

**A GENERAL SUMMARY OF
A COMPLETE APPRAISAL REPORT**

PROPERTY

City of Pocatello Property
1428 North 3rd Avenue
Pocatello, Idaho 83201

PREPARED FOR

Mayor Brian Blad
City of Pocatello
911 North 7th Avenue
Pocatello, Idaho 83201

DATE OF VALUATION

February 1, 2013



File Number: 012813-02

**BOWMAN APPRAISAL & VALUATION
P. O. BOX 2381
POCATELLO, IDAHO 83206**

**BOWMAN APPRAISAL AND VALUATION
COMMERCIAL APPRAISAL**

**P.O. Box 2381
POCATELLO, IDAHO 83206**

**208 239-0763
208 241-1713**

February 14, 2013

Mayor Brian Blad
City of Pocatello
911 N. 7th Ave.
Pocatello, ID 83201

Dear Mayor Blad:

In accordance with your request for an estimate of the market value of the City of Pocatello owned commercial property located at 1428 North 3rd Avenue, Pocatello, Idaho in Bannock County, the following appraisal report is enclosed.

The report is prepared as a confidential document to assist the City of Pocatello in determining the market value of the property for the purpose of establishing a sale price and includes all three methods of valuation. Property rights appraised: Fee Simple.

I have personally inspected the property site, the interior and exterior of the improvement and have made a careful and detailed analysis of all factors pertinent to the estimate of value. There were no unusual limiting conditions or hypothetical/extraordinary assumptions applied to the subject property for this report.

The accompanying report of 98 pages, including this Letter of Transmittal, contains the results of my investigation and analysis. This appraisal report conforms to 12 CRF Part 34 (FIRREA) and adheres to the current version of the Uniform Standards of Professional Appraisal Practice (USPAP).

In my opinion, the Market Value of the above property as of February 1, 2013, was

NINETY-EIGHT THOUSAND DOLLARS.

Respectfully Submitted,



Edward P. Bowman, III
Certified General Appraiser

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

OWNER OF RECORD:	City of Pocatello 911 North 7th Avenue Pocatello, Idaho 83201
LOCATION OF PROPERTY:	1428 North 3rd Avenue Pocatello, Idaho 83201
PROPERTY RIGHTS APPRAISED:	Fee Simple Title, subject to all easements and restrictions of record
HIGHEST AND BEST USE:	Service/manufacturing or other light industrial use.
DATE OF VALUATION:	February 1, 2013
TOTAL LAND VALUE:	\$29,600.00
TOTAL INDICATION OF VALUE BY THE SALES COMPARISON APPROACH:	\$94,700.00
TOTAL INDICATION OF VALUE BY THE COST APPROACH:	\$105,700.00
TOTAL INDICATION OF VALUE BY THE INCOME APPROACH:	\$98,000.00
FINAL INDICATION OF VALUE:	\$98,000.00



APPRAISER

Edward P. Bowman, III
Certified General Appraiser
CGA-2025

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GENERAL ASSUMPTIONS

This is to certify that the appraiser, in submitting this statement and opinion of value of subject property, acted in accordance with and was bound by the following principles, limiting conditions and assumptions.

This appraisal is for no purpose other than property valuation and the appraiser is neither qualified nor attempting to go beyond that narrow scope. The reader should be aware that there are also inherent limitations to the accuracy of the information and analysis contained in this appraisal. This appraisal is made based on an analysis of information known to the representatives of Bowman Appraisal and Valuation, LLC. At the time the appraisal was made. No responsibility is assumed for incorrect or incomplete information. The appraiser reserves the right to make such adjustments to the analyses, opinions, and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.

1. No responsibility is assumed for matters that are legal in nature or that affect the property being appraised or its title. No opinion is rendered on the title of the property, it is assumed that the title is good and marketable unless stated otherwise.
2. The legal description used in this report is assumed correct.
3. Information furnished by others is assumed true, correct, and reliable. A reasonable effort has been made to verify such information; however, no responsibility for its accuracy is assumed by the appraiser.
4. Unless otherwise noted, the property has been appraised as though free and clear of all encumbrances.
5. It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures, which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering, which may be required to discover such factors. Any representation as to the suitability of the property for uses suggested in this analysis is therefore based only on a rudimentary investigation by the appraiser and the value conclusions are subject to said limitations.
6. Where values of the land and the 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 value of that particular item if it were by itself.
7. All maps, area, plans, specifications, and other data furnished your appraiser were assumed to be correct. All sketches in this report are included only to assist the reader in visualizing the property.
8. No survey of the property was made by this company and no responsibility is assumed in connection to such matters. Furthermore, all numerical references to linear measurements, area, volume, or angular measurements should be assumed to be "more or less," and are accurate to a degree consistent with their use for valuation purposes.
9. Full compliance with all applicable federal, state, and local environment regulations and laws is

assumed unless noncompliance is stated, defined, and considered in the appraisal report.

10. For the purposes of this appraisal any marketing program for the sale of the property would assume cash or its equivalent as referenced by the definition of market value contained in this report. The estimated market value set forth in the appraisal is applicable only as of the date of valuation of the appraisal report.

11. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.

12. The comparable sales and rental information relied upon in the appraisal is believed to be from reliable sources. The value conclusions are subject to the accuracy of said data. Idaho is a non-disclosure state and sales data are not public records, therefore, verification is limited.

13. Unless otherwise noted, no consideration has been given in this appraisal to the value of items which are considered personal property. No consideration has been given to the cost of moving or relocating such personal property.

14. It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless a nonconformity has been stated, defined, and considered in the appraisal report.

15. Unless otherwise noted, no detailed soil studies covering the subject property were available for this appraisal. It is therefore assumed that soil conditions are adequate to support construction consistent with the highest and best use.

16. The observed condition of the foundation, roof, exterior walls, interior walls, floors, heating system, plumbing, insulation, electrical service, and all mechanicals and construction is based on a casual visual inspection only, and no detailed inspection was made. No guarantee is made as to the adequacy, condition, or compliance with building codes of these items. Some items such as conditions behind walls, above ceilings, behind locked doors, or underground are not exposed to casual view and therefore were not inspected. No responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake or occupancy codes can be assumed without provision of specific professional or governmental inspection.

17. The appraiser has based the appraisal report and valuation conclusion on the assumption that the required completion, repairs, or alterations of the improvements will be completed in a workmanlike manner.

18. The appraiser assumes no responsibility for economic or physical factors which may affect the opinions in this report which occur after the valuation date.

19. It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless a nonconformity has been stated, defined, and considered in the appraisal report.

20. Appraisal reports made for lenders are technical documents specifically made to lender requirements. Casual readers are cautioned about their limitations and against possible

misinterpretation of the information contained in these reports.

21. Since projected mathematical models and other projections are based on estimates and assumptions, which are inherently subject to uncertainty and variation depending upon evolving events, we do not represent them as results that will actually be achieved.

22. All mortgages, liens, encumbrances, leases and servitudes have been disregarded unless so specified within the report. The property is appraised as though under responsible ownership and competent management.

23. The Americans With Disabilities Act (ADA) became effective in January 1992. Unless otherwise noted, we have not made a specific survey or analysis to determine compliance to the requirements of the ADA. Since this could impact value, expert assistance may be beneficial. For the basis of this analysis, it is assumed that the property is suitable for its current or intended use.

GENERAL LIMITING CONDITIONS

The appraisal report has been made with the following limiting conditions:

1. The liability of Bowman Appraisal and Valuation, LLC., its owners, employees, and sub-contractors is limited to the client only and to the fee actually received. Further, there is no accountability, obligation, or liability to any 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. The appraisers are in no way responsible for any costs incurred to discover or correct any type present in the property; physically, financially, and/or legally. In the case of limited partnerships or syndication offerings or stock offering in real estate, the client agrees that in case of lawsuit (brought by lender, partner, or part owner in any form of ownership, tenant, or any other party), any and all awards, settlements of any type in such suit, regardless of outcome, the client will hold the appraiser completely harmless in any such action.
2. There shall be no obligation to give testimony or attendance in court by reason of this appraisal with reference to the property in question unless arrangements have been previously made.
3. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event only with proper written consent of the appraiser, and only in its entirety.
4. The distribution of the total valuation in this report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.
5. The appraiser will not disclose the contents of the appraisal report except as provided for in the Uniform Standards of Professional Appraisal Practice.

6. Acceptance and use of this appraisal report constitutes acceptance of the stated general assumptions and limiting conditions.

7. The appraiser is not qualified to detect hazardous wastes and/or toxic materials. Any comment by the appraiser that might suggest the possibility of presence of such substances should not be taken as confirmation of the presence of hazardous wastes 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 materials 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, or for any expertise or engineering knowledge required to discover such conditions. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.

8. This appraisal report is prepared for the sole and exclusive use of the appraiser's client, the City of Pocatello, as identified on page eleven (11) of this report. No other parties are authorized to rely upon this report for any purpose, whatsoever. This appraisal is prepared as a confidential report for the client.

SUMMARY APPRAISAL REPORT

This is a Summary Appraisal Report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraiser is not responsible for unauthorized use of this report.

PURPOSE OF THE APPRAISAL REPORT

The purpose of this appraisal is to provide our client with the appraiser's best estimate of the market value of the subject real property as of the effective date. It is not to be relied upon by any third parties for any purpose whatsoever.

CLIENT

Mayor Brian Blad
City of Pocatello
911 North 7th Avenue
Pocatello, Idaho 83201

DEFINITION OF MARKET VALUE

Market value as defined by the federal financial institutions regulatory agencies means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a 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:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

FUNCTION OF APPRAISAL

The Intended Use is for our client, City of Pocatello, to evaluate the property that is the subject of this appraisal for the purpose of establishing a sale price, subject to the state Scope of Work, Purpose of the Appraisal, and Definition of Market Value. No additional users are identified or intended by the appraiser.

PROPERTY RIGHTS APPRAISED

This appraisal was made with the understanding that present ownership of the subject property included all rights that may be lawfully owned, and was, therefore, title in fee simple, subject to all easements and restrictions of record. A Fee Simple Estate may be defined as the absolute ownership unencumbered by any other interest or estate subject to the four powers of government which are: Taxation, Eminent Domain, Police Power, and Escheat.

SIGNIFICANT DATES OF APPRAISAL

Effective date of the appraisal:	February 1, 2013
Date of the appraisal report:	February 14, 2013

SCOPE OF THE APPRAISAL REPORT

This appraisal report uses the recognized approaches to value. The data collection and analysis followed the normal procedures as required by the Uniform Standards of Professional Appraisal Practice.

The Client requested that the property at (1428 N. 3rd Street, Pocatello) a (Class D, Single Story) Building be appraised at market value. The Appraiser determined that all three approaches, (Market Approach, Income Approach and Cost Approach) would be developed and provide reliable and credible data.

After receiving the appraisal assignment, a preliminary search of all available resources was made to determine market trends, influences and other significant factors pertaining to the subject property. The investigation of real estate transactions included, but not limited too, talking with local property owners, city and county officials, brokers, appraisers and developers or other professionals with real estate experience or experience relevant to the assignment.

Property Inspection: A physical inspection of the subject was made by the appraiser who was familiar with the area. Although due diligence was exercised while at the subject, the appraiser is not an expert in such matters as pest control, structural engineering, hazardous waste, etc., and no warranty is given as to these elements. As needed, inspections by professionals within these fields might be recommended, with the final estimate of value subject to these findings.

If existing, the subject property was not inspected to the same level as a building inspector. The appraiser conducted a visual observation of the building space and primary out-buildings that provide significant value to the property. Areas not visible from the main building “living” space were not examined. Crawl spaces, attics, etc., were inspected only if there was easily apparent damage or other problems obvious from the living/rentable space. The roof was viewed from the ground level only, areas not visible from the ground were not checked. The appraisal report cannot be relied upon to disclose conditions and/or defects in the property. If the client has any question about the condition of the property, or anything reported in this appraisal, it is recommended that a certified building inspector, or other appropriate professional, inspect the property.

Report Comparables: Idaho is a non-disclosure state. Consequently, sales information is not public record. Therefore, our firm has made a thorough search and investigation of comparable data but have relied on information verified with owners and brokers. The information contained in this report is adequate in deriving reliable value conclusions. Public and private entities were contacted in order to identify comparable land sales and improved sales as well as rent comparables and cost estimates. Additionally, information was obtained from other appraisal firms and sources knowledgeable of the market. Some of the information

could not be reverified, and we have relied upon the original confirmation by other entities. While we consider the information reliable from other sources, we do not warrant its accuracy.

Research was conducted for the most similar comparable properties within competing market areas. Comparables were analyzed based on similarity in size, appearance and amenities to the subject. Sometimes the best comparables were outside the neighborhood. Comparable sales, if not available in the immediate area would be found using a nation wide database. It would be assumed that the data provided by (Costar) or other sources would be correct.

Inspection of the Neighborhood: The neighborhood inspection included a brief and limited, and generalized, inspection of the over all condition and quality of the properties. It did not include individualized inspections of properties but a general inspection of the neighborhood. Areas not visible from the street were not checked.

Hypothetical / Extraordinary Assumptions: None

The Market Approach would be developed using the best comparable sales found. The Market Approach provides a good analysis of value if the comparable sales are identical to the subject in physical, economic and functional characteristics. If the comparable properties are not identical to the subject property, then, the more adjustments that need to be made, the weaker the market data becomes.

The Cost Approach was developed using Marshall and Swift Commercial Valuation Service 2013. The “occupancy name” used would have been the most compatible building type deemed similar to the subject property from the “Occupancy Groups” available in Marshall & Swift. All depreciation, economic life, and cost tables was derived from Marshall and Swift.

The Income Approach was developed from market data available. Where/if no market data was available, the data provided by the Client was used. This actual or hypothetical data was used to determine the value under the extraordinary assumption that the data was accurate and applicable to the subject property.

The income approach used the Direct Capitalization Method (IRV), to develop a “Rate Of” and a “Rate On” to determine the “Overall Rate” (R_o). The Direct Capitalization Method was further supported by the Band of Investment Method and Debt Coverage Ratio Method. Market driven data “Return On,” Term, Interest Rate and Mortgage Position was used from current data collected from commercial lending institutions. The Overall Rate (R_o) in the Income Approach further supported by the range of the Capitalization Rates if they were developed in the Market approach (Comparable Sale Data Sheet). The Income Approach, typically free of any type of adjustments would provide the best or strongest indication of

value and carry the most weight in determining the overall value of the subject property.

Market information about vacancy, rents and expenses would be used from property owners, or rental agencies from the subject property's city. If sufficient information was not available, this data would be estimated.

The appraiser made an onsite inspection of the subject property and made a basic inventory of any improvements thereon, as well as determining the general location of the property boundaries and the general topography of the site.

DATA COLLECTION AND REPORTING PROCESS

Upon receipt of the assignment from the client, a file was prepared which included county courthouse research which included; ownership of record, legal description, real estate taxes and assessed valuation of the subject. Research included data from the city of jurisdiction for the subject's specific zoning, subdivision plat map and flood plain map if applicable.

Idaho is a non-disclosure state. Therefore, sale prices and other real estate transactions are not required to be reported for public record. All information used was verified when possible and was considered reliable in the analyses of this report. However, no warranty is given regarding the accuracy of reports of sales, leases, or other pertinent information provided to the appraiser. Verbal information about the subject property received from the owner and related parties of the subject are assumed to be correct.

Valuation by the Sales Comparison Approach was completed after reviewing closed real estate sales that were as comparable to the subject property as possible. Land values were derived utilizing market comparison approach. Each of the sales was verified to the best of the appraisers ability by a source deemed reliable.

Valuation by the Cost Approach was completed utilizing the Marshall Valuation Service, supported by local contractors' estimates when available and appropriate.

The Income Capitalization Approach was analyzed with consideration to the subject property's potential economic rent, demand as an income-producing property, expense ratios and capitalization rates obtained from the market.

Market conditions are affected by the age, condition, amenities, and degree of functional utility of the Subject Property and were considered in determining market rent for the Subject improvements.

This Summary Appraisal Report is a brief recapitulation of the appraiser's data, analyses, and conclusions. Supporting documentation is retained in the appraiser's file.

