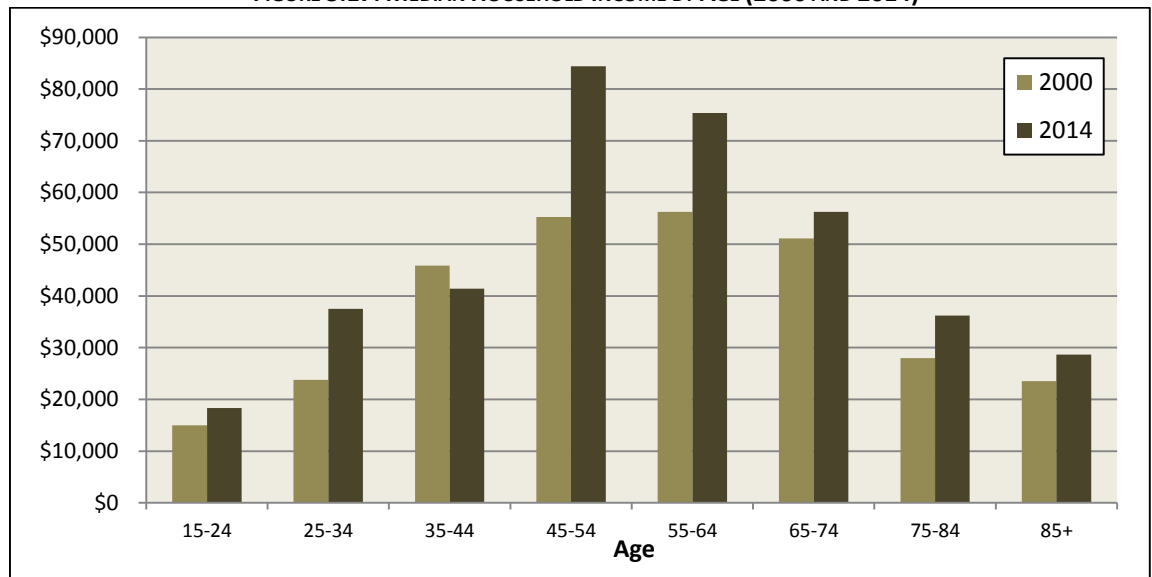
**FIGURE 3.17: HOUSEHOLDS BY INCOME (2000 AND 2014)**



SOURCE: Nielsen Claritas

The chart below displays median household income by age group in 2000 and 2014 (adjusted for inflation). Moscow has seen income growth among households where the householder is 45 years old and older, particularly in late-family-stage and empty-nester segments. In terms of land use, this typically correlates with an increase in suburban single-family housing and suburban retail centers.

**FIGURE 3.17: MEDIAN HOUSEHOLD INCOME BY AGE (2000 AND 2014)**



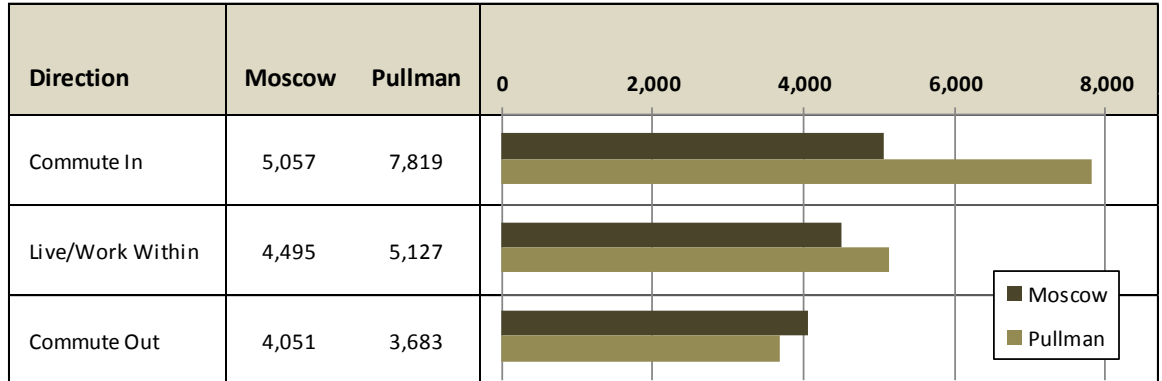
SOURCE: Nielsen Claritas



## COMMUTE PATTERNS

The observation that Moscow captures more population growth in non-student segments than Pullman while Pullman achieves higher employment growth is reflected in commute data from the Census Bureau. Commute data is released with a lag and the most recent dataset is from 2011. This dataset shows that Pullman has significantly more workers commuting into the city from the outside than Moscow, while Moscow has more workers commuting out.

**FIGURE 3.17: COMMUTING WORKERS\*, MOSCOW AND PULLMAN**

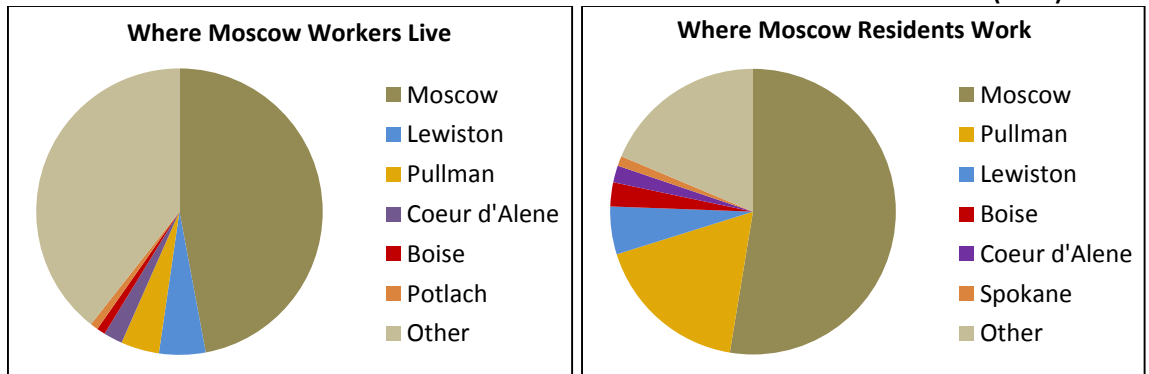


\* Primary Jobs only.

SOURCE: U.S. Census Bureau

As the following pie charts reveal, only a small share (4.3%) of Moscow's workforce commute in from Pullman (panel 1). However, a relatively large share (17.6%) of Moscow's employed residents work in Pullman (panel 2). This indicates that employment is more abundant in Pullman, and/or that Moscow is a more attractive place of residence. The geographies combined in "Other" all represent less than one percent each.

**FIGURE 3.18: PLACE OF RESIDENCE AND WORKPLACE FOR MOSCOW WORKERS AND RESIDENTS (2011)**

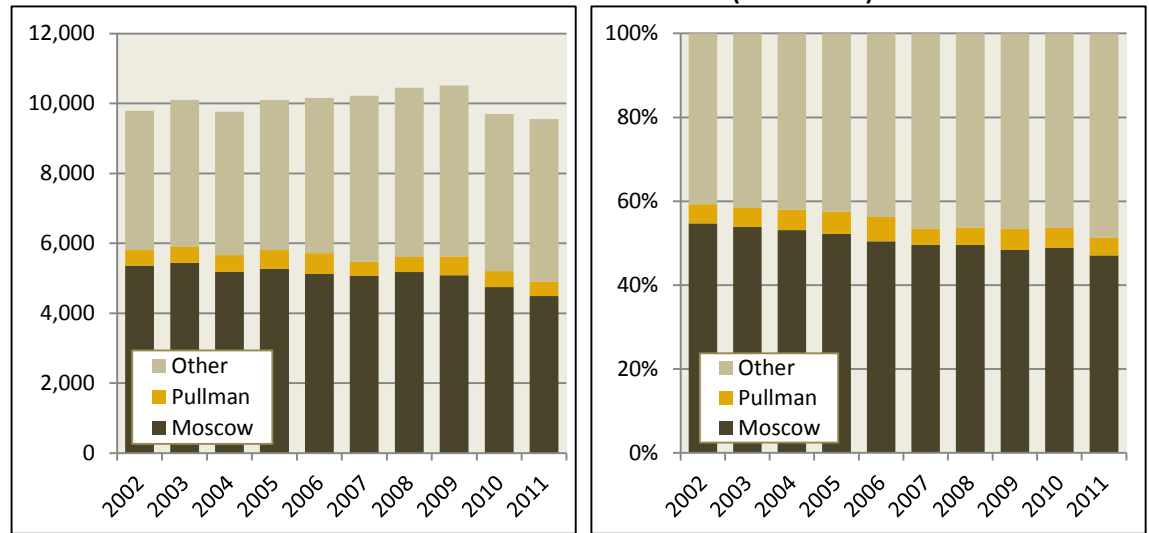


SOURCE: U.S. Census Bureau

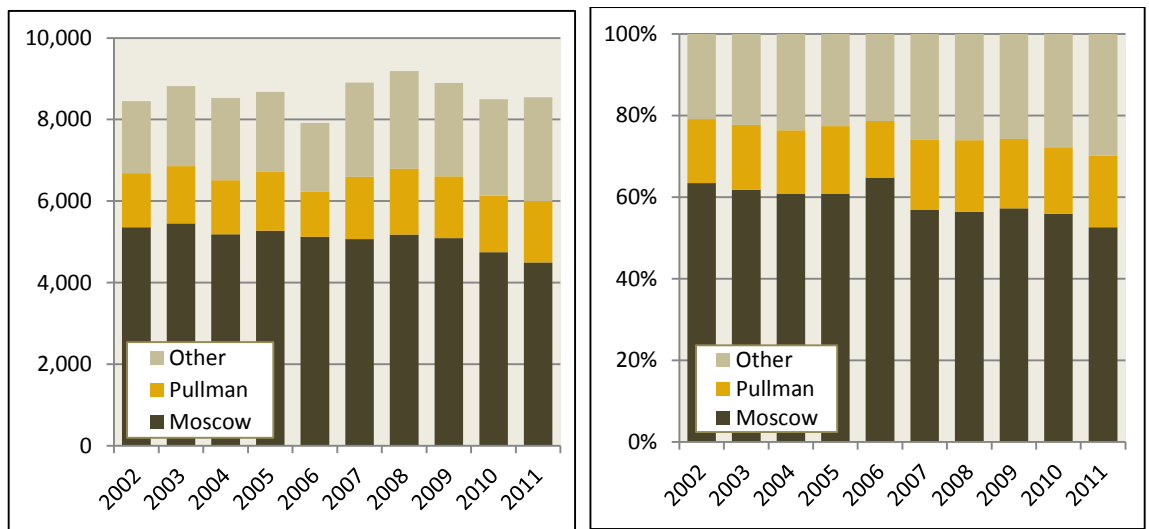
Over the past decade, Moscow residents have increasingly found work in other cities, including in Pullman. Roughly 5,400 Moscow residents (63% of all employed residents) had their primary jobs in Moscow in 2002; by 2011 the number had decreased to 4,500 (53% of all employed residents). Over this period, positions within Moscow were increasingly filled by workers commuting in from other nearby cities, though Pullman's contribution to Moscow's workforce remained nearly constant (figure 3.19 and 3.20).



**FIGURE 3.19: WHERE MOSCOW WORKERS LIVE (2002 - 2011)**



**FIGURE 3.20: WHERE MOSCOW RESIDENTS WORK (2002 - 2011)**



SOURCE: U.S. Census Bureau

A possible explanation for this trend is that the shift in the employment mix between 2002 and 2011 led to unemployment among many existing Moscow residents while attracting skilled labor from the outside. Over this period, the retail industry lost 460 jobs in Latah County, accounting for 89% of all job losses. The industries that generated the most new jobs over this period were education and health services, gaining 320 jobs. Low-paying positions that do not require higher education tend to be filled by people who live near the jobs, while higher-paying jobs requiring specific skill sets are more difficult to match with local labor and also tend to attract workers who already own homes in other areas and who can afford to commute. The latter may have been exacerbated by the collapse of the real estate market, which prevented many homeowners from selling their homes. Since 2011, the retail industry has gained more than 200 jobs while education and health have remained flat, indicating that this trend by now has reversed or at least subsided.

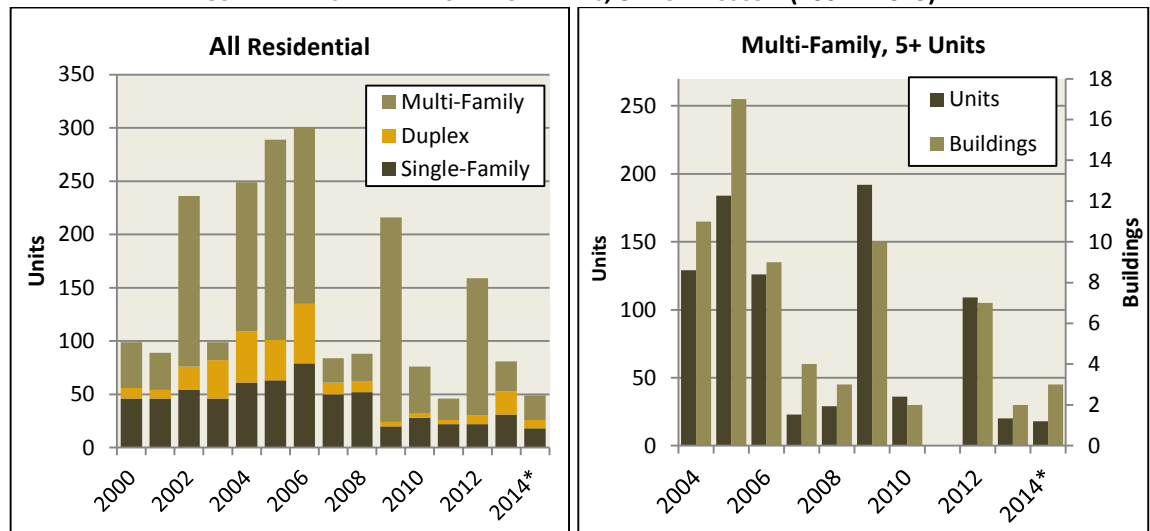


### III. RESIDENTIAL MARKET ANALYSIS

In this section, we analyze the market for residential products at the subject site. The analysis is organized in two parts: one for the rental market and one for the ownership market. Consistent with proposed zoning within the Legacy Crossing Urban Renewal District, only multi-family product types have been considered. However, trends in the single-family market have also been studied in order to gauge wider currents in the residential markets.

Moscow's residential markets remained relatively stable through the nationwide real estate crisis that began in 2007. Sales volumes dropped significantly, but the ownership market experienced only modest price declines. Between 2006 and 2009, there was a steep drop in residential building activity within the city – across all product types – with the total number of permitted units dropping from around 300 to 30 (figure 4.1). The lack of new supply helped support occupancy rates, rents, and sales prices. In the most recent years, the ownership market has continued to recover while the multi-family market has experienced some weakness due to weak enrollment numbers at UI.

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



\* 2014 YTD

SOURCE: City of Moscow

The charts displayed above show the dramatic decline in residential building over the past ten years. For multi-family buildings, the construction volume has generally been in the range of 20 to 30 units per year since 2006, with the exception of the Grove project in 2009 and a Baker Street project in 2012.

#### RENTAL APARTMENTS

##### General Overview

The apartment market in Moscow is dominated by student-oriented projects. Most of these are located near the UI campus and are built to a basic standard. A number of new off-campus student projects were constructed in the first half of the 2000s, when UI enrollment grew quite rapidly. In 2009, a national developer built the Grove – a 190-unit project with a more upscale profile. This project is located further from campus, on the south side of the city, and caters primarily to older students. Most of the student-focused projects that have been completed after the Grove have been located north of campus on Baker



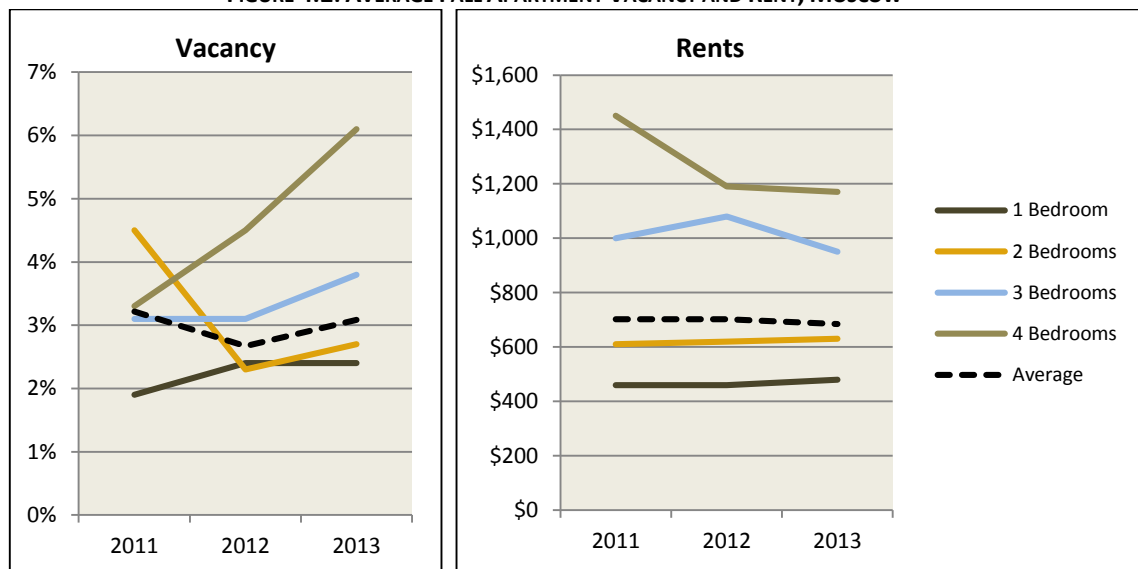
Street. In addition to the student-oriented projects, Moscow also has some affordable (tax credit) projects of relatively recent vintage, located on the south and southeast side of Moscow.

#### **Recent Trends**

The apartment market in Moscow has shown some weakness recently, reflecting enrollment declines at UI. Rents fell 2.4% in the fall of 2013 compared to the previous year, while the vacancy rate increased 0.4 percentage points. In most apartment markets, a 5% vacancy rate is regarded as a balanced market, as this is usually the inflection point at which managers begin to either raise or lower rents. However, in markets dominated by student housing, a lower vacancy rate is expected during the school year, reflecting that managers usually aim for full occupancy during this period.

The smallest units have fared best in the most recent years. One-bedroom units were the only unit type with rent increases and a drop in vacancy in 2013. These units rely to a lesser extent on the student segment than the larger units that can accommodate roommates. The market for four-bedroom units has been particularly weak. The oversupply of this unit type may to some extent reflect the requirement that freshman students live in on-campus housing, which was introduced in 2010.

**FIGURE 4.2: AVERAGE FALL APARTMENT VACANCY AND RENT, MOSCOW**



SOURCE: Palouse Commercial Real Estate

#### **Pipeline Supply**

Two apartment projects are currently in the pipeline in Moscow: one with 18 units in 3 buildings; the other with 120 units in 15 buildings. Both are market-rate projects located on White Avenue southeast of Downtown. According to plans, they will be more upscale than most student projects, and are intended to appeal to a broader tenant base.

**FIGURE 4.3: PROFILE OF SURVEYED APARTMENT PROJECTS**

Project Name	Location	Status	Est. Delivery	Buildings	Units
Merrell Apartments	2000 E White Ave	Under Construction	2014 - 2015	3	18
Kestrel Project	2300 E White Ave	Proposed	2015 - 2016	15	120
<b>Total Units</b>					<b>138</b>

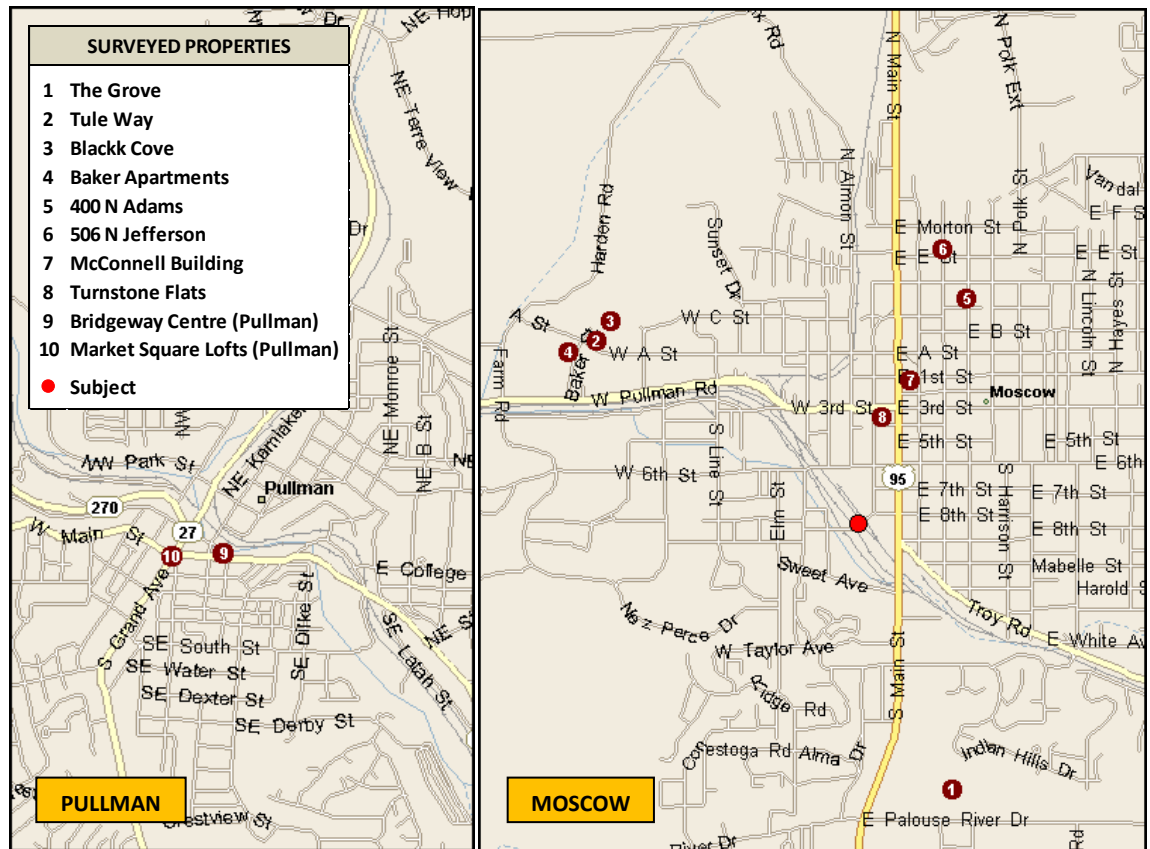
SOURCE: City of Moscow



### Apartment Market Survey

JOHNSON ECONOMICS surveyed a sample of ten relatively recent apartment projects in order to assess the market for new apartments in Moscow. With the exception of the McConnell Building, all the projects were completed within the last ten years. Seven of the properties are located in Moscow and two are located Downtown Pullman. The McConnell Building, Turnstone Flats, and the two Pullman properties can be considered urban-style buildings, while the remaining properties are garden-style projects. Below, we present a map of these projects. The map is followed by an individual profile of each property and a summary of the most pertinent observations.

**FIGURE 4.4: MAP OF SURVEYED APARTMENT PROJECTS**



SOURCE: MapPoint, JOHNSON ECONOMICS





**FIGURE 4.5: PROFILE OF SURVEYED APARTMENT PROJECTS**

**1) THE GROVE**

209 Southview Ave, Moscow, Idaho

Year Built: 2009

Occupancy: [Not discl.]



Type	Units	Unit Mix	Vacant	Size (SF)	Rent Low	Rent High	Rent/SF
2B/2b	128	67%		807	\$950	\$1,050	\$1.25
3B/3b	64	33%		1,200	\$1,287	\$1,530	\$1.17
<b>Total/Avg:</b>	<b>192</b>	<b>100%</b>		<b>938</b>	<b>\$950</b>	<b>\$1,530</b>	<b>\$1.23</b>

**Community Amenities:** Fitness center, outdoor pool, club house (w/coffee bar, game room, pool table, library), volleyball court, basketball court, barbeque area, fire pit, secured access.

**Unit Amenities:** Carpet/laminate wood flooring, black appliances, washer/dryer.

**Notes:** Student-oriented. Furnished. Individual lease. Rent includes: w/s/g + \$25 el., internet, cable. Pets allowed for a fee. No covered parking. Concessions and occupancy not disclosed.

