Friedman Memorial Airport
Redevelopment Plan and Feasibility Analysis

A Recommended Framework Plan: Land Use and Market Strategy

PREPARED FOR:
Friedman Memorial Airport Authority
City of Hailey, Idaho
May 9, 2011

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REPLACEMENT AIRPORT PROGRAM | **SUN VALLEY**

Friedman Memorial Airport

Airport Redevelopment Plan and Feasibility Analysis

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Introduction

INTRODUCTION

The Friedman Memorial Airport (FMA) is located in the City of Hailey, Idaho. The existing airport is the primary facility for commercial and general aviation air services for the Wood River Valley and Blaine County, Idaho, including the communities of Hailey, Bellevue, Ketchum, Sun Valley, Picabo, and Carey. It is located at the southern limits of the City of Hailey and north of the City of Bellevue.

In order to respond to existing and future air travel demands, plans are underway to build a replacement airport outside of the Wood River Valley and to redevelop the existing airport land as a mixed-use development that could have a variety of land uses including light industrial, research and development, institutional, residential, retail, community elements, and other related uses.

A more focused redevelopment plan is required that will maximize revenues from the sale of the existing airport property to help fund the replacement airport. To realize the maximum financial gain and secure the necessary commitment and approval from the City of Hailey, it is incumbent on the owner to also determine how the FMA site will be integrated into the overall context of downtown Hailey and the surrounding areas, as they relate to the redevelopment goals for the existing airport. This includes a strategy for the reuse of the existing facilities, and an informed implementation plan relative to market demand, phasing, timing, and financing.

It is intended that such plan will create a new vibrancy for the City of Hailey and Blaine County that complements, but does not compete with, downtown Hailey. This plan must be integrated with and allow connections to the nearby river, creeks, canyons, roads, the Wood River Trail System, downtown Hailey, and surrounding neighborhoods. These elements will contribute to the goal of maximizing revenues from the sale of the land.

The strategy considers the airport property as a whole entity regardless of the land ownership to ensure that an integrated and comprehensive planning approach for the entire land parcel is realized. It is also understood that revenue from the sale of the airport property, for at least the acreage of land that is owned by the City of Hailey and Blaine County, must be redeveloped at the highest and best use for the community.

Most importantly the redevelopment must achieve the highest financial return, as the revenue generated is required to be used to offset costs of the proposed replacement airport.

Friedman Memorial Airport
Redevelopment Plan and Feasibility Analysis

Report Intent, Background, and Overview

This report represents findings in four categories of research, discovery, and planning for the FMA site. The first category includes the full spectrum of economic research related to the market conditions which are relevant to potential land uses for the future reuse of the site. Additionally, local, regional and national conditions that may have a bearing on the sale and redevelopment of the site have been reviewed. The second area of discovery is related to the physical conditions and setting of the site, including opportunities and constraints and the context of the site within the land use jurisdiction of the City of Hailey. The third category consists of a full spectrum of design studies for the site including final recommendations. The fourth category includes the economic findings of the study.

The findings outlined in this report were first presented in February 2011, and were revised as community input was provided. Due to the massive changes in the national economy over the last few years, much of the statistical information that had been available up to 2008 is now obsolete and more updated information is in a state of change. In addition, policy decisions by private and governmental agencies are also in a state of change. Therefore as much as possible was done to research and generate the latest information through a variety of techniques so that an understanding of the true conditions that might impact the future direction or decision making process for redevelopment of the FMA site would be as accurate and current as possible. It is consequently intended that this report remain a live document for a period of time to allow for discussion, verification, and input from stakeholders, the community, and any relevant party that may have interests in the future of the FMA site.

The Executive Summary of this report presents the most relevant information from the market analysis and the physical site review.

Assessment Process

The focus of this report is on those economic factors that have historically influenced the commercial and residential real estate market. However, since no one sector of the economy is a complete and fully accurate predictor of real estate trends, the focus is on a broad set of major economic indicators and their impact on real estate. Therefore, the research began with a review of the goals for the replacement of the FMA, an outline of Key Issues and a review of the existing conditions of the site and surrounding market.

After the review of the current physical conditions, including opportunities and constraints of the site, the market research began with a look at the national economy. Specifically, population growth, household formation, interest rates, employment and job growth, home construction, household debt and home values, and consumer spending—the primary drivers of the real estate economy - were analyzed.

After the national overview, the market research portion of this report established the current market context for a proposed redevelopment of the existing Friedman Memorial Airport site. As such, the overall state of the economy in Idaho, South Central Idaho, Blaine County and the City of Hailey was reviewed. Again, the focus was on population growth, households, household income, employment, home construction and consumer spending. From that base of understanding of the national and regional economy, the research moved from the macro to the micro by identifying trade areas for downtown Hailey and a potential development on the FMA site.

This portion of the study concludes with a detailed analysis of the major economic factors that will determine the success of a development on the FMA site with a specific focus on land values and the timing of the disposition of the land.

Planning Team

This planning effort is the result of contributions by many stakeholders, with assistance being provided by a multi-disciplinary consultant planning group. The scope of work was monitored and communication coordinated between the technical team and the property owners by Beth Robrahn, Community Development Director for the City of Hailey. The contract was directed by Rick Baird, Friedman Memorial Airport Manager. Members of the Hailey City Council, the Friedman Memorial Airport Authority, and the Blaine County Board of Commissioners also contributed to the process, the critical thinking, and the review of documents. The Federal Aviation Administration provided the Federal grant-in-aid that funded 95% of the technical support and provided critical review of project scoping and documentation[1].

Technical expertise, including development of the study approach was provided by the following project team partners:

- Mead & Hunt served as prime consultant for the project, provided planning guidance and was responsible for overall quality and delivery of the services and the document. Tom Schnetzer served in this role.
- Hart Howerton led the development of the study scope, process, and technical approach for the overall project. This firm also led the community through a series of critical conversations that resulted in a plan that has captured and incorporated those conversations and ideas in a thoughtful manner. This plan positions the land for sale and re-use in a manner that maximized the resulting value on many levels. Roland Aberg, a Principal with Hart Howerton, led these efforts.
- Village Solutions Company prepared and presented to the community the economic realities of developing real estate in the Wood River valley, through a thorough market analysis within the context of the region, state and country. This firm also led the effort to market the airport land and finding appropriate suitors. Rick Hill, a Principal with Village Solutions Company, was responsible for those efforts.
- Ruscitto/Latham/Blanton Architectura contributed significantly to the conversations that needed to take place among community leaders and stakeholders. The firm also played a significant role in the community workshops to facilitate some of the critical conversations. Nick Latham, a firm principal, was responsible for those efforts and kept the rest of the team in tune with the pulse of the community.
- Jviation served in a technical support role on critical study elements such as the property information. They also worked to ensure communications and interaction among the other related efforts in the replacement airport program flowed efficiently. Scott Cary provided this support for the project.

1 Although 2016 is the planned opening year for the replacement airport, there are funding scenarios that include a range of dates extending three years beyond.

The primary goal of this report is to determine how to maximize the financial value of the existing Friedman Memorial Airport (FMA) site so that the funds from the sale of the land could be used to pay for a replacement airport.

Friedman Memorial Airport

Redevelopment Plan and Feasibility Analysis

Executive Summary

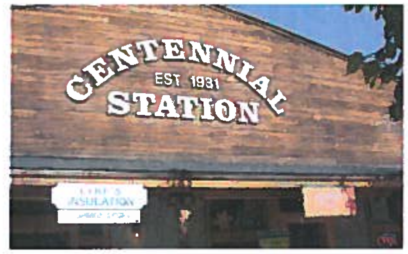
Introduction

This document presents summary information for the eight elements of the Airport Redevelopment Plan and Feasibility Analysis prepared for the City of Hailey and the Memorial Airport Authority (FMAA). This report identifies development options and presents a preferred alternative to allow the current airport site to be redeveloped for other uses should the Airport be relocated to another location within Blaine County. This planning effort was completed and coordinated with a Financial Feasibility Analysis prepared by Ricondo & Associates and concurrently with an Environmental Impact Statement prepared by Landrum & Brown under the supervision of the Federal Aviation Administration. Implementation of this redevelopment plan is conditioned upon the outcomes of the financial and environmental planning efforts.

The primary goal of this report is to determine how to maximize the financial value of the redevelopment of the existing Friedman Memorial Airport (FMA) site so that the funds from the sale of the land could be used to help pay for a replacement airport. It is also important, for purposes of maximizing the value from the sale of the land, that the integration of the FMA site into the City of Hailey and surrounding communities be evaluated in a holistic way, considering the resort economy that exists, and other community/economic functions that are related. The basic intent of this effort recognizes that the highest economic return will be gained if the community is engaged in a robust effort to help develop a vision for the FMA site complementary to other community initiatives.

This FMA Redevelopment Plan and Feasibility Analysis effort is comprised of the eight elements listed below.

1. Reconnaissance analysis and public input
2. Development of a preliminary planning framework and identification of potential land use strategies
3. Site and economic analysis
4. Development of Schematic Layout Plan Alternatives
5. Financial model testing and development of a Recommended Framework Plan
6. Generation of a Conceptual Site Plan and supporting illustrative views
7. Implementation options and phasing
8. Test marketing



Background

The Friedman Memorial Airport is located on approximately 210 acres in the City of Hailey, Idaho. The existing airport is the primary facility for commercial and general aviation air services for the Wood River Valley and Blaine County, Idaho, including the communities of Hailey, Bellevue, Ketchum, Sun Valley, Picabo, and Carey. It is located at the southern limits of the City of Hailey and north of the City of Bellevue. Of the 208 acres that comprise the existing airport site, a portion is a gifted parcel controlled by the Friedman Family Trust. At this time, this plan is treating the entire airport site as one entity.

Additionally, in order to respond to existing and future air travel demands, plans are underway to build a replacement airport outside of the Wood River Valley and to redevelop the existing airport land as a mixed-use development that could have a variety of land uses including light industrial, institutional, research and development, residential, retail, community elements, and other related uses.

A more focused redevelopment plan is required that will maximize revenues from the sale of the existing airport property. To realize the maximum financial gain and secure the necessary commitment and approval from the City of Hailey, it is incumbent on the consultant team to also determine how the FMA site will be integrated into the overall context of downtown Hailey and the surrounding areas, as they relate to the redevelopment goals for the existing airport. This includes a strategy for the reuse of the existing facilities, and an informed implementation plan relative to market demand, phasing, timing, and financing.

It is intended that such plan create a new vibrancy for the City of Hailey and Blaine County that complements but does not compete with downtown Hailey. Therefore, this plan must be integrated with and create connections to the nearby river, creeks, canyons, roads, the Wood River Trail System, Downtown Hailey, and surrounding neighborhoods.

The strategy, as outlined in this report, considers the airport property as a whole entity regardless of the land ownership to ensure that an integrated and comprehensive planning approach for the entire land parcel is realized. It is also understood that revenue from the sale of the airport property, for at least the acreage of land that is owned by the City of Hailey and Blaine County, must be redeveloped at the highest and best use for the community. Most importantly the redevelopment must achieve the highest financial return, as the revenue generated is required to be used to offset costs of the proposed replacement airport.

Report Intent, Background, and Overview

This report represents findings in four categories of research, discovery, and planning for the FMA site. The first category includes the full spectrum of economic research related to market conditions relevant to potential land uses for the future reuse of the site as well as the economic conditions locally, regionally, and nationally that have bearing on sale and redevelopment of the site. The second category relate to the physical conditions and setting of the site including opportunities and constraints and the context of the site within the planning jurisdiction of the City of Hailey. The third category contains plans and options for the redevelopment of the FMA site with a preferred recommendation. The fourth option contains the economic findings of

"The redevelopment strategy considers the airport property as a whole entity regardless of the land ownership to ensure that an integrated and comprehensive approach for the entire parcel is realized."

the sale of FMA land based on the preferred plan approach.

This document represents findings to date and will be revised as community input is provided. Due to the massive changes in the national economy over the last few years, much of the statistical information that had been available up to 2008 is now obsolete and more updated information is in a state of change. In addition, policy decisions by private and governmental agencies are indecisive or non-committal. As much as possible was done to research and generated the latest market information through a variety of techniques so that an understanding of the true conditions that might impact the future direction or decision making process for redevelopment of the FMA site would be accurate and current as possible. It is therefore intended that this report remain a live document for a period of time to allow for discussion, verification, and input from stakeholders, the community, and any relevant party that may have interests in the future of the FMA site. A series of workshops in February 2011 were conducted to facilitate this community review process.

This Executive Summary presents information from the market analysis, the physical site review, site plan recommendations, and the economic recommendations.

Community and FMAA Goals

A set of goals has been identified by the City of Hailey, community and the Friedman Memorial Airport Authority (FMAA) in recent public workshops and resolutions to help guide the planning for the reuse of the airport property. They include the following:

1. Maximize the revenue generated from the sale of airport property so that it can be used to help pay for the replacement land.
2. Craft a plan that is integrated with and complements the existing neighborhoods and community land use goals while creating a new "neighborhood" which does not compete with the Downtown.
3. Ensure proposed neighborhoods and land uses are seamlessly connected to existing neighborhoods and downtown.
4. Create a diverse mixed-use neighborhood that incorporates a range of appropriate densities with varying building heights, lot sizes, and building forms.
5. Ensure a diversity of housing opportunities is offered which is economically feasible.
6. Create a well developed "public realm" that integrates the existing open space framework with an extended new framework that includes neighborhood gathering places, passive and active recreational space, and access to the surrounding regional natural environment including rivers, creeks, and canyons.

Key Issues

This plan is focused on the redevelopment of the current FMA site, provided that the airport is replaced with another airport in a new location to open in 2016. The primary intent of this plan is to maximize the land value of the FMA site; to create a master plan for the FMA site that is consistent with community standards; and to create a strategy that serves as an economic stimulus for the Wood River Valley and Blaine County.

Outlined below are the key issues relevant to the existing FMA site based on a number of meetings held with local stakeholders from October 2010 to April 2011.

- As defined in the FAA Environmental Impact Statement process, the purpose and need for a replacement airport to serve the Wood River Region is founded on three primary considerations that relate directly to the operation and viability of an aviation facility as follows:
  1. Provide an airport that conforms to FAA airport design standards, criteria, and orders.
  2. Ensure the reliability of an airport serving the Wood River Region by providing approach capability that will allow operations during periods of reduced visibility. At a minimum, provide an approach capability allowing for operations down to a ceiling of 200 feet above airport elevation and one-half mile visibility.
  3. Ensure the ability of the Airport to accommodate growth in operational demand and in demand for new and expanded facilities.
- The disposition of the existing airport land must generate significant proceeds to offset the cost of the replacement airport.
- The potential sale of the existing airport site may not coincide with the timing for revenue generation for the replacement airport construction.
- Since the FMA land is owned by several entities, there are still issues to resolve related to how the site may be parceled for sale to maximize full value of the land.
- The addition of new land uses including commercial and residential on the site of the existing FMA must contribute to the development of a whole and complete community for the City of Hailey.
- Since the site abuts the southern entry to the City of Hailey and has significant frontage along the State Highway 75 transportation corridor, the redevelopment of the FMA site should serve as a new gateway to the City of Hailey and Sun Valley.
- The redevelopment of the FMA site must add new jobs. In addition, expressed goals of the City of Hailey and Blaine County insist that the redeveloped airport site become an economic stimulus to the City and County.
- The redevelopment of the FMA site must also be done in a manner that integrates the east side of the valley with the west side of the valley.
- Geographical and political constraints on housing have historically driven land costs upward over the last 10 years in Blaine County.
- Long-term trends indicate a gradual decrease in the rate of people moving to Blaine County while an increasing number of residents will move away.
- Employees commuting everyday into Blaine County indicates a high cost of living in Blaine County. The high number of commuters has a negative impact on traffic, especially on SH-75.
- The population of Blaine County is aging at a rate which exceeds the state and national averages.
- Finally, significant increases in home prices and rents have resulted in a real estate market that is unaffordable for a large segment of the population in Blaine County. The depression beginning in 2010 has not changed the relative disparity.

National Economic Overview Summary

There are a number of positive indicators in the national economy which suggests that the worst of the recession is over. However, the economy is far from a full recovery and it may stay near or at record lows for several years.

From a positive perspective real GDP increased 3.2 percent (annualized rate) in the fourth quarter of 2010, following an increase of 2.6 percent in the third quarter. The acceleration in real GDP in the fourth quarter reflected a downturn in imports, acceleration in consumer spending, and an upturn in residential investment that more than offset downturns in inventory investment and in federal government spending and a deceleration in nonresidential fixed investments.

However, as of late December 2010 the Federal deficit had grown to $13.873 trillion and unemployment has grown from 5% since the official start of the recession to the current rate of 9.4% as of December 2010. It may be two to three years before unemployment returns to more historical levels in the 5-6% range.

Finally, the national residential market is still in a major decline. In 2010, one million homes were foreclosed on by the banks and another 1.9 million were in some level of foreclosure which will result in further overall declines in home values. If home values have declined by 20%, then there has been a decrease of $4 trillion in home values.

National Real Estate Overview and Projections

1. Commercial real estate will remain in a decline through 2012.
2. Significant improvement in the economy to allow a full recovery of the real estate industry may not occur until 2015.
3. The inability of developers to obtain financing may create significant problems in meeting the goals of the FMA redevelopment within in the next several years.
4. In many cases existing real estate projects can be purchased for less than their development costs making new development very difficult at this point in time.
5. Numerous national retailers have placed new store openings on hold with a "wait and see" attitude. This creates a difficult market for development that will require national credit retailers to obtain financing, once the capital markets fully reopen.
6. Historically, the U.S. economy has been consumer driven. Typically, consumers would contribute to 60-70% of any sustained growth in the economy. However, to this point, the consumer has elected to curtail expenditures in order to restore their own personal financial statements.

National Real Estate Impact on the Sale of the FMA Site Conclusion

It would be very difficult to sell the existing FMA site within the next two to three years, because of the current economy. However, the economy is projected to improve significantly in 2015 and 2016 time frame. Likewise, the site is not ready to be sold at this time because a number of efforts required to maximize the land value must be implemented. Examples include rezoning the property to allow maximum flexibility to accommodate a variety of uses on the site and to physically prepare the site for redevelopment. While this position may not appear to be the optimal strategy, it does fit nicely into a fairly normal development cycle for a project of this size. In this regard, the site must be prepared for development over the next several years in terms of development agreements, rezoning, entitlements, land planning and other related activities and approvals before moving forward.

The State of Idaho's Economy Overview - Summary

In 2010, Idaho had an estimated population of 1,545,801 people residing in approximately 647,502 households. The median Idaho home value was $169,900, which was down -10.5% from 2009.

Other major highlights are as follows:

- Idaho had an unemployment rate of 9.3% in the last quarter of 2010. Approximately 71,900 people in the state are unemployed[1].
- Idaho's economic activity has declined 16.75 percent since it peaked in 2007.
- The state's economy shed 55,000 jobs by the time it hit bottom in August 2009, and Idaho's job losses were among the largest in the nation on a percentage basis.

Conclusions Related to the State of Idaho's Economy and Impact on the FMA Site Redevelopment

Idaho has been hit as hard by the recession as almost any other state in the nation. The state

1 Source: Idaho Department of Labor

lost 55,000 jobs since 2007. During the recession, Idaho's unemployment rate rose from 3.4 percent to 9.4 percent, an increase of 176 percent, the highest increase in the nation. This creates a challenge and an opportunity for the FMA site. On one hand, local and regional corporations have limited capital outlays and curtailed expansion. Conversely, state government and business leaders are seeking creative solutions to the current challenges of Idaho. In this regard, a well thought out and innovative plan for the FMA site will be viewed as an attractive economic development opportunity.

It is also important to realize that major redevelopments like the FMA site take many years to implement, with 10 year horizons not out of the norm. In this regard, the timing of the redevelopment of the FMA site is actually falling into a very a good point in the real estate cycle.

Blaine County Overview Summary

In 2010, Blaine County had an estimated population of 22,099 residing in 9,169 households with an average household income of $97,190. The median income was $67,669. The average household size for Blaine County was 2.37.

Other major highlights are as follows:

- The December 2010 unemployment rate in Blaine County was 10.4 percent (U.S. avg. was 9.4%).
- The total estimated value of all property in Blaine County for 2010 dropped to under $10.6 billion—an 11 percent decline from 2009 values, which were approximately $11.9 billion.
- It was estimated that there were about 21,775 total jobs in Blaine County in 2006. As a result of the recession, today there is an estimated 16,500 jobs in Blaine County, with the majority of job losses coming in the construction sector.
- Hailey and Bellevue housed the majority of workers in the area (60%), whereas approximately 70% of residents worked in Ketchum (54%) and Sun Valley (16%).
- About 17% of all workers (2,796) commuted into Blaine County from homes outside of the county.

Hailey Overview Summary

In 2010, the city had an estimated population of 7,902 people residing in 3,101 households with an average household income of $83,297. The average household size for Hailey was 2.52.

Other major highlights are as follows:

- The median home cost in Hailey was $409,510 in 2010. Home appreciation in the last year has been -2.12 percent.(-30% to -40% in last three years)
- Compared to the rest of the country, Hailey's cost of living is 17.00% higher than the U.S. average.
- The unemployment rate in Hailey was 10.3 percent at the end of 2010 (U.S. avg. was 9.6%).
- The Hailey residential market is currently extremely soft, and is expected to remain slow until 2012-2013. It has weakened significantly since its peak in 2005, when 395 homes were sold and 69 permits for new homes were issued for new construction.

Blaine County- Housing Study Summary

In 2006, the time of the last housing study in Blaine County (Rees 2006), there was a demand for approximately 1,200 community housing units.

Additional demand projections estimated that another 1,187 housing units would be required by 2010. Village Solutions discounted this projection by 20% to 950 houses because of the recession. In total, approximately 2,150 units of community housing were needed by 2010.

Of the total demand for housing, the FMA could reasonably expect to capture 4% to 7% which would equate to 100 to 150 units, provided total home values were in the lower price ranges.

Value of Housing Units

The median value of an occupied and owned home in Blaine County was $537,500 in 2010. Out of a total of 6,256 households 809 homes representing 12.93% were valued between $200,000 and $299,999; 14.02% were valued between $300,000 and $399,999; 11.38% were between $400,000 and $499,999; 14.85% were between $500,000 and $749,999; 14.72% were between $750,000 and $999,999; and 22.65% were over $1,000,000.

Apartments

There are eleven major apartment complexes in Blaine County with a total of 499 units. The vast majority of the apartments (454) are income restricted. 93% of all apartments (466) are located in Hailey. There are 45 fair market units located in Blaine County.

Rental Housing

There were an estimated 2,913 renters (single family homes and multi-family units) in Blaine County in 2010 representing 31.77% of all households.

Vacancy Rates

Vacancy rates provide another measure of the health of the rental market. As of 2010 the average vacancy in Blaine County was less than 7%. Typically, vacancy rates around 5 percent suggest equilibrium in the market, meaning that there is sufficient supply to provide renters with a choice of product. Vacancy rates below this threshold indicate under-supply, whereas rates above this level suggest over-supply of housing.

Blaine County Housing Conclusions: There is a significant housing shortage in Blaine County, particularly at the entry level. The availability of land and the cost of land prevent the market from moving forward. Likewise, the primary buyer of a housing unit in Blaine County is a worker who commutes into the county and may not have the income/credit to purchase a typical home in the county.

Hotels

As of January 2011, Blaine County had eleven (11) hotel properties with a total of 915 rooms. The majority of the hotels were small independent properties with less than seventy (70) rooms each, with several properties containing 30 rooms or less. The largest hotel property is the Sun Valley Resort with 508 rooms.

Hailey has three hotels consisting of the Airport Inn with 29 rooms; the Wood River Inn with 56 rooms, and the AmericaInn with 64 rooms for a total of 149 rooms.

For the entire county, average room occupancy ran at a 49.9% rate for all of 2010. Average daily room rates were $86.31. The Net Revpar (revenue per available room) was $43.04.

Three new proposed hotels are in the planning stage for Ketchum. These projects will bring onto the market approximately 287 units.

Hotel Conclusions: Based on the current occupancy in Blaine County and the three properties in the planning stage in Ketchum there is limited market demand for additional hotel rooms. Any, demand for additional rooms at the FMA site will be driven by a connection to new uses that create the need for additional rooms such as a convention center, research facility, institute and education facility.

Retail

There are approximately, fifty-two (52) retail businesses located in Hailey and another 142 retail stores located outside of the city and located in Blaine County for a total of one hundred and ninety four establishments (194), generating a total sales volume estimated to be $356,031,000 in 2007, the last year of the retail census conducted by the Census Bureau. These sales were projected to have grown to $384,273,000 in 2012 by Village Solutions.

Village Solutions conducted a survey of thirty-nine retail properties that consisted of 289,104 square feet with an average minimum rent per square foot of $18.12. Rents ranged from $12.00 a square foot in Hailey to $24.00 a square foot in several of the more upscale development in Ketchum.

The largest retailer in Blaine County is Albertson's at 40,000 square feet.

In total there is an estimated 1,358,000 square feet of retail establishments in Blaine County including car dealerships, restaurants, auto parts, gas stations, lumber yards and all retail shops.

There are no large format retail stores located in Blaine County.

Offices

In a survey of fourteen office properties located in Blaine County, vacancy rates averaged 7%. Full service rents ranged from $9.96 per square foot to $19.17 a square foot with an average of $17.04.

Additional Findings and Opportunities

In addition to the identification and review of the market as it related to land uses covered above, a set of findings, conditions and opportunities emerged from the market research.

They can be summarized as follows:

1. In the early stages of conducting the research for this report, it became obvious that there were few local businesses that could expand onto the FMA site. Therefore, the majority of new uses for the FMA would have to be attracted from outside the local region. This could come from interested parties within the State of Idaho or from entities located throughout the United States.

2. The FMA site will have significant economic importance to a depressed real estate and construction market within Hailey, the Wood River Valley and Blaine County. Besides the importance of the financial proceeds going to the new airport, the City and Blaine County are looking for the site to become a form of "economic stimulus" to jump start and to diversify the local economy. This jump start would derive from both the construction of new land uses on the site as well as from jobs and income from the new land uses once they were in operation.

3. The Friedman Memorial Airport Authority (FMAA) ultimately has to sell any land plan or new use to the public. The City has the authority over zoning, subdivision, and approval of building and other infrastructure constructed on the property. The FMAA and the City agree that new uses have to conform to planning policies established by the City with input from the community.

4. The FMA site represents one of the largest development opportunities in Blaine County. It is a unique asset and requires a branding and positioning that is specifically oriented to this site and one that sets it apart from other land holdings in the rest of the country. Specific assets that set it apart include the following:

   - It is a large contiguous piece of land set within a spectacular valley. The landscape setting will have appeal to buyers who want to own a great piece of land.
   - The land sits along Highway 75, so it has great visibility to travelers who drive by including very influential people affiliated with the resort community.
   - Sun Valley has a name that is nationally and internationally recognized. Connecting with that name will add value to the site.
   - Due to the movement of information electronically in our current world, people now have an unprecedented ability to live, work and play in remote, magnificent locations and still be connected to the outside world. Examples in Blaine County include Scott USA, Marketron, Powers Engineering and Rocky Mountain Hardware. They chose the Wood River Valley for many reasons including the setting and lifestyle. Other firms will be attracted for the same reasons.
   - The local school system is very good and there are choices of different types of education, both public and private
   - Blaine County's scenic attributes along with a well informed citizenship, the progressive business community and the familiarity with the Sun Valley name has a clear position in the national and international marketplace that lends itself to superior marketing, branding and positioning of the FMA site.
   - Although this report uses language such as "campus", "parkway road corridor" and "visual buffer framework" to describe proposed physical land planning concepts, these words are also descriptive of the visual image and branding that is required to add value to the property. In almost all higher end development, this approach is what separates a basic subdivision approach from a quality development. Quality developers and developments are attracted to places that are more campus like.

Constraints

The FMA site has a variety of physical issues and constraints that offer special challenges to how it may be positioned on the market for sale or in how the site is redeveloped. These conditions are outlined below but also include recommendations for how these constraints could be mitigated.

1. The site is long and linear and may present some issues related to a larger campus use that would prefer to be concentrated and not linear.

   Potential Solution: Group like uses in clusters of 20-30 acres each. Additionally, there may be an ability to buy more land at the south end of the FMA site should that prove desirable to certain developers.

2. Some of the land uses to the east and west of the FMA site may detract from views through and beyond the site.

   Potential Solution: The views from the FMA can be improved with a landscape buffer placed along the edges to allow the view to "jump" to the mountains and away from the housing to the east or the industrial park to the west. This same buffer works to solve some of the City's goals for open space and blending of the edges. The land also sits high, perched on a remnant river bench.

3. Development of land parcels can feel like a subdivision, especially given the type of land uses that could potentially occur on the FMA site.

   Potential Solution: Value cannot be added to the FMA site if it is developed as a number of freestanding subdivisions. It must be positioned like an "R & D Campus" or as a special corporate campus site. The landscape buffers can work to frame that campus, create an image, give it value, and create the "setting" that is needed to create a new place. Many examples of this type of approach occur in the Silicon Valley on the San Francisco Bay Peninsula.

4. The land drops off near the terminal on the west side of the property and existing land uses, such as the jail located to the west, have turned their back to the airport property. Therefore, new land uses would potentially have to look at the back of these facilities.

   Potential Solution: The site of the FMA can be re-graded to lift the land on parts of the west side of the site including use of the old runway material as fill material. Likewise, clever use of the lower land may allow below grade parking for some large land users. The land can also be utilized in a much more efficient manner with a great landscaped park edge on the west side, which could function as a buffer, yet integrate with the site road network to create a "parkway corridor".

5. The farm land and other ranches in the Bellevue triangle coming from Highway 20 provide great imagery and are a great transition from the arid plains to the Wood River Valley, but this ends as one enters parts of Bellevue. The same is true for Hailey. Yet, beyond Hailey, going north, a well developed scenic corridor begins almost immediately after leaving the city limits. This does not have to be the case. Companies or establishments who will have their address in Hailey need to have a pride in the place they call their headquarters or campus.

   Potential Solution: The redevelopment of the airport site cannot be myopic and focused only on the airport site itself. New plan strategies must incorporate ways of creating a new image and address both for the site as well as a repositioned City of Hailey. The solution of creating the entry to the City of Hailey, creating scenic and landscape corridors, orchestrating a civic entry to downtown Hailey, etc, all have to do with positioning the airport site and creating value to the address. These strategies are presented in the land planning to date, on the drawings, and in the narrative. To the benefit of all, adding quality and prestige to the site and the city is a winning situation for the FMA site. This all dovetails with the City of Hailey Comprehensive Plan.

Market Demand – Potential New Land Use Opportunities

There is little market demand for traditional commercial space including offices, light industrial and warehouse space at the FMA. With a positive change in the real estate economy which may not occur until 2012 to 2015, various development opportunities will come to life in Blaine County.

Since the conclusions of the market research to date shows that the expansion of existing land uses in Hailey are limited, new uses have to be considered and explored that would add value to the land while also fulfilling the stated goals that have been generated by the City of Hailey and Blaine County.

Outlined below is therefore a summary of new potential uses for the FMA site.

1. Research Facility

Under this scenario, a new research facility would be developed. One possibility is a center in connection with the Idaho National Laboratory (INL) which consists of an 890-square-mile area in south eastern Idaho typically referred to as the "site," along with laboratories and administrative buildings located approximately 30 miles east in Idaho Falls.

2. Business Park

Blaine County is home to a number of major national firms which are forward thinking, unique and creative. As these firms grow, so will Hailey. Examples include Marketron, one of the leading media research firms in the U.S. with approximately 120 employees; Rocky Mountain Hardware with 60-80 employees; and Power Engineers with 300 employees. Other corporate entities seeking a new location or expansion with the attraction of the Wood River Valley life style should therefore be pursued.

3. Institute

Under this scenario an international nonprofit destination would be created. This type of facility would be dedicated to fostering leadership and dialogue for a variety of current issues through seminars, policy programs, conferences and leadership training. One of the leaders in this category is the Aspen Institute. A comparable institute operating in Hailey could be marketed under the name - "Sun Valley Institute". This type of facility would require a hotel, conference center, restaurant and catering facility.

4. Large Format Retail Center

Large format retail would consist of a merchant such as Target of 120,000 to 150,000 square feet with room for a 20,000 square foot expansion; and a Lowe's or Home Depot of 80,000 square feet with an additional 20,000 square feet of space for an outdoor garden center. Development of these uses would require 22 to 25 acres of land.

5. Community and Civic Uses

Under this scenario, civic uses such as a new police station, fire station or public works department buildings or facilities; new community center, and a new library branch would be created on the site of the existing airport. Relocating the main library, City Hall and County Services was not considered in this scenario due to the activities these uses bring to Downtown which is important to the long term viability of Downtown.

6. University

This scenario calls for a full scale college campus which could be associated with a major university. In this scenario, a portion of the redeveloped airport becomes a campus with dormitories, class rooms, athletic fields and a major library.

The College of Southern Idaho, a community college based in Twin Falls, currently operates an off-campus outreach center in Hailey. One scenario would include the expansion of their facility to the airport site.

7. Medical

Medical facilities and especially medical research are not major industries in Blaine County; however, some consideration should be given to this industry.

8. Performing Arts Center

Hailey has the opportunity to create a dynamic arts center on the existing airport site to become an integral component of a growing, dynamic performing arts community. In this scenario, the site would become the summer home of an orchestra, opera, or ballet. In addition, the arts center would host music festivals, performing art classes, retreats for professional performing art organizations, and offer an artist in residence program for working artists. This has the ability to dovetail with a University if that scenario were to unfold as well.

9. Sports Complex

There are several options under this scenario. The existing airport site could serve as a training center or recreational sports center. Hailey is surrounded by the Sawtooth National Forest which makes it an ideal setting as an outdoor sports base.

10. School

A specialized school such as a design school, art school, metal crafting, and cooking school is a viable alternative which should be considered for the FMA site.

11. Residential

There is a current need for approximately 2,150 housing units in Blaine County. A well planned mix-use development on the FMA site could capture 5-10% or 125 to 250 housing units. For planning purposes, one scenario would include 90 multi-family units and 50-60 single family homes have been allocated to the FMA site. The appropriateness of these housing types and density within the FMA site versus a location in the downtown would also need to be reviewed.

Preferred Conceptual Site Plan

Based on the market research, community input, economic analysis, and testing, a preferred Conceptual Site Plan was generated with a variety of potential users. Outlined below are the major components of that preferred plan.

A neighborhood community 'village" area consisting of 75,000 to 100,000 square feet of retail with second level office space was recommended for the north segment of the development at State Highway 75 and Fox Acres Road.

A residential development consisting of 4 to 5 acres has been proposed for a location immediately south of the community center. Proposed housing concepts include senior housing or lower income housing that would be complementary to the community "village" area.

A full service hotel and conference center were proposed for a 22 acre site located south of the residential parcels.

Research and development uses were proposed for the majority of the property consisting of approximately 118 acres.

A large format retail center of approximately 160,000 square feet was proposed for the southern most parcel.

Financial Conclusions

Approximately 175 acres of the 208.6 acres will be available for sale. The balance of the land, approximately 32.70 acres has been allocated to roads and non-income producing outparcels. This report projects that it will take mine to ten years to sell all of the property with the first year of land sales being in 2016[2] the projected opening of the replacement airport. It should be noted that an opening date after 2016 exposes the property to changes in the market such as a recession, which could result in less demand for the property at lower land values.

Having stated the above, the overall land value for the FMA site is estimated to be approximately $34.25 million.

2 Although 2016 is the planned opening year for the replacement airport, there are funding scenarios that include a range of dates extending three years beyond.

This report shall primarily be used to establish the market context of a redeveloped FMA site, to establish design and use standards acceptable to all parties, and to estimate the value of the various parcels within the site.

Friedman Memorial Airport

Redevelopment Plan and Feasibility Analysis

Goals and Key Issues

INTRODUCTION

This report begins with an overview of the goals related to the redevelopment of the Friedman Memorial Airport (FMA), located in Hailey, Idaho. The goals are followed by an overview of the existing context of the market, followed by key issues, and ending with a review of maps, diagrams and plans to assist the reader in understanding the context and the existing conditions relevant to the redevelopment of the FMA into a mixed-use development.

Use of this Report

This report shall primarily be used to establish the market context of a redeveloped FMA site, to establish design and use standards acceptable to all parties, and to estimate the value of the various parcels within the site.

Goals of this Report

1. Maximize the revenue generated from the sale of airport property so that it can be used to help pay for the replacement airport.
2. Craft a plan that is integrated with and complements the existing neighborhoods and community land use objectives while creating a vibrancy that creates a new "neighborhood" which does not compete with the downtown.
3. Ensure proposed neighborhoods and land uses are seamlessly connected to existing neighborhoods and downtown.
4. Create a diverse mixed-use neighborhood that incorporates a range of appropriate densities with varying building heights, lot sizes, and building forms.
5. Ensure a diversity of housing opportunities is offered which is economically feasible.
6. Create a well developed "public realm" that integrates the existing open space framework with an extended new framework that includes neighborhood gathering places, passive and active recreational space, and access to the surrounding regional natural environment including rivers, creeks, and canyons.

Key Issues Introduction

During the October 4-7, 2010 timeframe, meetings were conducted with a number of elected officials and City and Airport staff including FMAA board members.

The following key issues were identified as being the most significant points to consider in creating this plan.

KEY ISSUES

1. **Purpose and Need for a Replacement Airport**

   As defined in the FAA Environmental Impact Statement process, the purpose and need for a replacement airport to serve the Wood River Region is founded on three primary considerations that relate directly to the operation and viability of an aviation facility as follows:

   a. Provide an airport that conforms to FAA airport design standards, criteria, and orders.

   b. Ensure the reliability of an airport serving the Wood River Region by providing approach capability that will allow operations during periods of reduced visibility. At a minimum, provide an approach capability allowing for operations down to a ceiling of 200 feet above airport elevation and one-half mile visibility.

   c. Ensure the ability of the Airport to accommodate growth in operational demand and in demand for new and expanded facilities.

2. **Division of Hailey**

   The existing airport divides the southern half of the City of Hailey. Redevelopment of the airport site should integrate the east and west sides of Hailey between Fox Acres Road and Pinion Road.

3. **Land Values**

   Redevelopment of the airport site should enhance land values south and southwest of the airport.

4. **Market Saturation**

   The existing airport's site must be turned quickly to generate the funds required to develop the new airport. However, bringing 180 to 200 acres onto the market at one time will likely diminish the land values of the airport and those surrounding the airport, especially those immediately west of the current airport.

5. **Diverse Economy**

   Hailey does not have a diverse economy. Redevelopment of the existing airport site and development of the new airport should help to diversify the economy.

6. **Community Retail Needs**

   The community is divided on the issue of large format retail. On one side there is a common sentiment that Hailey is somewhat isolated and does not have a full range of retail stores. On the other side of the debate, a view is held that retail in downtown Hailey must be protected from large format stores.

7. **Big Box Restrictions**

   Big box retail in Hailey is currently restricted to 36,000 square feet which will exclude Walmart, Target, Lowe's and Home Depot.

8. **Stagnant Population Growth**

   Housing sales in Hailey are soft. In recent years there has been very little population growth required to support a stronger residential market.

9. **Whole and complete community**

   The Hailey community wants to be a whole and complete community with all of the goods, services, and quality of life amenities of other comparable cities.

10. **Healthcare**

    While healthcare is one of the fastest growing industries in the U.S., it is ranked as one of the slowest growing industries in Blaine County.

11. **Cost of living Impact**

    Home prices and the cost of living in Hailey and Ketchum/Sun Valley are high, resulting in a significant amount of commuting to Blaine County from lower cost of living communities outside of the County.

12. **Land constraints**

    Geographical and political constraints on housing have historically driven land costs upward in Blaine County. If Blaine County wants to accommodate more residents over the next twenty years it will need to open up more land for development and/or encourage greater densities, as allowed under current zoning.

13. Residential relocations

Since 2005, Blaine County has seen more residents relocate to other parts of the country than move into the county. However, because of national migration and natural population growth, Blaine County has experienced an overall increase in its population over the last two decades.

14. Long term population shift

Overall long-term trends indicate a gradual decrease in the rate of people moving to Blaine County while an increasing number of residents are moving away. Individuals are drawn to Blaine County because of its attributes, but often decide not to stay because of the high cost of living and with the cost of local housing the primary reason.

15. Real estate and construction

By 2007, Blaine County's economic base had diversified to include real estate and construction as the primary engine of the economy. However, with the economic turn down in 2008 and 2009, construction and real estate have now declined to lower levels of economic output.

16. Land-use constraints

Land-use constraints in Blaine County have reduced land available for residential development and have driven up land prices, thus creating a significant barrier to lowering the cost of living in Blaine County.

17. Rate of population growth

The rate of population growth in Blaine County is declining. Overall, the growth trend is projected to continue with a net average increase of 400 residents annually over the next 20 years representing an average annual growth rate of 1.8%.

18. Commuters

Many former residents of Blaine County remain employed in the county and commute from outside of Blaine County. Likewise, Blaine County residents tend to "move to" other counties rather than "move from" other counties in Idaho.

19. High cost of living and commuting

Employees commuting everyday into Blaine County indicates the high cost of living in the county. The high number of commuters has a negative impact on traffic, especially on SH-75.

20. Lower wages

When comparing South Central Idaho median salaries to the statewide average, the biggest gap appears to be in high-skilled, high wage occupations with very small labor pools. This will present a problem in efforts to diversify the economy. If local employees do not match statewide salaries, attracting and retaining workers in architecture, engineering, legal, computer technology and the sciences will be a challenge.

21. Aging population

Blaine County's population is aging at a rate which exceeds the state and national averages. Consequently, employers in Blaine County face a shrinking workforce.

22. Self-employed Industries

In 2006, 30.6% of all local workers were self-employed, compared to 18.5% percent nationally, accounting for 42% of Blaine County's employment growth between 2001 and 2006.

23. Local barriers

Telecommunications infrastructure, including high-speed internet connections and reliable cell phone coverage, create significant challenges to the home based businesses and corporate industries relocating to Blaine County.

24. New housing

The cost of new housing in the Hailey and Ketchum markets exceeds the income ratio of 30% required by the majority of potential new home buyers to be affordable.

25. Vacant housing

More than one-third of all housing units in Blaine County were classified as vacant in 2010.

26. Home Values

Home prices and rents relative to income have resulted in a real estate market that is unaffordable for a large segment of the population. Likewise, area employers are finding it more and more difficult to hire and retain young workers because of the cost of housing in Blaine County relative to income.

27. Land Ownership and Availability

80% percent of all land in Blaine County is controlled by the Federal Government.

28. Traffic Counts

SH-75 between Hailey and Ketchum is the busiest highway in Blaine County. Traffic peaked at 16,084 vehicles per day in July of 2007. Plans are underway to create a two-lane highway in each direction for a total of four lanes.

29. Total Retail Sales

In 2007 retail sales per capita were approximately $16,700 compared to a national average of $14,870. In 2007 the categories of food and beverage, restaurants, and gasoline stations were well above the national average. However, general merchandise, auto, health and personal care sales were well below the national average. The variances are primarily driven by local residents leaving the market to make purchases in another county and from visitors coming into the market and making purchases.

30. Decline in young adults

In Ketchum and Hailey, the share of the population that is classified as young adults (20-34) has fallen significantly over the past twenty-five years. This share is expected to decline to 14.7% percent in 2030 as compared to 17.9% in 2007.

31. Main Street

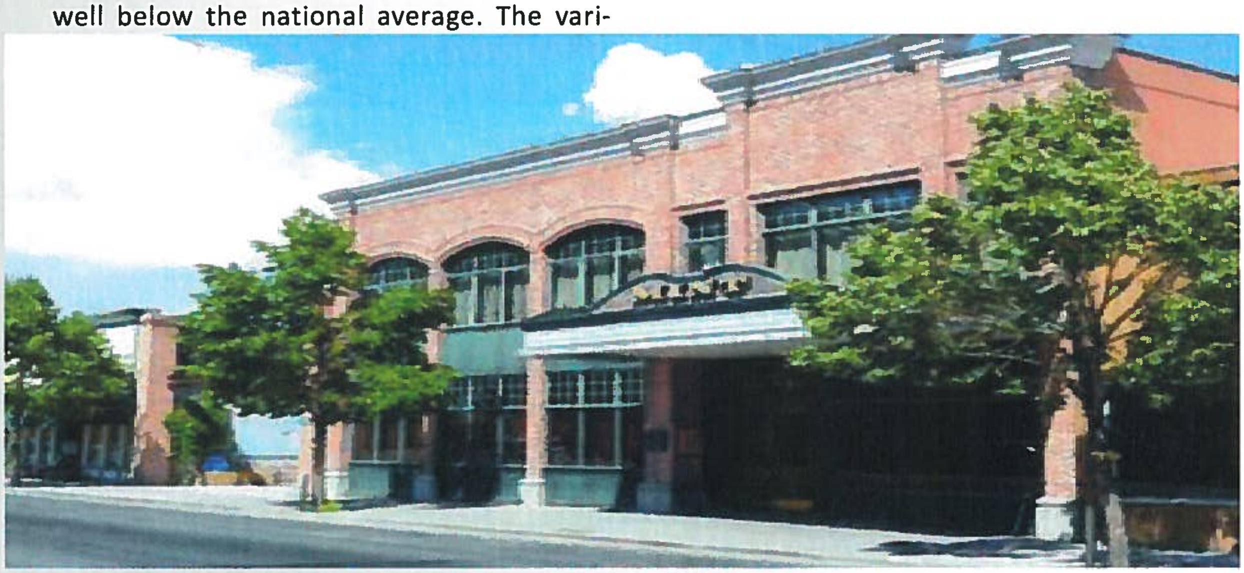
There is a desire and need to protect Main Street and the downtown area. Placing too much retail on the airport site will negatively impact Main Street and downtown.

32. Affordable Housing

There is a perception of some that affordable housing will bring residents to Hailey who are undesirable, such as those with criminal records.

33. View Corridors

When constructing new buildings, it is important to residents of Hailey that view corridors be maintained.



Redevelopment of the Friedman Memorial Airport site involves economic and market positioning and physical land planning.

Friedman Memorial Airport
Redevelopment Plan and Feasibility Analysis

Site Context, Opportunities, and Constraints

Introduction

Redevelopment of the Friedman Memorial Airport site involves economic and market positioning, integrated with a physical land plan strategy. This section of the report focuses on the latter component and presents an analysis of the site from the point of view of its physical context, site characteristics, opportunities and constraints. To accomplish this, reconnaissance of the FMA site, the City of Hailey and the Wood River Valley area was performed. It has been looked at from an historical perspective and in its current condition. The team has also reviewed the City of Hailey's Comprehensive Plan at great depth to understand the City's land use planning framework and how the redevelopment of the FMA site may integrate with the policies and goals of that plan as well as with the Hailey Downtown Strategic Plan. Physical planning for the redevelopment of the site has therefore been thought of as a special opportunity and as a way of making the site an integral component within the City of Hailey. Underlying all site analysis and planning is the goal of creating a vision for this new place and an address that maximizes revenue from the sale of the site, balanced with maximizing value to the community. Exhibits that are presented illustrate the given characteristics of the place. Inherent to the evolution of a vision for what this site could become is the process of capitalizing on all the best assets while also creating a new physical framework that can reposition the FMA site into highly marketable and valued real estate. Some exhibits therefore show the beginnings of what that framework might build upon and how to optimize the assets.

