KAMIAH COMMERCE PARK
FEASIBILITY STUDY

Final Report
March 2012

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✦ Progressive Engineering Group, Inc.
KAMIAH COMMERCE PARK
FEASIBILITY STUDY

Presented to the

City of Kamiah, Idaho

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KAMIAH COMMERCE PARK
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BACKGROUND & PURPOSE OF THE STUDY

In mid-2011, the City of Kamiah, Idaho was awarded a grant from the United States Department of Agriculture (USDA) to hire a consultant to assess the feasibility of developing a business/industrial park in the community. The city had been subject to large fluctuations in employment as conditions changed in the wood products industry which is a primary employer in Kamiah. The City Council and other community leaders wanted to diversify the economy and give existing local businesses a place where they could grow. In addition, they were concerned that some companies that had looked at Kamiah for expansion or relocation went elsewhere because they could not obtain suitable sites for their businesses. They saw other communities in north-central Idaho such as Orofino and Craigmont successfully attracting new businesses to their industrial parks and wanted to know whether Kamiah could do the same.

In August 2011 a contract was awarded to The Hingston Roach Group, Inc. (THRG) to conduct the feasibility study. THRG subcontracted with Elesco Limited of Sunriver, Oregon, and Progressive Engineering Group of Lewiston to provide technical assistance on the project. Early research determined that a more appropriate identity for the facility being studied would be the Kamiah Commerce Park to reflect a wider mix of both light industrial and commercial uses.

Key questions to be answered in the study included:

Is there sufficient local demand to attract tenants to a business/industrial park?
If so, what types of companies would want to locate there?
What would be their site requirements?
How much employment might be generated at the facility?
What levels of absorption rates might be expected?
How much rental revenue could be generated?
Where should the facility be located?
Who should own, develop, operate, and market it?
How much would the development cost?
Will the cash flows (revenues minus costs) make the project financially feasible?
THRG, Elesco, and Progressive Engineering initiated work at the end of August 2011 and completed the draft Study by mid-December. Questions raised by the consulting team required additional investigation by the City and Nez Perce Tribe, and the final Study was completed in early March 2012. There was continuous involvement of the Nez Perce Tribe as some of the sites considered for the commerce park were on Tribal lands. Also, the feasibility study was expanded to include a Business Plan to address the various tasks required to implement the development of the commerce park if the City and/or Tribe should decide to go ahead with the project. The results of this work are contained in this report.

**SUMMARY OF FINDINGS**

**Demand Analysis**

The demand analysis was in two parts: (1) a standard statistical forecast analysis that correlated trends in population growth in the Kamiah area to corresponding employment; (2) a survey of existing local and regional companies to determine their expansion and/or relocation interests and whether they would consider moving into a planned commerce park in Kamiah. The survey also included questions about locational preferences, amount of land and building space required, number of employees, and other factors that would affect the potential characteristics of a commerce park.

The statistical analysis revealed that Kamiah has been experiencing continued growth in population and employment even as other communities in the region have remained static or even declined over the past 10 years. That trend was especially strong when the study area was expanded to include population and employment in a 10-mile ring and a 15-mile ring around the center of the city. There are as many employers and workers outside the city limits but within the 15-mile ring as there are inside the city itself. Growth of those businesses was factored into the analysis to obtain realistic estimates of future demand for business sites in the area. Based on current growth trends, the study estimated that there would be about 54 more jobs in the Kamiah area in 2020 than there were in 2010, growing to 76 more jobs in 2030.

Based on formulas for estimating building space and land area required per worker, those numbers translated into the need for an additional four acres of employment lands required by 2020, and 5.6 acres by 2030, assuming average employment densities and full utilization.
The survey results produced even higher levels of potential demand. Thirty-three companies responded to the survey, located in Kamiah and other nearby communities. These companies represented establishments engaged in manufacturing, wholesale/distribution, real estate/rentals, health care, financial services, communications, religion, and retail/services/tourism.

Eight (8) of those companies said they were “Likely” or “Somewhat likely” to relocate within the next three-to-five years. Relocating to a commerce park in Kamiah was given as “Very / Somewhat likely” by three of those companies, with another four companies “Not Sure.”

The companies that responded positively listed a total need for about 39 acres of land for their facilities. They also listed a combined need for about 59,100 square feet of building space. These companies indicated they currently employ 52 full time workers and in five years they anticipate employing 79 full time workers. In addition to those additional 27 workers, another 14 workers would be hired for part-time or seasonal employment.

The results of this survey confirm that Kamiah continues to enjoy a favorable position for business growth and expansion. Combined with the statistical analysis and forecasts, the overall demand analysis confirmed that development of a commerce park in Kamiah would find a sufficient market to absorb at least 4–6 acres of land to meet the needs of local companies.

Site Analysis

The survey of business firms in the Kamiah area provided a prioritized list of criteria that those firms considered important for their operating locations. Those criteria are listed in the full report, beginning with the availability of broadband services which was listed as “Most important” by all of the responding companies. Other important criteria included the availability of City police and fire services, City water and sewer services, highway visibility, and proximity to downtown retail services.

Taken as a whole, it was determined that only sites within the city limits of Kamiah would meet those criteria, along with sites adjacent to the city limits that could be serviced by the City.
A wide range of properties was included in the initial screening, including some on the east side of the Clearwater River and south of Lawyer Creek near the Kamiah Municipal Airport. Those sites in Idaho County were eventually eliminated because they did not meet the criteria for City services, or had issues that made them unsuitable such as traffic conflicts in residential areas. There also were qualified properties within the Kamiah city limits that were removed from further consideration because their owners were holding them for their own future uses.

Six sites initially were selected for detailed analysis. These included two (2) City-owned properties (one of which was later eliminated due to findings related to ownership); two (2) properties in Tribal ownership; and two (2) properties in private ownership.