**2) TULE WAY**

250-258 Baker St, Moscow, Idaho

Year Built: 2004

Occupancy: 96%



Type	Units	Unit Mix	Vacant	Size (SF)	Rent Low	Rent High	Rent/SF
1B/1b	4	14%		520	\$475	\$550	\$0.99
2B/1b	24	86%	1	730	\$670	\$720	\$0.95
<b>Total/Avg:</b>	<b>28</b>	<b>100%</b>	<b>1</b>	<b>700</b>	<b>\$475</b>	<b>\$720</b>	<b>\$0.96</b>

**Community Amenities:** Laundry room.

**Unit Amenities:** Vinyl/carpet flooring, laminate countertops, oak cabinets, washer/dryer.

**Notes:** Students. In-unit washers/dryers available only in 2B. W/s/g included in rent. No pets.

**3) BLACKK COVE**

286-310 Baker St, Moscow, Idaho

Year Built: 2011-13

Occupancy: 98%



Type	Units	Unit Mix	Vacant	Size (SF)	Rent Low	Rent High	Rent/SF
1B/1b	52	100%	1	528	\$575	\$575	\$1.09
<b>Total/Avg:</b>	<b>52</b>	<b>100%</b>	<b>1</b>	<b>528</b>	<b>\$575</b>	<b>\$575</b>	<b>\$1.09</b>

**Community Amenities:**

**Unit Amenities:** Vinyl/carpet flooring, laminate countertops, oak cabinets, washer/dryer.

**Notes:** Mostly students. W/s/g included in rent. No pets. Surface parking.

**4) BAKER STREET APARTMENTS**

225-249 Baker St, Moscow, Idaho

Year Built: 2010-13

Occupancy: 100%



Type	Units	Unit Mix	Vacant	Size (SF)	Rent Low	Rent High	Rent/SF
2B/2b	72	100%		1,050	\$726	\$726	\$0.69
<b>Total/Avg:</b>	<b>72</b>	<b>100%</b>	<b>0</b>	<b>1,050</b>	<b>\$726</b>	<b>\$930</b>	<b>\$0.69</b>

**Community Amenities:**

**Unit Amenities:** Vinyl floors, oak cabinets, lam. countertops, black/white appl., washer/dryer.

**Notes:** 3 buildings. No pets. Surface parking.

**5) 400 N ADAMS APARTMENTS**

400 N Adams St, Moscow, Idaho

Year Built: 2006

Occupancy: 88%



Type	Units	Unit Mix	Vacant	Size (SF)	Rent Low	Rent High	Rent/SF
1B/1b	4	50%		600	\$575	\$575	\$0.96
2B/2b	4	50%	1	1,100	\$800	\$800	\$0.73
<b>Total/Avg:</b>	<b>8</b>	<b>100%</b>	<b>1</b>	<b>850</b>	<b>\$575</b>	<b>\$1,140</b>	<b>\$0.84</b>

**Community Amenities:** Laundry room, surface parking.

**Unit Amenities:** Vinyl and carpet flooring, laminate countertops, white appliances, oak cabinets.

**Notes:** Includes w/s/g, internet. Surface parking.



#### 6) 506 N JEFFERSON APARTMENTS

506 N Jefferson St, Moscow, Idaho

Year Built: 2005

Occupancy: 100%



Type	Units	Unit Mix	Vacant	Size (SF)	Rent Low	Rent High	Rent/SF
1B/1b	8	100%	0	620	\$650	\$650	\$1.05
<b>Total/Avg:</b>	<b>8</b>	<b>100%</b>	<b>0</b>	<b>620</b>	<b>\$650</b>	<b>\$1,050</b>	<b>\$1.05</b>

**Community Amenities:** Storage units. Balcony/patio available.

**Unit Amenities:** Tile/carpet/vinyl floors, bath tub, washer/dryer, gas fireplace, bay windows.

**Notes:** Includes w/s/g and internet. Surface parking. No pets.

#### 7) MCCONNELL BUILDING

104 S Main St, Moscow, Idaho

Year Built: 1891

Occupancy: 100%



Type	Units	Unit Mix	Vacant	Size (SF)	Rent Low	Rent High	Rent/SF
Studio	27	77%		250	\$400	\$450	\$1.70
1B/1b	8	23%		350	\$475	\$620	\$1.56
<b>Total/Avg:</b>	<b>35</b>	<b>100%</b>	<b>0</b>	<b>273</b>	<b>\$400</b>	<b>\$620</b>	<b>\$1.67</b>

**Community Amenities:** Laundry room, elevator, secured entry, storage units.

**Unit Amenities:** Vinyl/carpet flooring.

**Notes:** Tenants are mostly grad students, professionals and some elderly. Rents include w/s/g.

#### 8) TURNSTONE FLATS

129 W Third St, Moscow, Idaho

Year Built: 1936 (2012)

Occupancy: 100%



Type	Units	Unit Mix	Vacant	Size (SF)	Rent Low	Rent High	Rent/SF
1B/1b	4	50%		564	\$680	\$895	\$1.43
2B/1b	4	50%		668	\$930	\$1,100	\$1.45
<b>Total/Avg:</b>	<b>8</b>	<b>100%</b>	<b>0</b>	<b>616</b>	<b>\$880</b>	<b>\$1,100</b>	<b>\$1.44</b>

**Community Amenities:** Laundry room, elevator, secured entry, storage units.

**Unit Amenities:** Vinyl/carpet flooring.

**Notes:** Tenants are mostly young professionals. Note: the property did not participate in our survey, and some unit rents were estimated based on rent levels posted online.

#### 9) BRIDGEWAY CENTRE

350 E Main St, Pullman, Washington

Year Built: 2004

Occupancy: 100%



Type	Units	Unit Mix	Vacant	Size (SF)	Rent Low	Rent High	Rent/SF
1B/1b	5	83%	0	932	\$1,000	\$1,147	\$1.15
2B/2b	1	17%	0	1,218	\$1,234	\$1,234	\$1.01
<b>Total/Avg:</b>	<b>6</b>	<b>100%</b>	<b>0</b>	<b>980</b>	<b>\$1,000</b>	<b>\$1,355</b>	<b>\$1.13</b>

**Community Amenities:** Covered parking available, secured access.

**Unit Amenities:** Balconies, granite countertops, oak cabinets, stainless steel appliances, gas heat, gas fireplace, washer/dryer, air conditioning.

**Notes:** W/s/g included. 2nd floor of retail building.

#### 10) MARKET SQUARE LOFT APARTMENTS

105 W Main St, Pullman, Washington

Year Built: 1927 (2006)

Occupancy: 100%



Type	Units	Unit Mix	Vacant	Size (SF)	Rent Low	Rent High	Rent/SF
1B/1b	2	22%	0	684			
2B/2b	1	11%	0	1,289	\$1,600	\$1,600	\$1.24
3B/2b	6	67%	0	1,400	\$1,700	\$1,700	\$1.21
<b>Total/Avg:</b>	<b>9</b>	<b>100%</b>	<b>0</b>	<b>1,229</b>	<b>\$1,600</b>	<b>\$1,700</b>	<b>\$1.23</b>

**Community Amenities:** Private parking

**Unit Amenities:** Exposed brick/rafters/ducts, steel staircase, concrete/tile floors, concrete counter, stainless steel appl., cherry cabinets, walk-in closet, utility room, washer/dryer, a/c.

**Notes:** Above ground-floor retail. Current rents were not disclosed, and rents displayed above are estimates based on past rents: 2B was \$1,450 in 2012; 3B was \$1,550 in 2011.

SOURCE: Surveyed properties, online listings, JOHNSON ECONOMICS



### Orientation and Profile

Moscow's apartment market is dominated by student-oriented projects located near the UI campus. Most of these are of a very basic standard and virtually without community amenities, reflecting the price sensitivity of students and the fact that many amenities are offered on campus. Among the Moscow properties, only the Grove is of a higher standard, with more appointed units and a wide range of community amenities. The latter serves to offset the project's relative lack of proximity to campus.

The two surveyed non-student projects in Moscow, the Turnstone Flats and the McConnell Building, are both located Downtown, but represent two different markets. The Turnstone Flats is a recent redevelopment with modern units catering to young, creative professionals. The McDonald Building is a nineteenth century historic building occupied predominantly by graduate students, professionals and elderly. The building is an expired tax credit project that was renovated in the 1980s.

The two Pullman projects are similar to Turnstone Flats in that they offer recently built apartments at Downtown locations. They are also similar in terms of scale and lack of community amenities.

### Pricing

Rents at the more basic student projects generally range between \$300 and \$400 per bed in two- and three-bedroom units, and between \$450 and \$650 for studios and one-bedrooms. On a per-square-foot (PSF) basis, these units achieve rents between \$0.70 and \$1.10 per square foot, with the smaller units capturing the highest PSF rates. In general, these rates represent a premium to on-campus options. The low rates at Baker Street Apartments reflect discounting to fill units that were vacant at semester start.

The Grove is at a higher price point, at about \$500 per bed, and a \$1.23 PSF rate. At Turnstone Flats the rents are in the \$680-\$1,100 range, or around \$1.45 per square foot. The McConnell Building charges \$400 to \$600 per unit, translating into a high project PSF rate of \$1.67 due its micro-size units.

The two Pullman properties are at a higher rent level, between \$1,000 and \$1,700 per unit. Even with their large units, this translates to relatively high blended PSF rates of \$1.13 and \$1.23.

### Occupancy

Excluding the Grove, which did not disclose occupancy rates, only three units were vacant across the sample. This translates to an overall occupancy rate of 99%, which is quite typical in student markets during the school year. It should be noted that the Grove offered concessions several weeks into the fall semester this year, indicating at least some vacancies at this project. Rents were reduced at properties on Baker Street prior to the semester start in order to fill vacant units.

### **Competitive Position and Achievable Pricing**

Achievable pricing for an apartment project within the Renewal District will vary depending on the specific site within this area and the level of product execution. We regard sites located along Jackson Street between Third and Sixth Streets to be best positioned, and our following estimates of achievable rents will reflect our expectations for these, with a discount indicated for other parts of the district.

### Competitive Position

Our estimates of achievable pricing are based on our assessment of the competitive position of sites within the Renewal District relative to the surveyed properties. The competitive position, in turn, is primarily a function of locational attributes (access, visibility, views, surrounding land use, nearby amenities), but we also consider the newer vintage and our expectations for project quality and on-site amenities. With respect to the latter, only larger sites will have the scale required to offer on-site amenities with measurable rent impact.



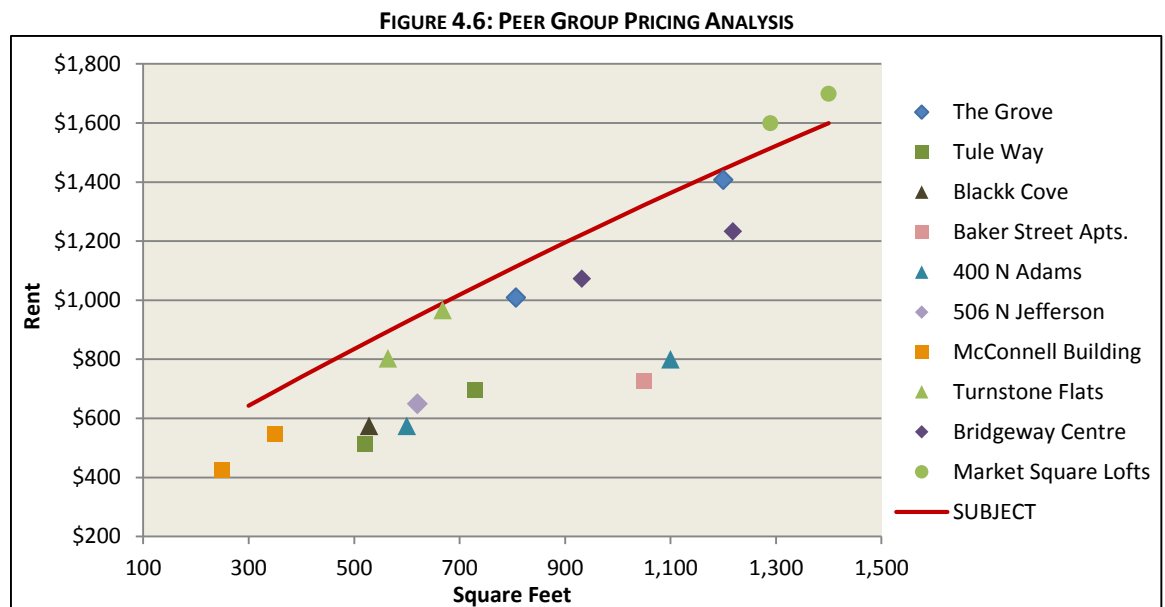
In terms of location, we regard the strongest sites within the Renewal District to be positioned considerably above the less centrally located properties on Baker Street and South Main Street, on par with Turnstone Flats, and below the McConnell Building and the Pullman properties.

In terms of amenities, a new development in the Renewal District has the potential to offer a broader range than what is currently offered at any of surveyed projects with the exception of the Grove, which has a larger site and greater economies of scale. At the larger sites within the district, we would expect a community lounge and possibly a fitness room, both of which would justify somewhat higher rents.

In terms of building quality, wear, and up-to-date design and layouts, we expect a positioning somewhat above the Pullman projects, Turnstone, and the Grove, and significantly above the remaining projects in the sample.

#### Achievable Pricing

The considerations regarding competitive position justify the rent levels indicated by the red curve in the following chart.



SOURCE: Surveyed properties, online listings, JOHNSON ECONOMICS

The rent curve shown above indicates achievable rents ranging from \$835 per month for a 500-square-foot studio unit to around \$1,450 for a large three-bedroom unit. With the unit mix assumed below, this translates to overall project rents of around \$1.45 per square foot. Achievable rents are expected to move with the wider market prior to delivery. The rents assume adequate market depth.

**FIGURE 4.7: ACHIEVABLE PRICING – RENTAL APARTMENTS**

Unit Type	Units	Unit Mix	Average Size	Avg. Rent	Avg. PSF Rent
Studio	15	30%	500	\$835	\$1.67
1B/1b	18	36%	600	\$928	\$1.55
2B/1b	5	10%	850	\$1,152	\$1.36
2B/2b	10	20%	1,000	\$1,280	\$1.28
3B/2b	2	4%	1,200	\$1,444	\$1.20
<b>Sum/Average</b>	<b>50</b>	<b>100%</b>	<b>699</b>	<b>\$1,014</b>	<b>\$1.45</b>

SOURCE: JOHNSON ECONOMICS



It is important to note that the existing supply, even the higher end Grove project, reflects a product type and execution well below what would be expected for new market-rate construction in most markets. As a result, there is a significant opportunity to deliver a top-of-market property that can establish new price points for Moscow.

### **Market Depth**

Because students and non-students have somewhat different preferences in terms of location and housing product, we will distinguish between the two segments in our projections for rental apartment demand. Estimates of apartment demand from students are deduced from enrollment projections that JOHNSON ECONOMICS has developed for UI Moscow. Estimates of demand from non-students are developed using a housing demand model developed by JOHNSON ECONOMICS. This model utilizes household growth projections developed by Nielsen Claritas, adjusted to reflect our expectations for local enrollment and employment growth. A more detailed presentation of our demand projections is included in the appendix.

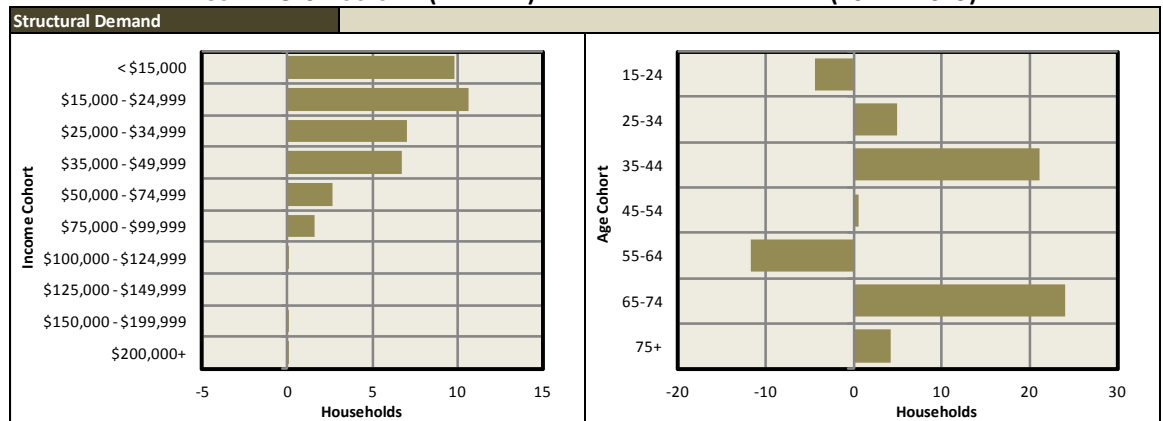
### **Students**

Our enrollment projections for UI Moscow (on-campus students only) indicate a decline of around 240 students over the coming five years under the baseline scenario. We assume that roughly one-fifth of Moscow students live in households headed by non-students. This indicates a decline in student housing demand of roughly 200 beds. Under the high-growth scenario, our model indicates a net increase of roughly 200 students, translating into demand for around 150 student housing beds.

### **Non-students**

According to our baseline scenario, which assumes flat enrollment growth (combined UI and WSU) and annual employment growth of 0.5% (Latah-Whitman), the model indicates structural (net new) demand from non-students for around 40 rental apartments over the coming five years (110 under the high-growth scenario). The growth is expected to be concentrated in the lower income brackets, with the strongest growth represented by retirees and young adults. Note that pent-up demand, which is difficult to estimate quantitatively in small geographies,<sup>2</sup> is not included in these estimates.

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



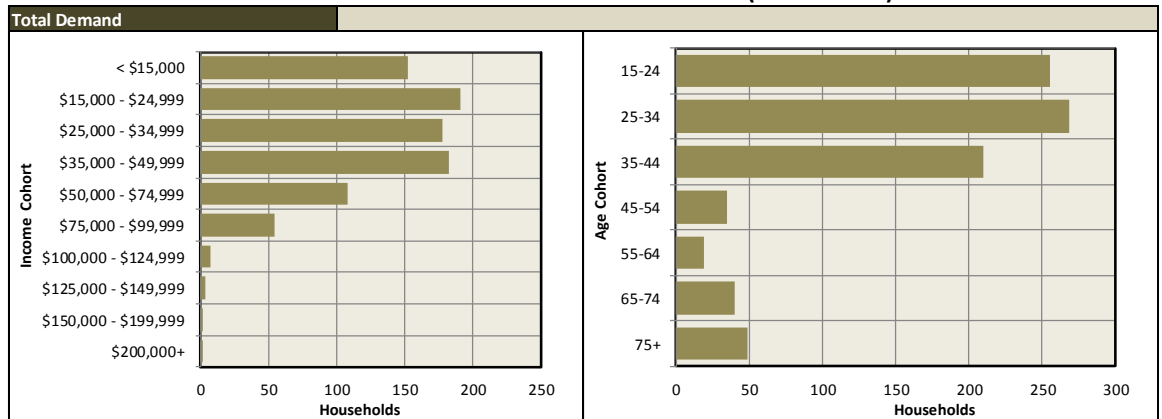
SOURCE: JOHNSON ECONOMICS

<sup>2</sup> Pent-up demand is reflected in unusually large household size averages, which are reported by the Census Bureau's American Community Survey. However, these estimates are highly uncertain for small geographies.



When demand from renters in turnover is included, the total demand profile represents around 175 lease transactions annually. As is indicated by the following chart, the market is dominated by younger households with modest incomes. However, roughly one-fifth are households with incomes above 50,000, and these represent around 35 lease transactions per year.

**FIGURE 4.9: TOTAL RENTAL APARTMENT DEMAND (2014 – 2019)**



SOURCE: JOHNSON ECONOMICS

### **Market Opportunities**

In light of current enrollment trends and recent declines in market rents, the potential for additional apartment supply in Moscow is somewhat limited. There already appears to be some oversupply in the lower end of the market, as reflected in the deep rent discounts at projects like Baker Street Apartments, measured relative to the higher-quality Grove and Turnstone projects. The promotions offered this fall at the Grove may also indicate limited market depth for more upscale, garden-style apartments focused specifically on students.

Our survey might indicate some support for an apartment project oriented toward graduate students and non-students. Both Turnstone Flats and the McConnell Building achieve relatively high rent levels (and a lack of vacancy), without offering luxury units. This suggests some unmet demand for Downtown apartments and/or apartment communities without a student profile. The two projects currently in the pipeline on White Avenue represent many years of projected new non-student demand (not counting pent-up demand), but these will not cater to segments with a preference for Downtown living. They are likely also located too far from campus to appeal to graduate students.

Among the sites within the Renewal District, we believe those located near Downtown and at some distance to campus are best positioned to capture demand from graduate students and non-students. The site located directly east of University Pointe (Sixth and Jackson) is likely the strongest candidate in this respect. Sites that are more detached from the vibrant part of Downtown are more likely to be perceived as student projects.

It is difficult to estimate the market depth for upscale, urban apartments due to the uncertainty related to pent-up demand (see note 2, preceding page). However, taking into account current enrollment and household growth trends and projected market depth in middle- and upper-income households, we reckon that only a project of limited scale (30 to 70 units) is likely to find adequate market depth at the indicated levels of achievable pricing.





## **OWNERSHIP HOUSING**

### **Recent Trends**

Across the United States, the market for condominiums was disproportionately hard hit in during the downturn, due to its high share of young homeowners. Younger segments were more likely to become unemployed or underemployed during the crisis due to their lack of workplace seniority, and their lack of savings caused many of them to lose their homes in foreclosure. The inordinately high foreclosure rates for condominiums caused a glut of discounted supply on the market, at the same time as demand was choked off by lenders who became hesitant to finance these homes due to their elevated risk.

Moscow was spared for the kind of turmoil that the rest of the nation experienced in the wider ownership market, and its small condominium market was to a large degree buoyed by demand from students (or their parents) and investors renting out to students. According to broker Gary Tribble, the condominium market has tracked the wider ownership market over the past years. The ownership market has been relatively stable in recent years, but with a decline in sales volume and pricing in 2013, and some improvement so far in 2014.

The feasibility of condominium development within the Legacy Crossing Urban Renewal District has been significantly reduced over the past years since the Federal Housing Administration required that a majority of the units be pre-sold and intended for owner-occupancy before it will approve the development for individual home loans. As a consequence, lenders have set similar or even tougher conditions before they will finance the construction of these projects.

The current credit requirements create a particular hurdle for a development near a university campus. Students generally do not qualify for home loans, and non-students who intend to purchase condo units as owner-occupants will likely be wary of buying into projects near campus, where they might expect to have a large number of student renters as neighbors. Satisfying the 50% pre-sale/owner-occupant requirement does therefore not appear feasible under current standards. However, these requirements have already been eased once since the downturn, and may be eased again, potentially allowing for condominium development within the Renewal District in the future.

### **Pipeline Supply**

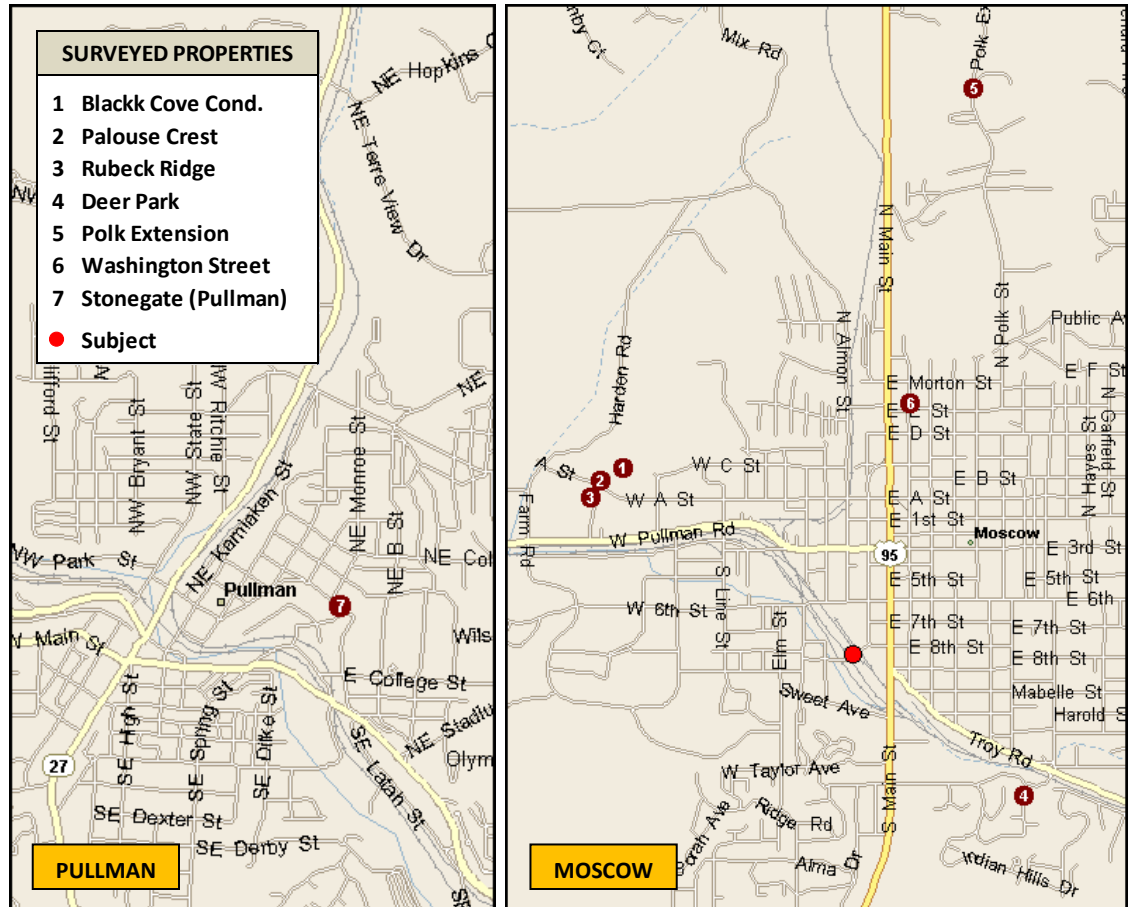
There is no known supply of multi-family condominium projects in the pipeline within Moscow.

### **Ownership Market Survey**

In order to assess the current market for urban condominiums within Moscow, JOHNSON ECONOMICS surveyed a sample of seven multi-family condominium projects. Six of these are located in Moscow, and one is located near the WSU campus in Pullman. The majority of the projects have student residents, and many units are owned by investors. The locations of the properties are shown on the following map, and an individual profile of each project is included on the following pages.



FIGURE 4.8: MAP OF SURVEYED CONDOMINIUM PROJECTS



SOURCE: MapPoint, JOHNSON ECONOMICS





**FIGURE 4.9: PROFILE OF SURVEYED CONDOMINIUM PROJECTS**

**1) BLACKK COVE CONDOMINIUM**



**Address:** 182 Baker St, Moscow, Idaho  
**Year Built:** 2007  
**Total units:** 12

**Community Amenities:**

**Unit Amenities:** Carpet/vinyl flooring, laminate countertops, extra storage.

Unit	Type	Status	Size (SF)	Price	Price/SF
#202	3B/1b	Sold Jun-2014	1,460	\$147,400	\$101
#301	3B/1b	Off Market	1,460	\$149,000	\$102

**2) PALOUSE CREST**



**Address:** 1311 W A St, Moscow, Idaho  
**Year Built:** 1996  
**Total units:** 16

**Community Amenities:**

**Unit Amenities:** Carpet/vinyl flooring, oak cabinets, laminate countertops.

Unit	Type	Status	Size (SF)	Price	Price/SF
#101	3B/2b	For Sale	1,050	\$99,500	\$95
#103	3B/2b	For Sale	1,050	\$100,100	\$95
#202	3B/2b	Off Market	1,050	\$112,000	\$107

**3) RUBECK RIDGE**



**Address:** 135 Baker St, Moscow, Idaho  
**Year Built:** 1995  
**Total units:** 16

**Community Amenities:**

**Unit Amenities:** Carpet, tile, vinyl flooring, laminate countertops, vaulted ceilings (2nd floor), balconies.

Unit	Type	Status	Size (SF)	Price	Price/SF
#204	3B/2b	For Sale	1,050	\$107,499	\$102
#103	3B/2b	For Sale	1,050	\$100,100	\$95

**4) DEER PARK**



**Address:** 1487 Northwood Dr, Moscow, Idaho  
**Year Built:** 1993  
**Total units:** 40

**Community Amenities:**

**Unit Amenities:** Carpet/wood laminate flooring, laminate countertops, walk-in closet, vaulted ceilings.

Unit	Type	Status	Size (SF)	Price	Price/SF
#203	3B/2b	For Sale	1,050	\$112,900	\$108
#102	3B/2b	Off Market	1,051	\$106,500	\$101

**5) POLK EXTENSION CONDOMINIUMS**



**Address:** 1529 N Polk Ext., Moscow, Idaho  
**Year Built:** 1999  
**Total units:** 4

**Community Amenities:**

**Unit Amenities:** Vinyl and carpet flooring, laminate countertops, white appliances, oak cabinets.

Unit	Type	Status	Size (SF)	Price	Price/SF
#1	3B/2b	For Sale	868	\$74,900	\$86
#2	3B/2b	Off Market	1,010	\$105,500	\$104



#### 6) WASHINGTON STREET



**Address:** 529 N Washington St, Moscow, Idaho

**Year Built:** 1995

**Total units:** 4

**Community Amenities:** Storage units, balconies, two reserved gravel parking spaces per unit.

**Unit Amenities:** Carpet/vinyl/tile floors, laminate countertops, oak or white cabinets.

Unit	Type	Status	Size (SF)	Price	Price/SF
#A	2B/1	For Sale	839	\$109,500	\$131
#B	2B/1	For Sale	839	\$107,000	\$128

#### 7) STONEGATE CONDOMINIUMS



**Address:** 715 NE Oak St, Pullman, Washington

**Year Built:** 2007

**Total units:** 10

**Community Amenities:** Two-car garages with direct unit access, views, adjacent to WSU.

**Unit Amenities:** 9' ceilings, stainless steel appl., granite counters, hardwood/tile floors, gas fireplace.

Unit	Type	Status	Size (SF)	Price	Price/SF
#E	4B/4b	Sold Mar-2013	1,929	\$300,000	\$156
#D	4B/4b	Off Market	1,892	\$315,500	\$167

SOURCE: Latah County MLS, online listings, JOHNSON ECONOMICS

#### Summary of Survey Observations

The majority of the surveyed condominium projects are small-scale, low-rise projects built in the late nineties, and without community amenities. Only one of the projects in Moscow was completed within the past ten years (Blackk Cove, 2007). The Moscow projects hold a basic standard, consistent with their primary use as student housing. The Pullman project, Stonegate, which is a lower density townhouse development, was included for what it might reveal about demand and pricing for a more upscale product. It is located near downtown, adjacent to the WSU campus.