DESCRIPTION OF REAL ESTATE APPRAISED

Ownership of Record:

City of Pocatello
911 North 7th Avenue
Pocatello, Idaho 83201

Subject Property Address:

1428 North 3rd Avenue
Pocatello, Idaho 83201

Subject Sales History:

No reported sales in the last 36 months.

Property Parcel Number

RPPOC221000

Legal Description:

Lots 14, 15, 16, Block 334, Pocatello Townsite
Bannock County Idaho

We caution users of this report that we are not experts in rendering legal descriptions or regarding issues of this property title. The appraiser cannot guarantee that the property is free of encroachments or easements, and recommends further investigation and survey. The legal description cited above is a copy of the deed/s to the subject obtained from the official records of Bannock County Recorder's Office and provided to us by the client. We caution that appropriate legal counsel be retained in all matters regarding this property's legal description and issue of title.

General Description of Property Site:

The subject site was located at 1428 North 3rd Street near (south/east corner) of the intersection of East Gould Street and Garrett Way just south of Corey's Auto Works. The property was rectangular in shape consisting of three Pocatello Townsite lots. (90'x140') totaling 12,600 sf. The property appeared flat at grade without any apparent drainage issues. Zoned Industrial by the city of Pocatello, the zoning allowed for a wide range of uses. There were no unusual easements or physical conditions that affected the property. Overall the lot had good utility and functionality. There were no adverse conditions that would affect the marketability of the site.

We caution users of this report that we are not knowledgeable regarding the determination of soil composition and its suitability for extensive construction. It is recommended that the users of this report seek advice from soil survey experts (professional geologist or engineer) if there are concerns about soil stability, excavation/construction concerns, advisability regarding mechanical disturbance of the soil, or possible installation of septic systems, well drilling, etc.

All city and public utility services were available to the subject site, including water, sewer, electrical power, natural gas and telephone. Police, fire protection and garbage collection were provided by the city of Pocatello.

Environmental Hazards

Bowman Appraisal has not been provided with an environmental audit on the subject. To the appraiser's knowledge, the subject's soils suffer no contamination and the improvements contain no hazardous building materials. This appraisal assumes no soil contamination or hazardous materials exists. However, the appraiser is not qualified to make that determination and recommends an environmental audit be obtained if further assurance is required. If it is found that environmental problems do exist, this appraisal will become invalid.

General Description of Property Improvements:

The improvements consisted of the primary building on three PTS lots. The current owner reported that the property was originally constructed (Ca. 1950) as an ambulance station. It had been remodeled into an office building which was in compliance with the zoning but not a typical use. There was a small grassed area and the remainder was parking with gravel covering. The property had a curb cut on North 3rd and access to the alley. The building's main floor was 930 sf with a full unfinished basement and garage of 746 sf.

The primary building was Class D exterior frame with brick veneer finish. The walls were typical height with typical R rating insulation for the area. The roof was Flat with Built-up covering. The exterior showed little wear and was in good condition. The overall quality of the building construction was 1.0 as defined by Marshall & Swift. The exterior was remodeled (windows, vinyl siding, and gutters) within the last five years.

Access to the main building was via residential grade walk-in doors. The interior framing was wood frame with drywall and panel finish. The flooring was raised wood subflooring with commercial grade, average quality coverings. The ceiling was drywall and standard height. The heating system was standard gas forced air furnace with air conditioning.

The interior of the building was divided into three office areas with a break room (kitchen) and larger restroom with a toilet and sink. The main floor was finished with average quality materials and was in average condition.

The garage was large enough for a modern full sized pickup and had an overhead door and walk-in door in the rear. There was some older damage on the garage ceiling that appeared to have been from a roof leak. It was unknown if the roof was still leaking.

The basement was the same size as the main floor and divided into two primary rooms. One room had a concrete floor and could be used for storage. The other room (west) had a dirt floor and could be used for limited storage. The overall condition of the basement was unfinished, average condition, and did not show any indications of physical problems. The quality of the basement was fair.

In overall terms, this would be a usable structure for an office building with storage in the basement and storage in the garage. The overall condition of the building was considered average for a building of equivalent age and was readily usable.

General Description of Property Improvements: Continued

Inspection Date	February 1, 2013
Sale Price	N/A
Date of Sale	N/A

SUBJECT DETAILS

Location Rating	Fair
Total Land Size (SF)	12,600
Total Land Size (AC)	0.29
Year Built (estimated)	1950s
Effective Age:	20
Total Economic Life	45
Class of Construction	D with brick veneer
Quality of Construction	1.0
Condition:	Average
Levels: AG	One
Levels: BG	One
Occupancy	Office Space
Total Building Square Footage	2,606
Total Rentable Square Footage	2,606
Land to Building Ratio	(3 : 1)

Construction Exterior

Support Construction:	Concrete Footings, Foundation
Exterior Walls:	Wood frame
Finish:	Brick Veneer
Roof:	Flat
Windows:	Commercial Grade
Doors:	Residential Grade

Construction Interior

Ceilings:	Dry Wall
Wall Construction:	Wood framing
Finish:	Drywall / Panel
Floors:	Raised Sub-Flooring
Finish:	Average quality coverings
HVAC Systems	Forced Air: Gas
Lavatories:	Toilet / Sink
Lights:	Fluorescent and/or Incandescent
Electrical:	100/200 amp Wired for Phone & Cable

Special Equipment: None

Site Improvements

Parking Spaces	Off Street: Gravel. Adequate to code
Landscaping	Grass/shrubs

There was no deferred maintenance found that would endanger the usability or marketability of the property. Appraiser is not a contractor nor qualified to provide an actual cost to repair. Estimates are not exact nor should they be relied on in any manner as the actual costs for repairs.

Subject Property Zoning:

The specific zoning for the subject property was Industrial. The Industrial (I) zoning district provides appropriate locations for intensive industrial uses including industrial service, manufacturing and production, warehousing and freight movement, railroad yards, waste-related, and wholesale sales activities. Activities in the I district include those which involve the use of raw materials, require significant outdoor storage and generate heavy truck and/or rail traffic. Because of these characteristics, Industrially zoned property should be carefully located to minimize impacts on established residential, commercial, and light industrial areas.

The purpose of the Industrial and Employment zoning district is to designate areas where a range of industrial services and employment for City residents are permitted. The regulations governing development in industrial and employment zoning districts are to ensure that a full range of job opportunities are available throughout the City so that residents can work close to home if they choose. Design guidelines and development standards are established to minimize the potential adverse impacts of industrial activity on residential activities and job opportunities within the City limits, in compliance with the economic development goals of the Comprehensive Plan.

General Description of Neighborhood:

Social, economic, governmental and environmental forces influence property values in the vicinity of a subject property. As a result, they affect the value of the subject property. Therefore to conduct a thorough analysis, the appraiser must delineate the boundaries of the area of influence. The area of influence, commonly called a “*Neighborhood*”, can be defined as a group of complementary land uses. - *Chapter 8, The Appraisal of Real Estate 12th Ed., Appraisal Institute.*

Geographical Boundaries:

North:	North Main Street
South:	Day Street
East:	Garrett Way
West:	Harrison Avenue

The neighborhood consisted of the industrial zoned area from North Main south to Day Street on the west side of Garrett Way. Not a prime commercial area, it had many light manufacturing, some retail and shipping businesses. The lease rates were similar to Old Town areas.

Brief History, description of Neighborhood and Property Uses.

Primarily older buildings that were suitable to the industrial zoning, the neighborhood properties tended to be shipping, light manufacturing and limited retail. There were no major (high draw) anchors in the neighborhood. The subject location, south of Gould Street was not deemed as good a location as properties directly along Garrett Way. Visibility and access were not as good and the lot size was smaller than typical industrial properties in the neighborhood.

Access, Transportation and Traffic Arteries

Gould Street and Garrett Way were the primary arterials that connected the neighborhood to other areas of Pocatello and also connected the neighborhood to primary truck routes to the highway/interstate system. Both were moderate to high traffic streets.

Community Facilities and Services

General community facilities such as schools, churches (places of worship), parks, hospitals and recreation facilities were dispersed throughout the described neighborhood area and surrounding areas. The local services were considered adequate and typical for the Neighborhood and for the city of Pocatello. All of the city services were available and provided by the city of Pocatello.

Change in Transition and Life Cycle of the Neighborhood.

According to the Appraisal Institute, neighborhoods evolve through four stages of development.

1. Growth - A period during which the market area gains public favor and acceptance
2. Stability - a period of equilibrium without market gains or losses.
3. Decline - a period of diminishing demand.
4. Revitalization - a period of renewal, development, modernization and increasing demand.

The neighborhood was considered to be in the Stability/Renewal stage of its life cycle with some new development/remodeling still occurring in the general area during the last few years and should continue to develop for the next few years.

Analyzing Value Influence (Summary and Conclusion)

In summary, the general neighborhood was a well developed commercial area located in the city of Pocatello. The subject was situated, in the south part of the neighborhood near

1428 North 3rd Avenue, Pocatello, Idaho

the corner of North 3rd Avenue and Day Street. Property uses in the immediate area of the subject were predominantly commercial, light manufacturing, shipping, and limited retail developments.

The general neighborhood was discussed concerning its life stage. It was discussed that the subject neighborhood was in the stability / revitalization stage of development with average demand for the properties in the area continuing in the near future. Overall, it was expected that land and property values would remain fairly constant due to these influences on the neighborhood.

FEMA Flood Map Data:

The subject was in an area of the city depicted on FEMA Map 16005C0239D, revised July 7, 2009. It was in Zone X500, which was an area determined to be above the 100 year floods or protected by levees. There did not appear to be any flood hazard.

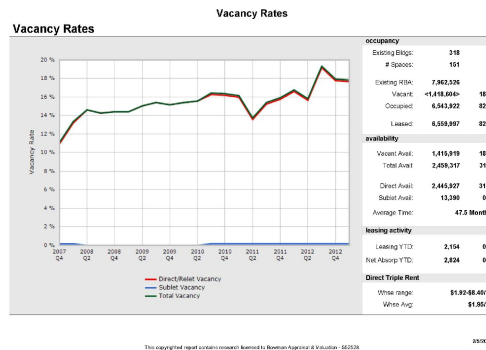
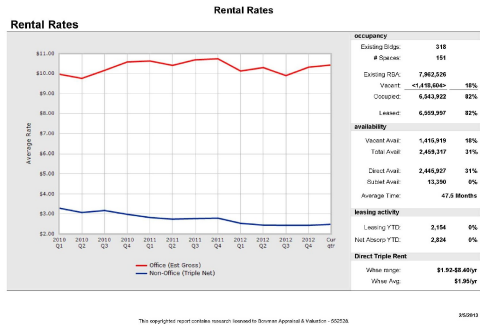
Metropolitan Statistical Area: 38540 Census Tract: 0008.00

AREA MARKETING TRENDS

Price movement in the market between date of sale and date of appraisal may be significant. Typically price increases for the Pocatello/ Chubbuck area were around 3% per year since the late 1970's. However, 2005 saw a significant land value increase which was followed in 2006 - 2008 with higher than normal increases. Conditions would have to be analyzed with a reasonable number of sales to provide reasonability and confidence to the supportive data so market condition change provided by the MLS would be used. It should be emphasized that adjustments are being made for changing market conditions and not for a specific time period.

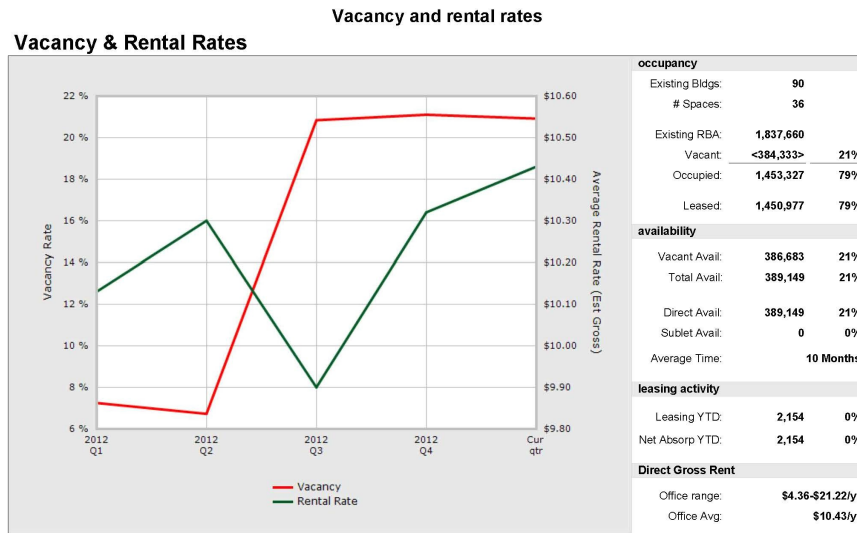
When looking at the overall market changes, especially the commercial markets, lease activity and the ability to generate income is the driving force behind price. When analyzing the changes in vacancy rates and lease rates, over time, it provides a reasonable indication of the strength of the commercial market. The overall trends for all commercial properties in the Pocatello area, as tracked by Costar since 2009, shows a relatively stable market overall. There are fluctuations with office lease rates and non-office rates, the greatest rate fluctuation is vacancy.

Overall Rates: All building Types all of Pocatello/Chubbuck



Overall median rental rates for office space has been relatively constant near the \$10/sf mark. The vacancy rates were fairly level until 2011/2012 which saw vacancy increases near 20% and are now beginning to come down. A one year look at only office space shows a drop in Rental Rate Q2-Q3 2012 with the rates beginning to increase with a leveling out of the vacancy rate through the last quarter of 2012.

Office Space Only all of Pocatello/Chubbuck



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2/5/2013

Overall, the data suggests the lease market for Pocatello/Chubbuck seems to be improving after a decline.

Property Marketability

The improved property sales indicated that exposure time (i.e., the length of time the subject property would have been exposed for sale in the market had it sold at the market value concluded in this analysis as of the date of this valuation) would have been about 9 - 12 months.

HIGHEST AND BEST USE

The purpose of ascertaining a parcel's highest and best use is to provide a basis for accurately estimating market value. This analytical process should be straightforward and solidly reflect the real estate market. Highest and best use for appraisal purposes is defined as that use of succession of available, legal, and physically permitted uses for which there is sufficient demand and that produces the most probable present site value.

Highest and best use was defined by the Appraisal Institute as "The reasonable probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value." The four criteria The Highest and Best Use must meet are: Legal permissibility, Physical Possibility, Financial Feasibility, and Maximum Profitability.

Uses as defined by the Appraisal Institute.

Available Uses: Refer to those land uses to which the parcel would likely be put with a reasonably high degree of certainty in the near term. A careful analysis of community growth trends, especially in the immediate neighborhood, should either conform or refute the likelihood of a prospective use actually being achieved on the appraised parcel within the next three to five years.

Legal Uses: The primary indication of legality is provided by the municipal zoning ordinance. This use must be in compliance with the locality's comprehensive or master (long-range) plan. See Zoning Addenda for list of Legal Uses.

Physically Permitted Uses: Are those uses that a parcel's physical features will allow. Physical constraints include such considerations as size, shape, surface and subsurface soil conditions, height of water table, flood hazards and availability of public utilities.

Financially Feasibility: A use would not be financially feasible if the costs involved in developing the property for that use, and ensuring its performance at that use, outweigh the financial benefits.

Maximum Productivity: This final analytical step to assess the data to determine the risk or reliability and confidence in all the data used in the analysis. If all the data and analysis techniques are considered equally reliable, then the highest and best use that is maximally productive is the alternative that yields the highest value. Successful completion of the test of maximum productivity should allow the appraiser to specify exactly what expenditures, if any, would allow the subject property to achieve its highest and best use. These expenditures should be reflected in the conclusion of the highest and best use of the property as improved as well as the application of each approach to value.

Highest and Best Use as Though Vacant:

Highest and best use of land or site as though vacant was defined as “The use of a property based on the assumption that a parcel of land is vacant or can be made vacant through demolition of any improvements.”

