SUBJECT

2016 Commercial Property Disposition

BACKGROUND

At its February 2016 Regular Meeting, the State Board of Land Commissioners (Land Board) approved the Idaho Department of Lands' (Department) recommendation to dispose of twelve commercial properties and four parking lots as specified in the business plan (Plan) prepared by the Land Board's Commercial Real Estate Advisor, CenturyPacific, LLLP (CenturyPacific). With that approval, the Department agreed to update the Land Board prior to the first auction (Attachment 1). The Land Board was updated on August 16, 2016, with information regarding the divestiture process, anticipated schedule, property due diligence deliverables, and marketing.

Since the last update, Thornton Oliver Keller (TOK), the Land Board's Real Estate Broker has been marketing the properties. The marketing has included local and national electronic media, as well as print advertising and direct marketing (Attachments 2-4).

Included with the marketing, TOK has created a "client portal" where anyone who is interested in the properties can access deliverables regarding the properties, including appraisals, review appraisals, building inspections, environmental assessments, surveys, and preliminary title commitments. Additionally, the Idaho Attorney General's Office, as a member of the Disposition Team, participated in the preparation of the auction and administration documents for the sale. The culmination of the aforementioned due diligence and auction documents can be accessed through a link on the Department's website¹ or directly at TOK's website².

DISCUSSION

Currently, the following ten properties are ready to be offered for sale at auction.

1. Affordable Storage, 448-450 S. Maple Grove Rd., Boise
2. Garro Building, 816 W. Bannock St., Boise
3. Garro Building Lot, 816 W. Bannock St. (parking lot), Boise
4. Sherm Perry Building, 826 W. Bannock St., Boise
5. Former Bank Building, 800 W. State St., Boise
6. Central Washington Place, 602 N. Fifth St., Boise
7. Office Building, 590 W. Washington St., Boise
9. Commercial Lot, E. Lincoln Rd., Idaho Falls
10. Office Building, 595 University Blvd., Idaho Falls

¹ https://www.idl.idaho.gov/real-estate/commercial/index.html
² http://tokcommercial.com/CommercialProperties/IDLDisposition.aspx
The following is an outline of the schedule of events and estimated dates:

- Land Board's final approval for sale – September 20, 2016
  - Buyer due diligence and application period - August 16, 2016 – December 2, 2016
  - IDL will issue public legal notices in Ada and Bonneville Counties (4 weeks), as required by statute – October 17, 2016 – November 18, 2016
    - All ten properties will be noticed
  - Live, Public Auction – anticipated December 2, 2016 (continued as needed for future nominated properties)
    - Auction will be held in Ada County by Downs Auctions
    - Bidders will be required to post a non-refundable bid deposit equal to the greater of 3% of the appraised value or $10,000
    - A buyer's premium of 3% will be added to the successful bid price
    - There will be no contingencies
    - Buyer is responsible for all closing costs and title insurance
  - Closing – within 60 days after close of auction

RECOMMENDATION

Direct the Department to offer the ten properties for sale at auction.

BOARD ACTION

ATTACHMENTS

1. February 16, 2016 Approved Land Board Memo
2. Registration Report
3. Real Estate Ad
4. Marketing Plan
5. Property Ownership by Endowment
STATE BOARD OF LAND COMMISSIONERS
February 16, 2016
Regular Agenda

SUBJECT
Commercial Real Estate Business Plans

BACKGROUND
At its September 2015 meeting, the Land Board approved a contract with CenturyPacific, LLLP as the Commercial Real Estate Advisor to the Land Board. Under the terms of the contract, CenturyPacific would complete business plans and provide recommendations regarding management and prudent disposition of the commercial properties. Pursuant to their existing contract, CenturyPacific would revise the plans annually upon request and be available for ongoing consultation on the implementation of the business plans for additional fees.

DISCUSSION
CenturyPacific has completed draft business plans for nineteen commercial properties. The Land Board’s Investment Subcommittee met on January 5, 2016, to review the business plans. The Investment Subcommittee found that the analysis was sound and that the plans met the requirements of the scope of work. The Land Board was briefed in executive session at its January 2016 meeting.

The plans recommend disposal of twelve of the properties during 2016 and four parking lots during 2017, and that the Land Board retain the Capitol Park Plaza building and adjacent parking lot, and the Hoff parking lot. A summary of the CenturyPacific analysis and recommendations is included as Attachment 1.

Part of the basis for the recommended disposal timeline is the current strength of the commercial real estate market. To maximize the value of the assets, every effort should be made to rapidly proceed with the disposal process.

The Department has evaluated the use of existing staff and continued use of the Land Board’s Commercial Real Estate Advisor (Advisor) under the existing contract to manage the disposal process.

Use of existing staff to manage the disposal process would increase their workload and would impact the commercial property disposal process and/or the cottage site auction process. Without additional resources, the Department would not expect to be able to prepare twelve properties for auction this year. As a result, there is risk of missing the current strong real estate market. Using existing staff, the Department expects that 2-4 properties could be prepared for auction this year.