A model was developed for the commerce park which consisted of five acres divided into five one-acre lots. The model showed development of a multi-tenant building on the first lot with 5,600 square feet divided into five units ranging from 780 square feet in size to 1,320 square feet. Three bays were designed to have 1,200 square feet each. All of them had drive-in doors for truck access at the back of the building. That first lot was shown to have the potential for a second 5,600 square foot multi-tenant building when the demand required it.

This model was not intended to be a design proposal but was instead used to determine the costs of site development and construction, as well as to identify potential revenues from leasing space to tenants. The additional four lots would be held for individual tenants who would build their own facilities.

Progressive Engineering Group, Inc. provided the cost data to develop utilities and other services for the model. The model was specifically designed to be able to fit on any of the six properties selected for the detailed analysis, so costs would be approximately the same for each location.

Based on the cost data and estimates of absorption rates and rents, pro forma cash flow analyses were developed for each site. Because the cash flow models assumed leasing the buildings and ground-leasing the additional lots, it was quickly determined that the revenue stream was not sufficient to cover the carrying costs of purchasing the privately-owned properties. That decision reduced the list to City-owned and Tribal-owned properties.
The City-owned properties initially included two sites on either side of the railroad tracks adjacent to the City’s wastewater treatment plant. The site south of the railroad tracks later was eliminated when the consulting team discovered discrepancies related to ownership of the site. A copy of a deed from 1960 confirmed that the property north of the railroad tracks had been sold to the City by tribal allotment holders, but the property between the railroad tracks and No Kid Road remained in tribal ownership. Lewis County maps erroneously showed the site as City-owned. Current City and County officials were not aware of the discrepancy until the consulting team compared County and Tribal (BIA) maps. Tribal-owned properties selected as possible sites for the Commerce Park are both part of the same allotment on the north side of Highway 12 divided by Idaho Street. The final Commerce Park site selection was left to further investigation by the City and Tribe, and the pro forma cash flows were applied generically to all of the sites.

Three pro forma cash flow scenarios were developed for both the City and Tribal sites.

1. Survey the site only, initiate marketing of undeveloped lots
2. Create a Master Plan with site layout and services, market the plan and lots
3. Develop the first lot, construct and market the multi-tenant building

Scenario #1 would require about $12,000 of costs in Year 1 plus an estimated $1,000 per year thereafter for marketing only. No revenues were shown as the success of that strategy could not be determined.

Scenario #2 would require about $42,000 of costs in Year 1 plus an estimated $1,000 per year thereafter for marketing only. Again, no revenues were shown because no assumptions were made about absorption rates.

Scenario #3 would require significant capital investment in Year 1, estimated at $468,390. The City or Tribe also would have about $20,000 in annual operating expenses for internal management. However, that scenario also produced revenue. Building lease revenues begin in Year 2 and revenues from ground leases of the additional lots begin in Year 4. The cumulative gross revenues in Year 10 would be $268,384.

While the annual revenues would turn positive in Year 2, those cumulative revenues would continue to be negative throughout the 10-year pro forma analysis, remaining -$379,846 in Year
10. It would not be reasonable for either the City or the Tribe to carry those negative balances for another 15 years.

For that reason, the pro formas added an assumption that at least $400,000 of the up front capital costs could be financed by one or more grants. That reduced the negative cash flow in Year 1 to a more manageable -$88,390. Under that scenario, the cumulative cash flows would still be negative until Year 9 but at much lower levels. In addition, the $20,000 paid to the City or Tribe each year would offset the negative cash flows in Year 5 and produce a net positive cash flow of $220,154 in Year 10. It was noted that unspent contingency expenses of $61,075 could reduce the negative balances even more.

As a final note in the pro formas, the total project cost for the Kamiah Commerce Park is calculated as $83.64/sq ft, compared to the total project costs for the Orofino Business Center of $85.16/sq ft. That project received about 76% of its total project costs from grant funding, so it is not unreasonable to assume that the Kamiah Commerce Park could do the same.

The conclusion of the feasibility study is that developing the Kamiah Commerce Park is financially feasible if it is done on City or Tribal land with no up-front acquisition costs and if it can be financed with sufficient grant funding to offset initial capital costs and minimize negative carry of the balances.

A fully developed and operating Kamiah Commerce Park will ensure that Kamiah will be able to satisfy the need for light industrial and commercial development for many years into the future. It will allow businesses to locate in Kamiah and create jobs for existing and new residents. It will provide new tax revenues to the City as well as additional income from water and sewer utilities. The Tribe will benefit by supporting job creation for Tribal members as well as gaining revenues from ground leases if the project is developed on Tribal land.

In short, the Kamiah Commerce Park has the potential to be a significant asset in the economic future of Kamiah and the surrounding region. The Business Plan section of the report is not summarized here because it lays out step-by-step procedures for implementing the development of the Kamiah Commerce Park. It should be read in its entirety by those who are involved in that implementation.
KAMIAH COMMERCE PARK
FEASIBILITY STUDY

INTRODUCTION TO KAMIAH

Kamiah is located in Lewis County at its border with Idaho County in north central Idaho on U.S. Hwy 12, approximately 70 miles southeast of Lewiston. The City’s 2010 Census population was 1,295 people, up from 1,160 in 2000 for an increase of 11.6%. Examination of Census Tract data indicates that the population within a 10-mile radius of the center of Kamiah nearly doubles the local population to 2,500 people. The population in Lewis County in 2010 was 3,821 and the population in Idaho County was 16,267 for a combined total of 20,088.