The narrative that supports the respective exhibits provides a description of the content of the images. In addition, a summary is also provided that addresses the Planning Considerations that can be derived from the material shown.

Wood River Valley & City of Hailey Looking North

Exhibit 2
Wood River Valley & City of Hailey Looking South

Exhibit 1: Wood River Valley & City of Hailey Looking North and
Exhibit 2: Wood River Valley & City of Hailey Looking South

Meaningful planning for the future redevelopment of the Friedman Memorial Airport site should not be limited only to the internal site characteristics of the existing airport land as a development parcel, but should also respond to its context within the surrounding City, region and geographic position within the Wood River Valley. Responding to the site context at a variety of scales not only provides the substance to allow the site to appear inherently connected, but will ultimately add value to any proposed plan development. It also has the potential to become seamlessly integrated within the Hailey community, a goal that has been expressed by community residents and upheld by the City of Hailey.

Looking at Exhibits 1 and 2, the existing airport site can be understood to form the southern end of the City of Hailey, while also serving as a significant land parcel with great visual prominence along the Highway 75 corridor, the transportation spine that links together the entire Wood River Valley. It derives further distinction because of the fact that the highway alignment makes a great bend at the north end of the airport site creating a significant visual reorientation to travelers and setting up the potential to highlight the arrival or departure point for downtown Hailey.

Visitors to the region are visually struck by the stark contrast between the wide open dry prairies and sagebrush steppes that characterize the landscape beyond the Valley and the narrow linear verdant valley image that makes up the Wood River Valley landscape. Travel through the Valley becomes a transect thru geologic and geomorphologic time overlaid by cultural patterns and vegetation cover.

Since Highway 75 is the fundamental transportation corridor of the Wood River Valley, the visual experience along the corridor is the primary way that visitors see and understand the Valley, both for its cultural attributes and the uniqueness of this regional landscape. From a planning perspective this presents a very unusual opportunity to actually orchestrate how and what the tourism industry, businesses and residents want to present to travelers. This becomes especially important with the future relocation of the new airport to the south. Recognition of this condition by agencies and groups has already resulted in the designation of Highway 75 as a scenic corridor with the official title of The Sawtooth National Recreation Area Scenic Corridor. Planning of the highway corridor has importance not only to the future reintegration of the airport site with the City of Hailey but also how the redevelopment is planned, marketed and ultimately built. Planning principals that respond to this understanding are summarized below.

Planning Considerations:

The FMA site is part of the visual experience along the Sawtooth National Recreation Area Scenic Corridor. How the FMA site is developed can not only add value to the site itself, but can enhance the visual experience to tourists moving through the entire Wood River Valley. The quality of this experience is therefore important to the "marketing" and "branding" of the site. It can do this by creating a great sense of place and address by seeing it not just as a great piece of land within Hailey, but part of the greater Wood River Valley scenic landscape. Visual enhancement of the site along this corridor would also be a positive experience for resort guests as they move from the new airport site to their respective northern resort destinations. To achieve this objective, coordination and thoughtful planning must occur among all the agencies including Blaine County, the cities of Bellevue, Hailey, Ketchum and Sun Valley, as well as the FMAA Board and the Idaho Department of Transportation.

Initial studies related to the sale of the FMA site strongly suggest that the best market for sale of the FMA property may come from buyers that will be new to the region. Therefore, the presentation of the site as a gem location within the Wood River Valley with prominent and distinguished visibility along the highway, a magnificently framed landscaped setting, a place with outstanding views to the adjacent mountains and the inherent promise of a mountain lifestyle are all critically important to how the FMA property is branded and marketed to future buyers.

The FMA site forms the southern entry to the City of Hailey. From an urban design perspective, the redesigned airport site can also play an important role in creating a stronger and more exciting statement than currently exists. Accomplishing this creates synergy for both the FMA site as well as the City of Hailey by giving more prominence and distinction to both, not to mention the sense of a seamless integration between the FMA site and the City of Hailey for its residents.

The Highway 75 face of the site becomes the "front door" showcase for future development. For all the reasons cited above, the landscape and edge treatment of the FMA site is as important as the interior area planning.

Creating a setting within the site that enhances views to the hills and mountains beyond is important. Equally important to the marketing of the site is allowing adjacent local land uses to be seamlessly connected physically and visually to the site. The ability to accomplish this goal is made possible by the physical elevation of the site above the land uses to the west and the fact that the adjacent mountains on both the east and west sides reach high elevations in close proximity to the FMA site.

A further concept that would add value to both the City of Hailey and the FMA site is the preservation of open space between the City of Bellevue and the City of Hailey. Reinforcing the distinction of Hailey as a separate and distinct City is therefore important. This has bearing on the marketing of the site as a "Hailey" address.

Exhibit 3
City of Hailey within Wood River Valley

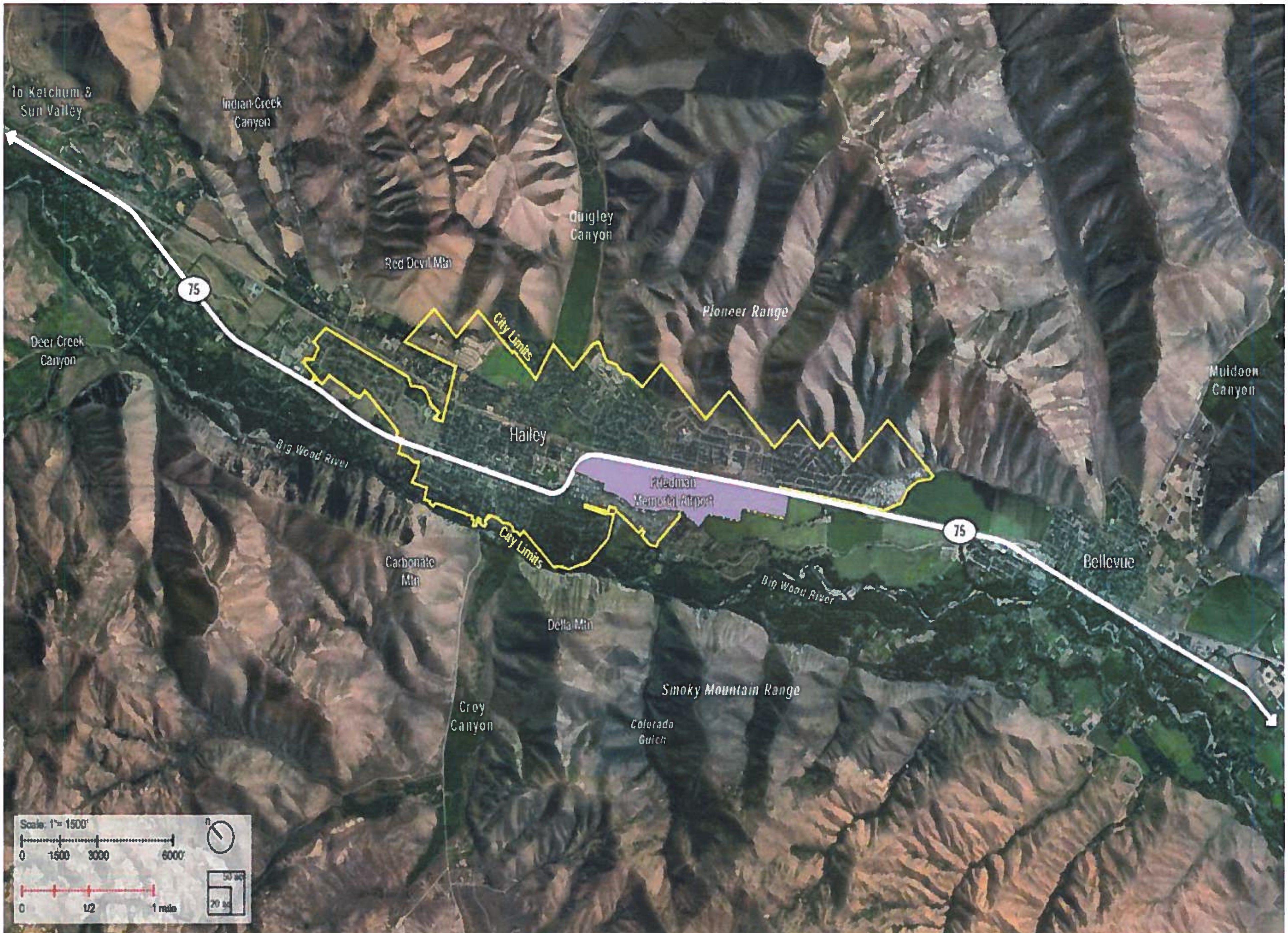


Exhibit 3. City of Hailey within Wood River Valley

The Friedman Memorial Airport site sits within the City limits of Hailey and is bordered on the south and southwestern boundary with land under the jurisdiction of Blaine County. The close vicinity of the hills and mountains and the narrowness of the valley floor heighten the drama when standing within the FMA site. The Big Wood River also flows south in close vicinity to the airport site. Since the parcel is long and linear and runs in a north - south direction, it currently works as a physical barrier separating the Hailey residential neighborhoods to the east and west of the site. This barrier does not allow the east neighborhoods easy access to the Big Wood River recreation corridor and, conversely, east and west neighborhoods easy access to the mountain open space areas in close proximity to the site.

Planning Considerations:

Current and future land planning policies for parcels adjacent to the airport are critically important to the value of the FMA site; therefore, coordination of policies and land uses between Blaine County and the City of Hailey is imperative.

To be responsible to the residents of the City of Hailey, the redevelopment plan for the FMA site must not only include connectivity to the site but should take advantage of an unprecedented opportunity to reconnect the east side of Hailey with the west side, thereby enhancing the bicycle and pedestrian trail system and open space access.

City of Hailey Zoning Map

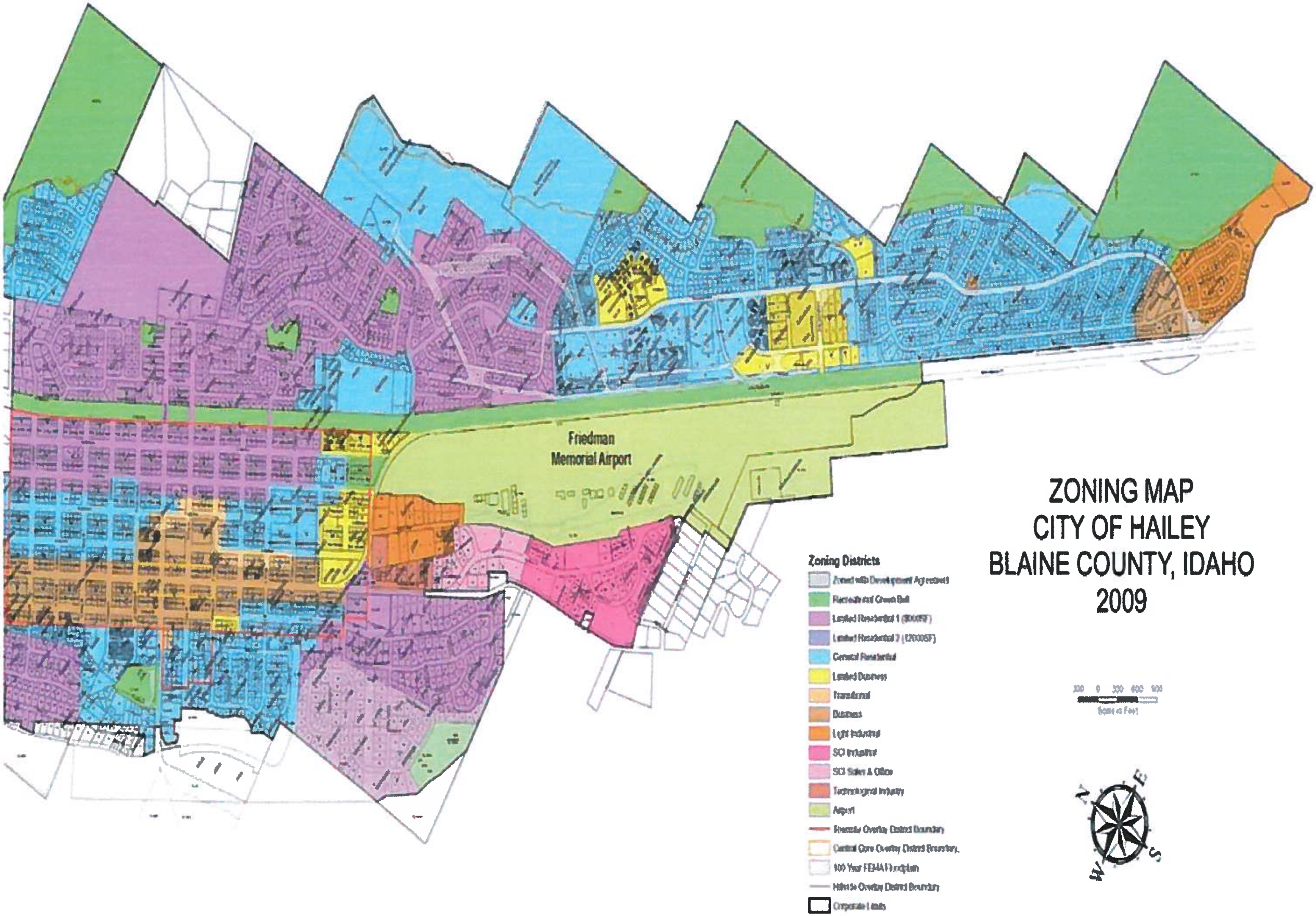


Exhibit 4. City of Hailey Zoning Map

Existing zoning to the east of the airport site is already determined and is primarily residential. A band of Recreational Green Belt land sits between the airport site, Highway 75 and these residential neighborhoods. Land parcels immediately to the north are Limited Business and Recreational Green Belt. Land parcels to the west that are within the City limits are Light Industrial. Remaining land on the west and the south are within County jurisdiction. The airport site zoning has not been determined and will be informed by the current studies and recommendations.

Planning Considerations:

It is important how the design approach for a new landscape framework could create a transition between the residential neighborhoods and travelers within the Highway 75 Scenic Corridor and the redeveloped site. The Wood River Trail Corridor could be integrated into that visual and physical transition.

Land planning strategy for the north end of the airport site will have impact on how the City of Hailey plans future direction for this zoning area. City planning strategies and the FMA site redevelopment plan should be thought of as interrelated and interdependent.

Proposed improvements in vacant and transitional land to the west of the FMA site will be of great importance to future buyers and tenants of the airport site. Clarity of planning goals and guidelines of these adjacent lands may have impact on the marketing of the FMA property. The visual and physical transition between the FMA site and this light industrial zone will also be important. Existing design guidelines should be reviewed to see how they might dovetail with new planning concepts for the FMA site.

Planning and development policies for County land to the southwest and south of the FMA site are also important due to the extent of County land that is adjacent to the FMA site. City and County coordination is therefore imperative.

Friedman Memorial Site Land Ownership Map

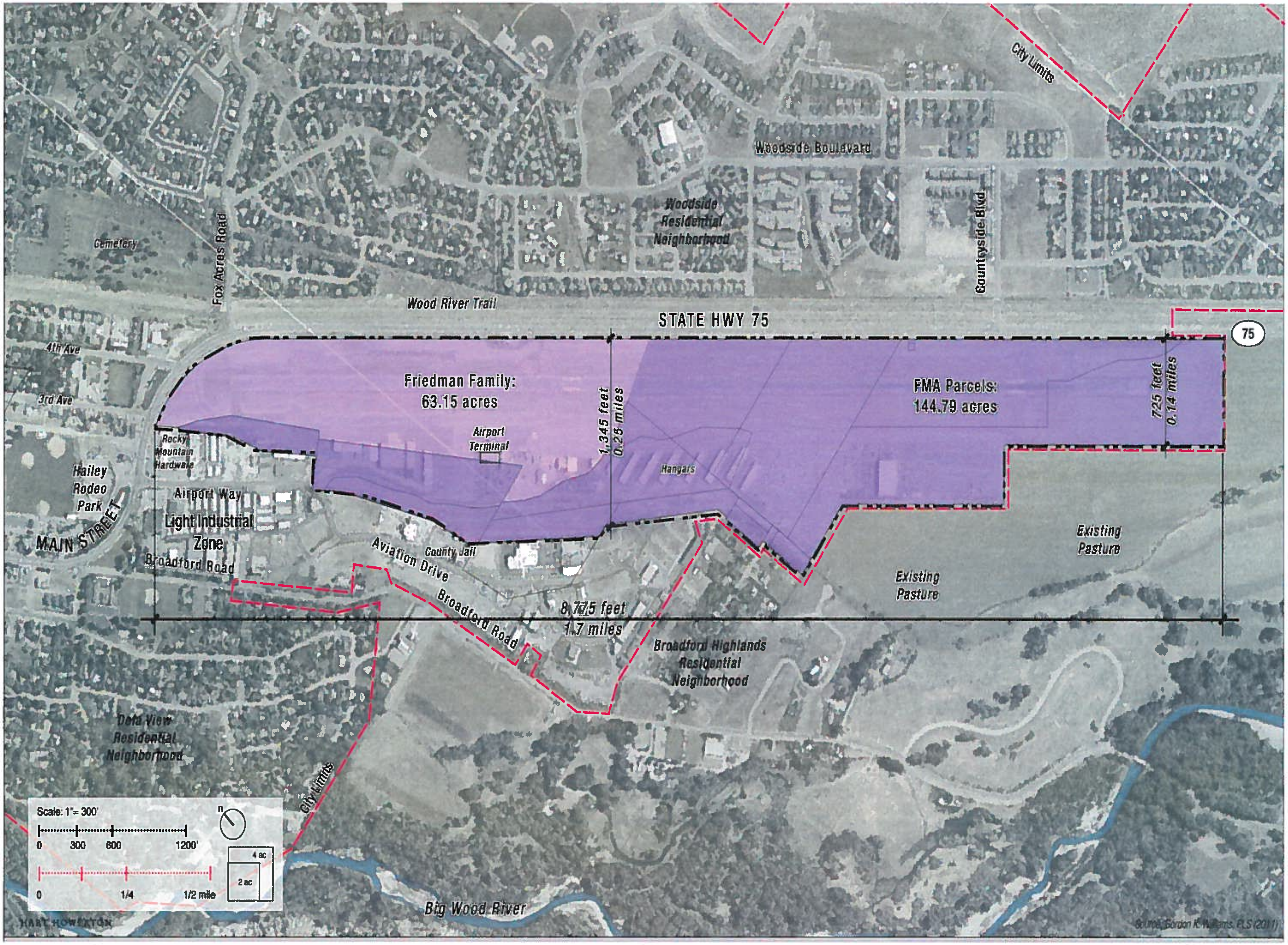
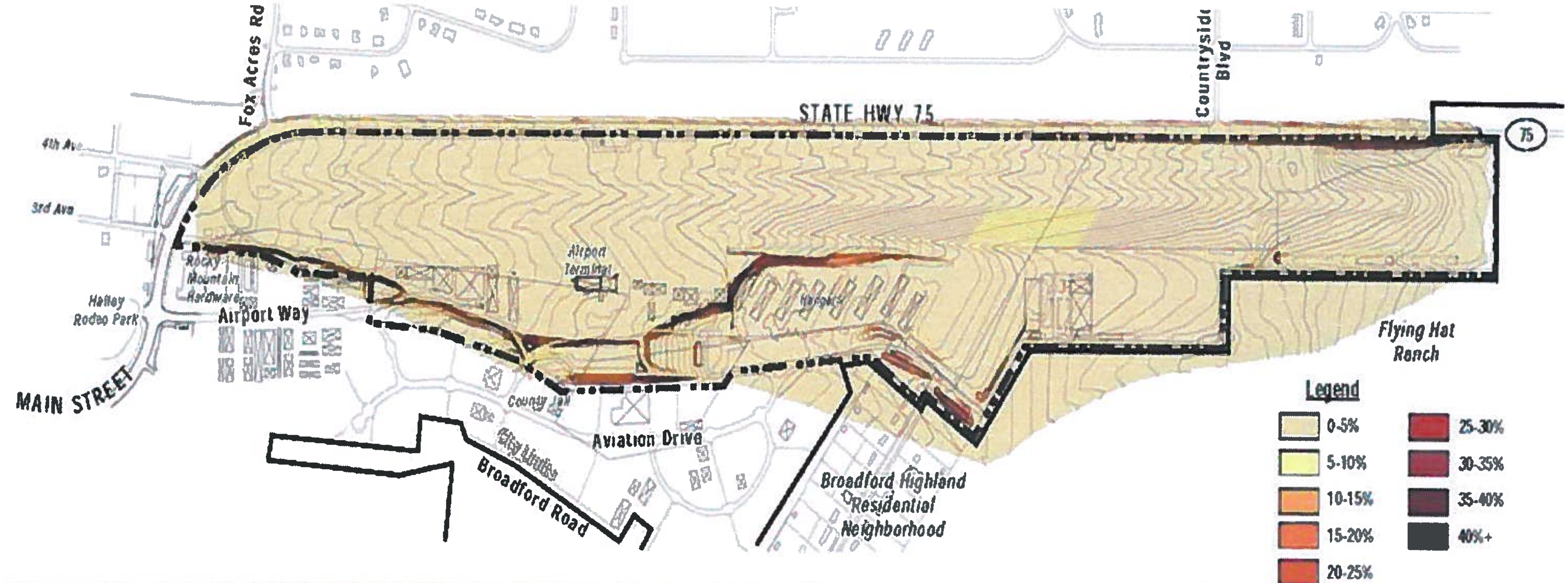


Exhibit 5. Friedman Memorial Land Ownership

The FMA site encompasses a total of 207.94 contiguous acres of land. Its dimensions are approximately 1.7 miles (2,925 yards) in length and vary in width from .14 miles (242 yards) to .25 miles (448 yards). The property is currently owned by the Friedman Memorial Airport Authority under an assortment of entities whose names mirror the history of the authority. A portion of the property was gifted by the Friedman Family for purposes of a public use airport beginning in the 1930s. These original offers were contingent upon the parcels being utilized for an airport. Upon closure of the airport, ownership of 63.15 acres will be returned to the Friedman Family. The remaining 144.79 acres will be owned by the Friedman Memorial Airport Authority in its various forms. All parties have agreed to work together in an integrated approach towards the redevelopment of the site under the direction of the FMAA. As part of the terms of this working agreement, ownership lines, location of property or quantity of land remain undistinguishable in the analysis, planning and market strategy approach. Further negotiations are proceeding between the two parties but the outcome is not expected to have impact on the findings or recommendations within this report.

Aerial Photo with Contours

Exhibit 7
Slope Analysis



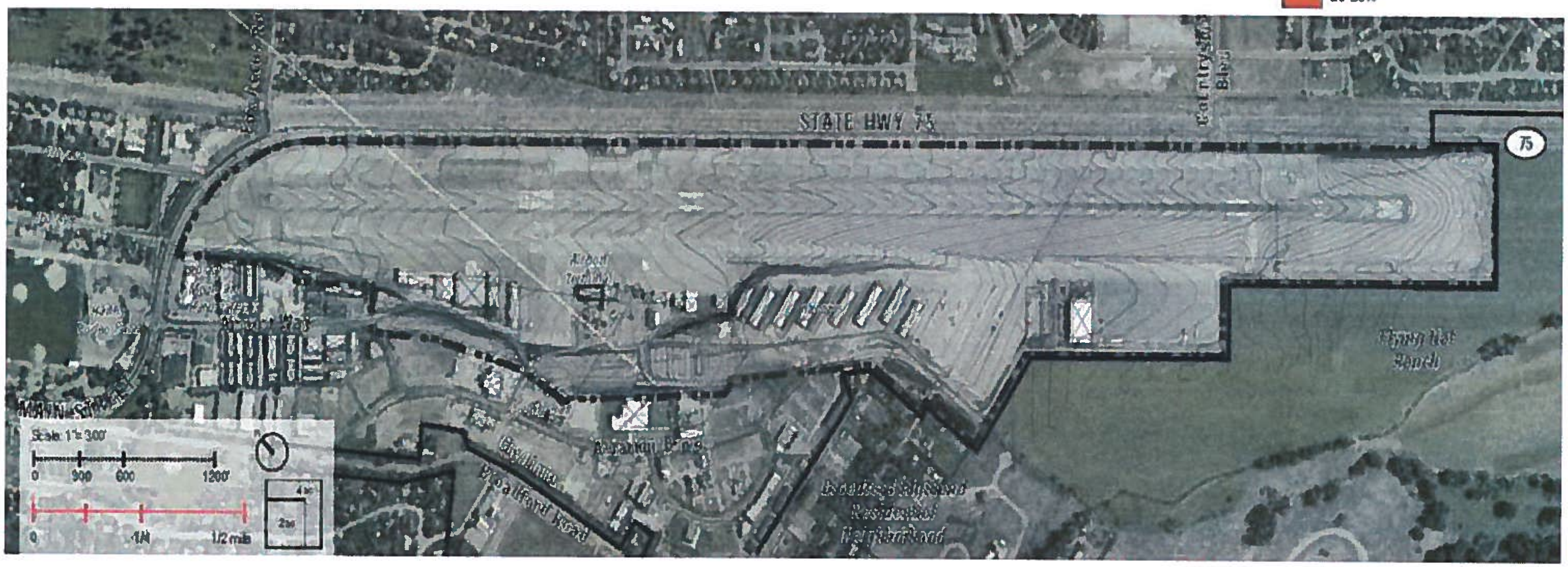


Exhibit 8

Friedman Memorial Airport Site Looking North

Exhibit 6. Aerial Photo with Contours

Exhibit 7. Slope Analysis and Topography

Exhibit 8. Friedman Memorial Airport Site Looking North

Topographic mapping illustrates the fact that the Wood River Valley floor slopes downward from north to south. The Big Wood River is located at the base of the Wood River Valley's western foothills with the land stepping in a series of remnant benches (also referred to as stream cut terraces) towards the river. The surface pattern of the land within the Valley is derived from massive flooding and water movement of the Big Wood River based on early geologic and climatic events.

The FMA site sits on top of these fluvial determined landforms and therefore also slopes downhill in a north - south direction with grade change over the 1.7 mile stretch approximating as much as 50 vertical feet. This drop is not easily visible to the naked eye due to the grading for the runways of slopes not exceeding 5% and the fact that the grade changes over such a long distance. The grade is generally even running in an east - west direction for the area covered by the runways and terminal, but there are distinct grade changes that occur beyond the upper parking level adjacent to the terminal that result in steep embankments and a stepping of the land to lower level flat areas. In these areas, re-grading of the original stream cut terraces has not been excessive which has therefore resulted in the preservation of these historic landform configurations. These stepped forms vary, but exceed 8 vertical feet in some areas.

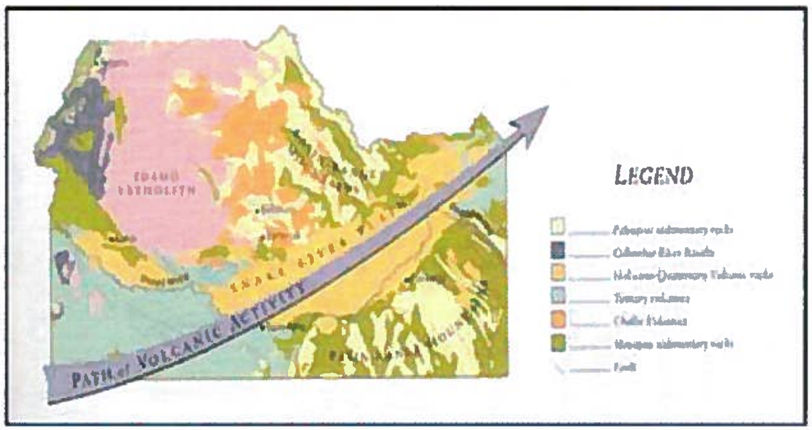
Planning Considerations:

Generally, the overall slope of the airport parcel in the north - south direction should not have significant affect on future development scenarios. However, potential new uses that extend to the west may be located on the lower areas of the site.

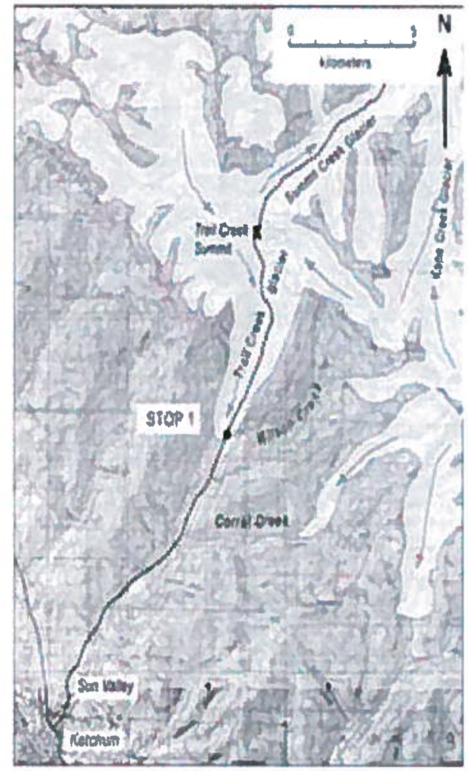
Utilizing and maintaining some sense of the stream cut terrace edge on the western side of the property through future landscape and open space strategies, may provide opportunities to allow the future planned development to appear more organic and feel more responsive to the larger Valley landscape framework, while also creating special edge conditions for a new campus like environment. This can potentially provide more of a sense of the region than artificial development patterns that respond only to grids or legal property lines. Due to the size of the FMA site, proposed development patterns have more latitude for expression and have the opportunity to appear more campus like than rigid subdivisions.

Site Sections and Landforms

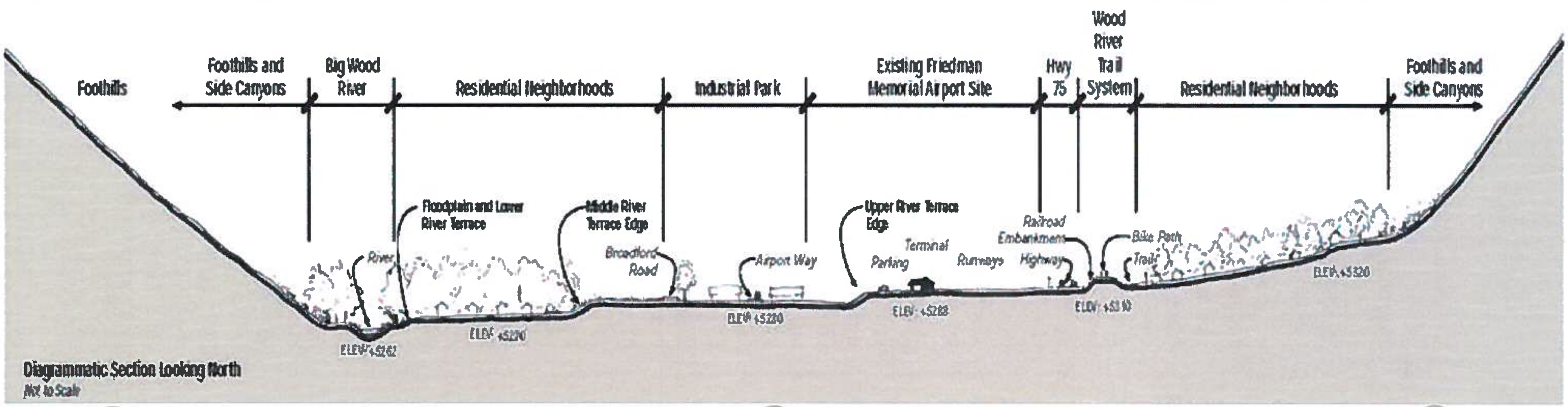
Valley Formation Formation: wide, gentle valley slope with well developed floodplain adjacent to river terraces.
Source: Applied River Morphology by Dave Rosgen



Idaho Historic Geologic Event Diagram
Source: Sun Valley: An Extraordinary History by Wendolyn Spence Holland



Location: 8 miles northeast of Ketchum
Estimated positions of alpine glaciers in the southern Boulder and western Pioneer Mountains. Reconstruction of glaciers is based upon cirque walls, terminal moraines and canyon topography.
Source: Geological Field Trips in Southern Idaho, Eastern Oregon, and Northern Nevada. Edited by Kathleen M. Haller and Spencer H. Wood



Diagrammatic Section Looking North
Not to Scale

Exhibit 9. Site Sections and Landforms

A brief understanding of the historic processes that have formed not only the FMA site, but the entire Wood River Valley can help to visually and physically position the redesigned FMA site within the Valley while adding depth and interest beyond the most pragmatic design responses.

Simply stated, the area that comprises this part of Idaho and stretching through Oregon and Nevada was extremely active with volcanic activity that stretches back more than 17 million years ago. These events determined the geologic framework of mountains, valleys and plains that are present today. Over countless centuries of climatic change, the original geologic formations stabilized and glaciers formed in the high mountain peaks eight miles north of Sun Valley. Melt waters from those glaciers became the origin of the Big Wood River. Raging waters moving down thru the valley eroded the geologic formations and deposited sediment and soils on the valley floor. As the flood waters ebbed and flowed, the river would rise and drop creating distinct patterns in the sediment deposit. These gave rise to landforms that we see today including flood plains immediately adjacent to the river, and series of stepped benches at successive flood stage elevations (also referred to as stream cut terraces. These geologic and geomorphologic processes are the origins of all man's activities today from mining to recreation to ranching which in turn has dictated the entire economic structure of the region. In addition, the resulting soil types, patterns of drainage, sun exposure, etc determine the patterns of native landscape that are pervasive in the valley.

A diagrammatic profile, or section, extending from east to west through the Friedman Memorial Airport site illustrates the look of the land today and why the embankment occurs at the edge of the airport terminal parking lot, a direct result of these early land forming processes.

Planning Considerations:

In planning the FMA site redevelopment, opportunity to create a campus like environment, and reinforce patterns of landform and planting patterns as a framework for new development, has the opportunity to link new development to the surrounding valley. This visual enhancement can create an attractive setting in the marketing of the land, thereby increasing value and marketability, which could potentially result in more funds being made available for the replacement airport program. It can also create a better visual transition between the site and the adjacent Hailey neighborhood communities and land uses.

City of Hailey Downtown

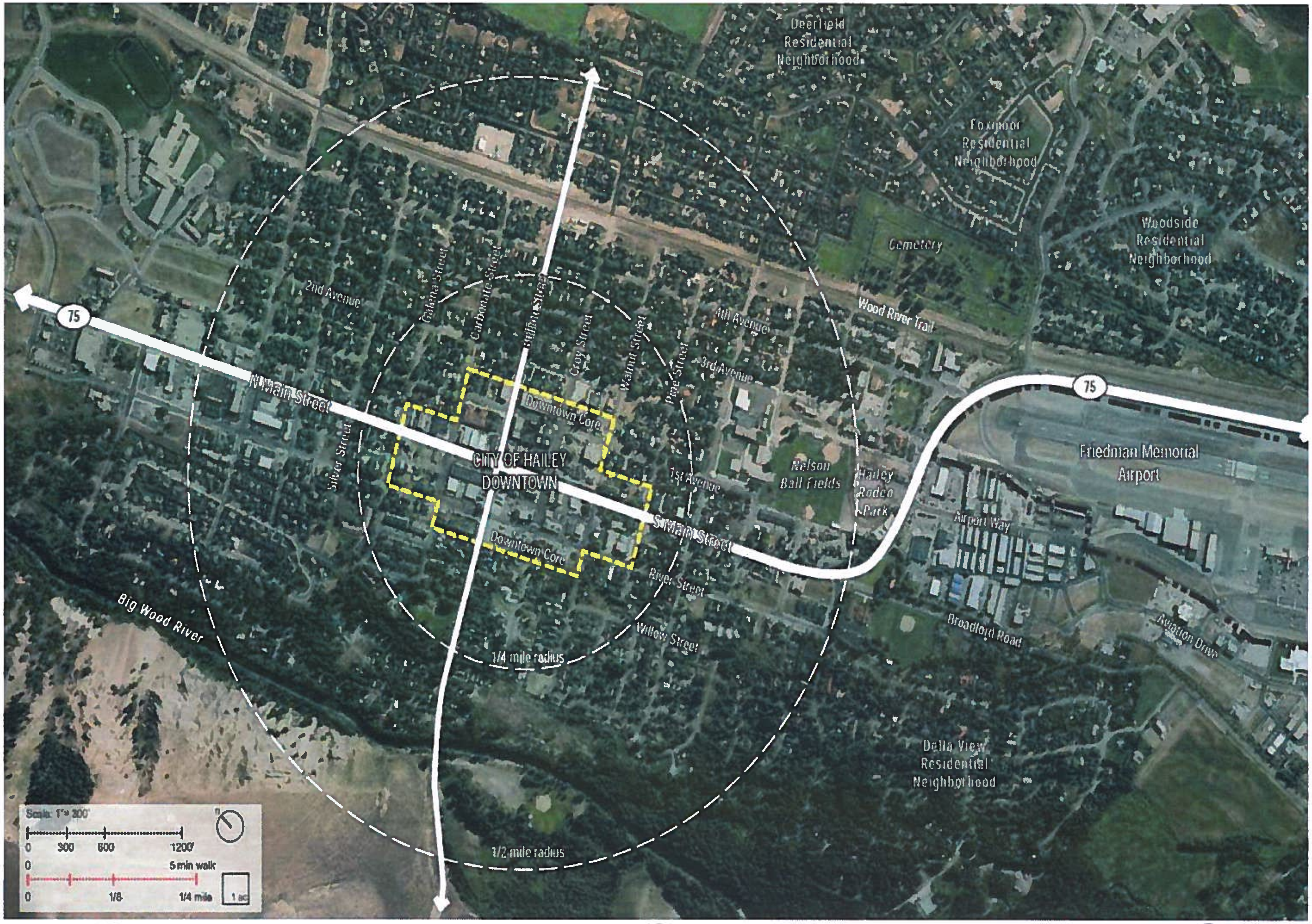


Exhibit 10. City of Hailey Downtown

The aerial photo shows the City of Hailey's downtown area with a yellow hatched line. The intersection of Main Street and Bullion Street is the center of the downtown, and the point where North Main Street changes to South Main Street. It should be noted that the main transportation corridor that connects the various communities of the Wood River Valley, also known as Highway 75, becomes Main Street as it moves through the City of Hailey. Therefore visitors arriving from the south to the Wood River Valley, either by car or from the new airport location, with destinations to Sun Valley, Ketchum, or the Sawtooth National Recreation Area, inevitably pass by the FMA site and through the City of Hailey's downtown via Main Street. The current experience of driving this route in Hailey does not clearly articulate where the City begins and ends, and there is ambiguity as to where downtown Main Street actually begins and ends. However, arrival in the heart of the historic downtown area is very obvious and the City has promoted prominent building design coupled with pedestrian oriented improvements including lighting, landscape, benches, art work and special paving articulation in some areas. One observation is that the width of Main Street (Highway 75) in the downtown area is extremely wide and requires great care by pedestrians in crossing the road. Studies by the City to mitigate this situation are suggested in the Downtown Strategy Plan.

It should also be noted that the Hailey Elementary School and Nelson Ball fields, coupled with the new Hailey Rodeo Park facility (currently under construction), extends community activities in the downtown area to the south and in very close proximity to the FMA site.

The photo also illustrates the close relationship between the downtown and the Friedman Memorial Airport site. Walking from the center of downtown to the north end of the Airport site is about three quarters of a mile and represents an approximate 15 minute walk.

The presence of the regional airport at the south end of the downtown has had obvious ramifications related to land uses and the pattern of building in that area. At this time, the airport and the adjacent light industrial uses represent a completely different pattern and use from downtown.

Planning Considerations:

The distance of the central downtown area to the airport site is within a reasonable walking distance. Connectivity of the downtown to the new FMA campus is therefore relatively easy to accomplish and will enhance the marketability of the FMA site.

The shift of the current airport use to a new use that might add to the energy in the downtown area could renew community and other public interest in using the downtown. This would create a synergy between the FMA site redevelopment and downtown that would be complementary and increase the potential for successful redevelopment of the FMA site. However, it should be reiterated that new uses proposed for the FMA site are not intended to compete with the downtown.

The bend in Highway 75 as it circumvents the airport site is one of the most prominent alignment changes in the entire Highway 75 corridor experience. This potentially sets up opportunities for creating a clearer and more distinguished design statement announcing the arrival to, or departure from, the City of Hailey. It also has the potential to establish a distinct entry experience to the new Airport site.

Based on the above observations, the design of the new FMA Redevelopment site should therefore consider the airport property as a new neighborhood district with strong ties to downtown Hailey. Thoughtful planning would also include a strategy for helping the City of Hailey to increase identity and prominence along the Highway 75 corridor.

It should also be noted that the newly repositioned FMA site will have the City of Hailey as its address. Therefore, the identity and quality of downtown Hailey can add or detract value in the marketing process. Planning strategies that respond to the goals of both entities are therefore important.

Exhibit 11
Friedman Memorial Airport and the Hailey Comprehensive Plan

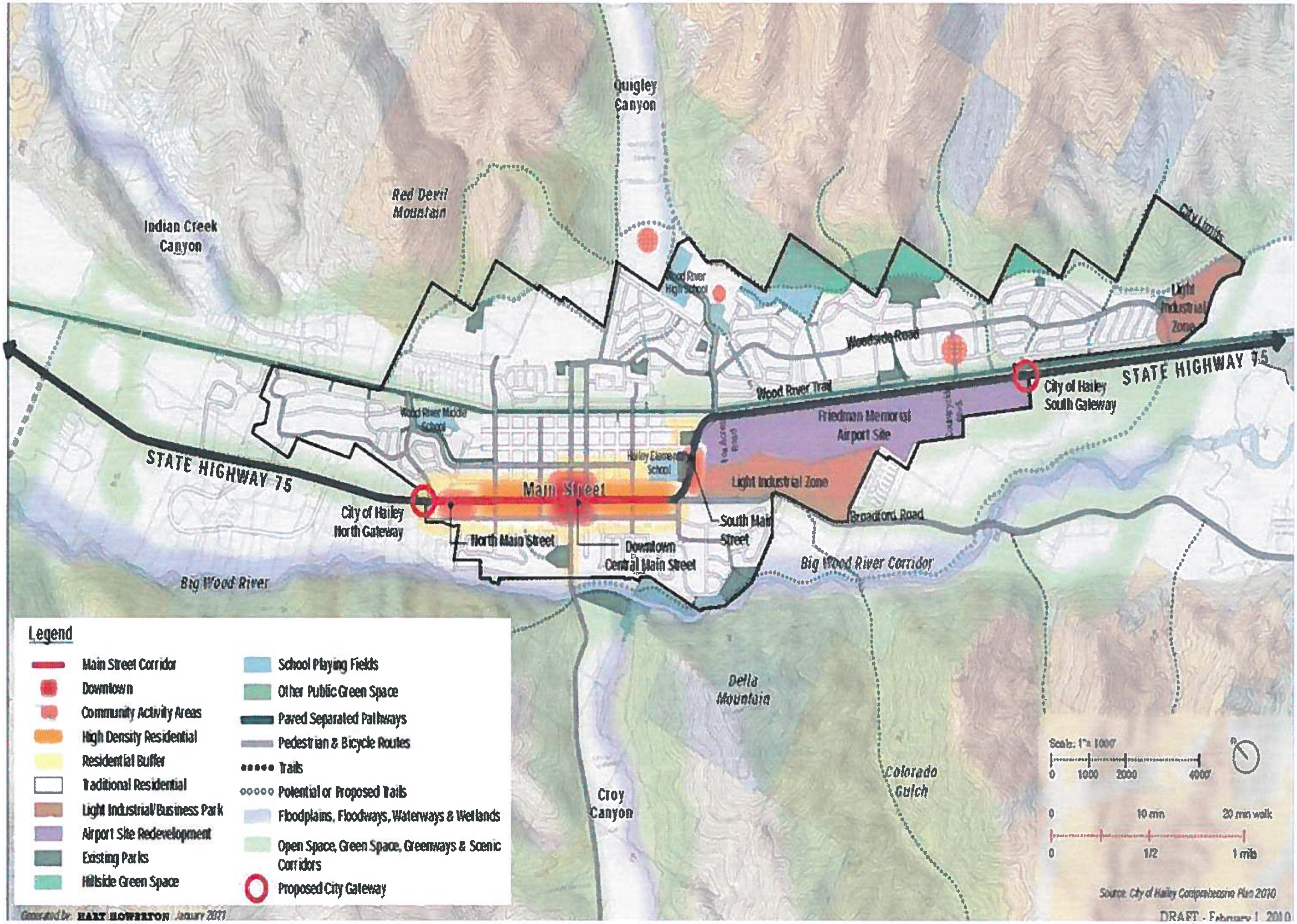


Exhibit 11. Friedman Memorial Airport and the City of Hailey Comprehensive Plan

The City of Hailey completed its Comprehensive Plan (Comprehensive Plan) update in 2010, which therefore has importance to the planning of the airport site. Although the Comprehensive Plan includes the FMA site, it does not go into great detail as to its future or suggest planning guidelines or land use strategy for the site. However, the Comprehensive Plan does illustrate existing and proposed future planning goals for the rest of the City including areas immediately adjacent to the FMA site.

The Comprehensive Plan has been included in this document as an exhibit, but has been edited to illustrate only those components that are most relevant to the FMA site so that the information is clear and understandable. In addition, communications with City planning staff have identified further background as to the intent of the plan. The planning team has therefore included additional notes that add clarity to the Comprehensive Plan. In particular, this includes the designation of Main Street as having three component identities and nomenclature; 1) Downtown, 2) North Main Street Community Activity Area, and 3) South Main Street Community Activity Area.

Related to the FMA site, there are a number of important items within the Comprehensive Plan that have bearing on future planning of the FMA site. They are summarized below.

Planning Considerations:

The Comprehensive Plan illustrates a well developed pedestrian and bicycle circulation system. Access to open space and connectivity to all the resources of the area including the Big Wood River is a fundamental component of living in Hailey. Existing and proposed pedestrian and bicycle trail systems therefore exist to the east and west of the airport site. Because of the nature of airport security and safety, the existing airport site presents a sizable barrier for connectivity of the Hailey community to move east or west at the southern end of town. Therefore, a fundamental goal of new planning for the FMA site redevelopment will include pedestrian and bicycle trail circulation moving both east and west.

The Comprehensive Plan also identifies Main Street as a major destination corridor for the community. "Community Activity Areas" are also identified at the north, central and south ends of Main Street. Since the north end of the FMA site is adjacent to this South Main Street Community Activity Area, design response of the FMA site redevelopment plan would be appropriate.