Alternatively, use of the Advisor would allow a third party expert to manage preparation of the properties for disposal. The Advisor would work cooperatively with Department staff and an assigned Deputy Attorney General on tasks described in Attachment 2. The demand on existing staff would be reduced and the impacts on the commercial property disposal process and cottage sites auction process would be decreased. With the Advisor, the Department could strive to prepare twelve properties for auction in 2016. As a result, there is a better chance of capitalizing on the strong real estate market. The Advisor would coordinate the selection of service providers such as appraisers, title companies, environmental review services, surveyors, brokers, auctioneers, and others.
The Department recommends continued use of the Advisor to facilitate the commercial real estate disposal process. The Advisor will represent the Land Board and the Department in facilitating the disposal process. The Advisor has limited conflicts of interest and will act as a liaison between the Land Board and the Office of the Attorney General, the investment sales broker(s), property/parking management, and the selected service providers. In addition, the Advisor will act as a fiduciary and will work with the Department and the Office of the Attorney General to establish sale policies for buyer underwriting, pre-auction feasibility and post-auction closing periods as well as buyer qualification requirements.

Pursuant to CenturyPacific’s recommendation, separate and apart from the Advisor role to avoid potential conflicts of interest, the Department recommends hiring a qualified investment sales broker(s) with significant experience in the relevant geographic markets and a firm grasp of the unique characteristics of the various property types.

RECOMMENDATION

The Department recommends approval of the following items related to the Land Board’s commercial real estate portfolio:

1. Acceptance of the final commercial real estate business plans as developed by the Commercial Real Estate Advisor.
2. Disposal of the twelve commercial properties and four parking lots as specified in the business plans using a process consistent with the Idaho Constitution and Idaho Code.
3. Retention of the Capitol Park Plaza building, the adjacent parking lot, and the Hoff parking lot.
4. The Department will use the Land Board’s Commercial Real Estate Advisor to manage the disposal process and provide continued assistance and expertise.
5. The Department and/or the Commercial Real Estate Advisor will procure other real estate service providers, including broker(s), needed to complete the disposal process.
6. The business plans and the disposal strategy will be reviewed annually or when changing real estate market conditions may dictate.
7. The Department will update the Land Board on the status of the disposals prior to the first auction and at other significant times during the process.

BOARD ACTION

A motion was made by Attorney General Wasden that the Board adopt the Department recommendation as outlined on page 2 of 3 of agenda item 5. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

ATTACHMENTS

1. Commercial Portfolio Executive Summary
2. Commercial Real Estate Advisor Tasks
3. Broker Scope of Work
Select the properties that interest you:

- **BOISE --- Affordable Storage 448-450 S. Maple Grove Rd.**
- **BOISE --- Garro Building - 316 Bannock St.**
- **BOISE --- Garro Building lot - 818 Bannock St. (parking lot)**
- **BOISE --- 10 Barrel Brewing (Sherm Perry) - 620 W. Bannock St.**
- **BOISE --- Former Bank Building - 300 W. State St.**
- **BOISE --- Central Washington Place - 602 N. Fifth St.**
- **BOISE --- Office Building - 590 W. Washington St.**
- **IDAHO FALLS --- Commercial Buildings - 661-665 E. Lincoln Rd.**
- **IDAHO FALLS --- Commercial lot - E. Lincoln Rd.**
- **IDAHO FALLS --- Office Building - 595 University - Battle Energy**
PUBLIC AUCTION
10 IDAHO PROPERTIES

IDEALLY SITUATED IN CENTRAL BOISE
Institutional quality asset. 417 unit self-storage facility on 6.96 acres. 95.2% occupied with a strong rental history.

GREAT UPSIDE POTENTIAL
Well maintained 34,207 SF office building in downtown Boise within walking distance to the Capitol Building.

LEASED TO STRONG NATIONAL TENANT

FULLY OCCUPIED MULTI-TENANT OFFICE BLDG.

HIGH PROFILE LOCATION

DOWNTOWN LOCATION WITH PARKING
Fully leased single tenant property. Walking distance to the Capitol campus, restaurants, shopping and services.

FOR MORE DETAILS AND TO VIEW ALL PROPERTIES BEING AUCTIONED - REGISTER NOW!

www.IdahoDisposition.com

208.378.4600 | tokcommercial.com | Boise, Idaho
## MARKETING PLAN

### AUGUST 2016
- **16-August-16 (ongoing until auction)**
  - **Commercial Real Estate Websites:**
    - Sites include: CoStar, CityFeet (office only), PropertyLine.com, & Retail Brokers Network (retail only).
- **16-August-16 (ongoing until auction)**
  - **Thornton Oliver Keller:**
    - Homepage banner ad links directly to portfolio landing page. Digital marketing efforts afford the property 24/7, 365 availability of up-to-date marketing materials.
- **17-August-16 (ongoing until auction)**
  - **Idaho Business Review:**
    - Leaderboard ad on IBR website links directly to portfolio landing page.
- **25-August-16 (ongoing until auction)**
  - **SEO/Digital Retargeting:**
    - Google search ads generated by GPS signal and search word criteria. Links directly to portfolio landing page.