Physically Possible: The subject site was a rectangular shaped lot. It had approximately 90 feet of frontage on 3rd Avenue and contained a total of 12,600 square feet (0.29 acres). It was accessible and visible with all utilities available. The soil appeared to be stable and capable of supporting any legal structure. It was best suited for a commercial development that would be within the typical land to building ratio. This site was well suited for commercial development.

Legally Permissible: The property was zoned Industrial. The legally permissible uses would include appropriate locations for intensive industrial uses including industrial service, manufacturing and production, warehousing and freight movement, railroad yards, waste-related, and wholesale sales activities. The users of this type of property were individuals or investor groups, who desired a site for a manufacturing or service oriented, income-producing facility. These uses conformed to the neighborhood.

Available Uses: The property was located along a minor arterial which provided Low traffic and was considered a Fair location within the City of Pocatello. The location within the Neighborhood was considered a below average location.

Land uses surrounding the site under analysis typically indicate which may be financially feasible. The neighborhood contained primarily service, shipping and manufacturing types of business and should continue into the near future to support these types of businesses. The property was typical for the neighborhood and did not suffer from obsolescence. Overall the property was typical to other properties in the neighborhood.

Financially Feasible: The subject was located on 3rd Avenue, near Gould Street which was a major arterial and situated near the central business district of Pocatello. There was a mixture of commercial buildings in the area with some light industrial buildings. Real estate value is enhanced when there is good conformity of use in the neighborhood.

The supply of like properties in a similar location was limited. Future demand for parcels similar to the subject in this location would appear to be below average. A commercial or service use would be compatible with the existing uses and would be financially supported.

Highest and Best Use as Though Vacant: Continued

Maximum Productivity: The subject's location and physical features made it desirable as an income producing industrial zoned site for those buyers who had a need to be located in a low traffic environment in the current market. It did not suffer from any effects that would negatively impact marketability. The subject should capture its share of that qualified buyer market and have a price near the middle of the value range for similar parcels in a similar location.

In conclusion, it is my opinion, that the maximally productive and highest and best use of the site "as if vacant" and available to the general market, was as the site for a small retail/service oriented, low traffic, income producing business operation.

Highest and Best Use as Improved:

Highest and best use of property as improved is defined as “The use that should be made of a property as it exists.” If a property’s improvements contribute to value so that the value of the improved property is equal to or greater than the value of the land as though vacant and available for its highest and best use, *minus* demolition costs, the existing improvement must be considered as contributing to the property’s current highest and best use.

Physically Possible: The subject was improved with a one story, Class D structure that was 2,606sf. It had a Land to Building Ratio of (3 : 1) and was within the typical Land to Building Ratio for commercial properties in Pocatello. It had adequate parking and conformed to the building code. The improvement (office) was not typical for the neighborhood and the industrial zoning. The building was originally a single family residential property remodeled for office use. For a remodeled house, the property had good functional utility and did not suffer from obsolescence. However, office use in that location and zoning was not deemed an ideal improvement but an interim use .

Legal Permissible: The subject property improvement (office space) was legally permissible by the current zoning and conforming with the locality’s comprehensive or master (long-range) plan.

Financially Feasible: The property location was deemed fair with low traffic flow. This location/zoning and improvement type was unsupported by the neighborhood business which were primarily office/shop, shipping, light manufacturing and very limited retail. The building type should continue to have a Low market demand. The improvement (remodeled single family) was considered Financially Feasible - yet not the Ideal improvement.

Maximum Productivity: The subject property had no deferred maintenance nor required any cost or action to bring the property into highest and best use. Even though the building was not considered the Ideal improvement, the current improvement use was within the definition of Maximum Productivity, would have contributory value and supported the other Highest and Best Use tests as an interim use.

In conclusion, it is my opinion that this use was within the definition of highest and best use and was deemed Financially Feasible, Legally Permissible, Physically Possible and Maximized Productivity and was considered to be the highest and best interim use for the property, as improved.

PROPERTY STRENGTHS AND WEAKNESSES

Property Strengths:

The property was industrial zoned and large enough to develop with an office/shop, light manufacturing or other service type business that was typical for the location and zoning.

Property Weaknesses:

Remodeled ambulance station used as office space. The location was not typical for office space and there were no other office buildings in the immediate area. The use, while providing contributory value would not be deemed the Ideal improvement. As the improvement nears its Economic Life changing the property to maximize the industrial zoning will probably happen. The office use, while contributory, is deemed an interim use only.

SUMMARY OF PROPERTY VALUATION

METHODS OF LAND VALUATION

The appraiser may choose from four procedures for analyzing land or site value.

1. Sales Comparison Method: This is the most common method in determining site value. The appraiser searches for similar vacant parcels. Each selected sale is analyzed and compared to the subject parcel and then adjusted for salient differences. This is the most common method and the method used in this report. The appraiser derives a value indication by comparing the subject property to similar properties that have sold recently. The appraiser applies appropriate elements of comparison in the analysis. The adjustments are made to the comparables for differences between the subject property and the comparable sales based on market evidence. The adjusted sale prices of the comparable sales are reconciled into an indication of value for the subject property.
2. Extraction Method: When vacant sales are unavailable, the appraiser can analyze improved property sales that are similar to the subject in land characteristics. The appraiser then forms an opinion of the land value by subtracting the depreciated cost of the improvements from the sale price. When this procedure is applied, it can provide reliable data to assist the appraiser in forming a value opinion on the appraised land. However, ample sales should be used, and the appraiser must be experienced in the use of cost and depreciation methodology.
3. Allocation Method: As the name of this procedure implies, the appraiser analyzes improved property sales and allocates prices paid between the land and total property, usually on a ratio basis. This process can be based on vacant land sales that are compared to improved sales, or the appraiser can use an extractive process by isolating the depreciated cost of improvements from the land. This process is rarely used as a primary land valuation technique, but it has secondary application in the analysis of subdivision lot sales when there is a uniform ratio of land value to property value.
4. Land residual Method: This procedure requires the appraiser to separate the rent between the land and improvements. Then the appraiser capitalizes the net income attributed to the land into a value opinion.

Each of these methods assumes a buyer will not pay more for a property than the cost to acquire a similar site and construct improvements of equivalent desirability and utility without undue delay.

SALES APPROACH TO VALUE

In the Sales Comparison Approach, the appraiser arrives at an indication of value by comparing the relative utility and desirability of the subject property with comparable properties recently sold. These sale properties should have approximately the same physical characteristics as the subject property, be in the same general neighborhood or a similar neighborhood, and be capable of utilizing the same or a similar use. Adjustments can be made for relatively minor differences.

Basic to this approach is the principle of substitution which states that “when a property is replaceable in the market, its value tends to be set by the price required to acquire an equally desirable substitute property.”

For properties that vary significantly in size, comparisons may be made according to units of comparison. Typical units of comparison in the sales comparison approach are multipliers, price per square foot, price per apartment, price per bed, price per seat, price per bushel of storage capacity, etc. When properties are compared on a unit basis, the unit of comparison is considered to be the entire property.

When comparing properties, adjustments can be made for six general areas in which properties can vary. These areas are called elements of comparison and include: market conditions (time), location and use, physical characteristics (quality of construction and condition), size of improvement, zoning, and any special financing conditions or concessions, if known.

Adjustments are first made for any special financing conditions or concessions when known to obtain a normal sales price for the comparable property. Next, the appraiser adjusts for market conditions to obtain the time-adjusted normal sale price. Then, the appraiser makes adjustments to the time-adjusted normal price for location and all physical and income characteristics. The subsequent final figure is called the adjusted sales price.

At the conclusion of the sales comparison approach, the appraiser often derives at a single indication of value, or reconcile the data. The appraiser must next review the data used in the approach and examine it in terms of reliability, degree of similarity, and adequacy. Generally, this gives greatest consideration to the sales that have the greatest degree of comparability and have occurred most recently.

Following are those sales felt to be most comparable to the subject property an analysis of each sale. Each sale should be an arm’s length transaction.

Idaho is a non disclosure state. Sales are not required to be reported, and are typically kept confidential. It is often difficult, or impossible, to obtain any sales data on sold properties.

Sales Comparison Approach - Vacant Land:**Comparable Number: 1**

Address	3700 Hwy 30	City	Pocatello
Sq Feet	82,764.00	Legal/Parcel	On File
Frontage	317.00	Sub Name	Home Acres
Depth	261.09	Use	Vacant Land
Shape	Rectangular	Zoning	Industrial
Drainage	Appears Adequate	Days on Market	Unknown
Topography	Appears Flat	Date of Sale	11/2007
Access	Typical	Price	\$175,000.00
Flood Zone	None	Neighborhood	Same as subject
Utilities P/W/S/G	All Available	Spec. Amenities	None
Adj / SP	\$2.11	Location	Similar
Adj / SP FF	\$552.05	Highest /Best	Commercial Development

Brief Description of Property**Property comparison to the subject overall:**

Time: Sold in 2007, a market conditions adjustment would be appropriate.

Marketability: (Perceived Demand) Similar: no known adverse conditions at time of sale.

Location: Similar to subject property. Same neighborhood

Topography: No Limitations to building.

Amenities: Similar, all city amenities were available.

Zoning: Similar to subject

Other: Undeveloped land at sale. Utilities near property not developed as a site.

ID #: 778

Sales Comparison Approach - Vacant Land:

Comparable Number: 2

Address	920 E. Clark	City	Pocatello
Sq Feet	7,000.00	Legal/Parcel	L 11, S20' Lot 12, Block 175
Frontage	50.00	Sub Name	PTS
Depth	140.00	Use	Vacant land
Shape	Rectangular	Zoning	Commercial (RCP)
Drainage	Appears Adequate	Days on Market	214
Topography	Appears Flat	Date of Sale	04/2012
Access	Typical	Price	\$21,000.00
Flood Zone	None	Neighborhood	Old Town
Utilities P/W/S/G	All	Spec. Amenities	Corner Lot
Adj / SP	\$3.00	Location	Superior
Adj / SP FF	\$420.00	Highest /Best	Commercial

Comments

Property comparison to the subject overall:
Time: Sold in 2012, a market conditions adjustment would be appropriate.
Marketability: (Perceived Demand) Similar: no known adverse conditions at time of sale.
Location: Superior. Higher traffic count.
Topography: No Limitations to building.
Amenities: Similar: all city amenities
Zoning: Residential Commercial Professional
Other: List price \$29,900, sold \$25,000 (less \$4,000) for removal of old house
ID #: 1065

Sales Comparison Approach - Vacant Land:

Comparable Number: 3

Address	350 W. Buell	City	Pocatello
Sq Feet	12,600.00	Legal/Parcel	RPPOC308700
Frontage	120.00	Sub Name	PTS
Depth	Irregular	Use	Vacant Land
Shape	L shaped	Zoning	General Commercial
Drainage	Appears Adequate	Days on Market	373
Topography	Appears Flat	Date of Sale	06/2011
Access	Typical	Price	\$25,000.00
Flood Zone	None	Neighborhood	N. Old Town
Utilities P/W/S/G	All	Spec. Amenities	Corner Lot
Adj / SP	\$1.98	Location	Similar
Adj / SP FF	\$208.33	Highest /Best	Commercial

Comments

Property comparison to the subject overall:
Time: Sold in 2011, a market conditions adjustment would be appropriate.
Marketability: (Perceived Demand) Similar: no known adverse conditions at time of sale.
Location: Similar.
Topography: No Limitations to building.
Amenities: Similar: all city amenities
Zoning: Commercial General
Other: Small 380sf building needing to be removed at sale. Sold \$27,000 (less 2k for removal)
ID #: 1048

Land Sales Summary Chart:

	Subject	Sale #1	Sale #2	Sale #3
Address	1428 N. 3rd	3700 Hwy 30	920 E. Clark	350 W. Buell
Location:	Fair	Similar	Superior	Similar
Sales Price:	N/A	\$175,000.00	\$21,000.00	\$25,000.00
Sale Date	N/A	11/2007	04/2012	06/2011
Acres	0.29	1.90	0.16	0.29
Square Ft.	12,600	82,764.0	7,000.0	12,600.0
Price/Acre	\$0.00	\$92,105.26	\$130,680.00	\$86,428.57
Price / SF	\$0.00	\$2.11	\$3.00	\$1.98

Land Sales Market Value Adjustment Chart

No.	Rate Per SF	Time Adjust-ment	Time Adjusted Rate	Other Feature Adjustment				Total Adjustmnt	Final Rate
				Location	Topography & Amenities	Size	Zoning & Other		
1	\$2.11	(\$0.04)	\$2.08	(\$0.10)	\$0.00	\$0.31	\$0.10	\$0.31	\$2.39
2	\$3.00	\$0.29	\$3.29	(\$0.82)	\$0.00	(\$0.16)	\$0.16	(\$0.82)	\$2.47
3	\$1.98	\$0.19	\$2.18	\$0.00	\$0.00	\$0.00	\$0.11	\$0.11	\$2.28
Indicated Mean Unit Value \$/SF								\$2.38	
Standard Deviation ±\$/SF								\$0.09	
Indicated Statistical Unit Value Range								\$2.29 To \$2.47 /SF	
Most Probable Unit Value								\$2.35	

Adjustments were made from the sale property to the subject property. Thus, inferior features of the sale required positive or upward adjustments and, conversely, superior features required negative or downward adjustments.

Land Sales Conclusion:

The adjusted rates ranged from \$2.28 to \$2.47. These were the extremes of the range with the remainder falling at \$2.39 (Middle value). The sales indicated a rate for the subject near the mid-point, with greatest weight given to Comparable # 3 because it was the most similar in location.

With the greatest weight given to Comparable # 3 and the second weight given to Comparable # 1, and the statistical range of \$2.29 to \$2.47 the most probable unit value selected was \$2.35. This was deemed reasonable because the subject had adequate access to Garrett Way, had industrial zoning, and the range of the two best comparables was \$2.28/sf to \$2.39/sf.

Comparable # 1:

The location was deemed superior and received a -5% adjustment because it was off Garrett Way and closer to the interstate exchange. Topography, Amenities were deemed similar and received a 0% adjustment. The comparable was larger and received a size ratio adjustment of 15% based on the size ratio difference between the two properties. The zoning was deemed similar and received a 0% adjustment. There were no other significant differences between the comparable and the subject. This Comparable carried the second weight in determining the most probable unit value for the subject property.

Comparable # 2:

The location was deemed superior and received a -25% adjustment because of the traffic count. Topography, Amenities were deemed similar and received a 0% adjustment. The comparable was smaller than the subject and received a size ratio adjustment of -5% based on the size ratio difference between the two properties. The zoning was deemed inferior and received a 5% adjustment because it was more restrictive. There were no other significant differences between the comparable and the subject.

Comparable # 3:

The location, Topography, Amenities were deemed similar and received a 0% adjustment. The comparable was similar in size and received a size ratio adjustment of 0% based on the size ratio difference between the two properties. The zoning was deemed inferior and received a 5% adjustment. There were no other significant differences between the comparable and the subject, the comparable. This Comparable carried the most weight in determining the most probable unit value for the subject property.

General Land Sales Characteristics: Defined

Time/Market Conditions: Price movement in the market between date of sale and date of appraisal may be significant. Typically price increases for the Pocatello/ Chubbuck area were around 3% per year since the late 1970's. However, 2005 saw a significant land value increase which was followed in 2006 - 2008 with higher than normal increases. The values showed a decline after 2008 continuing through 2012. Current data suggests an upward trend in value. Conditions would have to be analyzed with a reasonable number of sales to provide reasonability and confidence to the supportive data so market condition change provided by the MLS would be used. It should be emphasized that adjustments are being made for changing market conditions and not for a specific time period.

Size: Significant differences in parcel size may require adjustment. There is usually an inverse relationship between size and price rate.

Shape: Deviations from typical rectangular shape can result in unusually wide or narrow frontages with resultant value influence.

Access: Relationship to the public street may vary. Inadequate access may impact the marketability and value rate of a property.

Topography: Topography which limits or influences the cost or ability to build on a property when compared to other “typical” properties would be adjusted.

Amenities: Similarity of public/private amenities results in minimal adjustments. If a property is lacking in typical amenities or has unusual amenities not present in the typical property they were noted and adjusted.

