

**Appraisal Report**

**Park Drive Addition  
10 Proposed Residential Building Sites  
Coeur d'Alene, ID**

**CVG 2524-17**



*Real Estate Appraisers and Consultants*

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1410 Lincoln Way, Suite 200  
Coeur d'Alene, ID 83814-5300  
(208) 667-7940  
Fax (208) 666-1474

Stanley D. Moe, MAI  
stan@cvgcda.com

October 16, 2017

Mr. Tony Berns  
Executive Director  
*ignitecda*  
105 N.1<sup>st</sup> Street, Suite 100  
Coeur d'Alene, ID 83814

RE: Appraisal of 10 proposed residential building lots in Park Drive Addition  
Coeur d Alene, ID  
Our File No. CVG 2524-17

Dear Mr. Berns:

As requested we have completed an inspection and appraisal of the above referenced real estate. The appraised property consists of 10 proposed single-family residential building sites to be developed as Park Drive Addition, on the east side of park Drive between Garden and River Avenues in Coeur d Alene, ID.

The appraisal process utilized in the performance of this appraisal assignment is intended to meet the requirements for an appraisal as defined by the Appraisal Standards board of the Appraisal Foundation. This appraisal report is intended to comply with the reporting requirements set forth under Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice (USPAP) of an appraisal report performed under Standard 1.

Our final Estimates of Value are shown on the following page. The appraisal problem was to estimate the prospective market value, as defined, of the ten individual lots upon completion and second, to estimate the value to a single purchaser. To reach our value conclusion we analyzed the retail value for the finished residential building lots as if they were sold individually. At current market value, we estimate it would require less than six months for the market to absorb all 10 lots at our estimate of market value.

## SUMMARY OF CONCLUSIONS

PROSPECTIVE GROSS SALES FROM  
10 DEVELOPED BUILDING LOTS

\$2,101,000  
\$210,100 per site average

Lot	Description	SF	AC	Price
1	Triangular, largest site	7,866	0.181	\$209,000
2	Alley on 2 sides, smallest site	5,555	0.128	\$198,000
3	Rectangular with alley behind	5,959	0.137	\$220,000
4	Rectangular with alley behind	6,000	0.138	\$220,000
5	Rectangular with alley behind	6,000	0.138	\$220,000
6	Rectangular with alley behind	6,000	0.138	\$220,000
7	Alley on 2 sides	6,720	0.154	\$198,000
8	Alley on 2 sides	5,757	0.132	\$198,000
9	Irregular with alley behind	5,752	0.132	\$220,000
10	Alley ending	5,639	0.129	\$198,000
<b>Sub-Totals</b>		<b>61,248</b>	<b>1.406</b>	<b>\$2,101,000</b>
<b>PROSPECTIVE GROSS SALES:</b>				<b>\$2,101,000</b>
<b>PROSPECTIVE VALUE PER LOT:</b>				<b>\$210,100</b>

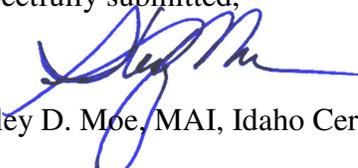
DISCOUNTED VALUE TO A SINGLE PURCHASER: \$1,861,000  
\$186,100 per site average

### *Extraordinary Assumption*

*On the date of inspection, the sites were in the process of being developed. The plat has been recorded, but the alleyway is not completed and public water and sewer lines and connections were not completed. We have appraised the sites as though completed and ready for sale assuming "building envelopes" for each lot, restricting development outside the envelope and prohibiting one from combining lots to build larger homes.*

Thank you for this opportunity to be of service. If I may be of further assistance, or you have any questions pertaining to this appraisal, please let me know.

Respectfully submitted,

  
Stanley D. Moe, MAI, Idaho Certified General Appraiser #CGA-072

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## SUMMARY OF SALIENT FACTS

<b>Subject Property</b>	Park Drive Addition 10 proposed residential building lots with sizes varying from 5,555-sf to 7,866-sf in the Fort Grounds neighborhood of Coeur d Alene
<b>Present Use</b>	Vacant land being cleared for development
<b>Highest and Best Use</b>	Residential Subdivision
<b>Zoning</b>	R-8 Residential with City of Coeur d Alene
<b>Ownership Interest</b>	Fee Simple Estate
<b>Appraised</b>	
<b>Date of Valuation</b>	September 24, 2017
<b>Date of Last Inspection</b>	September 24, 2017
<b>Date of Report</b>	October 16, 2017

MARKET VALUE CONCLUSIONS	
<b>Property Appraised</b>	<b>Value Conclusions</b>
<b>GROSS SALES FROM 10 DEVELOPED BUILDING LOTS</b>	<b>\$2,101,000</b>
<b>DISCOUNTED VALUE TO ONE PURCHASER</b>	<b>\$1,861,000</b>

Lot	Description	SF	AC	Price
1	Triangular, largest site	7,866	0.181	\$209,000
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<b>PROSPECTIVE VALUE PER LOT:</b>				<b>\$210,100</b>

## APPRAISER CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial and unbiased professional analyses, opinions, and conclusions.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- I have no present or prospective interest in or bias with respect to the property that is the subject of this report, and I have no personal interest or bias with respect to parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- My compensation for completing this assignment is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice promulgated by the Appraisal Institute.
- Stanley D. Moe made a personal inspection of the property that is the subject of this report and supervised the research and report writing functions.
- No one provided significant professional assistance to the person signing this report.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or approval of a loan. The appraiser is competent and qualified to perform this appraisal assignment.
- As of the date of this report, Stanley D. Moe has voluntarily completed the requirements of the continuing education program of the Appraisal Institute.

  
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Stanley D. Moe, MAI, Idaho Certified General Appraiser #072

Date: October 16, 2017

## **ASSUMPTIONS AND LIMITING CONDITIONS**

The general assumptions and limiting conditions listed below are critical to the analyses and conclusions contained in this report. The value(s) reported are subject to the following assumptions and limiting conditions:

a. That the appraiser has inspected as far as possible by observation the land and that the improvements; however, it was not possible to personally observe conditions beneath the soil or hidden structural defects or toxic materials which would render it more or less valuable. No responsibility is assumed for any such conditions or for any engineering expertise to discover them. All mechanical components are assumed to be in operable condition and status standard for properties of the subject type. The appraiser does not warrant against problems arising from soil conditions, including toxic wastes.

b. That the legal description as given is assumed correct. No survey or search of title to the property has been made for this report and no responsibility is assumed for such matters including encumbrances, ownership, etc. The property is appraised in fee simple estate as though free and clear of all encumbrances, except as specifically noted within this report.

c. That the data, statistics, and opinions furnished by others and contained herein have been reasonably checked and are considered reliable and correct. No responsibility for their accuracy is assumed by the appraiser. If errors or omissions are subsequently found which may directly affect the information and/or conclusions offered in this report, the appraiser reserves the right to modify or correct such errors, omissions and conclusions.

d. That this appraisal has been made in accordance with the rules and regulations of professional ethics as set forth by the Appraisal Institute.

e. That possession of this report or any copy thereof does not carry with it the right of publication nor may it be used for other than its intended use. The bylaws and regulations of the Appraisal Institute requires each member and candidate to control the use and distribution of each appraisal report; except the client may distribute copies of this appraisal report in its entirety to such third parties as he may select. However, selective portions of this appraisal report shall not be given to third parties without the prior written consent of the appraiser.

f. That neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without first obtaining the written consent and approval of the appraiser, particularly as to the valuations, or any reference to the Appraisal Institute.

## ASSUMPTIONS AND LIMITING CONDITIONS

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g. That the liability of Columbia Valuation Group, Inc. is limited to the client only and to the fee actually received by the appraiser. Further, there is no accountability, obligation or liability to any second or third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions.

h. That all maps, plans, and diagrams contained in this report are for illustrative purposes only and are not to be construed as accurate.

i. That where the value of land and component or structural improvements are shown separately, the value of each is segregated only as an aid to better estimate the value which it lends to the whole parcel, rather than the value of that particular item as if it were by itself.

j. That the appraisal is based on the premise that the subject property is in full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in this report. Improvements proposed, if any, as well as repairs required are considered for purposes of this appraisal to be completed in good and workmanlike manner according to information submitted or considered by the appraiser. In cases of proposed construction, the appraisal is subject to change upon inspection of property after construction is completed.

k. That the subject property will be under prudent and competent ownership and management, neither inefficient nor super-efficient.

l. That the appraiser by reason of this report, is not required to give testimony or attendance in a court of law or any other government hearing with reference to the property in question, unless prior arrangements have been made.

m. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous material may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, nor for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.

## ASSUMPTIONS AND LIMITING CONDITIONS

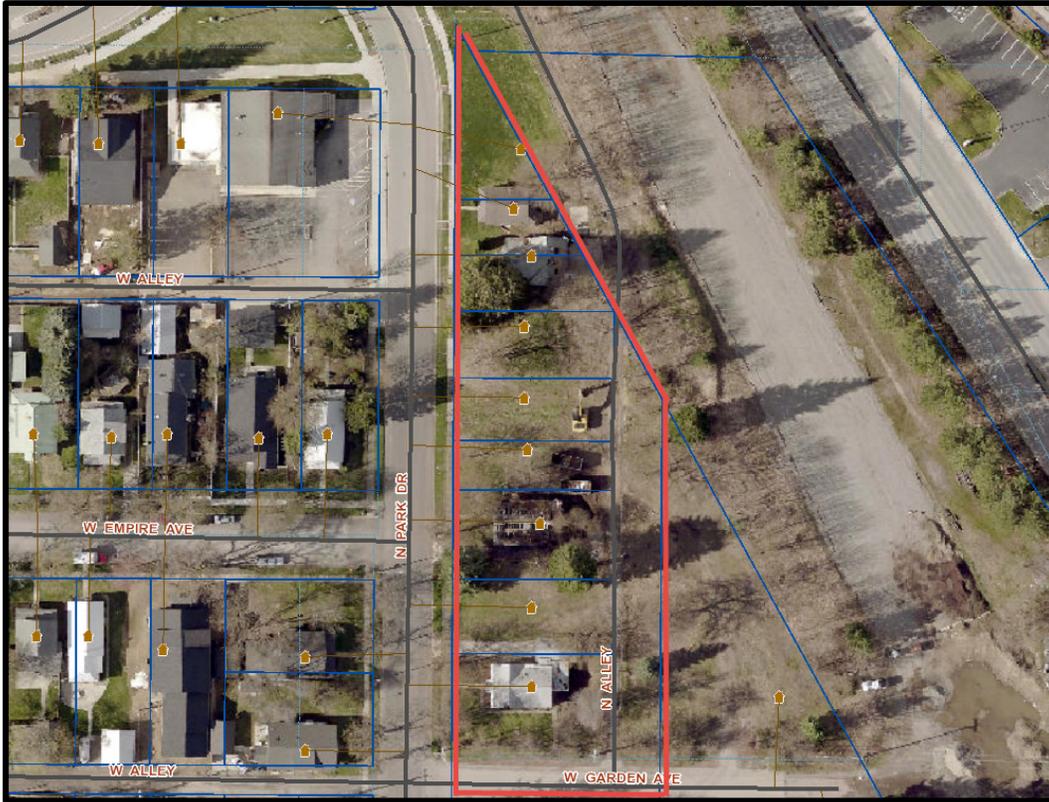
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### *Extraordinary Assumption*