The surveyed projects have only two sales transactions within the last two years, of which one was in Pullman. Eight units are currently for sale in Moscow, and another four units have been taken off the market within this period without being sold. This indicates low demand.

Pricing is typically around \$100 per square foot. The one unit that sold in Moscow, a 1,460-square-foot unit at Blackk Cove, sold for \$147,000, or \$101 per square foot. Most of the units for sale are around 1,000 square feet and have asking prices around \$100,000. The Washington Street project stands out with somewhat higher asking prices, roughly \$110,000 for 800-square-foot units, translating into a PSF price of \$130. The higher prices likely reflect that this is a four-plex located away from the UI campus on the north side of Downtown.

The Stonegate project has achieved significantly higher pricing than the Moscow projects, at \$300,000 for a 1,900 square foot unit, or \$156 per square foot. Most likely, this does not only reflect the higher standard of the units, but also the stronger enrollment growth in Pullman (and thus higher expectations for future prices), Pullman's larger student pool (and thus more market depth), that the units are townhouses with downstairs garages, and the quad-type configuration (4B/4b). The latter makes the units suitable for renting to four students, which gives these units more utility per square foot than a similarly large unit intended for one household.

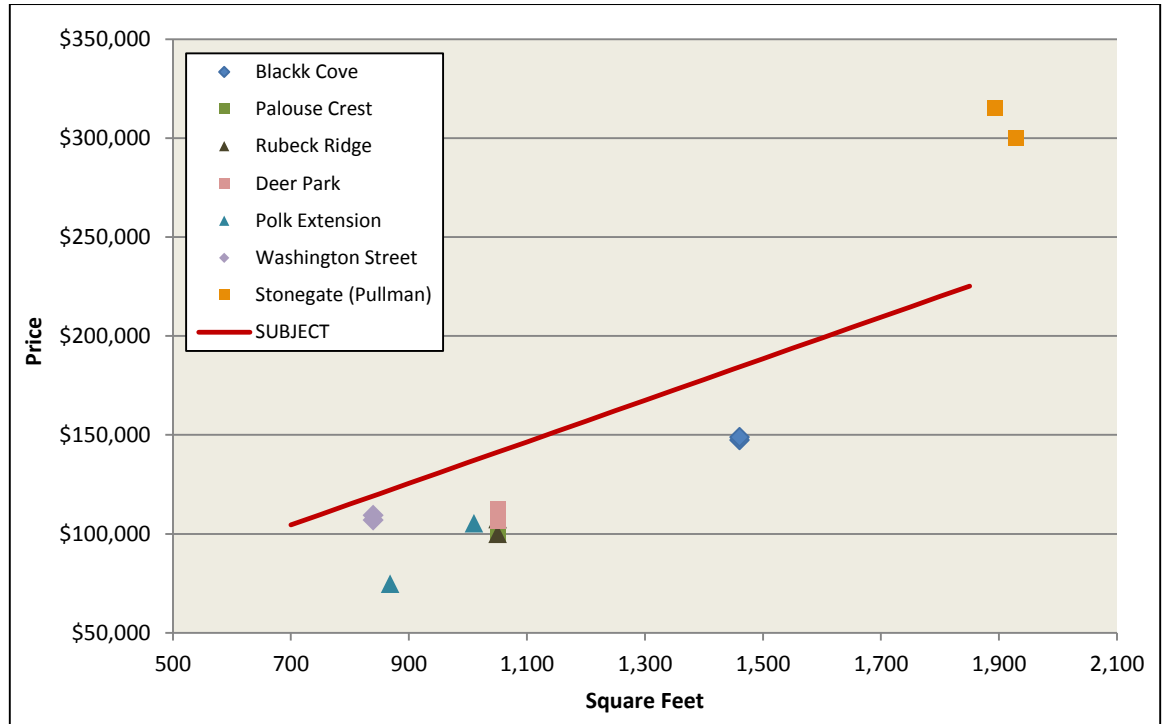


### Competitive Position and Achievable Pricing

We would expect a condominium development within the Renewal District to be positioned above all of the Moscow projects in terms of location, building quality, amenities, and vintage. We expect a positioning roughly on par with the Stonegate project, when adjusting for the difference in product type. We regard the Renewal District as offering a comparable location to Stonegate, and we assume a similar unit standard, but with the additional benefit of community amenities.

For the purpose of estimating achievable pricing, we considered location premiums for central locations in Moscow, as reflected in single-family and townhouse sales. We further made adjustments to the observed prices for the expected higher standard, newer vintage, moderate community amenities, and for the factors mentioned with respect to Stonegate. The following chart and table illustrate our estimates for achievable pricing. It should be noted that the margin of error is high when there is a lack of good comparables in the current market. Further, the estimates do not take into account market depth and the possible need for discounts in order to achieve acceptable absorption rates.

FIGURE 4.10: PEER GROUP PRICING ANALYSIS



SOURCE: Latah County MLS, online listings, JOHNSON ECONOMICS

FIGURE 4.11: ACHIEVABLE PRICING – CONDOMINIUM FLATS

Unit Type	Units	Unit Mix	Average Size	Avg. Price	Avg. Price/SF
Studio	5	10%	600	\$93,000	\$155
1B/1b	23	46%	700	\$103,500	\$148
2B/1b	2	4%	850	\$119,250	\$140
2B/2b	15	30%	1,100	\$145,500	\$132
3B/2b	5	10%	1,300	\$166,500	\$128
<b>Sum/Avg.</b>	<b>50</b>	<b>100%</b>	<b>876</b>	<b>\$121,980</b>	<b>\$139</b>

SOURCE: JOHNSON ECONOMICS

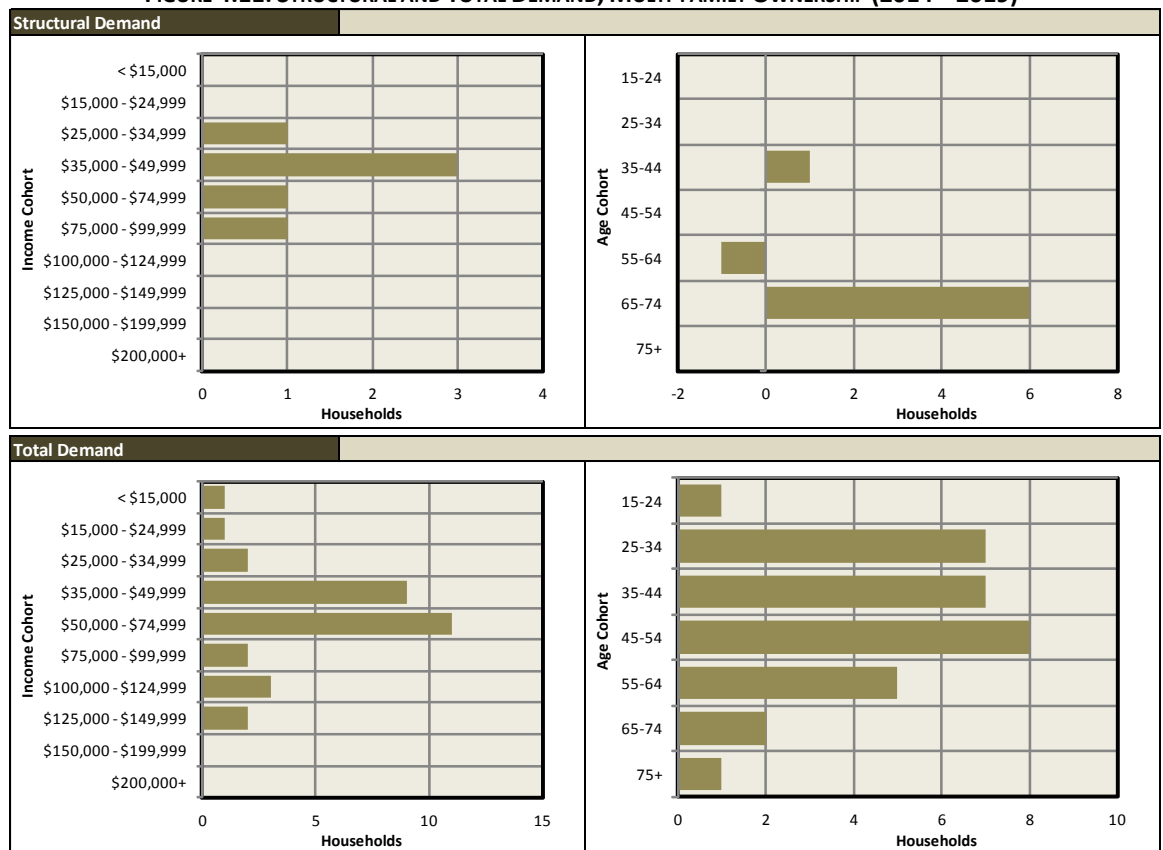


### Market Depth

Due to the current lending requirements, an urban condominium development will only be feasible within Moscow if there is sufficient demand from potential owner-occupants. Because students typically are not owner-occupants, we will exclude student household from the following demand analysis. The analysis utilizes the same housing model with the same assumptions as for rental apartments, but with focus on households with a preference for multi-family ownership housing.

Our demand model indicates a very shallow market for urban condominiums. Under the baseline scenario, a net increase of six households with a preference for multi-family ownership housing is anticipated over the coming five years. With turnover included, roughly 30 transactions are expected within this market segment over the coming five years, or 6 transactions per year.

**FIGURE 4.11: STRUCTURAL AND TOTAL DEMAND, MULTI-FAMILY OWNERSHIP (2014 – 2019)**



SOURCE: JOHNSON ECONOMICS

### Market Opportunities

We do not currently regard an urban condominium development to be feasible within the Renewal District. The owner-occupant pre-sale requirement will be difficult to meet, particularly on sites near the UI campus, as potential owner-occupant buyers will likely expect the project to be dominated by students. In addition, current achievable pricing is likely too low to support a well-appointed development with positive impacts on its surroundings. Finally, without the student segment, Moscow does not appear to have adequate demand for this use type.



## IV. COMMERCIAL MARKET ANALYSIS

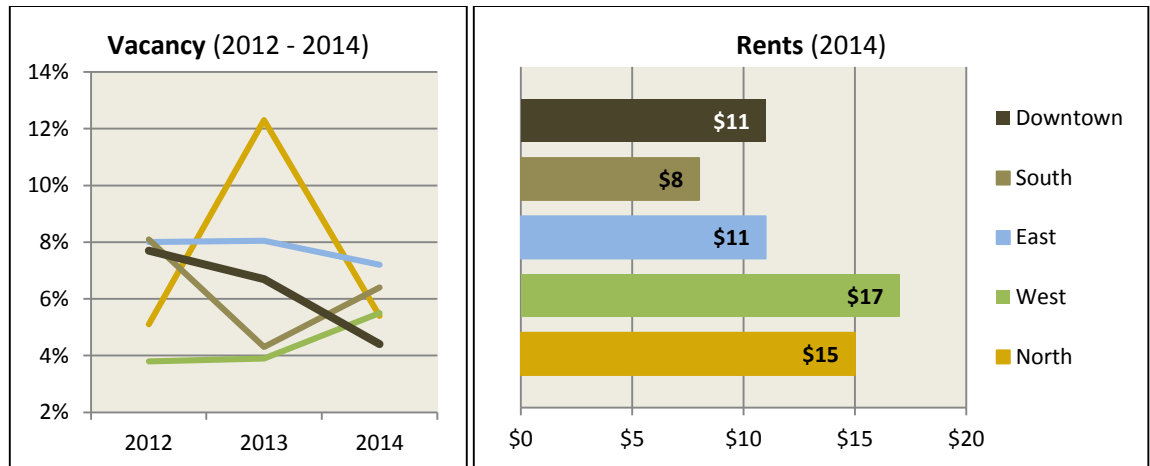
### RETAIL SPACE

#### Recent Trends

The market for retail space in Moscow has seen modest improvement over the past years. Though rents have not changed much, the overall vacancy rate has declined and currently sits at a low 5.9%, according to Palouse Commercial Real Estate. The Downtown vacancy rate is even lower, at 4.4% - the lowest in the Moscow market. The Downtown market is also the submarket that has seen the greatest declines in vacancy over the past three years, indicating relatively strong demand in this submarket. Overall vacancy rates in Pullman are comparable to Moscow's, though Downtown Pullman currently has 10.6% vacancy.

Rents in Moscow are highest west of Downtown, along Pullman Road, at an average of \$17 per square foot. Rents in Downtown average \$11 per square foot, reflecting the lower traffic volume and smaller and more dated spaces.

FIGURE 5.1: MOSCOW RETAIL MARKET TRENDS



SOURCE: Palouse Commercial Real Estate

#### Pipeline Supply

According to city planners, there are three retail projects currently under construction within Moscow. A 3,200-square-foot restaurant building is going up at the intersection of 6<sup>th</sup> Street and Jackson Street, with 1,900 square feet pre-leased to Jimmy Johns and the remaining space currently available for pre-lease. Further north on Jackson Street, Hunga Dunga Brewing is remodeling an existing building for a new brew-pub. North of Downtown, at the intersection of Main Street and Rodeo Drive, Meineke Muffler is constructing a service shop. Together, we estimate that the three buildings supply roughly 7,000 square feet of retail space, all to be delivered in 2015.

FIGURE 5.2: SUPPLY PIPELINE, RETAIL SPACE

Project	Location	Status	Delivery	Square Footage
Jimmy Johns	525 S Jackson St	Under Construction	2015	3,200
Hunga Dunga Brewing*	333 N Jackson St	Under Construction	2015	1,000
Meineke Muffler*	970 N Main St	Under Construction	2015	3,000
<b>Total Square Feet</b>				<b>7,200</b>

\* Square footage is estimated

SOURCE: City of Moscow, JOHNSON ECONOMICS



### Retail Market Survey

JOHNSON ECONOMICS surveyed a sample of eight retail projects, existing and under construction, with recent lease transactions or space available for lease. Five of the projects are located Downtown, and three are located outside Downtown.

FIGURE 5.3: MAP OF SURVEYED RETAIL PROPERTIES



SOURCE: MapPoint, JOHNSON ECONOMICS

Profiles of the surveyed properties are included on the following pages.





FIGURE 5.4: PROFILE OF SURVEYED RETAIL PROPERTIES

1) 525 S JACKSON STREET



Address: 525 S Jackson St, Moscow, Idaho  
Year Built: 2014 (U.C.)  
Total square feet: 3,200  
Leased (%): 59% (pre-lease)  
Lease Type: NNN  
Asking Rate (\$/Yr/SF) **\$19.00**

*Notes: Freestanding building on 10,000 SF. lot at NWC. Designed primarily for restaurant use. 1,900 SF pre-leased to Jimmy John's; 1,300 SF warm shell offered for \$19/SF.*

2) UNIVERSITY POINTE



Address: 317 W 6th, Moscow, Idaho  
Year Built: 2003  
Total square feet: 25,712  
Occupancy (%): 100%  
Lease Type: NNN  
Asking Rate (\$/Yr/SF) **\$13.00**

*Notes: Retail on ground floor with office above. No space currently available. NNNs estimated to \$3-4 PSF.*

3) 519 S MAIN STREET



Address: 519 S Main St, Moscow, Idaho  
Year Built: 1950  
Total square feet: 3,000  
Occupancy (%): 50%  
Lease Type: NNN  
Asking Rate (\$/Yr/SF) **\$12.00**

*Notes: One-story retail/office building with two 1,500 SF. spaces. One currently available.*

4) 118 E THIRD STREET



Address: 118-120 E 3rd St, Moscow, Idaho  
Year Built: 1900  
Total square feet: 3,883  
Occupancy (%): 100%  
Lease Type: Modified Gross  
Asking Rate (\$/Yr/SF) **\$5.88**

*Notes: Two-story historic building with retail on ground floor and office above. Two spaces (1,942 SF. each) leased in September for January 2015 occupancy.*



#### 5) CROSSLER BUILDING



**Address:** 111 E 2nd St, Moscow, Idaho  
**Year Built:** 1885  
**Total square feet:** 4,000  
**Occupancy (%)** 86%  
**Lease Type** Full Service  
**Asking Rate (\$/Yr/SF)** **\$19.64**

**Notes:** Two-story historic building with retail on ground floor and office above (10,000 sf. total). One retail space of 550 SF. currently available.

#### 6) RODEO CENTER



**Address:** 212 E Rodeo Dr, Moscow, Idaho  
**Year Built:** 2005  
**Total square feet:** 12,500  
**Occupancy (%)** 63%  
**Lease Type** NNN  
**Asking Rate (\$/Yr/SF)** **\$15.00**

**Notes:** Strip mall with two spaces available: 1,650 SF. available since 2008; 3,000 SF. available since 2012. Existing tenants are medical service providers. Center for sale for \$1.8M, or \$144/SF.

#### 7) VILLAGE MALL



**Address:** 866 Troy Rd, Moscow, Idaho  
**Year Built:** 2005  
**Total square feet:** 19,642  
**Occupancy (%)** 63%  
**Lease Type** Modified Gross  
**Asking Rate (\$/Yr/SF)** **\$15.00**

**Notes:** Strip mall with recent leases of spaces between 1,194 and 3,000 SF. Center for sale for \$2,85M, or \$145/SF.

#### 8) 1016 W PULLMAN ROAD



**Address:** 1016 W Pullman Rd, Moscow, Idaho  
**Year Built:** Unknown  
**Total square feet:** 2,871  
**Occupancy (%)**  
**Lease Type** NNN  
**Asking Rate (\$/Yr/SF)** **\$6.96**

**Notes:** Older but recently remodeled building on 8,000 SF. Lot between Wendy's and AutoZone on Pullman Road. Leased to Stiches & Petals.

SOURCE: Loopnet, online listings, Palouse Commercial Real Estate, JOHNSON ECONOMICS





### Summary of Survey Observations

The surveyed properties represent a mix of building formats and vintages. With the exception of University Pointe and the new Jimmy John's building, the Downtown buildings are all more than sixty years old, and mostly occupied by smaller boutiques and secondhand stores. Among the projects located outside of Downtown, two are strip malls that were built within the past ten years, and one is an older freestanding building situated adjacent to the recent University Crossing development on Pullman Road.

Rents vary significantly within the sample. The older buildings along Main Street in Downtown range from around \$6 per square foot on a modified gross basis to \$20 full service. The only triple net lease among these properties has an asking rate of \$12 PSF. The building currently under construction at 525 S Jackson Street, which enjoys stronger exposure, has an asking rate of \$19, triple net. The smaller spaces in the University Pointe building have leased for around \$13, triple net. Due to their vintage and locations, these two properties are important reference points for achievable pricing at other sites in the Renewal District.

The two strip-malls in the sample have asking rates of \$15 PSF, triple net. However, these have high vacancy rates, and negotiated rates are likely to be lower. The older building on Pullman Road has a low asking rate of \$7 PSF, triple net, reflecting its vintage and lack of modern storefront. Its newer strip mall neighbors were offered through pre-lease at \$20-25, triple net, in 2011.

### Competitive Position & Achievable Pricing

Among the sites with near-term redevelopment potential within the Renewal District, we regard the corner sites on 3rd/Jackson and 6th/Jackson to be best positioned. These sites have the potential for similar lease rates as 525 S Jackson (Jimmy Johns building). Assuming that the actual transaction rate for the available space at the Jimmy Johns site will be discounted 10% (\$2) from the current asking price, we estimate achievable rents at these sites to be \$17 per square foot, triple net. The Idaho Inn site, which has lower near-term redevelopment potential, is arguably an even stronger retail site, due to more traffic exposure. Assuming a rate premium of 15% for this site, we estimate its achievable rents to be \$19-20.

Achievable pricing at the other sites within the Renewal District will represent a discount to the mentioned sites. Sites with frontage along SR-8 (Jackson St, 3<sup>rd</sup> St, Troy Rd) are expected to achieve rates in the \$12 - \$15 range, with the highest rates on Jackson between 3<sup>rd</sup> and 6<sup>th</sup> Streets, and the lowest rates south of College Street.

### Retail Spending Leakage and Demand Growth

In this section, we analyze potential opportunities for retail development in Moscow based on the current spending leakage to surrounding areas and anticipated new demand as a result of household growth over the five-year forecast horizon. For the purpose of these analyses, we define the primary trade area for a retail development in Downtown Moscow as Moscow proper plus the surrounding areas located within a five-mile radius of Downtown. Residents within this trade area are expected to contribute roughly three-fourths of the demand. A ten-mile radius defines the secondary trade area, which includes Pullman.

#### Spending Leakage

A comparison of current household retail spending to current retail sales within the defined trade areas reveals patterns of spending leakage – losses of retail sales to other geographic regions. The leakage represents potential unmet demand (identified as “opportunity gap” in the following table) that may be filled by new retailers within the trade area. Smaller towns typically exhibit considerable leakage, as they do not have the household counts required to sustain retail businesses dependent on considerable scale.



**FIGURE 5.5: RETAIL SPENDING LEAKAGE, PRIMARY TRADE AREA**

<b>MOSCOW (5-Mile Radius)</b>	<b>2014 Demand</b>	<b>2014 Supply</b>	<b>Opportunity</b>	<b>Opportunity</b>
<b>Retail Category (NAICS)</b>	<b>(Consumer Spending)</b>	<b>(Retail Sales)</b>	<b>Gap (Surplus)</b>	<b>Gap (%)</b>
Motor Vehicle and Parts Dealers-441	100,511,291	50,985,919	49,525,372	49%
Furniture and Home Furnishings Stores-442	8,759,614	5,608,153	3,151,461	36%
Electronics and Appliance Stores-443	11,028,324	7,359,116	3,669,208	33%
Building Material, Garden Equip Stores -444	46,336,323	46,411,953	(75,630)	0%
Food and Beverage Stores-445	60,987,574	59,927,375	1,060,199	2%
Health and Personal Care Stores-446	19,006,783	26,144,520	(7,137,737)	-38%
Gasoline Stations-447	50,602,485	25,324,514	25,277,971	50%
Clothing and Clothing Accessories Stores-448	23,410,813	11,289,285	12,121,528	52%
Sporting Goods, Hobby, Book, Music Stores-451	12,421,396	1,488,801	10,932,595	88%
General Merchandise Stores-452	56,722,193	17,739,608	38,982,585	69%
Miscellaneous Store Retailers-453	14,705,092	18,776,594	(4,071,502)	-28%
Non-Store Retailers-454	44,104,658	3,844,075	40,260,583	91%
Foodservice and Drinking Places-722	54,821,355	81,098,905	(26,277,550)	-48%
<b>Total/Average</b>	<b>\$503,417,901</b>	<b>\$355,998,818</b>	<b>\$147,419,083</b>	<b>29%</b>

SOURCE: Nielsen Claritas, JOHNSON ECONOMICS

The preceding table indicates annual leakage of nearly \$150 million within the primary trade area, representing nearly one-third of total retail spending. The retail categories that show the greatest leakage and thus the greatest opportunity are mostly dominated by large-format stores, oriented toward auto traffic in suburban settings (e.g., auto dealers, furniture, sporting goods, general merchandise/department stores). The primary category for boutique stores in a pedestrian, downtown environment is the “Miscellaneous Store Retailers” category, which shows a current oversupply (retailers capture spending from out-of-area households). The category for restaurants and bars also shows oversupply. In other words, the pattern of current spending leakage indicates few immediate opportunities for retail development in Downtown Moscow.

The secondary market area shows a greater spending leakage in the categories suitable for Downtown locations (figure 5.6). This explains how Moscow can sustain the “oversupply” indicated for the primary trade area for miscellaneous stores and restaurants/bars. It also indicates that the Moscow-Pullman region might have an opportunity for more retail within these categories. However, the leakage is relatively modest (37% and 20%, respectively), suggesting only limited opportunities in these categories.