Location: Similarity of neighborhoods results in minimal adjustments for offsite influences. Valuation is made in accordance with the best use of the subject previously estimated. Most of the sales have similar locations and any deemed market similarities are noted and adjusted.

Zoning: Typically zoning would be similar in all properties, however, specialized properties with zoning variances or conditional uses could influence the marketability of a property in a given neighborhood. Such influences if deemed to impact market marketability were noted and adjusted.

Land Value Summary Chart:

Item	Land Units	Probable Value	Indicated Value
Subject Site	12,600	\$2.35	\$29,610
		Rounded To	\$29,600

Sales Comparison Approach - Improved Properties:

Comparable Number: 1

Address	210 E. Lewis	City	Pocatello
AG Sq ft	3,510	Legal/Parcel	On File
Class	D	Name	
Condition	Average	Use	Office
Quality	Similar	Zoning	Commercial
Stories(AG)	One	Directions	
Basement	None	Date	07/2011
Year Built	1980 est	Price	\$225,000
Eff Age	15	Neighborhood	Old Town
Parking Spaces	Typical	Spec. Amenities	None
L/B ratio	3.37	Location	Similar
Land Size	11,839	Value Ascribed to Land	\$29,596
Est. Cap Rate	7.49%	Lease Type	NNN
Rent SF/Yr	\$6.00	PGI	\$21,060.00
Vacancy %	20.00%	EGI	\$16,848.00
OER %	0.00%	NOI	\$16,848.00

Comments

Income information is actual when obtained. Otherwise it is estimated from market data.
Property comparison to the subject overall:
Time: Sold in 2011, market conditions adjustment would be appropriate.
Marketability: (Perceived Demand) Similar: no known adverse conditions at time of sale
Location: Location is superior, located in the down town area
Topography: No limitations to building due to topography.
Amenities: All city amenities
Zoning: Commercial. Allows office use
Other: Office space.
ID #: 181

Sales Comparison - Improved Properties: Continued**Comparable Number: 2**

Address	324 S. 5 th	City	Pocatello
AG Sq ft	1,014	Legal/Parcel	On File
Class	D	Name	Accents by Lisa
Condition	Good	Use	Office or Retail
Quality	Similar	Zoning	Commercial
Stories(AG)	One	Directions	
Basement	Partial	Date	07/2010
Year Built	1920s	Price	\$107,250
Eff Age	20	Neighborhood	University/Old Town
Parking Spaces	Typical	Spec. Amenities	None
L/B ratio	8.28	Location	Superior
Land Size	8,400	Value Ascribed to Land	\$50,400
Est. Cap Rate	8.04%	Lease Type	Net
Rent SF/Yr	\$10.00	PGI	\$10,140.00
Vacancy %	15.00%	EGI	\$8,619.00
OER %	0.00%	NOI	\$8,619.00

Comments

Income information is actual when obtained. Otherwise it is estimated from market data.

Property comparison to the subject overall:

Time: Sold in 2010, market conditions adjustment would be appropriate.

Marketability: (Perceived Demand) Similar: no known adverse conditions at time of sale

Location: Location is superior, located along S 5th.

Topography: No limitations to building due to topography.

Amenities: All city amenities

Zoning: Commercial. Allows office use

Other: Office space.

ID #: 160

Sales Comparison - Improved Properties: Continued

Comparable Number: 3

Address	1134 N. Main	City	Pocatello
AG Sq ft	1,000	Legal/Parcel	On File
Class	D	Name	
Condition	Good	Use	Office
Quality	Similar	Zoning	Commercial
Stories(AG)	One	Directions	
Basement	None	Date	02/2009
Year Built	1980s est	Price	\$70,000
Eff Age	15	Neighborhood	Old Town
Parking Spaces	Typical	Spec. Amenities	None
L/B ratio	4.20	Location	Superior
Land Size	4,200	Value Ascribed to Land	\$8,400
Est. Cap Rate	8.00%	Lease Type	Net
Rent SF/Yr	\$7.00	PGI	\$7,000.00
Vacancy %	20.00%	EGI	\$5,600.00
OER %	0.00%	NOI	\$5,600.00

Comments

Income information is actual when obtained. Otherwise it is estimated from market data.

Property comparison to the subject overall:

Time: Sold in 2009, market conditions adjustment would be appropriate.

Marketability: (Perceived Demand) Similar: no known adverse conditions at time of sale

Location: Location is superior, located in the down town area

Topography: No limitations to building due to topography.

Amenities: All city amenities

Zoning: Commercial. Allows office use

Other: Office space.

ID #: 133

Summary of Improved Sales:

	Subject	Sale #1	Sale #2	Sale #3
Address:	1428 N. 3rd	210 E. Lewis	324 S. 5th	1134 N. Main
Location Rating	Fair	Similar	Superior	Superior
Date of Sale:	N/A	07/2011	07/2010	02/2009
Sales Price:	N/A	\$225,000	\$107,250	\$70,000
Gross Building Area (SF)	2,606	3,510	1,014	1,000
Value Ascribed to Land:	\$29,600.0	\$29,596.4	\$50,400.0	\$8,400.0
Sale Price Less Land Value:	(\$29,600)	\$195,404	\$56,850	\$61,600
Class of Construction	D with brick veneer	D	D	D
Quality of Construction	1	Similar	Similar	Similar
Building Condition	Average	Average	Good	Good
Year Built	1950	1980	1920	1980
\$/SF-GBA & IMP w/ Land		\$64.10	\$105.77	\$70.00
Adj Price: \$/SF -GBA & IMP w/o Land		\$55.67	\$56.07	\$61.60
Cap Rate		7.49%	8.04%	8.00%

Improved Sales Market Value Adjustment Chart

#	RATE PER SF	TIME ADJUSTMENT	TIME ADJUSTED RATE	OTHER FEATURE AGE AND CONDITION ADJUSTMENTS	CLASS & QUALITY	SIZE	TOTAL ADJUSTMENT	INDICATED RATE
1	\$55.67	\$5.85	\$61.52	\$0.00	\$9.23	\$2.46	\$11.69	\$73.20
2	\$56.07	\$2.13	\$58.20	\$0.00	\$8.73	\$0.58	\$9.31	\$67.51
3	\$61.60	(\$1.52)	\$60.08	\$0.00	\$9.01	\$0.60	\$9.61	\$69.69

Indicated Mean Unit Value \$/SF \$70.13

Standard Deviation ±\$/SF \$2.35

Indicated Unit Value Range \$67.79 To \$72.48 /SF

Most Probable Unit Value \$70.00

Improved Sales Conclusion:

The adjusted rates ranged from \$67.51 to \$73.20. These were the extremes of the range with the remainder falling at \$69.69 (Middle value). The sales indicated a rate for the subject near the mid-point, with greatest weight given to Comparable # 1 because it was the most recent and similar in overall square footage.

With the greatest weight given to Comparable # 1 and the second weight given to Comparable # 3, and the statistical range of \$67.79 to \$72.48 the most probable unit value selected was \$70.00. This was deemed reasonable because the subject had a large attached garage and basement storage, and the range of the two best comparables was \$69.69/sf to \$73.20/sf.

Adjustments:

The comparables were all similar to the subject in condition and overall age. They were adjusted for market conditions (time) and size ratio. The only other significant adjustment was for the large garage and basement storage for the subject property. Each of the comparables was adjusted 15% for this amenity under the Quality heading.

General Improved Sales Characteristics: Defined

Time/Market Conditions: Price movement in the market between date of sale and date of appraisal may be significant. Typically price increases for the Pocatello/ Chubbuck area were around 3% per year since the late 1970's. However, 2005 saw a significant land value increase which was followed in 2006 - 2008 with higher than normal increases. The values showed a decline after 2008 continuing through 2012. Current data suggests an upward trend in value. Conditions would have to be analyzed with a reasonable number of sales to provide reasonability and confidence to the supportive data so market condition change provided by the MLS would be used. It should be emphasized that adjustments are being made for changing market conditions and not for a specific time period

Size: Significant differences in parcel sizes may require adjustment. There is usually an inverse relationship between price rate and size. Size adjustments were calculated with Marshall & Swift Commercial Estimator 2008.

Type: Buildings were compared on the basis of reasonably similar use designs. The sales surveyed were briefly described above.

Construction Quality: Similar construction standards and methods having comparable costs had close value relationships 25% steps between ranks based on Marshall & Swift.

Age and Condition: Buildings selected for comparison were similar in this category unless noted and specifically weighted for their differences at a base 20% based on Marshall & Swift. Age was calculated at 1% per 5 years. Amenities were also rated and adjusted accordingly.

Location: Land values were removed from the sale price, no location adjustments were then necessary.

The value indicated by the Sales Comparison Approach is summarized as follows:

Subject Improvement Sq Ft.	Most Probable Unit Value	Estimated Value
930	\$70.00	\$65,100.00
	Rounded To	\$65,100.00

Summary of Estimated Market Value:

Land Value	\$29,600.00
Improvement Value	\$65,100.00
Subject Property Estimated Market Value	\$94,700.00

COST APPROACH TO VALUE

Like the sales comparison and income capitalization approaches, the cost approach to value is based on comparison. In the cost approach, the appraiser compares the cost to develop a new property or a substitute property with the same utility as the subject property. The estimate of development cost is adjusted for difference in the age, condition, and utility of the subject property to generate a value indication by the cost approach. The cost approach reflects market thinking because market participants relate value to cost. Buyers tend to judge the value of an existing structure not only by considering the prices and rents of similar buildings but also by comparing the cost to create a new building with optimal physical condition and functional utility. Moreover, buyers adjust the prices they are willing to pay by estimating the costs to bring an existing structure up to the physical condition and functional utility they desire.

In applying the cost approach, an appraiser estimates the market's perception of the difference between the property improvements being appraised and a newly constructed building with optimal utility. Generally, the cost approach supports two methods for estimating cost and three methods of estimating depreciation. In its classic form, the cost approach produces an opinion of value of the fee simple interest in the real estate a stabilized occupancy, so the total cost must include any costs needed to achieve typical stabilized occupancy.

In applying the cost approach, an appraiser must distinguish between two cost bases, which should be used consistently throughout. Typically one of the following cost basis is applied: Reproduction Cost or Replacement Cost New (RCN). This report will provide the RCN basis of valuation to the subject.

The appraiser estimates the cost to construct the existing structure and site improvements (including direct and indirect costs and an appropriate entrepreneurial profit or incentive) using one of the three traditional techniques.

1. Comparative-unit method
2. Unit in place method
3. Quantity survey method

The appraiser then deducts all depreciation in the property improvements from the cost of the new structure as of the effective date of the appraisal. The amount of depreciation present is determined using one or more of the three fundamental methods:

1. Market extraction method
2. Age-life method
3. Breakdown method

When the value of the land is added to the cost of the improvement less depreciation, the result is an indication of the value of the fee simple interest in the real estate component of the property, assuming stabilization.

Depreciation is the difference between the contributory value of an improvement and its cost at the time of the appraisal.

$$\begin{aligned} & \text{Reproduction or Replacement Cost of the Improvement} \\ & - \text{Contributory Value of the Improvement} \\ & = \text{Depreciation} \end{aligned}$$

By estimating the depreciation incurred by an improvement and deducting this estimate from the improvement's reproduction or replacement cost, an appraiser can conclude the depreciated cost of the improvement. This depreciated cost approximates the improvement's contribution to the property's market value. Depreciation can result from three major causes operating separately or in combination.

Physical - Wear and tear from regular use and elements over time.

Functional Obsolescence - a flaw in the structure, materials, or design that diminishes the function or utility and value of the improvement.

External Obsolescence - A temporary or permanent impairment of the utility or stability of an improvement or property due to negative influences outside the property.

The sum of all these components is total depreciation. The market recognizes the occurrence of depreciation; the appraiser merely interprets how the market perceives the effect of depreciation.

Cost Approach to Value: Continued

For this report, the Cost Approach to value consists of estimating the replacement cost, as new, of improvements using the Marshall Swift Commercial Cost Estimator and deducting therefrom any loss in value as a result of physical deterioration (age/life) and/or functional and external obsolescence. To that figure is then added the value of the site, recognizing the size and utility of the site.

Marshall & Swift Edition: 2013

Occupancy Group Defined: 344 Office Building

These buildings are designed for commercial occupancies and are normally subdivided into smaller units for tenant use. The interior finish may have plaster or drywall and, depending on the quality, utilize glass and special wall covering.

Floor finishes are carpet, terrazzo or vinyl. Ceiling finishes vary with the quality. Luminous ceilings and high intensity fluorescent lighting are found in the better qualities.

In the restrooms, both the number and quality of fixtures generally correspond to the quality of the building. Typically, floor finishes in the restroom areas are ceramic tile. At all quality levels, metal partitions and commercial plumbing fixtures can be found.

Most offices have a combined heating and cooling system while the lower cost structures have heating only.

The following are not included in the costs: Signs and office furnishings or equipment.

Typical Lives

Rank	A	B	C	<u>D</u>	H	M	P	S	W
Low	50	50	45	40	--	--	40	40	--
Average	55	55	50	45	--	--	45	45	--
Good	60	60	55	50	--	--	50	50	--
Excellent	60	60	55	50	--	--	50	50	--

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Cost Approach to Value: Continued

2/11/2013

Summary Report

Page: 1

Estimate Number : 159
 Property Owner : City of Pocatello
 Property Address : 1428 N. 3rd
 Property City : Pocatello
 State/Province : ID
 ZIP/Postal Code : 83201

Section 1

Occupancy	<u>Class</u>	<u>Height</u>	<u>Rank</u>
100% Office Building	Wood or steel framed exterior walls	8.00	1.0
Total Area			: 930
Number of Stories (Section)			: 1.00
Shape			: 2.00
Effective Age (years)			: 20.00

Components	<u>Units/%</u>	<u>Other</u>
Exterior Walls:		
Stud-Brick Veneer	75%	
HVAC (Heating):		
Forced Air Unit	100%	
Land and Site:		
Land	31,500	

Basement	<u>Type</u>	<u>Area</u>	<u>Depth</u>	<u>Rank</u>
Office Building	Unfinished	465	8.00	1.0
Number of Levels				: 1.00
Shape				: 2.00

Section 2

Occupancy	<u>Class</u>	<u>Height</u>	<u>Rank</u>
100% Storage Garage	Wood or steel framed exterior walls	10.00	1.0
Total Area			: 746
Number of Stories (Section)			: 1.00
Shape			: 2.00
Effective Age (years)			: 20.00

Components	<u>Units/%</u>	<u>Other</u>
Exterior Walls:		
Stud-Brick Veneer	75%	
Cost as of 01/2013		

	<u>Units/%</u>	<u>Cost</u>	<u>Total</u>
Basic Structure			
Base Cost	1,676	46.02	77,132
Exterior Walls	1,258	16.29	20,498
Heating & Cooling	1,676	9.41	15,769
Basic Structure Cost	1,676	67.66	113,399

Cost Data by Marshall & Swift

2/11/2013

Summary Report

Page: 2

Estimate Number	:	159		
ZIP/Postal Code	:	83201		
Basement				
Unfinished Basement	465	38.32		17,819
Building Cost New	1,676	78.29		131,218
Extras				
Gravel Paving	10,000	1.50		15,000
Replacement Cost New	1,676	87.24		146,218
Less Depreciation				
Physical & Functional	41.0%			59,894
Additional Functional	8.3%			12,101
Depreciated Cost	1,676	44.29		74,223
Miscellaneous				
Land				31,500
Total Cost	1,676	63.08		105,723

Cost Data by Marshall & Swift

Summary of Depreciated Replacement Cost:

ROUNDED TO		\$105,700.00
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INCOME APPROACH TO VALUE

That procedure in appraisal analysis which converts anticipated benefits (dollar income or amenities) to be derived from the ownership of property into a value estimate. The Income Capitalization Approach is widely applied in appraising income-producing properties. Anticipated future income and/or reversions are discounted to a present worth figure through the capitalization process.

The Income Capitalization Approach has utilized the capitalization procedure. The direct capitalization procedure reveals a value as of a “point in time” based upon a certain level of income and expenses.