*On the date of inspection the sites were in the process of being developed. The plat has been recorded, but the alleyway is not completed and public water and sewer lines and connections were not completed. We have appraised the sites as though completed and ready for sale with building envelopes to prevent combining lots and constructing larger residential improvements.*

# SUBJECT PROPERTY PHOTOS



Aerial view of the subject neighborhood with the subject property highlighted in red

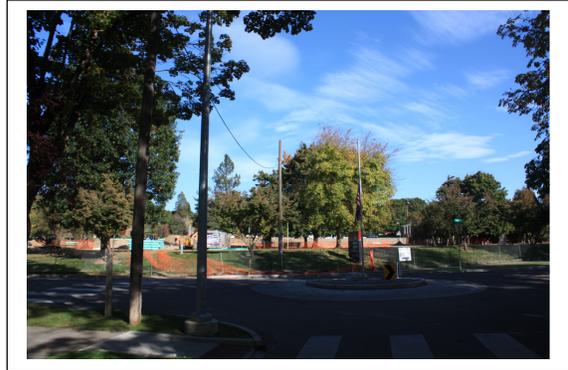


**SUBJECT PROPERTY PHOTOS**

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View looking NE from Garden Avenue



View looking east at proposed Lot 10



View looking east at the street between Proposed Lots 7 and 8



View looking east across Park Drive at Proposed Lots 4, 5, and 6



View looking east at the alleyway between Proposed Lots 1 and 2



View looking SE on Park Drive with the subject property visible on the left.

**SUBJECT PROPERTY PHOTOS**



Proposed alleyway behind each site, looking S



View looking SW from Northwest Boulevard. The residential sites can be seen between trees below the grade of the road.



## APPRAISAL DESCRIPTION

### OSTENSIBLE OWNER OF RECORD

The subject property is currently owned by Lake City Development Corporation whose mailing address is 105 N. 1<sup>st</sup> Street, Coeur d'Alene, ID. We were not provided with a title policy, but in their files the owner as the complete ownership history of the property.

### LOCATION

The subject property is located on the east side of Park Drive between Garden and River Avenues in the City of Coeur d'Alene. It is approximately 30 miles east of downtown Spokane, WA, 10 miles east of Post Falls, ID, and 50 miles south of Sandpoint, ID.

### PRESENT USE

Treed, vacant land. The land is currently being cleared for development construction.

### LEGAL DESCRIPTION

The 10 lots comprising the subject property are located within Park Drive Addition development as follows:

Assessor	Lot	SF	AC
C-3735-039-999-A	1	7,866	0.181
C-3735-039-999-B	2	5,555	0.128
C-3735-039-999-C	3	5,959	0.137
C-3735-039-999-D	4	6,000	0.138
C-3735-039-999-E	5	6,000	0.138
C-3735-039-999-F	6	6,000	0.138
C-3735-039-999-G	7	6,720	0.154
C-3735-039-999-H	8	5,757	0.132
C-3735-039-999-I	9	5,752	0.132
C-3735-039-999-J	10	5,639	0.129
		<b>61,248</b>	<b>1.406</b>

### APPRAISAL PROBLEM

The appraisal problem is to estimate the prospective market value of the subject 10 residential building sites in fee simple estate at completion.

**INTENDED USE**

The intended use of this appraisal is for documentation to assist ignitecda, the Client, in making decisions concerning marketing the sites.

**INTENDED USER**

The intended user of this appraisal is ignitecda.

**SCOPE OF THE APPRAISAL**

It is the appraiser's responsibility to determine and perform a scope of work sufficient to produce credible assignment results. According to the terms of our agreement with the Client, this report has been prepared as an appraisal report, applying the three recognized approaches to value as appropriate for the property being appraised.

The scope of the appraisal assignment included the following tasks:

- An analysis of the subject property's physical, locational, and economic characteristics
- An investigation and evaluation of market characteristics and trends
- The collection and analysis of pertinent data, including searches for comparable land and improved sales, was conducted through the Columbia Valuation Group data bank, assistance from other appraisers, and local real estate sources.
- Developing of a conclusion as to the market value of the property.

In this appraisal we will develop opinions of value as to:

1. Prospective projected gross retail sales
2. Prospective projected value of each site

The scope of this appraisal includes an analysis of local and regional economics, trends in the market for properties of this type, and economic forces that impact the value of properties in the Kootenai County market area. The valuation analysis outlined in this report summarizes available market data which would indicate the demand for and the value of the subject property in the current market environment. This data includes an analysis of lot sales, current listings, prevailing appreciation trends, and any other appropriate indicators of investor and / or user attitudes toward the type of property being appraised. Our sales search was limited to Kootenai County to avoid being influenced by non-appropriate or misleading data. This appraisal assignment employs the Direct Sales Comparison or Market Approach to Value. The Income Approach has been omitted,

recognizing the subject is subdivided building sites that are not purchased for their income producing capabilities, but for private use.

**DEFINITION OF MARKET VALUE**

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

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

(OCC, 12 CFR Part 34, Subpart C, 34.42)

**PROPERTY RIGHTS APPRAISED**

The property has been appraised as if held in fee simple estate, with all rights that can be lawfully owned with the exception of the four powers which remain with the sovereign, being taxation, escheat, eminent domain, and police power (zoning), and except easements and encumbrances of record. It is assumed to possess good and merchantable title, responsible ownership, and competent management.

**UNAVAILABILITY OF INFORMATION**

If disclosures subsequent to the appraisal are made that would have a positive or detrimental impact on the value conclusions outlined herein, the appraisers reserve the right to alter the value conclusions.

**REASONABLE MARKETING PERIOD**

The term "marketing period" is defined by the Office of the Comptroller of the Currency as "the term in which an owner of a property is actively attempting to sell that property in a competitive and open market."

For purposes of this report, the term "market period" is defined as: A normal market period is the amount of time necessary to expose a property to the open market in order to achieve a sale. Implicit in this definition are the following conditions:

- The property will be actively exposed and aggressively marketed to potential purchasers through marketing channels commonly used by buyers and sellers of similar types of properties.
- The property will be offered at a price reflecting the most probable mark-up over market value used by sellers of similar property.
- A sale will be consummated under the terms and conditions of the definition of market value stated in this report.

The competition is plentiful and the choices to a prospective buyer are many within Kootenai County. Many of the single-family residential building sites on the market are not directly comparable because of differences in size, location, amenities, utilities, etc. We have attempted to develop a reasonable estimate of marketing time for the subject lots, based on past sales activity in the area and a comparison of physical attributes between the subject lots and others being offered for sale. See the market conditions sections of this report.

**DATE OF LAST INSPECTION**

September 24, 2017

**DATE OF VALUATION**

September 24, 2017

**DATE OF REPORT**

October 16, 2017

## OVERVIEW



## LOCATION

The subject property is located in Coeur d'Alene, ID, on the east side of Park Drive between Garden and River Avenues. Coeur d'Alene is the largest city in the panhandle of north Idaho, which is made up of Boundary, Bonner, Kootenai, Shoshone, and Benewah counties (from north to south). The five panhandle counties encompass an area 50 to 100 miles long. The panhandle is bounded on the north by Canada; on the east by Montana; on the west by Washington; and on the south by the remainder of Idaho. The city of Coeur d'Alene is bounded by Lake Coeur d'Alene on the south and mountains on the east. The Coeur d'Alene metro area is naturally expanding west toward Post Falls and north, where it meets the city limits of Dalton Gardens, the City of Hayden, and the City of Hayden Lake.

The subject property is located within the city of Coeur d'Alene and is approximately 15 miles east of the Washington / Idaho border and approximately 95 miles south of Canada. The geographic, commercial, economic and political center of the region is Spokane, WA. Located in eastern Washington, the City of Spokane is the economic and cultural center of the resource-rich 36 county area known as the Inland Northwest. This area encompasses Eastern Washington, Northern Idaho, Northern Oregon, Western Montana and the southern sections of British Columbia and Alberta. Spokane is the largest city between Seattle, WA, and Minneapolis, MN, and the second largest city in Washington. Coeur d'Alene, ID is located approximately 30 miles east of the Spokane C.B.D.

**TRANSPORTATION**

Coeur d’Alene is located approximately 15 miles east of the Idaho-Washington border and is approximately 105 miles south of Canada. Interstate 90 is the primary highway across the northern tier of states linking northern Idaho to Moses Lake, Ellensburg, and the metropolitan areas of Seattle, Washington to the west; and Missoula, Bozeman and Billings, Montana, all the way to Chicago, Illinois, approximately 1,750 miles to the east. Highway 95 is the primary north-south route through Idaho, connecting Boise, Idaho’s capital, to the northern counties and Canada. I-90 intersects with Highway 95 approximately two miles north of the subject property. It is considered “the crossroads of Idaho”.

Spokane International Airport serves both the passenger and air-freight requirements of the region with 9,000 foot and 8,200 foot commercially rated runways. Geiger Field (Spokane International Airport) is approximately 39 miles west of Coeur d’Alene, ID. The largest airport in the Idaho panhandle is located at Hayden, ID, approximately 12 miles northwest of the subject property. It has paved runways of 7,400 feet and 5,400 feet, and is rated for light commercial airfreight and private aviation. Kootenai County has no commercial passenger airline service available at this time.