**FIGURE 5.6: RETAIL SPENDING LEAKAGE, SECONDARY TRADE AREA**

<b>MOSCOW-PULLMAN (10-Mile Radius)</b>	<b>2014 Demand</b>	<b>2014 Supply</b>	<b>Opportunity</b>	<b>Opportunity</b>
<b>Retail Category (NAICS)</b>	<b>(Consumer Spending)</b>	<b>(Retail Sales)</b>	<b>Gap (Surplus)</b>	<b>Gap (%)</b>
Motor Vehicle and Parts Dealers-441	\$249,647,393	\$170,342,945	\$79,304,448	32%
Furniture and Home Furnishings Stores-442	\$21,106,550	\$13,972,085	\$7,134,465	34%
Electronics and Appliance Stores-443	\$28,453,584	\$11,644,331	\$16,809,253	59%
Building Material, Garden Equip Stores -444	\$110,528,364	\$58,737,209	\$51,791,155	47%
Food and Beverage Stores-445	\$148,371,149	\$204,302,837	(\$55,931,688)	-38%
Health and Personal Care Stores-446	\$43,802,769	\$53,475,963	(\$9,673,194)	-22%
Gasoline Stations-447	\$122,671,022	\$80,532,935	\$42,138,087	34%
Clothing and Clothing Accessories Stores-448	\$59,805,112	\$13,825,885	\$45,979,227	77%
Sporting Goods, Hobby, Book, Music Stores-451	\$32,278,313	\$5,475,843	\$26,802,470	83%
General Merchandise Stores-452	\$138,706,899	\$20,995,026	\$117,711,873	85%
Miscellaneous Store Retailers-453	\$36,863,065	\$23,385,109	\$13,477,956	37%
Non-Store Retailers-454	\$112,835,182	\$3,991,901	\$108,843,281	96%
Foodservice and Drinking Places-722	\$139,919,229	\$112,137,448	\$27,781,781	20%
	<b>\$1,244,988,631</b>	<b>\$772,819,517</b>	<b>\$472,169,114</b>	<b>38%</b>

SOURCE: Nielsen Claritas, JOHNSON ECONOMICS



### Retail Demand from Household Growth

Applying projected household growth rates for Moscow to the primary market area indicates an increase of around 270 households under the baseline scenario. Based on current average household spending, this should lead to a spending increase of approximately \$7 million in the primary market. Assuming typical sales-per-square-foot ratios, this translates into demand for an additional 28,000 square feet of retail space. Roughly 20% of this demand is anticipated to be for retail space located in a downtown context, primarily belonging to the categories of miscellaneous stores (boutiques) and restaurants/bars. Household growth is thus projected to support nearly 6,000 square feet of new retail space in Downtown over the coming five years, or 1,200 square feet per year.

**FIGURE 5.7: PROJECTED DOWNTOWN RETAIL SPACE DEMAND, PRIMARY TRADE AREA (2014 – 2019)**

<b>MOSCOW (5-Mile Radius)</b>		<b>Sales Support</b>	<b>Spending Supported Retail Demand (SF)</b>				<b>Downtown</b>
<b>NAICS</b>	<b>Category</b>	<b>Factor <sup>1</sup></b>	<b>2014</b>	<b>2019</b>	<b>'14-'19 Δ</b>	<b>Downtown</b>	<b>Demand (SF)</b>
441	Motor Vehicle and Parts Dealers	\$422	238,165	243,815	<b>5,650</b>	<b>0%</b>	<b>0</b>
442	Furniture and Home Furnishings Stores	\$228	38,434	39,345	<b>912</b>	<b>0%</b>	<b>0</b>
443	Electronics and Appliance Stores	\$329	33,487	34,281	<b>794</b>	<b>0%</b>	<b>0</b>
444	Building Materials and Garden Equipment	\$424	109,231	111,822	<b>2,591</b>	<b>0%</b>	<b>0</b>
445	Food and Beverage Stores	\$469	130,061	133,146	<b>3,085</b>	<b>0%</b>	<b>0</b>
446	Health and Personal Care Stores	\$304	62,471	63,953	<b>1,482</b>	<b>20%</b>	<b>296</b>
448	Clothing and Clothing Accessories Stores	\$170	137,615	140,880	<b>3,264</b>	<b>20%</b>	<b>653</b>
451	Sporting Goods, Hobby, Book and Music	\$217	57,239	58,597	<b>1,358</b>	<b>20%</b>	<b>272</b>
452	General Merchandise Stores	\$179	317,164	324,687	<b>7,524</b>	<b>0%</b>	<b>0</b>
453	Miscellaneous Store Retailers	\$138	106,179	108,698	<b>2,519</b>	<b>50%</b>	<b>1,259</b>
722	Foodservices and Drinking Places	\$291	188,284	192,750	<b>4,466</b>	<b>75%</b>	<b>3,350</b>
<b>Totals/Weighted Averages</b>			<b>1,180,164</b>	<b>1,208,160</b>	<b>27,996</b>	<b>21%</b>	<b>5,830</b>

SOURCE: Nielsen Claritas, JOHNSON ECONOMICS

The secondary trade area is projected to represent additional demand for downtown retail space in the order of 9,000 square feet over the forecast period. Pullman is likely to capture the majority of this demand, but Moscow has the potential to capture some of this demand if it can gain competitive advantage in terms of creating an attractive downtown retail environment. (See appendix for details.)

### Retail Market Opportunities

The preceding market analysis reveals a mixed picture in terms of opportunities for a new retail development within the Renewal District. The high vacancy rates at the malls surrounding the Renewal District indicate general weakness in the Moscow market. Further, spending patterns do not indicate much unmet demand for pedestrian-oriented retail within greater Moscow, and household growth over the forecast horizon is only expected to have a marginal impact. However, the Downtown submarket has seen relatively strong absorption of retail space in recent years, and currently enjoys a very low vacancy rate (4.4% vs. 10% considered normal). With roughly 4,000 square feet of space currently under construction to house a new sandwich restaurant and a brew pub, some of the unmet demand for Downtown retail space is about to be met. However, we expect that the market will have some capacity to absorb additional space over the coming five years.

A likely obstacle to new development is the relatively low rent levels in Downtown, which currently average \$11 per square foot, according to Palouse Commercial Real Estate. Low lease rates have likely contributed to the current low vacancy rate in this submarket. This means that the unmet demand for retail space in Downtown may be at a rate that cannot support new development. Much of the current demand for retail space comes from antique stores and small boutiques with relatively low rates of sales per square foot. Such retailers are unable to support new construction.



In light of these considerations, we regard purely speculative retail developments to be unlikely over the forecast period. Developments anchored by pre-leased tenants, such as the new Jimmy Johns building, are more realistic, but our analyses indicate only limited demand for retail space from such retailers over the forecast horizon. At sites with strong exposure, we regard some absorption of smaller spaces at adequate rent levels to be likely over the forecast horizon.

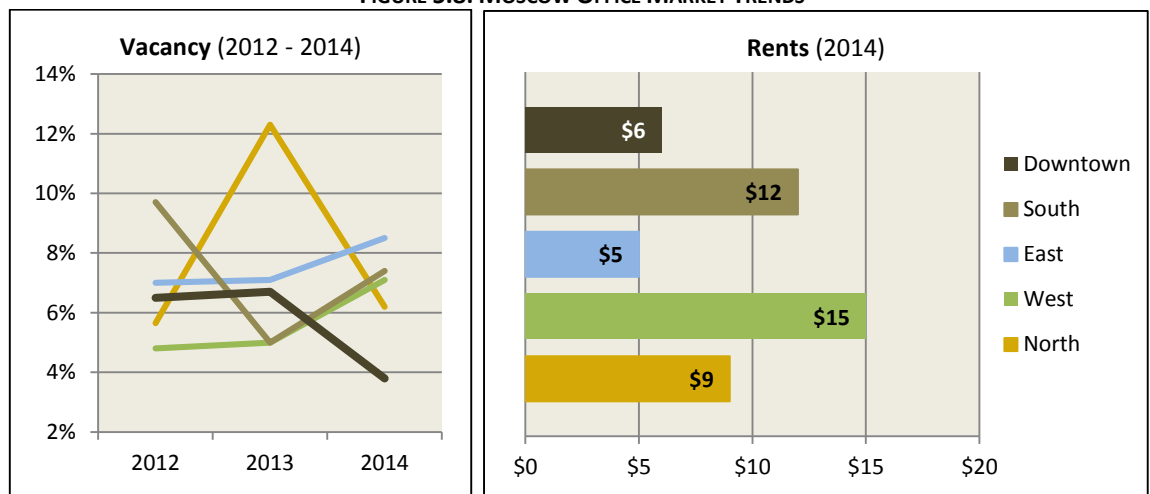
## OFFICE SPACE

### Recent Trends

Moscow's office market has largely followed the same trajectory as the retail market in recent years, though with somewhat weaker improvements in occupancy. The closing of two auto dealerships in 2013 contributed to increasing vacancy in certain submarkets, but the Downtown submarket saw a decline in the vacancy rate to a low of 3.8%. The overall vacancy rate for office space is 6.8% in and 8.4% in Pullman.

Rents have remained flat recently in recent years. The highest rents are found west of Downtown, at an average of \$15 PSF, and the lowest are east of Downtown, at around \$5. The Downtown submarket currently has an average of \$6, reflecting a mix of triple net and gross leases.

FIGURE 5.8: MOSCOW OFFICE MARKET TRENDS



SOURCE: Palouse Commercial Real Estate

### Supply Pipeline

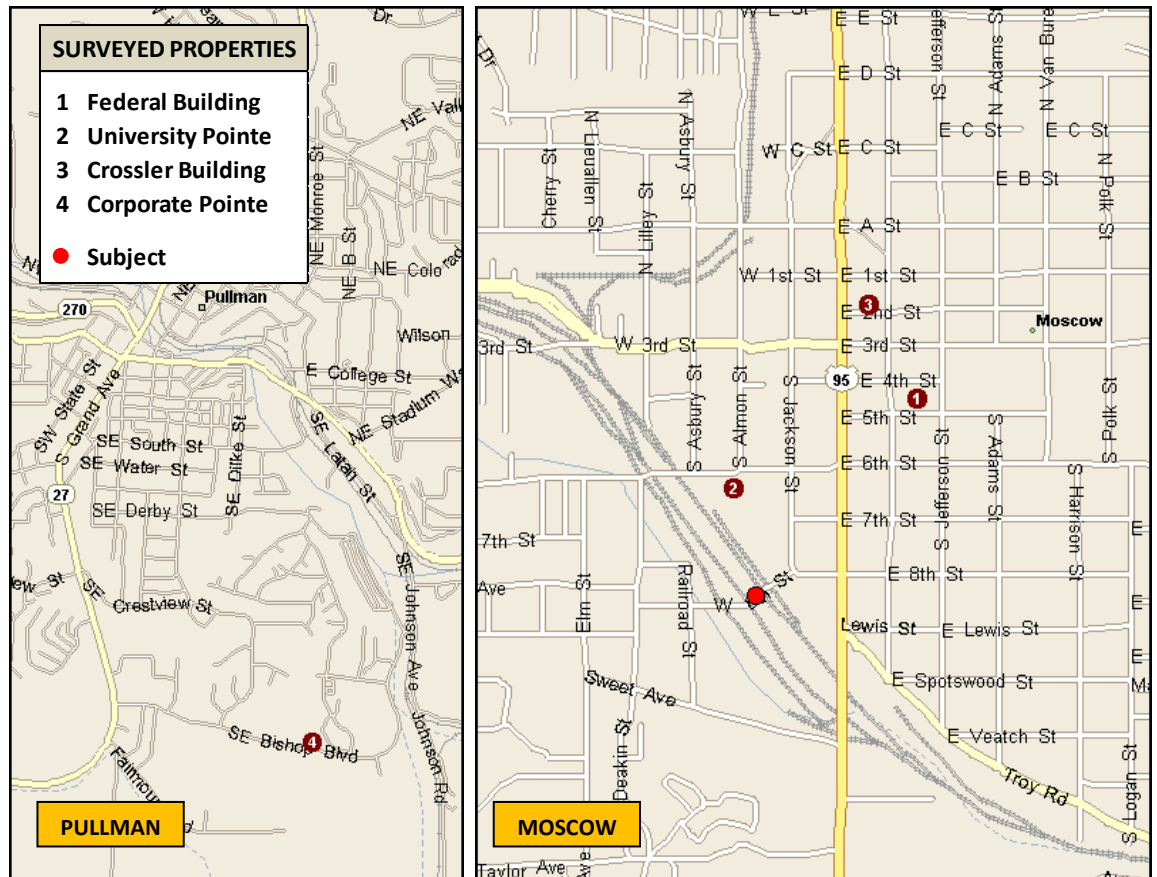
There is no office development currently in the pipeline in Moscow, according to city planners.

### Office Market Survey

JOHNSON ECONOMICS surveyed a sample of four office projects with recent lease transactions or available space for lease. Three of the projects are located in Downtown Moscow, and one is located in Pullman. Profiles of the properties are included on the following pages.



FIGURE 5.9: MAP OF SURVEYED OFFICE PROPERTIES



SOURCE: MapPoint, JOHNSON ECONOMICS





FIGURE 5.10: PROFILE OF SURVEYED OFFICE PROPERTIES

1) FEDERAL BUILDING



Address:	220 E 5th St, Moscow, Idaho
Year Built:	1973
Total square feet:	43,049
Leased (%)	100%
Lease Type	Unknown
Negotiated Rate (\$/Yr/SF)	<b>\$16.16</b>

**Notes:** Sold for \$2.38M or \$55/SF in 2012, with an estimated \$3M in needed renovations. Quoted lease rate based on public GSA lease-back contract for 25k SF. Parking for 108 vehicles.

2) UNIVERSITY POINTE



Address:	317 W 6th, Moscow, Idaho
Year Built:	2003
Total square feet:	25,712
Occupancy (%)	100%
Lease Type	NNN
Asking Rate (\$/Yr/SF)	<b>\$13.00</b>

**Notes:** Retail on ground floor with office above. No space currently available. NNNs estimated to \$3-4 PSF.

3) CROSSLER BUILDING



Address:	111 E 2nd St, Moscow, Idaho
Year Built:	1885
Total square feet:	4,000
Occupancy (%)	77%
Lease Type	Full Service
Asking Rate (\$/Yr/SF)	<b>\$10.49</b>

**Notes:** Two-story historic building with retail on ground floor and office above (10,000 sf. total). One office space of 915 SF. currently available.

4) CORPORATE POINTE



Address:	840 SE Bishop Blvd., Pullman, WA
Year Built:	Unknown
Total square feet:	17,321
Occupancy (%)	100%
Lease Type	NNN
Asking Rate (\$/Yr/SF)	<b>\$16.00</b>

**Notes:** Two-story building adjacent to Pullman Regional Hospital. Existing tenants are medical/dental, title company, etc. Two suites (1,668 and 2,004 SF) available from Jan 2015.

SOURCE: Loopnet, online listings, Palouse Commercial Real Estate, JOHNSON ECONOMICS



### Summary of Survey Observations

The four surveyed properties represent different office formats. The Federal Building is a civic office building, which will likely have specific requirements set by its governmental tenant that might warrant above-market rents. University Pointe and the Crossler Building are both mixed use buildings with ground floor retail and office and the second floor. These buildings are oriented more toward office tenants within industries like information, finance, and professional services. However, the two buildings are of very different vintage, being built almost 120 years apart. University Pointe is the best reference point for achievable pricing within the Renewal District, given its location as well as its vintage. Corporate Pointe is the only suburban project in the sample. It is similar to the Federal Building in that it is a pure office building oriented toward larger tenants. However, its tenants are mostly from medical sectors, reflecting its location near Pullman Regional Hospital.

The highest rents in the sample are captured by the projects oriented toward government and medical sectors. This likely reflects a combination of the specific requirements set by these types of tenants as well as the general stability of their industries. As discussed in the section on local economic trends, other typical office industries have generally seen declines in firm and employee counts recently (with EMSI as a notable exception). The lack of demand from these industries has likely prevented rent increases for smaller downtown office spaces. According to Shelley Bennett at Palouse Commercial Real Estate, up-to-date office space typically leases for around \$12 per square foot, triple net, and there is little demand for space at higher rent levels.

### Competitive Position & Achievable Pricing

Among the sites within the Renewal District, we regard sites located near Gritman Medical Center to be best positioned, as these can capitalize on the desire among medical services providers to be located near a major hospital. With access to and visibility from major arterials (SR-8, Highway 95), such sites might capture triple-net lease rates around \$15 to \$16 per square foot. Sites with similar access and exposure but located further from the Hospital are likely to be positioned similarly to University Pointe, and might capture rates around \$13 to \$14, although special build-to-suit arrangements could warrant higher rates. Sites that have neither of these attributes are not likely to lease for more than \$10-\$12. The quoted rates assume adequate market depth.

### Market Depth

Demand for office space is a direct result of employment in office-space-utilizing industries. JOHNSON ECONOMICS has developed a model that converts expected employment growth by industry into office space demand by applying typical rates for office space utilization within each industry and rates for typical space per employee. Employment growth projections are based on industry-specific forecasts produced by the State of Idaho, adjusted to reflect the impacts of anticipated enrollment growth at UI Moscow and WSU Pullman. A more detailed presentation of the methodological steps involved in the modeling is included in the appendix.

Reflecting our relatively low growth expectations for the Latah-Whitman economy over the next five years, our demand model indicates a modest increase in office space demand over this period. Under the baseline scenario, the net increase within Latah County is estimated to 21,000 square feet of space over the period, or approximately 4,000 square feet per year. This estimate reflects overall employment growth of 0.5%. Our high-growth scenario, which reflects employment growth of 1.0%, indicates demand for 45,000 square feet over the period, or around 9,000 per year. Downtown office space is assumed to capture nearly half of this demand, or roughly 10,000 square feet over the forecast period.



**FIGURE 5.11: PROJECTED OFFICE SPACE DEMAND (2014 – 2019)**

Office Space-Utilizing Demand Employment Sector	Total Office Empl.		Avg. Space Per Job <sup>1</sup>	Total Office Space Need (SF)		'14-'19 Change (SF)	Downtown Capture	Downtown Demand
	2014	2019		2014	2019			
Construction	7	7	285	2,015	2,137	123	0%	0
Manufacturing	19	19	285	5,372	5,547	175	0%	0
Wholesale Trade	15	15	285	4,227	4,398	170	0%	0
Retail Trade	94	98	285	26,774	27,851	1,078	0%	0
T.W.U.	26	27	285	7,314	7,553	239	0%	0
Information	104	106	285	29,629	30,295	666	50%	333
Financial Activities	362	375	285	103,311	106,943	3,631	75%	2,724
Professional & Business	713	738	285	203,265	210,410	7,145	50%	3,572
Education	37	38	285	10,475	10,736	262	0%	0
Health Services	385	403	285	109,677	114,935	5,258	50%	2,629
Leisure & Hospitality	88	92	285	24,961	26,222	1,261	0%	0
Other Services	149	154	285	42,480	43,865	1,385	50%	693
Government	1,930	1,930	285	550,128	550,128	0	20%	0
<b>Total</b>	<b>3,929</b>	<b>4,004</b>		<b>1,119,630</b>	<b>1,141,022</b>	<b>21,393</b>	<b>47%</b>	<b>9,951</b>

<sup>1</sup> Average office employment density by industry sector based on Urban Land Institute guidelines.

SOURCE: JOHNSON ECONOMICS

### **Office Market Opportunities**

Moscow's office market is relatively tight at the present, and our projections indicate some support for new office development over the coming five years. The two industries that have produced most of the gains in office employment in the recent past are health services and professional and business services. Based on our market depth projections, these industries will also contribute the majority of the new demand over the coming five years. In this context, there might be an opportunity for a medical office development on sites near Gritman Medical Center. A development intended to capitalize on demand within the professional/business services industry would likely have to involve EMSI, which is the main driver of growth in this industry. Apart from EMSI and health services, the demand is anticipated to be limited and to come at rent levels that for the most part will be inadequate to justify new development.





## V. CONCLUSION - MARKET OPPORTUNITIES

The use types that are likely to exhibit the strongest market support in Central Moscow over the near- to mid-term are upscale, urban apartments and medical office space. We regard these as feasible development forms even in a generally weak market environment. In the case of apartments, there are indications of pent-up demand for upscale options; in the case of medical office space, the demographic composition of the local population indicates a steady increase in demand. Slight declines in employment, enrollment, or household formation are not likely to materially impact the market support for these use types.

The analysis also indicates some support for additional commercial space within the study area, though not at a scale that will justify larger developments. Smaller retail spaces could potentially work as part of a mixed-use development with apartments, something that in turn would enhance the marketability of the apartments. However, we expect absorption of new retail space (priced at rent levels that can support new construction) to be slow in the near future, and pre-leases will likely have to be in place in order to make a larger retail component viable. A relocation of the University bookstore is a possible solution that makes a mixed-use project immediately viable without causing a dilution of the Downtown retail market.

In the following, we will focus on urban apartments, due to the immediate potential for this development form within the Renewal District and the benefits such a development might offer for Downtown Moscow and the University of Idaho.

### SEGMENTS WITH DEMAND FOR UPSCALE, URBAN APARTMENTS

#### Non-Students

An upscale apartment project in the Renewal District is likely to draw support from a broad range of segments. We expect young professionals, empty-nesters, and retirees to dominate. Demand from these segments is indicated by the current tenant profile at Turnstone Flats and the McConnell Building, as well as our demand projections for Moscow. The latter indicate that retirees will be the single largest segment in terms of net new apartment demand over the coming five years. However, most of the pent-up demand is likely to be among younger cohorts, which dominate the current renter base. Our projections indicate that roughly 35 lease transactions annually will involve apartment households with incomes above \$50,000, a segment that has few apartment options in the current market.

#### Students

We also expect students to contribute to some of the demand for upscale apartments. Students are sometimes underestimated in the context of high-end spending, including spending on apartment rent, due to the fact that student loans and transfers from parents are not commonly taken into account. An analysis performed by JOHNSON ECONOMICS in the Portland Metro Area indicated that older students in particular are willing to stretch their budgets and take on debt to pay for apartment rent. The analysis revealed that apartment renters in the 25-to-34-year cohort with annual incomes below \$15,000 (students and non-students) spent an average of 127% of their income on rent, while 15-to-24-year-olds in the same income bracket spent 97% on average.<sup>3</sup> In other words, income is a poor indicator of typical spending among students. This is true for retail spending as well as for rent.

Across the nation, student housing developers have recognized that today's students have a stronger preference for well-amenitized apartment projects than previous generations. Consequently, numerous

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<sup>3</sup> Based on an analysis of Microdata Samples from the American Community Survey (U.S. Census Bureau), collected across the Portland Metro Area between 2007 and 2011, representing 5% of the population.



luxury student projects have been built in recent years. The two Grove projects in Moscow and Pullman are modest reflections of this trend. Many developers have also perceived increasing demand for more urban locations among students. Examples of this can be found in Eugene, Oregon, where several recent student projects have been built in or near Downtown. A project named 13<sup>th</sup> & Olive is an example of a student-oriented project that is both upscale and urban. Among a number of other amenities, this project includes a pool, which is unusual for urban projects.

**FIGURE 6.1: 13<sup>TH</sup> & OLIVE (EUGENE, OREGON)**



*SOURCE: Capstone Collegiate Communities*

The trend toward stronger high-end demand from students is often ascribed to the higher expectations set by today's students, reflecting the increasing comfort of middle-income American homes. However, in many cases, it is the parents rather than the students who decide on (and pay for) the more upscale apartment options, which promise a safer, cleaner, and generally better environment for their young. We expect the same dynamics to be in place in Moscow, and we suspect that the availability of such housing could increase the marketability of UI Moscow.

## **SITES WITH APARTMENT POTENTIAL**

There are several sites within the Renewal District that have potential for urban apartments. We have highlighted four sites in the image to the right. The potential of the site in the north end of the Renewal District (First and Almond St.) is primarily as a mid-market option, given the character of its surroundings. The site located south of Crites Seed has potential for a large-scale student project, which is unlikely to be realized in the current environment. Its potential for a mixed-use or pedestrian-oriented development is limited given its detachment from the more vital, pedestrian parts of Downtown. In the following, we will focus on the two smaller sites on Sixth Avenue, due to their more immediate development potential and greater benefits to the City and the University.



### **Sixth & Jackson**

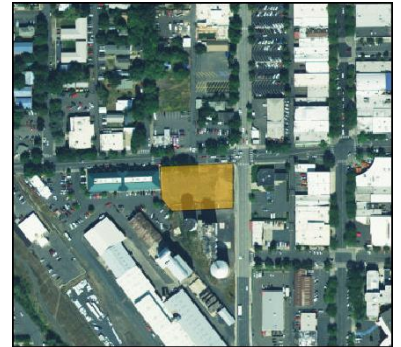
The vacant lot located at the southwest corner of W Sixth Street and W Jackson Street is likely the strongest candidate for an upscale, urban apartment development. Located only one block from Main Street, this site is directly linked to the pedestrian Downtown area. A study earlier conducted by JOHNSON ECONOMICS indicates a strong price impact associated with pedestrian access to urban amenities like restaurants, bars, and movie theaters.<sup>4</sup> The site's marketability is further enhanced by its arterial access

<sup>4</sup> JOHNSON GARDNER, "An Assessment of the Marginal Impact of Urban Amenities on Residential Pricing," 2007.



and visibility, which makes for convenient living and allows it to be easily sighted by passersby. The site's connection to Downtown makes it a good candidate for a non-student-focused apartment project, though its proximity to campus makes it an attractive option for students as well.

The Sixth and Jackson site is also has retail potential, and thus is suitable for a mixed-use development. In addition to its exposure to auto-traffic along two arterial streets, the site benefits from foot traffic between the UI campus and Downtown. It is also likely to benefit from Downtown pedestrian retail traffic, and might serve to extend the Downtown pedestrian environment to the existing University Pointe building. As mentioned, the current market for retail space is quite weak, and a lease by the University bookstore is one possible way to secure occupancy until there is firmer demand from other retailers. Given the site's qualities, however, it has commercial potential that goes beyond student-oriented services.



At a size of roughly 35,000 square feet, we estimate that this site should be able to accommodate at least 50 apartment units over three stories (13,000 sf. footprint), leaving adequate space for tenant and retail parking on a surface lot behind the building.

#### **Sixth & Asbury**

On the other side of University Pointe there is a group of parcels that together make up another potential apartment site. These parcels are currently occupied by Taco Time, the HR department of UI, and a small Wells Fargo ATM building. Redevelopment through assemblage of these sites would likely require a substantial level of effort and time.

This site is more detached from Downtown and located closer to the UI campus. Consequently, its residential potential is primarily as a student housing site. Given the scale of the site, it can house a large number of student units. In the current environment, a large-scale student housing project is not realistic unless the university decides to close and repurpose some of its existing student housing buildings.



The retail potential of the site is somewhat lower than the previous site, reflecting its lack of exposure to traffic along Jackson Street and longer distance to Downtown. However, the pedestrian link to Downtown will be strengthened if the development is preceded by a project on the Sixth and Jackson site. However, in the current market, a pedestrian-oriented, mixed-use project would likely have to include student-oriented services on the ground floor. A student-focused project on this site would likely function similarly to 13<sup>th</sup> & Olive in Eugene, catering primarily to older students who prefer to live off campus and close to Downtown.