The first procedure in the Income Approach is to perform an analysis of the Net Operating Income expectancy for the Subject Property. This process is initiated by estimating income and expenses after researching and analyzing the Subject Property’s history of income and expenses. Then, consideration is given to current rents being earned by competitive properties. Actual vacancy levels for the subject and comparable properties are also incorporated.

Expenses are generally analyzed based on the annual or monthly dollar amounts. Operating expenses are broken into three categories: fixed expenses, variable expenses, and replacement allowance. Fixed expenses are the operating expenses that generally do not vary with occupancy and have to be paid whether the property is occupied or vacant. Variable expenses are all operating expenses that generally vary with the level of occupancy or intensity of property operation. Variable expenses are typically such items as utilities, janitorial expense, management, maintenance and repair.

All expenses are calculated into a total operating expense and this is deducted from the Effective Gross Income to determine the Net Operating Income for the Subject Property.

The Net Operating Income is capitalized by one of the capitalization methods and techniques into an overall indicated value by the Income Approach.

Idaho is a non disclosure state. Income information from Sales are not required to be reported, and are typically kept confidential. It is often difficult, or impossible, to obtain any income data on sold properties.

Analysis of Comparable Leases

Types of Leases

In its purest form (called a triple net lease or NNN lease), the tenant is responsible for all property management and repairs - including everything from paying the taxes to sweeping out the driveway to repairing the roof if needed. The only responsibility of the owner is to pay the mortgage on the property.

Lease terms for net lease properties tend to be long term, typically 10 years or more with options to extend. Rate increases are defined and are often based on the CPI or a percentage of the tenant's sales. Net Lease investments can provide dependable income regardless of economic conditions or local real estate prices. The keys to dependable net lease investments are good area demographics (long term appreciation), lengthy leases and a tenant with strong credit.

There are several versions of Net Lease agreements:

Absolute / Pure or Triple Net (NNN)

The tenant pays operating expenses such as maintenance, repairs, taxes and replacement for the entire property, without limitation. The owners pays the mortgage only. This is the type of lease that most investors expect when purchasing a triple net lease (NNN lease). Over the last few years, this lease type had become the most common in the Pocatello - Chubbuck area.

Bond Lease (NNN)

A slight variation on the NNN (Triple Net) lease, a Bond Lease requires the tenant to absolutely comply with their rent and operating expense obligations regardless of extenuating circumstances affecting the property (ie. Even if the property is under eminent domain proceedings)

Double Net Lease (NN)

Similar to a triple net lease (NNN lease) but with additional owner responsibilities. The owner is generally liable for the structural components of the building such as the roof, foundation and load-bearing walls.

Modified Gross

Under this arrangement, the tenant pays its own utilities, interior maintenance/repairs, and insurance. All other expenses including mortgage & property taxes., are the owner's responsibility.

Gross: The land lord pays all expenses.

Tenant in Common (TIC)

When the IRS agreed that holding title as a Tenant In Common (TIC) qualifies as a "like kind" 1031 exchange and subsequently allowed TIC investors to defer the payment of capital gains taxes, what some call a "synthetic" triple net lease or a Tenant In Common (TIC) investment was created.

Tenant-in-Common investments are similar to NNN investments in that little management is required of the owner. The (generally) low initial cash outlay required for a TIC purchase allows TIC investors to further diversify their portfolios with "investment grade" properties that might not otherwise be within price range. By using a 1031 exchange, investors can adjust their portfolio to

Income Approach to Value: Continued

their current needs. Frequently investors who no longer want to be involved in managing their commercial real estate will do a 1031 exchange to Net Lease or Tenant in Common properties to both diversify their commercial real estate holdings (thus reducing risk) and eliminate management responsibility.

Analysis of Comparable Rentals

The Comparable Rentals illustrate rental rates typical for competing Retail/Office buildings in the subject's immediate area. The following table summarizes the pertinent information obtained from the rent comparables.

COMPARABLE RENTAL SUMMARY CHART							
#	Business Name	LOCATION	USE	BUILDING SIZE	RENT/SF	DOM	TERMS
1	Old Town Embroidery	326 N. Main	Retail/Office	1,940	\$5.26	1,499	\$50/mo annual increase
2	Newberry Building	168 N. Main	Office	400	\$12.00	244	Modified Gross
3	Station Square	200 S. Main Suite E	Retail	400	\$9.75	25	Modified Gross
4	Station Square	200 S. Main Suite H	Office	915	\$10.82	130	Modified Gross
5	Strip Mall Office Space	427 N Main Suite 101	Office	1,357	\$5.26	190	Modified Gross
6	Strip Mall Office Space	427 N Main Suite 100	Office	2,500	\$6.98	190	Modified Gross
7	Strip Mall Office Space	427 N Main Suite L	Office	816	\$7.65	415	Modified Gross
8	Office Building	2520 S. 5 th Avenue	Office	4,225	\$7.00		Net
9	Subject	224 S. Arthur	Office	2,729	\$10.00	Actual	Modified Gross

N/A = Information not available

The current market indicated reasonable rents for Retail/Office Space in the Old Town Pocatello market area, ranged between \$5.00 and \$13.00 per square foot annually depending on the size of the space.

When the subject's size, age, location, and condition were analyzed against the above captioned range, the T-Net Rent of \$7.00/sf was reasonable and used in developing the Income Approach. The storage area (garage) and basement were also able to generate income based on storage value. Part of the basement, a dug-out crawl space, had a dirt floor and lower value

than the concrete portion of the basement. So the overall basement area was taken at 70% of the total size due to the dug-out area. Unfinished Storage area was done at \$2.00/sf which was deemed reasonable.

Vacancy rate for Office buildings in the Pocatello market area typically ran 15%-20% in 2012. The vacancy rate range for comparables ran 15% to 20%, with 20% being reasonable based on the Pocatello market data and location. The subject being located in such a low traffic area in the Old Town market area, suggests a market vacancy rate near 20%. A rate of 20% was deemed reasonable and used to develop the Income Approach.

Operating Expense Ratios (OER) for Office buildings in the Pocatello market area typically run about 20%- 40%. The better the condition the lower the OER is to maintain the building. The OER range for the comparable sales ran 0%. The subject being valued with a Triple Net Lease suggests a similar OER rate. An OER rate of 0% was deemed reasonable and used to develop the Income Approach based on the Triple Net Lease applied to the subject property.

NOI (Net Operating Expense) & Ratio Development Page:

INCOME DEVELOPMENT	UNITS Rentable	\$/UNIT	POTENTIAL INCOME
Main Floor	930	\$7.00	\$6,510
Storage	1,397	\$2.00	\$2,794
			\$0
			\$0
			\$0
Total Potential Income:	2,327	\$4.00	\$9,304
% Vacancy & Collection:	20.00%		(\$1,861)
Other Income		None	\$0
Effective Gross Income:			\$7,443
Reserves / Replacement:			\$0
Fixed Expense:			\$0
Variable Expense:			\$0
Net Operating Income (NOI):			\$7,443
Building Ratios			
Building Rentable SF	2,606		
Building Total SF	2,606		
Land to Building Ratio	(3 : 1)		
Land SF (Total)	12,600		
Annual Debt Service (ADS)	\$5,543.40		
Break Even Point	59.58%		
Operating Expense Ratio	0.00%		
Building Efficiency Ratio	100.00%		
Debt to Income Ratio (DCR) (NOI/ADS)	1.34		

Capitalization Rate Selection:

The capitalization process is accomplished through the application of the capitalization rate, which converts the net income stream into a Final Value Indication. Net Operating Income represents the annual funds, which provide an adequate “return on” (Interest typically earned) and “return of” (return of the wasting asset), capital is synonymous to an interest or discount rate applied to any capital investment.

The “return of” capital is synonymous to the rate at which capital is recovered if the property consists of a depreciating or wasting asset. Recapture Rates (the “Return Of”) are based on one of two formulas, Straight Line or Sinking Fund. The Straight Line Method assumes monies withdrawn for recapture are based on an even depreciation applied over the age of the wasting asset. The Sinking Fund Method states that monies withdrawn from the account for recapture would be deposited into an interest bearing account, and not need to be as great as those held when using the Straight Line Method.

Application of the capitalization rate is the most important step in the Income Approach. Small variations in the capitalization rate effect large variations in the value indications. Developing the R_0 “Overall Capitalization Rate” is based on the “Return Of” and “Return On” or a blended rate. This blended rate represents the amount of money an investor initially invests (Return Of) and a yield (Return On) which may be developed using several methods.

Direct Capitalization Method.

In Direct Capitalization the goal is to secure the Net Operating Income and then applying the “IRV” formula to the income to determine a value. Straight Line Capitalization is based on the formula $[I = R * V]$. R is developed by $1/EL$. While this method provides the necessary components to develop the IRV formula, it does not consider monies withdrawn from the account for recapture that would be re-invested into an alternative investment that bears a compounded interest rate. Because the monies would be deposited into an interest bearing account, the amount of recapture would not need to be as great as those held using the Straight Line Method. Therefore, the Sinking Fund Method was considered to be more accurate and relevant to an income producing property that had investment potential.

Overall rates (Ro) are customarily based on net operating income rather than gross income and may be obtained from comparable sales data by dividing NOI by sales price. They, too, require a very high degree of *uniformity* among the properties considered (subject & comparable), with the exception that the ratio of net operating income to gross income need not be uniform.

Capitalization Rate Selection: Continued

*As the differences in property condition, loan interest rates, property location, risk factors accepted by the individual purchasing investor, other specific purchasing reasons and market conditions *at the time of sale* are taken into consideration, the less reliable or less applicable the market sales data (Ro) becomes. These conditions must be analyzed and accounted for in selecting an Overall Rate for the subject property and appropriate adjustments made. It is inappropriate to simply select an Overall Rate from sales without analyzing and accounting for these factors. Therefore, the other methods of determining a Rate and value are applied to the subject income stream.

Band of Investment. The Band of Investment method encompasses the consideration of *financing* and *equity return*. $R_o = M \times R_m + [(1-M) \times R_e]$. Interest and yield rates are weighted by the proportion each would contribute in typical financing and summed to form a discount rate. Interest Rate, Term, Mortgage/Equity Position are typical for the market area. The rate is then used to estimate property value by capitalizing all net operating income. This method supports the direct capitalization method and provides an upper limit to the Cap Rate based on the property's ability to handle debt (including ADS) based on typical loan data.

Debt Coverage Ratio. This is a performance ratio of NOI and its capacity to handle debt service. This method of capitalization rate development encompasses the consideration of financing and the ability of the income to cover the debt. DCR supports the direct capitalization method and also provides an upper limit to the Cap Rate based on the property's ability to handle debt. The higher the number over 1.0 the more able the income stream to handle the debt service. Typically a DCR over 1.10 is reasonable.

Direct Capitalization Method:

Rates taken from Sales Comparables used in Market Approach.

	Comp # 1	Comp # 2	Comp # 3
Capitalization Rate (Ro)	7.49%	8.04%	8.00%

The Capitalization Rate From Market Data

Indicated Mean Unit Value Cap Rate	7.84%
Standard Deviation ± Cap Rate	0.25%
Cap Rate Range	7.49% - 8.04%
Capitalization Rate most applicable to the subject	7.50%

Conclusion of Market Capitalization Rate:

The capitalization rate range from the market data ranged from 7.49% to 8.04%. Comparable 1 was deemed the most similar in the Market Approach and it carried a R_(o) of 7.49%. The subject was in similar condition and quality to this property and would therefore probably have a similar capitalization rate. The age of the subject was similar and would allow for a similar REL in which to recapture the investment and therefore have a similar capitalization rate. Current market conditions were deemed similar with interest rates in the same range, and when also analyzing the subject location to the comparables it would suggest a rate that was similar.

In Conclusion, when comparing the capitalization rate to the strongest comparable and the other comparables, the subject rate of 7.50% was not deemed extreme or unreasonable.

Market Data From Sales	Data located in Market Approach Comparable Sale Data Section of the report.
Cap Rate Range from Market Data	7.49% - 8.04%
Selected Cap Rate based on comparable sale information	7.50%
Subject Property NOI	\$7,443.20
Subject Property Value	\$99,242.67

(IRV) BREAKDOWN CHART:

Capitalization Rate Breakdown and Development for Subject Property based on typical Market Data for “Return On” and the “Return Of” based on the sinking fund method. The Sinking Fund Method is another way to measure Recapture. The theory states that monies withdrawn from the account for recapture would be re-invested into an alternative investment that bears a compounded rate of interest. Because the monies would be deposited into an interest bearing account, the amount of recapture would not need to be as great as those held using the Straight Line Method.

Using the Sinking Fund Method (Return Of)

Sinking Fund Factor Development Formula:

[FV = -1: Term N =(REL of wasting assets): Interest Rate = 1.4] = [Pmt] “Rate Of”
1.4% Interest Rate (Typical High Interest Savings Account or CD Rate as of 02/10/13.

We think of interest rates as affecting improved properties and mortgages. However, interest rates and subsequent availability of financing, can impact values. Higher/lower interest rates will impact the Return On of property and the amount of return an investor achieves.

Return On = Typical interest rate or expected rate of return. Assuming most properties are purchased with a mortgage, the interest rate will effect the return. Rate based on Prime Rate or other similar national rate providing a general guide to the “Current” real estate market and expected return as of the date of the report.

“Return On” value: Typical rates from the regional banks ranged from 5.0% to 6.50% for typical loan rates. Basing the Return On, on the actual rate of the subject which was within the typical range was not unreasonable and two points over prime rate.

Building SFF OF =	0.03368	REL	25	
	INCOME		RATE	VALUE
LAND	\$1,554.00	RETURN(ON) R(L)	5.25%	\$29,600.00
BUILDING	\$5,889.20	RETURN (OF) R(B)	8.62%	\$68,336.04
TOTAL	\$7,443.20	CAP RATE = R(O)	7.60%	\$97,936.04
			Estimated Value	\$97,936.04

Band Of Investment Method

FORMULA:

$$\begin{array}{lclcl}
 \text{MP} & \times & \text{MC} & = & \frac{\text{Extension}}{\text{Cap Rate}} & \text{MC} = -1\text{PV}; \text{ N}; \text{ I}; \text{ Solve [PMT]} \text{ (Annual)} \\
 & & & & + & \\
 \text{EP} & \times & \text{EDR} & = & \frac{\text{Extension}}{\text{Cap Rate}} & \text{EDR} = (\text{NOI-ADS})/\text{Initial Investment} \\
 & & & = & \text{Cap Rate} &
 \end{array}$$

Loan information (Interest Rate + Term) for the subject property was provided by the bank providing the loan, or based on typical commercial property loans.

Loan value is derived from applying the MP to the property value developed from the direct capitalization method.

Derived from market data, the Band of Investment provides a high end Capitalization Rate by incorporating the subject property’s ability to absorb I_(M). This Cap Rate shows the high end rate for the subject property.

Interest rate of regional commercial banks as of February 1, 2013

Prime Rate: 3.25%

Prime Rate: Month Ago: 3.25%

Prime Rate: Year Ago: 3.25%

Typical Rates provided by DL Evans, Bank of Idaho, Ireland Bank: 5.00% - 6.50% with a 70/30 LTV over 20 years fixed rate was reasonable.

Rate Selected for Subject: The rate 5.25% was within the typical range, the actual rate provided the subject property, and two points over prime.

Loan:	\$68,555	Interest %	5.25%	Term	20	ADS	\$5,543.40
M-Position	70.00%	E-Position	30.00%	NOI	\$7,443	MC	.08195
0.7000	x	0.0820	=	0.0574			
0.3000	x	0.0647	=	<u>0.0194</u>			
		R(o)	=	7.68%			\$96,962.91

Debt Coverage Ratio (Also known as: Underwriter Method)

FORMULA:

$R_o = M \times R_m \times DCR \ [R/(M \times R_m)]$ same as $R_o = \underline{MP \times MC \times DCR}$

MP = Mortgage Position

MC = Mortgage Constant

DCR = (NOI / ADS)

MP		MC		DCR		Rate	NOI
0.70	x	0.08	x	1.34	=	7.70%	\$7,443.20
						Estimated Value =	\$96,633.84

Summary of Income Value:

The capitalization rates used for the subject property were within the range of the capitalization rates derived in the market approach (See Improved sales for Cap Rates of comparable properties.) The Market Approach Capitalization rates supported the capitalization rates developed in each of the three Income Approaches and therefore, they were deemed reasonable.