**POPULATION GROWTH TRENDS**

Idaho’s population grew by 21.1% from April 2000 to April 2010, the 4th biggest increase in the nation. It more than doubled the 9.7% national rate, boosting the state’s population to just over 1,568,000. Nevertheless, Idaho remains one of the least dense states in the nation with just 19 Idahoans per square mile; vs. a national average of 87 persons per sq. mi. Kootenai County experienced a very gradual, but steady population growth between the end of WWI and the early-1970’s. Between 1970 and 1980 robust growth expanded the population from 35,332 to 59,770, a 69.2% increase in 10 years, and an average annual compounded growth rate of 5.4%. The 2000 Census listed the population of Kootenai County as 108,682, indicating an increase of 55.7% over 1990 levels, and an average annual compounded growth rate of 5.6%. 2010 Census data, released in May 2011, report a 2010 population in Kootenai County of 138,494 persons, for total growth of 27.4% for the first decade of the 21st century. The Spokane-Kootenai MSA has been the 29th fastest growing metropolitan area in the country out of 363 designated MSA’s in the US.

<b>Kootenai County Population</b>			
Census estimates of the resident population			
<b>1990</b>	<b>2000</b>	<b>2010</b>	<b>2015</b>
69,795	108,682	138,494	150,346
Change:	55.7%	27.4%	8.6%
Change 1990 to current:			115.4%

The current population number as of May 2016, for Coeur d'Alene is 49,122 (+2.6% over last year); Post Falls, 30,452 (+1.9% over last year); Hayden, 14,732; and Rathdrum, 7,538. Coeur d'Alene is the 6th largest city in Idaho and Post Falls is 11th. Coeur d'Alene had the top metropolitan city growth in Idaho between July 1, 2015 and July 1, 2016 with an increase of 3,947 residents. Of 200 Idaho cities reported, 111 gained population and 82 either held steady or experienced modest population declines. Only seven cities recorded population losses of more than 2%. None of Kootenai County's cities lost population in the past year and the 2015 population indicates  $\pm$ 150,300 living in the county.

## **ECONOMIC FACTORS**

From 1987 to 2000, Kootenai County's economy grew at a rapid pace as it diversified its manufacturing base, expanded its tourism sector, and added national call centers. In addition, tourism and population growth fueled a construction boom that lasted until late 2006, allowing retail stores, health care providers, service businesses and government agencies to expand.

The opening of the Coeur d'Alene Resort in 1987 led to the major tourism growth and the establishment of Coeur d'Alene as a national and international resort destination. The Silverwood theme park opened in 1988 and has continued to grow with the addition of new rides and attraction every year. In 1994, the Coeur d'Alene Tribe opened the Coeur d'Alene Casino & Resort in Worley, ID. Today, the casino, golf course and hotel employ more than 900 people. In 2006, tourism-related jobs averaged 8,400 through the region.

Other events contributing to economic diversification and growth during the last decade were the relocation of many manufacturing operations, and six call centers to Kootenai County from outside the region. Approximately 8,000 people work in the county's manufacturing businesses while 2,300 people work at national and international call centers located in the County. Kootenai County's low business costs, low land costs and low real estate taxes, provide it a competitive business environment and an excellent quality of life that has enable businesses to relocate here and attract qualified employees.

## **EMPLOYMENT**

Services and retail trade, tourism, and agriculture are major industries in Kootenai County. The area also has a well-established and growing electronics industry. Many national stores are represented in the area as are many local chain stores, with locations in both northern Idaho and eastern Washington. Some of the more familiar stores and service establishments include: Cabela's, Costco, J.C. Penney, Big-K, Sears, Target, Shopko, Kohl's, Lowe's, Home Depot, North 40 Outfitters, Wal-Mart (3 stores in Kootenai County), Safeway, Albertson's (2 stores), Super 1 (3 stores), Fred Meyer, Staples, Office Max, Outback Steakhouse, Red Lobster, Elmer's, Denny's,

Burger King, Wendy's, McDonald's, Arby's, Carl's Jr., Red Robin, and Texas Roadhouse. WinCo Foods opened a 71,000-sf store in December 2013, Natural Grocers built and opened a new store, while a Golden Corral Buffet and Buffalo Wild Wings opened in April and September 2014. The newest restaurant is the Cracker Barrel which opened in April 2016. Alliance Data, an Ohio based credit card services company, recently to hired about 200 employees to work at their 44,500-sf call center in Coeur d'Alene which opened in September 2014. This facility was formerly occupied by Coldwater Creek for their catalog sales division.

Among the fastest growing employers are: Kootenai Health, Hagadone Corporation, Qualfon (formerly Center Partners), Buck Knives, and Esterline Advanced Input Systems.

Largest Employers in Kootenai County					
Employer	FTE Employees	Industry	Employer	FTE Employees	Industry
Hagadone Corporation	2,825	Various	Costco Wholesale	220	Retail
Kootenai Health	1,823	Health Care	Kootenai County Sheriff	219	Government
Center Partners	1,550	Call Centers	Northern Idaho Advanced Care	200	Health Care
Coeur d'Alene School District 271	1,282	Education	Idaho Independent Bank	198	Financial
North Idaho College	1,000	Education	Kroc Center	175	Other
State of Idaho	940	Government	Transector Systems Incl	175	Manufacturing
Coeur d'Alene Casino Resort	865	Hospitality	Raycap, Incl	170	Other
Kootenai County	743	Government	Inland Northwest Blood Center	160	Health Care
Post Falls School District 273	570	Education	Panhandle Health District	153	Government
USBank	562	Financial	Life Care Center	150	Health Care
Wal-Mart	450	Retail	City of Post Falls	146	Government
Lakeland School District 272	432	Education	Accurate Molded Plastics	145	Manufacturing
City of Coeur d'Alene	352	Government	Cabela's	143	Retail
ACI Northwest	350	Construction	Red Lion Hotels	130	Hospitality
Esterline, Advanced Input Systems	320	Manufacturing	Parker Toyota	126	Other
Emprie Airlines	256	Other	Coeur d'Alene Press	117	Other
Integrated Personnel	250	Other	CPM Development	115	Other
Buck Knives	225	Manufacturing	Northwest Specialty Hospital	112	Health Care
Fred Meyer	220	Retail	Ivy Court	110	Health Care

Kootenai Medical Center is now known as Kootenai Health. In March, 2014, Kootenai Health announced a \$57 million hospital expansion, the first patient care expansion in 30 years. The 300,000+ sf addition will have three floors and the north side of the building will provide a new main entryway to the hospital. The project is Phase I of a five-year plan and it will add between \$7 and \$10 million in new payroll, distributed between 100 and 150 new employees. Phase 1 was dedicated March 15, 2016 making way for Phase II, an expansion of operating rooms and ER facilities budgeted at \$45.2 million. Another large medical facility in the area is Heritage Health, formerly known as the Dirne Clinic. More robust economic growth will tend to occur when privately owned, profit-oriented businesses comprise a larger percentage of the employment base.

In Post Falls, an expansion of the Northwest Specialty Hospital together with two other buildings were recently completed. The North Idaho Surgical Hospital will be the fourth building in the medical campus. At the NEC of Mullan Avenue and Syringa Street, it is a 17,000-sf two-story

building on a 4.2-acre site that is one of the 14 properties owned by the investment group creating the campus along the Mullan Avenue corridor.

Idaho has consistently ranked in the top 10% of statewide employment rates. Kootenai County had been lower than the national average for 46 straight months until finally exceeding the national rate in December 2008. Employment in Idaho peaked at just under 729,000 in July 2007 before the economic downturn. In July 2008 unemployment rose to 4.1% and ended Idaho’s historic streak of 37 straight months of rates below 4%. In April 2015, employment set a record with 761,200 employed. Based on data for March 2015 through March 2016, Idaho experienced the largest increase in employment growth in the nation, 24,000 workers or 3.6%. Oregon was 2<sup>nd</sup> in the nation and Utah was 3<sup>rd</sup>. Overall, the west did well last year.

<i>Period</i>	<i>Dec-00</i>	<i>Dec-07</i>	<i>Change 2000- 2007</i>	<i>Dec-13</i>	<i>Change 2007- 2011</i>	<i>Dec-14</i>	<i>Change from previous year</i>	<i>Dec-15</i>	<i>Change from previous year</i>
<b>Kootenai County</b>	7.50%	2.90%	-61.3%	6.40%	120.7%	4.30%	-32.8%	4.60%	7.0%
<b>State of Idaho</b>	4.80%	4.50%	-6.3%	6.10%	35.6%	4.70%	-23.0%	3.80%	-19.1%
<b>National</b>	4.00%	5.00%	25.0%	6.70%	34.0%	5.90%	-11.9%	5.40%	-8.5%

Most of the rise in unemployment during the “great recession” era of 2007-2011 was being blamed on the closure of several businesses and the drastic slow-down of both residential and commercial construction. In Kootenai County today, ±96.3% of the workforce is employed, whereas full employment is considered to be ±95%. As of August 2017 the national unemployment rate was 4.4% while the State of Idaho rate for the same date was 3.4% and the rate for Kootenai County was 3.7%. The current Kootenai County rate is the lowest since December 2007. The state’s jobless rate was the lowest since May of 2008. Idaho’s rate has been below the national rate for more than 13 consecutive years.

A June 2014 study by the Kauffman Foundation found that Idaho is the 2<sup>nd</sup> friendliest state for small business and the easiest of the 50 states to start a business. The survey found Idaho had the highest share of entrepreneurs who receive their primary income from their business and the state had the second highest share of business startups. While Idaho receive an A+ rating, neighboring Washington and Oregon received C and C-.

**NEW KTEC CAMPUS**

The Kootenai Technical Education Center buildings were recently completed after more than 15 years in the planning stage. The 54,000-sf school was built on six acres of a 20-acre site they purchased. KTEC supporters, including the 45-member North Idaho Manufacturer’s Consortium, passed a \$9.5 million levy for the school in 2010 in the districts of Lakeland, Coeur d’Alene, and

Post Falls. KTEC students are required to finish high school as they complete their KETC certificate programs.

The project is modeled after the 42-year old Canyon-Owyhee School Service Agency which provides technical education to five school districts in Canyon and Owyhee Counties in southern Idaho. The seven programs are: automotive technology, diesel technology, engineering design and automation, industrial welding and metal fabrication, construction trades, resort management, and computer repair. The college-level courses are aligned with industry standards and industry certification. The school opened its doors in August 2012 with 280 students chosen from 920 applications. They are considering night classes to allow more students.