Since the City limit line and the south end of the FMA site property coincide at the same point along Highway 75, the Southern Gateway arrival to the City should be reinforced in the future plan for the FMA site.

Lastly, the Light Industrial Zone to the west is a significant edge to the FMA site. If future land uses on the FMA site are different than Light Industrial, some form of visual buffer would need to be developed between these two land use areas.

Exhibit 12
Urban Context Opportunity Map

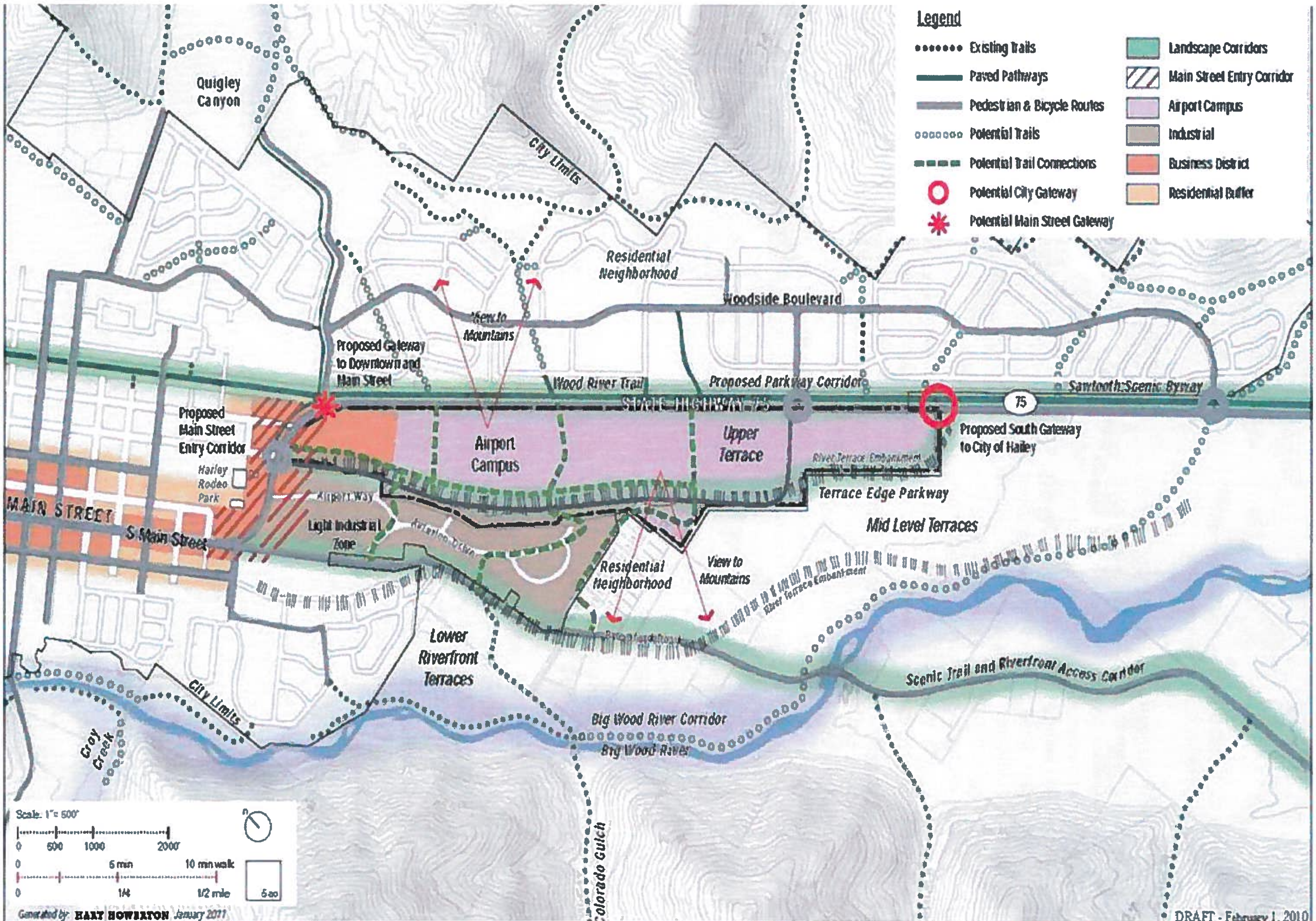


Exhibit 12. Urban Context Opportunity Map
Based on the Comprehensive Plan goal analysis described in exhibit 10. This exhibit identifies potential opportunity considerations for a land use strategy for the FMA site.

Planning Considerations:
Landscape Corridors:

- Highway 75 has been designated as a major scenic highway and as a major trail system corridor. This same corridor is the "front door" and arrival image for the FMA site and therefore can add significant value to the site. Planning of the FMA site should therefore respond to this concept by creating a strong landscape frame along the Highway. Landscape expression should be coordinated with the City and County to insure that design expression on both sides of the road is compatible and that the entire corridor is thought of as a united composition. In addition, a special entry statement to the City of Hailey should also be included in this corridor with both landscape and signage to acknowledge this important portal to the downtown.
- A second landscape corridor is suggested along the entire west edge of the FMA site. The idea of this corridor fulfills three goals. First, it creates a visual buffer between the future uses on the FMA site and the adjacent Light Industrial Zone. Accomplishing this as well as the Highway 75 landscape corridor would frame the FMA site as an elevated terrace and allow views from the site to "jump" to the surrounding hills and mountain landscape. Second, this corridor would create a "Parkway Setting" within which the new main access road could be set which would create integrity and quality to the new roadway system. Third, the expression of this landscape corridor would acknowledge the "stream cut terrace" edge that occurs here and allow a great visual and physical transition based on the grade change that exists there now.
- Another landscape corridor exists off-site to the west and is anticipated as part of the recreational and scenic corridor that follows Broadford Road.

Trail System:

- Opportunity for a pedestrian path and bicycle trail system thru the FMA site that interconnects the existing and proposed trails proposed in the Comprehensive Plan while also connecting the FMA site with the new Hailey Rodeo Park and downtown Hailey should be explored. This pedestrian and bicycle access provides alternative transportation throughout the site and could increase the desirability of the parcels.
- South Main Street and Arrival to Hailey's Downtown: Responding to the Comprehensive Plan, opportunities exist to blend the north end of the FMA site with the South Main Street Community Activity Area. Included in that strategy would be the incorporation of the new Rodeo Site activities across Main Street and into the FMA site. As part of that approach, a coordinated Main Street Entry Corridor could be developed that would provide a civic gesture to the arrival experience of coming to the Hailey downtown community area. Thoughtful planning by both the City and the FMA site planners could result in a seamless connection between the FMA site and the existing Hailey community, while creating distinction for both the City of Hailey as well as a setting for a potential grand entry road to the new land uses on the FMA site. The creation of a beautiful grand entry road to the FMA site can create a distinctive address while fostering pride of ownership for future land owners and tenants thereby adding value to the land. It should also be noted that the creation of a great framework and entry to the FMA site cannot be done only by improvements to the site itself. The FMA site is part of a corridor and therefore the visual image of the place and how one arrives invariably borrows from the visual image of the adjacent lands. Coordinated planning of the corridor and the city framework is therefore integral to the creation of value for the FMA site.

Exhibit 13
Friedman Memorial Airport Context

tate Highway 75 Southern Entry to City - Pastoral open space creates an appropriate entry transition between Bellevue and the City of Hailey.

Current State Highway 75 southern arrival treatment is limited to a small sign. New land uses on the FMA site in the future will change this image, bringing development to the City limit. A new entry statement should therefore be considered.

View to east hills from airport runways with housing developments, State Highway 75 corridor and the Wood River Trail Corridor in the foreground. A potential landscape frame could help transition these various land uses.

State Highway 75 at "South Main Street" looking southwest will become new entry point to Main Street and Downtown Hailey.

Example of Landscape Buffer Linking Views to Surrounding Hills

Airport parking lot showing river terrace edge grade change and view of Industrial Park to the west. No visual buffer or landscape transition currently exists.

Example of landscape buffer and visual orientation to mountains beyond.

Exhibit 13: Friedman Memorial Airport Context

Site photos illustrate existing conditions in and around the airport site that support the planning observations and proposed concept ideas stated in other Exhibits.

Framework Plan

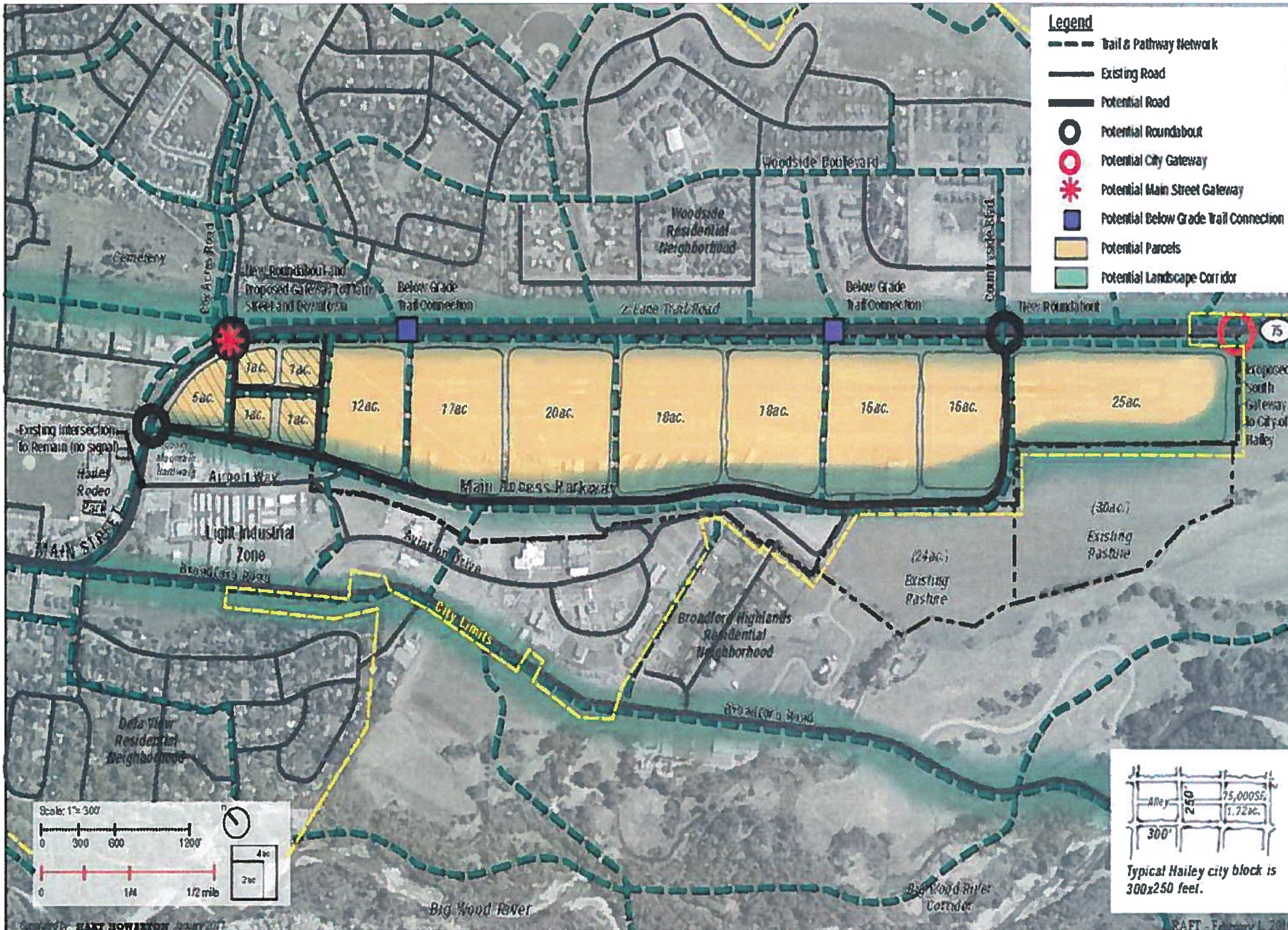


Exhibit 14: Framework Plan

The Market Analysis has identified a list of preliminary land uses that have potential for incorporation into the redeveloped FMA site. Whether these will become the actual future land use, or what their programmatic requirements will demand are parts of ongoing investigations and review. However, it is apparent from preliminary market analysis that many of these preliminary land use categories have the potential to occupy acreage parcels in the range of 12 to 25 acres. This Framework diagram is intended to take a preliminary look at incorporating this preliminary Market Analysis information and tying it together with the community planning goals and site opportunities that have been identified to date. The main components of this framework therefore include concepts described in other Exhibits including the spine road along the west edge of the site that could be set within a strong landscape corridor. Access to all of the parcels would evolve from this main roadway. The intersection of this spine road at the north end of the site could be just east of Airport Way. The other terminus could be the intersection of Countryside Blvd with Highway 75. Round-abouts are being considered at new traffic intersections in lieu of the more standard traffic signal type intersection based on new traffic planning studies generated by the Idaho Transportation Department, and the City of Hailey. Either round-abouts or the current type of traffic signal would work in this particular planning approach. A third major intersection would be required at Fox Acres Road.

Land parcel sizes have not been determined and are shown here to demonstrate one potential scenario of land division. However, the parcels have great flexibility in how they are divided and have the ability to become smaller or larger depending on the outcome of future market analysis. Small parcels of 2 acres and one 5 acre site are shown at the north end of the FMA site. The intent of this is to demonstrate the concept of bringing some of the downtown Hailey city block pattern into the FMA site and transition land parcels utilizing a smaller "urban block" type pattern instead of beginning the large campus parcels at the extreme north end of the FMA site. A small illustration within the exhibit shows the approximate size of typical downtown Hailey City blocks to provide scale to what is being proposed. This also seems to be the best location for smaller parcel development.

The pedestrian path or trail system suggested in earlier exhibits is expressed here and adapted to respond to this particular land parcel division scenario. The frame of the landscape corridor along Highway 75 is also shown, as well as two below grade traffic separated trail crossings of Highway 75. Whether both of these are financially feasible, or which location might be the best for a grade separation is to be determined in future studies and review.

Exhibit 15

Industrial Parkway Site Photos

Rocky Mountain Hardware Corporate Office

Aviation Drive Corridor Looking North

Aviation Drive [illegible]dor at Public Safety Building

Exhibit 15. Industrial Parkway Site Photos

Existing photos of Aviation Drive and some of the more prominent buildings within the Airport Industrial Park are shown.

Exhibit 16
South Main Street Activity Area Improvements

Exhibit 16. South Main Street Activity Area

This exhibit illustrates the Hailey Rodeo Grounds Master Plan which shows the extent of new community activities that are under construction at this time immediately to the north of the FMA site and how this area of the City is evolving.

Exhibit 17
Main Street, Downtown Hailey and North City Gateway


Downtown Main Street Images


Main Street Corridor Looking North


Hailey Town Center


Downtown Hailey Landmark Buildings


Hwy 75 Scenic Corridor Landscape Treatement and Visual Buffer


Northern Gateway Entry to City of Hailey and Main Street Looking South

Exhibit 17. Main Street, Downtown Hailey and North City Gateway

A brief image transect of Main Street (Highway 75) is shown thru the downtown area as well as a look at the current entry to the City from the north.

Exhibit 18
Big Wood River Corridor


Big Wood River and Bridge to Colorado Gulch


Access Road and Trail to Big Wood River at Colorado Gulch


Broadford Road Riverfront Access Corridor

Exhibit 18. Big Wood River Corridor

Photos document the access corridor along Broadford Road and access to the Big Wood River.

By obtaining a basic understanding of the overall national economy, we equip ourselves to better anticipate local economic responses to this strategic redevelopment plan.

Friedman Memorial Airport
Redevelopment Plan and Feasibility Analysis

National Economic Overview

Introduction

The purpose of this national economic overview is to provide basic background information on the state of the U.S. economy. By obtaining a basic understanding of the overall national economy, we equip ourselves to better anticipate local economic responses to this strategic redevelopment plan. This national review is particularly important to proposed redevelopments such as Friedman Memorial Airport that may be positioned with uses that are somewhat outside the mainstream of the national real estate economy (traditional offices, strip retail, etc.). We therefore begin our market research with a review of the national indicators of the U.S. economy.

Gross Domestic Product (GDP) Overview

The GDP is a basic measure of a country's overall economic output. It is the market value of all final goods and services supplied within the borders of a country in a year.

The United States has the world's largest GDP, estimated at $14.56 trillion dollars in 2007; $14.61 in 2008; $14.26 in 2009, and projected to reach $14.591 in 2010. The national GDP is projected to grow by 2.5% to 3% in 2011 to reach a total of $15.299 trillion. Economists often state that expenditures by U.S. consumers make up 70% of the national GDP. However, consumption as a percentage of the economy typically increases during a recession because output in manufacturing, construction, and business expenditures almost always drop first and at a higher percentage than consumer purchases, resulting in a smaller basket of economic variables with the consumer taking a higher percentage of the whole.

The Congressional Budget Office has also projected a GDP of $18.211 trillion in 2014 and $22.500 trillion in 2019. These projections have been questioned by a number of economists for the following reasons:

- The enormous debt of the U.S. will limit the ability of the government to infuse more cash into the market.
- Home prices will remain flat through 2011 due to a 15-month supply of homes entering foreclosure.
- Commercial real estate will experience a decline through 2012.
- Unemployment will remain above 9% until 2012.
- Household Net Worth

Consumer shopping behavior is the single most important economic factor in understanding the U.S. economy. The decisions these 308 million people make concerning their spending affect the vitality and direction of the economy and clearly impact the real estate industry. Likewise, consumer expenditures represent the largest component of total expenditures in the U.S. economy and account for roughly a fifth of global economic activity. Consequently, rising consumer demand for goods and services has been a key element of U.S. economic growth over the past 40 years.

Consumer Debt

As financial markets rebound and debts shrink, the average U.S. resident's net worth – the market value of property and investments minus mortgage, credit-card and other debts – stood at $182,000 in late 2010, well below the peak of $218,650 in the second quarter of 2007. However, U.S. households still have a lot of deleveraging to do.

Throughout 2008, the resilience in household spending reflected what everyone considered a continuation of solid fundamentals. However, as we know now, this was not the case as consumer spending slowed significantly in 2008, crashed in 2009, and began a modest recovery in late 2010.

Home Values and Consumer Expenditures

While no one is sure how responsive consumer spending is to changes in home values, Village Solutions estimates a $100 drop in wealth reduces consumer spending by $5-$6 a year. Some recent studies however, suggest that the "wealth effect" from housing may be twice our estimate, and project that a $100 drop in value may impact consumer spending by $8-$10. Given that Americans had $20 trillion in housing wealth prior to the recession, a projected decrease in home values of 20% before the end of the recession will have a devastating impact on consumer expenditures. If home values have lost 20% of their value, then there has been a decrease of $4 trillion in home values. This translates to a decrease in consumer expenditures of $120 billion for a $3 decrease; $200 billion for $5; $240 billion for $6 and $400 billion for a $10 decrease.

Inflation

Both inflation and deflation were widely debated topics in 2010 as both would have a negative impact on the economy, inflation being considered the lesser of two evils. Deflation occurs when the price of goods fall and the purchasing power of the dollar increases. Although that may sound attractive, it negatively impacts employment and depresses homes and stocks values. Inflation, on the other hand, increases prices, which decreases the purchasing power of the dollar.

In summary, inflation was expected to peak around 3.5% in the last quarter of 2010 and decrease to around 2.5% in 2011.

Unemployment Rates

Economic recovery following the 2002 to 2003 recession was a jobless recovery in which the nation's unemployment rate continued to rise to a peak of 6.3% in June 2003. Unemployment rates then steadily declined to a 5.6% rate by June 2004. Consequently, as available data provided signs of a stronger labor market, the Federal Reserve began raising the federal funds rate in July 2004. Following a gradual decline to 4.5% in 2006, the unemployment rate held steady in the first half of 2007 before rising to 4.7% in late 2007. In 2008 at the height of the recession, unemployment grew rapidly as a result of the quickly slowing economic growth. Unemployment has grown from 5% since the official start of the recession to the current rate of 9.4% as of December 2010, after a high of 10.4% in October of 2009, the highest recorded rate since 1983, and has significantly affected almost every sector of the national economy.

Nationally, the unemployment rate ticked up to 9.8 percent in November of 2010 from 9.7 percent in October. In December, the rate declined to 9.4 percent. For all of 2010, the economy added about 1.1 million jobs — far fewer than are normally created after a severe recession.

Many economists expect twice as many net jobs to be created in 2011. But most think the unemployment rate will remain around 9 percent by year's end. Federal Reserve Chairman Ben Bernanke stated in January of 2011 that it could take up to five years for unemployment to drop to a historically normal rate of around 6 percent. Finally, the latest forecast predicts that the unemployment rate will not drop below 9% until 2012.

Labor Market Participation

The labor force is defined as the number of individuals age 16 and over, excluding those in the military, who are either employed or actively looking for work. The participation rate is the number of people in the labor force divided by the size of the adult civilian non-institutional population (or by the population of working age that is not institutionalized). The non-labor force includes those who are not looking for work, those who are institutionalized such as in prisons or psychiatric wards, stay-at home spouses, children, and those serving in the military.

The employment rate is defined as the number of people currently employed divided by the adult population (or by the population of working age). In these statistics, self-employed people are counted as employed.

An indirect measure of workers' expectations for their labor market prospects can be obtained by looking at labor market participation rates. In January 2004, almost 147 million people were actively involved in the labor market. In response to the strong employment gains in 2005, participation rates steadily increased throughout 2006. Although the participation rate peaked in December 2006 at 66.4%, average participation rates were about the same in 2004 and 2005, around 66.0%. The labor participation rate fell throughout 2007, 2008 and dropped to 64.3% in December 2009 before rising to 64.8% in February of 2010 and dropped back to 64.5% in November 2010.

Capital Spending

Capital expenditures create future benefits, and are incurred when a business spends money either to buy fixed assets or add to the value of an existing fixed asset with a useful life that extends beyond the taxable year. Such capital spending is typically used by a company to acquire or upgrade physical assets such as equipment, property, or industrial buildings.

Between 1999 and 2009, capital spending by U.S. nonfarm businesses varied cyclically. Total spending reached $1.161 trillion in 2000, and then fell each year to a low of $975 billion in 2003, before increasing in 2004 and each successive year through 2007.

Spending by all U.S. nonfarm businesses on new and used structures and equipment increased 17 percent, or nearly $201 billion, to a total of $1.362 trillion in 2007. This compares with an earlier cyclical peak of $1.161 trillion in 2000, according to a report by the U.S. Census Bureau.

In 2008, after four consecutive yearly increases, total spending on new and used structures and equipment (i.e., capital spending) by all U.S. nonfarm businesses, reached $1.375 trillion, which was not statistically different from the 2007 total. $1.29 trillion, or 93.7 percent, was spent on new structures and equipment in 2009. In 2010, capital spending was projected to grow modestly over 2009.

Government Spending

In 2007, nominal government expenditures on consumption and investment were around $2.9 trillion, representing about 20% of the nation's GDP. On average, since 2004, growth in government expenditures (in nominal terms) had declined. However, adjusted for inflation, government expenditures were actually rising. This explains why government expenditures generally represented an increased share of total expenditures during the 2005-2008 periods. As tax revenues outpaced the growth of expenditures, the size of the budget deficit has declined. Arguably, less spending to lower deficits generally represents less of a strain on credit markets. Consequently, concerns about fiscal pressures on long-term interest rates were somewhat dissipated.

Despite the election in 2008, while both parties spoke philosophically of the need for fiscal discipline, recommendations of tax increases or spending cuts did not materialize in the 2008 to 2010 time frame against the backdrop of a struggling economy. All appeared to be somewhat status-quo until the financial collapse in the fall of 2008. In the aftermath of bank and auto bailouts, government spending surged to peak levels at 45 percent of GDP in 2009. The mortgage emergency clearly drove governmental spending. Near term government spending in the future is pegged at 40 percent of GDP, far above a long term sustainable level which will result in higher taxes, inflation and a challenge to growth projections.

Total government expenditures in 2009 were estimated to be $3.7 trillion and $3.8 trillion in 2010.

Federal Debt

Near the end of 2008, the total U.S. federal debt was $10.024 trillion. One year later, the deficient had grown to $11.9 trillion and to $13.561 trillion by the end of the third quarter of 2010. As of late December 2010 the Federal deficit had grown to $13.873 trillion.

Foreclosures

In 2010, one million homes were foreclosed on by the banks and another 1.9 million were in some level of foreclosure. The number of foreclosures would have been even higher except for the foreclosure moratoriums imposed by the banks near the end of the year.

The number of foreclosures will rise in 2011. Lenders will begin to pick up the pace of foreclosure filings. Foreclosures may not drop to more normal levels until 2014 - or later.

Net Exports

Net Exports is the value of a country's total exports minus the value of its total imports. It is used to calculate a country's aggregate expenditures, or GDP, in an open economy. In other words, net exports is the amount by which foreign spending on a home country's goods and services exceeds the home country's spending on foreign goods and services. For example, if foreigners buy $200 billion worth of U.S. exports and Americans buy $150 billion worth of foreign imports in a given year, net exports would be positive $50 billion. Factors affecting net exports include prosperity abroad, tariffs and exchange rates.

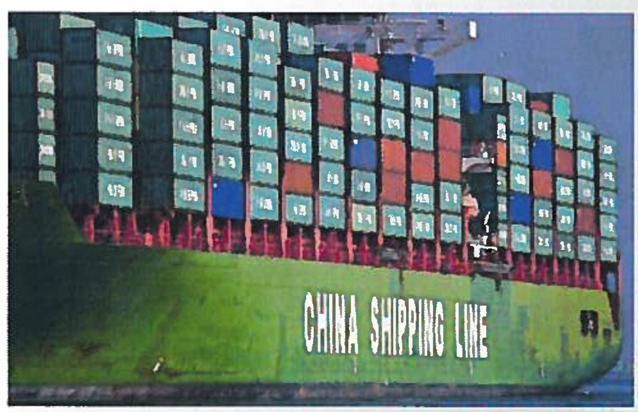
For decades, consumer spending and investment have been the main drivers of U.S. growth. However, net exports (exports of goods and services minus imports of the same) have become an important contributor to growth in recent years, as the growth of foreign demand has outstripped that of U.S. domestic demand and the dollar has weakened. With these trends projected to persist, net exports will continue to be crucial contributors to a recovery.

Conclusions

There are a number of positive indicators in the National Economy which suggests that the worst of the recession is over. However, the economy is far from a full recovery and it may stay near or act record lows for several years. Some economists predict a full recovery and return to normal or peak employment levels may not be seen until 2013 or 2014[1].

From a positive perspective real GDP increased 3.2 percent (annualized rate) in the fourth quarter of 2010, following an increase of 2.6 percent in the third quarter. The acceleration in real GDP in the fourth quarter reflected a downturn in imports, acceleration in consumer spending, and an upturn in residential investment that more than offset downturns in inventory investment and in federal government spending and a deceleration in nonresidential fixed investments.

However, unemployment has grown from 5% since the official start of the recession to the current rate of 9.4% as of December 2010. It may be two to three years before unemployment returns to more historical levels in the 5-6% range. Additionally, as of late December 2010 the Federal deficit had grown to $13.873 trillion.



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2 Peck, Don. "How A New Jobless Era Will Transform America". The Atlantic: March 2010.

Finally, the residential market is still in a major decline. In 2010, one million homes were foreclosed on by the banks and another 1.9 million were in some level of foreclosure which will result in further overall declines in home values. If home values have declined by 20%, then there has been a decrease of $4 trillion in home values. This translates to a decrease in consumer expenditures of $120 billion for a $3 decrease; $200 billion for $5; $240 billion for $6 and $400 billion for a $10 decrease.

Based on these findings, the national economy continues to struggle and it will be difficult for major projects to move forward until a full recovery is in place.

The site must be prepared for development over the next several years in terms of development agreements, rezoning, entitlements, land planning and other related activities and approvals before moving forward.

Friedman Memorial Airport
Redevelopment Plan and Feasibility Analysis

National Real Estate Market

Introduction
The purpose of this national real estate market overview is to provide basic background information on the state of the U.S. real estate market as the national market influences the state of regional real estate markets. By obtaining a basic understanding of the national real estate market, we equip ourselves to better anticipate local real estate market changes and responses to this strategic redevelopment plan. This national review is particularly important to proposed redevelopments such as Friedman Memorial Airport that may be positioned with uses somewhat outside the mainstream of the national real estate economy (traditional offices, strip retail, etc.). We therefore begin our market research with a review of the national real estate market and its potential impact on the sale of the FMA site. The following pages outline the impact of the recession and projected changes for the nation's residential (single family homes, condos, and multi-housing) and commercial real estate market including office, hotel, retail, and industrial.

National Real Estate Impact on the Sale of the FMA Site Conclusion
It would be very difficult to sell the existing FMA site within the next two to three years, because of the current economy. However, the economy is projected to improve significantly in the 2015 and 2016 time frame. Likewise, the site is not ready to be sold at this time because a number of efforts required to maximize the land value must be implemented. Examples include rezoning the property to allow maximum flexibility to accommodate a variety of uses on the site and to physically prepare the site for redevelopment. While this position may not appear to be the optimal strategy it does fit nicely into a fairly normal development cycle for a project of this size. In this regard, the site must be prepared for development over the next several years in terms of development agreements, rezoning, entitlements, land planning and other related activities and approvals before moving forward.

Historical Overview
Driven by rapid innovation in financing instruments and unusually low interest rates, the national housing market expanded significantly between 2002 and 2005. On average, 2 million homes were permitted annually during that period. However, 2006 and 2007 saw steep declines in both home sales and residential construction. At the peak of the recession in February 2009, single-family housing permits were down 42.3%

from February of 2008, housing starts were down by 50.6%, and housing completions down 44.3%.

In addition, home values were also dropping across the nation. In 2008, the median price of homes across the West dropped by 25.5%, by 14.7% in the Northeast, and by 7.4% and 6.8% in the South and Midwest respectively. In January of 2010, the supply of foreclosed homes was down to 645,800 from a peak of 845,000. By the end of the third quarter of 2010, the principal balance of foreclosed homes topped $450 billion. America's total home valuation was estimated to be $22.7 trillion as of December 2010. That's down from about $31.7 trillion in 2006.

Likewise, the median sales price of homes has fallen in every region of the nation over the past several years; total sales of existing homes have increased due to a decreasing inventory of new homes, reduced home prices, and lower interest rates. If these positive trends continue through the next several months, it is possible that housing prices are near their bottom and on their way to stabilization. However, it is unlikely that housing prices will begin appreciating at the same rate as 2002-2005 in the near future.

The economic stimulus package offered help for prospective home buyers and owners. New buyers who purchased a home in 2009 up to April 31, 2010 were eligible for a tax credit worth 10% of the home value, up to $8,000.

Despite continuing declines in home prices during the second half of 2008 and well into 2009, home sales continued to plummet. While lower home prices tend to improve conventional measures of affordability, fundamental negative factors still predominate. Deteriorating labor markets have reduced disposable personal income, and constrained access to mortgage credit. The considerable pace of home price declines and expectations that home prices will fall further has deterred demand.

The recent sharp decline in mortgage rates and further declines in home prices will improve affordability, providing support to sales activity. Over time, inventories of unsold homes will diminish, and construction and home prices will stabilize.

Since the Fed announced its easing operation, mortgage rates have fallen significantly. To date the impact of the declining mortgage rates has been felt far more in refinancing than new purchases.

Home price declines have been considerably sharper in problem regions that experienced the greatest excesses in construction and home prices, including California, Florida, Nevada and Arizona. However, nationally home-price recovery is expected to begin in 2011. Analysts surveyed by MacroMarkets on average expected home prices, as measured by the S&P/Case-Shiller national index, to rise about 12% in the five years ending Dec. 31, 2014[1] .

Housing Market

In 2009, the U.S. population was 305.5 million, and it was projected to grow to 308 million in 2010 with an estimated median age of 36.9 years and a median household income of $75,200.00. Additionally, in 2009, approximately 66.2% of the U.S. population owned a home, with a total of 130.8 million single family units.

Housing starts and completions

Combined single and multifamily housing starts rose from an annual rate of 565,000 in 2009's first quarter to 677,000 in the first quarter of 2010. Starts were projected to climb to 688,000 in the second quarter of 2010, slip to 669,000 in the third quarter, and then rebound to an annualized rate of 754,000 in the final three months of 2010. Starts will keep escalating in 2011 climbing from an annual rate of 870,000 in the first quarter of the year to 1.22 million in October through December 2011.

As of November of 2010, privately-owned housing units authorized by building permits were at a seasonally adjusted annual rate of 530,000. This is 4.0 percent below the revised October rate of 552,000 and is 14.7 percent below the November 2009 estimate of 621,000. Single-family authorizations in November were at a rate of 416,000; this is 3.0 percent above the revised October figure of 404,000.

Privately-owned housing starts in November of 2010 were at a seasonally adjusted annual rate of 555,000. This is 3.9 percent above the revised October estimate of 534,000, but is 5.8 percent below the November 2009 rate of 589,000.

Single-family housing starts in November were at a rate of 465,000; this is 6.9 percent above the October figure of 435,000. The November rate for units in buildings with five units or more was 72,000.

Forward Look

In determining what the next decade will bring in terms of real estate development, one must look at a number of fundamental factors to determine when a major bottom will occur. In addition to watching the price levels of real estate, we should also observe the mortgage markets, interest rates, home affordability, housing inventory, new construction, mortgage applications and the rate of home sales. Also, following the stock prices of home building companies may shed further light into the state of the industry, as the stock market proves to be an effective tool in gauging a housing turnaround.

However, it is estimated that due to the rapid population growth, 60 million housing units will have to be built by 2030; 20 million of those will replace demolished or aging homes.

Additional comments regarding the housing industry have been outlined below.

Interest Rates

Mortgage rates are currently very low, averaging close to 4.5%; unfortunately the drivers for higher interest rates in the future are quite strong. It is not known when long-term interest rates will rise, because interest rates move in very long-term cycles.

The benchmark interest rate in the United States was last reported at 0.25 percent. The benchmark is the interest rate charged to banks by the Federal Reserve.

Home Affordability

With all other criteria being equal, declining home prices mean affordability is rising. The important question to ask is how affordable are

1 MacroMarkets.com. May 2010 Survey

homes and will they become even more reasonably priced? All the other criteria suggest they will. The National Association of Realtors releases its NAR Affordability Index every month. According to this index we currently have homes that are the most affordable on record. This index once, for one month, dipped below 100 (over 100 means affordable and under 100 means unaffordable).

Home prices and mortgage rates are at historical lows, which makes homes most affordable. In fact, the Housing Affordability Index of the National Association of Realtors scaled a record high mark last October at 184.2. Historically, readings above 120 have been viewed as a seller's market. The chain of economic events of the past three years has modified this perception and the housing market is currently a buyer's market. However, many home buyers do not have the wherewithal to take advantage of the sweet spot in the housing market with affordable homes and low mortgage rates because of poor credit, lack of a down payment, and other factors as required by financial institutions.

Shadow Inventory

Currently real estate inventories are high. Credit Suisse, an international bank, recently estimated that inventories would rally to 11 months worth of supply placing them at the highest level since 1988. This is insignificant compared to the "shadow inventory", comprised of all properties/units that will be on the market, but are not yet listed. This number is estimated to be extremely high and is comprised of several items: bank owned properties that have not been put on the market yet and the number is still growing, foreclosures in process, new condos in high-rise towers not yet listed and current property owners waiting for a rebound in prices to sell. Amherst Securities Group, LP estimates there are 7 million units in shadow inventory or 135% of a full year of existing home sales.

Multi-Housing Overview[2]

Due to changing demographics, the demand for apartment housing is projected to increase by 50% in the next decade for several factors. First, rising energy costs will make it more costly to live farther away from work and also more expensive to accommodate the energy demands of detached residential units at low density. Second, the appreciation rates for low-density housing will continue to fall, if not become negative, in all but a few metropolitan areas making rental fees lower. Third, as demand for housing shifts toward urban and suburban centers, especially those with transit and other multi-modal options, housing costs will rise because of higher land and construction costs. Most importantly, by the year 2040 there will be an estimated 53 million more households without children than in 2000, resulting in an increase demand for apartments.

The slowdown in job creation and household formation has affected new multi-housing supply, but not to the degree that it had on the single-family sector. As a result, the outlook calls for the multi-housing expansion to continue, but at a slower pace. Nationally, demand for rental multi-housing is expected to return to a more sustainable pace of 180,000 units per year, over the next five years. As a result, vacancy will edge slightly higher in 2010, but will remain slightly above the 5% rate indicating a balanced market.

Effective rent growth will average 3% over the 2008-2012 time frames — slightly above consumer inflation and the 20-year historical average growth. 5-year forecasted rent and revenue growth will fall within the 3-4% range, as had been the case in the late-1990s. However, there is a substantial variation in growth momentum across markets. Rent and revenue growth over the next five years will be much stronger than the last five years not only in business and technology-driven markets, but also in markets where new supply remains limited as demand expands.

Multi-housing Current Statistics

The nation's apartment market remained robust in the fourth quarter of 2010 with vacancies falling to 6.6%, marking the first time in two years that the rate fell below 7%, according to data released in early 2011. The apartment sector bot-

2 Wall Street Journal, Thursday, January 6, 2011

tomed out in the fourth quarter of 2009, and a strong recovery now appears to be under way.

2011 will mark the first across-the-board reduction in vacancy since late 1990. The market is now benefiting from the release of pent-up demand, falling home ownership rates and job creation. Conversely, in last year's fourth quarter, 12,000 new units were completed; the lowest quarterly number in almost 10 years. But the gains could be stalled or reversed if the market weakens and employers do not add a substantial number of new jobs.

The summer months are the prime apartment rental season as students enter and exit college and families relocate in time for a new school year. Fewer moves typically take place during the winter months. But, the occupied inventory of apartments increased by about 58,000 units in the fourth quarter, the largest number of apartments taken during the quarter in a decade.

Effective rent, the amount paid after discounts rose to an average of $986 in last year's fourth quarter.

Preliminary data indicates that the pace of the U.S. apartment recovery remains strong. The national vacancy rate usually increases by about 80 basis points in the seasonally weak fourth quarter, yet it increased by 20 basis points in Q4 2010, marking one of the strongest year-end performances on record. For the year as a whole, the national vacancy rate declined by 130 basis points from an average of 7.4% in 2009 to 6.1% in 2010, while growth in apartment demand has accelerated from 108,000 to 258,000 units. Across markets, vacancy rates are quickly approaching their historical norms.

Condos

The primary risk facing multi-housing markets today is that the number of new units being added to the rentable total could be greater and rental revenue weaker, than markets anticipated. Of particular importance is the looming correction in condominium prices. Condominiums are the closest product substitute for rental apartments and carry risks on both the demand and supply sides. When prices fall sharply, a portion of households that either already rent apartments or are considering renting apartments purchases condominiums instead, which affects absorption of rental apartments. Furthermore, existing condominiums might be offered for rent in larger numbers than expected, especially given record purchases by individual investors in recent years. Finally, a portion of new, ground-up condominium construction and recent condo conversions could revert to rental as the condo market correction unfolds.

Record completions of new condominiums in the second half of 2007 and new condominium construction started in 2008, hurt condominium prices as well as also growth in apartment rents.

Office Properties

Office vacancies in the U.S. rose to the highest level since 1993 in the second quarter of 2010 as the sluggish economic recovery reduced demand from corporate tenants. The vacancy rate climbed to 17.4 percent from 16 percent a year earlier and 17.3 percent in the first quarter of 2010. Effective rents, the amount tenants actually pay landlords, fell 5.7 percent from a year earlier and 0.9 percent from the previous three months.

During the fourth quarter of 2010, average office rents rose by 0.2%, registering the first increase since the second quarter of 2008.

The office market has been hit hard by job losses. From January 2008 to September 2010 businesses vacated 137.8 million square feet of office space. In December of 2010 the national office vacancy rate was 17.6%.

An analysis of 2010 found that, as with previous recent quarters, suburban office markets continued to outperform downtown areas; the suburban vacancy rate declined by 30 basis points[3]

3 A basis point (often denoted as bp) is a unit equal to 1/100th of a percentage point. Put another way: 1 bp = 0.01%. It is frequently, but not exclusively, used to express differences in interest rates of less than 1% per year. For example, a difference of 0.10% is equivalent to a change of 10 basis points (e.g. a 4.67% rate increases by 10 basis points to 4.77%).

(bp), while the downtown vacancy rate declined by 20 basis points. That was the first decline for downtown submarkets since the third quarter of 2007. The office market generally continued to make strides toward recovery in the Fourth Quarter (Q4) of 2010. Improved leasing velocity and a depleted construction pipeline has helped push the office vacancy rate down from its cyclical peak reached during the second quarter of 2010.

Vacancy rates declined in 30 of the 57 markets tracked during Q4 of 2010, with 10 remaining unchanged and 17 experiencing vacancy increases. Florida markets, having been severely affected by the housing slowdown in 2008 and 2009, have recently been showing signs of stabilization as their economies start to recover. They were among the best performers in Q4 2010, as vacancy rates declined by 60 bps in Tampa and Orlando and by 130 bps in Jacksonville. Energy and other resource-driven markets of Texas were also among the top performers, as Houston and Fort Worth had their vacancy rates fall by 80 and 50 bps, respectively.

In summary, the national office market remains weak with vacancy rates at a 17 year high and average rents for Class A office space running below the $25.00 per square foot high established in mid-2008.

Hotel Outlook

Despite the housing slowdown and high gas prices, the hotel sector appeared to have stabilized in terms of both occupancy and average daily room rates (ADR) in 2007. Occupancy in the full service sector on a seasonally-adjusted basis was 69.4% for the entire year of 2007. However, supply growth flattened towards the end of 2007. This was significant since supply growth had been accelerating since the end of 2005 and needed to be curtailed.

The stabilization in room demand, supply and ADR of 2007 did not last through 2008. As the economy experienced a deceleration in both personal income and total employment growth because of the housing slowdown and the credit crisis, the hotel industry faced a slowdown as well.

In the full service sector, year-over-year demand growth was anticipated to be minimal (almost flat), since businesses were expected to cut back their spending (including business travel) in the 2009 – 2010 time frames. Therefore, the ADR declined due to the decrease in business travel demand and thus a decline in Rev PAR (Revenue per Available Room) growth occurred. Also impacting the full-service sector was the increase in supply. In 2008, almost 40,000 rooms came on board nationwide, which is double what actually occurred in 2006 and 2007.

In 2009 average hotel occupancy fell to an all time low of 54.8%. By January 2010 hotel occupancy was 45.1% - the lowest January ever recorded since occupancies were first tracked in 1987. Likewise, in 2009 the national average daily hotel room rate was $97.68. The January 2010 average daily hotel room rate was $93.93 compared to the January 2008 average daily hotel room rate of $106.54.

As of 2010 the average hotel property has lost 50% of its value since 2007 and the industry has lost 400,000 jobs since the start of the recession.

While showing nearly a five percentage point increase over 2009 peak summer occupancy, 2010's 71.8% top occupancy percentage falls almost the same distance behind the summer occupancy peaks of 2006 and 2007.

The occupancy valleys indicate a deeper challenge – the December 2010 low point was 0.8% higher than the corresponding valley in 2009. The 34.6% occupancy percentage remains 6.5 points below the valley recorded in 2006.

Occupancy is clearly increasing, but reports that the strength is typically manifesting itself in major demand centers during peak travel periods does not necessarily reflect the health of the general US hotel industry as a whole.

Smith Travel Research projects that the hotel industry will end 2011 with increases in all three key metrics. Occupancy is forecast to rise 1.4% to 57.9%, ADR is expected to be up 3.9% to $101.55, and

RevPAR is projected to rise 5.3% to $58.75. Supply during 2011 is expected to grow 1.1% and demand is projected to rise 2.5%.

Retail

Demand for retail space, as measured by net absorption, declined by 49.8 million square feet during 2009. Completions of new retail space had adjusted for the change in demand, but not fast enough. As a result, vacancy rates were on the rise and were estimated to jump to 13.4% by the third quarter 2009 and over 14% in the last quarter of 2009.

Malls in the fourth quarter of 2010 posted a decline in vacancy of one-tenth of a percentage point to 8.7%, marking the second consecutive quarter of declines in regional malls. However, the improvement came after the mall industry posted its highest vacancy rate of the last decade in the second quarter of 2010. In the last quarter of 2010, shop lease rates at malls rose by two tenths of a percentage point to $38.79.

The vacancy rate at community and neighborhood shopping centers remained flat at 10.9% at the end of the fourth quarter of 2010. The vacancy rate at community and neighborhood shopping centers had risen nearly every quarter since the second quarter of 2005. Lease rates at shopping centers remained relatively unchanged in the fourth quarter of 2010 with an average minimum rent of $16.56, down from $16.58 in the previous quarter.

The question that faces the industry now is if the recent figures are a blip with conditions worsening in the months ahead or whether they represent the beginnings of improving fundamentals. Experts are split on the matter, although macroeconomic indicators—including sluggish GDP growth, lingering unemployment and wavering consumer confidence—point to a tortoise-paced recovery at best.

Another factor that has contributed to improving fundamentals is the fact that the amount of new retail space delivered to the market continues to shrink. In the third quarter of 2010, the amount of newly delivered retail space totaled 5.6 million square feet. In contrast, during the first quarter of 2006, the market saw 82 million square feet in new retail properties. Also, declining rental rates are playing a role in creating leasing momentum. Retailers that would not opt to expand otherwise are taking advantage of the available bargains. In the third quarter, average asking rents fell 1.4 percent from the quarter prior, to $15.18 per square foot. The figure was also down 4.28 percent from the same period a year ago.

However, improvement in fundamentals may be short-lived, rather than signaling the beginning of a long-term trend. The retail vacancy rate may overtake the all-time high of 11.1 percent sometime in 2011, largely as a result of all the overbuilding that took place during the boom.

Overall the retail outlook remains dim. The economic recession is still taking a toll on the financial markets, consumer credit is scarce and expectations of job losses continue.

Industrial

The fourth quarter of 2010 continued to bring improvement to the industrial market with reported declines in availability rates as widespread as they have been at any point in recent years. Although availability rates remain near record highs, suggesting there is still large amounts of vacant space within the sector, low construction and an improving economy should continue to lower availability moving forward. During the last quarter of 2010, 39 markets reported falling availability rates, four saw no change, while the remaining 15 reported increases.

National Real Estate Conclusions

- As opposed to a classic recovery that would typically accelerate as 2011 progressed, many economist predict that the national growth rate will actually slow from a 3% in the early part of the year to a rate of 1.75% to 2% by the fourth quarter. This is because the growth rate in recent months was due to temporary factors – most notably, the replenishing of inventories and the government stimulus. In summary of this point, as 2011 progresses a protracted jobless recovery, a continuation of the fall-out from the housing and banking crisis, limited growth in wages and the overall pull back on consumer consumption will put a damper on real sustained growth in the real estate market.