Capitalization Range derived from the Market Approach 7.49% - 8.04%. A reasonable market Cap Rate selected at 7.50% due to property condition, income potential and marketability of the subject.

Capitalization Range derived from the three approaches to Income: 7.50% to 7.70%

A Capitalization Rate within the 7.50% to 7.70% range would be reasonable based on market data. This rate, developed by the three income methods is further supported by the range of Capitalization Rates developed by the data from comparable sales; and provided strong support to the summarized income values below. The Capitalization Rate developed by the three Income Methods had a tighter range, better market data and support than the Capitalization Rates derived in the Market Approach since the comparable sales were not identical to the subject property and therefore, the data was deemed less reliable.

The value indicated by the Income Approach is summarized as follows:

Direct Capitalization: From Market Data =	\$99,242.67
Direct Capitalization: Subject Property Income Value =	\$97,936.04
Band of Investment: Subject Property Income Value =	\$96,962.91
Debt Coverage Ratio: Subject Property Income Value =	\$96,633.84
ROUNDED TO	\$98,000.00

RECONCILIATION AND FINAL CONCLUSION

The three approaches employed in this report have produced the following results:

Three Approaches to Value Summary Chart:

Sales Comparison Approach:	\$94,700.00
Cost Approach	\$105,700.00
Income Comparison Approach	\$98,000.00

The approaches to value developed a value range for the property from \$94,700.00 to \$105,700.00, a 10% range in value and was deemed reasonable and not excessive. A value within that range would be appropriate for the subject property.

The Market Approach provides a good analysis of value if the comparable sales are identical to the subject in physical, economic and functional characteristics. If the comparable properties are not identical to the subject property, then, the more adjustments that need to be made, the weaker the market data becomes. The estimate from this approach was considered to be the weakest indicator of value for the subject property and used to show support for the Income Approach.

The Sales Comparison Approach including the land value was dependent upon sales and resales of similar buildings and sites throughout the market area. This facility was nearly unique in the local market and there were no other known sales that were directly comparable with the subject property. (Office space with large garage and unfinished storage). Support of this estimate was established through an analysis of the sales and resales of similar age office buildings. The comparable sales were considered strong and provided a good indicator of value due to the similarity to the subject property.

The Replacement Cost Approach developed RCN. This approach was the result of an estimate from the Marshall & Swift Commercial Estimator Program, modified for time and location. This estimate was compared with known costs of similar new construction in the market area. It was considered to be the highest indicator of value for the subject property. Due to the age of the property, this approach was the least reliable.

The Income Approach used the Direct Capitalization of the stabilized income for one year and a capitalization rate derived from market factors. The Income Approach, typically free of any type of adjustments would provide the best or strongest indication of value and carried the most weight in determining the overall value of the subject property. It was considered to be the Strongest value indicator for the subject property.

Reconciliation and Final Conclusion: Continued

After considering the Cost Approach, the Sales Comparison Approach, and the Income Approach, each is considered valid with previously mentioned strengths and weaknesses. An appraisal cannot be guaranteed nor the value considered to be an absolute. However, the appraiser's opinion of value can be substantiated and justified, and the final opinion of value is the result of professional analysis of physical and economic facts. This should be particularly taken into consideration when the valuation of a property in a limited or unique market area or an atypical property is being analyzed.

All three approaches have support from available market data. No further adjustments in the valuation procedure from any of these approaches appears to be necessary.

Weighing each of the value estimates on its merits, it is my opinion that the Market Value of the Subject Property as of February 1, 2013 was

NINETY-EIGHT THOUSAND DOLLARS.

\$98,000.00

Date: February 14, 2013



Edward P. Bowman, III CGA #2025
Certified General Appraiser

APPRAISER'S CERTIFICATION

The Appraiser certifies and agrees that:

1. I have researched the subject market area and have selected a minimum of three recent sales of properties most similar and proximate to the subject property for consideration in the sales comparison analysis and have made a dollar adjustment when appropriate to reflect the market reaction to those items of significant variation. If a significant item in a comparable property is superior to, or more favorable than, the subject property, I have made a negative adjustment to reduce the adjusted sales price of the comparable and, if a significant item in a comparable property is inferior to, or less favorable than the subject property, I have made a positive adjustment to increase the adjusted sales price of the comparable.

2. I have taken into consideration the factors that have an impact on value in my development of the estimate of market value in the appraisal report. I have not knowingly withheld any significant information from the appraisal report and I believe, to the best of my knowledge, that all statements and information in the appraisal report are true and correct.

3. I stated in the appraisal report only my own personal, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the contingent and limiting conditions specified in this form.

4. I have no present or prospective interest in the property that is the subject of this report, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or the estimate of market value in the appraisal report on the race, color, religion, sex, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property.

5. I have no present or contemplated future interest in the subject property, and neither my current or future employment nor my compensation for performing this appraisal is contingent on the appraised value of the property.

6. I was not required to report a predetermined value or direction in value that favors the cause of the client or any related party, the amount of the value estimate, the attainment of a specific result, or the occurrence of a subsequent event in order to receive my compensation and/or employment for performing the appraisal. I did not base the appraisal report on a requested minimum valuation, a specific valuation, or the need to approve a specific mortgage loan.

7. I performed this appraisal in conformity with the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of the Appraisal Foundation and that were in place as of the effective date of this appraisal, with the exception of the departure provision of those Standards, which does not apply. I acknowledge that an estimate of a reasonable time for exposure in the open market is a condition in the definition of market value and the estimate I developed is consistent with the marketing time noted in the neighborhood section of this report, unless I have otherwise stated in the reconciliation section.

8. I have personally inspected the interior and exterior areas of the subject property in the appraisal report. I further certify that I have noted any apparent or known adverse conditions in the subject improvements, on the subject site, or on any site within the immediate vicinity of the subject property of which I am aware and have made adjustments for these adverse conditions in my analysis of the property value to the extent that I had market evidence to support them. I have also commented about the effect of the adverse conditions on the marketability of the subject property.

APPRAISER’S CERTIFICATION: Continued

9. I personally prepared all conclusions and opinions about the real estate that were set forth in the appraisal report. If I relied on significant professional assistance from any individual or individuals in the performance of the appraisal or the preparation of the appraisal report, I have named such individual(s) and disclosed the specific tasks performed by them in the reconciliation section of this appraisal report. I certify that any individual so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in the report; therefore, if an unauthorized change is made to the appraisal report, I will take no responsibility for it.

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

11. I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

12. I certify that, as of the date of this report, I have completed the requirements of the continuing education program required by the State of Idaho, Idaho State Certified Real Estate Appraiser Board.

13. If subject improvement was “existing,” the subject property was not inspected to the same level as a building inspector. The appraiser conducted a visual observation of the building space and primary out-buildings that provide significant value to the property. Areas not visible from the main building “living” or usable/rentable space were not examined. Crawl spaces, attics, etc., were inspected only if there was easily apparent damage or other problems obvious from the living/rentable space. The roof was viewed from the ground level only, areas not visible from the ground were not checked. The appraisal report cannot be relied upon to disclose conditions and/or defects in the property. If the Client has any question about the condition of the property, or anything reported in this appraisal, it is recommended that a certified building inspector, or other appropriate professional, inspect the property.

14. There are no other limiting conditions other than as stated.

15. I have not performed an appraisal of the subject property within the prior thirty-six months.

ADDRESS OF PROPERTY APPRAISED: 1428 North 3rd Avenue, Pocatello, Idaho

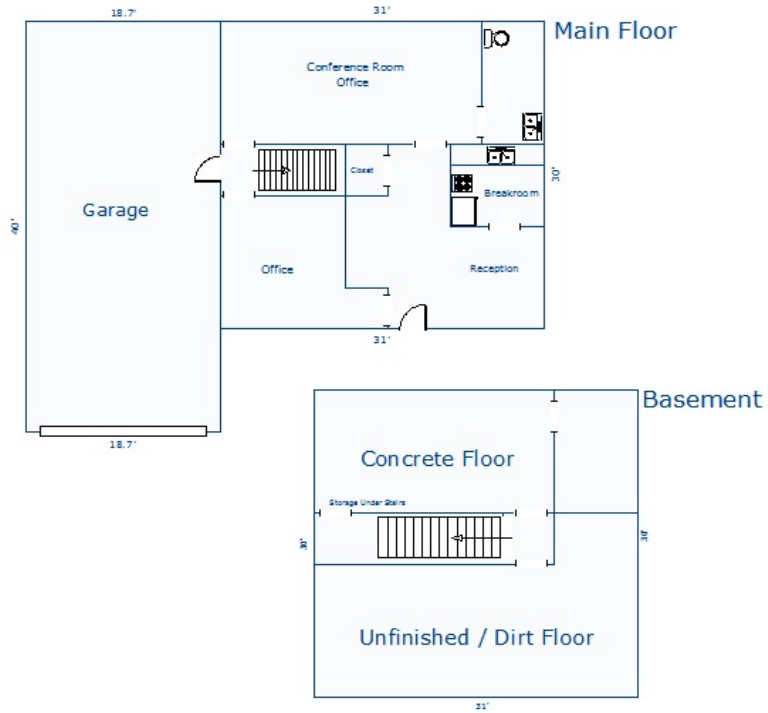
APPRAISER:



Signature: _____

Name: Edward P. Bowman, III
Date Signed: February 14, 2013
State Certification #: CGA-2025
State: Idaho
Expiration Date of Certification: 3/8/2013

**APPENDIX
BUILDING SKETCH:**



Sketch by Apex Sketch v8 Standard™

Comments:

AREA CALCULATIONS SUMMARY			
Code	Description	Net Size	Net Totals
GLA1	First Floor	930.00	930.00
BSMT	Basement	930.00	930.00
GAR	Garage	746.67	746.67
Net LIVABLE Area		(rounded)	930

LIVING AREA BREAKDOWN			
Breakdown			Subtotals
First Floor			
0.5 x	30.0 x	0.0	0.00
0.5 x	31.0 x	0.0	0.00
	31.0 x	30.0	930.00
3 Items			(rounded) 930

1428 North 3rd Avenue, Pocatello, Idaho

PLAT MAP

Bannock County Parcel Viewer

<http://gis.whispersmountain.net/bannockcountypublic/index.html>

Bannock County Parcel Viewer RPPC221000 Search PRINT EMAIL HELP

Owner	Parcel Number
CITY OF POCATELLO	RPPC221000

Imagery Basemap

BLOCK 335
BLOCK 283
BLOCK 334
BLOCK 339
BLOCK 333
BLOCK 340

CITY OF POCATELLO
Parcel Number: RPPC221000
Owner Name: CITY OF POCATELLO
More Information: [Click here](#)

1 of 1

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1428 North 3rd Avenue, Pocatello, Idaho

LOCATION MAP



1428 North 3rd Avenue, Pocatello, Idaho

SUBJECT PHOTOGRAPHIC EXHIBITS



1428 North 3rd Avenue, Pocatello, Idaho

SUBJECT PHOTOGRAPHIC EXHIBITS



SUBJECT PHOTOGRAPHIC EXHIBITS

Main Floor Office Space



SUBJECT PHOTOGRAPHIC EXHIBITS

Basement: Concrete Side
Storage space



Basement: Concrete Side
Storage space



Basement: Concrete Side
Back room storage space



SUBJECT PHOTOGRAPHIC EXHIBITS

Dug out side of the basement.
Use to be crawl space
The area was dug out below the footings.
No concrete flooring.



Floor dug below the footings



Garage



Garage



1428 North 3rd Avenue, Pocatello, Idaho

PHOTOGRAPHIC EXHIBITS - COMPARABLE SALES

Comparable 1

210 E. Lewis



Comparable 2

324 S. 5th



Comparable 3

1134 N. Main



LAND SALES LOCATION MAP



IMPROVED SALES LOCATION MAP



ZONING ORDINANCE

TABLE 17.03.430
USE TABLE: INDUSTRIAL ZONE DISTRICTS

<u>USE CATEGORY</u>	<u>OP</u>	<u>LI</u>	<u>I</u>
RESIDENTIAL	R ¹	R ¹	R ¹
Household Living	N	N	N
Group Living, Supervised	N	N	N
Group Living, Unsupervised	N	N	N
Transitional Housing	N	N	N
Shelter Housing	N	N	N
Home Occupation	N	N	N
Residential Daycare	N	N	N
HOUSING TYPES			
Single Dwelling Units, Attached	N	N	N
Single Dwelling Units, Detached	R ¹	R ¹	R ¹
Zero Lot Line Dwelling Units	N	N	N
Residential Condominium	N	N	N
Accessory Dwelling Units	N	N	N
Two-Family Units	N	N	N
Boarding Houses	N	N	N
Multi Family Dwelling Units	N	N	N
Manufactured Home Units	R ¹	R ¹	R ¹
CIVIC (INSTITUTIONAL)			
Basic Utilities	P	P	P
Colleges	C	N	N
Community Recreation	N	N	N
Cultural Institutions	C	C	N
Emergency Services	P	P	P
Medical Centers	P	N	N

<u>USE CATEGORY</u>	<u>OP</u>	<u>LI</u>	<u>I</u>
Medical Centers	P	N	N
Public Support Facilities	P	P	P
Religious Institutions	N	N	N
Schools	N	N	N
Social/Fraternal Clubs/Lodges	N	N	N
COMMERCIAL			
Commercial Lodging	R ²	C	N
Eating and Drinking Establishments	R ²	R ² /C	R ² /C
Entertainment-Oriented			
- Major Event Entertainment	N	N	N
- Outdoor Entertainment	C	N	N
- Indoor Entertainment	P	N	N
- Adult Entertainment	N	N	N
General Retail			
- Sales-Oriented	R ²	R ² /C	R ² /C
- Consumer Services	R ²	R ² /C	R ² /C
- Repair-Oriented	R ²	P	P
- Outdoor Sales	N	P	P
- Animal-Related	N	P	P
Motor Vehicle Related			
- Motor Vehicle Sales/Rental	N	P	P
- Motor Vehicle Servicing/Repair	C	P	P
- Vehicle Fuel Sales	R ³ /C	R ³ /C	R ³ /C
Non-Accessory Parking	P	P	P
Office	P	R ⁴	R ⁴
Self-Service Storage	C	P	P
US Postal Service	P	P	P

<u>USE CATEGORY</u>	<u>OP</u>	<u>LI</u>	<u>I</u>
INDUSTRIAL			
Industrial Services	N	P	P
Manufacturing and Production			
- Light Industrial	P	P	P
- Heavy Industrial	N	C	P
Railroad Yards	N	N	P
Research and Development	P	P	P
Warehouse/Freight Movement	R/C ⁵	P	P
Waste-Related	N	N	P
Wholesale Sales	C	P	P
OTHER			
Accessory Structures	P	P	P
Cemeteries	N	N	N
Detention Facilities	C	C	C
Heliports	C	C	C
Mining	N	N	C
WECS/SWECS	C	C	C
Wireless Communications Facilities	R ⁶	R ⁶	R ⁶
P=Permitted	R=Restricted	C=Conditional Use	N=Not Permitted

- 1 A single-family detached dwelling or single-family manufactured home is allowed for one on-site caretaker residence when located on the same lot as the permitted use and occupied exclusively by the caretaker and family.
- 2 These limited uses, separately or in combination, may not exceed twenty-five (25) percent of the entire square footage within a development complex. No retail uses shall exceed thirty thousand (30,000) square feet of gross leasable area per building or business.
- 3 Vehicle fuel sales permitted outright unless in combination with convenience sales, in which case it is permitted conditionally.
- 4 Office uses are permitted in LI and I zoning districts as accessory uses up to thirty (30) percent of the entire square footage within a development complex.
- 5 Warehouse/freight movement uses are permitted in OP zoning districts only as accessory uses to a principal use; all other shall be by conditional use permit.
- 6 See chapter 15.42, Wireless Communication Facilities, for standards and requirements.

17.03.440 Development Standards:

A. Compliance required. All Development shall comply with:

1. All of the applicable development standards contained in the underlying zoning district, except where the applicant has obtained variances in accordance with Chapter 17.02.170, Variances;
2. All other applicable standards and requirements contained elsewhere in this table.