The campus will eventually include a training facility connected to North Idaho College which owns 40 acres of land contiguous to the land KTEC will occupy. Lakeland School District also owns adjacent land. On October 15, 2016, a \$20,000,000 expansion containing 110,960 sf was dedicated. The programs that moved into the new facility are: Automotive Tech, Collision Repair Tech, Computer-Aided Design, Diesel Tech, Industrial Mechanic/Millwright, Machining, CNC Tech and Welding Tech.

**Occupancy rates reported for Kootenai County are as follows:**

Occupancy Rates - Kootenai County							
Through, 2016							
<b>Industrial &amp; Flex-Tech 2016</b>		<b>95.20% Occupancy</b>		<b>Vacancy</b>	<b>15 to 16</b>	<b>Vacancy</b>	<b>14 to 16</b>
	<b>Total SF</b>	<b>Vacancy</b>	<b>Vacant SF</b>	<b>in 2015</b>	<b>% Change</b>	<b>in 2014</b>	<b>% Change</b>
Coeur d'Alene	1,712,063	7.30%	124,981	4.92%	2.38%	5.91%	1.39%
Post Falls	2,783,436	4.47%	124,420	5.07%	-0.60%	7.76%	-3.29%
Hayden	1,358,426	2.32%	31,515	3.33%	-1.01%	7.93%	-5.61%
<b>TOTAL</b>	<b>5,853,925</b>	<b>4.80%</b>	<b>280,916</b>	<b>7.22%</b>	<b>-2.42%</b>	<b>7.63%</b>	<b>-2.83%</b>
<b>Office 2016</b>		<b>92.20% Occupancy</b>					
	<b>Total SF</b>	<b>Vacancy</b>	<b>Vacant SF</b>				
Coeur d'Alene	3,060,174	7.02%	214,824	9.86%	-2.84%	11.45%	-4.43%
Post Falls	553,090	14.41%	79,700	12.88%	1.53%	7.49%	6.92%
Hayden	368,613	4.35%	16,035	6.64%	-2.29%	6.65%	-2.30%
<b>TOTAL</b>	<b>3,981,877</b>	<b>7.80%</b>	<b>310,559</b>	<b>10.25%</b>	<b>-2.45%</b>	<b>13.46%</b>	<b>-5.66%</b>
<b>Retail 2016</b>		<b>94.64% Occupancy</b>					
	<b>Total SF</b>	<b>Vacancy</b>	<b>Vacant SF</b>				
Coeur d'Alene	5,109,061	4.12%	210,493	4.45%	-0.33%	7.04%	-2.92%
Post Falls	1,864,812	8.40%	156,644	12.50%	-4.10%	17.94%	-9.54%
Hayden	859,896	6.14%	52,798	3.26%	2.88%	4.64%	1.50%
<b>TOTAL</b>	<b>7,833,769</b>	<b>5.36%</b>	<b>419,935</b>	<b>9.38%</b>	<b>-4.02%</b>	<b>9.48%</b>	<b>-4.12%</b>

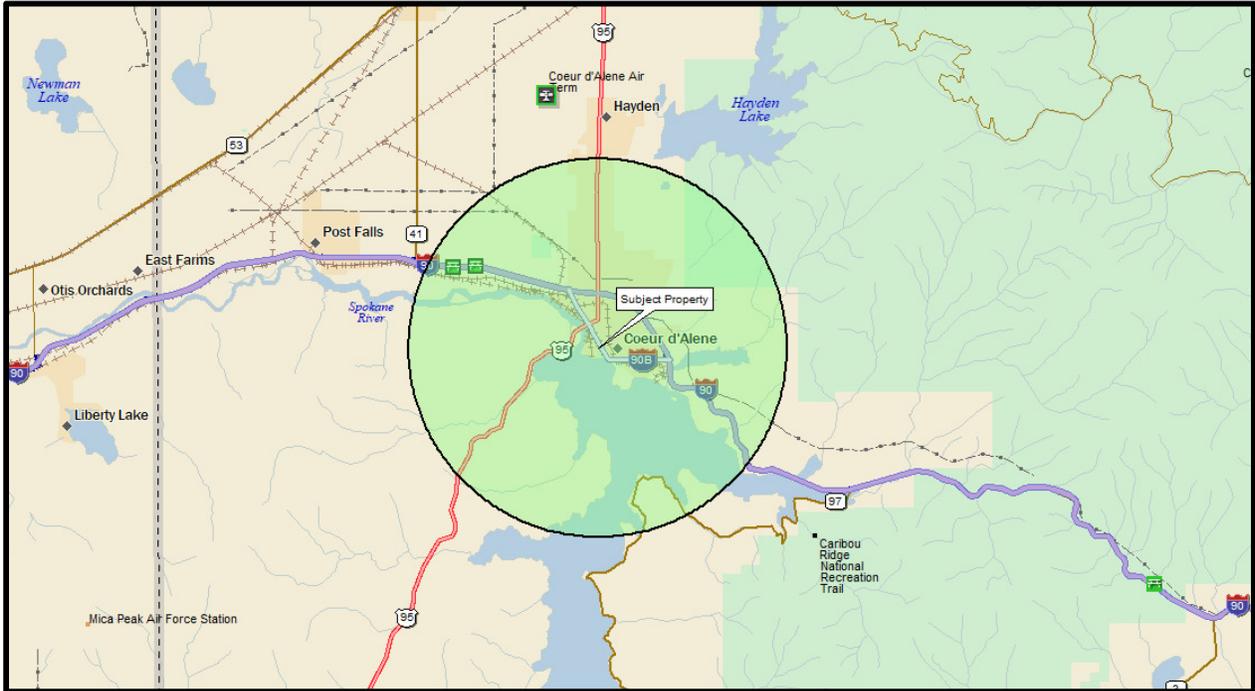
**SUMMARY - CONCLUSIONS**

Kootenai County serves as a regional hub of industrial and commercial activity in northern Idaho, and is considered the heart of this inter-mountain region. Offering a full range of recreational and lifestyle amenities and unsurpassed beauty, the county offers residents an ideal place to live and tourists a great place to visit. The area has long been recognized for its beauty, life-style and livability. U.S. News and World Report named Coeur d'Alene one of the 10 best cities in America to live, and National Geographic described the lake as one of the five most beautiful in the world. Coeur d'Alene, Hayden, and Post Falls are bedroom communities to Spokane, which is the largest urban area between Seattle and Minneapolis / St. Paul within the northern-tier states. Spokane and Kootenai Counties combined are home to nearly 600,000 residents. The economy relies heavily upon manufacturing, wood products, agriculture, retail trade and services and tourism for its economic base. Employment statistics since 1982, have shown a steady decrease in the unemployment rate and tourism and service related facilities are growing industries.

Kootenai County's population has increased steadily with nearly half of the county's population between the ages of 18 and 60 representing the majority of the work force. "Jobs Plus", a privately funded marketing initiative was created to provide an economic development program for Kootenai County and to spearhead business growth in the area. Jobs Plus was directly responsible for bringing Kimball Office, Buck Knives, and Qualfon (formerly Center Partners) to Kootenai County. Panhandle Area Council has devised an overall economic development program for planning and coordination of economic development activities to stimulate private and public investment to provide employment and growth opportunities. The Coeur d'Alene Metro Area (Kootenai County) is the state's largest after Boise and is the fastest growing in the state based on percentage growth. It accounts for 9% of the state's population and 8.4% of all jobs, more than any of the other three metro areas (Idaho Falls, Lewiston, and Pocatello). Kootenai County contributes 8+% of Idaho's economic output.

Developers, environmentalists and governmental administrators have been working together to establish growth management plans to ensure sustainable and profitable growth for the decades and generations ahead. From all current indications, it appears that the housing market has strengthened significantly over the past couple years, and appears likely to continue. The inventory backlog of housing on the market and absorption rates have been drastically reduced (or gone all together), and prices are increasing. New development in 2014-2016 outpaced previous years with a new Cracker Barrel, WinCo supermarket, Natural Grocers, Golden Corral, Buffalo Hot Wings, several small office buildings, and a major-medical office addition. A major addition to the Kootenai Medical Center was dedicated March 15, 2016 and expansion of the ER and operating rooms began shortly thereafter. Construction began June 13<sup>th</sup>, 2017 on a 57,000 sf Super One grocery store in Athol. It is the first building in The Crossings, a 37-acre business complex being developed at the NEC of Highways 95 and 54. The real estate market in Kootenai County is clearly steady if not strong.

## NEIGHBORHOOD



## LOCATION

The subject property is located on the east side of Park Drive between Garden and River Avenues in the City of Coeur d'Alene. It is approximately 30 miles east of downtown Spokane, WA, 10 miles east of Post Falls, ID, and 50 miles south of Sandpoint, ID.

## JURISDICTION AND PROXIMITY TO SUBJECT

The subject property is located within jurisdiction of the City of Coeur d'Alene, which is the County Seat of Kootenai County.

## BOUNDARIES AND NEIGHBORING LAND USE

A neighborhood may be defined as

"a portion of a large community, or an entire community, in which there is a homogenous grouping of inhabitants, groupings, buildings, or business enterprises." "... neighborhood boundaries may consist of well-defined natural or manmade barriers, or they may be more or less well defined by distinct change in land use..."<sup>1</sup> Based on the surrounding land use

<sup>1</sup>Appraisal Institute, The Appraisal of Real Estate, 14<sup>th</sup> Edition

patterns, traffic patterns, and local development trends, the boundaries of the subject neighborhood have been defined as follows:

- Northern Boundary: Prairie Avenue, City Limit with Hayden
- Southern Boundary: Lake Coeur d'Alene
- Eastern Boundary: Government Way
- Western Boundary: CDA City Limits and the Spokane River

The area around the subject property is residential with the only non-residential uses being public parks and recreation facilities, churches and schools. The major commercial activity centers in the City of Coeur d'Alene are along the Government Way and Highway 95 corridor; and the east / west roads between Sherman Avenue, Northwest Boulevard, Appleway; and Prairie Avenue to the north. There are both single family and multi-family units in the area around the subject that vary in age from 60+ years to new.

### CONCLUSIONS

The subject neighborhood, known as “the Fort Grounds” by the locals, is a mixed residential area with various aged homes of varied quality and size. It is one of the most sought-after residential neighborhoods in the City, surrounding the former Fort Sherman which is now the site of North Idaho College. It is within walking distance of Coeur d'Alene Lake, City parks, downtown activities, and public recreation facilities. A barrier of trees and shrubs will separate the subject lots from a newly re-built baseball field, public sport courts, children's' play area and future skate park. With the current mix of business and residential uses in the area around the subject and the population growth toward the northern part of the city and county, there will always be significant demand for residential properties in this neighborhood. We conclude the future of this neighborhood to be very good in terms of residential development.