- The U.S. economy is consumer driven. Typically, consumers would contribute to 60-70% of any sustained growth. However, the consumer has elected to stay on the sidelines to this point which will likely prevent a strong recovery until 2012.
- Housing, the industry that triggered the worst recession in seven decades, is still struggling to recover after a homebuyers' tax credit expired in April and as foreclosures keep adding to inventory.
- The recession may have technically ended, but for the millions of unemployed workers, the hard times are hardly over. Given the fact that almost one-fifth of the U.S. workforce is out of work or underemployed, do not expect consumers to step in to save the recovery if the Federal Stimulus spending falls short, especially with large tax increases on the horizon for 2012 and 2013 with the Bush Era tax cuts due to expire at the end of 2012.
- U.S. businesses have embraced a leaner, lower-cost mindset that leaves firms reluctant to hire and reticent about making capital investments. This will prolong the jobless recovery, and will result in lower contributions to the growth in the GDP by consumers and businesses.
- Interest rates will remain low and unemployment will remain relatively high for many months to come.
- Finally, commercial real estate fundamentals will be much improved in 2011 as vacancies will continue to drop and rents stabilize. These improving fundamentals will primarily be a function of limited additional supply of vacant space and recent increases in consumer demand. Last year, Class A properties in primary markets outperformed, while properties in secondary and tertiary markets remained under stress. With fundamentals stabilizing and property prices down nearly 40%, we are beginning to see an inflection point as financing conditions ease, causing cap rates to compress. Sales volumes are also increasing and charge-off rates are declining. Over the next several years there is no reason to believe that commercial real estate won't continue to improve. However, the risk to commercial real estate is a rising rate environment. Cap rates could theoretically rise putting pressure on property values (this risk is somewhat mitigated given that the spread between cap rates and treasury rates is currently at historical variances meaning that treasury rates could rise without causing cap rates to also widen). At the same time, it would be more difficult to refinance loans given the higher interest rates.

Insight into Idaho's future economic direction may be better understood with an analysis of certain sectors that historically influence the economy

Friedman Memorial Airport
Redevelopment Plan and Feasibility Analysis

Idaho Market Research

Introduction

To a great extent, economies – regional, state, and local – chart their own courses and are difficult to project. However, insight into Idaho's future economic direction may be better understood with an analysis of certain sectors that historically influence the economy.

A review of the Idaho economy in recent years presents a picture of a robust expansion to one of sharp contraction. Long-term projections take for granted that the ups and downs of the business cycle balance out over a decade. Population growth will drive expansion and Idaho's population will grow 10 percent between 2010 and 2018 while the nation's population is expected to rise by 5 percent.

Idaho had an estimated population of 1,545,801 residing in approximately 647,502 households in 2010. The median Idaho home value was $169,900, which was down -10.5% from 2009. In 2009, 4,032 building permits for single family homes were issued. In 2010, 3,177 building permits were issued for single family homes through the month of October.

Extremely tight credit following the financial sector crash, deflation in real estate values and excessive inventory hanging over the housing market have depressed the construction sector which lost 23,000 jobs in the recession.

The recession eliminated over 55,000 jobs across Idaho from the expansion's peak in mid-2007. While the state economy appeared to have hit bottom at the end of 2009 in terms of jobs, it has bounced along the bottom into the second half of 2010 with no sector showing the strength to begin a solid recovery[4].

In brief, the signs are increasing that the recovery, once it fully begins, will be slow.

Based on existing conditions and the outlook for the near term, it will likely be 2014-2015 before Idaho regains the jobs lost to the recession.

Idaho's Gross State Product

The U.S. Bureau of Economic Analysis estimated Idaho's 2009 gross state product (GSP) at over $54 billion, 3 percent below the 2008 figure of nearly $55.7 billion.

The total value of all goods and services produced in Idaho increased modestly in 2008 to $52.7 billion, a 1.2 percent increase from 2007's total of $52.2 billion. The depth of the recession offset productivity gains in the first half of 2008,

4 Idaho Department of Labor

holding the annual increase to its lowest level since 1986. The 2008 growth rate was 47th nationally. Adjusted for inflation, Idaho posted no growth in real gross state product between 2007 and 2008.

The estimated 2010 GSP was $54.8 billion and $57.0 billion for 2011.

Business Growth

In 2009, 21,862 new businesses filed with the Secretary of State, down 10 percent following a 15 percent decline in 2008. It was the third straight annual decline. The previous decline was in 2001 during that national recession[5]. Statistics for 2010 have not been released.

Job Growth

While the recession siphoned 55,000 jobs from the Idaho economy over the past three years, Idaho's job growth should exceed the national rate through 2018, according to long-term job projections[6].

Job growth over the next 16 months will include a few thousand jobs, according to short-term job projections through 2011. But for the 10 years ending with 2018, the state economy should add more than 110,000 jobs - including those lost in the first year of the recession - to lift total jobs to more than 825,000.

Idaho's forecasted seasonally adjusted unemployment rate edged upward for the fifth straight month in December 2010, leaving 71,900 workers without jobs. A tenth of a percentage point increase to 9.5 percent ran counter to a four-tenths drop in the national rate to 9.4 percent and broke a nine-year-two-month streak where Idaho's rate was lower than the national rate. December's rate matches the recession-high set last February and is one-tenth of a percentage point below the record in December 1982 through February 1983.

Based on current data, Idaho's unemployment rate for 2010 averaged a record 9.2 percent, breaking the previous record of 9 percent in 1982 set in the midst of a double-dip recession. New hiring by employers statewide in 2010 was at its lowest level since businesses began reporting in 1997 – 141,100.

The number of nonfarm jobs fell from November to December. The percentage decline was in line with a five-year average, depressed by the extended recession. Only information, financial services, leisure and hospitality performed above normal. Employers hired fewer than 11,000 new workers in December 2010, the first month new hiring has slipped below 11,000 since March 2010[7].

Employment throughout Idaho fell another 1,600 in November 2010 to 684,200. It was the seventh straight monthly decline, reducing total employment by 9,000 since May 2010.

December 2010 also marked for the second time since 1988 a decline from November in the number of Idahoans either with jobs or looking for jobs; a sign that some discouraged workers may have dropped out of the labor force. December's Conference Board report estimates there are more than three unemployed Idaho workers for every job opening.

More than $52 million in unemployment benefits was paid to a weekly average of 40,000 jobless workers during last December. The percentage of workers using up their entire allotment of regular state unemployment benefits without finding a new job reached 52.9 percent in November, matching a record high exhaustion rate set in May 1983.

Compared to a year earlier, 1,600 additional people were at work in Idaho as 2010 ended but 3,600 more workers were without jobs. December 2009's unemployment rate was 9.1 percent, four-tenths lower than December 2010. Nonfarm jobs average 1.3 percent lower than in 2009, essentially remaining at the relative level that began spring 2010.

Number of People Working

Total employment in October of 2010 slipped 1,700 from September 2010 to over 686,800, the fifth month in a row that employment declined.

5 Idaho Secretary of State

6 Idaho Department of Labor.

7 Idaho Department of Labor. January 7, 2011.

The total was 2,800 higher than in October 2009, the sixth month in a row that current employment has exceeded the year-earlier figure after 27 months of year-over-year declines. October was the 21th straight month of employment under 700,000.

Unemployment

Idaho's forecasted seasonally adjusted unemployment rate edged upward for the fifth straight month in December of 2010 leaving a record 71,900 workers without jobs[8].

December 2010's tenth of a percentage point increase to a 9.5 percent unemployment rate ran counter to the national unemployment rate dropping four-tenths of a percent to 9.4. This reversal broke a nine-year-two-month streak where Idaho's unemployment rate was lower than the national rate. December 2010's rate matches the recession-high set last February and is one-tenth of a percentage point below the record in December 1982 through February 1983.

Personal Income

Personal Income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in the area; therefore, the estimates of personal income are collected by the place of residence.

Total personal income rose nearly a full percentage point in the second quarter of 2010, exceeding $50 billion on an annualized basis for the first time since the summer of 2008. While the bulk of the increase was in higher transfer payments – Social Security, pensions and unemployment and disability benefits – there was a modest 0.6 percent increase in wage and salary payments that was spread across nearly every sector of the economy.

Idaho's personal income rose by $521 million in the third quarter of 2010 from the second quarter to $50.6 billion on an annualized basis, according to the Idaho Department of Labor. It was the eighth fastest growth in the nation.

Wages and profits grew by 2.8 percent to an annualized $34.5 billion over the third quarter in 2009. Government payments, including Social Security and jobless benefits, rose by more than 6 percent to $9.96 billion during the same time.

Wages and salaries, which account for about 40 percent of all personal income, rose nearly nine-tenths of a percent from the spring quarter.

The nine-tenths of a percent increase from the winter quarter was driven by a substantial rise in the amount of transfer payments – Social Security, disability, pension, unemployment and other benefits – Idahoans received during the second quarter of this year. The increase also reflects a modest uptick in worker wages that was partially offset by a slight decline in business profits.

The U.S. Bureau of Economic Analysis estimated total personal income for Idaho at $50.2 billion during the April-June 2010 quarter, up $444 million from the January-March quarter and nearly $1.4 billion more than the second quarter of 2009.

Although the recession began in December 2007, Idaho's personal income continued growing through mid-2008, when it hit nearly $50.8 billion. According to the National Bureau of Economic Research, the country's 18-month recession officially ended in June 2009, when Idaho personal income dropped to $48.8 billion for the second quarter. Idaho's economy has continued to feel the impact of the recession over the past year, but personal income has been steadily, if slowly, rising since mid-2009.

8 Idaho Department of Labor

Idaho Exports

After hitting a record of nearly $5 billion in 2008, foreign sales of Idaho goods and services plunged during the first half of 2009 before finally rallying to more than $1 billion a quarter again in the second half of 2009 and the first half of 2010. Foreign sales totaled nearly $3.9 billion in 2009, the third best year on record but still 22.5 percent below the 2008 total. The resurgence continued through the first three quarters of 2010. A solid third quarter pushed total exports to over $3.8 billion and within $100 million of the record pace of 2008.

The early 2009 decline in exports followed the bottom falling out of the computer chip market. Chip sales rebounded slightly in the second quarter before posting a solid 38 percent gain in the third quarter. Sales slipped fractionally in the fourth quarter, ending the year with a 26 percent decline in chip exports. High technology exports, primarily chips, continued to slide in the first three months of 2010, accounting for 53 percent of total foreign sales. They rebounded on stronger semiconductor sales in the second quarter, when they accounted for 64 percent of all exports, but then slipped again to 55 percent in the third quarter.

Idaho exports shipped through September 2010 climbed to $3.83 billion, putting 2010 on a pace to come close to the state's 2008 record of $5 billion, the Idaho Department of Commerce stated in a recent report.

Growth is being led by transportation equipment. That includes locomotives built at Motive Power in Boise and airplanes built by Quest Aircraft Co. in Sandpoint[9].

Tourism

Idaho's tourism industry, generates more than $3 billion annually, employs about 26,000 Idahoans and provides up to $500 million annually in taxes, according to the Idaho Department of Commerce. Tourism-related revenue increased nearly 9 percent during the 2010 summer months of June, July and August compared to the same three-month period in 2009, according to the Idaho Division of Tourism.

Tourism accounts for an estimated 5 percent of the state's gross state product, according to the Idaho Tax Commission. The state saw record-high tourism receipts of $406.7 million in 2008, but those totals fell to $358 million in 2009.

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9 Source: Idaho Tax Commission

The recession slashed tourism revenues and the tourism taxes they produce by 12 percent in 2009 from 2008's record receipts of $407.6 million. But after lodging revenues during the first nine months of 2010 rebounded, a weak October erased the gains. October revenues were barely half those of a year earlier at over $32.4 million. That brought total receipts through the first 10 months of 2010 to $307.1 million, $3 million or 1 percent below the first 10 months of 2009. That is also 14 percent below the first 10 months of 2008. Total receipts in 2009 at $358 million were the lowest since 2005. Tourism has been estimated to account for about 5 percent of Idaho's gross state product.

Increasing tax burden on homeowners

The burden of property taxes in Idaho has shifted to residential homeowners. Currently, residential property tax accounts for 85% of total property tax collections, while all non-residential uses including agriculture, industry, timber, mining, utilities, commercial, and multifamily rental housing contribute 15%. Residential property taxes have increased 224% since 1990, compared to a 71.5% increase in non-residential property taxes. At the same time, reduced state funding for schools has shifted an additional burden onto residential property taxpayers. In 1985, the homeowner exemption was set at $50,000. For the first time since 1985, it was adjusted to $104,471 in 2009. Combined with inflated property valuations in several markets, this cost burden on homeowners threatens the stability of many long-time homeowners, particularly retirees on set incomes and limited-income households.

Foreclosures

Idaho had the nation's eighth-highest foreclosure rate for the second consecutive month in November 2010, despite the slowdown in filings, according to a nationwide survey.

Foreclosures in Idaho increased in 2009 over the prior year when there were a total of 17,161 properties with foreclosure filings, which is equal to one filing for every 37 households, compared to the United States average of one per 45.

Lenders filed notices of proposed foreclosures, auction dates and bank repossessions against 2,133 Idaho properties in November, down from 2,299 in October and 12 percent from the same month a year ago.

Housing

Idaho is currently one of the most troubled states in the country in terms of foreclosures. The boost in home sales produced by the 2010 federal stimulus tax incentives wound down quickly in Idaho. Home prices have declined rapidly in almost every market in the state.

As of February 2011, the average list price for homes is 8.7% lower than February 2010. Similarly, the average list price for single family homes in Idaho as of February 2011 is 7.5% lower than February 2010.

However, there are some promising signs for the state as its markets sustain the downturn in real estate. The inventory of homes listed for sale is dropping in most areas of the state.

2011 Housing Forecast

Troubled by one of the highest monthly rates of foreclosures in the nation, Idaho's housing market is battling to find a bottom amid one of the worst real estate crashes in U.S. history. Home sales rose while the federal government was offering a special tax credit to buyers in 2010, but then tumbled after the credit expired. Tight mortgage lending criteria and high unemployment beleaguer the market as it moves into 2011.

Homeowners are walking away from properties in rising numbers in Boise, the state's largest metro area, as home values slide. The loss of equity is causing many homeowners to lose confidence in the market. Job losses are another major source of foreclosures as jobs are lost and homeowners are then unable to pay the mortgage. High jobless levels are also the impetus behind lenders remaining rigid over qualifying new borrowers for mortgages.

Federal aid is being sent to the region, but with rising foreclosures and high joblessness any sort of turnaround will likely take years without additional federal aid.

Since the end of the federal tax credit, home prices have tumbled as foreclosures have reached record numbers. Another surge of foreclosures is anticipated in 2011 to pressure home prices, which are forecast to sustain average losses of 8.2% in 2011.

The 2009 and 2010 Housing Permits charts (Table 1 and 2[10]) on page 76 help illustrate the state of the Idaho housing market for the past two years by showing the number of building per-

Table 1

2009 Housing Unit Building Permits For Idaho

Number of Units	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
Total Units	430	164	254	364	342	444	506	528	404	327	308	231	4,302
Single Family	107	150	250	309	337	403	462	459	400	317	295	227	3,716
All Multi-Family	323	14	4	55	5	41	44	69	4	10	13	4	586
2 Unit	2	14	4	12	2	2	8	4	4	2	6	0	60
3 and 4 Unit	105	0	0	4	3	7	12	0	0	8	7	4	50
5+ Unit	216	0	0	39	0	32	24	65	0	0	0	0	376

Table 2

2010 Housing Unit Building Permits For Idaho

Number of Units	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
Total Units	286	271	444	481	327	408	253	213	247	241	390	159	3,720
Single Family	189	247	435	428	276	301	253	211	245	221	188	152	3,146
All Multi-Family	97	24	9	53	51	107	0	2	2	20	202	7	574
2 Unit	2	0	4	0	8	2	0	2	2	4	0	0	24
3 and 4 Unit	3	0	0	11	0	6	0	0	0	16	8	0	231
5+ Unit	92	24	5	42	43	99	0	0	0	0	194	7	319

The demographic make-up of households in Blaine County is family focused with 31.90% of the households having children under the age of 18 living at home and 51.20% of households comprised of married couples.

Friedman Memorial Airport
Redevelopment Plan and Feasibility Analysis

Blaine County Market Research

Blaine County Overview

In 2010, Blaine County had a population of 22,099 residing in 9,169 households with an average household income of $97,190. The average household size for Blaine County was 2.37.

The demographic makeup of households in Blaine County is family focused with 31.90% of the households having children under the age of 18 living at home and 51.20% of households comprised of married couples. Housing makeup was rounded out with 7.20% having a female householder with no husband present, and 37.80% non-families. 27.30% of all households were made up of individuals and 5.50% had someone living alone who was 65 years of age or older.

In 2010, the age distribution of Blaine County was fairly diversified with 22.87% under the age of 18, 6.98% from 18 to 24, 25.61% from 25 to 44, 32.92% from 45 to 64, and 11.62% who were 65 years of age or older. The median age was 41.26 years, up from 37 in 2000. 52.05 percentage of the population was male and 47.95 female[11]. Additional highlights are as follows:

- The 2010 median income for a household in Blaine County was $67,669 and the average was $97,190.
- As of 2010, Blaine County's population was 22,099 people. Since 2000, the population growth was 16.37 percent.
- The December 2010 unemployment rate in Blaine County was 10.4 percent (U.S. avg. was 9.4%).
- The total estimated value of all property in Blaine County for 2010 dropped to under $10.6 billion—an 11 percent decline from 2009 values, which were approximately $11.9

11 Source: Claritas Demographic Snapshot Report 2010.

Employment[12]

It was estimated that there were about 21,775 total jobs in Blaine County in 2006. Jobs had increased about 13% between 2000 and 2004 and were projected to increase about 16% between 2006 and 2012. This would have added an estimated 3,460 jobs and 2,680 employees to the area between 2006 and 2012. However, these projections did not anticipate the recession of 2008-2009. Table 3[13] indicates average unemployment rates for Blaine County between 2005 and 2010.

Key job findings included:

- Employment in Blaine County peaks during the months of June through September, adding between 1,100 and 1,300 jobs on average when compared to other times of the year.
- Employees in Blaine County held an average of 1.29 jobs (1.45 in the summer; 1.23 in the winter).
- Hailey and Bellevue housed the majority of workers in the area (60%), whereas approximately 70% of residents worked in Ketchum (54%) and Sun Valley (16%).
- About 17% of all workers (2,796) commuted into Blaine County from homes outside of the county.
- The largest percentage of workers in Blaine County lived in Hailey (44%), followed by Bellevue (16%), Ketchum (12%), Carey (6%), Sun Valley (2%) and other parts of Blaine County

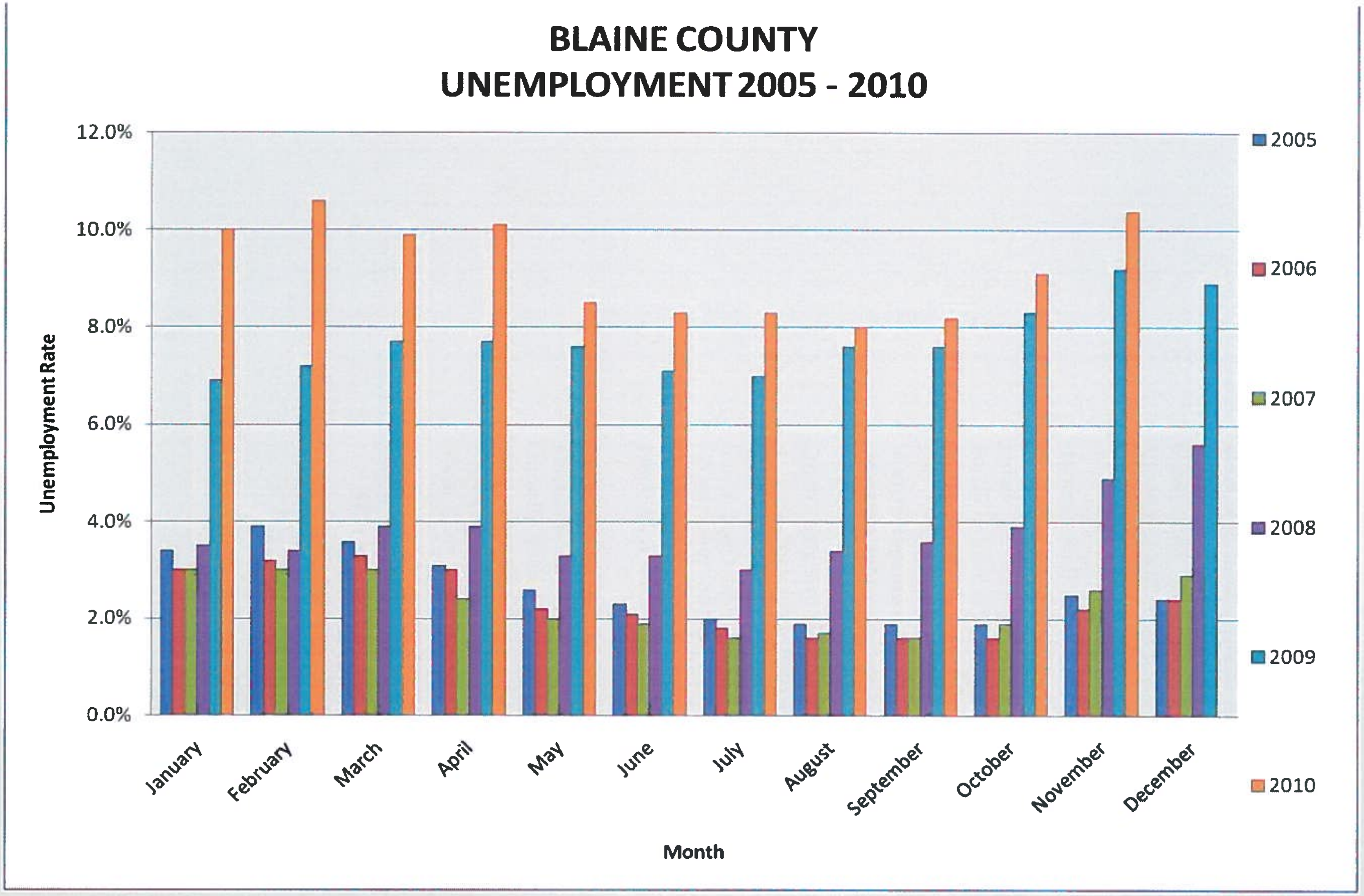
12 Rees Consulting Inc. July 2006 and Village Solutions Company

13 Source: Idaho Department of Labor

Table 3

Blaine County Unemployment Rates 2005-2010

Month	2005	2006	2007	2008	2009	2010
January	3.4%	3.0%	3.0%	3.5%	6.9%	10.0%
February	3.9%	3.2%	3.0%	3.4%	7.2%	10.6%
March	3.6%	3.3%	3.0%	3.9%	7.7%	9.9%
April	3.1%	3.0%	2.4%	3.9%	7.7%	10.1%
May	2.6%	2.2%	2.0%	3.3%	7.6%	8.5%
June	2.3%	2.1%	1.9%	3.3%	7.1%	8.3%
July	2.0%	1.8%	1.6%	3.0%	7.0%	8.3%
August	1.9%	1.6%	1.7%	3.4%	7.6%	8.0%
September	1.9%	1.6%	1.6%	3.6%	7.6%	8.2%
October	1.9%	1.6%	1.9%	3.9%	8.3%	9.1%
November	2.5%	2.2%	2.6%	4.9%	9.2%	10.4%
December	2.4%	2.4%	2.9%	5.6%	8.9%	9.4% (E)
Average	**2.6%**	**2.3%**	**2.3%**	**3.8%**	**7.7%**	**9.2%**



Source: Village Solutions

(4%). About 17% of the workforce commuted in from outside of Blaine County, with 41% of in-commuters coming from Lincoln County.

- Residents in Blaine County are generally employed within the county. About 54% were employed in Ketchum, 36% in Hailey and 16% in Sun Valley. Another 5% were employed in Bellevue and 4% outside of Blaine County. This finding indicated that Blaine County residents were generally not competing with workers from other counties (out-commuters) for housing.
- Employment patterns changed somewhat depending on where workers lived in Blaine County. Since many workers hold more than one job, they often work in more than one location. As such, the percentages of residents who worked in the various areas exceed 100%.
- There was a labor shortage in Blaine County (before the 2008-2009 recession); the unemployment rate had dropped to 2.4% as of May 2006 as illustrated in Chart 1 and Table 3 on pages 105 and 106. With the recession, Blaine County's unemployment rate increased to 10.4%, as of February, 2010 and 10.1% in November of 2010.
- About 17% of all workers (about 2,796) commute into Blaine County from homes outside of the county. In-commuter survey responses indicated that about 74% of these workers would prefer to live in Blaine County if affordable and suitable housing were available[1].
- Employers generally feel that workforce housing is a major challenge in the area.

1 Rees Consulting, 2006.

Table 4
2007 Accommodations
Blaine County[1]

CATEGORY	BLAINE		HAILEY	
	NUMBER OF ESTABLISHMENTS	SALES 000'S	NUMBER OF ESTABLISHMENTS	SALES 000'S
TOTAL ACCOMMODATION & FOOD SERVICES	114	$153,302	34	$16,334
Total Accommodation	19	$98,045	3	$2,636
% of total Accommodation	17%	64%	9%	16%
Traveler Accommodation	16	D	D	D
% of total Accommodation	14%	NA	NA	NA
Hotels (Except casino hotels) and motels	15	$97,187	D	D
% of total Accommodation	13%	63%	NA	NA
RV parks and recreational camps	2	D	D	D
% of total Accommodation	2%	NA	NA	NA
Food Services and drinking places	95	$55,257	31	$13,698
% of total Accommodation	83%	36%	91%	84%
TOTAL ACCOMMODATION & FOOD SERVICES	114	$153,302	34	$16,334
	100%	100%	100%	100%

1 Source: 2007 Economic Census, Accommodation of Food Service

Table 5
Accommodations Year Comparison
Blaine County[1]

Month	2007	2008	2009	2010
January	$1,815,577	$2,483,977	$1,724,856	$1,536,403
February	$4,411,228	$5,347,496	$3,717,078	$984,323
March	$4,057,550	$4,185,521	$3,410,546	$4,604,692
April	$4,192,376	$1,528,743	$430,690	$960,100
May	$953,783	$3,281,801	$3,381,911	$1,867,089
June	$1,055,119	$351,745	$256,831	$1,485,350
July	$2,885,621	$3,449,142	$2,460,925	$2,000,455
August	$5,446,425	$2,419,093	$1,272,703	$4,577,645
September	$4,758,209	$4,885,991	$3,844,155	$4,269,451
October	$3,103,398	$4,398,225	$5,745,673	$1,552,038
November	$1,469,924	$2,436,482	$543,345	$3,015,731
December	$566,271	$1,559,044	$2,021,780	$2,021,780
TOTAL ACCOMMODATION & FOOD SERVICES	$34,715,481	$36,327,260	$28,810,493	$28,875,057
Percentage Change		4.44%	-20.69%	0.22%

1 Source: Idaho Tax Commission

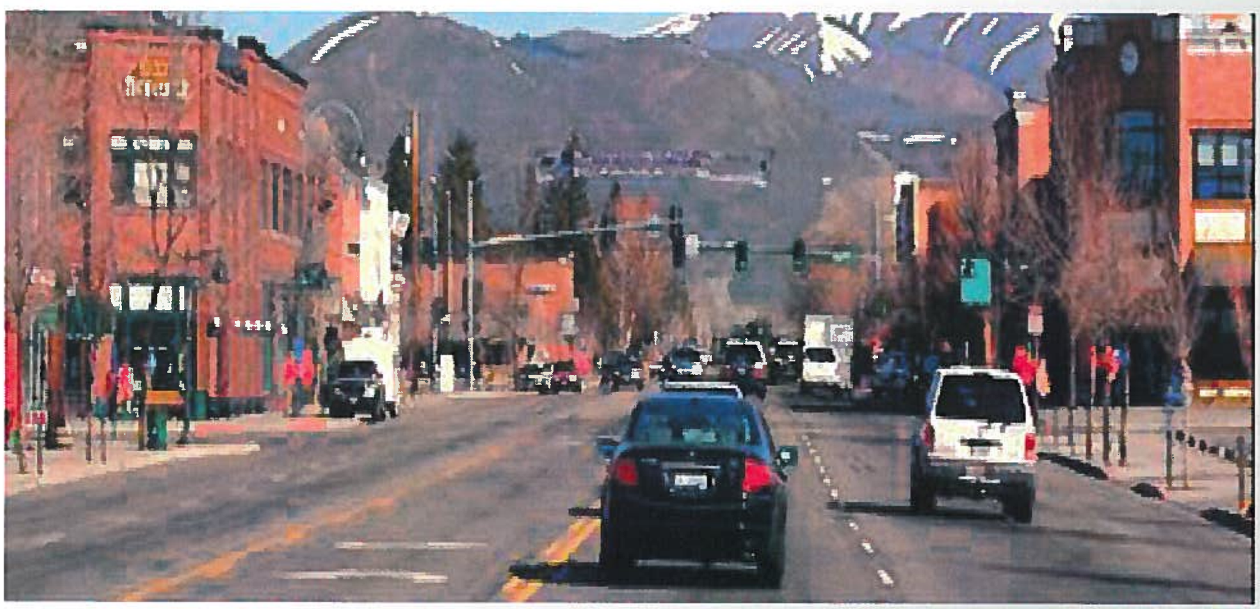
Friedman Memorial Airport
Airport Redevelopment Plan and Feasibility Analysis

Hailey Market Research

Hailey Overview
Hailey is located in Blaine County in the Wood River Valley of south central Idaho. Hailey is the site of Friedman Memorial Airport, the airport serving the Wood River Region, including the resort area of Sun Valley/Ketchum, located 13 miles to the north. Highlights of the City have been outlined below.

- In 2010 Hailey's average household income was $83,297.
- As of 2010, Hailey's population was 7,789 people. Since 2000, the population has grown by 25.59 percent.
- The median home cost in Hailey was $409,510 in 2010. Home appreciation in the last year has been -2.12 percent.
- Compared to the rest of the country, Hailey's cost of living is 17.00% higher than the U.S. average.
- The unemployment rate in Hailey was 10.3 percent at the end of 2010 (U.S. avg. was 9.6%).

Hailey Residential Market
In 2010, there were a total of 3,389 households in Hailey, with an average occupancy of 2.52 per household. Of the total households, 43.63% had children under the age of 18 living at home, 73.17% were married couples, and 20.47% had a female householder with no husband present. The Hailey residential market is currently soft, and is expected to remain slow until 2012-2013. It has weakened significantly since its peak in 2005, when 395 homes were sold and 69 per



mits for new homes were issued for new construction.

As of December 2010, there were 189 houses for sale in Hailey at a median asking price of $350,000.00. The median price was down -5.1% since October 2010. In addition to homes on the market, there are 100 houses in foreclosure at a median price of $372,000, a -8.4% decrease from October 2010.

The median home age in Hailey is 12 years and the median home value is $502,200. 61.36% of the housing units are owner occupied while 31.63% of the population rents. Additionally, 7.01% of the housing units are vacant.

If the number of building permits issues are viewed as indicators of the housing market's status, Hailey's residential market is showing signs of improvement. There were 22 building permits issued in 2008, all for single family homes as shown in Table 6 on page 111. In 2009, there was a drop with 6 permits issues, again all in the for single family homes category. However, 2010 saw an increase in building permits with 11 is-

Table 6

2008 Housing Unit Building Permits For Hailey

Number of Units	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
Total Units	0	0	2	1	3	7	5	3	1	0	0	0	22
Single-Family	0	0	2	1	3	7	5	3	1	0	0	0	22
All Multi-Family	0	0	0	0	0	0	0	0	0	0	0	0	0
2 unit	0	0	0	0	0	0	0	0	0	0	0	0	0
3 and 4 unit	0	0	0	0	0	0	0	0	0	0	0	0	0
5+ Unit	0	0	0	0	0	0	0	0	0	0	0	0	0

Table 7

2009 Housing Unit Building Permits For Hailey

Number of Units	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
Total Units	0	0	0	0	1	1	0	1	1	0	2	0	6
Single Family	0	0	0	0	1	1	0	1	1	0	2	0	6
All Multi-Family	0	0	0	0	0	0	0	0	0	0	0	0	0
2 Unit	0	0	0	0	0	0	0	0	0	0	0	0	0
3 and 4 Unit	0	0	0	0	0	0	0	0	0	0	0	0	0
5+ Unit	0	0	0	0	0	0	0	0	0	0	0	0	0

sued all for single family homes. A breakdown by month for the building permits may be found in Tables 6-8 on page 84.

Table 8

2010 Housing Unit Building Permits For Hailey

Number of Units	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
Total Units	0	0	1	1	0	3	0	2	4	0	0	11	6
Single Family	0	0	1	1	0	3	0	2	4	0	0	11	6
All Multi-Family	0	0	0	0	0	0	0	0	0	0	0	0	0
2 Unit	0	0	0	0	0	0	0	0	0	0	0	0	0
3 and 4 Unit	0	0	0	0	0	0	0	0	0	0	0	0	0
5+ Unit	0	0	0	0	0	0	0	0	0	0	0	0	0

Table 9
2010 Hailey
Representative Current For Sale Residential Land[1]

ADDRESS	PROPERTY TYPE	CURRENT PRICE	SQFT	PRICE PSF[2]
202 Sitting Bull Dr	Vacant Land	$279,000	43,560	$6.40
1111 Buck-skin Dr	Vacant Land	$179,000	10,454	$17.12
161 Cran-brook Dr	Vacant Land	$165,000	9,147	$18.04
1620 Heroic Rd	Vacant Land	$248,800	13,503	$18.43
1530 Heroic Rd	Vacant Land	$198,800	13,068	$15.21
211 Primrose	Vacant Land	$188,000	9,147	$20.55
112 S Main St	Vacant Land	$415,000	3,049	$136.11
20 Copper Creek Rd	Vacant Land	$449,000	43,560	$10.31
80 Stone Bridges	Vacant Land	$199,000	87,120	$2.28
194 Indian Creek	Vacant Land	$395,000	43,560	$9.07
60 Desperado Dr	Vacant Land	$459,000	43,560	$10.54
TOTALS	NA	$3,175,600	319,728	NA
AVERAGES	NA	$288,690.91	29,066	$9.93

1 Source: Zillow.com

2 Price Per Square Foot, Averages and Totals calculated by Village Solutions

Table 10
2010 Hailey
Representative Single Family Homes For Sale[1]

ADDRESS	PROPERTY TYPE	CURRENT PRICE	BEDS	BATHS	SQFT	Price PSF [2]
127 Coyote Bluff Dr	S Family	$499,000	5	4	4,332	$115.19
91 Pioneer Vx	S Family	$950,000	3	3	2,332	$407.38
130 Golden Eagle Dr S	S Family	$4,795,000	4	6	11,244	$426.45
20 Spring View Ct	S Family	$3,900,000	6	6	5,723	$681.46
114 Abby Rd	S Family	$3,150,000	4	3	3,000	$1,050.00
Old Sage Trl	S Family	$1,950,000	3	4	4,215	$462.63
114 Aspen Lakes Dr	S Family	$856,900	3	4	5,222	$164.09
Unknown Address	S Family	$435,000	3	2	1,734	$250.87
231 E. Galena St	S Family	$125,000	2	2	1,125	$111.11
Undisclosed	S Family	$449,000	3	3	2,717	$165.26
115 Agave Pl	S Family	$85,000	1	1	502	$169.32
226 Red Devil Dr	S Family	$1,650,000	3	4	4,000	$412.50
1261 Blue Lake Dr	S Family	$222,500	3	2	1,392	$159.84
3461 Berry Creek Dr	S Family	$192,900	3	2	1,324	$145.69
671 Kintail Dr	S Family	$699,000	4	4	2,830	$247.00
107 Coyote Bluff Dr	S Family	$1,750,000	5	5	6,400	$273.44
1921 Heroic Rd	S Family	$639,500	4	4	3,041	$210.29
1341 Northridge	S Family	$445,000	3	3	2,001	$222.39
78 Pioneer Vw	S Family	$59,500	5	4	3,918	$15.19
Undisclosed	S Family	$1,395,000	3	4	4,381	$318.42
217 Alturas Dr	S Family	$329,000	3	2	1,666	$197.48
80 S Club View Dr	S Family	$2,175,000	3	4	4,832	$450.12
405 Sweetbrier Rd	S Family	$899,000	4	4	2,798	$321.30
Undisclosed	S Family	$2,650,000	4	4	5,748	$461.03
Undisclosed	S Family	$1,295,000	4	3	3,492	$370.85
Undisclosed	S Family	$2,345,000	3	4	6,822	$343.74

1 Source: Zillow

2 Price Per Square Foot, Averages and Totals calculated by Village Solutions

Table 10 Continued

ADDRESS	PROPERTY TYPE	CURRENT PRICE	BEDS	BATHS	SQFT	Price PSF
225 W Galena Dr	S Family	$202,000	3	3	1,288	$156.83
229 Teal Dr	S Family	$1,200,000	4	4	3,058	$392.41
3350 Flowing Wells Dr	S Family	$225,000	3	2	1,246	$180.58
1920 Copper Rnch	S Family	$165,000	2	2	1,010	$163.37
730 S. River St	S Family	$410,000	3	3	1,933	$212.11
202 Spruce Way	S Family	$499,000	3	3	1,856	$268.86
15 Rodeo Dr	S Family	$797,500	3	2	1,920	$415.36
10 Base Cp	S Family	$635,000	3	2	1,575	$403.17
119 Agave Pl	S Family	$95,000	2	2	1,061	$89.54
109 Agave Pl	S Family	$95,000	2	2	1,061	$89.54
117 Agave Pl	S Family	$95,000	2	2	1,061	$89.54
111 Agave Pl	S Family	$95,000	2	2	1,061	$89.54
101 Agave Pl	S Family	$85,000	2	2	1,061	$80.11
103 Agave Pl	S Family	$85,000	2	2	1,061	$80.11
113 Agave Pl	S Family	$85,000	2	2	1,061	$80.11
121 Agave Pl	S Family	$85,000	2	2	1,061	$80.11
242 Winterberry Loop	S Family	$575,000	3	3	2,860	$201.05
1421 Shadybrook Dr	S Family	$299,500	3	2	1,499	$199.80
1110 Creekside	S Family	$169,900	4	2	1,477	$115.03
302 E. Winterberry	S Family	$45,400	4	3	2,346	$19.35
60 Stone Bridges	S Family	$1,595,000	4	5	3,683	$433.07
Undisclosed	S Family	$850,000	3	2	1,738	$489.07
210 Red Devil Dr	S Family	$1,295,000	6	4	4,272	$303.14
10 Pinehurst Ct	S Family	$1,495,000	5	6	4,238	$352.76
90 Shadow Creek	S Family	$1,595,000	5	6	4,573	$348.79
11765 Highway 75	S Family	$299,500	3	2	1,300	$230.38
114 Canyon Rd	S Family	$895,000	4	4	3,204	$279.34
121 Colorado Gulch	S Family	$829,000	3	3	3,080	$269.16

Table 10 Continued

ADDRESS	PROPERTY TYPE	CURRENT PRICE	BEDS	BATHS	SQFT	Price PSF
Undisclosed	S Family	$2,595,000	5	6	5,404	$480.20
109 Hopi Dr	S Family	$1,500,000	4	4	5,000	$300.00
Big Dipper Ln	S Family	$1,349,000	4	4	4,155	$324.67
240 E Fork Rd	S Family	$3,375,000	6	7	7,831	$430.98
21 Big Dipper Ct	S Family	$1,349,000	4	4	4,155	$324.67
260 Indian Creek Rd	S Family	$1,495,000	3	3	4,847	$308.44
191 Cranbrook	S Family	$699,000	5	4	4,500	$155.33
Totals		$61,100,100	209	189	189,327	$16,589.56
Averages		$1,001,640.98	3.42	3.09	3,103.72	$322.72

Table 11
2010 Hailey
Representative Condos For Sale[1]

ADDRESS	PROPERTY TYPE	CURRENT PRICE	BEDS	BATHS	SQFT	Price PSF [2]
811 White Cloud Lane	Condo	$170,000	2	2	1,010	$168.32
1920 Copper Ranch R	Condo	$107,900	2	1	987	$109.32
1810 Copper Ranch	Condo	$217,000	2	1	1,076	$201.67
930 White Cloud	Condo	$235,000	3	2	1,226	$191.68
1831 Copper Ranch E	Condo	$129,000	2	1	839	$153.75
Totals		$858,900	11	7	5,138	$824.75
Averages		$171,780	2.2	1.4	1,027.6	$167.17

1 Source: Zillow

2 Price Per Square Foot, Averages and Totals calculated by Village Solutions

Persons were more likely to live alone in the north valley. The mid valley has the highest percentage of single parent families. The south valley area had proportionately more couples with children.

Friedman Memorial Airport

Redevelopment Plan and Feasibility Analysis

Blaine County Housing Study

Overview

This section of the study examines the overall demand for housing in Blaine County and allocates that demand to cities. It also segments the market into homeownership and rental demand based on the preferences of Blaine County's residents, and it determines the prices at which housing will be affordable. It then compares information on the prices of homes available for purchase to determine what portion of the demand will be addressed by the private sector.

Rees Housing Study

In July of 2006[2], a housing study was completed for Blaine County. Outlined on the following pages is a summary of the report's findings, along with additions and analysis based on 2010 conditions by Village Solutions where appropriate. The study assessed and quantified a variety of housing needs. The study was conducted for the following areas:

- North Valley (Ketchum, Sun Valley),
- Mid Valley (Hailey, Bellevue) and
- South Valley (Carey).

2 Rees Consulting and RRC Associates

Key Overall Findings were as follows:

- The population of Blaine County increased by 2,175 people between 2000 and 2005, which was 11.45%. The population in 2005 was 21,166 and 21,560 in 2007 representing a growth of 1.86% or 394 people.
- Between 2007 and 2009 Blaine County population grew by 768 people to realize a growth rate of 3.56% which brought the population in 2009 to 22,328[3].
- Subsequent to the Rees study, Village Solutions examined estimates of the 2010 population. The 2010 the population was 22,099[4] , representing an increase of 933 people or a 4.4 % increase between 2005 and 2010. However, the population decreased by 229 people or -1.0% between 2009 and 2010[5].
- Household composition is varied in Blaine County. Persons were more likely to live alone in the north valley. The mid valley has the highest percentage of single parent families. The south valley area had proportionately more couples with children.

3 Nielson Site Reports

4 Nielsen Site Reports

5 Village Solutions

- The average number of bedrooms per housing unit declined as one moves further north in Blaine County.
- About 55% of the households were located in the mid-valley area; 34% in the north and 11% in the south. The highest percentage of residents in the south valley owned their residence (77%), compared to about 67% in the mid valley and 66% in the north valley.
- At the time of the Rees study (2006), there was a demand for approximately 1,200 community housing units needed to address a housing deficit from 2002 (473 units); address the deficit generated between 2003 and 2005 (408 units); and, attract employees to fill vacant positions (322 units). An alternative methodology to calculate demand based on employees who commuted into Blaine County for work but would like to live in Blaine County resulted in a similar estimate of 1,251 additional homes needed.
- Rees also projected that by 2010, additional demand would require another 1,187 units. Village Solutions discounted this projection by 20% to 949 houses because of the 2008-2009 recession. Of this amount 768 units were required to accommodate growth in the labor force through in-migration to sustain planned business expansions and continued development, and 180 units were required for employers needed to fill positions that will be vacated by retiring workers. In total, approximately 2,150 units of community housing were needed by 2010.
- The 2006 study stated that all of the required units should be developed in the north valley if location of employment was the sole consideration; however, if preferences of residents concerning where they most wanted to live were taken into account, approximately 900 units would be developed in the north valley, 950 in the mid valley and 300 in the south valley.
- 27% of the households in Blaine County, which equates to a total of 2,480 households, were living in housing that were not affordable given their incomes and cost burden.
- Approximately 32% of renters (roughly 930 households) were cost burdened compared with 24% of homeowners (1,500 households).
- 9% of renters would like to buy a home within the next five years with housing cost being the single largest obstacle.
- Filling all of the 850 employment positions that were vacant in 2005 would require the in-migration of workers into Blaine County. Unemployment levels were so low (an average of 2.7% in 2005, one of the lowest rates in the state) that there were fewer residents looking for jobs than open positions.
- An alternative way to calculate the current existing deficit in employee housing is to examine in commuting of employees in 2006. About 17% of workers (2,796) commuted into Blaine County from homes outside of the county. About 73% of these workers would prefer to live in Blaine County if affordable and suitable housing were available. Given an average of 1.63 employees per household, this equates to a need for roughly 1,250 housing units to serve the in- commuting workforce.

Types of Units

The types of units occupied by residents vary within Blaine County. North-valley residents were most likely to reside in condos/townhomes/duplexes (35%) than those in the mid or south valley areas. South valley residents were predominately residing in single-family homes (76%) and were also more likely to reside in mobile homes (19%) than residents in either the north valley (8%) or mid valley (4%).

Outlined below is a summary of housing types required by the community.

- Potential residents in Blaine County sought homes based on price, square footage and bedrooms. A summary of preferences are as follows: House (1450 sq ft/2-3 bedrooms/$200,000 - $250,000) 33.3%. House (1650 sq ft/3 bedrooms/$250,000 - $300,000) 26.2%. Townhouse (1250 sq ft/2-3 bedrooms/$165,000 - 195,000) 21.4%; Condo (825 sq ft/1-2 bedrooms/$100,000 - $165,000) 14.3%; and House (2000 sq ft/3 bedrooms/$300,000 - $350,000) 9.5%.

- 27% of the households in Blaine County, which equates to a total of approximately 2,480 households, were living in housing that was not affordable given their incomes and cost burden.
- Throughout Blaine County, storage for vehicles and equipment were the most highly desired home characteristic.
- Community character, proximity to employment and community amenities were the most important attributes that residents consider when choosing a location to live.
- The majority of residents already reside in the community that is their first choice.
- Most of the residents who did not already live in their first-choice location would rather live farther to the north - closer to work.
- Of five choices in housing type and cost, the smallest, (1,450 square feet) lowest-priced single-family house received the most first-choice responses in all three areas. At least one of the five options provided were acceptable to the majority of residents surveyed.
- Responses indicate that three-bedroom/two-bath homes with a two car garage would be the most popular product.

Ownership Housing Trends

- Home ownership is becoming less affordable in Blaine County.
- The median home price of a single-family home in 2010 was $ 537,500.
- Households can typically afford to purchase homes priced between 300 and 400 percent higher than their household income, depending on the size of their down payment and other factors, such as interest rates.
- Availability of lower-priced homes on the market is declining. Comparing current listings to sales from previous years, there is a lower percentage of homes currently on the market that are affordable to a person making between 80 and 180 percent of the AMI (Area Median Income) than were sold last year.
- There is a significant disconnect between homes values and incomes in both Blaine County and Hailey. The median household income of $ 67,669 can support homes prices of $200,000 to $270,000 while the median home value of $537,500 requires an annual income of $135,000 to $180,000, depending on the amount of the down-payment and interest rates.

