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Re: Redevelopment Funds

To Whom It May Concern,

Our firm is currently contracting for a seven-story mixed-use apartment building at the corner of 5th and Broad Streets in downtown Boise. This project would definitively not be moving forward were it not for the Capital City Development Corporation's ability to assist us by financing the directly public-serving aspects of the project. In this case, CCDC has agreed to construct the new streetscapes surrounding the project (which will include stormwater infiltration beds that also capture runoff from the surrounding streets), as well as to purchase one level of the parking garage, which will provide the only public parking available in the Central Addition.

This project, named The Fowler, is a 158-unit apartment building with a two-story parking garage at grade, which will be fronted on the street level by over 4000 square feet of retail and restaurant space as well as five live-work loft units. The project will be the first truly urban, market-rate apartment project in Boise, and it is our hope and belief that its' success will prove to us as well as to the market as a whole, that Boise is mature enough as an urban center to support this typology and style of development.

To put the impact of redevelopment dollars in perspective, I would like to point out a few salient financial facts. Catalyzed by CCDC's investment of approximately 3.2 million dollars, our firm will spend roughly an additional 27 Million Dollars to build this building, almost all of which will be spent directly in Boise, with local firms, suppliers, labor, and material distributors. This expenditure includes over a million dollars that we paid for the land. Had we not been able to discuss our plans for the site with CCDC in advance of purchasing this parcel, and gain some confidence that there would be redevelopment assistance available, we would not have purchased this parcel at all (unless it were drastically discounted). Had we not been able to come to agreement with CCDC and secure their participation, we would not be proceeding towards a January groundbreaking – the building would be otherwise too expensive given the rents achievable and the uncertainty of achieving them.

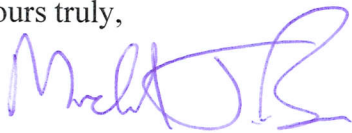
The math behind why redevelopment dollars are necessary for this kind of project in Boise is simple. Rents in The Treasure Valley are low relative to more mature markets across the Mountain West and the Pacific Northwest, but building costs are roughly the same, therefore the return on cost is lower. In fact, due to the local boom, some trades are currently more expensive in Boise than they are in places like Denver, Salt Lake City, and Portland. Moreover, demand for urban-style product remains

relatively unproven in Boise, which increases the absorption risk to the developer and makes it more difficult to secure the same favorable financing terms that we enjoy in more proven markets. Another significant factor is that property taxes in Idaho are extremely high relative to other markets, so that even if rental rates were the same, an equivalent building would not be as profitable. By way of comparison, when this building is stabilized, property taxes will account for just over 40% of the total expense of operating the building, which is a much higher proportion than one sees in other states.

Taken together, the factors above create a situation in which the only type of apartment projects known to work in Boise are lower-density, garden-style projects because they are much less expensive to build due to being surface-parked. This presents a very significant hurdle to Boise's maturation as a flourishing urban place within the broader context of the Treasure Valley. Denser housing typologies within urban cores in locations that are walkable to retail amenities and jobs are a well-documented catalyst for economic activity. Consider all of the restaurants and stores downtown that struggle because they have little or no traffic on nights and weekends. They would face a brighter future there were a core of people living downtown 24/7. This, in turn, would spur the opening of additional downtown businesses, which would make it a more attractive place to live and work, creating a virtuous cycle of which there are many good examples across the West. This is the goal we are working towards within Downtown Boise, and it would not be possible to be a first-mover or even an early mover in this arena were it not for the assistance that CCDC is able to offer.

I encourage you to support redevelopment in Idaho, and would be happy to speak in person if that would be helpful. The state is a wonderful place to live and work, but the State and its municipalities have very few tools to encourage investment, and CCDC is a very good one.

Yours truly,



Michael J. Brown