Kamiah is situated in an open valley of the Clearwater River at an elevation of 1,240 feet among steep hills with elevations above 3,000 feet. The county seat of Lewis County is the city of Nezperce (2010 population = 466) which is on the Camas Prairie about 15 miles west via S.H. 64 or 23 miles via S.H. 162. The nearest town is Kooskia (2010 population = 610), which is just over eight miles upriver to the south. The city of Orofino (2010 population = 3,142) is about 22 miles to the north in Clearwater County. Each of those cities saw population declines from 2000 to 2010, while the city of Kamiah experienced an increase of 135 people.
FEASIBILITY ANALYSIS

This section of the report presents the findings of the feasibility analysis in three parts: (1) Demand Analysis; (2) Site Analysis; and (3) Financial Feasibility Analysis. Much of the research material obtained for this report is summarized to provide an understanding of the findings, while more complete data can be found in the Appendix.

A. Demand Analysis

1. Demographic / Economic Analysis

Future demand for industrial and commercial space can be estimated by correlating projected population and employment growth to the quantities of land and buildings needed to accommodate that growth. This is not an exact science, but is useful for measuring the underlying influences on demand.

POPULATION CHANGES

<table>
<thead>
<tr>
<th>Area</th>
<th>2000 Population</th>
<th>2010 Population</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lewis County</td>
<td>3,747</td>
<td>3,821</td>
<td>+ 2.0%</td>
</tr>
<tr>
<td>City of Kamiah</td>
<td>1,160</td>
<td>1,295</td>
<td>+ 11.6%</td>
</tr>
<tr>
<td>Idaho County</td>
<td>15,511</td>
<td>16,267</td>
<td>+ 4.9%</td>
</tr>
<tr>
<td>Clearwater County</td>
<td>8,930</td>
<td>8,761</td>
<td>- 1.9%</td>
</tr>
<tr>
<td>City of Orofino</td>
<td>3,337</td>
<td>3,142</td>
<td>- 5.8%</td>
</tr>
</tbody>
</table>

Source: US Census. 2010 city population figures are preliminary at the time of this writing.

(Note: Detailed data from the 2010 Census at the city level will be available in April 2012. The final figures may change slightly from the preliminary estimates shown above.)

The City of Kamiah shows the greatest growth in the 3-county area of Lewis, Idaho, and Clearwater counties. Kamiah’s growth compares very favorably with its neighboring city of Orofino, which lost population between 2000 and 2010. The growth in Kamiah indicates increased demand for all types of land for residential, commercial, industrial, and community facilities.
EMPLOYMENT CHANGES

Table 2: Employment Changes 2000 – 2009

<table>
<thead>
<tr>
<th>Area</th>
<th>Pop’n Age 16+</th>
<th>Civilian Labor Force</th>
<th>Employed</th>
<th>Unemployed</th>
<th>% Unemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lewis County</td>
<td>2,947</td>
<td>2,988</td>
<td>1,657</td>
<td>1,601</td>
<td>1,514</td>
</tr>
<tr>
<td>City of Kamiah</td>
<td>914</td>
<td>1,048</td>
<td>421</td>
<td>505</td>
<td>364</td>
</tr>
<tr>
<td>Idaho County</td>
<td>12,255</td>
<td>12,431</td>
<td>6,598</td>
<td>6,363</td>
<td>5,925</td>
</tr>
<tr>
<td>Clearwater County</td>
<td>7,151</td>
<td>6,978</td>
<td>3,697</td>
<td>3,656</td>
<td>3,270</td>
</tr>
<tr>
<td>City of Orofino</td>
<td>2,741</td>
<td>2,642</td>
<td>1,324</td>
<td>1,370</td>
<td>1,215</td>
</tr>
</tbody>
</table>

Source: US Census reports. Figures for 2009 from American Community Survey 5-Year Estimates, 2005-2009. These are a five-year running average for that time period.

The employment figures in Table 2 show the following percentage changes between 2000 and the 2005-2009 survey data:

- Lewis County - 0.7%
- City of Kamiah + 30.2%
- Idaho County - 0.1%
- Clearwater County + 2.0%
- City of Orofino 0.0%

Clearly, the City of Kamiah has been showing the greatest employment growth trends in the region. However, it needs to be noted that one of the largest employers in the Kamiah region is located across the Clearwater River in Idaho County and its fortunes affect the economy in Kamiah. The Three River Mills with 108 employees closed in 2008 and was replaced by the opening of Blue North Forest Products with only a little more than half those jobs. Those statistics do not show in the employment numbers for the City of Kamiah.

Another way of showing changes in employment is provided by a relatively new service of the U.S. Census Bureau called “On the Map”. This service allows the user to define a geographic area which is then filled in by the Census Bureau with their data.

For this study, the City of Kamiah was selected along with a 10-mile radius to map employment. The picture at right shows the area produced by that method.
Selected comparative data are shown below for that area for the years 2002 and 2009.