Rental Housing Trends

- Average apartment rents in Blaine County have increased about 35% percent between 2000 and 2010, while household incomes have increased by 26%. In 2000 the average apartment rent was $586 in Hailey and $706 for the entire county. By 2010 apartment rents had increased to $804 in Hailey and $950 County wide.
- Typically, apartment vacancy rates around 5 percent suggest equilibrium in the market, meaning there is sufficient supply to provide renters with a choice of product. Vacancy rates below this threshold indicate under-supply, whereas rates above this level suggest over-supply of housing. Vacancy rates in the last quarter of 2009 13.5% vacancy.

Demand

In total, there is a current demand for approximately 2,150 homes in Blaine County. Of this total, 44% or 946 housing units has been allocated to Hailey. It is anticipated that the FMA site, if it is redeveloped for housing, will capture 15% of the demand of 946 or 141 units of housing. Of this total, approximately 65% have been allocated to multi-family homes for a total of 90 apartments and 35% to single family homes representing 50 units.

Housing Types

When people look for places to live, they most value community character. Character, which included family orientation and neighborhood appeal, rated the highest among location considerations followed by place of employment, proximity to recreation and services. These findings suggest that when planning ways to address demand for housing, emphasis should be as great on building neighborhoods as building units.

- For most potential homebuyers, location and price are more important than unit type and size.
- Residents are willing to trade off unit type and size to live where they want to live and pay a price they can afford.

Housing Unit and Household Estimates

There were an estimated 9,169 housing units in Blaine County in 2010. Of the total units, about 68.23% were occupied by owners and 31.77% were occupied by renters. Assuming 2.41 persons per household remains as constant from 2010, and the vacancy rate remains at 5%, there will be estimated 9,761[6] households in Blaine County in 2015, representing an increase of 6.46% units.

Between 2009 and 2010, the number of building permits issued, remained flat with 18 and 19 issued respectively, all in the single family category. Tables with these figures are below.

Average Median Income

- About 39% of Blaine County's households earned less than 80% of the AMI (Average Median Income $67,669). 30% earned between 80% and 140% of the AMI and 31% earn over 140% of the AMI.

6 Claritas Market Place and Nielsen

Affordability Level

The availability of housing that is affordable to all households and options for changing life circumstances is an important goal of housing development. This results in housing opportunities for households to buy or rent at different economic levels, thus supporting an economically balanced community.

Outlined below is a more detailed review of housing needs by income.

- Up to 80% Area Median Income (AMI = $67,669) (80%=$54,135). Approximately, 36.37% of the households in Blaine County fall into this category. Consideration must also be given to the lowest income levels when analyzing growth in homes. Additionally, special populations who are unable to work (e.g., seniors and the disabled) may require assistance at the lower income levels. Affordability problems, especially for renters, may also be present among the working poor. About 13.68% of Blaine households fall into this category with household incomes less than $24,999 (less than 30 percent AMI).

Table 12

2009 Housing Unit Building Permits For Blaine County

Number of Units	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
Total Units	0	0	1	0	1	3	3	4	3	0	3	0	18
Single-Family	0	0	1	0	1	3	3	4	3	0	3	0	18
All Multi-Family	0	0	0	0	0	0	0	0	0	0	0	0	0
2 unit	0	0	0	0	0	0	0	0	0	0	0	0	0
3 and 4 unit	0	0	0	0	0	0	0	0	0	0	0	0	0
5+ Unit	0	0	0	0	0	0	0	0	0	0	0	0	0

- 80 to 120% AMI: As incomes near the median, potential home owners begin to approach the point where they can buy their first home (80 to 120 percent AMI). Approximately 19.29% of Blaine County households fall within this income range.
- Over 120% AMI: Finally, at the highest levels, upper income groups drive the market for step-up and high-end housing. About 23.3% of Blaine County's households fall between 120% and 180% of the AMI with an additional 20.96% of households earning over 180 percent of the AMI.

Value of Units

The median value of an occupied and owned home in Blaine County was $537,500 in 2010. Out of a total of 6,256 households 809 homes representing 12.93% were valued between $200,000 and $299,999; 14.02% were valued between $300,000 and $399,999; 11.38% were between $400,000 and $499,999; 14.85% were between $500,000 and $749,999; 14.72% were between $750,000 and $999,999; and 22.65% were over $1,000,000.

Land Values

Village Solutions Company reviewed recent lot sales in Hailey. Out of ten market comparisons, the average lot of 15,826 square feet was sold at an average price of $7.50 per square foot. The lots were sold in a range of $3.29 per square foot to a high of $34.44 per square foot. The median price was $9.91 per square foot.

Apartments

There are eleven major apartment complexes in Blaine County with a total of 499 units. The vast majority of the apartments (454) are income restricted. 93% of all apartments (466) are located in Hailey. There are 45 Fair Market units located in Blaine County.

Rental Housing

There were an estimated 2,913 renters in Blaine County in 2010 representing 31.77% of all households.

Vacancy Rates

Vacancy rates provide another measure of the health of the rental market. As of 2009 the average vacancy in Blaine County was 13.5%. Typically, vacancy rates around 5 percent suggest equilibrium in the market, meaning that there is sufficient supply to provide renters with a choice of product. Vacancy rates below this threshold indicate under-supply, whereas rates above this level suggest over-supply of housing.

Table 13

2010 Housing Unit Building Permits For Blaine County

Number of Units	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
Total Units	0	0	1	1	2	3	4	3	5	0	0	0	19
Single Family	0	0	1	1	2	3	4	3	5	0	0	0	19
All Multi-Family	0	0	0	0	0	0	0	0	0	0	0	0	0
2 Unit	0	0	0	0	0	0	0	0	0	0	0	0	0
3 and 4 Unit	0	0	0	0	0	0	0	0	0	0	0	0	0
5+ Unit	0	0	0	0	0	0	0	0	0	0	0	0	0

Overview – 2010 Demand Calculation

The Housing Needs Assessment for Blaine County focused on demand driven by needs that could be quantified using secondary sources of information including the 2000 Census and population and employment estimates from the State of Idaho. In 2006, the time of the last housing study in Blaine County (Rees 2006), there was a demand for approximately 1,200 community housing units.

Additional demand projections estimated that another 1,187 housing units would be required by 2010. Village Solutions discounted this projection by 20% to 950 houses because of the recession. In total, approximately 2,150 units of community housing were needed by 2010.

Of the total demand for housing, the FMA could reasonably expect to capture 4% to 7% which would equate to 100 to 150 units, provided total home values were in the lower price ranges.

Homeownership Demand Generated by Renters

Approximately 2,913 of Blaine County's housing units are lived in by renter households, which equates to 31.77% of all occupied units. A total of 1,229 units would be needed to move all of the households into ownership. It is unrealistic to consider that all of these renter households are part of the demand for ownership, however, since many would be unable to qualify for mortgages even if prices are subsidized. Insufficient or poor credit, insufficient savings for a down payment and closing costs, and high debt-to-income ratios from living in high-cost communities are some of the reasons that make it especially difficult to move households with incomes less than 80% AMI into ownership. Even though a small number of ownership units might be produced for low-income renters through programs, renter households with incomes greater than 80 percent AMI are part of the demand for homeownership in Blaine County. This conservative approach is balanced by the assumption that all households with incomes over 80 percent AMI who want to buy will be able to qualify.

Rental Unit Demand

Nearly half of renters in Blaine County have incomes equal to or less than 80% AMI (47% or 1,369 households). These households are not strong candidates for homeownership.

Combined, these two groups – renters who want to continue to rent and renters who want to buy but have incomes below 80 percent AMI, generate demand for 1,369 rental units. This is the minimum inventory of rental units that should be maintained for the existing population; future growth will generate demand for additional units as calculated later in this section.

There are currently 2,913 renter occupied units, which indicates that the existing demand for rentals is adequately addressed if homeownership product is produced for all of those who want to buy and can potentially afford to (incomes greater than 80 percent AMI).

Homeownership Demand Generated by Existing Owners

Households who already own are typically a large segment of the demand for additional for-sale units, especially in a market area like Blaine County where the homes they now occupy are often sold to out-of county buyers rather than to employees who need entry-level ownership.

According to recent estimates, approximately 2,796 employees commute into Blaine County for work.

Demand from New Jobs

Some of the new employees who move to Blaine County will want to and be able to buy while others will rent. The owner/renter mix among households that have lived in the area for five years or less is very different from the overall owner/renter mix in Blaine County – 68.23% own and 31.77% rent. It is likely that the employees moving into Blaine County within the next five years will be similar with the majority renting for at least some period before purchasing a home.

Demand for Senior Housing

Seniors are a very fast-growing segment of the population. Between 2000 and 2010, the senior population in Blaine County increased by 73 percent. Growth has continued with the rate of growth in the senior population out pacing the population as a whole. Currently, approximately 11.62 % of Blaine County's population is age 65 or older.

The growth in the senior population and the demand for housing they generate will continue due to a combination of factors including:

- Aging of the work force and the desire of residents to stay in their communities upon retirement;
- A surge in the size of the senior population throughout Blaine County as baby boomers reach retirement; 1957 was the peak year for births during the post WWII boom which means that the rate of growth in senior households will continue to increase through 2022.
- Most seniors in Blaine County now own. While some would like to rent a senior apartment, more would like ownership options. With senior housing, the distinction between renting and owning is often blurred, however, with membership fees, up-front deposits, monthly payments for part of the cost, etc. For purposes of this study, it is assumed that 75% of senior housing demand is for ownership product and 25% is for rentals.

Housing Demand Summarized

In total, demand currently exists for approximately 2,150 units. This estimate covers all income and price ranges, not just the demand for affordable units.

This estimate should be considered balanced by a methodology that includes both conservative and aggressive assumptions as follows:

- None of the renter households with incomes equal to or less than 80 percent AMI were considered part of the demand for homeownership even though many would like to buy.
- All of the renter households who want to buy with incomes above 80 percent AMI even though some will not be able to qualify were considered to be part of the demand.

Allocation of Demand

The total demand for housing units can be assigned or allocated to each of Blaine County's major towns using a methodology that most closely matches demand with known preferences or with the location where it is generated. Specifically:

- Homeownership demand generated by renters who want to buy and owners who are interested in buying a new/different home has been allocated based on where these potential buyers most want to live.
- Demand from in-commuters who may want to move into Blaine County has been allocated based on where they work.
- The demand for ownership and rental housing to support job growth between now and 2014 has been assigned based on where the additional jobs will be created.
- Demand for senior housing, both rental and ownership that will be generated in the next five years has been allocated based on where seniors who are already residents of Blaine County most want to live.

Homeownership Demand by AMI and Purchase Price

Affordability is a function of income, which is typically expressed as a percentage of the area median income (AMI). It is not a constant but varies as incomes change, usually increasing incrementally each year. Affordability is when households spend no more than 30% of their gross income on their housing payment. In 2010, the maximum amount that low-income households with incomes at 80% AMI can afford to pay for a home was approximately $162,000.

The maximum amount that households within each income category ranging from 80% AMI to 180% AMI have been estimated based on a series of assumptions:

- Mortgages are available for 30 years with a fixed interest rate of 5.5%. Interest rates are currently lower but easing up slowly. Borrowers with imperfect credit, as it often the case in high-cost communities, may not be able to obtain the best interest rates. Using a rate that is slightly higher than the current rate results in understated purchase prices but is appropriate for long-term planning purposes.
- The amounts shown are for three-person households since the average household size in Blaine County is 2.37. The purchase prices are lower for smaller households and higher for larger households.
- Down payments of 10 percent will be provided. Programs for first-time buyers have lower down payment requirements but income restrictions limit their use by most of the potential homebuyers in Blaine County. It is crucial to note and take into consideration that the purchase prices shown in this section are maximums. They represent the most that households in each AMI category can afford. To be responsive to market demand, units must be priced to serve all households within the range. If restrictions limit incomes to a specific range but the price is set to be affordable for those with incomes at the maximum, few potential buyers will qualify. If the market segment is too narrow, the units will not sell. For example, units targeted to serve households with incomes no greater than 100 percent AMI should be priced from around $190,000.
- New senior households and new employees with incomes less than 80 percent AMI will generate demand for ownership housing. While low income renters already living in Blaine County who want to buy have been excluded from homeownership demand estimates, seniors and new employees have been included since many are now owners and will have down payments from the sale of owns that will increase their purchasing power.
- The median price for single-family homes in Blaine County is nearly $537,500. Condominiums and townhomes tend to be priced at about 40 percent of the cost of single-family homes.

Comparison – Availability to Demand

There is a significant gap between the current demand units and the number of units available as of December 2010. The difference of almost 2000 units between current demand and current listings represents the magnitude of the gap between what residents and in commuting employees want for housing and what the free market is providing. The extent to which the free market will satisfy the demand for the 2000 additional units that will be generated by job creation and an increase in senior households by 2015 is unknown. If trends continue, the free market will serve the upper end of demand.

Housing Conclusions

The redevelopment plan for the FMA may include housing lots for single family homes and apartments for rental. The potential number and types of homes are as follows:

- 90 rental apartments, approximately 850 to 1250 square feet per unit.
- 50 single family homes ranging in size from 1,450 square feet to 2,000 square feet, priced in the $225,000 to $275,000 range for the smaller units and $300,000 to $350,000 for the larger units. However, there is a market for homes prices as low as $140,000.

Friedman Memorial Airport
Redevelopment Plan and Feasibility Analysis

Blaine County Civic Developments

Overview

Blaine County in 2007[7] had a total of 1,437 businesses. Of this total, approximately 445 businesses were classified as office uses, 245 retail establishments including auto sales, accommodations 21, food services 100, 104 health care and social assistance establishments, 381 construction, and manufacturing 19, wholesale trade 46.

In addition to the businesses, there were a number of civic institutions including churches, schools, government offices, recreational uses such as a YMCA, and public facilities such as a hospital, court house, library, outdoor theater and other related uses.

Outlined below is a more detailed analysis of the businesses, commercial and civic uses located in Blaine County.

- **Downtown Hailey**

  Downtown Hailey is the governmental center of Blaine County. The town currently has a City Hall with administrative offices and the Police Department located within the center of Downtown at 115 Main Street South. The Hailey Library is located on the ground level of City Hall. The County Government Center is also located in a number of buildings in downtown Hailey and primarily on First Avenue.
- **YMCA**

  A $19-million state-of-the-art YMCA opened November 3rd, 2009 in Ketchum. Destined to be the "heart of the community," the 95,000-square foot facility offers educational and cultural resources including an audio-visual studio where members can produce

7 2007 Economic Census: Survey of Business Owners.

their own documentaries. Other activities include indoor swimming, a gym and fitness rooms.

- **Outdoor Performance Amphitheater**

  A new outdoor amphitheater opened in the summer of 2008 with 1500 seats covered under a light weight fabric roof. The facility is located in Sun Valley.

- **Rodeo Park**

  The City of Hailey has started a $6 million renovation of the historic rodeo grounds at the south entrance to the city, adjacent to Highway 75, and adjacent to the Friedman Memorial Airport. The facility is planned as a multi-event facility and includes an event arena which will continue to host the annual 4th of July rodeo, an indoor ice hockey arena and an outdoor skate park. The Hailey City Council has pledged $3 million in money from the city's capital improvement fund, which is money set aside for development of city-owned property, and/or voter-approved funding if donations and pledges can be secured for the other half of the $6 million dollar cost.

In order to better understand the trade areas for a potential retail development on the FMA site, Village Solutions Company first considered the existing Trade Area for downtown Hailey.

Friedman Memorial Airport
Redevelopment Plan and Feasibility Analysis

Blaine County And Hailey Retail

Market Areas

In order to better understand the trade areas for a potential retail development on the FMA site, Village Solutions Company first considered the existing Trade Area for downtown Hailey. This market consisted of a primary market and a secondary market, as further described in the following section.

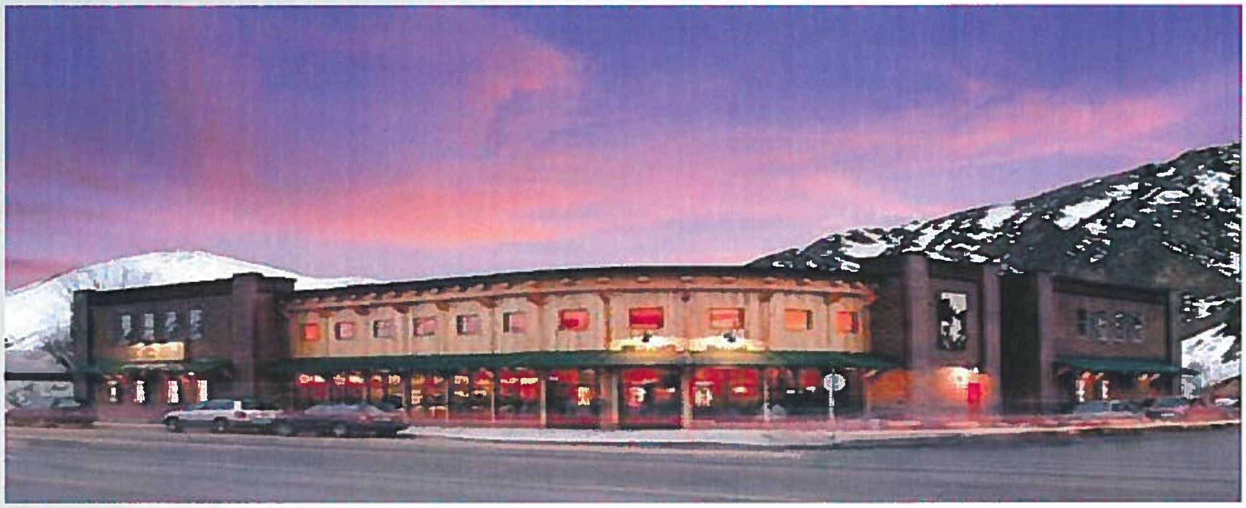
Hailey Primary Market

Trade areas for retail centers vary according to the size of a shopping complex, the number of stores, the types of stores, and the location of competing projects. Given all things being equal between two shopping center opportunities consumers will visit the shopping center closest to where they live. Additionally, the break point between two shopping areas of similar attraction will be the half way point between the two shopping destinations. Likewise, the break point moves closer or further away between two shopping centers depending on a number of factors such as the size of the property.

The Primary Market for a retail development located at the Friedman Memorial Airport will be very similar to the Trade Area of downtown Hailey, if similar tenant mixes are considered. However, the tenant mix of a retail development at FMA would most likely be one that consists of large format retailers, and not smaller specialty retailers more common to downtown Hailey. That said, in general the Primary Trade Area for Downtown Hailey is located within a 6 mile distance from the intersection of Main Street and Bullion Street. This Trade Area is bounded on the North by East Fork Road; Highway 23 to the South; the East by the Sawtooth Mountains and the West by the Wood River. It includes the towns of Hailey and Bellevue. A map of this Primary Trade Area may be found at the end of this section. For simplicity, this area is called the Hailey Primary Market, and it has 12,401 residents and 4,827 households with an average household income of $88,318. An average of 2.55 people lives in each household. The population and households are projected to increase to 13,388 residents and 5,239 households by 2015.

Hailey Secondary Market

The Secondary Market Area is generally located within a 12 mile distance from downtown Hailey and excludes those areas in the primary market. It encompasses areas to both the North and South of Hailey. In order to better clarify the Secondary Market, a north sector was defined



as Sector II and the south sector was defined as Sector III. A map of these Secondary Trade Areas may be found at the end of this section. For simplicity, this area is called the Hailey Secondary Market.

The combined Secondary Trade Areas have a population of 7,936 and 3,599 households with an average family household income of $115,935. An average of 2.32 people lives in each household.

FMA SITE, RETAIL POTENTIAL TRADE AREA

The potential Trade Area for a Friedman Memorial Airport retail development is a polygon shaped trade area located generally within a 15 minute drive of the site consisting of 12,401 residents residing in 4,827 households with an average income of $88,318.

However Trade Areas vary according to the retail area type and the surrounding competition. As an example, a cinema requires a population of 10,000 people per screen to obtain profitable sales. Movie patrons also usually make trips to a cinema based on proximity to home, which usually leads to a balanced distribution of cinema screens in a market area. By contrast, a conventional regional mall typically requires over 300,000 people to sustain profitable sales and must generate as much as 30% of its sales from outside of its Primary and Secondary Market.

A Trade Area is restricted by population density, and is also limited by a lack of proximity to a regional transportation system and an inadequacy of easy access to a shopping area (e.g. closed streets, rivers, expressways and railroad tracks). Likewise, a relatively successful shopping area's Trade Area can be impacted by changes in the marketplace which may shrink the current Trade Area. An example of such a change is the loss of a grocery store or the addition of a department store in another nearby location. However, restricted Trade Areas can be offset by the addition of retail concepts unique to the market.

Therefore, the market research portion of this report focused first on the definition of the Trade Area for the Friedman Memorial Airport site and its demographics. Next, we estimated the sales potential of downtown as it would compete with a development at the Friedman Memorial Airport site. The estimate of the sales potential for both the Downtown and Friedman Memorial Airport sites began with a full analysis of their Primary Market areas, as described in the following subsections.

The factors of particular importance in assessing the Trade Area of the Friedman Memorial Airport site and Downtown Hailey are:

- The size and location of a potential development at the Friedman Memorial Airport site.
- The strength of the development's proposed merchant mix, primarily its anchor stores.
- The size and location of competitive retail, restaurant and entertainment destinations.
- The strength of competitive locations and their merchant mix.
- The population and income levels of the

trade/market area.

- Regional and local access considerations, including roads, and physical barriers such as the Smoky and Pioneer Mountain ranges.

In defining the Potential Trade or Market Area of a large format store development, it is important to distinguish the difference between potential and actual markets. A Potential Market Area represents the largest geographic region from which the majority of sales can be captured on a regular basis. The Actual Trade Area will be the actual area from which a shopping area actually captures the majority of its sales on a regular basis. Additionally, the Actual Market Area often changes over time as neighborhoods change, new developments in surrounding areas open, and the merchant mix in competitive developments change.

Definition of potential market sectors

One of the first steps in projecting the potential market support for a Friedman Memorial Airport site development is to define and establish appropriate target consumer groups. Since the primary focus of this portion of the study is to establish the potential for a proposed mixed-use development with consideration of a large format store development, the potential market sectors have been established according to the pattern of market responses experienced at other comparable developments. More specifically, the market sectors that have been projected to support sales at the Friedman Memorial Airport site consist of the residential market, daytime workers, tourists and resort guests.

These market sectors have been carefully studied and analyzed to structure the assessment of the required market support for a Friedman Memorial Airport site redevelopment.

The market sectors used for the Friedman Memorial Airport site context are further defined below:

Residential market

The Friedman Memorial Airport site will generate retail sales from a Primary and Secondary Resident Market and from the "Area of Influence", defined below.

The Primary Market or Primary Trade Area is defined those portions of Blaine County located within a defined polygon and generally within a 10 to 15 minute drive of the site, representing a population of 12,401 people. This population is projected to increase to 13,388 people by 2015

Table 14

2010 Estimated Households by Household Income for Primary Trade Area[9]

Income	Number of Households	Percentage of Households
Less than $15,000	305	6.32%
$15,000-$24,999	277	5.74%
$25,000-$34,999	373	7.73%
$35,000-$49,000	681	14.11%
$50,000-$74,999	982	20.34%
$75,000-$99,999	888	18.40%
$100,000-$149,999	777	16.10%
$150,000-$249,999	283	5.86%
$250,000-$449,999	189	3.92%
$500,000 and above	74	1.53%
Average Family Household Income		$88,318

according to estimates by the U.S. Census Bureau[8].

In addition to the Primary Market, the Secondary Market is defined as the balance of sectors located generally within a 15 to 20 minute drive of the FMA site and not part of the Primary Market. This area has a current population of approximately 7,644, with an average household income of $105,527. The population in the Secondary Trade Area is projected to be 7,936 in 2015.

Finally, the Area of Influence Market is defined as the trade area's surrounding population not located in the Primary or Secondary Market that are likely to provide a modest level of market response. Typically, this response is in the form of "day trips" or "half-day-trips" specifically to take advantage of a group of large format stores. In the Friedman Memorial Airport site context, the balance of Blaine County or 2,054 residents are considered to be within the "Area of Influence."

Income

The average household income of the City of Hailey is $83,297. The average income in the Hailey/Bellevue Primary Market is $88,318 as indicated in Table 14 below. In the combined north and south Secondary Trade Area, the average household income is $104,807 as depicted in Table 15 on page 103.

Incomes in the Primary Market range from cluster groups with average household incomes of $15,000 or less to clusters with average household incomes above $125,000. 20.34% of the households earn between $50,000 and $74,999; 18.40% make between $75,000 and $99,999; 16% or 777 earn between $100,000 and $149,999; and 11.31% or 546 earn above $150,000. Most significantly is the fact that over 27.41% of the homes have incomes above $100,000. The significance of this fact is that households with incomes over $100,000 spend two to three times

8 The Census Bureau uses two main measures of population change. The first is the net difference between reported births and deaths in a county or state, known as "natural increase", and is considered by experts as the more reliable of the two. The second measure is known as "net migration," and relies on both federal tax returns that reflect changes of address within the United States, and data from the bureau's American Community Survey, which provides samples from which the bureau estimates immigration from abroad.

9 Source: Claritas - City of Hailey 2010 Demographic Snapshot Report.

Table 15

2010 Estimated Households by Household Income for Secondary Trade Area

Income	Number of Households	Percentage of Households
Less than $15,000	256	7.57%
$15,000-$24,999	273	8.07%
$25,000-$34,999	370	10.94%
$35,000-$49,000	461	13.63%
$50,000-$74,999	582	17.20%
$75,000-$99,999	408	12.06%
$100,000-$149,999	382	11.29%
$150,000-$249,999	196	5.79%
$250,000-$449,999	312	9.22%
$500,000 and above	1743	4.23%
Average Family Household Income		$104,807

more on entertainment, dining out and specialty apparel than those households with a market average income.

Households

The majority of individuals in the Hailey Trade Area owns their homes, and do not rent. The ownership rates are higher than the national average. This is illustrated through the percentages of owners in the area as compared to the national average. In 2010, 69.26% of the Trade Area's population owned a home, which is higher than the 66.9% of Americans and 68.7% of Idahoans who owned their homes in 2010.

Commute

Due to the area's vastness and the high living costs, the average commute for residents is 21.46 minutes, show in Table 16. The largest percentage of workers in Blaine County, 39.45% commutes less than 15 minutes to work. While 33.31% travels between 15 and 29 minutes, 18.03% travel 30-44 minutes, 3.41% travel 45-59 minutes to work and the commute is 60 minutes or more for 3.80% of the population. These commute times demonstrate that most residents live and work in relatively close proximity.

Table 16

2010 Estimated Workers Age 16+ by Travel Time to Work

Distance in Miles	# of Commuters	% of Commuters
Less than 15 minutes	2,603	39.45%
15-29 minutes	2,198	33.31%
30-44 minutes	1,190	18.03%
45-59 minutes	225	3.41%
More than 60 minutes	383	3.80%
Average Travel Time in Minutes	21.46	

A vibrant downtown Hailey requires successful specialty retail and restaurants, along with services and civic uses.

Friedman Memorial Airport
Redevelopment Plan and Feasibility Analysis

FMA Retail Site Study

Introduction

While conducting a review of the existing retail and retail potential in Blaine County, two types of retail developments have been considered for the FMA site. Specifically, large format retail and specialty retail (also called lifestyle retail) were analyzed for the FMA site. Based on Village Solutions' extensive work with both types of retail, specialty or lifestyle retail was dismissed. This conclusion has been drawn for a number of reasons.

- First, a vibrant downtown Hailey requires successful specialty retail and restaurants, along with services and civic uses. Adding specialty retail of substance to the FMA site would dilute retail in downtown Hailey.
- Secondly, specialty retail requires a critical mass of shops at a level that could not be supported by the population of Hailey or Blaine County.
- Finally, if retail is added to the FMA site, it should be retail that fills a current need in the community. This need is much less specialty oriented and much more commodity focused.

Based on the above position, specialty retail will not be recommended for the FMA location. However, large format retail requires consideration. The following sections have been developed to analyze large format retail as a potential use for the FMA site.

Trade Areas

Large format retail located on the FMA site will have a potential primary trade area that extends along North State Highway 75 from Hailey to East Fork Road which is approximately the half way point to Ketchum. The southern boundary of the primary market extends south on State Road 75 to Seaman's Creek Road. A map of the primary trade area may be found at the end of this section. This Primary trade area would serve approximately 12,401 people.

The Secondary Market would consist of two sectors, one north of the primary market and one located south of the primary market. The north sector extends north of the primary market to include the City of Ketchum and Sun Valley resort. There are 5,738 people residing in this sector of the secondary market.

The south sector is located immediately south of the primary market and it includes the towns of Picabo, Fairfield and Carey. The population of this sector is 1,906.

The total population for the primary and secondary trade area is 20,045.

Trade Area Income

The average household income in the Primary Trade Area for a FMA site redevelopment including large format stores is $88,318, as per Table A (located at the end of this section). The average household income for the Secondary Market is $105,528. The average combined household income for both the Primary and Secondary Markets is $95,483.

Total personal income is affected by the combined growth rates of average household income and the projected growth in the number of households. With two rates of positive growth combined, total personal income is projected to increase for all residential market sectors. For example, as indicated in Table A, in 2010, total personal income in the Primary Market was $426,311 million and $363,332 million for the Secondary Market, for a combined total of $789,643 million.

The retail sales potential is primarily a factor of the total income of the Primary Trade and Secondary Trade Areas. As indicated in Table B, the total combined non-auto retail potential from both the Primary and Secondary Market is estimated at 56% of total household income or $442,200 million in 2010[9]. This potential represents the total amount of money available from Trade Area residents for the goods specified, regardless of where it is spent. Realistically, FMA site is able to capture a share of these dollars, depending on the category, since much of the GAFO (General Merchandise, Apparel, Furniture, and Other) potential will flow to the many shopping destinations in Hailey, Ketchum, and Bellevue.

Total Potential Retail Demand

Within the Primary Trade Area, there are 4,827 households with an average income of $88,318. These households are located in Sector I, as defined in the Map 1 at the end of this section.

The Secondary Market is defined as those areas generally located in Sectors II and III, and not located in the Primary Market. There are approximately 7,644 people living in this market, residing in 3,443 households with an average income of $105,528.

Total Retail Sales Potential

The retail sales potential is primarily a factor of the total household income of the Primary Trade and Secondary Trade Areas. As indicated in Table E, the total combined non-auto retail potential from both the Primary and Secondary Market is estimated at 40% of total household income or $318,384 million in 2010. This estimated potential was determined by an analysis of Taxable Retail Sales in the State, County and City; the Census of Retail Trade and the Survey of Consumer Buying conducted by the US Department of Commerce. This potential represents the total amount of money available from Trade Area residents for the goods specified, regardless of where it is spent. Realistically, Friedman Memorial Airport site will be able to capture a share of these dollars.

Conclusions

From the preceding sales and supportable square footage analysis, it appears that a moderate-scaled 200,000 square foot retail project can be successfully developed and leased as part of the overall FMA redevelopment program. The ability to actually bring this redevelopment to reality depends on a number of "Conditions of Development" which are reviewed in the Development and Land Disposition Strategy Section.

One conclusion from this analysis is that a major portion of the market support comes from beyond the typical primary and secondary resident market areas, including shoppers from the area-of-influence markets. However, support from these markets may be highly variable by season and day of the week.

Finally, it should be emphasized that the proposed retail portion of the FMA redevelopment is one piece of the total FMA site redevelopment program. The other aspects, including lodging, residential and other attraction facilities are also vital to the success of the overall program. These uses should be pursued simultaneously with implementation of the retail portion. All of these attractions are mutually supporting, and in this fashion "interdependent". Thus, any one

9 This estimated potential was determined by an analysis of the Census of Retail Trade and the Survey of Consumer Buying conducted by the US Department of Commerce.

element, particularly the retail, will have difficulty in attracting adequate support, without the complementary components in place.

Potential Retail Uses

Four potential retail formats were considered for the Friedman Memorial Airport site as follows:

- Community Serving Retail

  The first of the four potential options explored the development of a community center retail format to serve the adjacent neighborhoods. A neighborhood retail center would generally have 75,000 to 100,000 square feet.

  This type of a project typically consists of a grocery store, and neighborhood retail such a drug store, dry cleaner, auto parts, optical shop, mattress store and other related uses. This type of a center was dismissed for the following reasons:

  - These types of goods and services are already located in Hailey;
  - The immediate market area has insufficient population to support such retail;
  - To thrive, retail needs a critical mass of like uses that cannot be attracted to the site;
  - Community retail should be concentrated in downtown of Hailey to further strengthen the core.
  - There will not be enough new residential density at the FMA site to support the retail.

- **Lifestyle/Upscale retail "village"**

  A lifestyle center as recommended in a previous study by Landrum and Brown[10] has been discounted for the following reasons:

  - Lifestyle centers require a population of 150,000 or more located in a 3-5 mile radius of the site with average incomes of $80,000 and higher;
  - Lifestyle centers require a secondary market with a population of 150,000 or more with relatively high household incomes.
  - Lifestyle centers are primarily located in large metropolitan markets with 500,000 or more people.

- **Outlet Center**

  An outlet center was considered and rejected for the following reason:

  - Outlet retail centers typically locate on interstate highways near major metropolitan areas;
  - Outlet retail centers locate near or in major tourist destinations such as Disney World and Myrtle Beach, or on major interstate highways between large cities.

- **Large format retail center**

  The most viable retail use for the existing FMA site is to redevelop a portion of the property with large format retail stores that are absent from Hailey and Blaine County. Potential large format retailers include Walmart, Target, Lowes and Home Depot.

  However, the City of Hailey (Blaine County) has restricted stores to no more than 36,000 square feet which is significantly less than the minimum square footage of the above mentioned retailers. This restriction on store square footage was created to protect smaller local merchants and to maintain the overall quality of life in Blaine County.

  Reasons to pursue a development with large format retail are as follows.

  - Large format retailers can successfully operate in smaller markets with populations of 20,000 people;
  - Large format retail located in Hailey would reduce drives to locations outside of the market to purchase general merchandise and hardware goods.
  - Large format retail located at the FMA site would attract shoppers from outside of the community.
  - Consumers would benefit from lower prices offered by the large format retailers.

10 Landrum & Brown, Conceptual Redevelopment Plan, June 2010

Large Format Store Analysis

Much has been written about the negative impacts that large format retailers have on small towns. These negative assumptions suggest that super stores drive out local businesses with predatory pricing and increase overall unemployment in the local community. It is also believed that the large format stores replace locally generated jobs with lower paying jobs. Furthermore, a common belief is that large format stores take money out of the community rather than reinvesting their profits back into the local community.

To better understand the impact of large format retail on Hailey we examined a number of studies which supported large format retail and those that did not.

Outlined below are the findings:

Overall impact of large format retail on locally owned shops

A community benefits more from expenditures made at local stores than at national chains, as demonstrated by a number of local multiplier studies. A local multiplier is an estimate of the economic effect of a purchase at a locally owned store, in comparison with a non-local store, such as a large format store or a franchise restaurant. Studies consistently show that more money recirculates in a regional economy when spent at a locally owned, independent store. The various reasons include: profits retained in the community by local owners are reinvested into local banks, local charities, auto purchases, higher valued homes, and higher purchases at other locally owned businesses.

In summary, research tends to support three major points of view. They are as follows:

- First, spending on local labor comprises a larger share of operating costs for a locally owned business than for a national chain store. National chains consolidate administrative functions such as bookkeeping, legal, and marketing at their home offices, while independents carry out those functions in-house or outsource to firms residing in the community.
- Secondly, a large portion of profits earned by local ownership remain in the local economy. On the other hand, purchases of goods, services, and meals at chain stores generate profits for the corporation, which are then reinvested into global operations or profits for the stockholders.
- Thirdly, locally owned businesses procure a wider array of goods and services from the local marketplace. These purchases include goods for resale, business supplies and professional services.

Outlined in the following sections is a more in-depth analysis on large format stores and national chains.

Impact of large format store openings[11, 12]

A number of studies have been conducted to measure the impact of large format stores on local economies and especially the impact on small towns. These studies have been widely reviewed and are subject to debate. One significant study addressed the probability of a local shop going out of business in the years after a large format store opened in the same market as the small shop. The study found that establishments located near super stores had a higher probability of failing after the opening of a large format store. This probability fell off at a rate of 6% per mile in all directions. The relationship to distance was particularly strong in the categories of electronics, toys, office supplies, general merchandise, hardware, home furnishings, and drugs.

However, many small towns do not have electronic stores, sporting goods, toy stores, home furnishing stores, and stores selling general merchandise goods comparable to the offering of the large format stores. In many small towns, the primary competition may be limited to competition between the large format retailer and national grocery and drug chains such as Albertson's and Osco Drugs. In this regard, a super Walmart located in Hailey, may primarily compete with Atkinson's, Albertson's and Karen's Pharmacy for groceries, general merchandise goods, health and beauty aids and prescriptions drugs. This type of competition would likely benefit the community by providing lower prices

11 Kenneth Stone, (1998)

12 Neumark, Zhang, and Ciccarella (2007)

through increased competition. Additionally, a Walmart would also provide access to goods not readily available in Hailey, such as electronics, moderately priced apparel and toys.

Zero-sum-game

The theory of a zero-sum-game is straightforward. Expenditures for retail are a function of the number of households and household incomes in any one market. Together households and household incomes form a market that is divided among the retailers operating in a town and potentially retailers located outside of Hailey. In general, markets do not grow with the addition of competition.

To explain this better, think of a pie. The pie's size remains a constant regardless of the number of retailers located in a community or the types of stores. Each retailer takes a piece of the pie, some larger than others and some significantly smaller- but in all cases the size of the pie or the market stays the same. Additionally, internet sales, catalogue sales and sales to out of market stores also take a portion of the pie.

To better understand the actual impact of large format stores on the Hailey market we examined the Census of Retail Trade which was last conducted by the U.S. Department of Commerce in 2007. In brief, the study found that approximately $9.25 million in retail sales from the general merchandise and home improvement categories were being lost to businesses located outside of the community. A more detailed analysis of this finding may be found on page 112 of this report.

Therefore local retailers that face competition from national chains have a choice of going in several directions. They can offer unique products at better quality than offered in the large format stores, they can provide superior service, or they can reduce overhead and exist on lower volumes. One excellent example in Blaine County is The Elephant's Perch in Ketchum. The store is considered to be one of the best stores in the U.S. offering outdoor recreational goods and apparel. In this example, the community benefits from having a high quality store with better name brands in outdoor recreational equipment, a category which Walmart cannot compete in.

Large Format GAFO Stores

The following sections focus on large format stores with an emphasis on Walmart which is the best barometer for Hailey because Walmart operates in towns the size of Hailey throughout

Table 17
Potential Retail Sales For Hailey

	Actual (000's)	Potential Sales (000's)
Total Retail Sales	$356,031	$384,513
Auto Sales	$49,178	$53,832
	14%	14%
Retail Less Auto Sales	$306,853	$330,682
	86%	86%
Total Non-Auto Sales	$306,853	$330,682
	100%	100%
GAFO	$115,274	$132,273
	38%	40%
Hardware	$54,043	$59,522
	18%	18%

the U.S. Table 17[13] below indicates the potential sales Hailey could generate if a large format GAFO store is added to the FMA site.

Walmart

Walmart Stores, Inc. (branded as Walmart since 2008) is the world's largest public corporation by revenue. Founded by Sam Walton in 1962, incorporated on October 31, 1969, and publicly traded on the New York Stock Exchange in 1972, Walmart, is headquartered in Bentonville, Arkansas. Walmart is the largest private employer and the largest grocery retailer in the United States. In 2009, the company generated 51% of its $258 billion sales in the U.S. from the grocery business. Today, Walmart has 8500 stores in 15 countries, with 55 different names.

Walmart Competitive Studies

Kenneth Stone, Professor of Economics at Iowa State University, has conducted the most significant studies on the impact of Walmart on small towns. In a 1997 study, he found that small towns can lose almost half of their retail trade within ten years of a Walmart store opening. However, he concluded that shop owners who adapt to the ever changing retail market can thrive after Walmart comes to their community. A subsequent study in collaboration with Mississippi State University indicated that there are "both positive and negative impacts on existing stores in the area where the new supercenter locates".

A June 2006 published article suggested that Walmart has a positive impact on small business. The article argued that while Walmart's low prices caused some existing businesses to close, new opportunities for other small business occurred. In brief, the "process of creative destruction" unleashed by Walmart has no statistically significant impact on the overall size of the small business sector in the United States. As one local store closes because of competition with Walmart, other stores in the community gain a share of the lost revenue as Walmart never captures the entire amount of lost sales.

13 The Actual Sales for 2010 were projected by Village Solutions based on the 2007 Economic Census of Retail. The Potential Sales were projected by Village Solutions based on typical retail sales percentages.

A Loyola University Chicago study suggested that Walmart's impact on a local business is correlated to its distance from that store. Another study found Walmart's entry into a new market has a profound impact on its retail competition. When a Walmart opens in a new market, median sales drop 40% at comparable stores, 17% at supermarkets and 6% at drugstores, according to a June 2009 study by researchers at several universities and led by the Tuck School of Business at Dartmouth College.

Concerning jobs, a study commissioned by Walmart with consulting firm Global Insight, found that its stores' presence saves working families more than $2,500 per year, while creating more than 210,000 jobs in the U.S. Alternately the Economic Policy Institute estimates that 196,000 jobs were lost to Walmart between 2001–2006, and 68% of jobs lost were manufacturing jobs. Another study by Global Insight has found that Walmart's growth between 1985 and 2004 resulted in food-at-home prices that were 9.1% lower and overall prices (as measured by the Consumer Price Index) that were 3.1% lower than they would otherwise have been.

Another study at the University of Missouri found that a new Walmart store increases net retail employment in Blaine County by 100 jobs in the short term, half of which disappear over five years as other retail establishments close.

Finally, studies of Walmart show consumers benefit from lower costs. A 2005 Washington Post story reported that "Walmart's discounting on food alone boosts the welfare of American shoppers by at least $50 billion per year. A study in 2005 at Massachusetts Institute of Technology measured the effect on consumer welfare and found that the poorest segment of the population benefits the most from the existence of discount retailers.

Target

Target is the second largest discount retailer in the United States, behind Walmart. The company, headquartered in Minneapolis, Minnesota is ranked at number 30 on the Fortune 500 as of 2010. The average super Target occupies 179,000 square feet and achieves sales of $282.51 per square foot, producing total store revenue of approximately $50,000,000. Approximately, 40% of their sales are for consumables and commodities; 20% of their sales are for electronics, entertainment, sporting goods and toys; 20% for home furnishings and décor; and 20% for apparel & accessories

Out of the fifty million in revenue at a typical Target, approximately 16% of their sales are re-circulated into the community, primarily through local wages paid to employees. Conversely, in one recent report, local businesses were found to re-circulate 32.1% of their sales to the local economy which is approximately twice the rate as a Target.

Large Format Hardware Stores

When large format building material stores open in a town, building material sales typically increase by $30 million to $70 million over the next three to five years. Per capita sales at least doubled within a few years with a few towns experiencing a five or six fold increase over five or six years. In most cases pull factors or inflow sales at least doubled, with some tripling in the first few years.

Host counties went from leakages or slight surpluses to substantial surpluses in a few years in most cases. However, it is clear that host cities near major metro centers such as Boise, are subject to quick sales reversals as other large format stores enter the larger markets, which will not be the case in Hailey.

Store Size

National retail chains have very specific prototypes. Every square foot of space has been carefully analyzed and merchandised to obtain optimum sales productivity. With this understanding it is important to realize that national chains will not consider the Friedman Memorial Airport site if it cannot accommodate their prototypes.

Walmart has a number of prototypes with 108,000 square feet being the average store size. A Walmart Supercenter has an average store size of 185,000 square feet. Walmart's Neighborhood Markets average 42,000 square feet in size, but these are pure grocery stores and not general merchandise stores. It should also be noted that Walmart is developing a new concept store of 80,000 square feet.

The typical Lowes Home Improvement Center standard store measures 116,000 square feet, costs almost $17 million to build and $5 million to stock. Such stores' sales average about $33 million per year. A new prototype, developed for smaller markets is 94,000 square feet and cost about $12 million to build and $3.5 million to stock. Average sales are projected at $20 million to $25 million. However, these stores have been designated for markets with 15,000 to 35,000 households.

Loss of retail sales

As a final step, Village Solutions examined the Census of Retail Trade for the Nation, State of Idaho, and Blaine County to determine the current retail sales potential of Hailey relative to its actual sales. The retail sales potential is primarily a factor of total household income and the number of households in the Primary Trade and Secondary Trade Areas.

As indicated in Table B, the total non-auto retail potential from both the Primary and Secondary Market is 56% of total household income or $318,384,000. This estimated potential was determined by an analysis of the Census of Retail Trade conducted by the US Department of Commerce. The retail potential represents the total amount of money available from Trade Area residents for the purchase of specified goods, regardless of where the money is spent. Realistically, Hailey is able to capture a share of these dollars, depending on the category and competition, since a large amount of the GAFO potential will flow to other destination shopping areas such as Twin Falls which is located outside of Blaine County, while much of the Convenience/Services and Food at Home dollars will be spent locally.

Impact of Commuters

Employees who have homes elsewhere leave Blaine County with their paychecks. Wages are not spent locally, sales tax is not generated and local governments do not receive the revenue required to provide public services and infrastructure for which there is increasing need. Retaining wealth and maximizing the circulation of dollars that come into an area are key principals of economic sustainability. The more that wages are earned in Blaine County but spent elsewhere, the less the local economy and communities will benefit from the development and job growth that is occurring. The loss of much of the construction payroll to areas where workers are retaining their primary homes reduces the economic benefit the region could be receiving from construction.

Summary of Impact Studies

1. Roughly three times more money re-circulates in a community when spent at a local store in comparison with a chain.
2. A new large format GAFO store will depress the number of small retailers, especially those with similar product lines.
3. A new large format GAFO store will depress county retail wages by .5 to .9%.
4. $100 spent at Borders Bookstore results in a $13.00 local economic impact compared, to $45.00 at a local bookstore.
5. A new Walmart increases retail jobs by 100, but over the long term 70 are lost as other retailers and wholesalers close or reduce their workforce to compensate for lower sales.
6. For every $100 in consumer spending with a local firm, $68 remains in a local urban economy.
7. For every $100 in consumer spending with a national or regional chain, $43 remains in the local urban economy.
8. For every square foot of space occupied by a chain, the local economic impact is $105; if a local firm occupies the same square footage, the impact jumps by 70% to $179.00 per square foot.
9. Local firms spent an average of 28% of revenue on labor compared to 23% for national chains.
10. Local merchants generate substantially greater economic impact than chain retailers.