### **MIXED-USE EXAMPLES**

There are multiple examples in the Northwest of urban-style, mixed-use projects located in suburban or small-town settings where prevailing rent levels do not justify structured parking or steel/concrete structures. The following are three examples of concepts that we regard to be feasible on the two mentioned sites.





### **Orenco Station (Hillsboro, Oregon)**

Orenco Station is a suburban town center that was built around a new light-rail station. The Nexus apartment project is a three-story, wood-frame complex, with retail and tenant parking on surface lots behind the buildings. The parking lots are accessed via alleyways, as shown in the picture below. Rents range from \$880 for studios to \$1,700 for three-bedroom units. Because the units are relatively large, these rents translate into a relatively low per-square-foot range (\$1.20 to \$1.40).



### **Bell Tower at Old Town Square (Wilsonville, Oregon)**

Another example is the Bell Tower in Wilsonville – a city of about 14,000 residents. The four-story wood-frame building features 52 apartment units above 5,000 square feet of retail and an at-grade parking garage. Rents range from around \$800 for the smallest studios to around \$1,800 for the largest two-bedroom units (\$1.50 to \$1.65 per square foot). The Bell Tower site is comparable in size to the Sixth and Jackson site.



### **The 951 (Boise, Idaho)**

The 951 is a mixed-use project currently under construction along Parkcenter Boulevard, southeast of Downtown. The building is a four-story structure with 68 apartment units and 4,000 square feet of retail space on the ground floor. The project will offer covered parking behind the building. The site is about twice the size of the Sixth and Asbury site. The project is scheduled to open in January 2015.

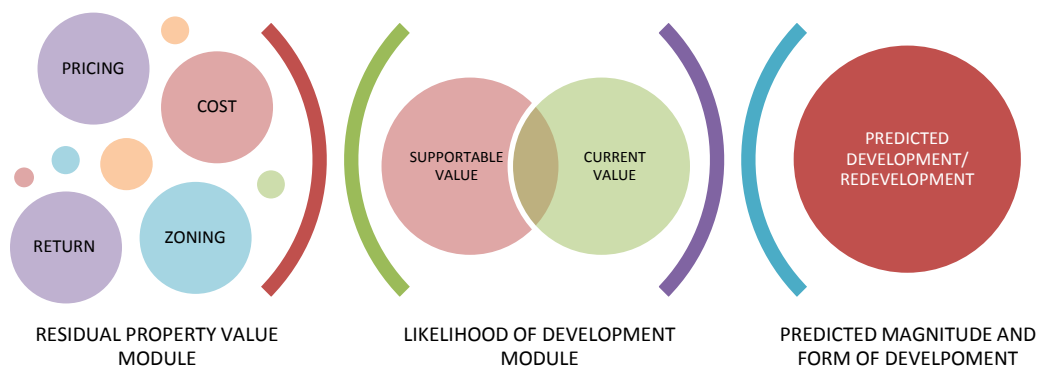


## VI. DEVELOPMENT / REDEVELOPMENT POTENTIAL

This component of our analysis utilizes a predictive model which projects the potential new development activity within a study area. The model is designed to forecast new real estate development, redevelopment and rehabilitation in the study area.

### METHODOLOGY

The Model is Excel-based, and translates user inputs on existing and expected conditions in a study area into an estimate of the magnitude of new development activity that can be expected over a planning period. The model is designed from a “production” perspective, and delivers a predicted development pattern in a specific study area under a specific set of assumptions with respect to the development environment.



The following steps describe an application of the Model:

1. The user **inputs a range of indicators** on existing conditions in the area.
2. The model **generates a “baseline scenario”** based on existing conditions.
3. The Model **produces projections of the anticipated amount of development** in the corridor under the scenario.



A key component of this approach is the utilization of a “production” model, which is intended to mimic a developer’s decision tree. As such, the Model solves for the “highest and best use” development form on the basis of predicted financial return.

To do this, the Model uses a pro forma based predictive model to generate predominant development profiles for the study area. This model evaluates highest and best use development forms under a range of assumptions, based on the implied residual property value<sup>5</sup> under each use. This allows a calculation of the likely predominant development form within the study area, based on market dynamics and zoning entitlements. It also establishes a residual property value for the area, which enables an evaluation of the extent to which existing properties can be expected to redevelop.

The development/redevelopment module is intended to simulate the development decision tree, factoring in the impact of the key inputs on decisions to undertake development activity. The model is based on a series of simplified pro formas for 27 theoretical development programs that characterize the relationship between key variables, predicted development form and associated residual property values. The module generates a generalized determination of the “highest and best economic use” based on the theoretical development programs, as well as an associated residual property value associated with each program under the scenario. This information is reconciled with information on the existing inventory information and zoning, resulting in a predicted pattern of investment.

#### COMPONENTS OF THE DEVELOPMENT/ REDEVELOPMENT MODEL

DEVELOPMENT/REDEVELOPMENT MODULE
<b>Highest and Best Use Determination</b> <i>Residual Property Values</i>
<b>Existing Inventory</b> <i>Vacant</i> <i>Redevelopable</i> <i>Improvements</i>
<b>Predicted Investment</b> <i>Development</i> <i>Redevelopment</i> <i>Investment in Existing</i>

#### “Highest and Best Use”

The development/redevelopment module initially solves for a development solution that represents the highest and best use of the property under the assumptions used, as well as outputting an associated residual property value. The highest and best *economic* use of the site is defined as the allowable land use program that yields the greatest return to the existing property, and the residual property value reflects the maximum acquisition value supported by that program under the assumptions used. There may be additional considerations in determining the *overall* highest and best use of land from a community and planning perspective, but this Model focuses on the economic component which tends to be most relevant to private developers.

The highest and best use determination is based on the allowable use that has the highest indicated residual property value. The model currently incorporates a total of 27 theoretical development programs, but the number and nature of program options can be varied. An entitlement screen is necessary, since use types identified as having the greatest residual values may not be allowed under existing zoning. In the model, this is done using a matrix that evaluates whether or not the theoretical

<sup>5</sup> “Residual Property Value” reflects the maximum supportable acquisition value of the property under an assumed development program (i.e. what the developer is willing to pay given the planned and permitted uses of the site). The permitted use that yields the highest Residual Property Value is considered the most attractive use in terms of financial return to the developer.

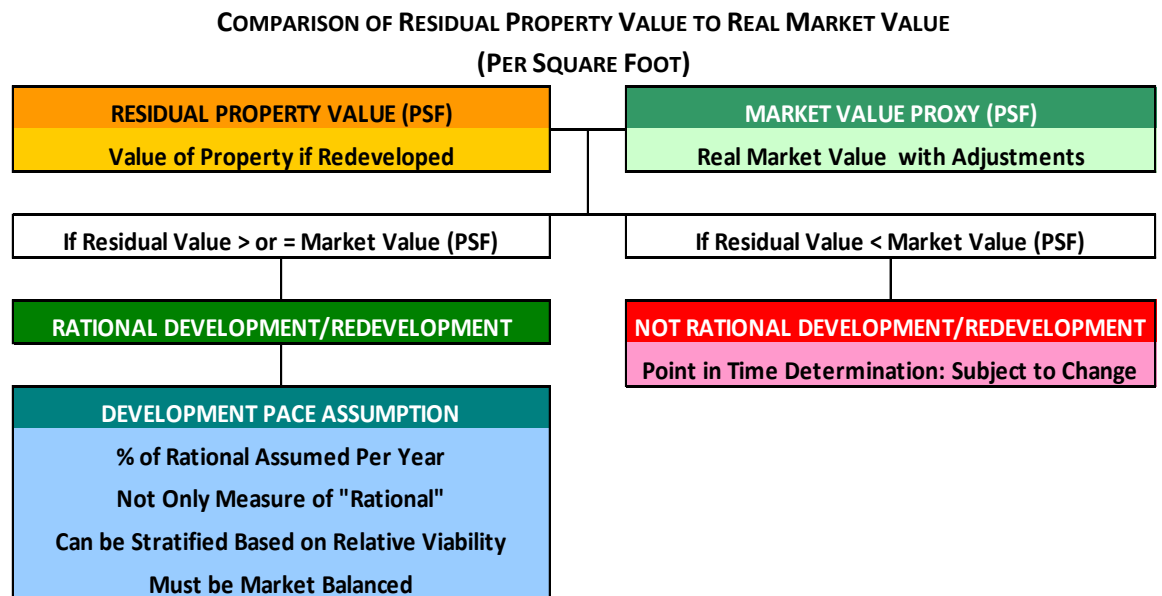


programs are allowable under the range of zoning codes in the study area. If the use is not allowed, the highest and best *allowed* use is determined.

#### Threshold for Development

Development and redevelopment activity is predicted by the model when the residual property value exceeds the property value under the existing use. If the residual value is greater than or equal to the market value of the property, it is assumed to represent a “rational” development or redevelopment opportunity – i.e. a developer can purchase the property at current market value for anew intended purpose that places a greater value on the site.

While development and/or redevelopment is considered viable in these instances, it does not necessarily mean that it will occur within the study time frame. There are a number of additional factors that impact redevelopment, and the Model assumes that only a portion of opportunities identified as viable will be realized within the study horizon.



#### Output Measures

Predicted development/redevelopment is broken down into multiple categories: 1) predicted levels of new development, 2) predicted levels of redevelopment, and 3) investment in existing structures. The units of measure include:

- The dollar value of construction and investment activity in physical improvements.
- Projected net change in real market value in the study area associated with new construction
- Net change in square footage of commercial space, as well as residential units in the study area.

The model does not address the direct, indirect or induced impact of the construction activity funded.

#### Limitations and Assumptions

As with any model, this Model has limitations resulting from gaps in knowledge and data.



- First and foremost, it is impossible to precisely predict future development activity in a large study area given the multitude of property owners, individual investment decisions, real estate market cycles, general economic conditions and unforeseeable events. For this reason, **it is recommended that this Model be used to consider the *potential magnitude* and character of development, rather than the precise numerical results generated.**
- The Model uses specific parcel-level data to generate quantified measures of predicted development activity, but it is important to remember that this Model is actually generating a broad study-area-wide estimate of development activity. In no cases should this Model be used to reach definitive conclusions about what will happen on any given parcel. Any Model outputs that identify parcels, whether in map or database form, should specify that *it is making no firm predictions or guarantees on the eventual development or lack of development on specific properties. The actual output is a probability estimate of development/redevelopment, and is intended to be utilized in aggregate as opposed to at the site level.*
- Key variables in the model, such as capitalization rates, lending terms and construction costs, are highly variable. The model incorporates only a single set of assumptions for these variables.





### Assumptions

The following is a list of key assumptions used in the model scenario:

CURRENT MARKET PRICING (MARGINAL, ASSUMING NEW PRODUCT)			
10	Rental Residential	\$1.35	Per Square Foot Per Month
11	Ownership Residential	\$139	Per Square Foot
12	Office Space	\$16.00	NNN (Triple Net Lease)
13	Retail Space	\$18.00	NNN (Triple Net Lease)
14	Parking - Rental Residential	\$50.00	Per Covered Secured Space per Month
15	Parking Price - Ownership	\$0	Per Covered Secured Space
16	Parking - Office Space	\$50.00	Per Covered Secured Space per Month
17	Average Annual Pricing Growth Trend (Residential-Rental)	0.0%	AAGR/Inflation Adjusted
18	Average Annual Pricing Growth Trend (Residential-Owner)	0.0%	AAGR/Inflation Adjusted
19	Average Annual Pricing Growth Trend (Office)	0.0%	AAGR/Inflation Adjusted
20	Average Annual Pricing Growth Trend (Retail)	0.0%	AAGR/Inflation Adjusted
OPERATING CHARACTERISTICS			
<b>Structural Vacancy</b>			
24	Rental Residential	5.0%	
25	Office	10.0%	
26	Retail	10.0%	
<b>Operating Expenses</b>			
27	Rental Residential	33.0%	
28	Office	5.0%	
29	Retail	5.0%	
FINANCIAL CHARACTERISTICS			
30	Rental Residential Cap Rate	5.75%	
31	Office Cap Rate	7.00%	
32	Retail Cap Rate	7.00%	
33	Ownership Residential, Return on Cost	15.00%	

The assumptions used were based on our market analysis, as well as professional experience. Specific terms are likely to vary substantively on a site specific level.



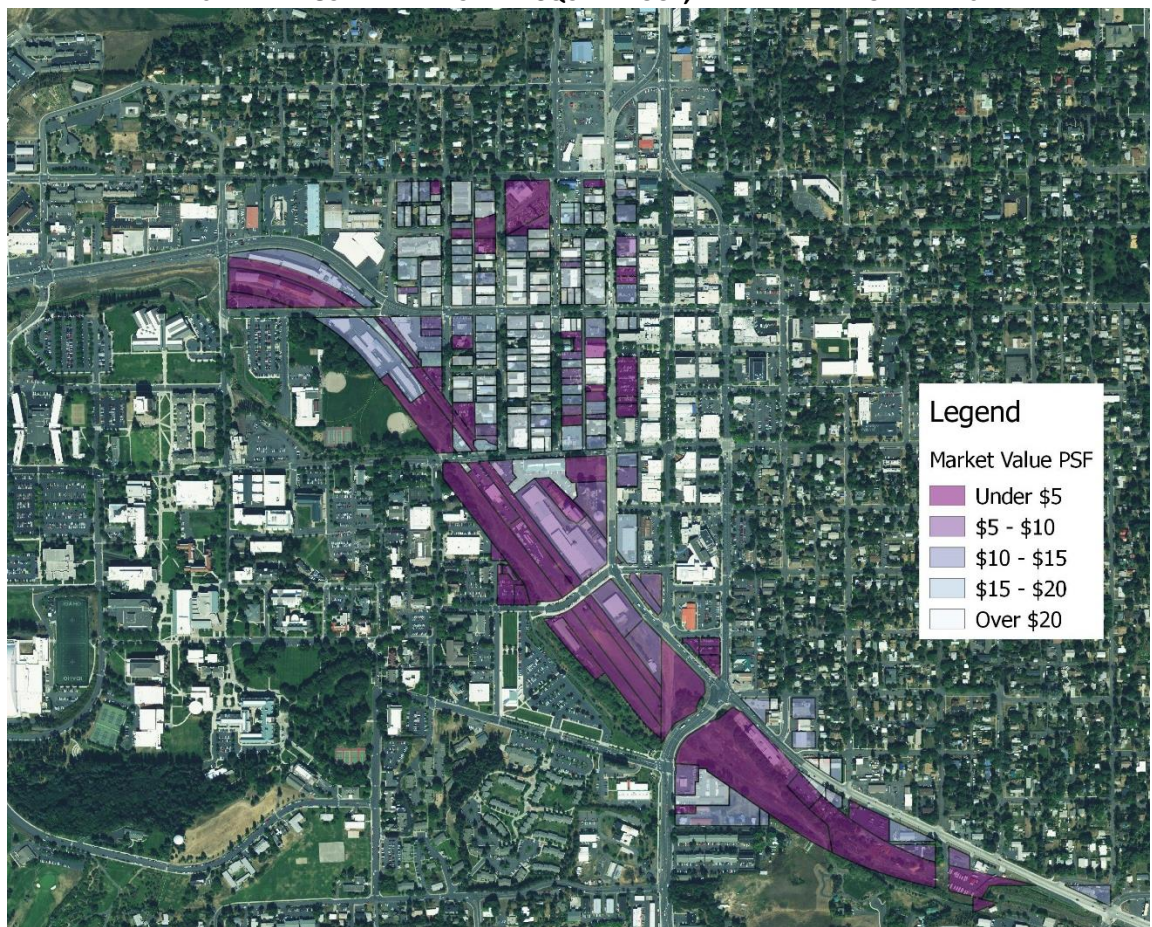
## FINDINGS

This section presents the results of applying the predictive model to the Legacy Crossing Urban Renewal District (URA).

### Current Property Values

Current properties in the URA were classified based on their indicated overall value per square foot. This information was derived from assessor records. The total value of the property (land and improvements) was divided by the square footage of the parcel to calculate an estimated value per square foot. The following map summarizes the results of this analysis:

**ESTIMATED CURRENT VALUE PER SQUARE FOOT, LAND AND IMPROVEMENTS**



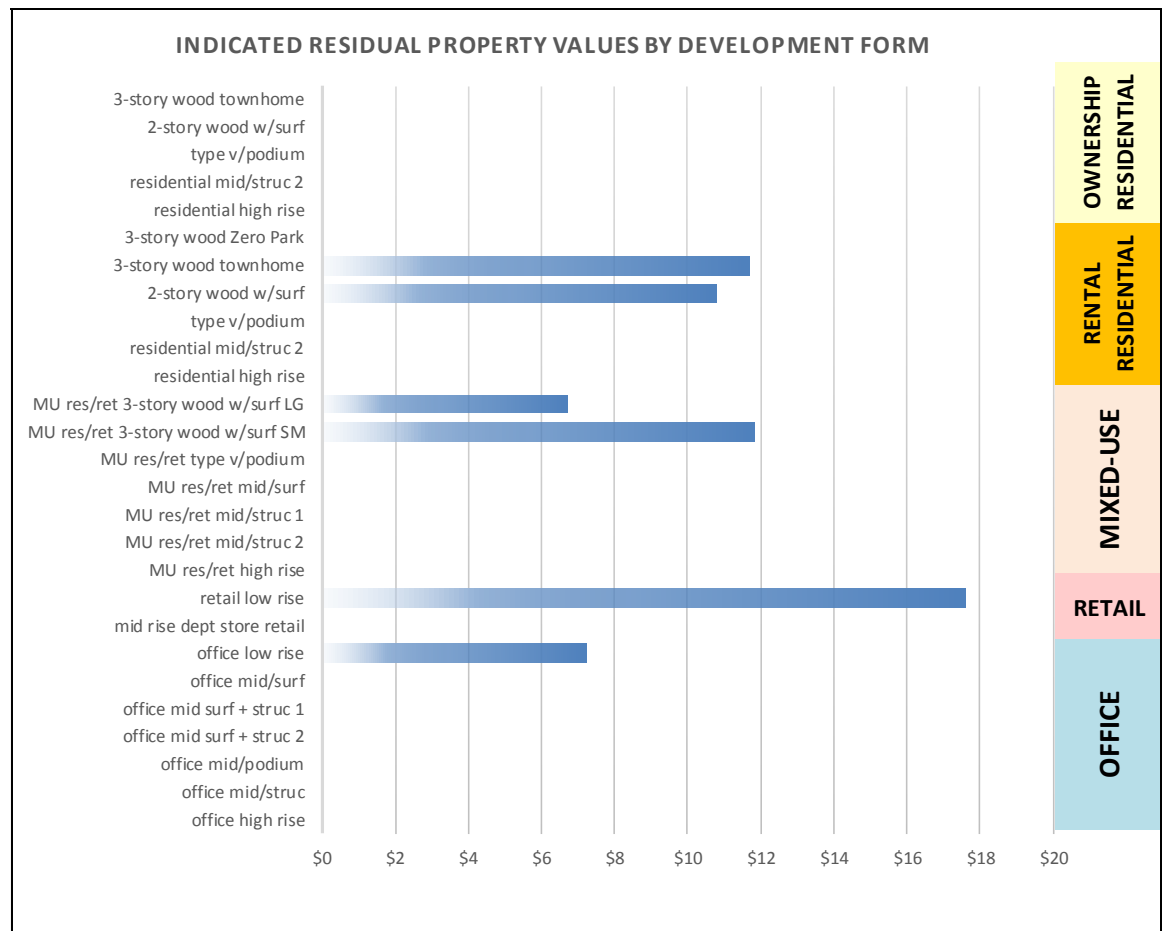
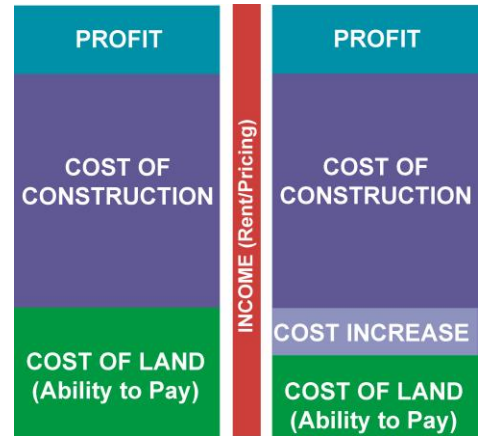
Properties with relatively low land values per square foot are assumed to be easier redevelopment opportunities, as there is a greater likelihood that the residual land value under a new development program would exceed the cost of acquisition.



### Residual Land Values

The residual land value reflects the maximum site acquisition cost a development program can support under a set of assumptions. From a developer perspective, variables such as achievable pricing, construction costs and necessary profit are largely fixed, and the variable that is adjusted is the acquisition cost of land. Changes in achievable pricing, costs or perceived risks impact residual land values.

As summarized in the following graphic, the residual land values for the range of development forms are highest for wood-frame rental residential development, mixed-use projects and low rise retail. Market conditions in the Moscow area do not support a number of prospective development forms in the model under the assumptions used, which are shown to have no residual land value.<sup>6</sup>



<sup>6</sup> The detailed assumptions and schematic pro formas are included in Appendix B of this report.



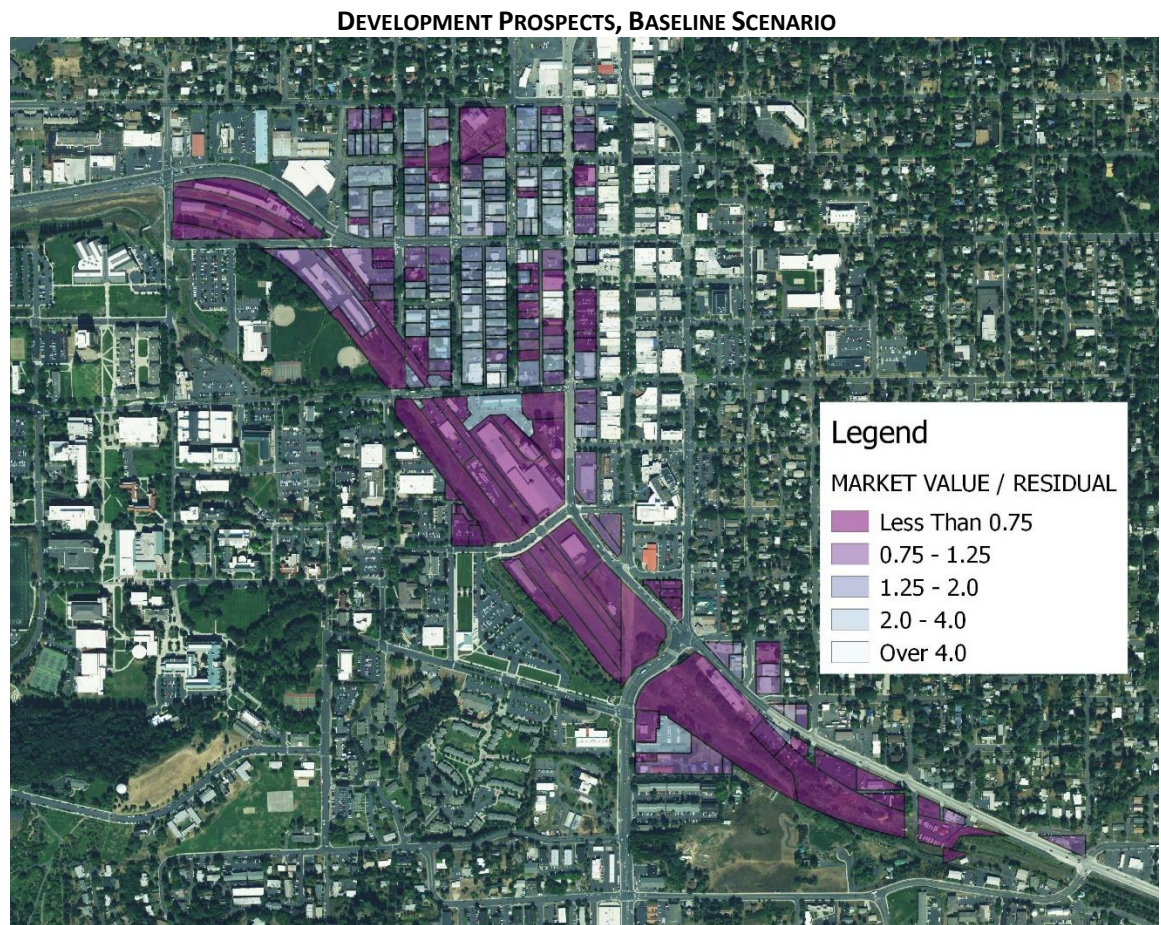


Residual values vary from market values in that they reflect what someone can pay while still meeting their return requirements, not what they will pay. The actual market value of property will typically be lower unless the market is unusually competitive.

Supportable land values in the study area are relatively modest, reflecting current achievable pricing in the district. Under current conditions, we would expect new development to be primarily wood frame construction, with single story retail space and three story rental apartments. Mixed-use development is also a likely outcome, with supportable values similar to those of rental apartments in locations that can support ground floor retail tenants.

#### **Market Value Relative to Residual Land Value**

The following map presents the results of the Baseline scenarios for the URA. Areas shown in dark purple are those with the greatest redevelopment potential due to current property values which are low relative to the potential value of new development. Areas displayed in lighter purple are somewhat likely to develop, and those in blue or white have a low likelihood to redevelop because the current uses still retain enough value to make the parcels prohibitively expensive for redevelopment.



Note that the Model results are not an assurance that any specific property is likely or unlikely to redevelop. Each property has unique issues which make sale or redevelopment more or less likely, including the rights of current users, the property owner's plans and preferences, or unknown constraints.



### Development Forecast

The model categorizes the study area property inventory based on the ratio between market value and residual land value. The level of predicted development/redevelopment is then calculated using development probability factors. These have been derived from our work in other jurisdictions, which has allowed us to calibrate the estimates through a back casting exercise base on observed development patterns for properties with similar relationships.

The study area was estimated to include over 6.8 million square feet of area (roughly 157 acres), of which approximately 8% was estimated to develop or redevelop over the next ten years.

	SQUARE FEET OF LAND (Scale Adjusted)					
	RMV/Residual Category					Total
	<.75	.75-1.25	1.25-2.0	2.0-4.0	>4.0	
TOTAL	1,587,417	585,368	382,905	536,487	3,744,867	6,837,045
Dev Probability	17%	9%	7%	5%	4%	8%
DEVELOPED	266,686	53,854	25,655	24,678	149,795	520,668

The following figure presents the results for the scenario run by product type. The predominant predicted development form is predicted along with construction investment, projected housing units, commercial space and net change to real market value.