### Table 3: On the Map Employment Data, 2002 – 2009

<table>
<thead>
<tr>
<th>NAICS Industry Sector</th>
<th>2002 Count</th>
<th>2002 Share</th>
<th>2009 Count</th>
<th>2009 Share</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total All Jobs</strong></td>
<td>709</td>
<td>100.0%</td>
<td>799</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>Jobs by NAICS Industry Sector</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture, Forestry, Fish &amp; Hunt</td>
<td>76</td>
<td>10.7%</td>
<td>21</td>
<td>2.6%</td>
</tr>
<tr>
<td>Mining, Quarrying, Oil &amp; Gas</td>
<td>0</td>
<td>0.0%</td>
<td>8</td>
<td>1.0%</td>
</tr>
<tr>
<td>Utilities</td>
<td>1</td>
<td>0.1%</td>
<td>2</td>
<td>0.3%</td>
</tr>
<tr>
<td>Construction</td>
<td>33</td>
<td>4.7%</td>
<td>88</td>
<td>11.0%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>141</td>
<td>19.9%</td>
<td>87</td>
<td>10.9%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>14</td>
<td>2.0%</td>
<td>26</td>
<td>3.3%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>93</td>
<td>13.1%</td>
<td>131</td>
<td>16.4%</td>
</tr>
<tr>
<td>Transportation &amp; Warehousing</td>
<td>40</td>
<td>5.6%</td>
<td>21</td>
<td>2.6%</td>
</tr>
<tr>
<td>Information</td>
<td>6</td>
<td>0.8%</td>
<td>8</td>
<td>1.0%</td>
</tr>
<tr>
<td>Finance &amp; Insurance</td>
<td>27</td>
<td>3.8%</td>
<td>16</td>
<td>2.0%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>6</td>
<td>0.8%</td>
<td>9</td>
<td>1.1%</td>
</tr>
<tr>
<td>Professional, Scientific, Technical</td>
<td>1</td>
<td>0.1%</td>
<td>19</td>
<td>2.4%</td>
</tr>
<tr>
<td>Administration &amp; Support</td>
<td>9</td>
<td>1.3%</td>
<td>20</td>
<td>2.5%</td>
</tr>
<tr>
<td>Educational Services</td>
<td>186</td>
<td>26.2%</td>
<td>114</td>
<td>14.3%</td>
</tr>
<tr>
<td>Health Care &amp; Social Assistance</td>
<td>34</td>
<td>4.8%</td>
<td>91</td>
<td>11.4%</td>
</tr>
<tr>
<td>Arts, Entertainment, Recreation</td>
<td>2</td>
<td>0.3%</td>
<td>26</td>
<td>3.3%</td>
</tr>
<tr>
<td>Accommodation &amp; Food Services</td>
<td>28</td>
<td>3.9%</td>
<td>29</td>
<td>3.6%</td>
</tr>
<tr>
<td>Other Services</td>
<td>8</td>
<td>1.1%</td>
<td>16</td>
<td>2.0%</td>
</tr>
<tr>
<td>Public Administration</td>
<td>4</td>
<td>0.6%</td>
<td>67</td>
<td>8.4%</td>
</tr>
</tbody>
</table>

These figures show employment in Kamiah and the 10-mile radius is 294 workers higher than just in Kamiah alone. That is a difference of 58.2% over the city-only employment numbers.

Extending the radius out to 15 miles from the center of Kamiah produces even more dramatic results. The On-the-Map data show that this larger area had 1,315 jobs in 2009, which were 516 more jobs and 65% greater than in the 10-mile radius zone. This indicates that there are a large number of jobs located in the rural areas outside of established business zones around Kamiah.

This larger number needs to be considered in studying the feasibility of a business park in Kamiah, especially if its purpose is to offer opportunities to consolidate businesses currently operating in the rural areas around the city.

**Establishment Changes**

While employment growth affects the growth of individual businesses, demand for commercial and industrial sites in any community is determined by growth in the number of business
establishments as well as expansion of existing companies. The table below shows changes in the number of business establishments in the Kamiah zip code area (83536) between 2002 and 2009 as reported by the U.S. Census Bureau.

Table 4: Establishment Changes, 2002 - 2009

<table>
<thead>
<tr>
<th>NAICS Industry Sector</th>
<th>Total Establishments</th>
<th># of Establishments by Employment Size</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total 2002 2009</td>
<td>1-4 02 09</td>
</tr>
<tr>
<td>Forest, Fish, Ag.</td>
<td>8 10</td>
<td>5 8</td>
</tr>
<tr>
<td>Mining, Quarries</td>
<td>n/a 1</td>
<td>n/a 1</td>
</tr>
<tr>
<td>Construction</td>
<td>8 13</td>
<td>6 12</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>5 5</td>
<td>1 1</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>1 3</td>
<td>1 2</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>17 15</td>
<td>10 7</td>
</tr>
<tr>
<td>Trans. &amp; Warehouse.</td>
<td>2 1</td>
<td>0 0</td>
</tr>
<tr>
<td>Information</td>
<td>2 2</td>
<td>1 1</td>
</tr>
<tr>
<td>Finance &amp; Insurance</td>
<td>4 5</td>
<td>2 3</td>
</tr>
<tr>
<td>Real Estate</td>
<td>3 4</td>
<td>3 4</td>
</tr>
<tr>
<td>Prof., Science, Tech.</td>
<td>4 3</td>
<td>2 3</td>
</tr>
<tr>
<td>Admin, Support</td>
<td>1 1</td>
<td>0 1</td>
</tr>
<tr>
<td>Health Care</td>
<td>5 11</td>
<td>4 8</td>
</tr>
<tr>
<td>Arts, Entertain., Rec.</td>
<td>1 1</td>
<td>0 1</td>
</tr>
<tr>
<td>Accom., Food Serv.</td>
<td>11 10</td>
<td>5 6</td>
</tr>
<tr>
<td>Other Services</td>
<td>4 4</td>
<td>3 3</td>
</tr>
<tr>
<td>Not Classified</td>
<td>n/a 1</td>
<td>n/a 1</td>
</tr>
</tbody>
</table>

Table 4 shows that there was a net of 11 more establishments in the Kamiah zip code in 2009 than there were in 2002. Five of those were in the Construction sector and six others were in Health Care and Social Services. Other sectors that gained establishments were Forestry, Fishing, Hunting & Agriculture Support; Wholesale Trade, Finance & Insurance; and Real Estate. It is not known why the category of Professional, Scientific & Technical Services did not show any establishments in 2009, as this has been the fastest growing sector of the U.S. economy over the past decade, and has shown significant growth in Kamiah (see Table 3). The disparity between employment and establishments in this sector is likely due to differences in data reporting of employment vs. establishment categories.