GAFO[14] Sales Potential

GAFO sales, which are synonymous with department store-type goods, typically make up 90% of the sales of a retail center or large format general merchandiser. The combined estimated total GAFO sales potential for the FMA site from the Primary and Secondary Market is $111.434 million. This study projects a capture rate of 20% of the sales potential from the Primary Market and 20% in the Secondary Market to generate sales of $185.72 per square foot in 120,000 square feet of GAFO space. These capture rates are based on the examination of the trade and the capture rates of a large number of specialty centers.

Additional GAFO sales for the FMA site will be generated from inflow sales and daytime workers. These inflow sales are projected to generate an additional $55.72 per square foot.

The total estimated GAFO sales for 120,000 square feet from all market segments projects sales of $28.9 million or $241.44 per square foot in 2010 dollars.

Hardware Sales

The total hardware potential to be derived from both the primary and the secondary markets is $47,758,000. Assuming an 80,000 square foot store with a capture rate of 30%, a total of $14,327,000 would be generated. With inflow sales of 30%, another $53.73 per square foot would be generated to total $232.82 per square foot or total sales of $18.6 million.

CONCLUSIONS

Outlined below are a number of preliminary conclusions made by Village Solutions based on the market research and community interviews

- The opening of any given business in the existing Hailey market will not change consumer spending long term. As an example, a successful new restaurant will briefly generate greater restaurant sales in a market but it will not change overall consumer spending over an extended period of time. The reason is simple: household discretionary spending is a function of household income, not a function of choices.

14 General Merchandise, Apparel, Furniture, and Other

- Small merchants have failed and will continue to fail on Hailey's Main Street without significant improvements in their overall capitalization, the merchant mix as a whole, sidewalks, public amenities and downtown housing. As an example, over the past year the Cluttered Kitchen and The Toy Store have closed in downtown Hailey, even without local competition from a large format store. A major take-away is that, Hailey has lost sales and will continue to lose sales to larger format stores located outside of the market.
- The addition of large format stores to Hailey could benefit the community with overall lower prices and reduced drive times to out of market locations to purchase goods not found in the Hailey. The community would also benefit from new destinations shopping trips to Hailey made by consumers living outside of Hailey.
- Despite the findings of various studies on the impact on local economies, the development of large format retailers on the Friedman Memorial Airport site will not devastate retail in downtown Hailey. There is not a large overlap between a large format GAFO general merchandise goods and the specialty retail goods found on Hailey's Main Street.
- Development of large format stores such as Walmart would most likely impact Albertson's Grocery Store, Karen's Pharmacy, and Atkinson's Grocery store, while benefiting the community with lower prices and reduced trips to purchase general merchandise goods in other cities. Likewise, development of a large format hardware store would impact True Value's Idaho Lumber and Hardware, and Green's Hardware on Main Street.
- Large format stores located at the FMA site would likely increase the Trade Area of downtown Hailey. A certain percentage of consumers from Sun Valley, Ketchum, Fairfield, Bellevue, and Carey would traveled to Hailey to shop at large format stores and would be potential consumers of downtown Hailey's specialty retail and restaurants[15].

Table 18
Hailey Employment Data

Sector	Number of Establishments	Sales (000's)	Annual Payroll (000's)	Number of Employees
Retail	55	$128,949	$14,600	485
Information	12	NA	$4,529	99
Real Estate and Rental/ Leasing	23	$7,446	$2,168	79
Professional, Scientific and Technical	48	$40,876	$21,393	261
Administrative and Support, Waste Management	38	$36,904	$14,806	262
Health Care and Social Assistance	31	$11,157	$4,054	125
Arts, Entertainment and Recreation	10	$1,616	$472	42
Accommodation and Food Services	34	$16,334	$4,859	344
Other Services	27	$15,632	$4,589	129

15 Table 18 Source: 2007 Economic Census, Survey of Business Owners

Table A
Friedman Memorial Airport Redevelopment
2010 Household Income Projections

TRADE AREA	TOWNS	POPULATION	HOUSEHOLDS	AVERAGE HOUSEHOLD INCOME[1]	TOTAL INCOME (000'S)
PRIMARY I	Hailey, Bellevue, north to Greenhorn Gulch Road	12,401	4,827	$88,318	$426,311
Subtotal		12,401	4,827	$88,318	$426,311
SECONDARY II	Fairfield, Carey	1,906	736	$77,379	$56,951
SECONDARY III	Greenhorn Gulch Rd, Ketchum, and Sun Valley	5,738	2,707	$113,181	$306,381
Subtotal		7,644	3,443	$105,528	$363,332
TOTAL		20,045	8,270	$95,483	$789,643

Source: Village Solutions and Claritas
Average household = total income divided by total households.

Table B
Friedman Memorial Airport Redevelopment
2010 Non-Auto Sales Potential

INDICATOR	PRIMARY TRADE AREA (000S)	SECONDARY TRADE AREA[1] (000S)	TOTAL MARKET (000S)
Total Income[2]	$426,311	$363,332	$789,643
Total Retail Potential[3]	$238,734	$203,466	$442,200
Less Auto Sales/Transportation[4]	$66,846	$56,970	$123,816
Total Non-Auto Retail Sales	$171,889	$146,495	$318,384

NOTES:
1. Consists of sectors II and III
2. Households multiplied by average household income.
3. 56% of total income
4. 28% of total income

Source: Village Solutions Company and Claritas

Table C
Friedman Memorial Airport Redevelopment
2015 Household Income Projections

TRADE AREA	TOWNS	POPULATION	HOUSEHOLDS	AVERAGE HOUSEHOLD INCOME[1]	TOTAL INCOME (000'S)
PRIMARY I	Hailey, Bellevue, north to Greenhorn Gulch Road	13,388	5,239	$97,150	$508,968
Subtotal		13,388	5,239	$97,150	$508,968
SECONDARY II	Fairfield, Carey	2,005	781	$85,117	$66,476
SECONDARY III	Greenhorn Gulch Rd, Ket-chum, and Sun Valley	5,931	2,818	$124,499	$350,838
Subtotal		7,936	3,599	$115,953	$417,315
TOTAL		21,324	8,838	$104,807	$926,283

Source: Village Solutions and Claritas
Average household = total income divided by total households.
Estimated 2015 Population

Table D
Friedman Memorial Airport Redevelopment
2015 Non-Auto Sales Potential

INDICATOR	PRIMARY TRADE AREA (000S)	SECONDARY TRADE AREA[1] (000S)	TOTAL MARKET (000S)
Total Income[2]	$508,968	$417,315	$926,283
Total Retail Potential[3]	$285,022	$233,696	$518,718
Less Auto Sales/Transportation[4]	$79,806	$65,435	$145,241
Total Non-Auto Retail Sales	$205,216	$168,261	$373,477

NOTES:
1. Consists of sectors II and III
2. Households multiplied by average household income.
3. 56% of total income
4. 28% of total income

Source: Village Solutions Company and Claritas

Table E
Friedman Memorial Airport Redevelopment
2010 Large Format Sales Potential

GAFO SALES POTENTIAL	PRIMARY TRADE AREA [1] (000s)	RESTAURANTS (000s)	TOTAL (000s)
Total Non-Auto Retail Potential	$171,889	$146,495	$318,384
GAFO @ 35%	$60,161	$51,273	$111,434
Friedman Memorial Airport Capture	20.00%	20.00%	20.00%
Sales Potential	$12,032	$10,255	$22,287
SQ.FT.	120.00	120.00	120.00
Sales per Sq. ft.	$100.27	$85.46	$185.72
Inflow Sales @ 30%			$55.72
Total Sales per Sq. ft.			$241.44
HARDWARE SALES POTENTIAL			
Total Hardware Potential	$25,783	$21,974	$47,758
Friedman Memorial Airport Capture	30.00%	30.00%	30.00%
Sales Potential	$7,735	$6,592	$14,327
SQ.FT.	80.00	80.00	80.00
Sales per Sq. ft.	$96.69	$82.40	$179.09
Inflow Sales @ 30%			$53.73
Total Sales per Sq. ft.			$232.82
Grand Total			$474.26

Source: Village Solutions

Table F
Friedman Memorial Airport Redevelopment
2015 Large Format Sales Potential

GAFO SALES POTENTIAL	PRIMARY TRADE AREA [1] (000s)	RESTAURANTS (000s)	TOTAL (000s)
Total Non-Auto Retail Potential	$205,216	$168,261	$373,477
GAFO @ 35%	$71,826	$58,891	$130,717
Friedman Memorial Airport Capture	20.00%	20.000%	20.00%
Sales Potential	$14,365	$11,778	$26,143
SQ.FT.	120.00	120.00	120.00
Sales per Sq. ft.	$119.71	$98.15	$217.86
Inflow Sales @ 30%			$65.36
Total Sales per Sq. ft.			$283.22
RESTAURANT SALES POTENTIAL			
Total Hardware Potential	$30,782	$25,239	$56,022
Friedman Memorial Airport Capture	30.00%	30.00%	30.00%
Sales Potential	$9,235	$7,572	$16,806
SQ.FT.	80.00	80.00	80.00
Sales per Sq. ft.	$115.43	$94.65	$210.08
Inflow Sales @ 30%			$63.02
Total Sales per Sq. ft.			$273.11

Table G
Friedman Memorial Airport Redevelopment
2010 Large Format Sales Potential

	Actual	Actual	Actual	Actual	Actual	Projected	Projected
TYPE OF BUSINESS	2002	2007	2008	2009	2010	2012	2017
Total Retail	$98,211	$128,949	$132,173	$118,955	$123,714	$129,899	$146,969
Auto Sales	$41,806	$44,867	$45,989	$41,390	$43,045	$45,198	$51,137
	43%	35%	35%	35%	35%	35%	35%
Retail Less Auto Sales	$56,405	$84,082	$86,184	$77,566	$80,668	$84,702	$95,832
	57%	65%	65%	65%	65%	65%	65%
Total Non-Auto Retail Sales	$56,405	$84,082	$86,184	$77,566	$80,668	$84,702	$95,832
	100%	100%	100%	100%	100%	100%	100%
General Merchandise	D	D	D	D	D	D	D
	NA	NA	NA	NA	NA	NA	NA
Apparel Stores	D	D	D	D	D	D	D
	NA	NA	NA	NA	NA	NA	NA
Home Furnishings	D	$3,934	$4,032	$3,629	$3,774	$3,963	$4,484
	NA	5%	5%	5%	5%	5%	5%
Other Stores	D	$974	$998	$899	$934	$981	$1,110
	NA	1%	1%	1%	1%	1%	1%
TOTAL GAFO	$19,742	$31,590	$32,750	$29,475	$30,654	$32,187	$36,416
	35%	38%	38%	38%	38%	38%	38%
Hardware	$13,555	$14,299	$14,651	$13,186	$13,714	$14,399	$16,291
	24%	17%	17%	17%	17%	17%	17%
Food Stores	$11,112	$21,021	$21,546	$19,391	$20,167	$21,175	$23,958
	20%	25%	25%	25%	25%	NA	NA
Gas	$10,285	$11,771	$12,066	$10,859	$11,294	$11,858	$13,417
	18%	14%	$0	14%	14%	NA	NA
Drug Stores	$1,148	$3,304	$3,447	$3,103	$3,227	$3,388	$3,833
	2%	4%	4%	4%	4%	NA	NA
Non-Store Retailers	$564	$1,681	$1,724	$1,551	$1,613	$1,694	$1,917
	1%	2%	2%	2%	43%	$0	NA
TOTAL RETAIL	$56,405	$83,666	$86,184	$77,566	$80,668	$84,702	$95,832
% of County	100%	100%	100%	100%	100%	100%	100%

Source: Village Solutions Company and Idaho State Tax Commission

Note: 2009 reduced by 10% over 2008. 2010 increased by 4% over 2009. 2012 increased by 5.0% over 2010. 2012 to 2017 increased by 2.5% annually.

Table H
Friedman Memorial Airport Redevelopment
Blaine County
1997-2017 Taxable Sales Actual-Projected (000s)

TYPE OF BUSINESS	1997	2002	2007	2012 [3]	2017
Total Retail Sales	$226,860	$292,239	$356,031	$384,273	$434,770
Auto Sales	$45,484	$46,673	$49,178	$53,079	$60,054
	20%	16%	14%	14%	14%
Retail Less Auto Sales	$181,376	$245,566	$306,853	$331,194	$374,716
	80%	84%	86%	86%	86%
Total Non-Auto Retail Sales	$181,376	$245,566	$306,853	$331,194	$374,716
	100%	100%	100%	100%	100%
General Merchandise	D 1	$15,821	D	D	D
	NA	NA	NA	NA	NA
Apparel Stores	$23,663	$26,842	$33,449	$31,126	$35,216
	10%	11%	9%	8%	8%
Home Furnishings	$13,991	$30,110	$37,858	$33,816	$38,260
	6%	12%	11%	9%	9%
Other Stores	$18,534	$18,600 2	$24,269	$21,519	$24,347
	8%	8%	7%	6%	6%
TOTAL GAFO	$74,908	$91,373	$115,274	$124,418	$140,768
	41%	37%	38%	38%	38%
Hardware	$35,613	$57,780	$54,043	$58,329	$65,994
	20%	24%	15%	18%	18%
Food Stores	$49,209	$60,070	$ 77,092	$82,798	$93,678
	27%	24%	25%	25%	25%
Drug Stores	$8,124	$11,753	$12,054	$13,423	$15,342
	4%	5%	4%	4%	4%
Gas Stations	$11,436	$24,169	$43,119	$46,539	$52,456
	6%	10%	14%	14%	14%
Non-store Retailers	$2,086	$421	$5,271	$5,689	$6,478
	1.15%	0.17%	1.72%	1.72%	1.73%
TOTAL RETAIL	$181,376	$245,566	$306,853	$331,196	$374,716
% of State	100%	100%	100%	100%	100%
% of County	100%	100%	100%	100%	100%

Source: Village Solutions Company and Census Bureau
Note: 2012 increased by 12.5% over 2010. 2013 to 2017 increased by 2.5% annually.
1. Sales withheld to avoid disclosing data for individual companies; included in higher level totals.
2. This does not represent the entire sales in the Other category as some figures were left out so as to not disclosure specific proprietary information.
3. 2013 and 2018 are projected figures.

Table I
Friedman Memorial Airport Redevelopment
State of Idaho
1997-2017 Taxable Sales Actual-Projected (000s)

TYPE OF BUSINESS	1997	2002	2007	2012 [3]	2017
Total Retail Sales	$11,649,609	$13,540,952	$20,526,631	$22,154,906	$25,066,243
Auto Sales	$3,357,418	$3,795,004	$5,269,581	$5,687,590	$6,434,986
	29%	28%	26%	26%	26%
Retail Less Auto Sales	$8,292,191	$9,745,948	$15,257,050	$16,467,316	$18,631,257
	71%	72%	74%	74%	74%
Total Non-Auto Retail Sales	$8,292,191	$9,745,948	$15,257,050	$16,467,316	$18,631,257
	100%	100%	100%	100%	100%
General Merchandise	$1,529,783	$2,320,385	$3,571,870	$3,855,210	$4,361,814
	13%	24%	23%	17%	17%
Apparel Stores	$362,331	$392,020	$556,777	$629,942	$712,722
	3%	4%	4%	3%	3%
Home Furnishings	$562,963	$684,845	$1,049,247	$1,132,478	$1,281,295
	5%	7%	7%	5%	5%
Other Stores	$690,369	$847,286	$1,078,824	$1,220,590	$1,380,986
	$3,145,446	$4,244,536	$6,256,718	$6,838,218	$7,736,816
TOTAL GAFO	38%	44%	41%	42%	42%
	$1,388,811	$1,460,453	$2,072,089	$2,236,457	$2,530,346
Hardware	12%	15%	10%	10%	10%
	$1,806,580	$1,881,224	$2,437,719	$2,631,091	$2,976,838
Food Stores	16%	19%	12%	12%	12%
	$263,377	$446,559	$683,727	$737,963	$834,937
Drug Stores	2%	5%	3%	3%	3%
	$1,086,046	$1,398,475	$2,653,858	$2,864,375	$3,240,777
Gas Stations	9%	14%	13%	13%	13%
	$601,931	$314,701	$1,152,939	$1,214,044	$1,373,579
Non-store Retailers	5%	3%	6%	5%	5%
	$8,292,191	$9,745,948	$15,257,050	$16,522,148	$18,693,294
TOTAL RETAIL	100%	100%	100%	100%	100%
% of State	100%	100%	100%	100%	100%
% of County	100%	100%	100%	100%	100%

Source: Village Solutions Company and Idaho Tax Commission

Table J
Friedman Memorial Airport Redevelopment
Idaho, Blaine County, & Hailey
2007 Census of Retail Trade Comparison

	National 2007	Idaho 2007	Blaine County 2007	Hailey 2007
TOTAL RETAIL SALES	$3,917,663,456	$20,526,631	$356,031	$128,949
Auto Sales	$891,036,746	$5,269,581	$49,178	$44,867
% of total sales	23%	26%	14%	35%
TOTAL NON-AUTO SALES	$3,026,626,710	$15,257,050	$306,853	$84,082
	77%	74%	86%	65%
TOTAL Non-Auto RETAIL SALES	$3,026,626,710	$15,257,050	$306,853	$84,082
	100%	100%	100%	100%
GAFO	$1,195,132,981	$6,256,718	$115,274	$31,590
	39%	41%	38%	38%
Drug & Health/Beauty	$234,026,783	$683,727	$12,054	$3,304
%	8%	4%	4%	4%
Food & Beverage Stores	$539,207,574	$2,437,719	$77,092	$21,021
%	18%	16%	25%	25%
Home Improvement	$318,320,271	$2,072,089	$54,043	$14,229
%	11%	14%	18%	17%
Gas Station	$450,413,061	$2,653,858	$43,119	$11,771
%	15%	17%	14%	14%
Non-Store Retail	$289,526,040	$1,152,939	$5,271	$1,682
	10%	8%	2%	2%
TOTAL NON-AUTO SALES	$3,026,626,710	$15,257,050	$306,853	$84,082
	100%	100%	100%	100%

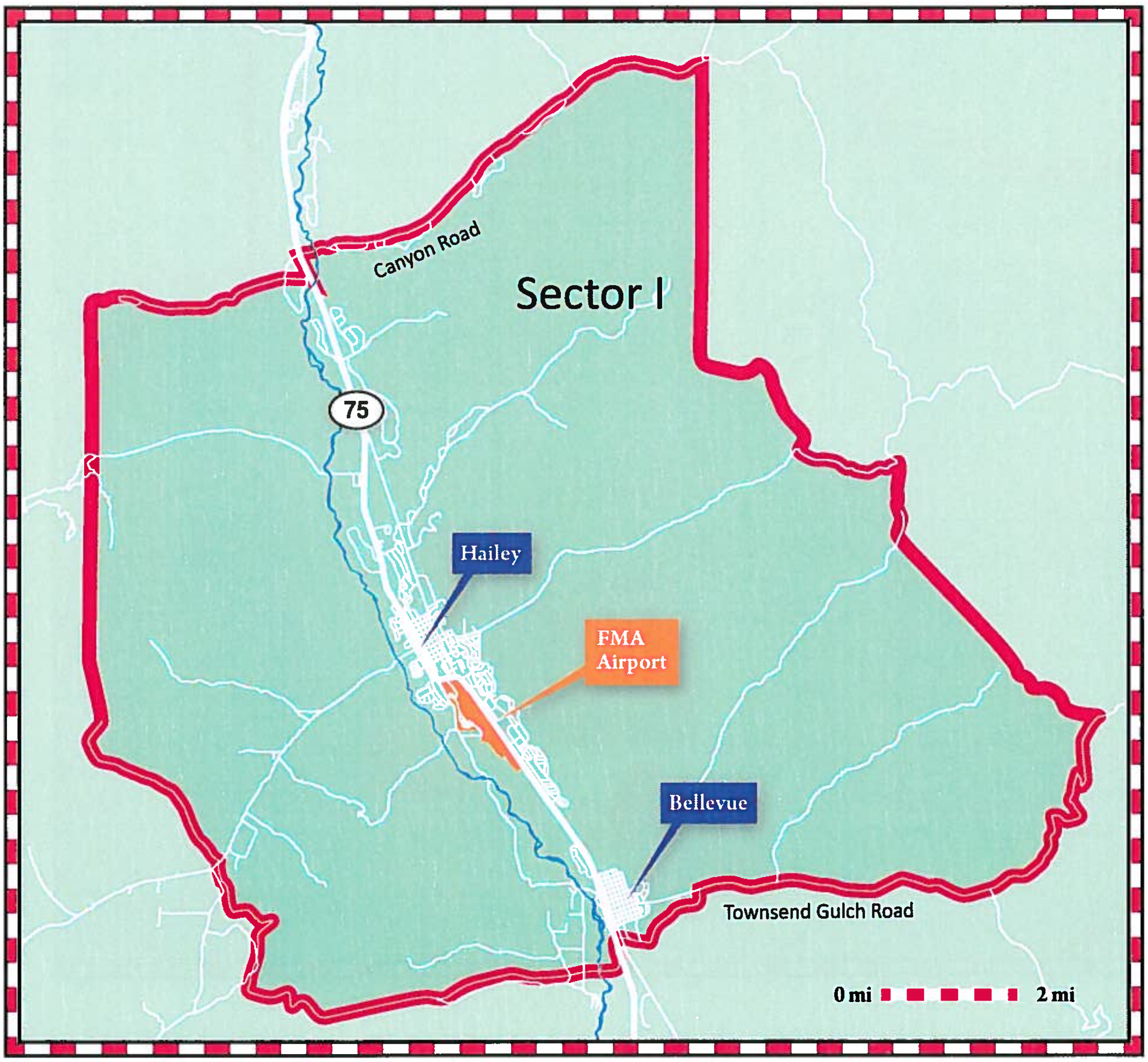
Table K
Friedman Memorial Airport Redevelopment
Surrounding State Comparison
2007 Census of Retail Trade

	IDAHO	WASHINGTON	OREGON	NEVADA	UTAH	MONTANA
TOTAL RETAIL SALES	$20,526,631	$92,968,519	$50,370,919	$37,433,983	$36,574,240	$14,686,854
Auto Sales	$5,269,581	$18,902,433	$11,340,267	$9,013,835	$8,940,382	$3,430,721
% of total sales	26%	20%	23%	24%	24%	23%
TOTAL NON-AUTO SALES	$15,257,050	$74,066,086	$39,030,652	$28,420,148	$27,633,858	$11,256,133
	74%	80%	77%	76%	76%	77%
TOTAL Non-Auto RETAIL SALES	$15,257,050	$74,066,086	$39,030,652	$28,420,148	$27,633,858	$11,256,133
	100%	100%	100%	100%	100%	100%
GAFO	$6,256,718	$28,596,480	$17,431,583	$12,970,422	$11,588,969	$4,513,680
	41%	39%	45%	46%	42%	40%
Drug & Health/Beauty	$683,727	$3,681,710	$1,597,832	$1,695,479	$911,923	$397,784
%	4%	5%	4%	6%	3%	4%
Food & Beverage Stores	$2,437,719	$14,174,778	$8,162,736	$4,979,058	$4,340,329	$1,777,325
%	16%	19%	21%	18%	16%	16%
Home Improvement	$2,072,089	$7,508,048	$4,425,423	$2,385,068	$3,096,141	$1,880,574
%	14%	10%	11%	8%	11%	17%
Gas Station	$2,653,858	$7,448,282	$4,607,569	$3,956,144	$4,050,576	$2,372,030
%	17%	10%	12%	14%	15%	21%
Non-Store Retail	$1,152,939	$12,656,788	$2,805,509	$2,433,977	$3,645,920	$314,740
	8%	17%	7%	9%	13%	3%
TOTAL NON-AUTO SALES	$15,257,050	$74,066,086	$39,030,652	$28,420,148	$27,633,858	$11,256,133
	100%	100%	100%	100%	100%	100%

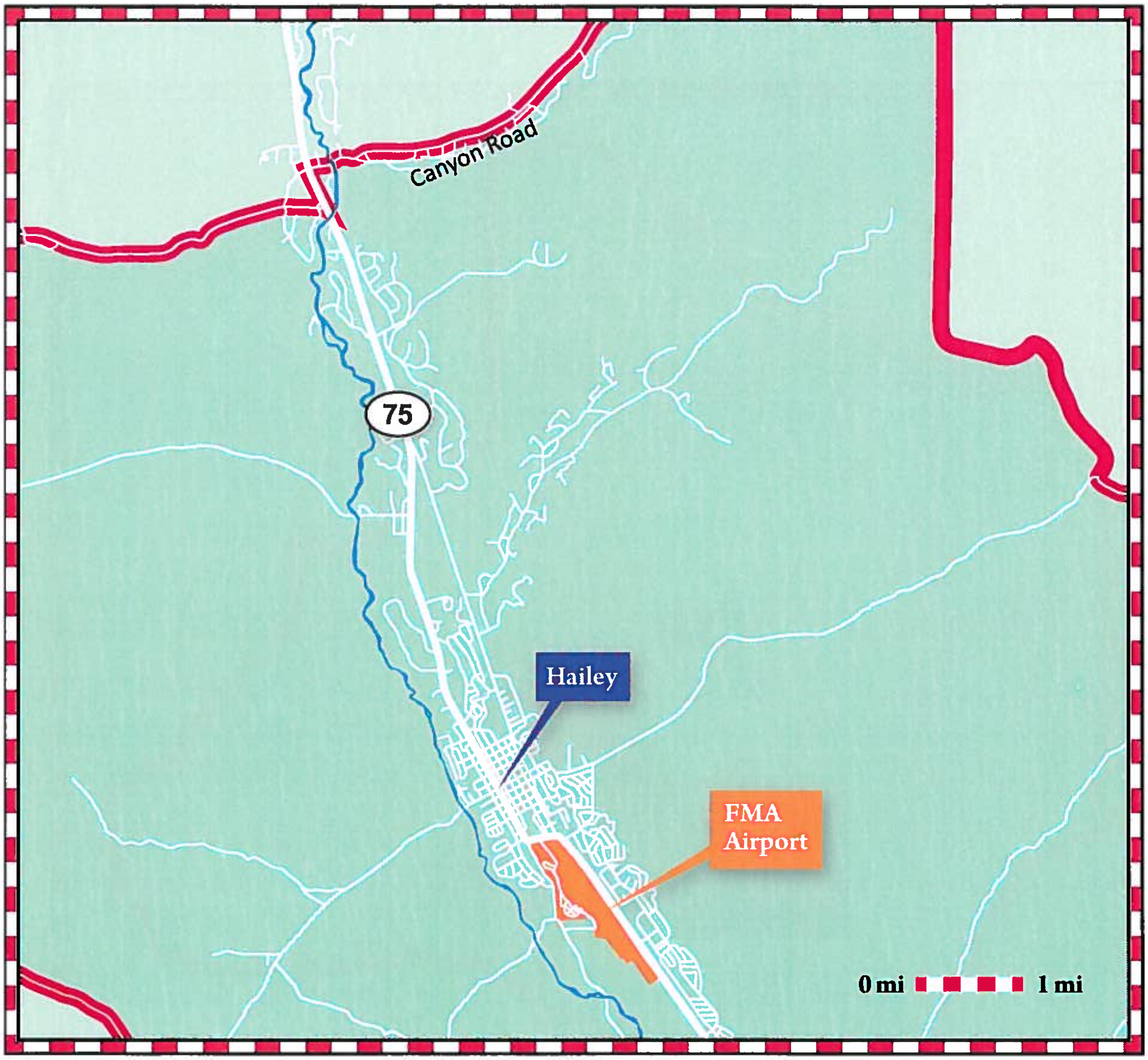
Friedman Memorial Airport Redevelopment Area Map

Friedman Memorial Airport Redevelopment
Idaho State Map

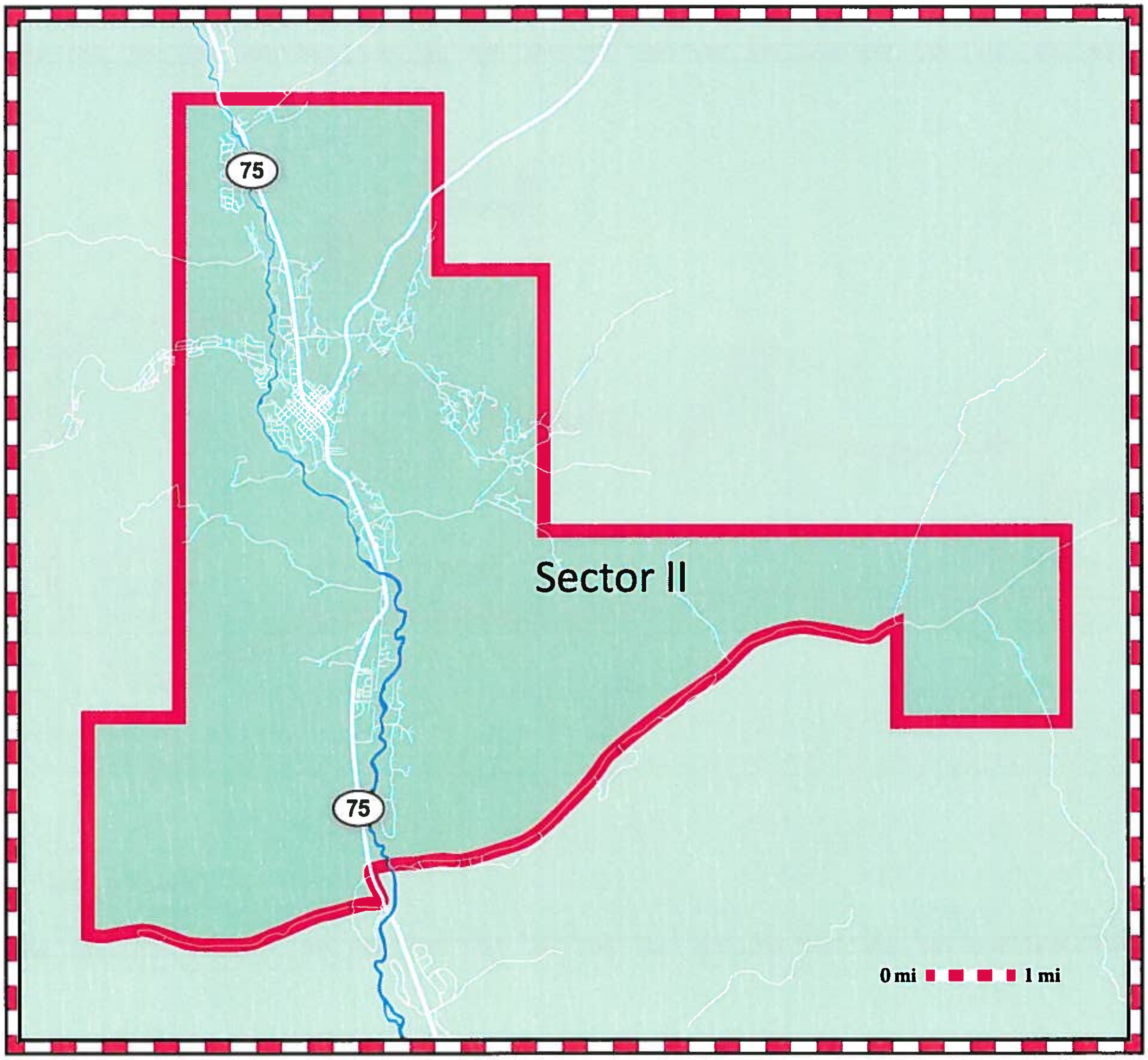
Friedman Memorial Airport Redevelopment
Sector I - Area Map



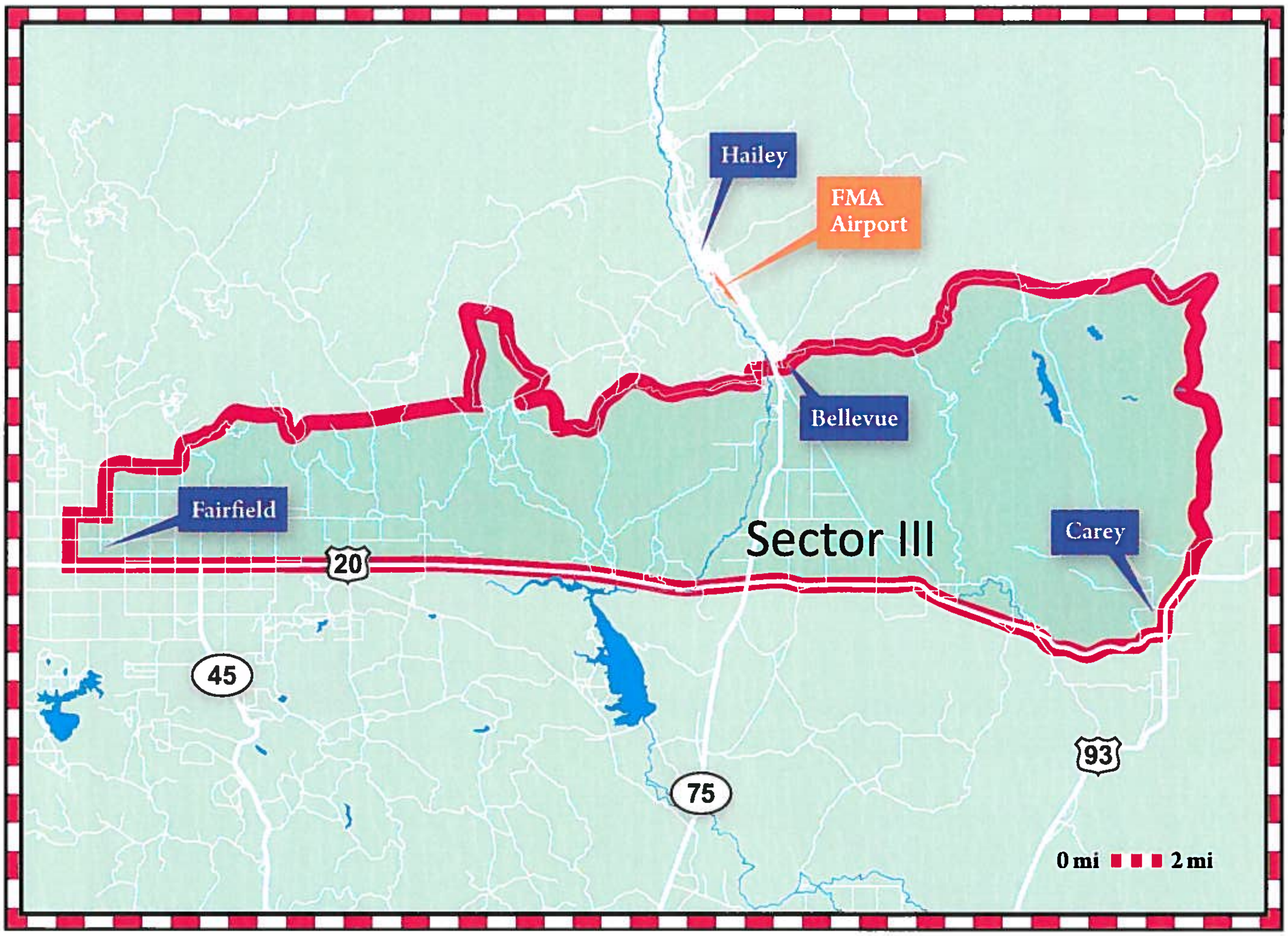
Friedman Memorial Airport Redevelopment
Sector I - Expanded View



Friedman Memorial Airport Redevelopment
Sector II - North Area Map



Friedman Memorial Airport Redevelopment
Sector III - South Area Map



The primary objective of this report is to develop a plan to maximize the proceeds from the sale of the land currently occupied by the Friedman Memorial Airport.

Friedman Memorial Airport

Redevelopment Plan and Feasibility Analysis

Potential Use Scenarios

Introduction

The primary objective of this report is to develop a plan to maximize the proceeds from the sale of the land currently occupied by the Friedman Memorial Airport located in Hailey Idaho. Based on the research conducted for this report, a number of development scenarios were explored. Outlined below is a description of the various development opportunities considered.

Overview

Based on the market research for the redevelopment of the Friedman Memorial Airport site, a number of potential uses were considered. These redevelopment scenarios allowed the market research to be appropriately focused. More specifically, the notion of a national laboratory spin-off, a business park, research facility, higher learning institute, large format retail center, community center with civic functions, medical center, and limited office and residential space were considered. Final use recommendations are presented in the Final Recommendations section of this report.

Outlined below is a more detailed look at each of the preliminary redevelopment scenarios.

To develop the scenarios and allocate portions of the site to each, approximately, 25% of the entire site has been set aside to streets, sidewalks, setbacks and open space. This equates to 41.6 acres or 1,812,096 square feet and leaves approximately 168 acres to allocate land uses.

11. Research Facility

Under this scenario, a new research facility would be developed. One possibility is a center in connection with the Idaho National Laboratory (INL) which consists of an 890-square-mile area in south eastern Idaho typically referred to as the "site," along with

laboratories and administrative buildings located approximately 30 miles east in Idaho Falls.

Other comparable projects include Oak Ridge National Laboratory located outside of Knoxville, Tennessee, and the Livermore Laboratory located outside of Oakland, California.

In addition to an energy related research center, a sustainability research center including agriculture and alternative energy sources should be considered. Eastern Idaho is already seeing a growth in solar, wind and hydroelectric energy producers and their affiliated organizations. In January 2011, the College of Southern Idaho in Twin Falls, received a $4.4 million grant to buy a 29,600 square foot green energy building that will house wind energy and environmental technology classes.

Examples of agriculture centers include the Henry A. Wallace Beltsville Agriculture Research Center located in Beltsville, MD which is a unit of the United States Department of Agriculture; The Eastern Oregon Agriculture Research Center; and Ohio Agriculture Research and Development Center.

12. Business Park

Hailey is home to a number of major national firms which are forward thinking, unique and creative. As these firms grow, so will Hailey. Examples include Marketron, one of the leading media research firms in the U.S. with approximately 120 employees; Rocky Mountain Hardware with 60-80 employees; and Power Engineers with 300 employees.

13. Institute

Under this scenario an international non-profit destination would be created. This type of facility would be dedicated to fostering leadership and open dialogue for a variety of current issues through seminars, policy programs, conferences and leadership training. One of the leaders in this category is the Aspen Institute. A comparable institute operating in Hailey could be marketed under the name, Sun Valley Institute. This type of facility would require a hotel, conference center, restaurant and catering facility.

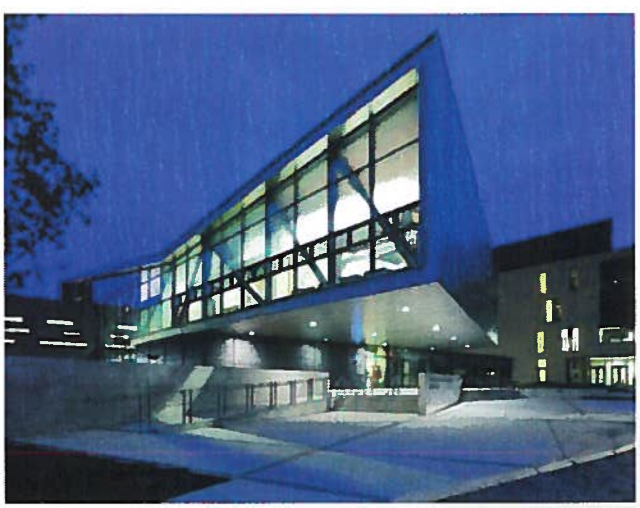
The institute could also host corporate retreats or functions similar to The Allen & Company Sun Valley Conference which is an annual conference hosted and wholly independently funded by private investment firm Allen & Company. The conference has taken place in Sun Valley, Idaho for one week each July since 1983. The conference typically features business leaders, political figures, and major figures in the philanthropic and cultural spheres.

In planning, the following were considered: 200 rooms, a 5,000 square foot restaurant

and a 3,000 square foot kitchen and a large ball room of 10,000 square feet. Additional meeting rooms included two rooms of 2,500 square feet and 4 rooms of 1,250 square feet.

14. Large Format Retail Center

A large format retail center would consist of a Walmart or Target of 120,000 square feet each with room for a 20,000 square foot expansion; and a Lowe's or Home Depot of 80,000 square feet with an additional 20,000 square feet of space for an outdoor garden center. Development of these uses would require 22 acres of land plus additional land for buffers and set back to conform to a community acceptable aesthetic.



15. Community and Civic Uses

Under this scenario, civic uses such as a new police department, fire station, or public works department buildings or facilities; new community center such as a YMCA; and a new library branch would be created. Relocating the main library, City Hall and County Services was not considered in this scenario due to the activity these uses bring to downtown Hailey which is important to the long term viability of downtown.

16. University

This suggestion calls for a full scale college campus which could be associated with BYU, Weber State, or Boise State. In this scenario the redeveloped airport becomes a campus with dormitories, class rooms, athletic fields and a major academic library.

The College of Southern Idaho, a community college based in Twin Falls, currently operates an off-campus outreach center in Hailey. This facility could be relocated to the FMA site and expanded.

17. Medical

While medical facilities and especially medical research are not major industries in Blaine County, some consideration should be given to this industry. Comparable projects include Howard Hughes Medical Institute's Janelia Farm Research Campus in Ashburn, Virginia in Northern Virginia and the Torrey Pines Institute for Molecular Studies which

recently opened a satellite branch in Port St. Lucie, Florida.

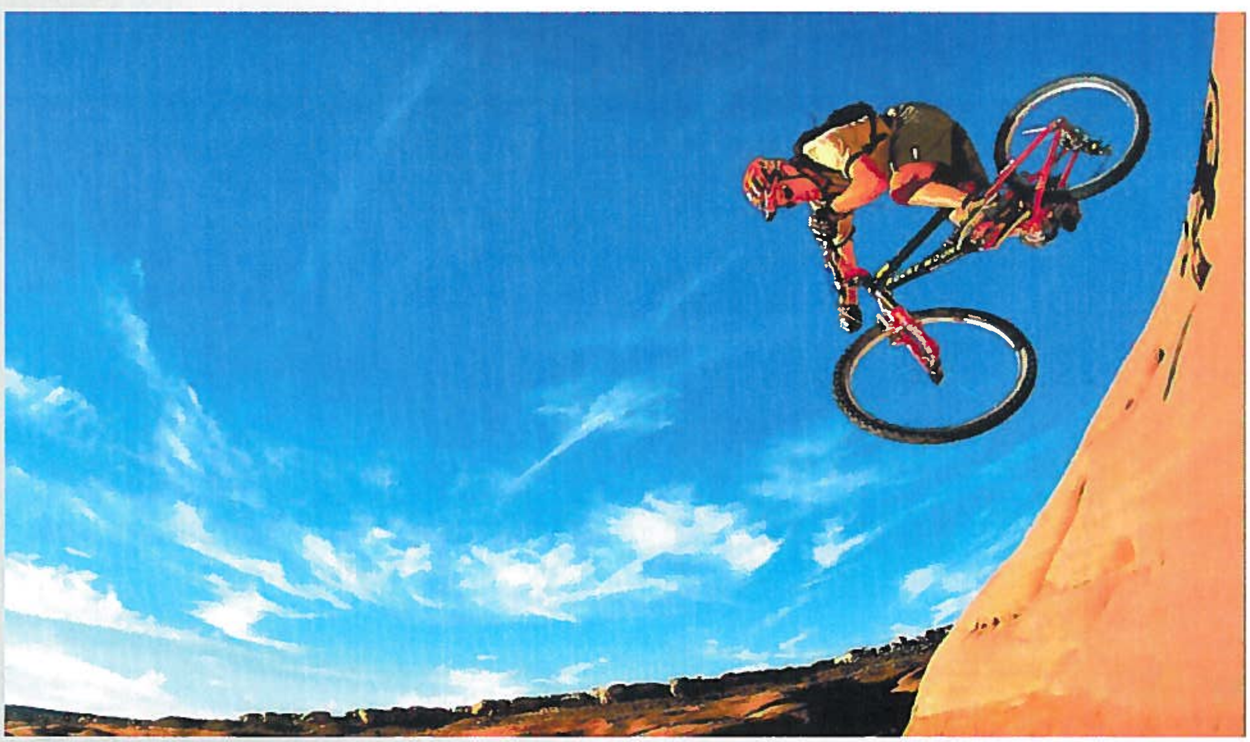
18. Performing Arts Center

While the Sun Valley Pavilion is located nearby, Hailey has the opportunity to create a dynamic arts center of its own on the FMA site. In this scenario, the site would become the summer home of an orchestra, opera, or ballet. In addition, the arts center would host music festivals, performing art classes, retreats for professional performing art organizations, and offer an artist in residence program for working artists. Artist-in-residence programs allow visiting artists to work on a singular focus of their art practice. Comparable locations include Ravinia in Northbrook, IL; Tanglewood in Western Massachusetts which serves as the summer home to the Boston Orchestra Symphony; and Steep Rock which is an artist in residence facility in Washington, CT.

19. Sports Complex

There are several options under this scenario. The FMA site could serve as a training center or recreational sports center. Hailey is surrounded by the Sawtooth National Forest which makes it an ideal setting as an outdoor sports base. Hiking, biking, skiing, snowboarding, BMX riding, skateboarding, horseback riding, fishing, ice skating and river activities are all activities that could operate out of the sports complex. Additionally, the complex could serve as a training center for professional athletes in BMX, skateboarding, mountain biking, and snowboarding. This may tie in with the Hailey Rodeo located near the north end of the site.

Other sports use includes a gym that offers classes for all ages in gymnastics, and a facility for cheerleading, martial arts, dance,



swimming, basketball, and soccer all in one centralized location. This recreational sports complex would serve all of Blaine County.

20. Single Family Homes

There is a current need for 2,150 residential units in Blaine County. Assuming a distribution that allocates 60% to single family homes, there is a need for 1,290 single family homes. However, while the residential market in Blaine County is currently depressed, the demand for housing in the $140,000 to $220,000 range is still present.

21. Multi-family Homes

There are very few quality multi-family developments located in Blaine County. There are a total of 499 apartment units in Blaine County and 45 are fair market rate units.

22. **School**

A variety of school concepts should be considered for the FMA site. Examples would include a cooking school by Johnson & Wales or the Culinary Institute of America, a trade or craftsmen school working in bronze and other metals.

The FMA Public Workshops were designed to create a shared vision of a redeveloped airport site that met community standards.

Friedman Memorial Airport

Redevelopment Plan and Feasibility Analysis

Public Workshops

Purpose

This section summarizes the ideas and comments of the community generated from the series of Public Workshops conducted in Hailey, Idaho from February 15, 2011 through February 17, 2011. The intent of the Public Workshops was to engage members of various stakeholder groups and the general public in an interactive format in which the initial findings, issues and concerns related to the proposed redevelopment of the Friedman Memorial Airport site were presented.

All three workshops had the same format. Attendees were given a list of key issues that represented core questions central to the community's interests and views. Groups were formed to address each of the respective questions and report their conclusions to the entire audience. An open forum for questions and discussions concluded each workshop. A compendium of notes that recorded input from each workshop can be found by visiting the FMA website at flysvra.com

The following is a list of the Public Workshop discussion questions followed by a summary of the ideas and comments generated by the community from the workshops.