### DEVELOPMENT/REDEVELOPMENT FORECAST, BASELINE SCENARIO URA / TEN YEAR PERIOD

Predicted Predominant Development Form	Predicted Development Yield			RMV/ Dev. or Redev.	Current RMV	Net Change in RMV
	Construction Investment	Residential Units	Commercial Space			
MU res/ret 3-story wood w/surf SM	\$15,144,719	114	21635	\$20,215,435	\$2,001,805	\$18,213,630
retail low rise	\$16,064,802	0	114749	\$24,431,614	\$1,941,044	\$22,490,570
<b>TOTAL</b>	<b>\$31,209,522</b>	<b>114</b>	<b>136384</b>	<b>\$44,647,049</b>	<b>\$3,942,849</b>	<b>\$40,704,199</b>
<b>TOTAL/REHAB/RENOVATION</b>						<b>\$8,082,283</b>
<b>OVERALL TOTAL</b>						<b>\$48,786,482</b>

Source: Johnson Economics LLC

Zoning restrictions do not seem to be limiting development significantly in the near term, as the building types currently providing the best economic return do not challenge the height or limits.

The development forecast are intended to model a series of site specific decisions, and the overall model does not factor in the depth of demand. In a market with limited depth such as Moscow, the overall depth of product demand may be a limiting function in addition to the economics of specific projects.



## **A. APPENDIX - PROJECTIONS**

Demand for the types of real estate analyzed in this study is modeled on the basis of expectations for local university enrollment, employment growth, and demographic shifts. Our modeling begins with enrollment, due to its impact on employment and demographics. Because the States of Idaho and Washington do not produce enrollment projections for their public universities, JOHNSON ECONOMICS developed projections for WSU Pullman and UI Moscow informed by projections from the Oregon University System. Employment projections – which are used as inputs in our models of demand for commercial space – are largely based on projections from the State of Idaho, adjusted to reflect the expected impact of university enrollment. The demographic modeling – which informs our housing demand models – is based on projections produced by Nielsen Claritas, adjusted to reflect projected enrollment and employment growth.

### **UNIVERSITY ENROLLMENT AND STUDENT HOUSING DEMAND**

The Oregon University System (OUS) develops enrollment projections for all its state-funded colleges and universities. These projections take into account high school class sizes and trends in high school graduation and college enrollment, which are wider trends that can be assumed to take place in Idaho and Washington as well as Oregon. Growth rates projected by the OUS can therefore be assumed to provide a good starting point for projections specific to Moscow and Pullman.

Based on recent trends, the OUS expects larger universities located in larger urban areas to enjoy stronger growth than smaller universities with more rural locations. Because UI Moscow and WSU Pullman exhibit characteristics of both these types of universities, we have weighted the projected growth rates for these two university types equally. We further adjust the growth rates by assuming that these schools will exhibit a growth differential to the Oregon schools that reflects the growth differential of the past five years, but at half the magnitude. This yields the following projections for on-campus enrollment at the UI Idaho and WSU Pullman:



**FIGURE A.1: HISTORICAL AND PROJECTED ENROLLMENT (2005 – 2022)**

Baseline Scenario		OUS			WSU Pullman			UI Moscow			Pullman/Moscow	
Fall		Small	Large	W.Avg.	Enr.mt.	Growth	OUS Diff.	Enr.mt.	Growth	OUS Diff.	Enr.mt.	Growth
Historical	2005	-2.1%	0.7%	-0.7%	17679	0.8%	1.5%	11528	-1.5%	-0.8%	29207	-0.1%
	2006	-2.3%	-0.1%	-1.2%	17300	-2.1%	-1.0%	10938	-5.1%	-3.9%	28238	-3.3%
	2007	2.2%	0.5%	1.3%	17583	1.6%	0.3%	10756	-1.7%	-3.0%	28339	0.4%
	2008	4.5%	5.9%	5.2%	17753	1.0%	-4.2%	10882	1.2%	-4.0%	28635	1.0%
	2009	7.1%	6.4%	6.8%	18234	2.7%	-4.1%	10950	0.6%	-6.2%	29184	1.9%
	2010	5.2%	4.9%	5.0%	18232	0.0%	-5.0%	11327	3.4%	-1.6%	29559	1.3%
	2011	2.3%	2.4%	2.4%	19255	5.6%	3.2%	11520	1.7%	-0.7%	30775	4.1%
	2012	-1.0%	0.5%	-0.3%	19989	3.8%	4.1%	11464	-0.5%	-0.2%	31453	2.2%
	2013	0.4%	1.3%	0.8%	19446	-2.7%	-3.6%	11143	-2.8%	-3.6%	30589	-2.7%
'08-'13 Avg.				3.0%		1.8%	-1.2%		0.5%	-2.5%		
Projected	'14-'22						-0.6%			-1.3%		
	2014	0.2%	1.0%	0.6%	19446	0.0%	-0.6%	11067	-0.7%	-1.3%	30513	-0.2%
	2015	0.8%	0.9%	0.8%	19492	0.2%	-0.6%	11018	-0.4%	-1.3%	30510	0.0%
	2016	1.4%	1.3%	1.4%	19641	0.8%	-0.6%	11027	0.1%	-1.3%	30667	0.5%
	2017	0.8%	0.9%	0.8%	19684	0.2%	-0.6%	10976	-0.5%	-1.3%	30660	0.0%
	2018	0.6%	0.8%	0.7%	19701	0.1%	-0.6%	10911	-0.6%	-1.3%	30612	-0.2%
	2019	0.4%	0.6%	0.5%	19681	-0.1%	-0.6%	10825	-0.8%	-1.3%	30506	-0.3%
	2020	-0.2%	0.0%	-0.1%	19545	-0.7%	-0.6%	10676	-1.4%	-1.3%	30221	-0.9%
	2021	0.5%	0.5%	0.5%	19529	-0.1%	-0.6%	10595	-0.8%	-1.3%	30124	-0.3%
	2022	0.8%	0.7%	0.7%	19556	0.1%	-0.6%	10538	-0.5%	-1.3%	30094	-0.1%

SOURCE: Oregon University System, City of Moscow, JOHNSON ECONOMICS

The projections indicate a decline of nearly 250 students over the coming five years under the baseline scenario, reflecting an annual growth rate of -0.4%. We assume that roughly one-fifth of Moscow's students live in households headed by non-students. This indicates a decline in demand for student housing of around 200 beds. Under the high growth scenario, an increase of around 200 students is indicated, translating into demand for around 160 additional student housing beds.

The combined enrollment projections for UI Moscow and WSU Pullman indicates virtually flat enrollment over the coming five years under the baseline scenario. Under the high scenario, an increase of around 1,250 students is indicated, for an average annual growth rate of 0.8%. These projections are used as inputs in the projection of employment growth in the Latah-Whitman region, which in turn informs projections of residential and commercial real estate demand in Moscow.

## EMPLOYMENT GROWTH

Employment growth is modeled at the county level, using industry-specific growth projections on the state level as a starting point. Applying the industry-specific growth rates projected by the State of Idaho to Latah County's employment mix indicates an overall annual employment growth rate of 1.4%. Given the reliance of the Latah economy on regional university enrollment, this growth rate should be adjusted to reflect the projected flat combined enrollment growth for UI Idaho and WSU Pullman. For the purpose of projecting employment growth for Latah County, we weighted state employment projections and our enrollment projections equally. Only public administration, which is dominated by university employment, was weighted 100% by the enrollment projections. This indicates overall annual employment growth of roughly 0.5%.



**FIGURE A.2: PROJECTED EMPLOYMENT GROWTH RATES, LATAH COUNTY**

Baseline Scenario	2013	State-projected	Projected university	Projected Latah
Employment Sector	Employment	annual growth	enrollment	annual growth
Construction	349	2.4%	0%	1.2%
Manufacturing	375	1.3%	0%	0.6%
Wholesale Trade	294	1.6%	0%	0.8%
Retail Trade	1,864	1.6%	0%	0.8%
T.W.U.	85	1.3%	0%	0.6%
Information	115	0.9%	0%	0.4%
Financial Activities	400	1.4%	0%	0.7%
Professional & Business	787	1.4%	0%	0.7%
Education	731	1.0%	0%	0.5%
Health Services	953	1.9%	0%	0.9%
Leisure & Hospitality	1,735	2.0%	0%	1.0%
Other Services	549	1.3%	0%	0.6%
Public Administration	6,434	1.2%	0%	0.0%
<b>Total</b>	<b>14,671</b>	<b>1.44%</b>	<b>0%</b>	<b>0.5%</b>

SOURCE: State of Idaho, JOHNSON ECONOMICS

## RESIDENTIAL DEMAND

(Non-student Households)

JOHNSON ECONOMICS has developed a demographically driven housing demand model to forecast near-term residential market depth. The demand forecast begins with estimates produced by Nielsen Claritas of market area household growth stratified by age and income cohort, which are the best predictors of tenure split. The projections from Nielsen Claritas are adjusted to reflect our observations with respect to employment and market trends. Local census data (the American Community Survey) is used to derive assumptions of propensities to own or rent as well as preferences for single- and multifamily housing. Projections are developed for a high-, low-, and baseline growth scenario.

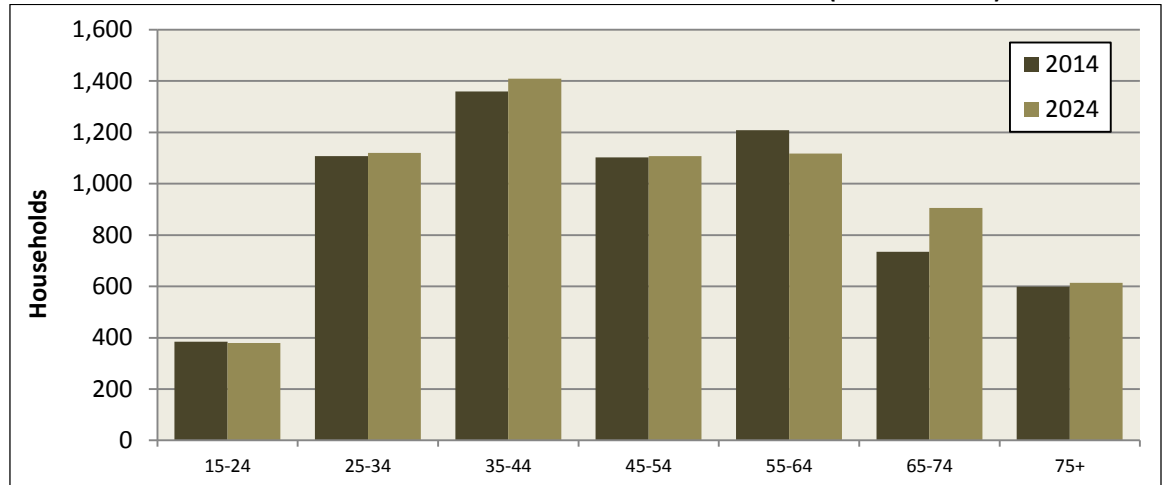
Over the coming five years, we expect a net increase in demand for new housing (ownership *and* rentals) in the PMA of roughly 150 units under the baseline scenario, representing annual growth of 0.5%. These estimates represent our estimates of underlying demand, and not of realized household growth, which may be constrained by supply.

The following chart displays how we anticipate housing demand to be distributed across age segments. The chart indicates particular growth concentrations in housing demand among family-age and retirement-age segments, and only weak growth in the other segments.





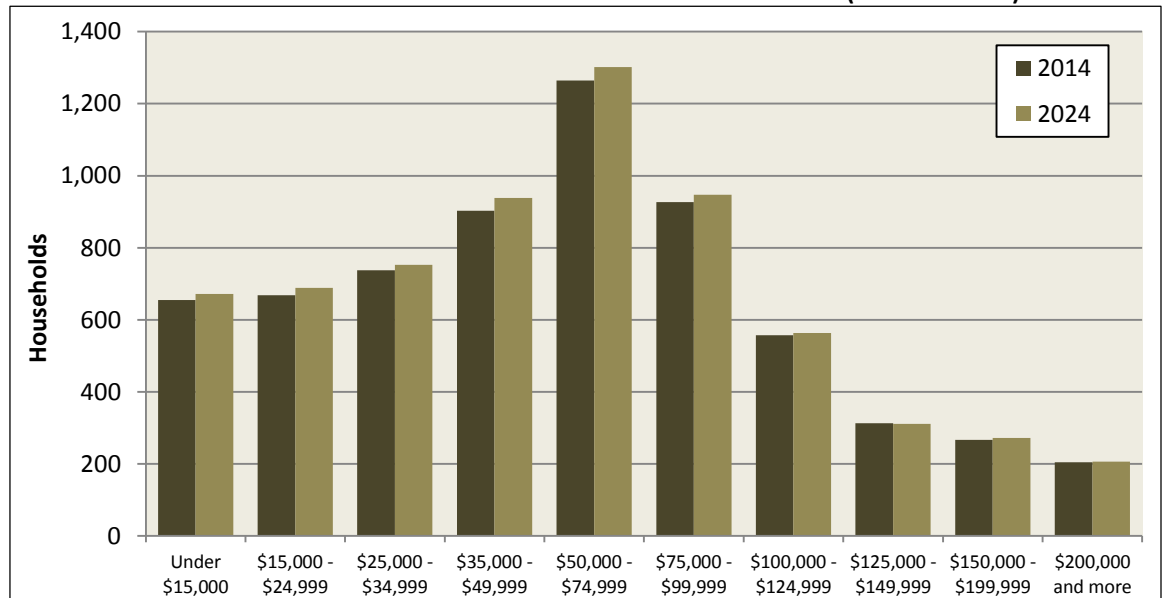
**FIGURE A.3: PROJECTED DISTRIBUTION OF PMA HOUSEHOLDS BY AGE (2014 AND 2019)**



SOURCE: Nielsen Claritas, JOHNSON ECONOMICS

With respect to income, the demand growth is anticipated to be mostly among low- and middle-income households (figure 8.5).

**FIGURE A.4: PROJECTED DISTRIBUTION OF PMA HOUSEHOLDS BY INCOME (2014 AND 2019)**



SOURCE: Nielsen Claritas, JOHNSON ECONOMICS

Based on existing segment-specific tenure splits among Moscow's households, we anticipate one-third of the new household growth to represent demand for rental housing and two-thirds for ownership housing.

#### **Rental Apartment Demand**

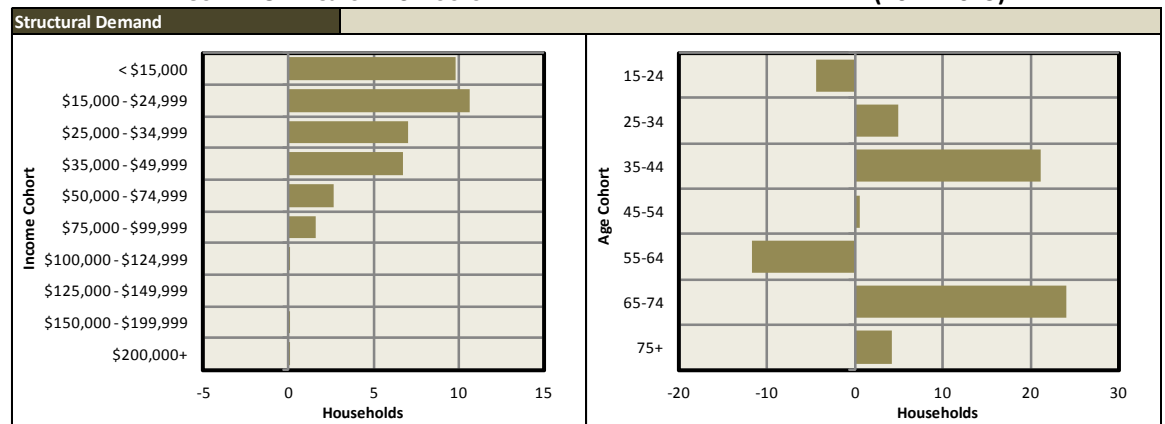
Most of the net new demand for rental housing is expected to be for rental apartments. The following charts display estimated market depth for rental apartments by age and income cohort, both from structural demand (net-new household growth) and total demand (net-new demand and turnover demand).



### Structural Demand

Based on the existing propensity among Moscow households to rent single-family and multi-family housing respectively, we have a baseline demand forecast for roughly 40 new rental apartments over the five-year forecast period, or almost ten units annually. The growth is expected to be concentrated in low- and middle-income households made up mostly of family-age households and retirees.

**FIGURE A.5: PROJECTED STRUCTURAL RENTAL APARTMENT MARKET DEPTH (2014-2019)**



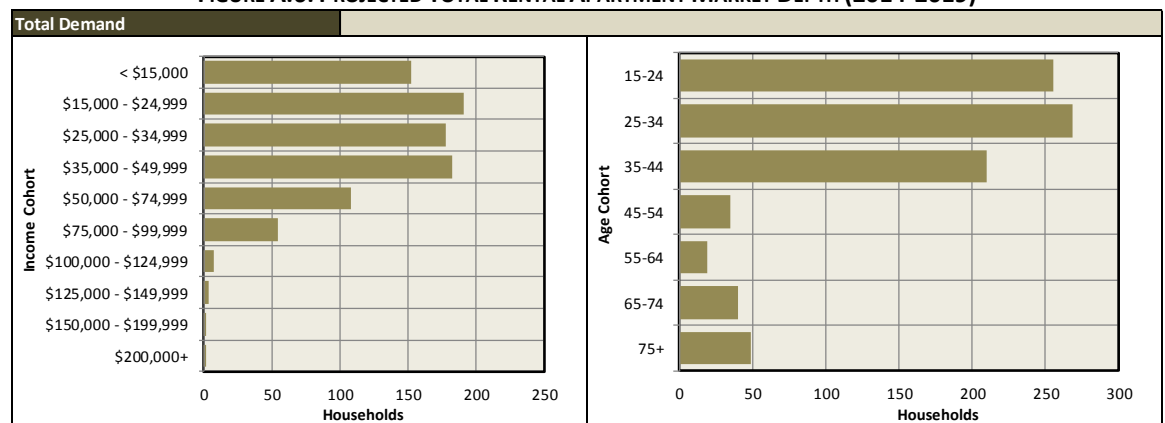
SOURCE: Nielsen Claritas and JOHNSON ECONOMICS

### Total Demand Profile

Demand for rental apartments in the market area will come from existing renter households in turnover as well as from new households. In order to estimate turnover within the market area, we use local, segment-specific turnover rates calculated from census data, which in turn are applied to the distribution of existing renters. Turnover households, by definition, vacate existing units which become vacant supply. Therefore, structural demand is a better measure of new units needed annually, while total supply better reflects the profile of the leasing demand that will drive new-unit absorption. Turnover demand tends to benefit new projects disproportionately, as these are able to offer up-to-date units and amenities. New projects also tend to benefit from additional publicity and marketing efforts.

The market area has a total demand profile of approximately 850 lease transactions over the five-year forecast horizon, or nearly 175 units annually. Young adults are expected to dominate this market. In terms of income, the demand is anticipated to be concentrated among low- and middle-income households.

**FIGURE A.6: PROJECTED TOTAL RENTAL APARTMENT MARKET DEPTH (2014-2019)**



SOURCE: Nielsen Claritas and JOHNSON ECONOMICS



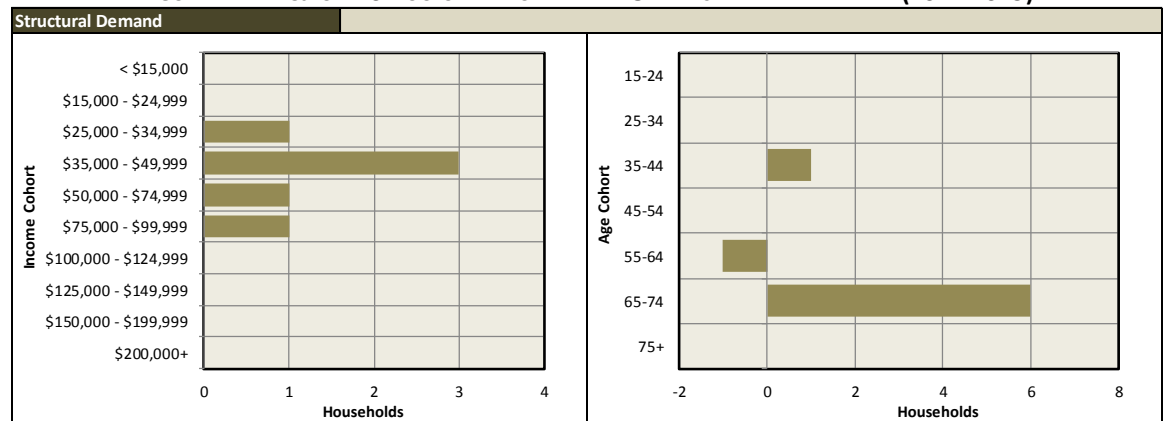
### Demand for Multifamily Ownership Housing

For ownership housing, we follow the same approach as for rental housing, making projections for net new demand as well as for total demand.

### Structural Demand

Our demand model indicates very small increase in the demand for multifamily ownership housing over the forecast horizon. The baseline estimate indicates a net increase of six households with a preference for this housing type, or roughly one additional household per year. The growth is expected primarily among middle-income retirees.

**FIGURE A.7: PROJECTED STRUCTURAL MULTIFAMILY OWNERSHIP MARKET DEPTH (2014-2019)**

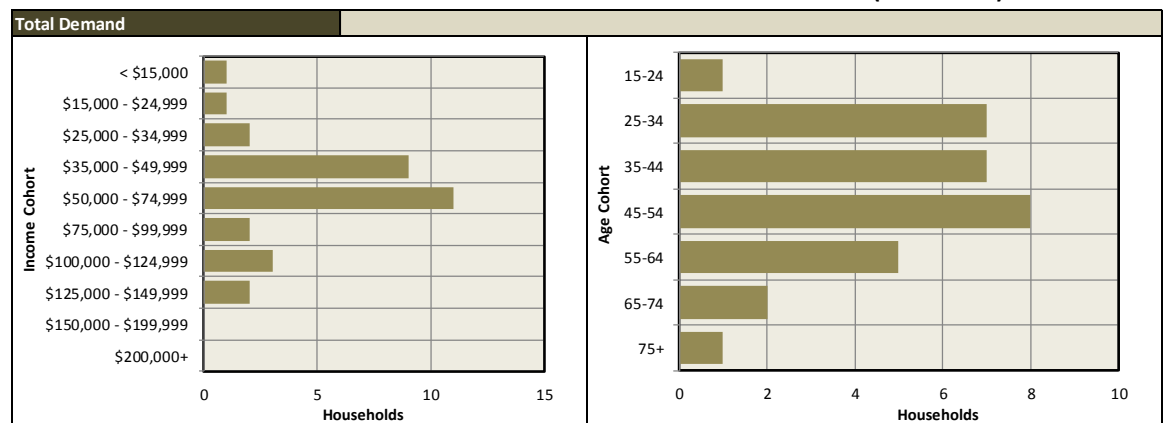


SOURCE: Nielsen Claritas and JOHNSON ECONOMICS

### Total Demand

With turnover included, only 30 sales transactions are expected within this market segment over the coming five years, or 6 transactions per year. Young and middle-aged households in middle-income segments are anticipated to dominate the market:

**FIGURE A.8: PROJECTED TOTAL MULTIFAMILY OWNERSHIP MARKET DEPTH (2014-2019)**



SOURCE: Nielsen Claritas and JOHNSON ECONOMICS



## COMMERCIAL DEMAND

### Retail Space Demand

In order to assess the nature and depth of demand and the likely pace of absorption of retail space in Moscow, JOHNSON ECONOMICS modeled future demand for retail space based on anticipated household growth. In this analysis, local average per-household retail expenditures are applied to our household growth estimates for the Planning Area. The total expenditures are in turn converted to retail space demand utilizing typical per-square-foot sales figures. For this analysis we defined the primary trade area as the city of Moscow and ancillary developed areas within a 5-mile radius of the city's geographic centroid. A secondary trade area was defined within a 10-mile radius, including Pullman.