**POPULATION AND EMPLOYMENT PROJECTIONS**

The numbers in Tables 1–4 show that Kamiah has positive growth in both population and employment, especially when taking the immediate surrounding area into the trend analysis. It is reasonable to believe, then, that these growth trends will continue. The question is how much.
The annual average population growth rate within the city limits between 2000 and 2010 was 1.11%. The annual average growth rate of employment in the 10-mile radius area was 1.72% between 2002 and 2009, according to the On-the-Map report, indicating that the area outside the city limits is growing faster than the area inside the city limits.

It is assumed that positive efforts to develop new jobs in Kamiah will be successful and that will in turn attract new residents to the area. It is also assumed that the growth rates will be smaller over the next three-to-five year period until the nation grows out of its current economic slowdown, but will accelerate thereafter in response to economic development efforts.

For the next ten years, a population growth rate of 1.0% per year is assumed, increasing to 1.25% for the 10-year period after that. Based on the 2010 population figures, that would increase the population of Kamiah to 1,430 people in 2020, for an increase of 135 people, and to 1,620 people in 2030 for an increase of another 190 people. If past patterns hold, the area immediately surrounding Kamiah could double those numbers.

Based on a conservative ratio of 40 workers employed for every 100 people in the population, those growth numbers would represent another 54 jobs by 2020 and an additional 76 jobs by 2030. Again, those numbers would approximately double when both the city limits and the 10-mile radius are included. Potentially, then, there could be about 108 new jobs by 2020 and another 152 new jobs by 2030.

These estimates could change dramatically as unforeseen events occur. For example, Kamiah was identified as the preferred site for a new combined headquarters of the Clearwater and Nez Perce National Forests, with enough new/relocated jobs to meet the 10-year projections by itself.

2. Survey of Businesses

In order to measure current local demand for a commerce park in Kamiah, an electronic survey was developed and sent to existing companies located in Lewis and Idaho counties, along with members of the Northern Intermountain Manufacturers Association. A copy of the survey is included in the Appendix to this report, so the information about the survey is only summarized here.
Thirty-three companies responded to the survey, located in Kamiah, Kooskia, Grangeville, Elk City, Clarkston and Garfield. The types of business they represented were manufacturing, wholesale/distribution, real estate/rentals, health care, financial services, communications, religious, and retail/service/tourism.

Eight (8) of these companies responded that they were “Likely” or “Somewhat likely” to consider relocating in the next three-to-five years. Another three said they were “Not sure.” Relocating to a commerce park in Kamiah was given as “Very / Somewhat Likely” by three of those companies, with another four companies “Not Sure.”

The companies that responded positively listed a total need for about 39 acres of land for their facilities. They also listed a combined need for about 59,100 square feet of building space. One-half of the respondents said they would prefer to own their facilities while the other half would prefer to lease.

These companies indicated they currently employ 52 full-time and three part-time workers. In five years, they anticipate employing 79 full-time and 10 part-time workers, plus another four seasonal or on-demand workers. That represents an increase of 38 workers in all categories.

The results of this survey confirm that Kamiah continues to enjoy a favorable position for business growth and expansion. A five-year increase of 38 jobs by existing businesses would represent more than 70% of the projected 54 jobs predicted over the next 10 years by the population and employment growth analysis.

3. Summary of Findings of the Demand Analysis

The combination of the statistical demand analysis plus the survey of current businesses confirms that Kamiah could support a commerce park. A key question is how large would the facility need to be to accommodate projected employment growth.

The need for up-front capital investment for development, combined with the need to build up revenues over time from land sales or leases and building rents, favors a conservative approach.
Estimates of how large the facility should be can be derived from standard formulas, and the size of the site and facilities can then be used to determine costs. Different kinds of businesses require different amounts of land and building space per employee, ranging from about 1,500 sq. ft. per employee for heavy industries that require substantial space for products and inventory, down to as low as 250 sq. ft. per employee for customer support centers. An average of about 800 square feet per employee is often used as median.

Using that figure, the estimated 54 new jobs created in Kamiah by 2020 would require about 43,200 square feet of building space. A land-to-building ratio of 4:1 would require about 172,800 sq. ft of land to accommodate the buildings, with the balance of 129,600 sq. ft. of land used for parking, traffic areas, landscaping, easements and common areas, and open space. That also provides land for some future expansions of the buildings.

That formula produces a gross acreage requirement of 4.0 acres which would be absorbed by 2020. Of course, Kamiah’s economic growth is not expected to end at that point, and it would be desirable to have additional land for future expansion. For this study, a site of five (5) acres that can be developed in phases is considered to be the most appropriate size.

**B. Site Analysis**

1. Site Criteria

While there are general criteria for selecting business sites, the information provided through the survey of businesses was used in this analysis because it relates specifically to local companies and their preferences. Companies were asked what services they needed, and ranked them on a scale of 1-5, with a ranking of “1 = Not At All Essential,” and a ranking of “5 = Absolutely Essential.” The list below shows the service factors and their rankings based on median scores by the firms that responded to the survey.

<table>
<thead>
<tr>
<th>Service</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broadband</td>
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<tr>
<td>City police &amp; fire</td>
<td>3.778</td>
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<tr>
<td>Highway visibility</td>
<td>3.111</td>
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<tr>
<td>Near to retail services</td>
<td>3.111</td>
</tr>
<tr>
<td>City water/sewer service</td>
<td>3.111</td>
</tr>
</tbody>
</table>
Other important location factors were good signage, adequate customer and employee parking, and adequate light truck delivery access / loading dock.

It is evident that the companies anticipating expansion in Kamiah are using modern technologies such as the Internet and high-speed communications by their universal ranking of broadband services as absolutely essential. At the other end of the spectrum, none of the companies that responded considered rail access to be essential.