Workshop Discussion Questions

1. How would the Hailey Community respond to the idea of a large format retail store at the FMA site, such as Lowes and/or Target, but without groceries? If the large format stores were sensitively developed with ample landscaping and limited visibility from Highway 75, would that change your opinion?
2. If moderate income housing had a market in Hailey area within the next 10 year, would the Hailey community be receptive to this land use on the redeveloped FMA site?
3. If the City of Hailey determined that it needed a new police station, library or other civic facility, would the community rather see these facilities located downtown or at the FMA site?
4. How much passive and active open space do you think would be appropriate at the FMA site?
5. What would you like to see at the FMA site once it is developed?
6. How interested is the Hailey Community in capturing residential housing for the active work force that currently lives outside the Wood River Valley?

7. What relationship should the redeveloped FMA site have to downtown Hailey?
8. How could the FMA site redevelopment plan integrate with the City of Hailey community?
9. Are the goals for the airport's redevelopment the right goals?
10. What other types of land uses should be considered on the redeveloped FMA site that have not been listed to date?

Community Generated "Potential Uses" for the FMA Site and Comments

Many ideas and comments evolved out of the workshops. A summary of the potential uses for the site generated by the community is outlined below.

Artist District
A combination of studios, housing, and support facilities.

Athletic Center
Reuse existing on-site hangar structures. Convert airplane hanger to an indoor rock climbing facility.

Athletic Fields
Consider the future needs of soccer and baseball fields.

Campground
KOA style campground to support potential RV Park , Hailey Rodeo Park events, Nelson Ballfields, and planned active playing fields for FMA site.

College Campus
Albertson's, BYU, Boise State, College of Southern Idaho (CSI), University of Idaho, Weber State.

Commercial – Large Format Retail
Market may be too small. Assume potential tenants to be Lowes, Target, D&B Supply. Locate at the center of FMA to encourage vibrant adjacencies. This should avoid a large format type retail from becoming only a "destination" shopping entity. Typical aesthetic of large format retail is not acceptable, particularly at south end (Gateway location) for Hailey. The Albertson's located at the north end of Hailey is good example for discussion.

Commercial – Light Industrial
Market currently has limited space for light industrial manufacturing.

Commercial - Live Work Space
Living space above retail shops.

Commercial - Small Commercial Node
Small commercial node at the north side of the development. Also consider south end location to provide services for adjacent residential neighborhoods to the east and west. Recruit businesses that do not overlap large format retail if that becomes potential use.

Commercial – Convenience Store
Small convenience store located at south end of FMA site.

Community Gardens
Gardens could be used in interpretive, educational, or food producing capacities. The Hunger Coalition currently manages a small garden adjacent to the County Courthouse for similar purposes. There could be possible synergies with Culinary School development.

Corporate Headquarters
Consider Smith Optics, Scott USA, Marketron, etc. as models.

Culinary School
95 restaurants are located in Blaine County. Consider Johnson & Wales and Culinary Institute of America.

Dance School
Dance schools are currently operating in Central South Idaho community college.

Educational Center
Trade school to develop talent for bronze industry such as Rocky Mountain hardware.

Gateway Element
Potential gateway structure, signage, or facility on the FMA site.

Golf Course
Develop Golf course or other such amenity as part of open space and water reclamation strategy. Green Space amenity could also serve to attract development entities.

Hospital – Expanded St. Luke's
Existing St. Luke's clinic is located on the northwest side of the airport.

Hotel & Convention Center
Current hotel occupancy is running at 49%. Accommodations sales down 26% between 2008-2009.

Housing – Dormitory
Very limited housing for young adults coming to Blaine County.

Housing - Manufactured Home Development

Housing - Senior Residential – 1 Bedroom Bungalows
Senior housing makes up a part of the current housing shortage in Blaine County.

Housing – Senior Center, Assisted Living
Use FMA site for the Blaine Manor relocation, and not proposed Croy Canyon location . This will encourage the senior population to remain engage and integrated into the community.

Housing – Workforce
17% of Blaine County residents, over 2500 people drive into Blaine County for work. High percentage would be candidates for housing near their work. Blaine County Housing Authority currently has approximately 100 applicants on file for deed restricted housing.

Housing-High Density
Apartments and lower priced single family homes. Home units priced from $140,000 to $280,000. These units would help support the employee housing needs of new development uses such as educational and research. This housing type could also support young athletes that are living in the area to train and develop their talent.

Idaho National Laboratory
Large National Laboratory with U.S. Department of Defense and U.S. Department of Energy.

Infrastructure
City of Hailey infrastructure issues and opportunities could be addressed onsite.

Institute
Aspen Institute is the model. Consider connection with the name Sun Valley.

Library
Create a branch facility to Hailey Public Library located downtown. Potential dovetail use with educational, research, and institutional uses.

Light Industrial
Could include businesses connected to Rocky Mountain Hardware.

Military Rehab Center
Develop military rehab center in conjunction with skiing and knee replacement center.

Mixed-use Neighborhood
Mix of uses to include residential, neighborhood serving retail, institutional uses, and research facilities. MIT has developed a similar concept.

Multi Modal Center

To include car, bikes, pedestrian and bus. Facility could include a variety of services for users such as food vending, restrooms, showers, bike storage, etc.

Open Space
Plan and develop open space with direct adjacencies to a variety of uses (campus quadrangle approach) to provide vibrancy throughout the day and seasons. What relationship might open space for the FMA site have with the Downtown core area and other Hailey open space locations?

Park & Ride
How can this opportunity serve needs within Hailey, the entire Wood River Valley, and a potential Replacement Airport site? Consider synergy with Mass Transit / Multi-Modal Hub.

Parking Facility
A parking facility could accommodate an array of regular and seasonal needs including overflow parking for events held at the Hailey Rodeo Park.

Police Station
A larger, updated Police Station is needed for the City. While it was noted that City Hall needs to remain located in the Downtown core, the Police Station may be appropriate on the FMA site due to proximity to the Blaine County detention facility.

Post Office
Existing Post Office is currently located adjacent to the north end of the FMA site at the corner of Airport Way and Main Street.

Recording Studio, film, video, and music
Convert airplane hanger into studio space.

Research Center
Research facilities for sustainable technology and design.

RV Park
The Wood River Valley has virtually no parking space for over night stays for recreational vehicles. Hailey currently loses significant business revenues to national and regional RV travelers and tourists.

Show Rooms
Develop similar showrooms to Rocky Mountain Hardware.

Snow Storage
Use FMA site to relieve snow storage stress on environmentally sensitive areas currently used directly adjacent to the Big Wood River.

Swimming Pool
Indoor swimming currently located at YMCA and Zynergy Health Club in Ketchum.

Trails
FMA site should provide bicycle and pedestrian connections to all existing adjacent developments.

Transit Hub
A transit hub facility would encourage multi-modal circulation on-site and in the downtown core as well as provide support for park and ride, overflow parking, and other related uses.

UPS Distribution Center
Currently located on River Street in Downtown Hailey.

Community Generated "Design Recommendations" and Comments

In addition to land uses, the community suggested a wide range of design recommendations and comments which include the following:

- Site should accommodate a combination of community, rental, and ownership type housing opportunities.
- Redevelopment Planning should carefully consider the opportunity for re-use of existing structures.
- Redevelopment Planning and subsequent Zoning Ordinances should establish a guarantee of a cohesive aesthetic for the site.
- Research opportunities for funding improvements to the HWY 75 Sawtooth Scenic Byway on the FMA site side as well as the east side of the highway.
- Consider opportunities for FMA site to resolve infrastructure issues in the City of Hailey; surface and subsurface runoff and reclamation issues, for example.
- Minimize energy use by positioning streets, open space / vegetation, and buildings to capture the effects of seasonal solar orientation and shading. Consider options for onsite renewable energy generation and coordination with potential Research Center.
- Revenue Leakage from the community occurs when residents travel south to the Twin Falls and Boise areas to purchase goods at large format retail entities. How can the community capture those revenues and mitigate leakage?
- Retail opportunities should be broken up into smaller pieces. Avoid large format retail if the result is significant structures that cannot be reprogrammed or reconstituted easily.
- Pedestrian and Bicycle trail corridors should be developed to connect and integrate the FMA site to existing residential / light industrial development to the east and west and the Downtown core area to the north.
- Develop visual, identifiable boundary at south end of FMA site to distinguish Hailey from Bellevue.
- Consider potential uses that self-generate other support uses.
- What impact will new development on the FMA site have on existing City of Hailey infrastructure? Will Planning for the site include solutions for potential impacts?
- Development on the FMA site has an oppor-

tunity to significantly diversify the job base in the Valley.

- Provide "Open Framework" Plan that can support uses that haven't come to surface yet.
- Be careful not to quickly turn back on existing development along Airport Way. There is potential for integration of uses between the FMA site and the existing development on Airport Way.
- There is an assumption that all commuters that work here want to live here. They all don't. Some want to live near family and/or have a larger parcel of land.
- The FMA site should not be thought of as an island development. Allow connectivity issues and challenges to site from adjacent areas to be the primary driver of planning effort. Allow the City to grow into the FMA site.
- Due to the site's proximity to Hailey's downtown and the existing development adjacencies, the long term sustainability and flexibility of planned community uses should be carefully considered.
- Development for short term revenues may run contrary to the long term interests of the community.

Community Generated "Development Phasing" Comments

Other comments generated by the community related to development phasing can be summarized as follows:

- Reseed and install irrigation for temporary use as crop producing ranch area.
- Reseed and install irrigation for maintenance of verdant, attractive appearance for potential development entities.
- Develop Golf Course on existing site. Possibly re-use existing terminal for Clubhouse and other structures for maintenance and support facilities.
- Maintain General Aviation small aircraft operations at existing FMA site after proposed Replacement Airport is complete and operational.
- Provide temporary overflow surface parking for Hailey Rodeo Park events and other park and ride opportunity.

The merchandising of the existing FMA site requires the creation of an optimum mix of appropriate uses.

Friedman Memorial Airport

Redevelopment Plan and Feasibility Analysis

Merchandising Strategy

Overview

The merchandising or sale of the existing FMA site requires the creation of an optimum mix of appropriate uses that complement each other and do not over compete with existing uses in Hailey and the Wood River Valley. The merchandising strategy calls for a small retail "village" to be located at the northern portion of the developed and at the intersection of Main Street (Highway 75), Third Street and Fox Acres Road. Additionally, several large format retail uses have been considered on the most southern portion of the development on Parcel # 16. These large format uses would be 40,000 square feet or less.

With this background and the analysis of the previously produced market research, a merchandising plan for the FMA site was created based on five underlying assumptions as follows:

1. To fully utilize all of the land on the FMA site, a variety of uses new to the market will be required to occupy the site. Examples include a research center, educational facilities, an upscale hotel and a convention center.
2. A limited amount of retail is planned for the development. Such retail will consist of a number of small shops located on the most northern parcel of the FMA site, as previously discussed, several large format retail establishments are recommended for the south end of the FMA property.
3. Decisions by a consumer to shop specific locations are generally based on the number of stores in the preferred shopping location that appeal to their specific lifestyle and product needs. By carefully integrating retail on the north side of the property with Main Street a more complete and whole Main Street can be created.
4. Retail gravity models prove that shoppers will travel further to a larger mass or greater choice in shopping, dining and entertainment opportunities than a smaller mass located closer to the point of origination. Consequently, the addition of new retail on the FMA site will reduce shopping trips to outside of the market.
5. Assuming all factors being equal in terms of overall merchant mix, choice in specific categories and convenience, consumers will travel the shortest distance to shop, dine and to be entertained.

Having stated the above, it is important to realize that different merchandising strategies will be required to penetrate more than one consumer segment, and to answer the need for additional uses. The ability to successfully carryout multiple merchandising strategies on the FMA site will be largely dependent on the overall size of the development. It is, therefore, critical to understand that the square footage and number of shops devoted to each category - relative to the strength of shops in the same categories in competing projects, will determine which center is shopped by the majority of consumers. Stated in other terms, larger shopping areas such as Twin Falls have a greater potential to capture the largest overall market share with a diverse merchant mix. Conversely, a smaller concentration of retail on the FMA site has a greater opportunity for success with a more focused merchant mix.

Therefore, the strategy for the FMA site is to formulate an optimum presentation of a campus like environment that meets the mass and choice requirements for potential uses. Additionally, both small shop retail space and large format retail uses are planned for the FMA site in order to offer a critical mass of shopping options for the Wood River Valley consumer.

With this introduction, the merchandising strategy defines the overall merchandising process engaged for the FMA site. It then describes the recommended market position of the development and the reasoning for such position and concludes proposed with uses for the site.

Merchandising Process

To begin the merchandising process, a preliminary merchandising plan was first created in a six step process as outlined below:

STEP ONE: The first step in creating the merchandising plan for the FMA site was an analysis of the uses and merchants located in the downtowns of Hailey and Ketchum. Next, a list of potential new uses was developed based on the market research.

STEP TWO: In step two the broad retail and use categories recommended in step one were compared to the strength of competitive projects and districts. The most important result of this step was to obtain a clear understanding of the strengths and weaknesses of the merchant mix of nearby developments. The conclusions of this step determine:

- The competitive structure of nearby developments.
- Consumer buying characteristics of the market based on demonstrated patronage patterns.
- Supplementary merchants for FMA site which may better serve the target consumer than other choices in the market.
- Complementary merchants to those already located in the market.
- A conclusion of retail voids in the market.

STEP THREE: In step three the information derived from the previous steps were carefully studied and compared to create a broad merchandising strategy for the FMA site.

STEP FOUR: In this step the overall "composition" of the FMA site began to take shape. To create the product of this step, access to the site, site plan, building plan and the need for open space and common areas were studied. Based on this review, the recommended uses were placed on the site plan in bubble diagram forms. This step achieved the following objective.

- Various zones and districts were located which were deemed as the preferred location for compatible uses.
- The locations of major uses were then identified on the master plan in a manner that created a focal point for each zone or district.
- Next, the potential locations of project defining and or signature uses were identified on the plan.
- Finally, the "continuity" of uses was established by identifying potential locations for like establishments.

STEP FIVE: Step five balanced the ideal mix of uses for the plan with the economic reality of the marketplace and requirement to maximize land values at the FMA site while still meeting the needs of the community and target patrons. The highlights of this step are as follows:

- The building footprints, market land sales comps and rent potential of the site were re-examined in order to match recommended sizes of uses with the framework plan.
- The overall placement, number and size of spaces were refined to maximize land values.

STEP SIX: This final step formalized the merchandising plan by filtering and distilling all of the information and data of the previous five steps in order to create a balanced and holistic merchandising plan for the FMA site.

Market Research Implications

As previously stated, a comprehensive review of the potential trade area and target uses for the FMA site was conducted in order to construct the recommended merchant mix as further defined in the following sections. Outlined below is a brief summary of the major conclusions that shaped the final refinement of the proposed mix of uses for FMA site.

Target Consumers – Any retail on the FMA site cannot satisfy all needs of all people nor can it cater to those consumers that do not have the greatest potential spending power.

The cost of the proposed development will require a sales level substantially above the market in order to support the required rents. These rents can only be achieved by attracting to the FMA site consumers from both within and outside the trade area, with per capita incomes higher than the market average. Higher income consumers generate a disproportionate share of all retail sales. This position is supported by data derived from the Survey of Consumer Buying conducted by the US Department of Commerce.

Unrealized Sales Potential – The Primary Trade Area has significant leakage of sales to areas outside of the market.

Retail in the Primary Market has not changed at the same pace of the demographics of the market as the trade area has experienced significant growth in higher income households.

The Wood River Valley Consumer – Hailey and Ketchum form a unique market with very compelling demographics and consumer buying trends that are highly favorable for the proposed merchandising direction of the development.

Major Merchandising Considerations

Major points of consideration relative to the merchandising of FMA site have been described below.

- Hailey/Ketchum/Sun Valley is an internationally known destination. To build on this dominant branding opportunity, the mix of uses and the architecture must build on the spirit and culture of outdoor adventure sports and the essence of an historic mountain "village".
- The FMA site cannot meet the needs of all people. The market is too small to offer a broad mix of merchants.
- The merchant mix for the north "village" portion of the development must be focused in a limited number of categories and those classifications must be linked with a common point of view. A critical mass of like merchants will provide a compelling reason to shop or dine at the FMA site for target consumer groups.
- To maximize the sales of the project, the following strategies must be incorporated into the merchandising plan.
    - Anchor and sub anchors must be limited as a percent of the project's total square footage.
    - Anchor stores must be placed in locations to pull shopper traffic through the project.
    - Strategic locations in the project such as corners at major intersection must be divided into multiple small spaces to realize higher land values.
    - Major restaurants must be grouped to serve as a combined anchor.
- To support the required rents, a large number of very high margin shops must be planned

into the merchant mix. Examples include:

- Quick serve cafes
- Logo and project signature shops
- Gift and impulse shops
- One of kind shops offering products unique to the Wood River Valley.
- High margin items, such as table top gifts, personal care products, and costume jewelry.

Crafting The Marketplace

While market research and economic analysis provides valuable insight that assist in the creation of an ideal mix of uses, it is important to realize that development of the FMA site must also be approached in a manner that carefully crafts a marketplace in a highly creative manner consistent with the mountain environment and one that does not appear to the target end users as a formula driven corporate real estate development. Having stated the above, the following sections outline the proposed components of the FMA site's redevelopment. In brief, the project should be organized along streets, districts, and zones as further described below.

Overall Design

The street level design of the FMA site must be appropriate, and foremost, right for the core consumer, research institutions and business users. In this context, an authentic place that evokes the essence of a contemporary mountain "village" with evolving and unfolding vistas should be created. The "village" center at the north end of the property should be filled with creative signs, water, landscaping and lights while many other aspects of the design should be sublime allowing the merchants, their storefronts and displays to tell a story. Other portions of the development should be more tightly compacted and present a more intimate aspect of the overall development.

Merchandising Summary

The merchandising of the FMA site must demonstrate a complete and total understanding of the needs and values of the target customers by responding with a highly personalized approach. In essence, the FMA site must lead in exhibiting that the project shares the values of its target market and must stand for more than just products they sell. People will respond to an approach that taps into a meaningful connection.

The proposed retail portion of the FMA site campus will consist of approximately 120,000 square feet of large format retail located in three buildings and 40,000 square foot of supporting retail all located on the south end of the property.

Specialty retail, fashion and experiential retail, restaurants and cafes, adventure shops, which will be part of the larger mixed-use development, will be located in the north end of the property. Four core principals determined the retail make-up or merchandising strategy of the proposed FMA site development. They are as follows:

- The mountain theme of the architecture calls for a sensitivity to the environment with the integration of water, lush landscaping and a sustainable community.
- The core merchandising strategy creates a number of research oriented uses along with housing and retail to ensure that the development is not one dimensional.
- To support the required investment necessary to sustain the cost of the FMA site's development, an economically viable real estate strategy must be implemented. Proposed examples to maximize revenue include the addition of a number of small parcels at the north end of the FMA site and the placement of large format retail (40,000 square feet or less per unit/store) at the south end.

Based on these core principals, the merchandising strategy for the FMA site positions the development as a vibrant research campus with supporting uses. The broad themes of research, institutional learning, outdoor adventure, food and fun, define a rich, varied and unique retail marketplace, with a consistent focus answering the lifestyle needs of an educated and relatively affluent market with limited choices.

This merchandising strategy will attract target consumer groups with relatively high incomes, educations, active lifestyles and spending. These consumers have well defined lifestyles with an emphasis on outdoor recreation, social expression and fitness. Activities include: outdoor activities, international travel, attending mountain sporting events, and the pursuit of personal enrichment evident in adventure sports, personal care products and services, and places of socialization.

As such, the merchandising plan fully develops a critical mass of intuitional uses, specialty retail, and large format retail in five districts. The districts are placed in a manner to enhance adjacent relationships. Major sub-anchors for each district become the primary economic building blocks of the plan. Additionally, the districts are carefully integrated in a manner that forms a seamless and complete development.

Finally, the institutional users are complimented with a highly unique environment with the highest level of place making. Music, water, shade, light, landscaping and architecture, along with the specialty shops, cafes, and restaurants become the defining elements of the FMA site.

Table 19
Friedman Memorial Airport Redevelopment Potential Uses

	Proposed Use	Location	Description	Square Footage	Acres	Downtown Overlap
1	Research Facility	Airport Site	Under this scenario, a new research facility would be developed. Possibilities include a center in connection with the Idaho National Laboratory or sustainability research center including agriculture and alternative energy sources.	250,000	25	None
2	Business Park	Airport Site	In planning for these types of uses, we can assume 300 square feet per employee or 120,000 square feet in total which can be divided into 3 building of 24,000, 36,000, and 60,000 square feet.	240,000	24	Employment centers at the FMA site could potentially take away daytime employees who shop downtown during the lunch hour.
3	Institute	Airport Site	An international nonprofit destination hosting seminars, policy programs, conferences and leadership. This type of facility would require a hotel, conference center, restaurant and catering facility.	85,000	8	None
4	Large Format Retail	Airport Site	A Walmart or Target of 120,000 square feet each with room for a 20,000 square foot expansion; and a Lowe's or Home Depot of 80,000 square feet with an additional 20,000 square feet of space for an outdoor garden center.	200,000	22	A big box retailer could potentially pull sales away from the downtown. However, it has the potential to generate lost sales in Blaine County and city.
5	Community/Civic	Downtown	A new city hall, community center such as a YMCA, and new library would be created on the site of the existing airport.	100,000	10	Relocating city hall and the library from downtown could reduce pedestrian flow within downtown corridor.
6	University Extension	Airport Site	A full scale college campus acting as a branch to a larger school. In this scenario the redeveloped airport becomes a campus with dormitories, class rooms, athletic fields and a major library.	200,000	40	None
7	Medical	Airport Site	Comparable projects include Janelia Farm in Northern Virginia and the Torrey Pines Institute for Molecular Studies.	150,000	15	None
8	Arts Center	Airport Site	In this scenario, the site would become the summer home to a performing arts organization, host music festivals, and performing art classes, and retreats for professional performing art organizations.	50,000	5	None
9	Sports Complex	Airport Site	The existing airport site serves as a training center for professional athletes in the snow, mountain, and extreme sports.	50,000	5	None
10	Housing	Airport Site	Low to moderate priced housing. Estimate of 60 single family homes, 100 apartment units and 60 condos.	200,000	30	None
11	Design Center	Airport Site	Educational center with a focus on the applied arts and individual design.	60,000	5	None

Within this section, three phases of the planning process are presented; the Schematic Layout Plan, the finalized Framework Plan, and a Conceptual Site Plan

Friedman Memorial Airport
Redevelopment Plan and Feasibility Analysis

Framework Plan and Conceptual Site Plan

Introduction

The initial planning research that focused on the site and its context, resulted in a set of conclusions that established how future planning could be developed while also being responsive to the Comprehensive Plan and the initial goals established by the City of Hailey, Blaine County, and the FMAA. These findings were represented in a series of maps and diagrams as well as a Preliminary Framework Plan as seen in earlier sections of this report. Concurrent with this preliminary site planning work, market research established a series of land use options which were then researched and proposed as potential options for the future redevelopment of the FMA site. A summary of these preliminary findings was presented to the City of Hailey, the FMAA, Blaine County and the public on February 15, 16 and 17th in three different workshop sessions. Smaller stakeholder meetings coordinated by the City of Hailey were also conducted. Based on the input and comments from those sessions coupled with the conclusions from the Market Research, some overriding conclusions evolved that set the direction for how initial Schematic Layout Plan Alternatives could begin to emerge.

Within this section, three phases of the planning process are presented. They are 1) the Schematic Layout Plan, 2) the finalized Framework Plan and 3) the Conceptual Site Plan. More specifically, the Schematic Layout Plan Alternatives are presented and reviewed, and conclusions reached as to which approach was determined to be the best plan strategy. This plan strategy set the direction for the a finalized Framework Plan. The finalized Framework Plan will become the initial guideline for how all future development is planned for the FMA redevelopment site, if approved by the City of Hailey, the FMAA and Blaine County.

To test the Framework Plan with potential land use scenarios derived from the merchandising market research, a Conceptual Site Plan was developed as a way of testing how a real physical plan could emerge and be responsive to The Framework Plan. Further details related to these plans are described below.

Schematic Layout Plan Alternatives

The Schematic Layout Plan encompasses fundamental components of development including vehicular circulation, open space, trail systems, organization of development parcels, and development patterns as well as an approach to how these might be arranged in a coherent evocative plan. The best layout plan alternative must fulfill key criteria which can be summarized as follows:

- Incorporates clear vehicular circulation.
- Makes efficient use of the land acreage.
- Creates flexibility in how the plan can accommodate any size future land parcel or tenant knowing that no tenant currently exists for the land.
- Fosters a strong sense of identity and quality of place for future land users including the arrival sequence.
- Fulfills all of the open space and trail system requirements that evolved in the early work shops with the community.
- Incorporates strong pedestrian opportunities and orientation within the site linked to the larger community components of open space and trails.
- Integrates view corridors through the site for travelers on Highway 75.
- Expands the South Main Street Activity Area through the creation of a "village" type character at the north end of the site.
- Establishes the main entry points to the new development site at Countryside Boulevard and at Fox Acres Road.
- Organizes the prescribed land uses in the best relationship to each other and to the site.

Three Alternative Schematic Diagrams evolved from the planning studies. They are shown in Exhibits (19), (20) and (21) . Based on review of the prescribed land uses, it became apparent that many alternatives for how these were arranged did not make sense due to relationships of certain land uses to other land uses and to the surrounding City. Therefore all the alternatives assumed three elements. 1) The same layout beginning in the north with the "village" area, and a interconnected Residential zone. This is followed by a Hotel / Conference Center connected to a Fitness Center. Subsequent parcels include Research and Development (R & D) parcels, an Institutional Campus, more R & D parcels, followed by a Corporate Campus near the south end. The southernmost parcel could either become a large format retail center, R & D or another corporate campus. 2) All alternatives include landscape buffers along the outer periphery of the site connected to open space corridors that run east and west. They also include two main entry points incorporating roundabouts on Highway 75 as well as including connections to the existing road system of Airport Way and Aviation Drive to the west. 3) All of the open space corridors are assumed to be flexible in shape and location. The layout of these three elements fulfill many of the goals for the site redevelopment, but also respond to the Merchandising Strategy developed from the market research. Since these three elements became relatively fixed as the base planning strategy, alternative schematic diagrams focused on the issue of interior vehicular circulation, efficiency of land and flexibility of the plan to adapt to any changes in future demand for larger or smaller land parcels. A description of the three alternatives and their relative advantages and disadvantages is described below and illustrated in the three respective exhibits.

Central Spine Concept Alternative – Exhibit 19

Alternative one proposes a strong central vehicular and pedestrian circulation spine. Access to specific parcels would come off of that spine road creating the opportunity for a visually strong and controlled arrival corridor. Utility layout in this roadway layout would be very efficient and the spine system effectively ties the entire central area of the plan together. The inherent weakness of the scheme is that it limits the ability for a "large acreage" demand tenant to have a continuous land parcel that can run east and west. Since the makeup and type of future tenant is not known at this time, the plan should allow for as much flexibility as possible in the sizes of parcels. The large corporate campus at the south end of the parcel illustrates the issue of how the spine road would need to bend to accommodate a large land tenant, thus loosing the strong qualities of a central spine system. This alternative was therefore rejected.

Ring Road Concept Alternative – Exhibit 20

In this alternative, the lack of flexibility illustrated on Exhibit 19 is mitigated by creating a ring road on the east and west periphery of the site. The opportunity then exists for secondary connector roads to extend between the outer ring systems and allow access to smaller or larger parcels. As mentioned earlier, the open space corridors are flexible as to where they are located and can adjust north or south to adapt to whatever combination of land division that may unfold. The weakness of this approach is twofold. First, the amount of land and improvements devoted to the ROW for two major spine road systems is excessive. Secondly, it results in a parallel road immediately adjacent to State Highway 75 creating a very different edge to the State Highway 75 Scenic Corridor. This was determined to be undesirable. Connections to the two major entry points at Fox Acres Road and Countryside Boulevard are also awkward in this alternative, resulting in considerable land devoted to the resolution of these intersections. This alternative was therefore rejected.

West Spine Road Concept Alternative – Exhibit 21

In this alternative, the central spine road is pushed to the western boundary, a central pedestrian system interconnects all of the parcels together, and there is ample space on the western perimeter to allow variation to the character of the spine road including the potential for a braided road surrounded with significant open space land. This opens up the opportunity to create a very high quality, interesting and informal entry road experience. This is due to the fact that odd land parcels exist on the western edge that may only be usable for slope transition, landscape and open space uses. In addition, this spine location allows great connections with Aviation Drive and Airport Way on the western side allowing alternative access to Highway 75 for travelers connecting north. Utility layout is very efficient and this approach provides the maximum flexibility for how land parcels could be divided. Secondary roads could be added to run east west if many small parcels are in demand.

Based on the advantages and disadvantages described for each of the alternatives, the West Spine Road Concept was therefore determined to be the superior layout plan approach. This layout became the structural basis for the final Framework Plan.

The Framework Plan

The Framework Plan is the fundamental structural plan that will define the direction for development on the FMA site. It consists of two components; The Framework Plan Diagram and The Framework Plan Statement of Principals and Goals. Both of these elements are contained within The Framework Plan. It is The Framework Plan that will be presented to the City of Hailey, the FMAA and Blaine County for review as their land use strategy for the FMA site. Since future land uses for the site are unknown at this time and will more than likely change a number of times before final purchase agreements are executed, no one can predict how the site will be divided, how many parcels will ultimately be required or the final land use outcome. Size, layout and configuration of future parcels will also be factors. The intent of both The Framework Plan Diagram and the Statement of Principals and Goals is therefore to define the most fundamental set of components that must be a part of any future land development no matter what the land uses are. This also requires that the Framework Plan Diagram have maximum flexibility to adapt so that it can remain viable and capable of responding to any future change in land use direction. The attributes that make up the Framework Plan are described below.

A. Framework Plan Statement of Principles and Goals - Exhibit 22

A Statement of Principles and Goals is interconnected with the Framework Plan Diagram. This statement therefore accompanies the plan and stipulates the primary points of direction for the design. These are described in Exhibit 22.

B. The Framework Plan Diagram - Exhibit 23

This plan essentially establishes the future site plan strategy for the FMA Redevelopment site. As stated above, the plan has been designed to be highly flexible and capable of adapting without risk to any of the fundamental framework components that have been established. The plan also responds and is integral with The Framework Plan Statement of Principals and Goals. The fundamental framework plan components are as follows:

a. **Vehicular Circulation System:** A spine road is shown on the western boundary of the FMA site. It connects to the two main development entry points at the Fox Acres Road and Countryside Boulevard intersections. They are represented by round-abouts which are consistent with explorations by the City of Hailey and Idaho Transportation Department. A change to signalized intersections in the future will have little or no impact on the plan. The spine road is contained within a defined Right of Way (ROW) on the plan. This ROW varies from 80 feet in width to 150 feet in the central areas where opportunity allows it to expand due to the odd configuration of the property line on the western boundary. It is recommended that the spine road be a divided roadway in this central area of the plan to be more flexible to adjust to changes in grade as well as to create a more informal character to the road, and preserve the historic land forms. Access to parcels can be accommodated anywhere along the spine road corridor.

The spine road would also connect to Airport Way and Aviation Drive. These roads would therefore become very important to the circulation system of the FMA site. Aviation Drive is also shown connected to Broadford Road.

In addition to the spine road, secondary road systems are shown at the north end of the plan that can be incorporated into the future plan if there is sufficient market demand for retail or a "village" type housing approach. The resulting blocks are approximately 200' x 300' which is complementary to the block sizes of downtown Hailey. Other access roads will be needed in other parts of the plan if the parcels are divided further from those shown on the Framework Plan. They would run east and west and could occur anywhere on the plan. It is intended that those roads would align with the open space corridors. The criteria for those roads would be established in Design Guidelines that would be part of the next steps in completing a comprehensive Development Plan package.

b. **Land Parcels:** A preliminary parcel layout is indicated with parcel numbers from 1 to 16. Smaller parcels are at the north end of the site in the "village" area that will appear as an extension of the South Main Street Activity Area. The parcel layout in this north area is flexible and can be divided into a true "village" plan with small block sizes, or, it can be marketed as larger parcels if the market determines a different strategy. Parcels 1 to 7 are part of this approach. Should more retail or town like block pattern come into demand, this same pattern can be extended into Parcels 8 and 9.

The other parcels, numbers 8 thru 16, have been left as larger acreages ranging from approximately 12 to 28 acres. These have the ability to either be sold as is, divided into smaller parcel sizes, or combined to become yet larger parcels. Therefore much flexibility exists to accommodate any developer or development approach.

Small parcels labeled A, B, C and D exist on the western property boundary. These are remnant parcels that are designated to accommodate slope transition, utility system requirements, and additional open space and buffer areas that can add to the ambiance of the spine road and the public trail system.

c. **Open Space System:** Open space is one of the most important components of the Framework Plan due to its ability to visually connect all of the various elements into a unified composition. The open space system has four components. The first is the landscape buffer areas which frame the FMA site. On the east, west and south property boundaries this buffer zone is shown as 75 feet in width and is intended to incorporate a variety of densely planted deciduous and coniferous trees that would screen various land areas but allow view points into the project in other areas. The buffer adapts and expands at the south east corner of the property to accommodate a great entry for the City of Hailey along Highway 75. It does similar adjustments to accommodate the two round-abouts. The buffer area decreases to 35 feet at the north end of the site to allow a more porous character and visual interconnectedness from Highway 75 in the South Main Street Activity Area.

The second open space category includes the four east/west running open space corridors. They are 120 feet in width and are proposed as heavily landscaped areas of high quality. These corridors not only break up the FMA site into a smaller scale development, but allow a break in the development pattern to support long distance views from Highway 75 to the mountains to the West. These corridors also form the landscape setting within which the public trail system is laid out. These corridors are shown in particular locations between large parcel segments in the plan. However, these locations are not fixed components and have the ability to slide north or south to accommodate expansion or contraction of the development parcels.

Another category of open space is the north/south running corridor that links the inner parcels and creates interconnectivity within the development, while also fostering strong pedestrian orientation. Similar to the east / west running corridors, this central system is flexible to adapt to whatever development pattern that might occur.

The next category of open space is the roadway corridor system. Within the site, we are proposing a grand "parkway" experience for the spine road. At the north "village" area, the character changes to become a more urban experience with a major emphasis on pedestrian orientation.

Off-site, we recommend that the east side of Highway 75 be developed as a major landscape corridor to respond to the buffers being developed within the FMA redevelopment site. This would be in harmony with the Scenic Corridor designation that has been assigned to Highway 75. Off-site recommendations include major emphasis on the entry arrival gateway at the south end of Highway 75, the round-abouts, as well as the South Main Street arrival corridor along Highway 75 that extends from Fox Acres Road to Broadford Road. If done correctly, this can become a significant arrival sequence not only to the City of Hailey, but to the FMA Redevelopment site as well. Other off-site recommendations include the upgrade and additional landscaping of Airport Way and Aviation Drive. It is the full integration of landscape and roadway upgrades within the FMA site connected with off-site improvements that can create a coherent plan for the entire Hailey community and fulfill the goals of the Comprehensive Plan and the site redevelopment.

d. **Trail System:** Set within the open space system is the bicycle and pedestrian trail system. The trail system is the core element that interconnects the entire project site and establishes the pedestrian orientation throughout. It also connects the project with the adjacent community and City trail systems allowing them to occur unimpeded through the FMA site. Two grade separated crossings are proposed along Highway 75 to allow safe crossing for pedestrians and bicycles at these points. A sidewalk is proposed along the internal spine road to support the bus shuttle system and allow connection to the parcels. Public trails are also shown along the western boundary and subsequent connections to off site trail systems on the west in a number of locations. It should be noted that a significant recommendation is proposed for the pedestrian and bicycle trail system along Airport Way connecting the FMA site with downtown Hailey. The junction of this with Highway 75 is a signalized intersection and is the primary way that people would be able to cross 75 coming or going to downtown Hailey, or the Rodeo Site. Proposed enhancements to the quality and character of this intersection are strongly recommended.

e. **Onsite and Off-site Zoning Changes**: With the change of the FMA site from an active airport to new land uses, a new zoning category will need to be assigned to the airport property. There are several options for what that zoning could be, including the making of an entirely new "Mixed Use" category. Whatever the category becomes, the intent should be to allow as much adaptability as possible for future development so that the plan can remain flexible while also tying down some key elements that would ultimately be included in any development on this site.

Related to adjacent lands, particularly the land parcels to the west, it is recommended that the existing zoning of these land parcels also be reviewed to allow more diversity of land uses to occur in these areas. Much of the area to the north and west, particularly along Airport Way, consists of warehouses, storage or industrial uses. With the upgrade of the airport property, the quality and demand of these areas will change. Therefore the City should anticipate this and prescribe new zoning to allow the area to adjust and evolve in response to new uses on the FMA site.

Conceptual Site Plan – Exhibit 24

A Conceptual Site Plan has been developed that represents one scenario of development for the FMA Site. The intent of the plan is to illustrate how a given set of land uses could be placed on the site and respond to the Framework Plan Diagram and the Statement of Goals and Principles. This is not intended to be the final master plan for the site. The basis of the shown land use mix derives from the preliminary findings and current merchandising strategy developed and outlined in this report under the Market Analysis section. It is useful to see one potential plan scenario because it illustrates some of the opportunities and challenges that will emerge as new tenants and development opportunities evolve. It also serves as a useful tool for stakeholders to understand the intent behind the Framework Plan Goals and Principles and how they can be applied as they think through approval of the plan. In addition, the drawings are intended to be used in marketing materials to help future developers and tenants to understand what is intended and set the stage for discussions of what the FMA Redevelopment site could become.

Conceptual Site Plan Elements Exhibit 25

The plan illustrates a set of potential land uses beginning with "Village" retail and upper story office space adjacent to a Town House Residential home development at the northern end of the site. These land uses form a small pedestrian oriented, tight-knit urban place which could contain coffee shops, support retail, services, and restaurants for the tenants of the future development and the adjacent community. Plazas, alleys and walking courtyards provide character and scale to the neighborhood. These would all be an integral part of the City's South Main Street Activity Area. Special architectural expression would be the goal of this neighborhood with special emphasis on expression along Main Street. Office space would be over retail in two story structures. Approximately 50 two story town homes are also shown with inner courtyard type parking and front doors oriented to the street creating a pedestrian friendly neighborhood.

A Hotel and Conference Center tied to a Fitness Center occurs in the next two parcels. The hotel footprint is suggestive of a complex of about 240 rooms in an approximate 6 story building. The conference center supports the new development tenants, but also would be for use by the entire Wood River Valley community. The Fitness Center would be a private company with an indoor competitive swimming pool for use by members as well as the local school community. An exterior pool and spa area would support all of these uses. It is intended that the hotel/conference center serve not only the new research and development park being created within the campus, but as a support for the new South Main Street Activity Area which would include the new ice rink and the rodeo facilities. Parking is all on-grade. Immediately to the south are two Research and Development (R & D) parcels illustrating some of the latest trends in R & D layout. Parking is both structured below the R & D buildings as well as on-grade along Highway 75. Main entry arrival is off of the spine road with common shared open space areas filtered between buildings. The result is the look and feel of a campus environment.

An Institutional Facility occupies the subsequent land parcel. Parking is handled by both a structured parking ramp as well as some parking on-grade. Due to a desire for strong pedestrian orientation, institutional facilities tend to organize around framed exterior spaces, resulting in great public places. Land on the west side has been set aside for possible future expansion.

Two additional R & D developments occupy the subsequent parcels similar in design and layout to the earlier R & D Park. A high end corporate campus is shown further south with most of the parking within a parking ramp. The building is arranged to take in the maximum number of views and responds to site amenities. As shown, the use of a parking ramp frees up the land to incorporate special landscape features that normally would be occupied by parking on grade.

To the far south a large format retail complex is illustrated. Included in this scenario are three large format retail stores of approximately 40,000 sf per store interconnected by small retail shops that total approximately 20,000 sf of space. Large open parking lots framed by landscape are also expressed. All of the stores orient away from Highway 75 allowing earth berms and landscape to visually contain these land uses within a framed compound so it does not visually impact the potential for a great arrival experience coming into Hailey.

The open space and trail systems follow the Framework Plan Diagram, and the entire plan fulfills the Principles and Goals outlined in the Framework Plan. Special note should be taken on several items. One is the way that framed views have been achieved to the western hills from Highway 75. In addition, improvements have been shown along Main Street coming into the downtown area at the north end of the site. Landscape and open space on both sides of Main Street (Highway 75) work together to create a grand arrival and setting for Hailey and the downtown area. In other parts of the site, special water features have been incorporated as both visual elements as well as a water source for the irrigation of the site. The spine road within the project has been shown as a split roadway system with special landscape and character. Trail system connectivity on site and off site is also shown fulfilling the objectives of the Framework Plan.

Public Realm and Trail System Components of the Conceptual Site Plan – Exhibit 26

Diagrammatic portrayal of key components of the plan have been created for better understanding of plan elements. One of these illustrates the Public Realm and the pedestrian/bicycle Trail System. One can see how these components are so vital to forming the visual framework while also serving as attractive interconnected systems that tie trail systems, landscape and other elements into a unified complete environment.

Vehicular Circulation and Parking Component of the Conceptual Site Plan – Exhibit 27

This illustration demonstrates the significance of parking and its impact on the overall project. Parking and circulation are two of the most significant site planning elements that affect the look and feel of a development. Parking is in great demand and occupies significant acreage in any development of this type. It therefore must be carefully planned and tucked into special places where it is convenient while also minimizing its visual impact to the campus character of the site. In this plan, on-grade parking has been set close to Highway 75 to allow a great arrival experience to the respective campus centers, while creating a very efficient parking system on the level grade along Highway 75. Berming and landscape along Highway 75 can visually screen the parking from the Highway while still allowing openings along the corridor to view the western mountains. Shared use of parking as well as integrated service help adjacent land uses to have a higher quality setting while fulfilling safety, code and utilitarian components of the land uses.

Oblique Perspective View – Exhibit 28

An oblique perspective as viewed from the south and east looking north to Highway 75 and the FMA site illustrates the Conceptual Plan and how the principles and goals of the Framework Plan have been applied. Of particular note is the creation of an entirely new experience when entering Hailey from Highway 75. Buildings have been presented in heights that would be anticipated for these types of uses but detail on the buildings has purposely not been shown since this is a conceptual view to portray fundamental concepts of the plan such as scale and density. Landscape type and character can also be seen to be an extension of the landscape along the Big

Wood River and the lower River Terrace regional landscape.

Plan Enlargement of Research and Development Area – Exhibit 29

Zooming into the plan in the central area, one can see the organization of how the buildings, open space, parking, trails and vehicular circulation can combine to form an integrated whole environment. Buildings have views on all sides, but have particular orientation to the south and west for good solar orientation and views. The pedestrian/bicycle trail system within the project can be seen to not only integrate within the project, but connect to the community and regional trail systems as well. It is evident how parking can be tucked into the east side of the site while utilizing earth forms and landscape to mitigate visual impact to the site from Highway 75.

Oblique Perspective of the Central Plan Area – Exhibit 30

An enlargement of the oblique perspective of this area further illustrates the points outlined above.

Perspective of an Interior Arrival Lobby for a Research and Development Complex – Exhibit 31

New R & D company building programs are utilizing shared facilities to not only bring down costs, but to also create a different experience to the complex. Illustrated in the Conceptual Site Plan as well as in this image, a central lobby arrival area is included to support all three buildings. A central space such as this can support common shared elements such as café, cafeteria, special amphitheater style conference rooms, and other breakout and meeting areas as well as support services. Siting of this type of building space to the great views of the Big Wood River landscape and mountains with appropriate solar orientation and connection to the various surrounding buildings creates a highly desirable place to work. It is these qualities that can attract special types of companies and land uses to the FMA site.

Images of Sustainable Research and Development Campus Buildings – Exhibit (30)

Sustainable and environmentally green buildings will be a central feature of this new campus environment. Besides active and passive sustainable systems incorporated in the site planning, design and operation of the buildings, the indoor/outdoor environment becomes important for companies to attract top employees to their businesses. Integrating this with the Hailey and Big Wood River environment is part of the attraction that can be marketed to bring highly competitive companies to the FMA Redevelopment site.

Perspective of Open Space Corridor along Highway 75 – Exhibit 32

A view from Highway 75 looking into the project and the mountain vista beyond is portrayed in this image. Important concepts illustrated here include the use of native landscape plant material and imagery to make the project framework appropriate and exciting due to the unique quality of this region. The open space corridor is purposely designed to be more open at the junction with Highway 75 so that views can be seen at broader angles and over a longer distance for travelers on Highway 75. Potential views to parking areas are screened off, and the setting creates a great environment for the community trail system. The water element shown in this illustration would be one of several that would be used for irrigation while also contributing to the overall landscape setting. Potential excess recycled water from the City of Hailey waste water system is being considered to meet the water demand.

Native Landscape Imagery – Exhibit 33

Images of landscape familiar to this region are shown in this collage. Use of similar plant materials and in similar compositions can create beautiful and one of a kind type settings for this campus environment.

"Village" Plan Area Enlargement – Exhibit 34

An enlargement of the "Village" Plan shows the qualities of the northern part of the plan. Key to making this a great environment is the strong pedestrian orientation, the use of outdoor space incorporating great people gathering places, and integrating parking, stores and people into a small scale mountain "village" feel, while also allowing the place to have year around activity by integrating it with residential living. The landscape along Main Street is intentionally opened up to visually link the setting into the South Main Street Activity Area and arrival into the downtown. Office space over the retail space can also add interest and more vitality to the new neighborhood. High quality pavements at the entry and along the arrival corridor coming through the "village" area can add value to the project, create a highly desirable entry and set the stage for the type of companies that might want to come to this environment. Furthermore, treatment of the off-site entry into the downtown area has also been shown to express a complete arrival experience to the City of Hailey using the FMA site to help create this approach.

Perspective of "Village" Area – Exhibit 35

A perspective of the "Village" Area helps to illustrate the key planning points.

Enlargement of the South Parcel with Large Format Retail Area – Exhibit 36

The southernmost parcel has been enlarged to open up the discussion of the potential for large format retail within the development. It should be noted that this parcel may be the only potential site where large format retail could go. The reason for this is that this type of land use requires significant vehicle and truck access and must be easy to find. This portion of the site is directly off of Highway 75 and on the central spine road into the site and can therefore meet that requirement. In addition, the location of this land use elsewhere in the project would be in conflict with marketing high end R & D and corporate campus tenants. It would also not be desirable to bring traffic bound for this destination retail into the rest of the campus environment.

The plan shows three large format stores of 40,000 sf on one floor. Smaller retail venues fill in the space between the larger stores. The site plan illustrates how the facilities could be dropped into the site while screening off views from Highway 75. This could be accomplished by setting the finish floor elevation of the retail establishments low on the site, and incorporating land form and landscape along Highway 75. Building orientation parking and other components would also be important to mitigate visual impact from off-site. Special lighting and control of signage would be integral to how a retail complex such as this could be set within this community. It should be noted that the plan is not dependent on this land use, but has been incorporated here to illustrate how such a facility could be set within the context of this environment should the community find this land use compatible with other City goals. The community will need to determine if this land use is appropriate or not.