The following tables display estimated average household retail spending within the two trade areas, based on estimates from Nielsen Claritas:

**FIGURE A.9: AVERAGE HOUSEHOLD RETAIL SPENDING (2014)**

PRIMARY MARKET AREA			SECONDARY MARKET AREA		
NAICS	Category	Per Household Expenditures <sup>1</sup>	NAICS	Category	Per Household Expenditures <sup>1</sup>
<b>Estimated Households in 2014: 11,286</b>			<b>Estimated Households in 2014: 25,789</b>		
441	Motor Vehicle and Parts Dealers	\$8,906	441	Motor Vehicle and Parts Dealers	\$9,680
442	Furniture and Home Furnishings Stores	\$776	442	Furniture and Home Furnishings Stores	\$818
443	Electronics and Appliance Stores	\$977	443	Electronics and Appliance Stores	\$1,103
444	Building Materials and Garden Equipment	\$4,106	444	Building Materials and Garden Equipment	\$4,286
445	Food and Beverage Stores	\$5,404	445	Food and Beverage Stores	\$5,753
446	Health and Personal Care Stores	\$1,684	446	Health and Personal Care Stores	\$1,699
448	Clothing and Clothing Accessories Stores	\$2,074	448	Clothing and Clothing Accessories Stores	\$2,319
451	Sporting Goods, Hobby, Book and Music St	\$1,101	451	Sporting Goods, Hobby, Book and Music St	\$1,252
452	General Merchandise Stores	\$5,026	452	General Merchandise Stores	\$5,379
453	Miscellaneous Store Retailers	\$1,303	453	Miscellaneous Store Retailers	\$1,429
722	Foodservices and Drinking Places	\$4,857	722	Foodservices and Drinking Places	\$5,426
<b>Totals/Weighted Averages</b>		<b>\$36,214</b>	<b>Totals/Weighted Averages</b>		<b>\$39,144</b>

<sup>1</sup> 2014 dollars

SOURCE: Nielsen Claritas and JOHNSON ECONOMICS

In order to estimate household growth over the coming five years, we have applied the projected growth rate for Moscow (see previous):

**FIGURE A.10: PROJECTED TRADE AREA HOUSEHOLD GROWTH (2014 – 2019)**

HOUSEHOLD GROWTH Scenario	HOUSEHOLD FORECAST		'16-'26 Δ Households
	2014	2019	
MOSCOW (5-Mile Radius)	11,286	11,554	268
MOSCOW-PULLMAN (10-Mile Radius)	25,789	26,401	612

SOURCE: Nielsen Claritas and JOHNSON ECONOMICS

Applying current average household retail spending to our household growth estimates indicates an increase in retail spending of \$7.3 million within the primary trade area and \$18 million within the secondary trade area:



**FIGURE A.11: PROJECTED TRADE RETAIL SPENDING (2014 – 2019)**

<b>MOSCOW (5-Mile Radius)</b>			<b>Household Retail Spending (In Millions)</b>		
<b>NAICS</b>	<b>Category</b>	<b>Per Household Expenditures</b>	<b>2014</b>	<b>2019</b>	<b>'14-'19 Δ</b>
441	Motor Vehicle and Parts Dealers	\$8,906	\$100.5	\$102.9	<b>\$2.4</b>
442	Furniture and Home Furnishings Stores	\$776	\$8.8	\$9.0	<b>\$0.2</b>
443	Electronics and Appliance Stores	\$977	\$11.0	\$11.3	<b>\$0.3</b>
444	Building Materials and Garden Equipment	\$4,106	\$46.3	\$47.4	<b>\$1.1</b>
445	Food and Beverage Stores	\$5,404	\$61.0	\$62.4	<b>\$1.4</b>
446	Health and Personal Care Stores	\$1,684	\$19.0	\$19.5	<b>\$0.5</b>
448	Clothing and Clothing Accessories Stores	\$2,074	\$23.4	\$24.0	<b>\$0.6</b>
451	Sporting Goods, Hobby, Book and Music Stores	\$1,101	\$12.4	\$12.7	<b>\$0.3</b>
452	General Merchandise Stores	\$5,026	\$56.7	\$58.1	<b>\$1.3</b>
453	Miscellaneous Store Retailers	\$1,303	\$14.7	\$15.1	<b>\$0.3</b>
722	Foodservices and Drinking Places	\$4,857	\$54.8	\$56.1	<b>\$1.3</b>
<b>Totals/Weighted Averages</b>		<b>\$36,214</b>	<b>\$308.2</b>	<b>\$315.5</b>	<b>\$7.3</b>

<b>MOSCOW-PULLMAN (10-Mile Radius)</b>			<b>Household Retail Spending (In Millions)</b>		
<b>NAICS</b>	<b>Category</b>	<b>Per Household Expenditures</b>	<b>2014</b>	<b>2019</b>	<b>'14-'19 Δ</b>
441	Motor Vehicle and Parts Dealers	\$9,680	\$249.6	\$255.6	<b>\$5.9</b>
442	Furniture and Home Furnishings Stores	\$818	\$21.1	\$21.6	<b>\$0.5</b>
443	Electronics and Appliance Stores	\$1,103	\$28.5	\$29.1	<b>\$0.7</b>
444	Building Materials and Garden Equipment	\$4,286	\$110.5	\$113.2	<b>\$2.6</b>
445	Food and Beverage Stores	\$5,753	\$148.4	\$151.9	<b>\$3.5</b>
446	Health and Personal Care Stores	\$1,699	\$43.8	\$44.8	<b>\$1.0</b>
448	Clothing and Clothing Accessories Stores	\$2,319	\$59.8	\$61.2	<b>\$1.4</b>
451	Sporting Goods, Hobby, Book and Music Stores	\$1,252	\$32.3	\$33.0	<b>\$0.8</b>
452	General Merchandise Stores	\$5,379	\$138.7	\$142.0	<b>\$3.3</b>
453	Miscellaneous Store Retailers	\$1,429	\$36.9	\$37.7	<b>\$0.9</b>
722	Foodservices and Drinking Places	\$5,426	\$139.9	\$143.2	<b>\$3.3</b>
<b>Totals/Weighted Averages</b>		<b>\$39,144</b>	<b>\$759.8</b>	<b>\$777.9</b>	<b>\$18.0</b>

SOURCE: Nielsen Claritas and JOHNSON ECONOMICS

The next step is to apply typical sales-per-square-foot ratios for the different types of retail to estimated retail spending. This produces estimates of additional square footage demanded within the trade areas. Finally, we apply capture rates for downtown retail space for the different types of retail. Most of these retail forms will lead to demand at auto-oriented shopping centers rather than at pedestrian-oriented downtown locations. We assume the greatest capture rates for restaurants/bars (75%) and miscellaneous stores (50%).



**FIGURE A.12: PROJECTED TRADE RETAIL SPACE DEMAND (2014 – 2019)**

<b>MOSCOW (5-Mile Radius)</b>			<b>Spending Supported Retail Demand (SF)</b>				<b>Downtown Demand (SF)</b>
<b>NAICS</b>	<b>Category</b>	<b>Sales Support Factor <sup>1</sup></b>	<b>2014</b>	<b>2019</b>	<b>'14-'19 Δ</b>	<b>Downtown</b>	
441	Motor Vehicle and Parts Dealers	\$422	238,165	243,815	5,650	0%	0
442	Furniture and Home Furnishings Stores	\$228	38,434	39,345	912	0%	0
443	Electronics and Appliance Stores	\$329	33,487	34,281	794	0%	0
444	Building Materials and Garden Equipment	\$424	109,231	111,822	2,591	0%	0
445	Food and Beverage Stores	\$469	130,061	133,146	3,085	0%	0
446	Health and Personal Care Stores	\$304	62,471	63,953	1,482	20%	296
448	Clothing and Clothing Accessories Stores	\$170	137,615	140,880	3,264	20%	653
451	Sporting Goods, Hobby, Book and Music	\$217	57,239	58,597	1,358	20%	272
452	General Merchandise Stores	\$179	317,164	324,687	7,524	0%	0
453	Miscellaneous Store Retailers	\$138	106,179	108,698	2,519	50%	1,259
722	Foodservices and Drinking Places	\$291	188,284	192,750	4,466	75%	3,350
<b>Totals/Weighted Averages</b>			<b>1,180,164</b>	<b>1,208,160</b>	<b>27,996</b>	<b>21%</b>	<b>5,830</b>

<b>MOSCOW-PULLMAN (10-Mile Radius)</b>			<b>Spending Supported Retail Demand (SF)</b>				<b>Downtown Demand (SF)</b>
<b>NAICS</b>	<b>Category</b>	<b>Sales Support Factor <sup>1</sup></b>	<b>2014</b>	<b>2019</b>	<b>'14-'19 Δ</b>	<b>Downtown</b>	
441	Motor Vehicle and Parts Dealers	\$422	591,549	605,581	14,033	0%	0
442	Furniture and Home Furnishings Stores	\$228	92,607	94,804	2,197	0%	0
443	Electronics and Appliance Stores	\$329	86,398	88,448	2,050	0%	0
444	Building Materials and Garden Equipment	\$424	260,554	266,735	6,181	0%	0
445	Food and Beverage Stores	\$469	316,414	323,920	7,506	0%	0
446	Health and Personal Care Stores	\$304	143,970	147,385	3,415	20%	683
448	Clothing and Clothing Accessories Stores	\$170	351,551	359,890	8,339	20%	1,668
451	Sporting Goods, Hobby, Book and Music	\$217	148,741	152,270	3,528	20%	706
452	General Merchandise Stores	\$179	775,583	793,982	18,398	0%	0
453	Miscellaneous Store Retailers	\$138	266,172	272,486	6,314	50%	3,157
722	Foodservices and Drinking Places	\$291	480,552	491,952	11,400	75%	8,550
<b>Totals/Weighted Averages</b>			<b>2,922,543</b>	<b>2,991,872</b>	<b>69,328</b>	<b>21%</b>	<b>14,763</b>

<sup>1</sup> Based on national averages derived from "Dollars & Cents of Shopping Centers," Urban Land Institute, 2008. Median sales for neighborhood scale centers were used. 2014 dollars.

SOURCE: Nielsen Claritas and JOHNSON ECONOMICS

The estimates displayed above indicate a five-year increase in downtown retail space within Moscow of nearly 6,000 square feet, or roughly 1,000 square feet per year. The secondary trade area indicates demand for downtown retail space of around 15,000 square feet over the forecast period. Demand generated outside the primary trade area but within the secondary trade area is thus estimated to be nearly 9,000 square feet. Pullman is likely to capture the majority of this demand, but Moscow has the potential to capture part of this demand if it can gain competitive advantage in terms of creating an attractive downtown retail environment.

### **Office Space Demand**

Our projections for office space demand are directly deduced from employment growth projections, based on typical rates of office space utilization within each industry and typical rates of office space per office worker.

Based on industry-specific rates of typical office space utilization, we have a baseline projection of 60 additional office space workers within Latah County over the coming five years:



**FIGURE A.13: PROJECTED GROWTH IN OFFICE EMPLOYMENT, LATAH COUNTY (2014 – 2019)**

Office Space-Utilizing Demand	Base Year	Annual	Total Empl. Growth		Office	Office Space-Utilizing Empl.			'14-'19
Employment Sector	2013	Growth	2014	2019	Share <sup>1</sup>	2013	2014	2019	Change
Construction	349	1.2%	353	375	2%	7	7	7	0
Manufacturing	375	0.6%	377	389	5%	19	19	19	0
Wholesale Trade	294	0.8%	297	309	5%	15	15	15	0
Retail Trade	1,864	0.8%	1,879	1,954	5%	94	95	98	3
T.W.U.	85	0.6%	86	88	30%	26	26	27	1
Information	115	0.4%	116	118	90%	104	104	106	2
Financial Activities	400	0.7%	403	417	90%	362	365	375	10
Professional & Business	787	0.7%	792	820	90%	713	718	738	20
Education	731	0.5%	735	753	5%	37	37	38	1
Health Services	953	0.9%	962	1,008	40%	385	388	403	15
Leisure & Hospitality	1,735	1.0%	1,752	1,840	5%	88	88	92	4
Other Services	549	0.6%	552	570	27%	149	150	154	4
Public Administration	6,434	0.0%	6,434	6,434	30%	1,930	1,930	1,930	0
<b>Total</b>	<b>14,671</b>	<b>0.5%</b>	<b>14,737</b>	<b>15,077</b>		<b>3,929</b>	<b>3,943</b>	<b>4,004</b>	<b>60</b>

<sup>1</sup> Share of office space-utilizing employment provided by the Urban Land Institute, converted to NAICS by Johnson Economics

SOURCE: Idaho Department of Labor and JOHNSON ECONOMICS

Assuming average office space of 285 square feet per worker, the net growth in office employment is expected to generate demand for roughly 20,000 square feet of new office space. Much of this demand is likely to be for office space in suburban or even rural locations. Applying assumed capture rates for Downtown Moscow indicates net new demand in the order of 10,000 square feet over the coming five years, or roughly 2,000 square feet per year. One-third of this demand is anticipated within professional and business services, predominantly due to growth at EMSI. Financial services and medical/health services are each expected to account for roughly one-fourth of the demand.

**FIGURE A.13: PROJECTED GROWTH IN OFFICE EMPLOYMENT, LATAH COUNTY (2014 – 2019)**

Office Space-Utilizing Demand	Total Office Empl.		Avg. Space	Total Office Space Need (SF)		'14-'19	Downtown	Downtown
Employment Sector	2014	2019	Per Job <sup>1</sup>	2014	2019	Change (SF)	Capture	Demand
Construction	7	7	285	2,015	2,137	123	0%	0
Manufacturing	19	19	285	5,372	5,547	175	0%	0
Wholesale Trade	15	15	285	4,227	4,398	170	0%	0
Retail Trade	94	98	285	26,774	27,851	1,078	0%	0
T.W.U.	26	27	285	7,314	7,553	239	0%	0
Information	104	106	285	29,629	30,295	666	50%	333
Financial Activities	362	375	285	103,311	106,943	3,631	75%	2,724
Professional & Business	713	738	285	203,265	210,410	7,145	50%	3,572
Education	37	38	285	10,475	10,736	262	0%	0
Health Services	385	403	285	109,677	114,935	5,258	50%	2,629
Leisure & Hospitality	88	92	285	24,961	26,222	1,261	0%	0
Other Services	149	154	285	42,480	43,865	1,385	50%	693
Government	1,930	1,930	285	550,128	550,128	0	20%	0
<b>Total</b>	<b>3,929</b>	<b>4,004</b>		<b>1,119,630</b>	<b>1,141,022</b>	<b>21,393</b>	<b>47%</b>	<b>9,951</b>

<sup>1</sup> Average office employment density by industry sector based on Urban Land Institute guidelines.

SOURCE: Idaho Department of Labor and JOHNSON ECONOMICS



## **B. APPENDIX – RESIDUAL LAND VALUE CALCULATIONS**





PROTOTYPE OFFICE PROGRAMS								
		several floors of structured parking	one basement parking level	parking under podium	struc pkg outside bldg footprint	struc pkg outside bldg footprint	all surface parking	all surface parking
		office high rise	office mid/struc	office mid/podium	office mid surf + struc 2	office mid surf + struc 1	office mid/surf	office low rise
PROGRAM	Property Assumptions							
	Site Size (SF)	20,000	13,000	10,000	25,000	20,000	20,000	10,000
	Bldg Footprint	19,000	12,000	9,500	8,500	7,500	3,500	4,000
	Stories	8	5	2	4	3	3	1
	FAR	10.45	6.46	2.85	2.04	1.50	0.53	0.40
	Building Square Feet	152,000	60,000	19,000	34,000	22,500	10,500	4,000
	Efficiency	85%	85%	85%	85%	85%	85%	90%
	Leasable Area	129,200	51,000	16,150	28,900	19,125	8,925	3,600
	Parking Ratio/000 SF	1.0	1.0	2.0	2.0	3.0	3.0	3.0
	Parking Spaces	129	51	32	57	57	26	10
	Parking SF/Space - Surface	350	350	350	350	350	350	350
	Parking SF/Space - Structure	425	425	375	425	375	425	425
	Parking Spaces - Surface	-	-	-	14	29	26	10
	Parking Spaces - Structure	129	51	32	43	29	-	-
	Structured Parking %	100%	100%	100%	75%	50%	0%	0%
	Structured Parking Stories	3	2	1	2	1	0	0
	% of Struc Pkg in Bldg FP	100%	100%	100%	0%	0%	0%	0%
	Cost Assumptions							
	Base Construction Cost/SF	\$205	\$185	\$160	\$160	\$160	\$140	\$130
	Adjustment Factor	0%	0%	0%	0%	0%	0%	0%
	Construction Cost/SF	\$205	\$185	\$160	\$160	\$160	\$140	\$130
	Base Parking Costs/Space	\$35,000	\$30,000	\$25,000	\$35,000	\$30,000	\$0	\$0
	Adjustment Factor	0%	0%	0%	0%	0%	0%	0%
	Structured Parking Cost/Space	\$35,000	\$30,000	\$25,000	\$35,000	\$30,000	\$0	\$0
OPERATING ASSUMPTIONS	Income Assumptions							
	Base Income/Sf/Yr.	\$16.00	\$16.00	\$16.00	\$16.00	\$16.00	\$16.00	\$16.00
	Adjustment Factor	0%	0%	0%	0%	0%	0%	0%
	Achievable Pricing	\$16.00	\$16.00	\$16.00	\$16.00	\$16.00	\$16.00	\$16.00
	Parking Charges/Space/Mo	\$50	\$50	\$50	\$50	\$50	\$50	\$50
	Expense Assumptions							
	Vacancy/Collection Loss	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
	Base Operating Expenses	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
	Adjustment Factor	0%	0%	0%	0%	0%	0%	0%
	Operating Expenses	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
	Reserve & Replacement	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
	Valuation Assumptions							
	Base Capitalization Rate	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
	Adjustment Factor	0%	0%	0%	0%	0%	0%	0%
	Capitalization Rate	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
SUPPORTABLE PROPERTY VALUE	Cost							
	Cost/Construct w/o prkg.	\$31,160,000	\$11,100,000	\$3,040,000	\$5,440,000	\$3,600,000	\$1,470,000	\$520,000
	Total Parking Costs	\$4,515,000	\$1,530,000	\$800,000	\$1,496,250	\$855,000	\$0	\$0
	Estimated Project Cost	\$35,675,000	\$12,630,000	\$3,840,000	\$6,936,250	\$4,455,000	\$1,470,000	\$520,000
	Income							
	Annual Base Income	\$2,067,200	\$816,000	\$258,400	\$462,400	\$306,000	\$142,800	\$57,600
	Annual Parking	\$77,400	\$30,600	\$19,200	\$25,650	\$17,100	\$0	\$0
	Gross Annual Income	\$2,144,600	\$846,600	\$277,600	\$488,050	\$323,100	\$142,800	\$57,600
	Less: Vacancy & CL	\$214,460	\$84,660	\$27,760	\$48,805	\$32,310	\$14,280	\$5,760
	Effective Gross Income	\$1,930,140	\$761,940	\$249,840	\$439,245	\$290,790	\$128,520	\$51,840
	Less Expenses:							
	Operating Expenses	\$96,507	\$38,097	\$12,492	\$21,962	\$14,540	\$6,426	\$2,592
	Reserve & Replacement	\$57,904	\$22,858	\$7,495	\$13,177	\$8,724	\$3,856	\$1,555
	Annual NOI	\$1,775,729	\$700,985	\$229,853	\$404,105	\$267,527	\$118,238	\$47,693
	Property Valuation							
	Return on Cost	4.98%	5.55%	5.99%	5.83%	6.01%	8.04%	9.17%
	Threshold Return on Cost	8.05%	8.05%	8.05%	8.05%	8.05%	8.05%	8.05%
	Residual Property Value	(\$13,616,257)	(\$3,922,114)	(\$984,686)	(\$1,916,307)	(\$1,131,686)	(\$1,200)	\$72,457
	RPV/SF	(\$680.81)	(\$301.70)	(\$98.47)	(\$76.65)	(\$56.58)	(\$0.06)	\$7.25



PROTOTYPE RETAIL PROGRAMS			
		struc pkg outside bldg footprint	all surface parking
		mid rise dept store retail	retail low rise
PROGRAM	Property Assumptions		
	Site Size (SF)	40,000	10,000
	Bldg Footprint	18,500	3,900
	Stories	2	1
	FAR	2.31	0.39
	Building Square Feet	37,000	3,900
	Efficiency	90%	100%
	Leasable Area	33,300	3,900
	Parking Ratio/000 SF	3.0	4.0
	Parking Spaces	99	15
	Parking SF/Space - Surface	350	350
	Parking SF/Space - Structure	425	425
	Parking Spaces - Surface	25	15
	Parking Spaces - Structure	74	-
	Structured Parking %	75%	0%
	Structured Parking Stories	3	0
	% of Struc Pkg in Bldg FP	0%	0%
	% Site Requirements	5%	10%
	Site Coverage Check	97%	95%
	Cost Assumptions		
	Base Construction Cost/SF	\$170	\$140
	Adjustment Factor	0%	0%
	Construction Cost/SF	\$170	\$140
	Base Parking Costs/Space	\$30,000	\$0
	Adjustment Factor	-2%	-2%
	Parking Cost/Space	\$29,500	\$0
PROPERTY OPERATIONS	Income Assumptions		
	Base Income/Sf/Yr.	\$16.20	\$18.00
	Adjustment Factor	0%	0%
	Achievable Pricing	\$16.20	\$18.00
	Parking Charges/Space/Mo	\$0	\$0
	Expense Assumptions		
	Vacancy/Collection Loss	10.0%	10.0%
	Base Operating Expenses	5.0%	5.0%
	Adjustment Factor	0%	0%
	Operating Expenses	5.00%	5.00%
	Reserve & Replacement	3.0%	3.0%
	Valuation Assumptions		
	Capitalization Rate	7.00%	7.00%
	Adjustment Factor	0%	0%
	Capitalization Rate	7.00%	7.00%
SUPPORTABLE PROPERTY VALUE	Cost		
	Cost/Construct w/o prkg.	\$6,290,000	\$546,000
	Total Parking Costs	\$2,190,375	\$0
	Estimated Project Cost	\$8,480,375	\$546,000
	Income		
	Annual Base Income	\$539,460	\$70,200
	Annual Parking	\$0	\$0
	Gross Annual Income	\$539,460	\$70,200
	Less: Vacancy & CL	\$53,946	\$7,020
	Effective Gross Income	\$485,514	\$63,180
	Less Expenses:		
	Operating Expenses	\$24,276	\$3,159
	Reserve & Replacement	\$14,565	\$1,895
	Annual NOI	\$446,673	\$58,126
	Property Valuation		
	Return on Cost	5.27%	10.65%
	Threshold Return on Cost	8.05%	8.05%
	Residual Property Value	(\$2,931,644)	\$176,057
	RPV/SF	(\$73.29)	\$17.61



PROTOTYPE MU RETAIL/RESIDENTIAL PROGRAMS								
		integrated pkg struc	integrated pkg struc	separate pkg struc	surface parking	some under-podium parking	surface parking	surface parking
		MU res/ret high rise	MU res/ret mid/struc 2	MU res/ret mid/struc 1	MU res/ret mid/surf	MU res/ret type v/podium	MU res/ret 3-story wood w/surf SM	MU res/ret 3-story wood w/surf LG
PROGRAM	Property Assumptions							
	Site Size (SF)	11,500	11,500	20,000	10,000	10,000	10,000	60,000
	Density	180	140	95	60	60	35	35
	Unit Count	47	36	43	13	13	8	48
	Ave Unit Size	750	750	750	750	750	750	750
	Apt. Building Square Feet	35,250	27,000	32,250	9,750	9,750	6,000	36,000
	Bldg Footprint	4,406	5,400	6,450	2,438	3,250	3,000	18,000
	Apt. Stories	8	5	5	4	3	2	2
	Retail Stories	1	1	1	1	1	1	1
	TOTAL STORIES	9	6	6	5	4	3	3
	Percent of Retail	50%	50%	30%	50%	50%	50%	25%
	Retail Square Footage	2,203	2,700	1,935	1,218	1,625	1,500	4,500
	Ground Floor Non-Retail (parking)	2,203	2,700	4,515	-	1,625	-	-
	Parking Ratio/1000sf.	4.0	4.0	4.0	4.0	4.0	4.0	4.0
	FAR	5.36	3.76	2.26	0.98	1.30	0.60	0.60
	Parking Ratio/Unit	1.0	1.0	1.0	1.0	1.5	1.5	1.5
	Total Parking Spaces	56	47	51	18	26	18	90
	Parking SF/Space - Surface	350	350	350	350	350	350	350
	Parking SF/Space - Structure	425	425	425	425	425	425	425
	Parking Spaces - Surface	-	-	-	18	-	18	90
	Parking Spaces - Structure	56	47	51	-	26	-	-
	Structured Parking %	100%	100%	100%	0%	100%	0%	0%
	Structured Parking Stories	6	3	2	0	1	0	0
	% of Struc Pkg in Bldg FP	50%	50%	0%	0%	50%	0%	0%
	% Site Requirements	20%	20%	20%	20%	20%	20%	20%
	Site Coverage Check	65%	80%	71%	92%	55%	99%	89%
	Cost Assumptions							
	Apt Base Construction Cost/SF	\$210	\$195	\$195	\$165	\$165	\$140	\$140
	Adjustment Factor	0%	0%	0%	0%	0%	0%	0%
	Construction Cost/SF	\$210	\$195	\$195	\$165	\$165	\$140	\$140
	Retail Base Construction Cost/SF	\$150	\$150	\$150	\$150	\$150	\$140	\$140
	Adjustment Factor	0%	0%	0%	0%	0%	0%	0%
	Construction Cost/SF	\$150	\$150	\$150	\$150	\$150	\$140	\$140
	Base Parking Costs/Space	\$40,000	\$35,000	\$30,000	\$35,000	\$15,000	\$0	\$0
	Adjustment Factor	0%	0%	0%	0%	0%	0%	0%
	Parking Cost/SF	\$40,000	\$35,000	\$30,000	\$35,000	\$15,000	\$0	\$0
OPERATING ASSUMPTIONS	Income Assumptions							
	Apt. Base Income/Sf/Mo.	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35
	Adjustment Factor	0%	0%	0%	0%	0%	0%	0%
	Achievable Pricing	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35
	Retail Base Income/Sf/Yr.	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00
	Adjustment Factor	0%	0%	0%	0%	0%	0%	0%
	Achievable Pricing	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00	\$18.00
	Parking Charges/Space/Mo	\$50	\$50	\$50	\$50	\$50	\$50	\$50
	Expenses							
	Apt. Vacancy/Collection Loss	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
	Retail Vacancy/Collection Loss	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
	Operating Expenses	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%
	Adjustment Factor	0%	0%	0%	0%	0%	0%	0%
	Apt. Operating Expenses	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%
	Retail Operating Expenses	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Reserve & Replacement	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
Valuation								
Capitalization Rate	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	
Adjustment Factor	0%	0%	0%	0%	0%	0%	0%	
Capitalization Rate	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	
SUPPORTABLE PROPERTY VALUE	Cost							
	Cost/Construct w/o prkg.	\$7,732,950	\$5,670,000	\$6,579,000	\$1,791,450	\$1,852,500	\$1,050,000	\$5,670,000
	Total Parking Costs	\$2,240,000	\$1,645,000	\$1,530,000	\$0	\$390,000	\$0	\$0
	Estimated Project Cost	\$9,972,950	\$7,315,000	\$8,109,000	\$1,791,450	\$2,242,500	\$1,050,000	\$5,670,000
	Income							
	Apt. Annual Base Income	\$485,393	\$371,790	\$444,083	\$134,258	\$134,258	\$97,200	\$583,200
	Retail Annual Base Income	\$39,654	\$48,600	\$34,830	\$21,924	\$29,250	\$27,000	\$81,000
	Annual Parking	\$33,600	\$28,200	\$30,600	\$0	\$15,600	\$0	\$0
	Gross Annual Income	\$558,647	\$448,590	\$509,513	\$156,182	\$179,108	\$124,200	\$664,200
	Less: Apt. Vacancy & CL	\$24,270	\$22,430	\$25,476	\$7,809	\$8,955	\$6,210	\$33,210
	Less: Retail Vacancy & CL	\$3,965	\$4,860	\$3,483	\$2,192	\$2,925	\$2,700	\$8,100
	Effective Gross Income	\$530,411	\$421,301	\$480,554	\$146,180	\$167,227	\$115,290	\$622,890
	Less Expenses:							
	Apt. Operating Expenses	\$152,171	\$115,289	\$138,140	\$41,728	\$41,350	\$30,027	\$181,497
	Retail Operating Expenses	\$1,784	\$2,187	\$1,567	\$987	\$1,316	\$1,215	\$3,645
	Reserve & Replacement	\$15,912	\$12,639	\$14,417	\$4,385	\$5,017	\$3,459	\$18,687
	Annual NOI	\$360,544	\$291,186	\$326,430	\$99,080	\$119,544	\$80,590	\$419,062
Property Valuation								
Return on Cost	3.62%	3.98%	4.03%	5.53%	5.33%	7.68%	7.39%	
Threshold Return on Cost	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	
Residual Property Value	(\$4,747,672)	(\$3,094,920)	(\$3,378,136)	(\$355,507)	(\$509,973)	\$117,965	\$403,357	
RPV/SF	(\$412.84)	(\$269.12)	(\$168.91)	(\$35.55)	(\$51.00)	\$11.80	\$6.72	