### SEPTEMBER 2016
- **16-August-16 (ongoing until auction)**
  - **Commercial Real Estate Websites:**
    - Sites include: CoStar, CityFeet (office only), PropertyLine.com, & Retail Brokers Network (retail only).
- **16-August-16 (ongoing until auction)**
  - **Thornton Oliver Keller:**
    - Homepage banner ad links directly to portfolio landing page. Digital marketing efforts afford the property 24/7, 365 availability of up-to-date marketing materials.
- **17-August-16 (ongoing until auction)**
  - **Idaho Business Review:**
    - Leaderboard ad on IBR website links directly to portfolio landing page.
- **25-August-16 (ongoing until auction)**
  - **SEO/Digital Retargeting:**
    - Google search ads generated by GPS signal and search word criteria. Links directly to portfolio landing page.

### OCTOBER 2016
- **16-August-16 (ongoing until auction)**
  - **Commercial Real Estate Websites:**
    - Sites include: CoStar, CityFeet (office only), PropertyLine.com, & Retail Brokers Network (retail only).
- **16-August-16 (ongoing until auction)**
  - **Thornton Oliver Keller:**
    - Homepage banner ad links directly to portfolio landing page. Digital marketing efforts afford the property 24/7, 365 availability of up-to-date marketing materials.
- **17-August-16 (ongoing until auction)**
  - **Idaho Business Review:**
    - Leaderboard ad on IBR website links directly to portfolio landing page.
- **25-August-16 (ongoing until auction)**
  - **SEO/Digital Retargeting:**
    - Google search ads generated by GPS signal and search word criteria. Links directly to portfolio landing page.

### NOVEMBER 2016
- **16-August-16 (ongoing until auction)**
  - **Commercial Real Estate Websites:**
    - Sites include: CoStar, CityFeet (office only), PropertyLine.com, & Retail Brokers Network (retail only).
- **16-August-16 (ongoing until auction)**
  - **Thornton Oliver Keller:**
    - Homepage banner ad links directly to portfolio landing page. Digital marketing efforts afford the property 24/7, 365 availability of up-to-date marketing materials.
- **17-August-16 (ongoing until auction)**
  - **Idaho Business Review:**
    - Leaderboard ad on IBR website links directly to portfolio landing page.
- **25-August-16 (ongoing until auction)**
  - **SEO/Digital Retargeting:**
    - Google search ads generated by GPS signal and search word criteria. Links directly to portfolio landing page.

### NOTES
- **15-September-16:**
  - **BizMojo Website:**
    - Right column ad placed on Eastern Idaho BizMojo website. Links directly to portfolio landing page.
- **26-September-16:**
  - **Idaho Mountain Express:**
    - Print ad highlighting the portfolio of properties to be auctioned. Publication runs in Blaine County.
- **01-October-16:**
  - **Real Capital Markets:**
    - Email blast to national real estate investors. Estimated 8,000 investors.
- **01-October-16:**
  - **Western Real Estate Business:**
    - Half page ad placed in top industry commercial real estate journal. Directs inquiries to portfolio landing page.
- **06-October-16:**
  - **Crittenden Investor Email Blast:**
    - Email blast highlighting the portfolio of properties to be auctioned. Recipients are targeted CRE investors.
- **26-October-16:**
  - **Idaho Statesman - Business Insider:**
    - Print ad highlighting the portfolio of properties to be auctioned. Publication runs in Boise MSA, targeting businesses and the professional community.
### Commercial Property Ownership by Endowment

1. **Affordable Storage**  
   - Public Schools  
   - 100%
   - 448-450 S. Maple Grove Rd., Boise

2. **Garro Building**  
   - Normal School  
   - 75.76%
   - Hospital South  
   - 24.24%
   - 816 W. Bannock St., Boise

3. **Garro Parking Lot**  
   - Normal School  
   - 75.76%
   - Hospital South  
   - 24.24%
   - 822 W. Bannock St., Boise

4. **Sherm Perry Building**  
   - Normal School  
   - 75.76%
   - Hospital South  
   - 24.24%
   - 826 W. Bannock St., Boise

5. **Former Bank Building**  
   - Normal School  
   - 100%
   - 800 W. State St., Boise

6. **Central Washington Place**  
   - Normal School  
   - 95%
   - Public Schools  
   - 5%
   - 602 N. Fifth St., Boise

7. **Office Building**  
   - University  
   - 96%
   - Hospital South  
   - 4%
   - 590 W. Washington St., Boise

8. **Commercial Buildings**  
   - Public Schools  
   - 100%
   - 961-965 E. Lincoln Rd., Idaho Falls

9. **Commercial Lot**  
   - Public Schools  
   - 100%
   - E. Lincoln Rd., Idaho Falls

10. **Office Building**  
    - University  
    - 77.8%
    - Normal School  
    - 22.2%
    - 595 University Blvd., Idaho Falls