## MARKET CONDITIONS

The following statistics are for all building site sales in Kootenai County between \$100,000 and \$250,000 over the past 24 months. This is not a complete record, but only those sales reported through the local Multiple Listing Service.

<b>Current Active Listings, Residential Building Sites</b>						
Price Range:	\$100,000	to	\$250,000		<b>Average</b>	<b>Average</b>
				<b>Lots</b>	<b>Price</b>	<b>DOM</b>
CDA, Dalton, Hayden, Post Falls				94	\$154,633	188
<b>Closed Sales, Last 24 months, Residential Building Sites</b>						
Price Range:	\$100,000	to	\$250,000		<b>Average</b>	<b>Average</b>
				<b>Lots</b>	<b>Price</b>	<b>DOM</b>
CDA, Dalton, Hayden, Post Falls				110	\$137,800	115
<b>Closed Sales, Last 12 months, Residential Building Sites</b>						
Price Range:	\$100,000	to	\$250,000		<b>Average</b>	<b>Average</b>
				<b>Lots</b>	<b>Price</b>	<b>DOM</b>
CDA, Dalton, Hayden, Post Falls				61	\$138,730	126
			Change	9.84%	1%	10%

The subject property consists of 10 proposed residential building sites within the Park Drive Addition. Over the past 18 to 24 months the residential market has rebounded as evidenced by a significant increase in building permits, low inventories being reported through the local MLS, and sale price increases based on closed sales.

We have compiled information above from the Kootenai County Multiple Listing Service, summarized as follows:

1. Total lot sales from \$100,000 to \$250,000 over the past 24 months in Coeur d'Alene, Dalton, Hayden and Post Falls: 110 properties (average of 4.58 lots per month). (Average purchase price \$137,800).
  
2. Total lot sales from \$100,000 to \$250,000 over the past 12 months in Coeur d'Alene, Dalton, Hayden and Post Falls: 61 properties (average of 5.08 lots per month). (Average purchase price \$137,730).
  
4. Current listings for lots between \$100,000 to \$250,000 in price total: 94 properties with an average price of \$154,633 each which represents 19 months of inventory based on data for the past 24 months. These figures do not include the subject lots or lots that are sold directly to

homebuilders by developers. These figures represent only the properties that are marketed through Realtors in our local MLS.

**Home Sales**

Listing data reported to the MLS for improved properties appears to be more complete than lot sales data. This may be because developers and spec builders want the broadest possible exposure for their homes, but also want architectural and quality control over surrounding homes.

**Residential Market (Finished Homes) in the Fort Grounds and Riverstone Neighborhoods**

Year	# of Sales	% Change	Avg. Sale Price	% Change
2013	187		\$556,899	
2014	217	16.04%	\$543,583	-2.39%
2015	73	-66.36%	\$541,014	-0.47%
2016	84	15.07%	\$527,557	-2.49%
2017*	406		\$543,559	3.03%
To Date *				
<b>2017</b>	<b>513</b>	<b>Annualized</b>		

Considering the pricing and location of Park Drive Addition, the minimum finished home value will likely be in the \$450,000 to \$950,000 range. Typically, finished home prices constructed in the immediate area around the subject site are 3 to 4 times the lot value. Within this price range for finished homes, lot value indications would range between \$150,00 on the low side and \$240,000 on the high side.

<b>HOUSING MARKET (\$400,000 to \$950,000)</b>			
<b>LISTINGS</b>	<b># OF LISTINGS</b>	<b>AVERAGE LIST PRICE</b>	<b>AVERAGE D.O.M.</b>
CURRENT	323	\$598,016	102
	(23 are pending sales)		

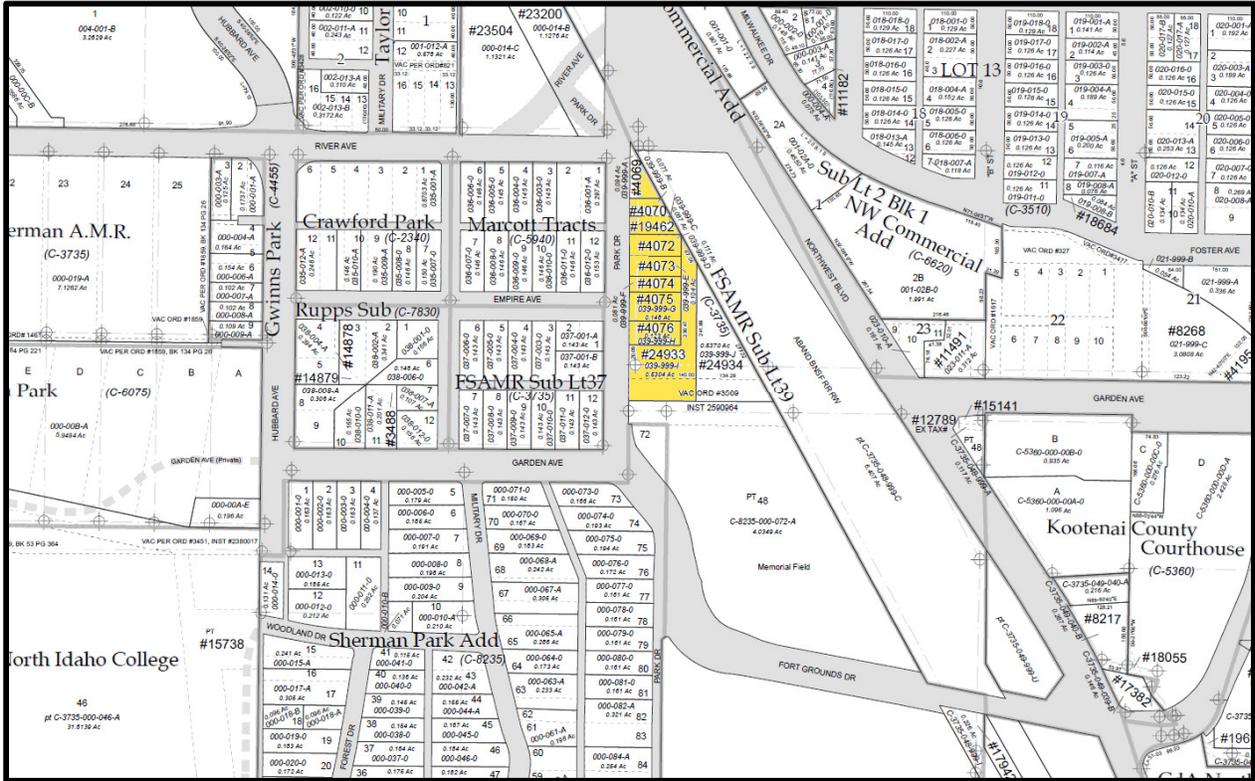
The current inventory of homes in Kootenai County, priced between \$400,000 and \$950,000, is reported at 323 with an average asking price of \$598,016 (average days on the market is 102). 23 of the active listings are listed as pending sales. We know these numbers are not complete but to what degree we are not certain. Not included in these numbers would be lot and home package offerings from Aspen Homes, Architerra Homes, Rosenberger Homes, and Greenstone Homes who offer packages within a range of \$300,000 to +\$900,000. Given the current inventory on the local MLS of 323 homes we could probably double the inventory number at say 650. At the pace of sales within this price range over the past two years, say 298/year (85/month) it appears there are a sufficient number of homes in this price range to fill the demand for around 12 months. Since

lot sales are directly related to new home sales, a reasonable conclusion is that well-priced lot sales in this area will continue to have a reasonably strong market.

**Conclusion**

Based on the pricing structure we will develop in this report and discussions with various market participants, we conclude an absorption time of six months to market and close the sales on the 10 proposed lots. We note that sales activity is price sensitive; that is, lower priced lots as a rule tend to be affordable to a larger segment of the market and consequently sell faster. However, there are no vacant lots available in the Fort Grounds neighborhood and the demand for housing is strong.

## SITE DATA



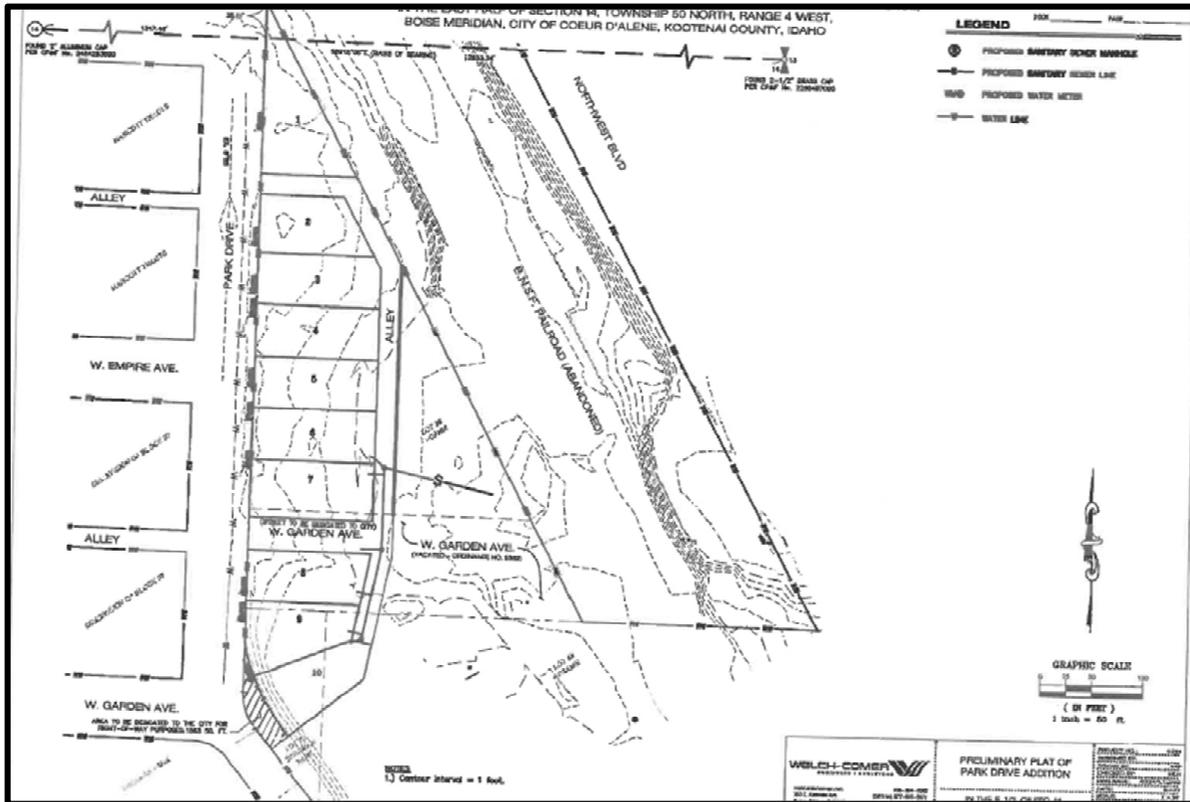
### INTRODUCTION

Above the plat shows the location of the proposed 10 lots of Park Drive Addition. A second plat showing design and size of each site is on the following page.