PROTOTYPE RENTAL RESIDENTIAL PROGRAMS							
		integrated pkg struc	integrated pkg struc	podium parking	Surface Parking	surface parking	No Parking
		residential high rise	residential mid/struc 2	type v/podium	2-story wood w/surf	3-story wood townhome	3-story wood Zero Park
PROGRAM	Property Assumptions						
	Site Size (SF)	10,000	10,000	10,000	10,000	10,000	10,000
	Density	200	150	56	28	28	130
	Unit Count	45	34	12	6	6	29
	Ave Unit Size	750	750	750	750	1,000	600
	Efficiency Ratio	85%	85%	90%	100%	100%	85%
	Building Square Feet	39,706	30,000	10,000	4,500	6,000	20,471
	Stories	8	5	3	2	3	3
	Bldg Footprint	4,963	6,000	3,333	2,250	2,000	6,824
	FAR	5.96	4.20	1.33	0.45	0.80	2.05
	Parking Ratio/Unit	1.0	1.0	1.5	1.5	1.5	-
	Total Parking Spaces	45	34	18	9	9	-
	Parking SF/Space - Surface	350	350	350	350	350	350
	Parking SF/Space - Structure	425	425	350	425	425	425
	Parking Spaces - Surface	-	-	-	9	6	-
	Parking Spaces - Structure	45	34	18	-	6	-
	Structured Parking %	100%	100%	100%	0%	50%	0%
	Structured Parking Stories	4	2	1	0	1	0
	% of Struc Pkg in Bldg FP	50%	50%	50%	0%	0%	0%
	% Site Requirements	20%	20%	20%	20%	20%	20%
	Site Coverage Check	84%	102%	57%	59%	65%	82%
	Cost Assumptions						
	Base Construction Cost/SF	\$210	\$195	\$165	\$125	\$135	\$145
	Adjustment Factor	0%	0%	0%	0%	0%	0%
	Construction Cost/SF	\$210	\$195	\$165	\$125	\$135	\$145
	Base Parking Costs/Space	\$40,000	\$40,000	\$20,000	\$0	\$0	\$0
	Adjustment Factor	0%	0%	0%	0%	0%	0%
	Parking Cost/Space	\$40,000	\$40,000	\$20,000	\$0	\$0	\$0
PROPERTY VALUATION	Income Assumptions						
	Base Income/Sf/Mo.	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35
	Adjustment Factor	0%	0%	0%	0%	0%	0%
	Achievable Pricing	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35
	Parking Charges/Space/Mo	\$50	\$50	\$50	\$50	\$50	\$50
	Expenses						
	Vacancy/Collection Loss	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
	Operating Expenses	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%
	Adjustment Factor	0%	0%	0%	0%	0%	0%
	Operating Expenses	33%	33%	33%	33%	33%	33%
	Reserve & Replacement	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
	Valuation						
	Capitalization Rate	5.75%	5.75%	5.75%	5.75%	5.75%	6.25%
	Adjustment Factor	0%	0%	0%	0%	0%	0%
	Capitalization Rate	5.75%	5.75%	5.75%	5.75%	5.75%	6.25%
SUPPORTABLE PROPERTY VALUE	Cost						
	Cost/Construct w/o prkg.	\$8,338,235	\$5,850,000	\$1,650,000	\$562,500	\$810,000	\$2,968,235
	Total Parking Costs	\$1,800,000	\$1,360,000	\$360,000	\$0	\$0	\$0
	Estimated Project Cost	\$10,138,235	\$7,210,000	\$2,010,000	\$562,500	\$810,000	\$2,968,235
	Income						
	Annual Base Income	\$546,750	\$413,100	\$145,800	\$72,900	\$97,200	\$281,880
	Annual Parking	\$27,000	\$20,400	\$10,800	\$0	\$3,600	\$0
	Gross Annual Income	\$573,750	\$433,500	\$156,600	\$72,900	\$100,800	\$281,880
	Less: Vacancy & CL	\$28,688	\$21,675	\$7,830	\$3,645	\$5,040	\$14,094
	Effective Gross Income	\$545,063	\$411,825	\$148,770	\$69,255	\$95,760	\$267,786
	Less Expenses:						
	Operating Expenses	\$179,871	\$135,902	\$49,094	\$22,854	\$31,601	\$88,369
	Reserve & Replacement	\$16,352	\$12,355	\$4,463	\$2,078	\$2,873	\$8,034
	Annual NOI	\$348,840	\$263,568	\$95,213	\$44,323	\$61,286	\$171,383
	Property Valuation						
	Return on Cost	3.44%	3.66%	4.74%	7.88%	7.57%	5.77%
	Threshold Return on Cost	6.61%	6.61%	6.61%	6.61%	6.61%	7.19%
	Residual Property Value	(\$4,862,772)	(\$3,224,095)	(\$570,109)	\$107,794	\$116,826	(\$583,776)
	RPV/SF	(\$486.28)	(\$322.41)	(\$57.01)	\$10.78	\$11.68	(\$58.38)



PROTOTYPE OWNERSHIP RESIDENTIAL PROGRAMS						
		integrated pkg struc	integrated pkg struc	podium parking	Surface Parking	surface parking
		residential high rise	residential mid/struc 2	type v/podium	2-story wood w/surf	3-story wood townhome
PROGRAM	Property Assumptions					
	Site Size (SF)	10,000	10,000	10,000	10,000	10,000
	Density	200	150	56	28	28
	Unit Count	45	34	12	6	6
	Ave Unit Size	800	800	800	800	1,100
	Building Square Feet	36,000	27,200	9,600	4,800	8,250
	Stories	8	5	3	2	3
	Bldg Footprint	4,500	5,440	3,200	2,400	2,750
	FAR	6.75	4.35	1.28	0.48	1.10
	Parking Ratio/Unit	1.5	1.5	1.5	2.0	2.0
	Total Parking Spaces	68	51	18	12	12
	Parking SF/Space - Surface	350	350	350	350	350
	Parking SF/Space - Structure	425	425	350	425	425
	Parking Spaces - Surface	-	-	-	12	6
	Parking Spaces - Structure	68	51	18	-	6
	Structured Parking %	100%	100%	100%	0%	50%
	Structured Parking Stories	7	3	1	0	1
	% of Struc Pkg in Bldg FP	50%	50%	50%	0%	0%
	% Site Requirements	20%	20%	20%	20%	20%
	Site Coverage Check	77%	92%	54%	71%	82%
	Cost Assumptions					
	Base Construction Cost/SF	\$231	\$215	\$182	\$138	\$149
	Adjustment Factor	0%	0%	0%	0%	0%
	Construction Cost/SF	\$231	\$215	\$182	\$138	\$149
	Base Parking Costs/Space	\$44,000	\$44,000	\$22,000	\$0	\$0
	Adjustment Factor	0%	0%	0%	0%	0%
	Parking Cost/Space	\$44,000	\$44,000	\$22,000	\$0	\$0
INCOME	Income Assumptions					
	Sales Price/SF	\$139	\$139	\$139	\$139	\$139
	Adjustment Factor	0%	0%	0%	0%	0%
	Achievable Pricing	\$139	\$139	\$139	\$139	\$139
	Parking Charges/Space	\$0	\$0	\$0	\$0	\$0
EXPENSES	Expenses					
	Sales Commission	6.0%	6.0%	6.0%	6.0%	6.0%
SUPPORTABLE PROPERTY VALUE	Cost					
	Cost/Construct w/o prkg.	\$8,316,000	\$5,834,400	\$1,742,400	\$660,000	\$1,225,125
	Total Parking Costs	\$2,992,000	\$2,244,000	\$396,000	\$0	\$0
	Estimated Project Cost	\$11,308,000	\$8,078,400	\$2,138,400	\$660,000	\$1,225,125
	Income					
	Gross Income - Units	\$4,503,600	\$3,402,720	\$1,200,960	\$600,480	\$1,032,075
	Gross Income - Parking	\$0	\$0	\$0	\$0	\$0
	Gross Sales Income	\$4,503,600	\$3,402,720	\$1,200,960	\$600,480	\$1,032,075
	Less: Commission	(\$270,216)	(\$204,163)	(\$72,058)	(\$36,029)	(\$61,925)
	Effective Gross Income	\$4,233,384	\$3,198,557	\$1,128,902	\$564,451	\$970,151
	Property Valuation					
	Return on Sales	-62.56%	-60.41%	-47.21%	-14.48%	-20.81%
	Threshold Return on Cost	15.00%	15.00%	15.00%	15.00%	15.00%
	Residual Property Value	(\$7,626,797)	(\$5,297,046)	(\$1,156,746)	(\$169,173)	(\$381,516)
	RPV/SF	(\$762.68)	(\$529.70)	(\$115.67)	(\$16.92)	(\$38.15)



## **EXCLUSIVE NEGOTIATION AGREEMENT**

between

**Moscow Urban Renewal Agency**

and

**Sangria Downtown, LLC**

For the development of:

A Building Lot Located at the Southwest Corner of the Intersection of 6<sup>th</sup> and  
Jackson Streets in the City of Moscow, Idaho

\_\_\_\_\_, 2015

## **EXCLUSIVE NEGOTIATION AGREEMENT**

This EXCLUSIVE NEGOTIATION AGREEMENT (hereinafter "Agreement" or "ENA") is entered into this \_\_\_\_ day of \_\_\_\_\_, 2015, by and between the MOSCOW URBAN RENEWAL AGENCY of the City of Moscow, Idaho, a public body, corporate and politic (hereinafter "Agency"), organized pursuant to the Idaho Urban Renewal Law, Title 50, Chapter 20, Idaho Code, as amended (hereinafter the "Law"), and undertaking projects under the authority of the Local Economic Development Act of 1988 as amended (hereinafter the "Act"), and SANGRIA DOWNTOWN, LLC, or its assigns (hereinafter "Developer"), 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 City of Moscow, Idaho adopted its Ordinance No. 2008-10 on June 2, 2008, approving the Legacy Crossing Urban Renewal District Redevelopment Plan (hereinafter the "Plan"), which includes the plan for improvement, development and redevelopment of properties within the boundaries of said district within the City of Moscow, Latah County, Idaho (hereinafter the "Project Area"); and

WHEREAS, Agency currently owns a parcel of land located in the NE ¼ 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", 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 N88°17'28" E, 248.00 feet (record 256.27 feet) to the TRUE POINT OF BEGINNING, (hereinafter the "Lot") which is within the Project Area;

WHEREAS, Agency seeks to encourage development in conformance with the Plan through disposition and development of all remaining lots within the Project Area; and

WHEREAS, Agency has published a Request for Proposals for Redevelopment of the Lot in conformance with the Law and the Act (hereinafter the "Request for Proposals"); and

WHEREAS, Developer has submitted a complete and timely response to Agency's Request for Proposals for Redevelopment of the Lot;

NOW, THEREFORE, Agency and Developer hereby agree as follows:

### **AGREEMENT**

1. NEGOTIATIONS.

1.1 GOOD-FAITH NEGOTIATIONS. Agency and Developer agree for the Negotiation Period set forth below to negotiate diligently and in good faith to prepare a Disposition and Development Agreement ("DDA") to be considered for execution between Agency and Developer, in the manner set forth herein, with respect to the development of the Lot. The Lot is more particularly described in Exhibit "A" attached hereto. Agency agrees for the period set forth below not to negotiate with any other person or any other entity regarding the development or redevelopment of the Lot.

1.2 NEGOTIATION PERIOD. The duration of this Agreement (the "Negotiation Period") shall continue from the execution of this Agreement by Agency for a period of ninety (90) days. If, upon expiration of the Negotiation Period Developer has not signed and submitted a DDA to the Agency (unless a written extension is granted by the Agency), then this Agreement shall automatically terminate. If a DDA is so signed and submitted by Developer to Agency on or before expiration of the Negotiation Period, then this Agreement and the Negotiation Period herein shall be extended without further action by Agency for a period not to exceed sixty (60) days from the date of such submittal during which time Agency shall take all steps legally necessary to: (1) consider the terms and conditions of the proposed DDA; (2) if appropriate, take the actions necessary to authorize Agency to enter into the DDA; and (3) execute the DDA. If Agency has not executed the DDA within sixty (60) days from the date such DDA is submitted (unless written extension is granted by the Developer), then this Agreement shall automatically terminate. The Parties agree to consider reasonable requests for extensions of time of the Negotiation Period and of the approval period for action and approval by Agency; provided, however, Agency may, at its discretion, require Developer to pay an extension fee for any such extension requested by Developer. If the negotiations do not result in an executed DDA, Developer shall submit to Agency a summary of its findings and determinations regarding the proposed development. If this Agreement is terminated per this section, Developer shall not seek reimbursement for costs and expenses from Agency.

1.3 DEPOSIT. Developer agrees to provide a deposit in the amount of Five Thousand and no one/hundredths dollars (\$5,000.00) to enter into an agreement to negotiate exclusively with Agency with regards to the Lot. The deposit shall then be applied against the purchase price for the Lot as determined by the DDA.

1.4 TERMINATION. In the event Developer has not continued to negotiate diligently and in good faith, Agency shall give written notice thereof to Developer, who shall then have five (5) working days to commence negotiating in good faith. Following the receipt of such notice and the failure of Developer to thereafter commence negotiating in good faith within such five (5) working days, this Agreement may be terminated by Agency. In the event of such termination by the Agency, Agency shall retain the deposit, and neither Party shall have any further rights against or liability to the other under this Agreement, save and except the right of Developer to contest such action by Agency. In the event Agency has not continued to negotiate diligently and in good faith, Developer shall give



written notice thereof to Agency, which shall then have five (5) working days to commence negotiating in good faith. Following the receipt of such notice and the failure of Agency to thereafter commence negotiating in good faith within such five (5) working days, this Agreement may be terminated by Developer. In the event of such termination by Developer, Agency shall immediately return the entire deposit to Developer, and neither Party shall have any further rights against or liability to the other under this Agreement. Upon automatic termination of this Agreement at the expiration of the Negotiation Period or any extension thereof or other termination, then concurrently therewith, the deposit shall be paid by Agency to Developer, and neither Party shall have any further rights against or liability to the other under this Agreement. If a DDA has been executed by the Agency and Developer, the DDA shall thereafter govern the rights and obligations of the Parties with respect to the development of the Property.

## 2. DEVELOPMENT CONCEPT.

2.1 SCOPE OF DEVELOPMENT. Within the time set forth in Exhibit B, Schedule of Performance, Developer shall submit to Agency Developer's specific proposed scope of development regarding the use of the Lot (hereinafter referred to as the "Project"). Upon Agency's execution of this Agreement, Developer shall begin immediately the process of preparing a development plan for the Lot ("Development Plan"). The Development Plan shall include basic concept drawings for the Project and an implementation program including scheduling. Specific parts of the Development Plan will include, but not be limited to, perspective renderings, site plan, elevations/sections, narrative description, and critical path analysis. The critical path analysis will cover the entire Lot development through completion, including occupancy. Submittal of the Development Plan initiates a two-phase review process outlined as follows:

Phase 1: Conditional approval of the initial plan submittal acknowledges Agency's endorsement of the Development Plan for the described Project. Developer is encouraged to refine and supplement the Development Plan submittals and to work with Agency toward successful completion of the second review, if required, which will culminate in compliance with the provisions of the Moscow City Zoning Ordinance and related local government requirements.

Phase 2: Within the times set forth in the Schedule of Performance, Agency shall either approve or disapprove the Development Plan. In the event the Development Plan and submittal are initially disapproved, Agency shall set forth the reasons for disapproval. Developer shall then have thirty (30) days to resubmit information to satisfy the reasons for disapproval; provided, however, in the event the Development Plan is again disapproved, this Agreement shall be terminated.

In the event at any time during the Negotiation Period the Developer determines that it is not feasible to proceed with development of the Lot, this Agreement shall be terminated upon ten (10) days' written notice to Agency. Likewise, in the event at any time during the Negotiation Period the Agency determines that it is not feasible to proceed to the

development of the Lot, this Agreement shall be terminated upon ten (10) days' written notice to Developer. In the event of such termination, Agency shall return the deposit to Developer, and neither Party shall have any further rights against or liability to the other under this Agreement. Developer acknowledges and consents that in the event this Agreement is terminated for nonperformance by Developer, or Developer's conclusion that the Project is not feasible, or the Project is terminated for any reason hereunder, Agency has the right and authority to enter into an exclusive right to negotiate agreement with any other interested developer.

2.2 CONSISTENT PLANS. Developer's Development Plan shall recognize and be consistent with Agency's Plan, subject to the provisions defined in this Agreement.

2.3 COORDINATION WITH ADJACENT DEVELOPMENT. During the Negotiation Period, Developer shall use its best efforts to coordinate its Development Plan and design with the adjacent development.

2.4 PROGRESS REPORTS. Upon reasonable notice, as from time to time reasonably requested by Agency, Developer agrees to make progress reports advising Agency on all matters and all studies being made by Developer.

3. PURCHASE PRICE. The purchase price to be paid by Developer under the DDA will be established by Agency after preliminary negotiations with Developer. Such purchase price shall be established by Agency during the Negotiation Period. Based on the Development Plan, Agency will prepare and provide Developer with a reuse appraisal. Such purchase price will be based upon such factors as 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. Developer recognizes that under the Law, the purchase price cannot be less than the fair value for uses in accordance with the Plan. The purchase price and DDA shall be subject to approval by Agency. During the Negotiation Period, Agency and Developer will negotiate the schedule for the disposition and development of the Lot.

#### 4. DEVELOPER'S RESPONSIBILITIES.

4.1 NATURE OF THE DEVELOPER. Developer is Sangria Downtown, LLC, or its assigns. Notwithstanding any other provision of this Agreement, Developer reserves the right, at Developer's discretion and without prior written consent of Agency, to join and associate with other entities for the purpose of acquiring and developing the Lot, provided that Developer maintains operating control of such entities and remains fully responsible to Agency as provided in this Agreement with respect to the Lot. Wherever the term "Developer" is used herein, such term shall include any permitted nominee or assignee as herein provided.

4.2 PRINCIPAL OFFICE OF THE DEVELOPER. The mailing address of Developer is Sangria Downtown, LLC, 2124 W. Pullman Road, Moscow, ID 83843.

4.3 DEVELOPER'S DEVELOPMENT TEAM. "Development Team" is defined as the Developer together with all contracted professionals and principal associates identified pursuant to this Section. The Developer's architect, attorney, project manager and other members of the development team will be identified at a later date and will be incorporated into the DDA.

4.4 DEVELOPER'S LEGAL COMPLIANCE. Developer recognizes it will be required to comply with all applicable laws, including, but not limited to: all applicable federal and state labor standards; antidiscrimination standards; affirmative action standards; nondiscrimination and non-segregation standards; laws; pre-existing legal, use, and all development and zoning regulations, including the Urban Mixed Commercial zone, Legacy Crossing Overlay zone, Legacy Crossing Overlay Zone Design Guidelines and the Legacy Crossing Plan, and any applicable covenants and restrictions; and regulations in development, rental, sale, or lease of the Lot.

4.5 DEVELOPER'S FINANCIAL CAPACITY. Developer acknowledges that the DDA will require that Developer submit to Agency satisfactory evidence of Developer's plan for financing the Project sufficient to permit Agency to determine Developer's ability to finance and complete the Project. The timing of submittal and forms of such evidence of financing shall be addressed in the DDA. The evidence of financing may include evidence of the approval for construction financing for the Developer's portions of the development of and long-term financing for the Property.

## 5. AGENCY'S RESPONSIBILITIES.

5.1 THE URBAN RENEWAL PLAN. This Agreement and any DDA agreed to by the Parties are subject to the provisions of the Legacy Crossing Urban Renewal District Redevelopment Plan as recommended by Agency and approved by Moscow City Council for the Project Area, as it may subsequently be amended, and the Plan is hereby incorporated herein by reference and made a part hereof as though fully set forth herein.

5.2 AGENCY ASSISTANCE AND COOPERATION. Agency shall cooperate fully in providing Developer with appropriate information and assistance.

5.3 REAL ESTATE COMMISSIONS. Agency shall not be liable for any real estate commission or brokerage fees which may arise from this Agreement. Agency represents that it has engaged no broker, agency, or finder in connection with this transaction, and Developer agrees to hold Agency harmless from any claim by any broker, agent, or finder retained by Developer.

5.4 LIMITATIONS AND CONDITIONS OF THIS AGREEMENT. By its execution of this Agreement, Agency is not committing itself to or agreeing to undertake: (a) disposition of land to Developer; or (b) any other acts or activities requiring the subsequent independent exercise of discretion by Agency, the City, or any agency or department thereof; or (c) any other acts or activities requiring the subsequent independent exercise of discretion by any federal or state agency, including, but not limited to,

environmental clearance and historic preservation approval. This Agreement does not constitute a disposition of property or exercise of control over property by Agency or City of Moscow, Idaho.

## 6. GENERAL PROVISIONS.

6.1 REMEDIES AND DAMAGES. Notwithstanding anything to the contrary contained in this Agreement, Developer's obligations hereunder are nonrecourse, and Agency's only recourse and security for those obligations shall be the recovery of possession of the Lot, the recovery of attorney fees and costs incurred in the recovery of the Lot, and termination of this Agreement. Nothing stated in this section shall be deemed to have effected a release or impairment of Agency's fee title to the Lot. If a dispute arises out of or relates to this Agreement or the breach thereof and if said dispute cannot be settled through direct discussions, 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. In the event of any action or proceeding described in this section between any of the Parties to this Agreement to enforce any provision of this Agreement or to protect or establish any right or remedy of any Party hereunder, the unsuccessful Party to such proceeding shall pay 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.

6.2 NO RECORDATION. In no event shall any Party record this Agreement or any memorandum hereof or otherwise encumber the Lot by reason of the selection process, this Agreement, or the negotiations contemplated hereby.

6.3 FORCE MAJEURE. Time periods provided for performance of the obligations set forth in this Agreement shall be extended for a period or periods of time equal to any period or periods of delay caused by strikes, lockouts, fire, or other casualty, litigation by third parties, the elements or acts of God, or other causes, other than financial, which are beyond the reasonable control of the Party having the relevant obligation.

6.4 SUCCESSORS AND ASSIGNS. Except as specifically authorized in this agreement, no Party may assign or delegate its obligations under this Agreement without the consent of each other Party hereto, which consent may be withheld in the discretion of that Party. Except as otherwise set forth in this Agreement, the terms, covenants, conditions, and agreements contained herein shall be binding upon and inure to the benefit of the heirs, personal representatives, successors, and assigns of the Parties hereto.

6.5 NUMBER AND GENDER. In constructing the provisions of this Agreement and whenever the context so requires, the use of a gender shall include all other genders, the use of the singular shall include the plural, and the use of the plural shall include the singular.

6.6 NO THIRD-PARTY BENEFICIARY. This Agreement is not intended to create, does not create, nor shall it be in any way interpreted or construed to create, any third-party beneficiary rights in any person not a Party hereto unless otherwise expressly provided herein.

6.7 COUNTERPARTS. This Agreement may be executed in counterparts, and each counterpart shall then be deemed for all purposes to be an original, executed agreement with respect to the Parties whose signatures appear thereon.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date set opposite their signatures. The effective date of this Agreement shall be the date this Agreement is signed by Agency. Dated this \_\_\_\_ day of \_\_\_\_\_, 2015.

AGENCY:

MOSCOW URBAN RENEWAL AGENCY  
MOSCOW, IDAHO

By \_\_\_\_\_  
John McCabe, Chair

ACKNOWLEDGMENT

STATE OF IDAHO            )  
  ) ss.  
COUNTY OF LATAH        )

On this \_\_\_\_ day of \_\_\_\_\_, 2015, before me, a Notary Public in and for said State, appeared John McCabe, known to me to be the person named above and acknowledged that he executed the foregoing document as the duly authorized representative for The Urban Renewal Agency of Moscow, Idaho.

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

Dated this \_\_\_\_ day of \_\_\_\_\_, 2015.

DEVELOPER: Sangria Downtown, LLC

By \_\_\_\_\_  
George Skandalos, Managing Member

ACKNOWLEDGMENT

STATE OF IDAHO            )  
                                      ) ss.  
COUNTY OF LATAH        )

On this \_\_\_\_\_ day of \_\_\_\_\_, 2015, before me, a Notary Public in and for said State, appeared George Skandalos, Managing Member of Sangria Downtown, LLC, known to me to be the person named above and acknowledged that he executed the foregoing document ON BEHALF OF Sangria Downtown, LLC.

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

## EXHIBIT A

### PROPERTY DESCRIPTION

A parcel of land located in the NE  $\frac{1}{4}$  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  $87^{\circ}45'28''$  W, 363.92 feet (record 355.69 feet) along the north line of said section 18, thence S  $00^{\circ}45'10''$  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  $00^{\circ}45'10''$ , 153.39 feet; thence S  $88^{\circ}17'28''$  W, 207.70 feet (record 216.18 feet); thence N  $40^{\circ}29'13''$  W, 53.83 feet, thence N  $01^{\circ}42'23''$  W, 111.29 feet; thence N  $88^{\circ}17'28''$  E, 248.00 feet (record 256.27 feet) to the TRUE POINT OF BEGINNING.

The configuration of the Lot is shown generally in the diagram attached as Exhibit A. The Lot is subject to the Special Conditions noted below.

**Special Conditions:** The Lot is currently undergoing environmental remediation pursuant to the Voluntary Remediation Agreement between the MURA and the Idaho Department of Environmental Quality, dated May 21, 2014, and is expected to be issued a Certificate of Completion and Covenant Not to Sue after clean-up is complete as anticipated in July, 2015.

The Lot is bounded by the 6<sup>th</sup> Street right-of-way to the north and negotiations are currently underway to expand the 6<sup>th</sup> Street right-of-way to the south in general conformity with the diagram attached as Exhibit A.

## EXHIBIT B

### SCHEDULE OF PERFORMANCE

#### ACTION

#### DATE

1. Deposit. The Developer shall deliver the Deposit to the Agency. No later than \_\_\_\_\_, 2015.
2. Submittal of Information to Appraiser. Developer shall submit all the required information to Agency for use in considering Developer's proposed development. No later than \_\_\_\_\_, 2015.
3. Completion of Reuse Appraisal. Agency appraiser shall complete the reuse appraisal. No later than \_\_\_\_\_, 2015.
4. Submittal of Draft Disposition and Development Agreement (DDA). The Agency staff and Developer shall have completed a draft DDA in a sufficiently final form to permit review by the Agency Board and to proceed through the required notice and hearing process. No later than \_\_\_\_\_, 2015.
5. DDA Consideration. The Agency Board shall consider and approve if appropriate the DDA. No later than \_\_\_\_\_, 2015.

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