These results strongly favored a site inside the Kamiah city limits, with a possible accommodation of sites adjacent to the city limits that could be provided with City water and sewer services.

### 2. Review of All Sites

Another question on the survey asked whether companies would prefer to locate their operations on private land, City-owned land, or Tribal land. The responses indicated no strong preferences or objections for any of these options, so it was decided that all would be considered.

Realtors and property owners originally suggested that sites near the Kamiah Municipal Airport should be considered. However, when the consulting team observed that all truck and other commercial traffic would have to travel along Hill Street and cross the two-lane bridge over Lawyer Creek to/from the airport area, this location was eliminated. It is not desirable to have commercial traffic routed through a residential area and past schools.

Other sites in Idaho County along U.S. 12 were eliminated because of the absence of City utilities and/or the high costs of extending utilities to the sites. Several sites north of town along

<table>
<thead>
<tr>
<th>Feature</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water for mfg/processing</td>
<td>3.000</td>
</tr>
<tr>
<td>Truck traffic capacity</td>
<td>2.778</td>
</tr>
<tr>
<td>3-phase power</td>
<td>2.444</td>
</tr>
<tr>
<td>Propane</td>
<td>2.222</td>
</tr>
<tr>
<td>Hazardous material disposal</td>
<td>1.444</td>
</tr>
<tr>
<td>Rail access</td>
<td>1.000  (“Not At All Essential” to 100% of respondents)</td>
</tr>
</tbody>
</table>
U.S. 12 and southwest along S.H. 162 were eliminated for the same reason. At the end of the initial site review process, six sites were selected for further analysis.

Two sites initially identified as City-owned are located adjacent to the City’s wastewater treatment plant, one on each side of the railroad tracks.

City Site #1 was the preferred site because it is adjacent to No Kid Road and could be developed with minimal off-site improvements. It also provided greater visibility and easier access than the site on the north side of the railroad tracks. However, as noted earlier, while researching the sites, the consulting team uncovered discrepancies related to ownership of Site #1. The County Assessor’s records showed this site as owned by the City of Kamiah. However, a Tribal/BIA map provided during the research showed the site as tribal allotment ownership. Therefore, the consulting team recommended that the City conduct a title search to confirm ownership. A subsequent title search confirmed that Site #1 is, in fact, tribally-owned.

Attention then was focused on Site #2 on the north side of the railroad tracks, adjacent to the City’s sewage treatment plant (see photo below). This site would cost more to develop because the access road, N. Laguna Drive, would need to be improved and paved. The overall property was formerly used for wastewater lagoons which were replaced by the construction of the treatment plant. The western lagoon is planned for reuse for stormwater storage but the eastern lagoon area and adjacent land could be redeveloped for the commerce park. However, part of
this site has been leased to the Kamiah Gun Club, which represents a potential conflict with the Commerce Park.

Tribal sites #1 and #2 are both part of the same allotment – 1359A. The photo below shows the eastern portion of the allotment (outlined), but the portion on the west side of Idaho Street is part of the allotment and is referenced as Tribal Site #2. There are few significant differences between them so either one would work for a Kamiah Commerce Park.
These allotments are larger than what is shown because they include areas that already have been developed for commercial uses on leased land. That experience with commercial leases on these sites indicates the owners, including the Nez Perce Tribe, might be willing to enter into new leases for a Kamiah Commerce Park. The sites slope down from the south to the north. A commerce park could be constructed on either side of Idaho Street or along No Kid Road. Both of these roads already are paved, so it may be possible to locate five one-acre lots with paved access and no requirement for an interior road.

Other tribally-owned sites, particularly along U.S. 12 with highway visibility, also were discussed. These sites are attractive because of their access and visibility, though they are not served by City utilities, and located further from the central business district. City utilities could be brought to the sites at reasonable cost and few anticipated logistical hurdles.

The two private sites are owned by local investors and real estate brokers and are listed for sale. Private Site #1 is approximately 5.2 acres in size with an asking price of $500,000. It is at the end of Hill Street but also has access from No Kid Road. It would require construction of an interior road, possibly linking Hill Street and No Kid Road in order to separate commercial traffic from the residential areas.

This site is adjacent to the planned location of the new St. Mary's Health Clinic. It meets all the site criteria, although the size is the minimum that was considered. The main issue with this site
is the cost of acquisition, which would have to be included in the financial pro formas along with the cost of an interior road.

Private Site #2 is located along U.S. 12 adjacent to the USDA Forest Service facility (see aerial photo below). It is approximately 7.5 acres in size and slopes upward to the south. A second access could be provided from S.H. 162, and the site could be terraced to make two levels of buildings with views to the north toward the Clearwater River. It is a prime site for development in Kamiah.

The primary drawback to this site is the acquisition cost of $850,000, which would have to be factored into the pro formas. This also is a signature site for the city of Kamiah and is adjacent to the location of the proposed consolidated offices of the Clearwater and Nez Perce National Forests. While a commerce park would be attractive in this location, the site may be more valuable for a higher mixed-use development.

![Private Site #2](image)

After the preliminary numbers were run through the pro formas, the consulting team recommended that the two private sites would not be financially feasible because of the acquisition costs. Therefore, the final analysis focused on the City-owned sites and Tribal-owned sites.
3. Descriptions of the Selected Sites

City Site #1

As noted earlier, this site was eliminated from consideration for the Commerce Park after the draft Feasibility Study was completed due to confirmation of Tribal ownership. It is roughly a triangular parcel with dimensions of 847’ north-south along the west boundary of the property, from No Kid Road north to the railroad; 1,220’ east-west along the north side of No Kid Road from the west boundary to N. Laguna Drive, and 1,486’ on the north boundary along the railroad. That gives it a total size of approximately 516,670 square feet, or 11.86 acres. A five-acre site could be developed on this parcel with a buffer of about 6.86 acres to work around any terrain features or other barriers to development.