### GENERAL SITE DATA (BUILDING LOTS ONLY)

#### Physical Description:

The subject property comprises a 10 single-family residential building sites, an alleyway and infrastructure. They are well located within a very popular area between Sherman Avenue/Northwest Boulevard and Lake Coeur d'Alene/Spokane River known as the Fort Grounds. Fort Sherman was constructed along the lake in this area before the City of Coeur d'Alene was founded. The area is in close proximity to schools, shopping, and services and the 10 subject lots are typical in size for lots developed in the this area.



**Street Orientation and Access:**

Access is directly from Park Drive which is the westerly boundary. The alleyway to be constructed as part of the development will access the garages of each finished property.

**Shape, Size:**

The sites are varying shapes and sizes, mostly rectangular, with sizes ranging from 5,555-sf to 7,866-sf.

Lot	Description	SF	AC
1	Triangular, largest site	7,866	0.181
2	Alley on 2 sides, smallest site	5,555	0.128
3	Rectangular with alley behind	5,959	0.137
4	Rectangular with alley behind	6,000	0.138
5	Rectangular with alley behind	6,000	0.138
6	Rectangular with alley behind	6,000	0.138
7	Alley on 2 sides	6,720	0.154
8	Alley on 2 sides	5,757	0.132
9	Irregular with alley behind	5,752	0.132
10	Alley ending	5,639	0.129
<b>Sub-Totals</b>		<b>61,248</b>	<b>1.406</b>

<b>Topography:</b>	Topography is mostly level and at grade with streets and surrounding properties
<b>Drainage:</b>	Appears adequate
<b>Soils:</b>	No soils report provided to appraisers. Soils in this area are typically stable, with a high gravel content, and do not require special foundation construction.
<b>Zoning:</b>	R-8 residential under the City of Coeur d Alene Ordinance. See zoning description in the Addenda of this report.
<b>Utilities:</b>	
<u><b>Culinary Water:</b></u>	City of Coeur d Alene
<u><b>Sanitary Sewer:</b></u>	City of Coeur d Alene
<u><b>Natural Gas:</b></u>	Avista Utilities
<u><b>Electric Power:</b></u>	Avista Utilities
<u><b>Telephone:</b></u>	Frontier Communications or Spectrum
<b>Easements, Restrictions and Reservations:</b>	<p>Valuation assumes free and clear title with no adverse encumbrances, easements, or restrictions, except those of record or typical utility easements.</p> <p>We were not provided with a title policy. The owners will be establishing approved building envelopes on each site and they will not allow combining two or more sites to construct a large residence. There will be no Homeowner's Association, no special CCR's, and no other restrictions other than those imposed by R-8 Zoning.</p>

**Community Services:**

**Police:** Coeur d Alene Police Department  
**Fire/Paramedic:** Coeur d Alene Fire Department  
**School District:** Coeur d’Alene School District 271

**Flood Hazard Status:** **NOT** in a federal flood hazard area. Map 16055C0420E, Dated 05/03/2010. See flood map in the Addenda of this report.

**Environmental:** No Superfund sites in area. No evidence of physical disturbance, no hazardous materials incidents on record with the State of Idaho.

**Surrounding Uses:**

South: Single Family residential, North Idaho College and Lake Coeur d’Alene

North: City Park under construction with proposed skate park, picnic area and children’s play area

East: City Park under construction with new baseball field, sport courts and parking areas

West: Single family residences

**Real Estate Tax Information**

The subject sites will be identified by the Kootenai County Assessor as follows:

Parcel Number	Lot
C-3735-039-999-A	1
C-3735-039-999-B	2
C-3735-039-999-C	3
C-3735-039-999-D	4
C-3735-039-999-E	5
C-3735-039-999-F	6
C-3735-039-999-G	7
C-3735-039-999-H	8
C-3735-039-999-I	9
C-3735-039-999-J	10

Tax sheets included in the Addenda are not accurate. Per city personnel, the figures were used based on the last inspection made and they acknowledge that there are no building improvements.

Taxes will not be assessed until the year after site improvements are complete and the final plat is recorded.

**Improvement Data**

Park Drive Addition will have a paved alleyway connecting to Park Drive at two locations, concrete sidewalks, all public utilities including city water and sewer, fire hydrants, cable TV, and high-speed Internet. All lots would be sold with these improvements in place.

## HIGHEST AND BEST USE

### DEFINITION

Highest and Best Use is defined by the Appraisal Institute as:

"That reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value." <sup>2</sup>

The opinion of such use may be based on the highest and most profitable continuous use to which the property is adapted and needed, or likely to be in demand for in the reasonably near future. However, elements affecting value which depend upon events or a combination of future occurrences which, while within the realm of possibility are not shown to be reasonably probable, should be excluded from consideration. Also, if the intended use is dependent upon the uncertain acts of another person, the intention may not be established nor considered.

### HIGHEST AND BEST USE APPLICATION

The following tests must generally be passed in determining the highest and best use of a site. The use must be legal. The use must be probable, not speculative or conjectural. There must be a demand for such use. The use must be profitable. The use must be such as to return to the land component the highest net return. The use must also deliver that return for the longest possible period of time. These various tests fall into one of four different categories of decision making criteria. These are: 1) Physical Possibility; 2) Legal Permissibility; 3) Financial Feasibility; and 4) Maximally Productive (Highest Residual Land Value). Our discussion now focuses on these essential criteria.

#### Physically Possible Use

Physically the subject has few restrictions to residential development other than the building envelopes restriction the size of residences. Size, topography, shape and site utility are all conducive to development. All utilities will be available at the perimeter of the site because of recent annexation into the City of Coeur d'Alene. Surrounding property uses are single-family residences, multi-family residences, schools and churches and are a good indication of the area's Highest and Best Use. New dwellings in the area vary in price from \$400,000 to \$900,000+. Homes are generally one or two-story models, of wood frame construction, and of above-average quality and appeal for the local market. Residential lots existing in the area are typically between 5,500-sf and 7,500-sf. This appears to be a norm for the Coeur d'Alene area and is generally the

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<sup>2</sup>Appraisal Institute, The Appraisal of Real Estate, 14<sup>th</sup> Edition; 275

accepted site size. The subject property has lot sizes which generally conform to this density within a range from 5,555-sf to 7,866-sf.

**Legally Permissible Use**

The subject will be zoned under the City of Coeur d’Alene Planning Department as R-8 residential. Although duplexes are listed as an approved, additional documentation shows that ONLY single family residential construction is allowed.

<b>R-8</b>	<b>PERMITTED USES</b>		
	<b>Principal Uses</b>	<b>Accessory Uses</b>	<b>Special Use Permit</b>
<p><b>Residential R-8</b> This district is intended as a residential area that permits a mix of housing types at 8 dwelling units per gross acre.</p> <p>This district is intended for those areas of the City that are developed at this density; or are preferably developed at this density because of factors such as vehicular access, topography, flood hazard, landslide hazard, and landslide hazard.</p>	<ol style="list-style-type: none"> <li>1. Single family housing. <b>(NOTE: Fort Grounds &amp; Pine Grove only</b> – a single family only designation applies to the majority of the area; duplexes are not permitted. ADU’s are a permitted use (see attached map).</li> <li>2. Duplex housing.</li> <li>3. Home Occupations, as defined in Sec. 17.06.705.</li> <li>4. Essential services (underground).</li> <li>5. Civic administrative offices.</li> <li>6. Neighborhood recreation.</li> <li>7. Public recreation.</li> </ol>	<ol style="list-style-type: none"> <li>1. Carport, garage and storage structures (attached or detached).</li> <li>2. Private recreation facility (enclosed or unenclosed).</li> <li>3. Accessory dwelling unit (ADU).</li> </ol>	<ol style="list-style-type: none"> <li>1. Boarding house.</li> <li>2. Child care facility.</li> <li>3. Community assembly.</li> <li>4. Community education.</li> <li>5. Community organization.</li> <li>6. Convenience sales.</li> <li>7. Essential service (above ground).</li> <li>8. Handicapped or minimal care facility.</li> <li>9. Juvenile offender facility.</li> <li>10. Noncommercial kennel.</li> <li>11. Religious assembly.</li> <li>12. Restriction to single family.</li> <li>13. Group dwelling.</li> <li>14. 2 units per gross acre density increase.</li> <li>15. Bed &amp; breakfast facilities.</li> </ol>
<b>SITE PERFORMANCE STANDARDS</b>			
<b>Height</b>	<b>Minimum Lot</b>	<b>Minimum Yard</b>	
<b>Principal Structure</b>	<b>Single Family &amp; Duplex</b>	<b>Single Family &amp; Duplex</b>	
<p>32 feet (2 1/2 stories) an additional story may be permitted on hillside lots that slope down from the street (see Sec. 17.06.330). 32 feet pocket residential <b>detached carports &amp; garages &amp; other accessory structures</b> with low slope roof (&lt;2 1/2: 12): 14 feet. With high slope roof (&gt; 2 1/2: 12): 18 feet.</p> <p><b>Other non-residential structures:</b> 45 feet.</p>	<p><b>5,500 sq. ft.</b> per dwelling unit.</p> <p>All buildable lots must have <b>50 feet</b> of frontage on a public street, unless alternative is approved by the City through the normal subdivision procedure (i.e. cul d’sac and flag lots) or, unless the lot is a valid nonconforming lot.</p>	<p><b>Front:</b> 20 feet from property line. <b>Side, interior (with alley):</b> 5 feet. <b>Side, interior (with no alley):</b> one side 10 ft., the other side 5 ft. <b>Side, street:</b> 10 feet however, garages that access streets must be 20 ft. from property line. <b>Rear:</b> 25 feet – 12 1/2 ft. if adjacent to public open space.</p>	<p>Zero setback side yards are allowed for single family (see 17.05.080c).</p> <p>Non-residential activities have side yard setbacks of 25’.</p>

A complete list of permitted uses is provided in the Addenda of this report.