B. Development Standards. Development standards in industrial zoning districts are as follows and as further outlined in table 17.03.440.

1. If located along a major arterial road, the front setback shall be a minimum of ten (10) feet wide with an opaque screen or twenty (20) feet wide with a semi-opaque screen.

TABLE 17.03.440
SITE DEVELOPMENT STANDARDS IN INDUSTRIAL ZONE DISTRICTS

STANDARD	OP Office Park	LI Light Industrial	I Industrial
Minimum Lot Size	None ^A	None	None
Minimum Lot Width	None	None	None
Minimum Setbacks			
- Front yard	30 ft.	10 ft.	10 ft.
_B Side facing street on corner & through lots	20 ft.	10 ft.	10 ft.
- Side yard	10 ft.	0 ft. ^B	0 ft. ^B
- Rear yard	10 ft.	0 ft. ^B	0 ft. ^B
Maximum Height	45 ft.	45 ft.	75 ft.
Minimum Landscape Requirement ^C	25%	5%	5%

A Minimum parcel size is five (5) acres, prior to subdividing to create the office park.

B No side or rear yard setback shall be required except where the district abuts a residential zoning district. When adjacent to a residential district, a setback as required under Transitional Buffers Section 17.05.270 shall be maintained.

C Landscaped setbacks may be counted toward the total requirement, however, parking lot landscaping shall not be counted.

17.03.450 Additional Development Standards.

A. Commercial development in the OP zoning district. The following development standards shall apply for commercial development located in the OP zoning district.

1. Commercial development may be a maximum of twenty-five (25) percent of the office park development or building size.

2. The site should have access to an arterial or major collector street within one thousand feet (1000') with capacity sufficient to ensure that adequate access to local businesses is maintained. If deemed necessary by City staff, a traffic impact study may be required.

B. Day care uses. The following standards shall apply for all commercial day care uses in the OP and LI zoning districts.

1. The daycare use shall be accessory use to the primary site use.
2. The daycare shall be licensed by the City of Pocatello and the State of Idaho.

C. Pedestrian circulation in the OP districts. In the OP zoning districts, and the following additional development standards shall apply.

1. Continuous internal pedestrian walkways, no less than four (4) feet in width, shall be provided from the public sidewalk or right-of-way to the principal customer entrance of all principal buildings on the site. At a minimum, walkways shall connect focal points of pedestrian activity such as, but not limited to, transit stops, street crossings, and building and store entry points.

2. Sidewalks no less than four (4) feet in width shall be provided along the full length of the building along any facade featuring a customer entrance, and along any facade abutting public parking areas. A landscaped strip not less than five (5) feet wide shall be provided along the facade when a sidewalk is required, except in front of entryways or entryway projections.

3. To enhance pedestrian safety and comfort and provide visually differentiated walkways, all internal pedestrian crosswalks shall be visually distinguished from driving surfaces through use of paint or other markings, other smooth surface, durable, low maintenance materials.

D. Building facades and exterior walls in the OP District. To provide detail and visual interest, the following development standards shall apply for all development in the OP district:

1. Non-fenestrated front and street side building facades greater than two hundred (200) feet in length, measured horizontally, shall incorporate design elements to prevent creation of continuous blank facades along the front of the building and all street sides. Examples include, but are not limited to: windows, plane changes, cornice treatments, placement of columns, backlit awnings, neon runners, or other special architectural treatments.

2. All sides of buildings with street frontage shall include materials and design elements consistent with those on the front building facade.

E. Sales and storage lots for recreational vehicles and heavy equipment, where the equipment is capable of breaking a paved surface, may be located on a maintained graveled surface subject to the following requirements:

1. Treatments of magnesium chloride, calcium chloride, or a City-approved equal, shall be applied to the lot a minimum of twice a year or as necessary so that the graveled area is maintained in a dustless condition. Design and maintenance plans for the graveled areas shall be reviewed and approved by the Engineering Department.

2. The graveled area shall be maintained in a weed-free condition.

3. Customer and employee parking shall be paved and spaces shall be marked.

4. Access drives to the sales lots and storage areas shall be paved. Paved lanes shall provide adequate access routes meeting Fire Code requirements.

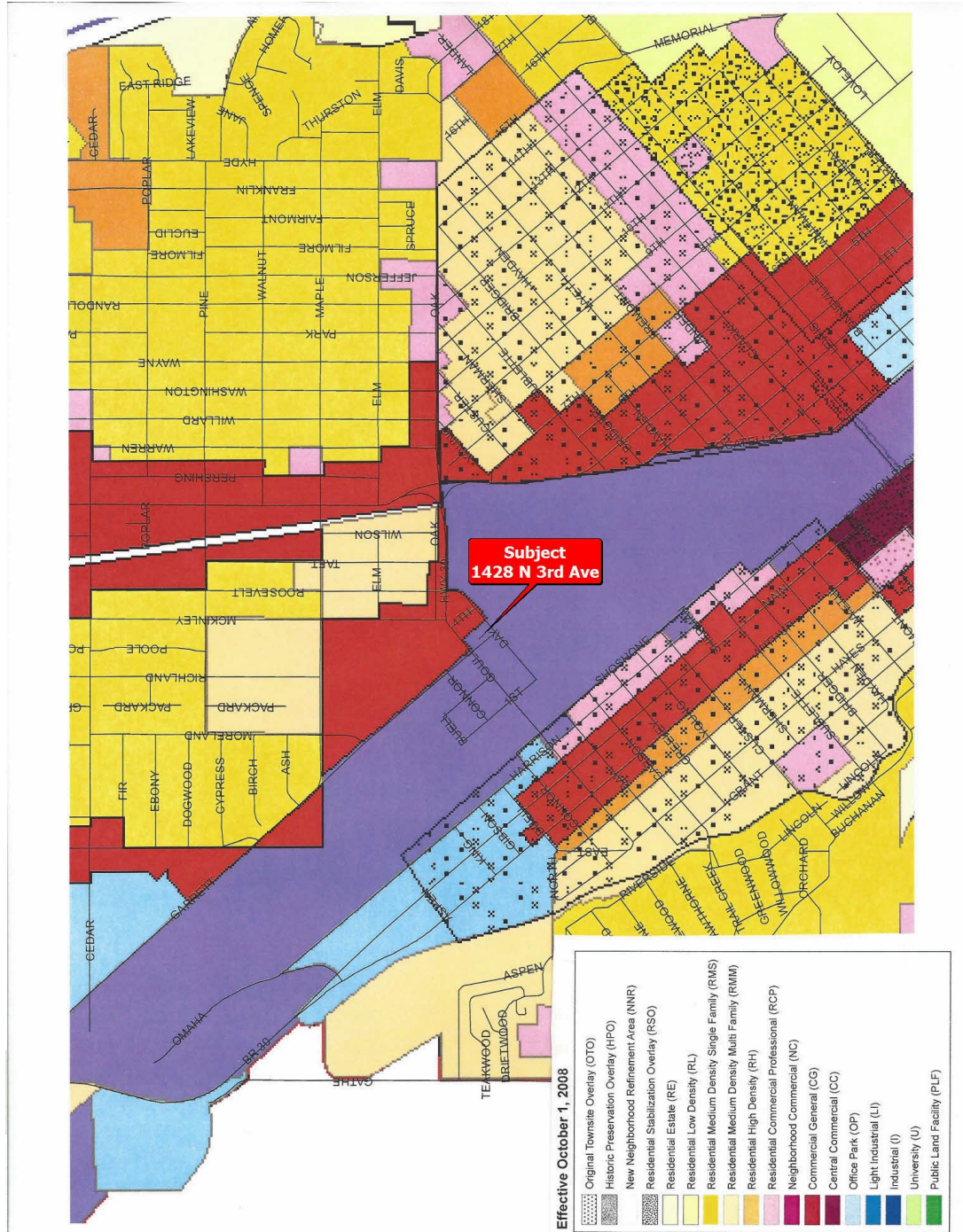
5. A 10-foot wide landscaped buffer area shall be located around the perimeter of the entire graveled area or side.

6. Best Management Practices found in the Idaho Department of Environmental Quality “Catalog of Stormwater Best Management Practices for Cities and Counties” shall be used in developing and maintaining the graveled areas.

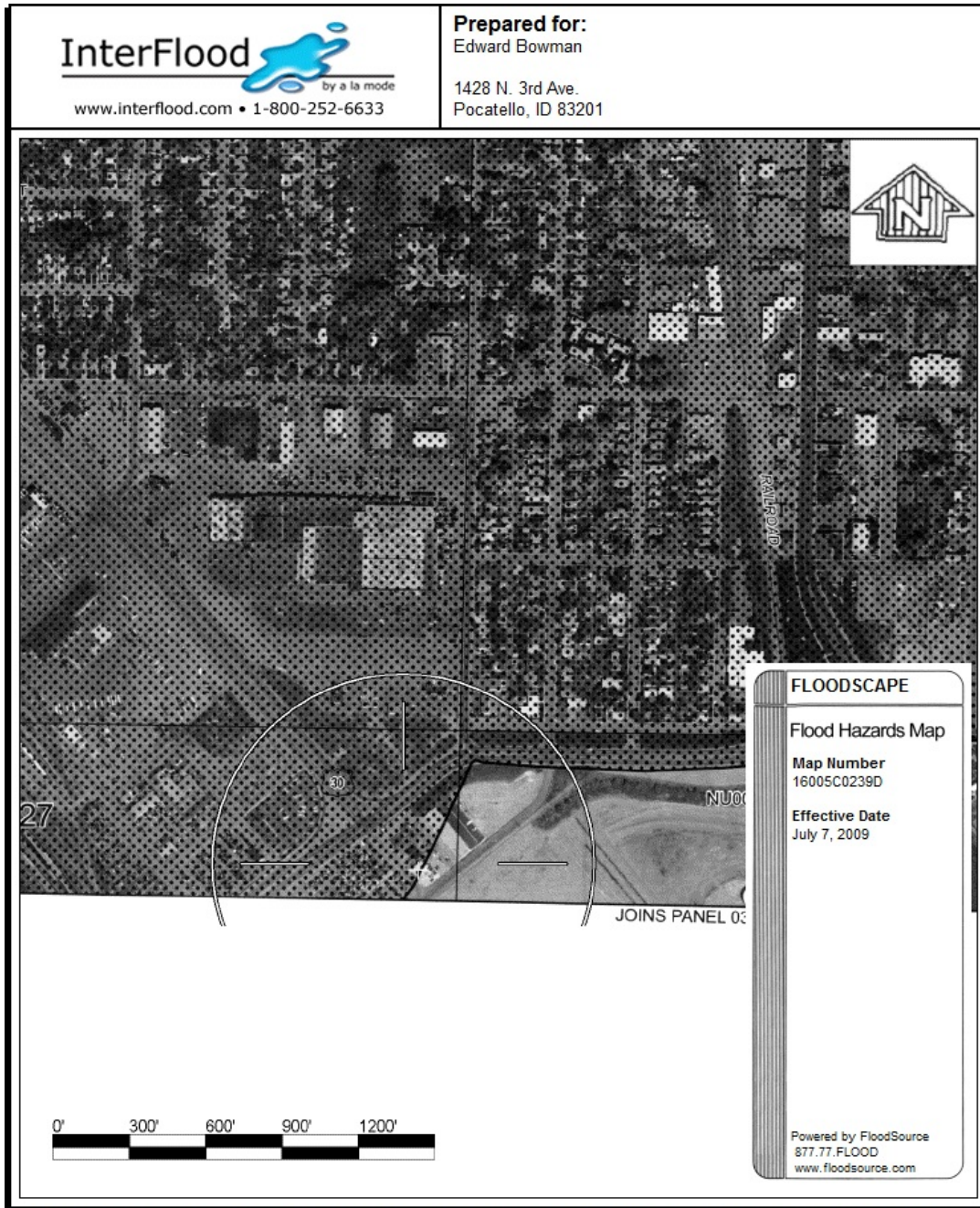
7. Stormwater shall be managed in accordance to the current City of Pocatello Stormwater Master Plan.

8. Control measures shall be required to prevent tract out from unpaved areas to paved rights-of-way.

ZONING MAP



FLOOD MAP



© 1999-2012 SourceProse and/or FloodSource Corporations. All rights reserved. Patents 6,631,326 and 6,678,815. Other patents pending. For Info: info@floodsource.com.

APPRAISAL ENGAGEMENT DOCUMENT
AGREEMENT FOR PROFESSIONAL VALUATION SERVICES
BOWMAN APPRAISAL and VALUATION

APPRAISAL ASSIGNMENT

DATE OF AGREEMENT: January 18, 2013

PARTIES TO AGREEMENT:

Client:

City of Pocatello
911 North 7th Avenue
Pocatello, Idaho 83201
Phone: 208-234-6587
Fax: 208-234-6151
E-mail:

Appraiser:

Edward P. Bowman, III
Bowman Appraisal and Valuation, LLC
P.O. Box 2381
Pocatello, Idaho 83206
Phone: 208-239-0763
Cell: 208-241-1713
Fax: 208-239-0763
E-mail: bowmanappraisal@cableone.net

The City of Pocatello hereby engages Bowman Appraisal & Valuation to complete an appraisal assignment as follows:

PROPERTY IDENTIFICATION

City Property:
1428 North 3rd Avenue
Pocatello, Idaho 83201
Parcel: RPPOC221000

PROPERTY TYPE

The appraisal is for property that is an Existing

INTEREST VALUED

The legal property appraised will be Fee simple

INTENDED USERS

City of Pocatello

Note: No other users are intended by Appraiser. Appraiser shall consider the intended users when determining the level of detail to be provided in the Appraisal Report.

INTENDED USE

The intended use is to assist Client in establishing an asking price.

TYPE OF VALUE

Market value as defined in The Dictionary of Real Estate Appraisal published by the Appraisal Institute.

DATE OF VALUE

The property will be valued as of the date of inspection.

HYPOTHETICAL CONDITIONS, EXTRAORDINARY ASSUMPTIONS

None anticipated

APPLICABLE REQUIREMENTS OTHER THAN THE UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE (USPAP)

The Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute

ANTICIPATED SCOPE OF WORK

Site visit

The appraiser will complete onsite observations of the property site, interior and exterior observations of any improvements.

Valuation approaches

The appraisal will encompass the Sales comparison approach / Cost approach / Income approach

Note: Appraiser shall use all approaches necessary to develop a credible opinion of value.

APPRAISAL REPORT

Report option

The appraisal will be a Summary Report of a complete appraisal. A narrative report will be provided.

CONTACT FOR PROPERTY ACCESS

Mr. Gerald Evans
208-234-6151

ESTIMATED DELIVERY DATE

February 15, 2013

DELIVERY METHOD

Hand delivery

NUMBER OF COPIES

2

PAYMENT TO APPRAISER

The base fee for the appraisal will be \$3,000.

PROPOSED IMPROVEMENTS

If the property appraised consists of proposed improvements, Client shall provide to Bowman Appraisal plans, specifications, or other documentation sufficient to identify the extent and character of the proposed improvements.

PROPERTIES UNDER CONTRACT FOR SALE

If the property appraised is currently under contract for sale, Client shall provide to Bowman Appraisal a copy of said contract including all addenda.

CONFIDENTIALITY

Bowman Appraisal will not provide a copy of the written Appraisal Report to, or disclose the results of the appraisal prepared in accordance with this Agreement with, any party other than Client, unless Client authorizes such in writing, except as stipulated in the Confidentiality Section of the Ethics Rule of the Uniform Standards of Professional Appraisal Practice (USPAP).

CHANGES TO AGREEMENT

Any changes to the assignment as outlined in this Agreement shall necessitate a new Agreement. The identity of the client, intended users, or intended use; the date of value; type of value; or property appraised cannot be changed without a new Agreement.

CANCELLATION

Client may cancel this Agreement at any time prior to Bowman Appraisal's delivery of the Appraisal Report upon written notification to the Appraiser. Client shall pay Appraiser for work completed on assignment prior to Appraiser's receipt of written cancellation notice at the rate of \$100.00 per hour, plus expenses, with a minimum charge of \$500.