According to the FEMA flood plain map, a very small portion of this site along the eastern end of the railroad tracks and the corner of No Kid Road and N. Laguna Drive are in the Zone B flood plain, which is the 500-year flood plain. Locating the five-acre site outside the flood plain would minimize the costs of development.

Primary access to this site would be from U.S. 12 along No Kid Road. There are several ways this site could be developed, although an engineered site plan will be necessary to determine the actual footprint. Five one-acre lots could be developed along No Kid Road with dimensions of about 1,040 feet long by 208 feet deep. With individual access points, this arrangement would eliminate the need for an interior roadway. Alternatively, five lots could be developed in a linear strip in the interior, or abutting the railroad, with a connecting access road from No Kid Road. This could offer greater flexibility in the design of the commerce park.

City Site #2

The exact dimensions of this site were not determined but map measurements show a parcel of approximately 860’ x 430’ could be available on land that is reclaimed from the previous wastewater disposal site and the existing treatment plant. That represents about 8.4 acres total, which would allow development of a five-acre parcel with additional land for future expansion.
The only access to this site would be along N. Laguna Drive which is currently unpaved and therefore would need to be improved. This would add to the costs of development. However, an interior access road could be constructed at the north side of the treatment plant to serve only the commerce park without having to pave all of N. Laguna Drive. The site is generally flat and does not appear to have any obstacles to development. Because of the prior use, it is doubtful that there are any cultural, historical, or environmental issues that are not already known. This site is entirely within the 500-year flood plain according to the FEMA map although the 100-year flood plain encroaches slightly past N. Laguna Drive on the north end. As noted earlier, part of this site has been leased to the Kamiah Gun Club.

**Tribal Site #1**

Exact dimensions were not obtained for this site because some of it is currently being used for commercial businesses. Also, no records are available from the County Assessor’s office for Tribal lands. Rough measurements indicate that the vacant portion is approximately 13 acres. The land is currently in agricultural use with a crop of hay.

The northern dimension along No Kid Road is about 680’ long. It has excellent visibility and is across the road from existing industrial uses. A commerce park at that location would fit into the overall character of the area with minimal conflicts.

In order to develop five one-acre sites, three sites could be developed along No Kid Road and the remaining two sites could be developed along Idaho Street. That would create an L-shaped project with each lot having its own access from a paved road. An alternative would be to develop all the lots along Idaho Street which has more than 1,100 linear feet of frontage. Also, developing five lots at the south end of the property would be possible although this would require developing an interior roadway.

**Tribal Site #2**

The second Tribal site is part of the same allotment and has the same characteristics as the first site. The two parcels are divided east-west by Idaho Street.
This site has only about 480 feet of frontage along No Kid Road. However, it is deeper in the north-south dimensions because of the diagonal of No Kid Road so it also has about 13 acres of undeveloped land. This parcel also would lend itself to an L-shaped development of five one-acre lots along No Kid Road and Idaho Street, or a linear strip along Idaho Street only. With a surplus of about eight acres, numerous conceptual site plans could be explored.

Both of these sites have the advantage of being within walking distance to downtown Kamiah businesses such as restaurants and grocery stores. A commerce park on either of these sites would maximize synergies between the businesses in the commerce park and the businesses in the downtown area.

C. Project Feasibility Analysis

Determining the financial feasibility of a development project necessarily requires making informed assumptions about the probable costs of development along with the timing and amounts of revenues from the developed product.

There are three options for moving forward with development of the Kamiah Commerce Park. All of these could be developed on any of the parcels reviewed as potential sites.

1. The lowest cost option would be to select the site on one of the parcels, stake it, and begin the process of planning and (if necessary) rezoning the site for a commerce park and obtaining all the entitlements necessary to file for permits. The site would remain as bare ground until one or more tenants commit to a ground lease. At that point, work can begin to prepare the site for development and initiate a construction plan.

2. The second lowest cost option would be to add a site conceptual development plan on top of Option 1. It is a common practice in real estate development to market a plan that addresses all the elements of serving the site with roads, utilities, interior improvements, buildings, financing sources and other features. That allows the owner to show prospective tenants that everything is ready to go and the site can be delivered in a ready-to-build condition at a certain date. It also allows flexibility to actually perform the development to the tenant’s specifications in case they need something different than the plan. This involves engineering and planning costs but no
hard costs for construction until a tenant is signed up. These costs can serve as the basis for grant applications, depending how much grant funding might be available and from which sources.

3. The third option is to complete Options #1 and #2 and also initiate development and construction on the first phase of the site. That means paying hard costs up front and having to carry those costs, perhaps without a signed lease and guaranteed revenues. This creates the greatest financial risk but offers the advantage of marketing a product instead of a concept.

The first two options involve primarily internal costs plus any contracted costs for professional engineering services in Option #2. Those costs would be relatively low, and options #1 and #2 would not require a financial feasibility analysis until a tenant lease is signed and construction is ready to begin. There will be marketing costs to secure tenant commitments, but the timing of hard costs can be deferred until a revenue stream is secured.

For this report, the financial feasibility analysis is based on Option #3 in order to see whether a “worst case scenario” is workable. It assumes actual site development with a multi-tenant building constructed to launch the commerce park.