### **Financial Feasibility**

Financial feasibility is the most determinative consideration when evaluating the uses to which a property may be put. Assessing financial feasibility can be a complex, multi-faceted discipline which considers:

- land / site acquisition cost / terms
- development entitlements, zoning and development standards
- projected approval processing and development timing and phasing
- market demand/absorption, (sales or lease)
- market or economic rental rates (economic productivity) including concessions, abatements
- construction/development costs including site work/engineering

Within the physical and legal limitations of the subject site we find that allowed uses basically limited to single family residential. Given these limitations, the question of financial feasibility relates to residential development and the cost of improvements necessary to provide residential building lots with all services in place.

### **Maximally Productive**

The test of maximum productivity is applied to the uses that have passed the first three tests. Of the financially feasible uses, the highest and best use is the use that produces the highest residual land value consistent with the market's acceptance of risk and with the rate of return warranted by the market for the use given the associated risk.

Lot sales in the Fort Ground area of Coeur d' Alene typically command prices at the higher end of the market because of location, amenities, and general success within the residential market. Therefore, we conclude the maximally productive use of the subject land would be for residential lots such as those being proposed.

### **HIGHEST AND BEST USE AS VACANT**

We conclude the Highest and Best Use of the subject property, as vacant, would be to develop single family dwellings on each of the appraised lots within the prescribed building envelopes, the value and cost of which should be measured by market demand. With the property configuration and R-8 zoning designation, there is no other possible use.

## VALUATION SECTION

### Introduction

There are three generally accepted methods of evaluating all types of real property; The Cost Approach, The Sales Comparison Approach, and the Income Capitalization Approach. All three approaches are used when applicable. When sufficient information is not available or one or more of these various approaches are inappropriate given the characteristics of the subject property only those approaches, or that single approach containing the most reliable information is used and/or relied upon.

### Sales Comparison Approach

The Sales Comparison Approach generally reflects the opinions of buyers and sellers of comparable properties in the local market place. Applying the same valuation logic and methodology as the "typical market investor" enables us to develop indications of value through the Sales Comparison Approach by referencing certain bench mark value indicators such as price per square foot, price per unit, price per room, or an indication of value through some variant of the gross income multiplier. The Sales Comparison Approach requires that the appraiser assume the mindset of the typical investor; gather sufficient data, analyze, weight and adjust the data in such a manner as to reflect the typical market mentality in order to properly apply this information to the property being appraised. Because the Sales Comparison Approach attempts to anticipate market investor behavior, it tends to be the most subjective of the three approaches. When good data is available for comparison, however, this can be the most reliable method of estimating market value. For individual lots however, it is usually the only applicable valuation method.

### Income Capitalization Approach

The Income Capitalization Approach is used primarily in the appraisal of investment or income producing properties. Therefore, the appraiser must analyze the rental value of the comparable properties and, in addition, obtain background information on what prudent investors seeking this type of property would expect as a typical return on their investment. From these data a return on the invested capital may be ascertained, then applied to the subject property's market rent in developing a reliable indication of value based upon projected economic income. While the subject of this appraisal is not rental property, part of our assignment is to estimate the value to a single purchaser. Typically, the "single purchaser" value is discounted from the retail price to multiple buyers, recognizing one buyer would still have to hold lots until they could be re-sold and pay selling costs. The "Developers" approach or "Discounted Sales Analysis" is related to the Income Approach in this regard.

**Approaches to Value Used**

<b>Approach</b>	<b>Applicability to Subject</b>	<b>Use in Assignment</b>
Cost Approach	Not Applicable	Not Applicable
<b>Sales Comparison</b>	<b>Applicable</b>	<b>Utilized</b>
Income Capitalization	Not Applicable	Not Utilized

## **VALUE OF DEVELOPED LOTS**

### **Sales Comparison Approach for Finished Lots**

#### **Introduction**

The Sales Comparison Approach involves an examination of the subject property's value based upon an analysis and comparison of similar properties which have sold or which may be listed for sale. The Sales Comparison Approach is based upon the principle of substitution which states that when a property is replaceable in the market, its value is no greater than the cost acquiring an equally desirable substitute property assuming no undue cost associated with delay in acquiring the substitute property.

In the case of the subject property, 10 proposed single-family residential building lots, the most probable user is a single family residential building contractor. Alternate users would be individuals with plans to construct a home with their own plans or builder. Some developers in this area will not sell lots to individuals to hold for investment purposes. They are not interested in having unfinished developments with weedy vacant lots and partially finished do-it-yourself construction and prefer to retain architectural styles as well as the quality of construction.

To develop an indication of value for the subject lots we researched the market for bulk lot purchases as well as individual lots. Bulk sales are the purchase of multiple lots by a single buyer in one transaction. Our search for comparable bulk lot sales was made with several parameters in mind. The location of the sales was considered important. Of additional importance were the development characteristics of the property. Physical characteristics, lot sizes, subdividing development, transportation, and utilities were all given consideration in the process of selecting comparables. We investigated sales of finished residential home sites and finished new home sales in the local market over the past 24 months and interviewed various bankers and developers. In our research we found no discount for multiple lot purchases when two or three lots were sold, and purchases of multiple lots by builders.

#### **Financing Terms, Conditions of Sale, and Date of Sale**

The first step in this process is to analyze the financing of the comparable sales. All sales are confirmed to be arm's length transactions and they meet all the criteria outlined in the definition of market value. The conditions of the sales are the same as assumed for the subject property. The financing terms of each sale were confirmed, and all are typical of the market place, cash to the seller. None required a cash equivalent adjustment.

## SALES COMPARISON APPROACH

COMPARABLE	SUBJECT	Lot Sale 1	Lot Sale 2	Lot Sale 3	Lot Sale 4	Lot Sale 5
<b>LOCATION:</b>	Park Drive Addition 10 proposed sites East side of N. Park Drive Coeur d'Alene, ID	Fort Grounds 616 W River Ave Coeur d' Alene, ID	Fort Grounds 609 W Empire Ave Coeur d' Alene, ID	Riverstone 1563 W Bellerive Ln Coeur d' Alene, ID	Riverstone 1551 W Bellerive Ln Coeur d Alene, ID	Fort Grounds 111 N Forest Drive Coeur d Alene, ID
<b>CHARACTERISTICS:</b>						
Zoning	R-8 Residential	Residential	R-8 Residential	C-17	C-17	Residential
Corner vs. Interior	Varies	Interior	Interior	Interior	Interior	Interior
Topography	Level	Similar	Similar	Similar	Similar	Similar
Configuration/shape	Mostly Rectangular	Rectangular	Rectangular	Rectangular	Rectangular	Rectangular
Land Area (sf)	Average 6,125 sf	6,098	6,534	3,920	3,920	5,227
Acres	Average 0.141 ac	0.140	0.150	0.090	0.090	0.120
Frontage Primary	N. Park Drive	River Ave	Empire Ave	Bellerive Lane	Bellerive Lane	Forest Drive
Frontage Secondary	Private Alleyway	Similar	Similar	Similar	Similar	Similar
Utility Location	Perimeter	Perimeter	Perimeter	Perimeter	Perimeter	Perimeter
<b>SALE/ EXTRACTION DATA:</b>						
Date of Sale		Dec-16	Jun-14	Mar-16	Feb-16	Feb-13
Sale Amount Total		\$171,000	\$150,000	\$130,000	\$129,900	\$350,000
List Price		\$185,000	\$150,000	\$140,000	\$135,000	\$350,000
Discount from List Price		-7.6%	0.0%	-7.1%	-3.8%	0.0%
Days on the Market		117	204	126	104	357
Funds Spent After Acquisition or Buildings Included		\$28,000	\$0	\$0	\$0	-\$60,000
Indicated Value for Comparison		\$199,000	\$150,000	\$130,000	\$129,900	\$290,000
<b>ECONOMIC ADJUSTMENTS:</b>						
Property Rights Conveyed		0.00%	0.00%	0.00%	0.00%	0.00%
Subtotal		\$199,000	\$150,000	\$130,000	\$129,900	\$290,000
Financing Terms		0.00%	0.00%	0.00%	0.00%	0.00%
Subtotal		\$199,000	\$150,000	\$130,000	\$129,900	\$290,000
Conditions of Sale		0.00%	0.00%	0.00%	0.00%	0.00%
Subtotal		\$199,000	\$150,000	\$130,000	\$129,900	\$290,000
Market Conditions		0.00%	0.00%	0.00%	0.00%	0.00%
Subtotal (value per site)		\$199,000	\$150,000	\$130,000	\$129,900	\$290,000
<b>PHYSICAL / QUALITATIVE ADJUSTMENTS:</b>						
Location		Similar	Similar	Considered Similar	Considered Similar	Similar
Adjustment		0%	0%	0%	0%	0%
Size / Configuration		Similar / Similar	Similar / Similar	Similar / Similar	Similar / Similar	Similar / Similar
Adjustment		0%	0%	0%	0%	0%
Orientation / Access		Similar / Similar	Similar / Similar	Similar / Similar	Similar / Similar	Similar / Similar
Adjustment		0%	0%	0%	0%	0%
Surrounding Neighborhood		Similar	Similar	Similar	Similar	Similar
Adjustment		0%	0%	0%	0%	0%
Utilities / Zoning		Similar / Similar	Similar / Similar	Similar / Similar	Similar / Similar	Similar / Similar
Adjustment		0%	0%	0%	0%	0%
Net Adjustments		0%	0%	0%	0%	0%
Expected Value Indications - Subject Site		\$199,000	\$150,000	\$130,000	\$129,900	\$290,000
<b>LAND VALUE INDICATORS</b>		<b>From:</b>	<b>\$129,900</b>	<b>Overall Average:</b>	<b>\$179,780</b>	
		<b>To:</b>	<b>\$290,000</b>	<b>Fort Grounds Average:</b>	<b>\$213,000</b>	

Time adjustments were not applied since the sales took place within the past few years, although lot prices are clearly trending upward. We have considered this trend in concluding upon a value for the subject lots. Builders will usually commit to buy several lots at a time with staggered construction start dates. Typically, developers are paid for lots when construction begins or sometimes paid out of the first construction draw. When individuals purchase sites the closing is sometimes delayed until they can prepare plans for the specific site in order to obtain financing. The date the lot is sold and removed from the market and the date the developer is paid in full can sometimes vary by many months.