NO THIRD PARTY BENEFICIARIES

Nothing in this Agreement shall create a contractual relationship between Bowman Appraisal or the Client and any third party, or any cause of action in favor of any third party. This Agreement shall not be construed to render any person or entity a third party beneficiary of this Agreement, including, but not limited to, any third parties identified herein.

TESTIMONY AT COURT OR OTHER PROCEEDINGS

Unless otherwise stated in this Agreement, Client agrees that Bowman Appraisal's assignment pursuant to this Agreement shall not include the Appraiser's participation in or preparation for, whether voluntarily or pursuant to subpoena, any oral or written discovery, sworn testimony in a judicial, arbitration or administrative proceeding, or attendance at any judicial, arbitration, or administrative proceeding relating to this assignment.

APPRAISER INDEPENDENCE

Appraiser cannot agree to provide a value opinion that is contingent on a predetermined amount. Appraiser cannot guarantee the outcome of the assignment in advance. Appraiser cannot insure that the opinion of value developed as a result of this Assignment will serve to facilitate any specific objective by Client or others or advance any particular cause. Appraiser's opinion of value will be developed competently and with independence, impartiality and objectivity.

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JAN-28-2013 09:51 AM

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EXPIRATION OF AGREEMENT

This Agreement is valid only if signed by both Appraiser and Client within 7 days of the Date of Agreement.

GOVERNING LAW & JURISDICTION

The interpretation and enforcement of this Agreement shall be governed by the laws of the state in which the Appraiser's principal place of business is located, exclusive of any choice of law rules.

By Appraiser:

By Client:

Edward P. Bowman, III
(Signature)

Brian C. Blad, Mayor
(Signature)

Edward P. Bowman, III
(Printed name)

Brian C. Blad, Mayor
(Printed name)

January 18, 2013
(Date)

1-28-13
(Date)

APPROVED BY LEGAL

Date 1/28/13 Atty at for AOT

Comments Please see survey
engagement letter for life property

GLOSSARY OF APPRAISAL TERMS

The following definitions are provided to assist in understanding the appraisal procedure and the conditions on which this appraisal has been made.

Appraisal: The act or process of estimating value. An appraisal is an opinion of the nature, quality, value or utility of specified interests in, or aspects of, identified real estate. (USPAP)

Appraisal Report: Any communication, written or oral, of an appraisal, review, or analysis of property. An appraisal report is most often the document that is transmitted to the client upon completion of an appraisal assignment. Reporting requirements are set forth in Standards Rules relating to Standards 2 and 5 of the USPAP.

Assumption: An assumption is that which is taken to be true or a fact.

Cash Equivalency: See Market Value

Date of Appraisal Report: This date indicates whether the perspective of the appraiser regarding the market conditions as of the effective date of the appraisal was prospective, current or retrospective.

Easement: An easement is an interest in land of another entitling the owner of that interest to a limited use of the land in which it exists. An easement is an interest less than the fee estate, with the landowner retaining full dominion over his realty subject on to the easement, and the landowner may make any use of his realty that does not interfere with the easement holder's reasonable use of the easement.

Easement By Prescription: The right to use another's land, which is established by exercising this right over a period of time; although the right has not been specifically granted, it is understood by the parties involved.

Effective Date of Appraisal: The effective date of an appraisal establishes the context for the value estimate. It is the date on which the appraised value is effective and valid.

Extraordinary Assumption: This is an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Note: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

Fee Simple Title: The fee simple title is an absolute fee or estate of inheritance of real property; a fee (title) without limitations to any particular class of heirs or restrictions, but subject to the limitations of condemnation, escheat, police power, and taxation. Fee title includes real estate (physical things such as land, trees, soil, minerals, homes, building, fences, etc.) and real property.

GBA: Gross Building Area, excluding basements

Going Concern Value: Going Concern Value is the value of a proven property operation. It includes the incremental value associated with the business concern, which is distinct from the value of the real estate. Going concern value includes intangible enhancement of the value of the operating business enterprise, which is produced by the assemblage of the land, building, labor, equipment, and the marketing enterprise.

Highest and Best Use: This refers to the highest and most profitable use for which the property is adaptable and needed or likely to be needed in the near future. The four criteria the highest and best use test must meet are 1) legal permissibility; 2) physical probability; 3) financial feasibility; and 4) maximum profitability.

Hypothetical Condition: That condition which is contrary to what exists but is supposed for the purpose of analysis.

Note: Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

Intended Use: That use or uses of an appraiser's reported appraisal, appraisal review, or consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment.

Intended User: The intended user is the client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or consulting report, by the appraiser based on communication with the client at the time of the assignment.

Market Value: The market value is the amount in cash, or in terms reasonably equivalent to cash, for which in all probability the property would be sold by a knowledgeable owner willing, but not obligated, to sell to a knowledgeable purchaser who desired, but is not obligated, to buy.

(Uniform Appraisal Standards For Federal Land Acquisitions)

Market Value as Defined by USPAP: 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 knowledgeable and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

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

Market Value “As Is”: This is an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of inspection.

Market Value “Upon Completion”: This is the estimate of market value of a property based on the hypothetical completion and construction of improvements to be built.

Marketing Period: The estimated length of time that may be required to sell the property in a competitive and open market.

O’ALL \$/S.F. GBA: The cash equivalent price of the entire property divided by the gross building area.

Occupancy Group: The broad classification of a building type (e.g., Commercial Building, Warehouse Building).

Occupancy Name: The more specific classification of building type within the broader category of occupancy group (e.g., Retail Building, Storage Facility).

\$/SF. BLDG: The ascribed value of the building divided by the gross building area.

Real Estate: Real estate is an identified parcel or tract of land, including land, trees, soil, minerals, and structural improvements, if any.

Real Property: This is usually defined as the “rights” that are inherent in the ownership of real estate. When an individual or individuals own real estate, the individual(s) own not only physical things, but also acquire rights to use, to not use, to change, to modify, to sell, to not sell, or give away, all or part of the real estate (physical things) or the rights thereto (real property). These “rights” include not only surface rights, but also include all subsurface rights and air rights above the surface. It is these real property rights that give real estate value.

Note: In some jurisdictions, the terms real estate and real property have the same legal meaning. The separate definitions recognize the traditional distinction between the two concepts in appraisal theory.

USPAP (Uniform Standards of Professional Appraisal Practice): this refers to the current standards of the appraisal profession. They were developed for appraisers of real estate properties and users of real estate appraisal services. The USPAP deal with the procedures to be followed in developing an appraisal, analysis, or opinion and the manner in which an appraisal, analysis, or opinion is communicated. The USPAP were created by the Appraisal Foundation and endorsed by all professional appraisal organizations.

GLOSSARY OF PERTINENT FORMULA TERMS

Break Even Point: The numerical expression that conveys the result of the rent or occupancy level necessary to pay the total operating expenses and debt service.
 $((\text{Operating Expenses} + \text{ADS}) / \text{PGI})$

Building Efficiency Ratio: The relationship of the Gross Leasable Area (GLA) to the Gross Building Area (GBA). (GLA/GBA)

Debt to Income Ratio: Also known as (Debt Coverage Ratio) The performance ratio of the Net Operating Income and its capacity to handle debt service. This method is used in the lending market to qualify borrowers of income property. It is also a component of a capitalization rate development called the “Debt Coverage Ratio or Underwriter Method.”
 $(\text{NOI} / \text{ADS})$

Operating Expense Ratio: A performance relationship between the cost of operation and the income received. $(\text{Operating Expense} / \text{EGI})$

Parking Ratio: Relates to the zoning requirements regarding the required number of parking spaces.

Formula Expressions:

ADS	Annual Debt Service: Sum of monthly loan payments over one year.
EA	Economic Age
EDR	Equity Dividend Rate $((\text{NOI} - \text{ADS}) / \text{Initial Investment})$
EGI	Effective Gross Income: $\text{PGI} - (\text{Vacancy} \ \& \ \text{Collection}) + \text{Other Income}$
EL	Economic Life
EP	Equity Position
F-RCN	Future Replacement Cost New
MC	Mortgage Constant: $N=\text{Term}; I = \text{Interest Rate}; PV=-1; \text{Solve for PMT}$
MP	Mortgage Position
NOI	Net Operating Income: $(\text{EGI} - \text{Operating Expenses})$
OER	Operating Expense Ratio: $(\text{Operating Expense} / \text{EGI})$
PGI	Potential Gross Income
PMT/SFF	Payment needed (annual) to reach F-RCN: Assuming investment of funds.
R_B	Rate to the Building (Rate Of + Rate On)
R_L	Rate to the Land (Rate On)
RCN	Replacement Cost New: Based on Marshal & Swift Cost Estimator.
REL	Remaining Economic Life
R_o	Rate Overall: Or Overall Capitalization Rate.

APPRAISER QUALIFICATIONS

Edward P. Bowman, III

LICENSES:

Idaho Certified General Appraiser CGA-2025

PROFESSIONAL MEMBERSHIPS:

National, State and Local Board of Realtors

PROFESSIONAL APPRAISAL EXPERIENCE

Bannock County Assessor's Office 1999 - 2001

Bowman Appraisal and Valuation 2002 - to present

EDUCATION:

Pocatello High School - 1986

Carroll College, BA - 1996

PROFESSIONAL EDUCATION:

National Association of Independent Fee Appraisers

Appraisal Standards of Practice and Professional Ethics - 2004

The Appraisal Institute

Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets - 2012

General Appraiser Report Writing and Case Studies - 2012

Business Practices and Ethics - 2011

Appraisal Standards of Practice and Professional Ethics - 2003, 2006, 2008

General Appraiser Income Approach (Part II) - 2009

General Appraiser Income Approach (Part 1) - 2008

Real Estate Finance Statistics and Valuation Modeling - 2007

Basic Appraisal Procedures - 2007

Basic Appraisal Principles - 2007

Business Practices and Ethics - 2006

Road Less Traveled - 2005

Lincoln Graduate Center

Financial Analysis of Income Property - 2006

Commercial Investment Appraisal - 2006

Direct Capitalization of Income Property - 2006

Yield Capitalization of Income Property - 2005

Writing the Narrative Appraisal Report - 2003

Manufactured Housing Appraisal - 2003

The International Academy of Professional Careers (formerly Chicopee Group)

USPAP - December - 2009

New Appraisal Era - 2009

Appraising Small Residential Income Properties - 2000

Appraiser Qualifications: Continued

New Appraisal Era - 2000
Highest and Best Use Analysis 1- 2000

Idaho State Tax Commission

Safety in the Field - Meth Lab Awareness 2001
Understanding Financial Statements - 2001
Advanced Industrial Income Concepts - 2000
Reading Blueprints - 2000
Appraisal Course 2 (Income Approach) - 1999
Appraisal Course 1, Principles of Property Valuation - 1999
Principles of Property Valuation - 1999
Principles of Industrial Valuation - 1997

International Association Assessing Officers

Appraisal Standards of Practice and Professional Ethics - 2006
Depreciation Analysis 2001
Appraisal of Land - 2000
Estimating Assessments from Blueprints - 2000

McKissock

USPAP Update - 2013
Nuts and Bolts of Green Building for Appraisers - 2012
Appraising and Analyzing Office Buildings for Mortgage Underwriting - 2012
Environmental Issues for Appraisers - 2012
Land and Site Valuation February - 2011
Essential Elements of Disclosures and Disclaimers - 2011
USPAP Update - 2011
Two to Four Family - Appraising Multi-Family Properties - 2005
Appraising for the Secondary Market - 2005
Appraising Factory Built Housing - 2005

CLIENTS SERVED INCLUDE:

City of Pocatello	Bannock County	Various Federal Credit Unions
City of Chubbuck	Cache Valley Bank	Various Law Offices
Bank of Idaho	Idaho State University	Wells Fargo Bank
Portneuf Medical Center	University of Idaho	First Interstate Bank
Ireland Bank	Riverview Community Bank	Southeast Idaho Community Action
D L Evans Bank	Bank of Commerce	Agency
Citizens Community Bank	Farm Bureau	Pocatello School District
Eastern Idaho Development Corp		



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Publications:

Appraisal of Nursing Facilities, 2009, James K. Tellatin, MAI. Appraisal Institute, Chicago, IL

Appraisal of Real Estate, 13th Edition, 2008. Appraisal Institute, 875 N. Michigan Ave, Chicago, IL.

Appraisal of Religious Facilities, Martin Aaron and John Wright, Jr. Appraisal Institute, Chicago, IL

Appraisal of Water Rights, 2012, Steven J. Herzog, MAI. Appraisal Institute, Chicago, IL

Appraising Easements, 3rd Edition. Land Trust Alliance, Washington, D.C.

Appraising Partial Interests, 1998, David Michael Keating, MAI. Appraisal Institute, Chicago, IL.

Appraising Industrial Properties, 2005. Appraisal Institute, Chicago, IL

Analysis and Valuation of Health Care Enterprises, 1997, Arthur Gimmy, MAI. Appraisal Institute, Chicago, IL

Basic Appraisal Procedures. 2004. The Appraisal Institute.

Convenience Stores and Retail Fuel Properties, 2nd Edition, 2012, Robert E. Bainbridge, MAI. Appraisal Institute 550 W. Van Buren, Chicago, IL.

Guide to Appraising Recreational Vehicle Parks, 1998, Robert S. Saia, MAI, Appraisal Institute, Chicago, IL.

Historic Properties: Preservation and Valuation Process, 3rd Edition, Judith Reynolds, MAI. Appraisal Institute, Chicago, IL

Hotels & Motels: Valuations and Market Studies, 2001, Stephen Rushmore, MAI. Appraisal Institute, Chicago, IL

Land Valuation, James H. Boykin. 2001. Appraisal Institute, 875 N. Michigan Ave, Chicago, IL.

Market Analysis and Valuation of Self-Storage Facilities, 2003, Richard R. Correll. Appraisal Institute, Chicago, IL.

Market Analysis for Real Estate, Stephen F. Fanning. 2005. Appraisal Institute, 550 W. Van Buren, Chicago, IL.

Property Assessment Valuation, 2nd Edition, 1996. International Association of Assessing Officers. Chicago, IL

Shopping Center Appraisal and Analysis, Vernor and Rabianski. Appraisal Institute, Chicago, IL

Subdivision Valuation, 2008, Don Emerson, Jr. MAI. Appraisal Institute, Chicago, IL

Valuing Undivided Interests in Real Property, 2004, Dennis A. Webb, MAI. Appraisal Institute, Chicago, IL

Valuation of Apartment Properties, 2008, Arlen Mills, et al. Appraisal Institute, Chicago, IL.

Valuation of Office Properties, Barrett A. Slade, PhD, MAI. Appraisal Institute, Chicago, IL.

The Following Sources Are Routinely Consulted for Information

County of Jurisdiction, County Records in the offices of the County Clerk, Assessor, and Treasurer, Planning and Zoning.

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Soil Survey of (Subject's) County Area, Idaho. United States Department of Agriculture, Soil Conservation Service publication.

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Fidelity MLS System, 2013. *Paragon: 3.6*. Availability provided by: Greater Pocatello Association of Realtors, INC., Pocatello, Idaho.

Systems Engineering, Inc. 2013. *Navica: Internet Multiple Listing Service*. Snake River MLS. Greensboro, NC.

MARSHALL SWIFT USER LICENSE

Certificate # 1963546

MARSHALL & SWIFT
THE BUILDING COST PEOPLE

Licensed User Certificate
THIS IS TO CERTIFY THAT
Edward Bowman
Has Current Licensed-User Access to Marshall & Swift Building Cost Data

Marshall & Swift Product(s)	Active Dates	Appraiser License Number	State
Marshall Valuation Service	Jan 01, 2013 - Dec 31, 2013	CGA-2025	ID
Commercial Estimator 7	Jan 01, 2013 - Dec 31, 2013		
Marshall Valuation Service	Jan 01, 2012 - Dec 31, 2012		
Commercial Estimator 7	Jan 01, 2012 - Dec 31, 2012		
Marshall Valuation Service	Jan 01, 2011 - Dec 31, 2011		
Commercial Estimator 7	Jan 01, 2011 - Dec 31, 2011		


Peter Wells
Peter Wells, President