The model used in this analysis assumes that a 5-acre parcel will be platted for five adjacent lots with a total gross square footage of 217,800 square feet, or 43,500 gross square feet per lot. It is also assumed that only one lot will be fully serviced with streets, utilities, and other improvements with services stubbed out for extension to the other lots as tenants commit to leases. It also assumes that only 80% of each lot will be buildable with the remainder used for roads, utility easements and other site requirements. That produces lots with 34,848 square feet of buildable land. Assuming a maximum of 40% site coverage, buildings up to the size of 14,000 square feet could be constructed on each lot for a maximum of 70,000 gross square feet of building space. Based on averages of 400-600 square feet of building space per worker, the site could potentially provide employment for 117-175 workers.
A multi-tenant building would be constructed on the first lot, containing a total of 5,600 square feet of gross space. A conceptual site plan shows a second mirror-image building constructed on the lot for a potential total of 11,200 gross square feet of building space. That represents about 32% coverage of the net 34,848 square feet of available land. The balance of the land includes a paved parking area, building setbacks, landscaping, truck maneuvering areas, and other features. An artist’s rendering of this concept is shown above.

Each building is divided into five bays which could be combined for larger spaces. Each bay has a drive-in door in the rear for shipping and receiving. It is assumed that these will be metal buildings with facades and other features to improve their appearance. They will be constructed at a supplier’s location, trucked to Kamiah, and assembled on-site.

Costs were estimated for developing the first lot in the commerce park and for constructing the first multi-tenant building. Costs for the site development were estimated by the Progressive Engineering Group, while the costs of the building were provided by several metal building manufacturers.
Under the scenario described above, only items 1B, 2, and 3 would apply to the model, totaling $175,095. The utilities would be stubbed for later extension to the other four lots.

The model assumes that all site development costs would be incurred in the first year of the project, along with construction of the multi-tenant building. The responses from the survey indicated there should be sufficient demand to fully lease the building in the second year of the project. The second building will be constructed only when there are pre-lease commitments, so those costs are not included in the model.

Research on lease rates for this type of space in north-central Idaho shows a range of $0.23 per square foot (psf) per month in the Orofino Business Center to about $0.40 psf in the industrial areas of Lewiston. These rates reflect the present soft economy in the region, as normal rates for this type of space would be $0.50-$0.60 psf per month for new construction.
For this model, a rate of $0.30 psf/month is assumed for the first three years of operation with escalations of 6% every three years thereafter. Without discounting for common areas or non-leaseable space, the gross revenue from rents would be $1,680 per month or $20,160 per year. The model assumes a triple-net lease (NNN) where the tenant pays for utilities, taxes, and maintenance.

There are some additional costs included in the model to avoid underestimating the total amounts of capital investment required. All of these are expended in Year 1 of the model.

**Pre-Development Capital Costs**

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<tr>
<th>Cost Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site acquisition costs</td>
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</tr>
<tr>
<td>Legal and accounting costs</td>
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<tr>
<td>Engineering and planning costs</td>
<td>$ 50,000.00</td>
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<tr>
<td>Permits, fees, entitlements</td>
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<td>Contingencies (15%)</td>
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**Site Development Costs**

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<th>Cost Description</th>
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<tr>
<td>Staking and grading</td>
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<tr>
<td>Sidewalk, curb</td>
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<td>Water service to 1st lot only</td>
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<td>Sewer service to 1st lot only</td>
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<td>Contingencies (15%)</td>
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Subtotal for Site Development $177,210.00

**Building Development Costs**

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<td>Building site preparation ($4/psf)</td>
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<tr>
<td>Building construction ($24/psf)</td>
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<tr>
<td>Utility on-sites and hookups</td>
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<tr>
<td>Contingencies (15%)</td>
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Subtotal for Building $291,181.00

**Total of all costs for first lot + building:** $ 468,390.00
This amount is equal to $83.64 per square foot of gross building space for the 5,600 square foot multi-tenant building. This compares favorably with the cost of developing the 30,000 sq. ft. building in the Orofino Business Center which was $85.16/sq ft in 2003. That site required considerably more grading and other site work than any of the proposed sites in Kamiah.

Based on a goal of having the building fully leased when it opens, at a net lease rate of $0.30 psf/month, the building will return revenues of $20,160 per year with escalations in Years 4 and 8. If there were no revenues other than the rental income from the building, the cumulative net cost of the project would be negative -$379,846 in Year 10 which would require carrying negative cash flow for about 18 years.

In the private sector, that kind of negative cash flow would be covered by financing based on the value of the asset, possibly with refinancing or sale of the asset after a period of 5-10 years. Selling the building could be an option for the City, but a more likely scenario would be to obtain grant funding to reduce the negative carry. A grant of $400,000 would reduce the cash costs of development of both the site and building to $88,390. The pro forma for that scenario shows the building producing positive cash flows in Year 2 on an annual basis and in Year 9 on a cumulative basis. That amount would put the up-front costs nearly within the range of the contingency reserves, possibly making the project produce positive cash flows for the City or Tribe from the second year when the rental income begins.
Summary of Findings of the Feasibility Analysis

As noted earlier, a feasibility analysis requires that the assumptions will reflect actual events such as costs and revenues. Two options have been described that are inherently feasible because of the low level of costs required. On the other side, they do not produce a product that can be offered immediately to companies looking to locate or expand in Kamiah.

The third option will require more than $400,000 of initial capital costs while returning just over $20,000 per year in revenues. There is an asset value that offsets the cost-revenue disparity, but the City still would have to face a long-term negative revenue stream. The project is feasible, as described, only if sufficient grants can be obtained to offset the initial capital costs.

The City also needs to consider induced benefits from this project:

- Added revenues for water and sewer utilities
- Added revenues from property taxes
- Added employment in Kamiah with more spending in the community
- Ability to recruit companies from outside of Kamiah
- Creating a business climate of growth for the future

These three options provide Kamiah with decision-making resources that measure risk versus reward. The Business Plan section of this report gives a guideline for how to achieve them.