**Physical Characteristics Adjustments**

The physical characteristics of the sales are reasonably similar to the proposed Park Drive Addition development. Minor variances occur in the areas of amenities between the subject property and each of the comparable sales. These sales are the most comparable to the subject property.

**Market Sales**

The comparable sales on the previous page indicate a range of value between \$129,000 and \$290,000 with an overall average of \$179,780. The average for the three sales within the Fort Grounds is \$213,000. Based on the data presented, we conclude the most probable transaction range in which the sale of the subject 10 residential building sites would occur is within the range established by the Fort Grounds sales.

Sale One was purchased with a single-family residence on the site. Per the buyer, demolition and removal of the older residence cost him \$28,000. He also had to replace old sewer and water lines, so there was no benefit to having utilities in place. Sale Five included a large garage / shop valued at \$60,000 by the buyers and seller. The shop is still on the site and no single-family residence has been constructed to date. An addition for demolition was made to Sale One and a deduction for improvements was made to Sale Four to determine building site value. We conclude the value of a typical site is \$220,000. We have discounted Lot 1 because of its shape and access, Lots 2, 7, and 8 because of having alleyway frontage on two sides and Lot 10 for having narrow access at the end of the alleyway in arriving at the following conclusions of lot values.

**VALUE CONCLUSION**

Based on the sales presented we conclude that at the market value for each site listed above would indicate Gross Sales of \$2,101,000. This prospective Gross Sales would be realized if all lots were sold at current market value for residential use.

**TWO MILLION ONE HUNDRED ONE THOUSAND DOLLARS**

**\* \* \* \$2,101,000 \* \* \***

## **VALUE TO A SINGLE PURCHASER DISCOUNTED CASH FLOW ANALYSIS**

Each of the subject lots will have a “building envelope” to prevent combining lots to construct larger single family residential units. At the request of the Client we have completed an analysis of value assuming all lots are sold in bulk to a single purchaser.

The first step in estimating the value to a single purchaser for multiple lots is to establish the value of the finished lots and determine the gross sales potential. This has already been done, concluding with gross potential sales of \$2,101,000 or an average of \$210,100 per lot. Next, deductions are made for marketing expenses, holding costs, and a profit allowance. The resulting net sales are then discounted over the anticipated marketing period to reflect the value to a single purchaser. When the land is already developed and we are only dealing with finished lots, development costs are not a factor.

### **Estimate of Required Marketing Time for the Subject Property**

Estimating the exposure time / marketing time is usually based on the historical absorption rate for similar developments in the area, considering existing and planned competition. In the Market Conditions section under Highest and Best Use and in the previous section, we referred to statistical data on sales and current listings for residential properties.

Marketing time for developed lots is dependent on the demand for single-family home sales, investor attitudes, competition in the area, and interest rates. This is not a precise, scientific method since many factors such as investor confidence local, regional and national economic changes can impact the real estate market. In other local developments where the developer / builder is competing with other builders who have purchased sites, the developer / builder clearly has the pricing advantage with two profit sources. Many contractors will not buy lots in subdivisions where they must compete directly with the developer-builder. In the case of the subject property the developer is ignitecda. The presumption is that buyers will want to maximize the value of finished residences to meet market demand for upscale homes in the Fort Grounds neighborhood.

We believe the subject property will compete favorably in the marketplace. Based on the pricing structure we have developed and discussions with various market participants including the selling agent, we have estimated an absorption time of six months at our appraised values. We note that sales activity is price sensitive; that is, lower priced lots as a rule tend to be affordable to a larger segment of the market and sell faster. However, there are no vacant lots available to buy in this neighborhood while demand is at an all-time high.

### Discount Rate and Profit

In estimating the current value of a phased development one of the most important variables that can affect value is the length of time required to market or develop individual phases. Say the current market value of a lot is \$50,000 and prices are expected to remain stable (no increase or decrease) in the foreseeable future. Realizing there is a cost of capital, the present value of the \$50,000 received today is more than if one must wait several years. The present value of a future payment such as this is referred to as the *discounted* value, and can be calculated based on the *discount rate* required by investors. The discount rate varies for different types of real estate commensurate with the degree of risk. The discount rate is sometimes combined with profit (return “of” investment plus return “on” the investment) for a subdivision.

To determine a proper discount rate from the “market” the analyst must have access to all of a Developers’ records. To calculate the actual discount rate, he must know the purchase price for raw land, development costs, marketing and carrying costs, and the absorption time. If all this information was available, he could calculate a combined annual rate of return that included profit, together with the discount rate. Getting all the needed information is impossible unless the analyst has a good working relationship with several developers. Even so, separating profit from the discount rate is strictly subjective. We have used a discount rate of 18% in our analysis, realizing that profit is for the capital investment in buying finished lots rather than finished buildings. In this case, the unanticipated development costs or delays normally associated with a subdivision development project are non-existent.

### Marketing Costs

Unless the owner can sell lots himself by placing signs on the property, ads in newspapers and the like, he would normally pay a professional real estate agent to represent him and market the property. For undeveloped land, sales commissions typically vary from 3% to 6% of sale price, depending on several factors.

In this case, we assume the listing agent would be responsible for advertising, showing the property, preparing brochures, signs, etc. There would also be closing costs associated with each sale for instrument recording, title insurance, and closing fees. By listing all the property with a single agency, it is usually possible to negotiate a better rate. By taking on the marketing himself the developer can sometimes realize further savings. We have included an allowance for marketing costs of 5% for the finished lots, plus an allowance of 2% for closing costs. For our analysis, we have allowed total selling costs of 7%.

## DISCOUNTED VALUE TO ONE PURCHASER

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### Carrying Costs

Since it is highly unlikely that all the property would be sold in one year the owner would have annual carrying costs for taxes, maintenance, and bookkeeping. We have allowed for holding costs of 1.8% (0.15%/month) of the remaining inventory value. This should be adequate to cover taxes, insurance, office costs, maintenance fees and miscellaneous costs.

### Estimate of Discounted Value to One Purchaser

Present value calculations for the 10-subject property lots are shown on the following page. Having completed an analysis of marketing time, selling prices, selling and carrying costs, and the proper discount rate to apply to future sales proceeds we can now calculate the Net Present Value of the property. Theoretically, this is the value an investor could afford to pay for the whole property today and, under the assumptions set forth, realize an acceptable return on his investment over time. The value reached by this method is somewhat subjective since it depends on accomplishing the assumptions made. Any variance from the assumed criteria would affect the investment return. However, the same is true for any real estate investment – there are no guarantees. The discount rate is adjusted to reflect increasing uncertainties in the cash flow projection. While this allows for a greater return on more risky investments it also translates to a lower price to the seller, since the time of sale would become more important than the price.

This Discounted Cash Flow (DCF) summary on the following page shows our projection of sales by month.

### CONCLUSION

In conclusion, based on the preceding facts, analysis and explanation, it is our opinion the value of 10 residential building lots, assuming a single purchaser acquires all 10 lots, would be in the range of \$1,861,000 (rounded), assuming a six-month absorption period, which indicates an average \$186,100 per building site.

### VALUE ASSUMING THE BULK SALE TO ONE PURCHASER

Net Present Value of 10 Lots, discounted at 18% \$1,861,000

Discount from Gross Sales for wholesale purchase -11.42%

**ONE MILLION EIGHT HUNDRED SIXTY-ONE THOUSAND DOLLARS**

**\*\*\* \$1,861,000 \*\*\***

## DISCOUNTED VALUE TO ONE PURCHASER

INCOME /DEVELOPMENT APPROACH - VALUE CONCLUSIONS							
Park Drive Addition							
<b>At Appraisers' Listing Prices</b>							
<b>Total Lot Inventory</b>					10	Lots	
<b>Average Absorption Rate/Month:</b>					1.67	Lot Closing per month	
<b>Annualized Absorption Rate:</b>						Lot Closings per year	
<b>Projected Sellout Period:</b>					6	Months	
<b>Projected Sellout Period Commences:</b>					03/01/18		
<b>Selling/ Marketing Costs:</b>	(5% Sales Commission and 2% Closing Costs)				7.00%	of Gross Sales	
<b>Holding Costs:</b>					0.15%	of Remaining Inventory/Month	
<b>Discount Rate:</b>					18.00%	Per Year	
<b>Retail Sale Prices:</b>					\$198,000 to \$220,000	Per Lot	
					\$210,100	average price per lot	
Month	Lot Sales	Gross Sales -\$	Selling Costs	Holding Cost	Net Sales	Discount F	NPV- Bulk
Mar-18	3.00	\$627,000	(\$43,890)	(\$9,455)	\$573,656	0.98522	\$565,178
2	2.00	\$440,000	(\$30,800)	(\$2,211)	\$406,989	0.97066	\$395,049
3	2.00	\$440,000	(\$30,800)	(\$1,551)	\$407,649	0.95632	\$389,842
4	1.00	\$198,000	(\$13,860)	(\$891)	\$183,249	0.94218	\$172,654
5	1.00	\$198,000	(\$13,860)	(\$594)	\$183,546	0.92826	\$170,378
6	1.00	\$198,000	(\$13,860)	(\$297)	\$183,843	0.91454	\$168,132
<b>TOTALS:</b>	<b>10.0</b>	<b>\$2,101,000</b>	<b>(\$147,070)</b>	<b>(\$14,999)</b>	<b>\$1,938,932</b>		<b>\$1,861,233</b>
<b>PER UNIT:</b>		\$210,100	(\$14,707)	(\$1,500)	\$193,900		\$186,100
<b>BULK SALE TO ONE PURCHASER:</b>					<b>-11.42% Discount</b>		<b>\$1,861,000</b>

### *Extraordinary Assumption*

*On the date of inspection the sites were in the process of being developed. The plat has been recorded, but the alleyway is not completed and public water and sewer lines and connections were not completed. We have appraised the sites as though completed and ready for sale.*

## **ADDENDA**

KOOTENAI COUNTY ASSESSOR DATA

PLAT MAPS

FLOOD MAP

R-8 RESIDENTIAL ZONING, CITY OF COEUR D ALENE

COMPARABLE LOT SALES LOCATOR MAP

QUALIFICATIONS OF STANLEY D. MOE, MAI  
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