Perspective View of the South Parcel with Large Format Retail – Exhibit 37

The perspective view further illustrates the concepts outlined above.

Perspective View of the South Parcel with R & D or Corporate Campus – Exhibit 38

An additional view of the South Parcel has also been created to show how the campus would look if large format retail were not included in the plan. This shows a scenario with Research and Development or Corporate Campus. It should be noted that this parcel is a highly valued location. Part of its value derives from the fact that open land exists to the west that could be suitable for expansion of a particular campus complex. This would be unimpeded by roadway or other land use to the west. No other parcel offers this flexibility or opportunity.

Exhibit 19
Friedman Memorial Airport Redevelopment
Central Spine Concept Alternative

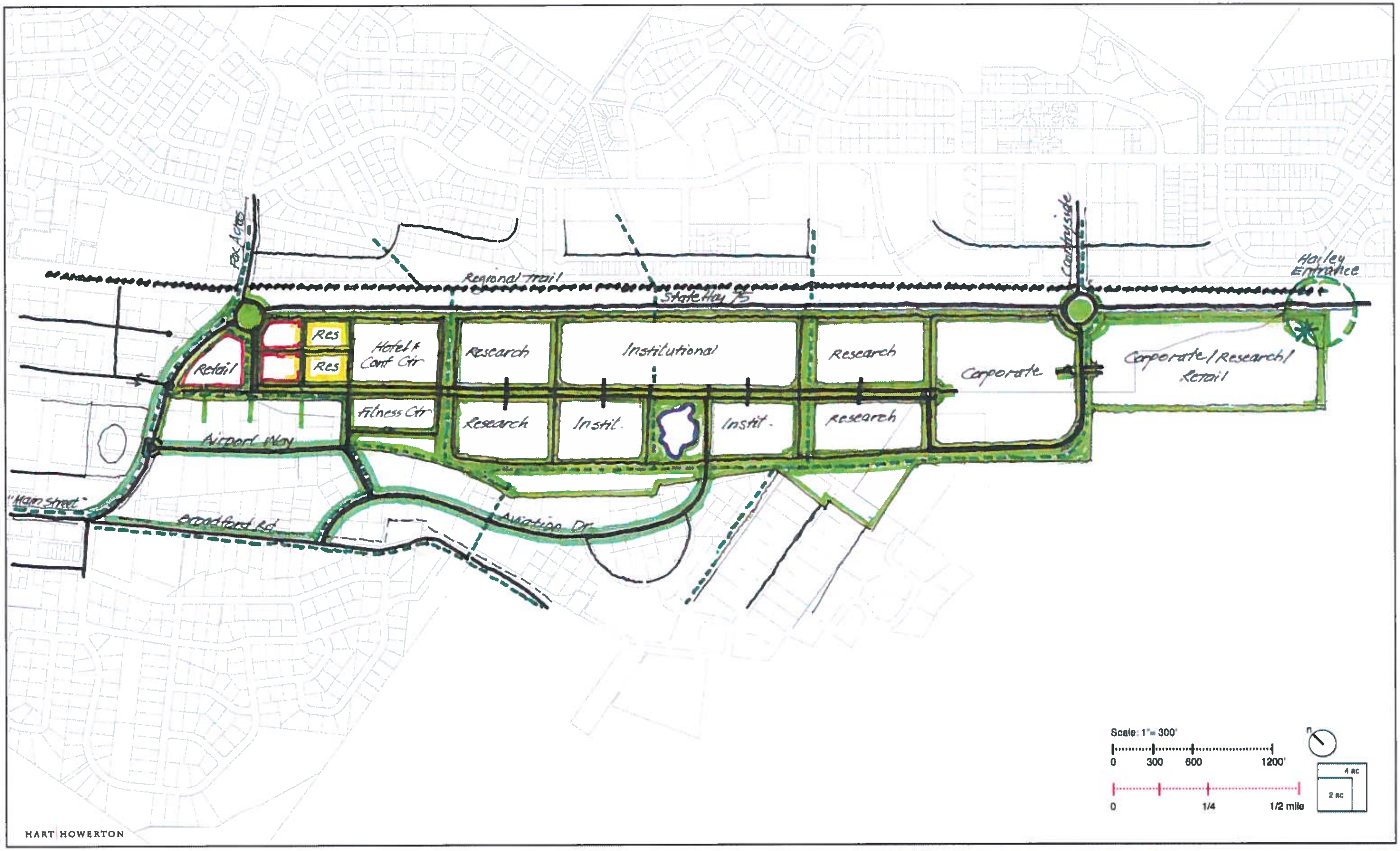


Exhibit 20
Friedman Memorial Airport Redevelopment
Ring Road Concept Alternative

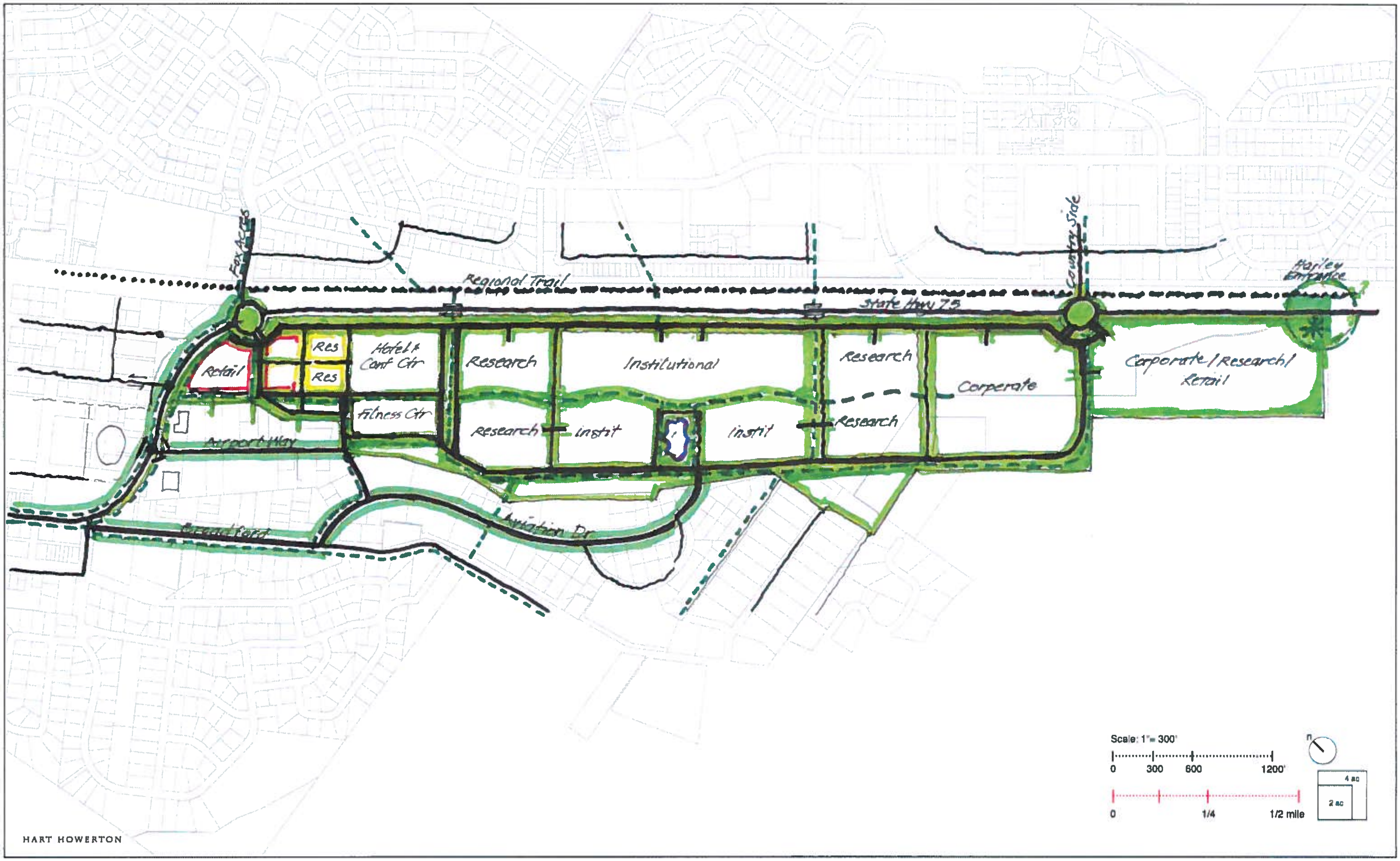


Exhibit 21
Friedman Memorial Airport Redevelopment
West Spine Road Concept Alternative

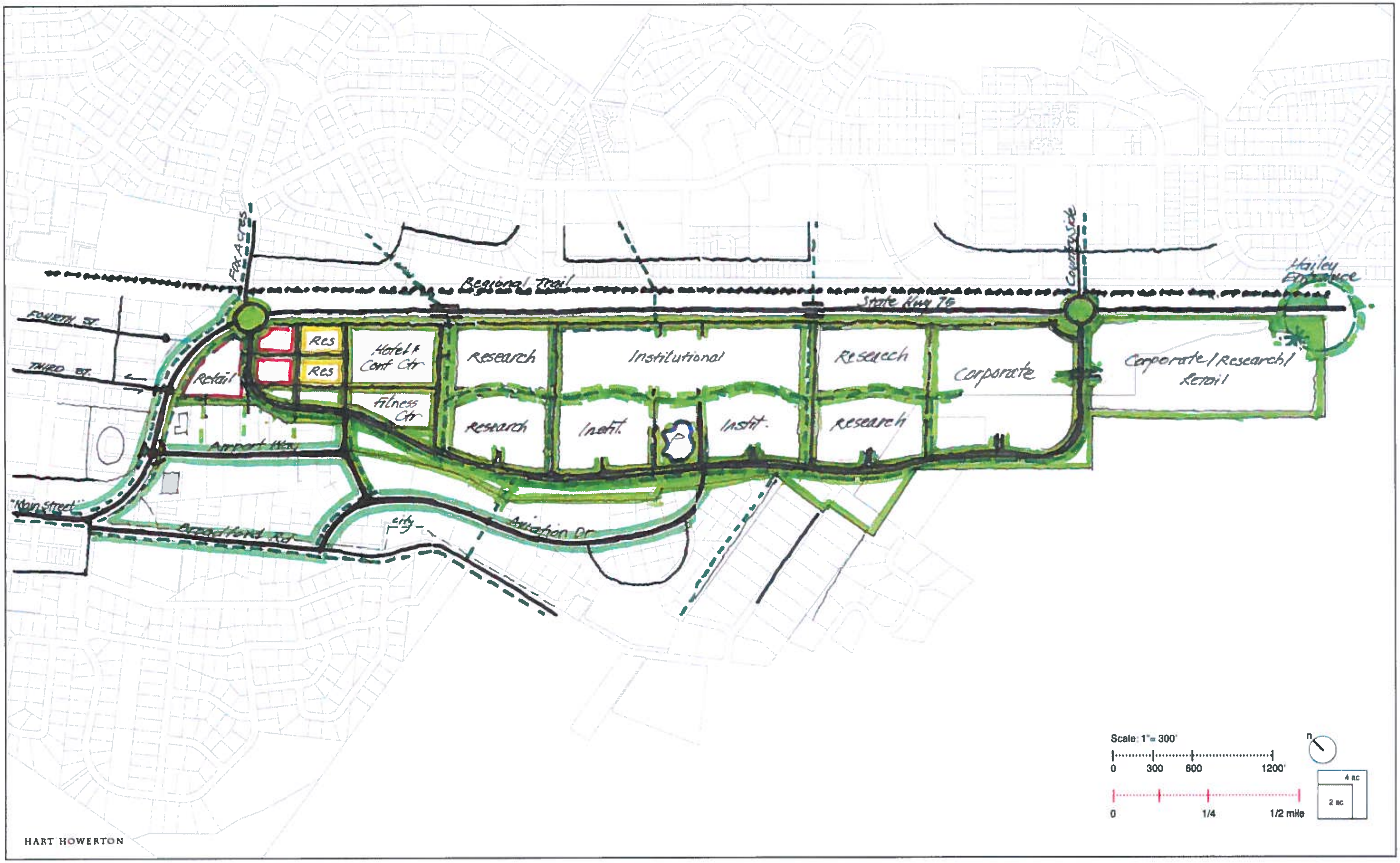


Exhibit 22
Friedman Memorial Airport Redevelopment
Framework Plan Statement of Principles and Goals

This **Framework Plan Statement of Principles and Goals** is interconnected with the **Framework Plan Diagram**. Both elements make up the **Final Framework Plan**. This statement therefore accompanies Th Framework Plan Diagram and is intended to stipulate the primary points of direction for the design.

1. GENERAL PRINCIPLES AND GOALS

a. The FMA Redevelopment Site should be developed in a manner to attract the highest level of development from the national market. Qualities that support this direction will result in a "campus like" setting including abundant landscape, a well developed peripheral frame utilizing landform and landscape, a strong sense of entry including signage and monumentation, sensitive transition to adjacent land uses, strong pedestrian orientation including pedestrian and bicycle trail connections within the project and to adjacent neighborhoods, and a visual character that reflects the surrounding landscape of the Wood River Valley.

b. A successful fit of the redevelopment site to the surrounding Hailey community will involve transitions beyond the FMA site and will require the cooperation of the City of Hailey, Blaine County and other agencies.

2. PARCEL LAYOUT

a. Parcel layout shall be developed so that northern parcels are smaller, urban in character and relate to the City of Hailey South Main Street Activity Area. The "Village" area can expand or contract in response to market conditions.

b. Other parcels outside of the "Village" area shall also have the ability to expand or contract or be subdivided to respond to market conditions.

c. The acreage designated for buffers and other open space easements contiguous to development parcels shall be included within the respective gross parcel acreage as shown on the plan.

d. If large format retail becomes one of the land uses on the site, location of this type of retail should only occur at the southernmost parcel with primary access off of the south entry to the redevelopment site.

3. VEHICULAR CIRCULATION SYSTEM

a. A vehicular spine road shall be located on the western boundary of the property and be the principle organizing vehicular circulation system within the redevelopment site.

b. The spine road shall have major entry/exit points off of Highway 75 at the intersections of Fox Acres Road and Countryside Boulevard.

c. Airport Way and Aviation Drive shall connect to the spine roadway system.

d. Where opportunities exist to create more variety and character to the spine road, such as a divided roadway system, these features should be integrated into the design. The character of the spine road should be of a very high quality, but should be informal in how landscape, sidewalks, lighting and other features are integrated with the roadway.

e. The spine road Right of Way (ROW) width shall be 80 feet at the entry locations and expand to 150 feet along the western boundary. The ROW will be a separate parcel.

f. Secondary roads may occur within the Village area. The layout of those roads shall conform to a block pattern as shown on the Framework Plan Diagram. The land area encompassed by the grid system can expand or contract depending on market demand.

g. If parcels are subdivided from those shown on the Framework Plan Diagram, access roads to those parcels shall run east/west and connect to the Spine Road.

4. OPEN SPACE SYSTEM

a. Landscape Buffer Zones

i. Landscape Buffer Zones shall occur around the entire periphery of the project. The buffer zone shall be 75 feet for the majority of the south, east and west boundaries. The north village area buffer zone adjacent to Highway 75 shall be reduced to 35 feet to allow more visual connectivity with Main Street and downtown Hailey.

ii. Buffer zones vary in configuration and width where they meet Highway 75 at the southern point of the site to allow room to create the entry gateway to the City, around the round-abouts to create a visual frame of this intersection, and on the western boundary in response to the irregular property boundary.

b. Open Space Corridor

i. Four Open Space Corridors shall be incorporated in the final development plan. They shall be 120 feet in width and extend from the Highway 75 buffer zones to the spine road ROW in an east/west running orientation.

Exhibit 22 (Continued)
Friedman Memorial Airport Redevelopment
Framework Plan Statement of Principles and Goals

This Framework Plan Statement of Principles and Goals is interconnected with the Framework Plan Diagram. Both elements make up the Final Framework Plan. This statement therefore accompanies The Framework Plan Diagram and is intended to stipulate the points of direction for the design.

4. OPEN SPACE SYSTEM

b. Open Space Corridor (continued)

ii. These corridors are flexible in their locations and alignment and can be moved north or south to respond to changes in final parcel layout.

iii. The corridors need not be straight, and can bend in their alignment to accommodate special opportunities.

iv. The intent of the corridors is to create visual separation between the parcels and to break the long linear FMA site into smaller scale segments. They will also serve as organizing elements for trail systems while creating a strong landscape setting. The corridors also secure framed views for passing motorists from Highway 75 to the western hills.

v. The corridors will be well landscaped in informal patterns with a character that associates with and visually connects to the surrounding Wood River Valley indigenous landscape.

c. Offsite Roadways

i. The City shall coordinate upgrading of the landscape along Airport Way, Aviation Drive and Highway 75. Other forms of up-grades will also be necessary along Airport Way including continuous sidewalks, lighting and pedestrian/bicycle oriented improvements.

5. PEDESTRIAN AND BICYCLE TRAIL SYSTEM

a. An internal on-site pedestrian and bicycle trail system shall be incorporated into the FMA Redevelopment Plan that interconnects with existing and proposed City and regional trail systems. A diagrammatic layout is illustrated on the Framework Plan Diagram. This layout is flexible and can be adjusted to respond to future parcel layouts.

b. Two grade separated connections shall cross Highway 75 to allow safe and unimpeded access for pedestrians and bicyclists crossing this road.

c. An internal pedestrian and bicycle system shall be incorporated within the central area of the plan, running in a north/south orientation to interlink parcels and create strong pedestrian orientation. The location of this system is flexible and can adapt to parcel layout in the future.

d. All pedestrian and bicycle trail systems shall overlay and integrate with the open space and buffer systems.

e. A sidewalk system shall be incorporated with the spine road on the east side of the roadway and link with future shuttle bus routes. Future buildings shall be connected to this sidewalk system.

f. A pedestrian and bicycle trail connection should be worked out with the City of Hailey to connect the Village area of the plan to Airport Way as shown on the plan.

g. The intersection of Airport Way with Highway 75 shall be considered an extremely important connection between the new district created by the FMA Redevelopment and downtown Hailey. A safe pedestrian crossing shall be integrated as part of this intersection.

h. The City of Hailey will need to work with adjacent land owners to connect City and regional trails systems to the FMA Redevelopment site as shown on the plan.

6. BUILDING HEIGHTS

a. Building heights within the FMA site can vary and exceed the 40 foot height limit currently in place within City codes. Proposed buildings could be as high as 4 to 5 stories with limited situations of heights up to 6 stories.

7. SUSTAINABILITY

a. All future development and site improvements shall be as sustainable as possible resulting in a premier "green" development that meets the highest level of standards.

Exhibit 23
Friedman Memorial Airport Redevelopment
Final Framework Plan Diagram

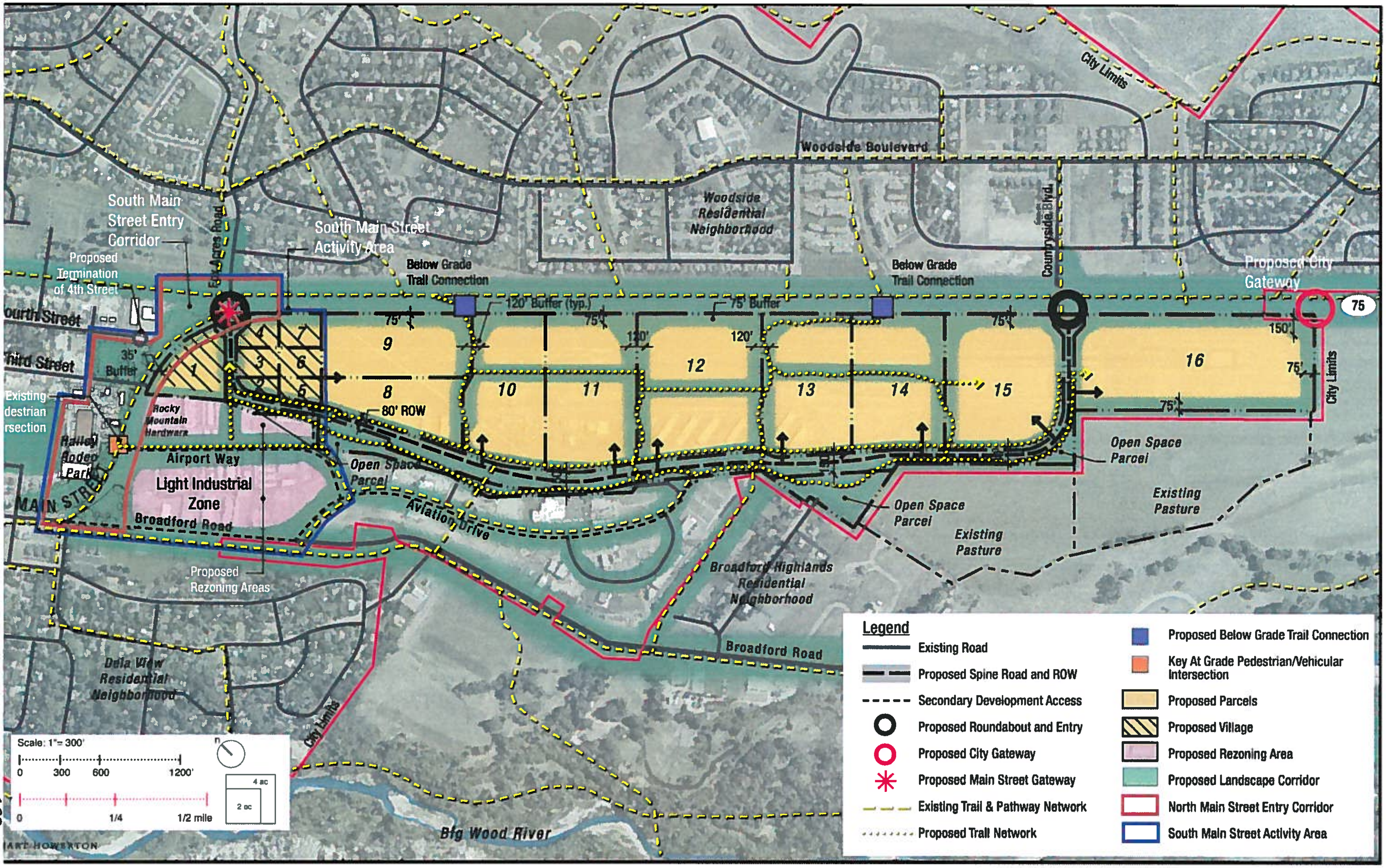


Exhibit 24
Friedman Memorial Airport Redevelopment
Conceptual Site Plan

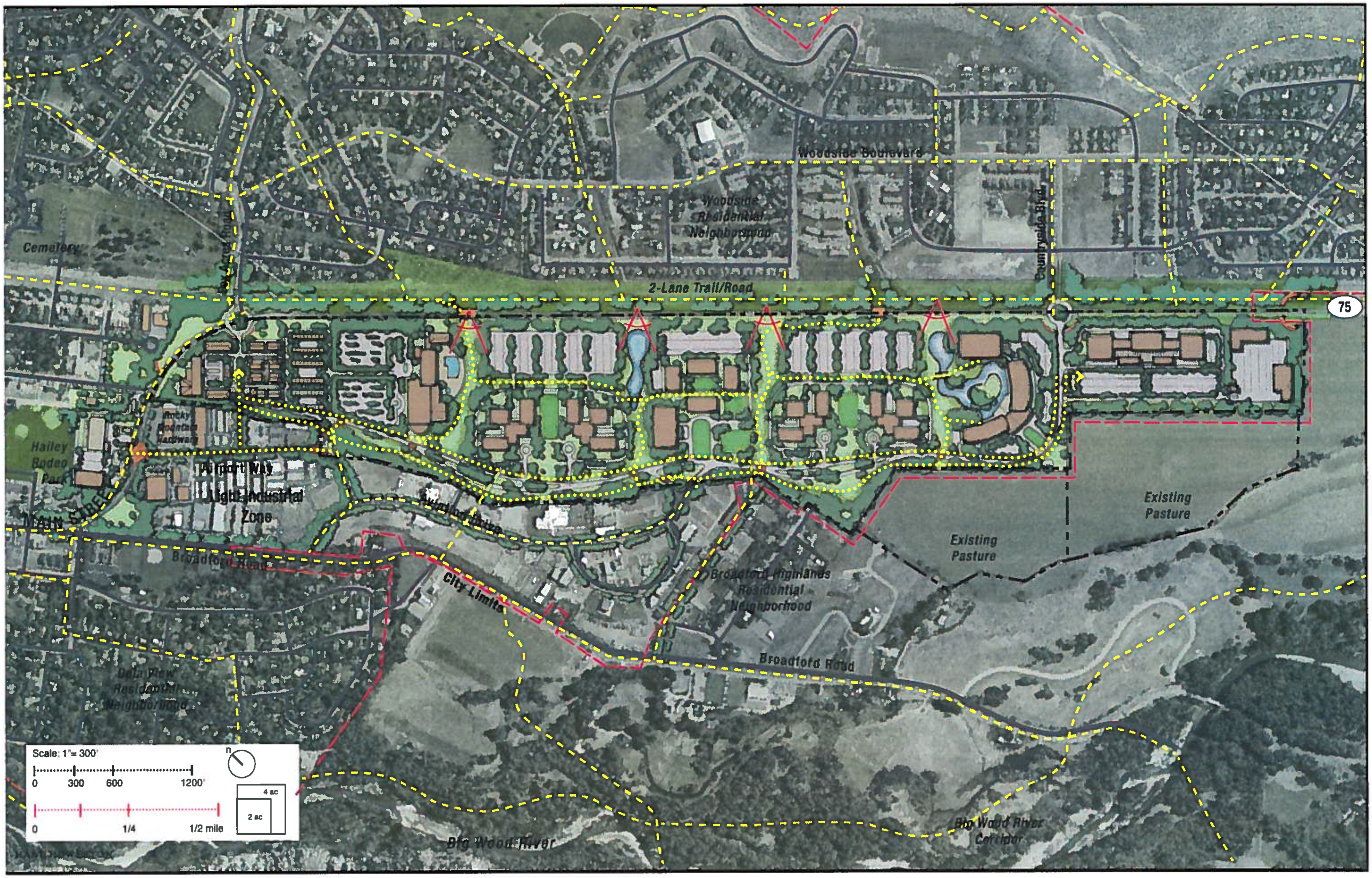


Exhibit 25
Friedman Memorial Airport Redevelopment
Conceptual Site Plan Elements

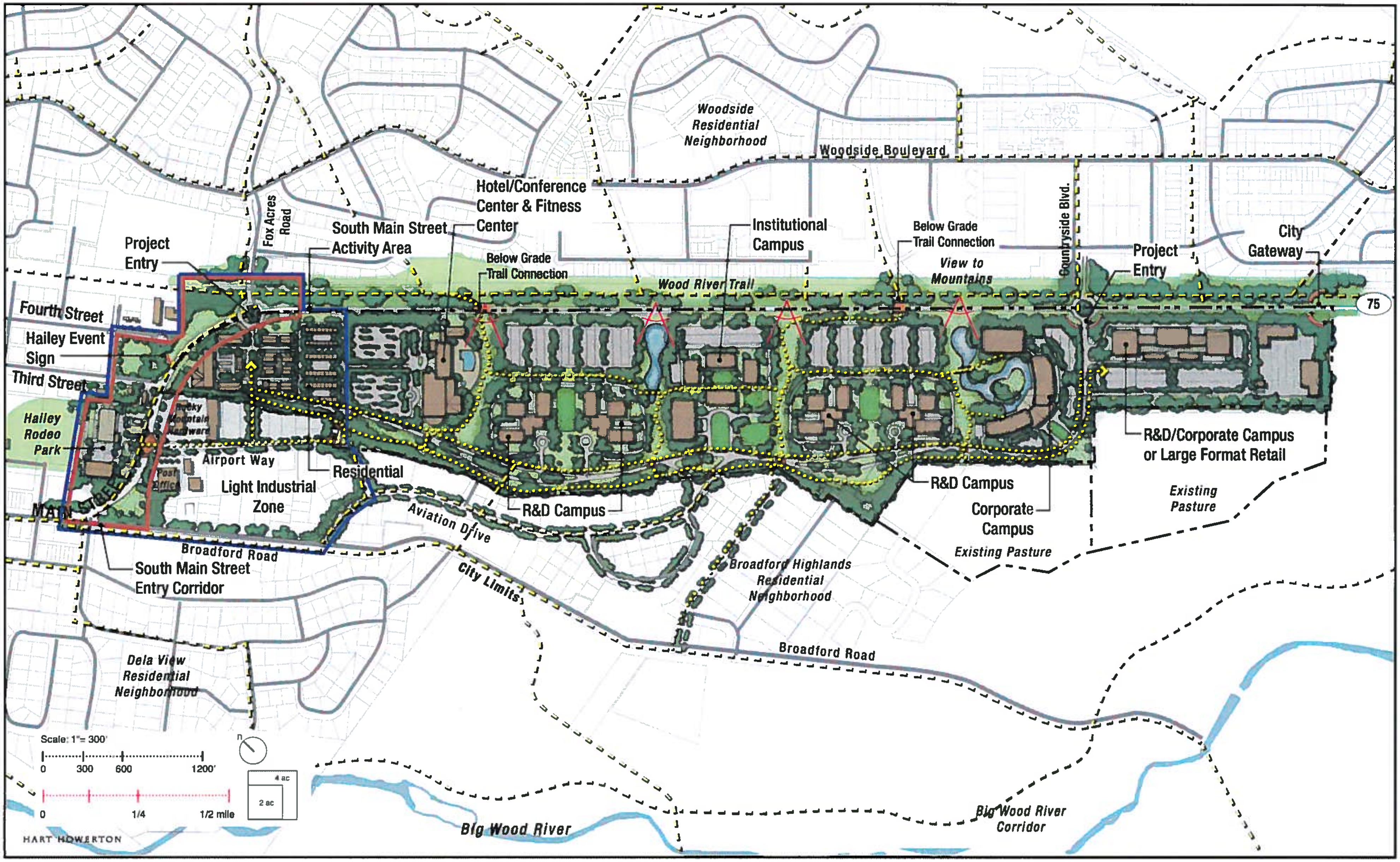


Exhibit 26
Friedman Memorial Airport Redevelopment
Public Realm and Trail System Component - Conceptual Site Plan

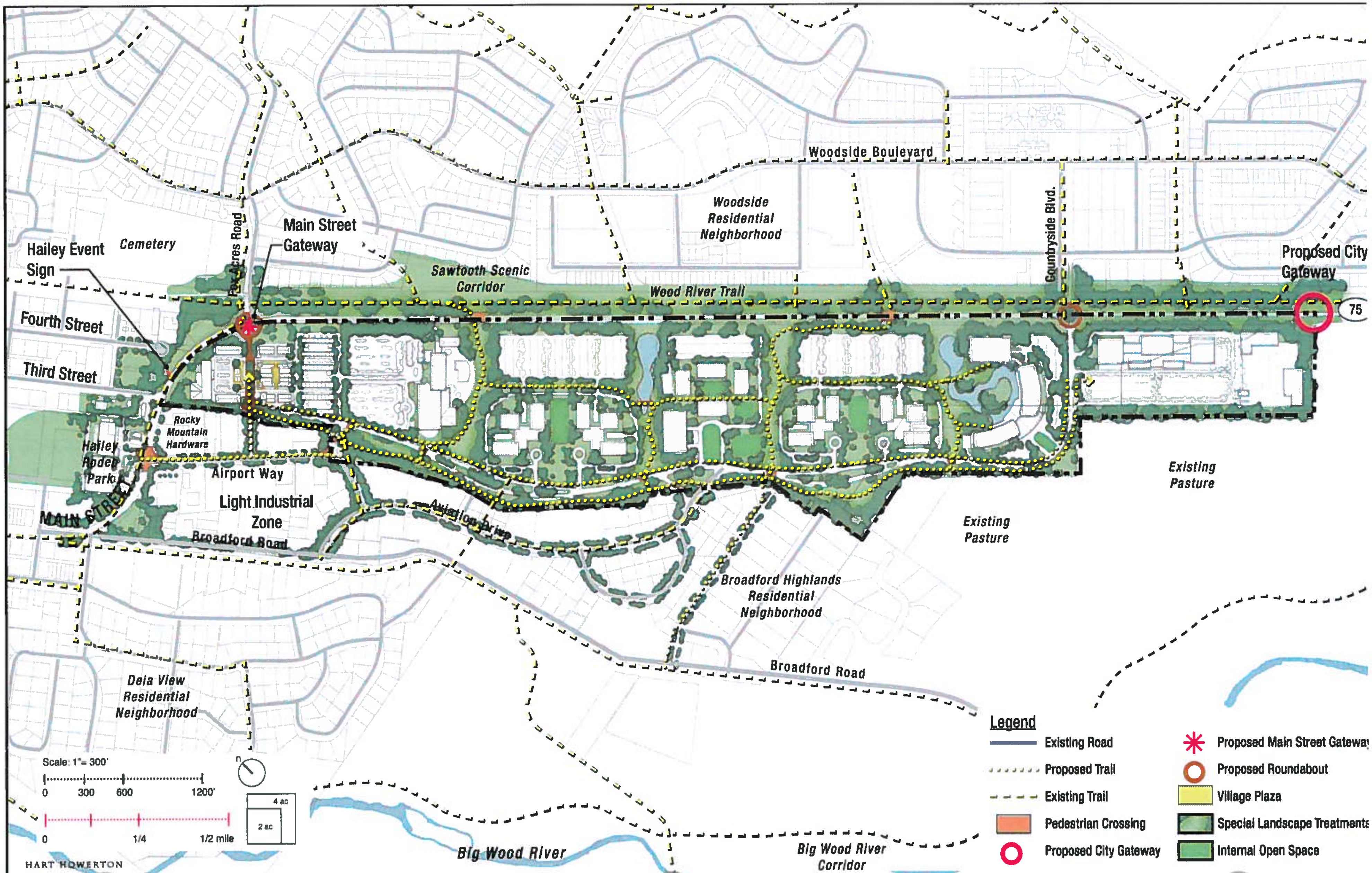


Exhibit 27
Friedman Memorial Airport Redevelopment
Vehicular Circulation and Parking Component - Conceptual Site Plan

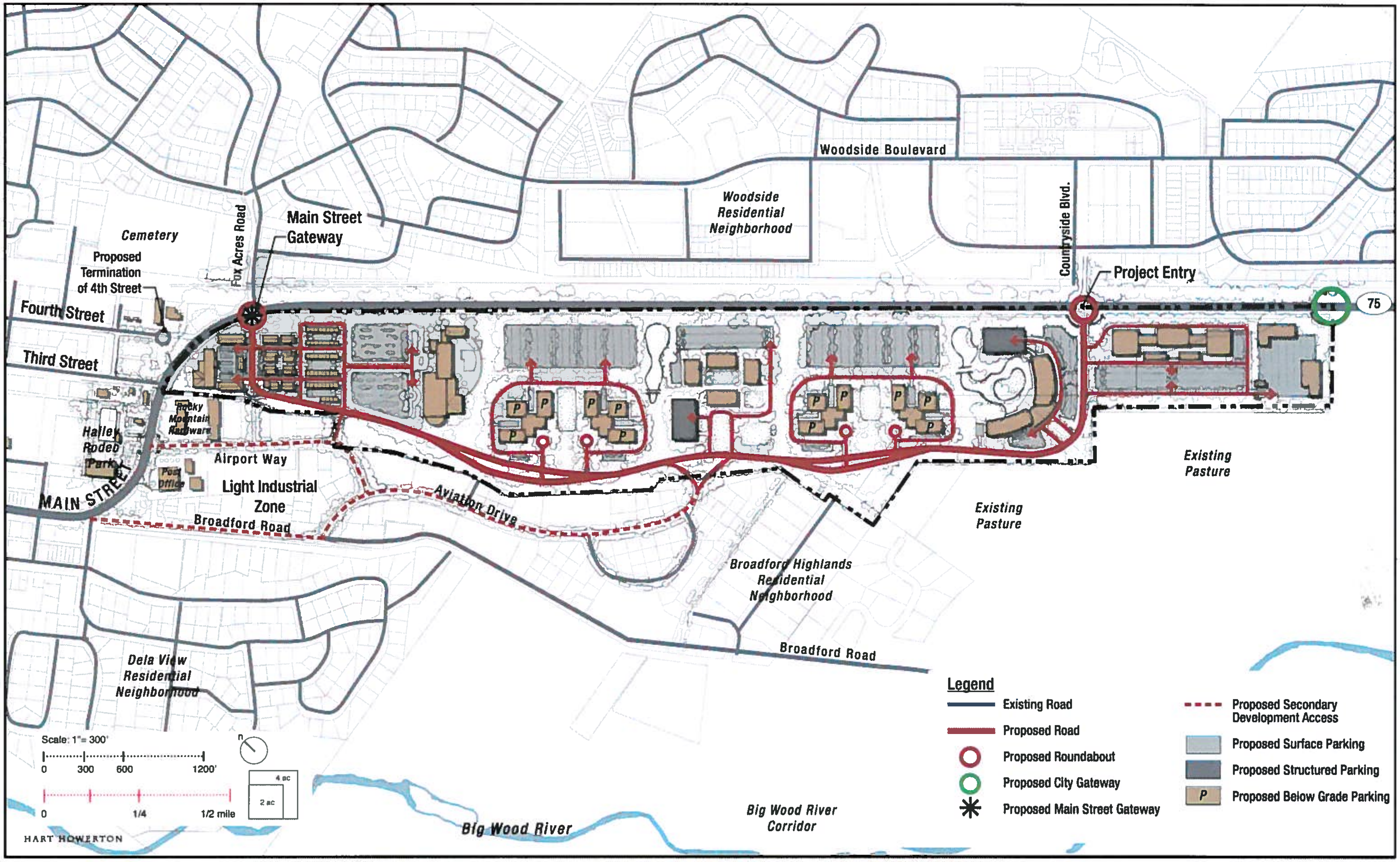
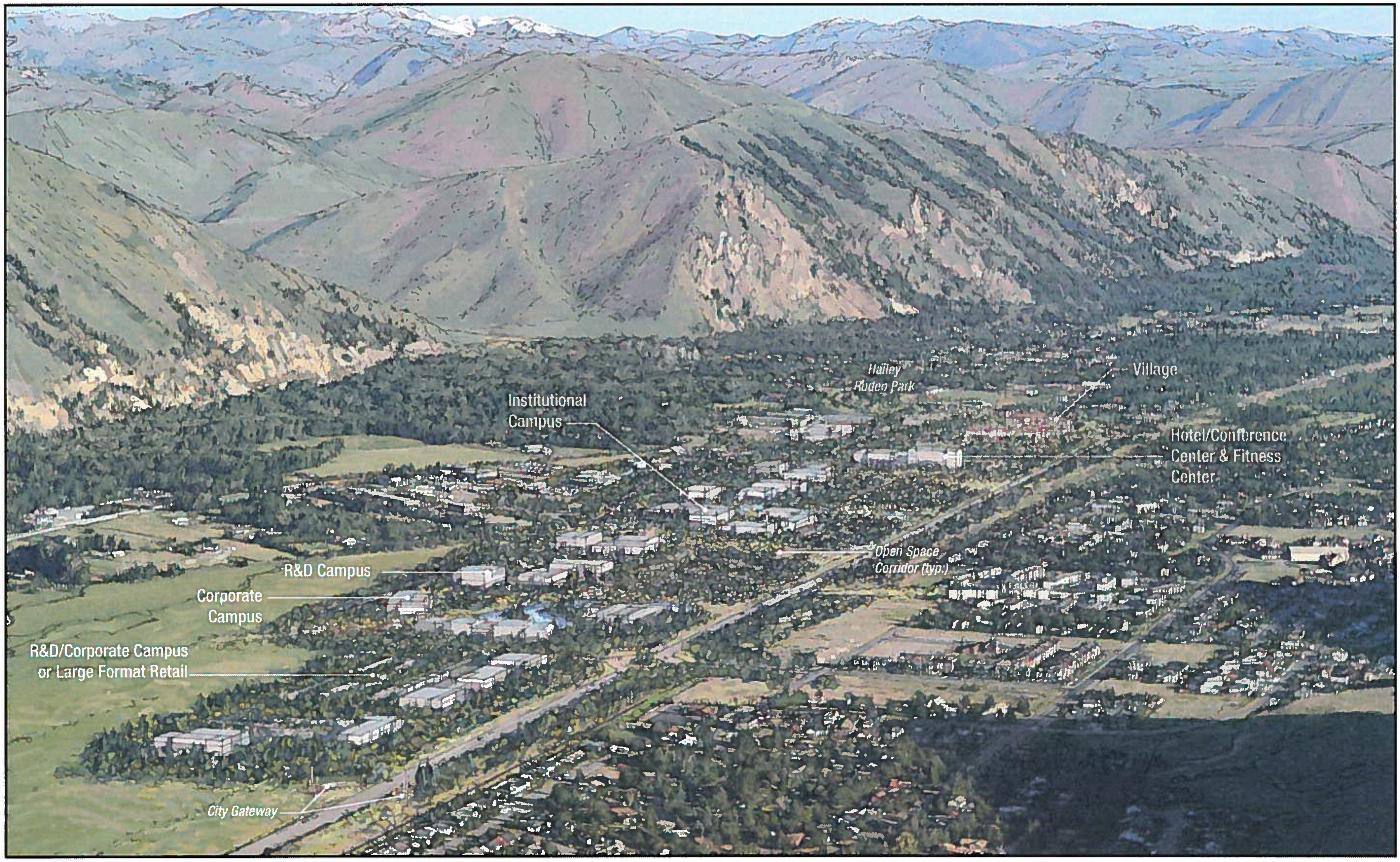


Exhibit 28
Friedman Memorial Airport Redevelopment
Oblique Perspective View

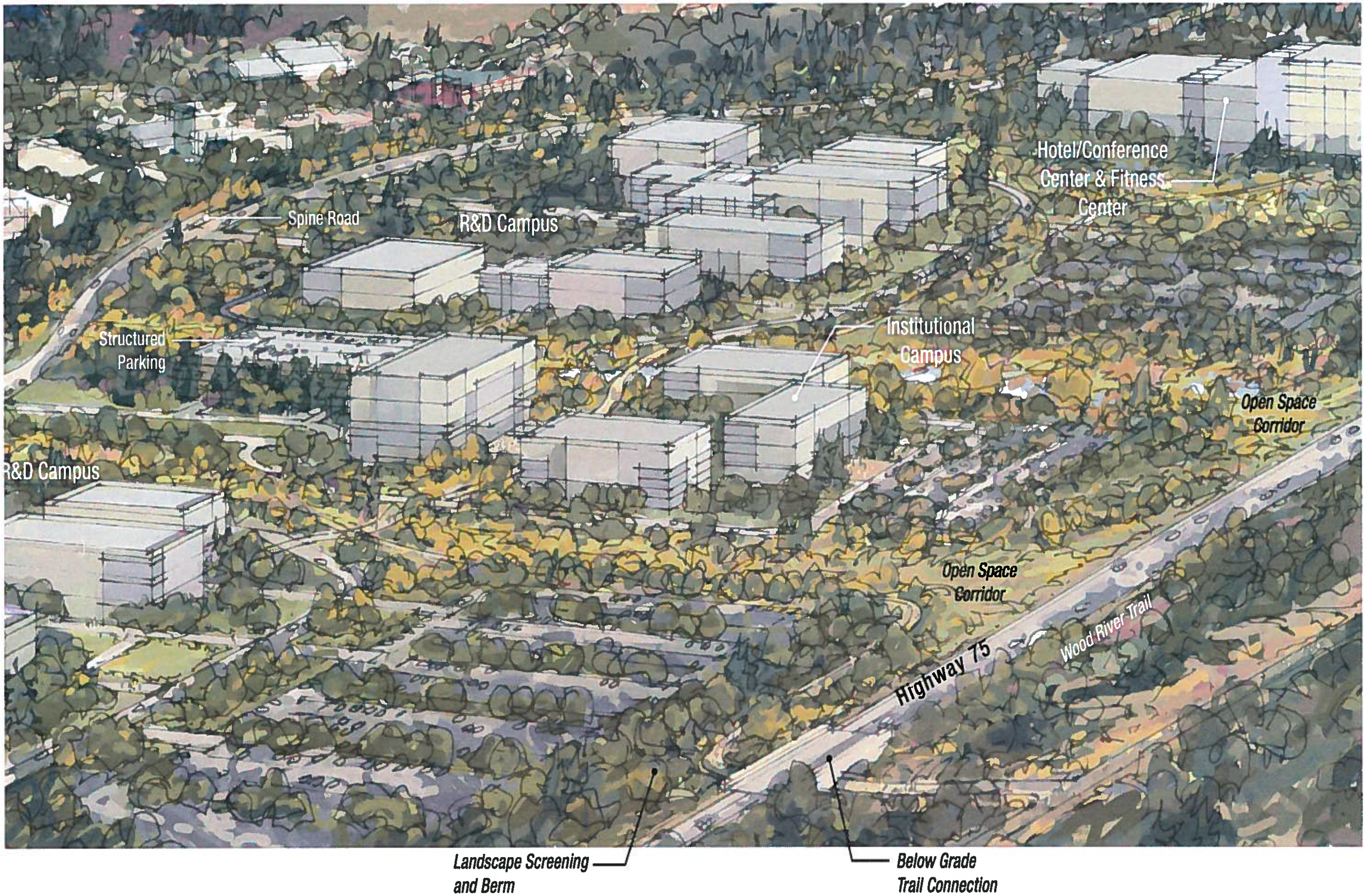


HART HOWERTON

Exhibit 29
Friedman Memorial Airport Redevelopment
Plan Enlargement of Research and Development Area

HART | HOWERTON

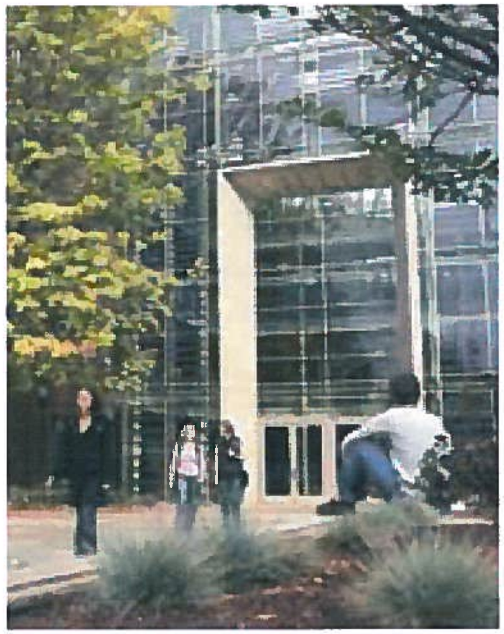
Exhibit 30
Friedman Memorial Airport Redevelopment
Perspective of Central Plan Area

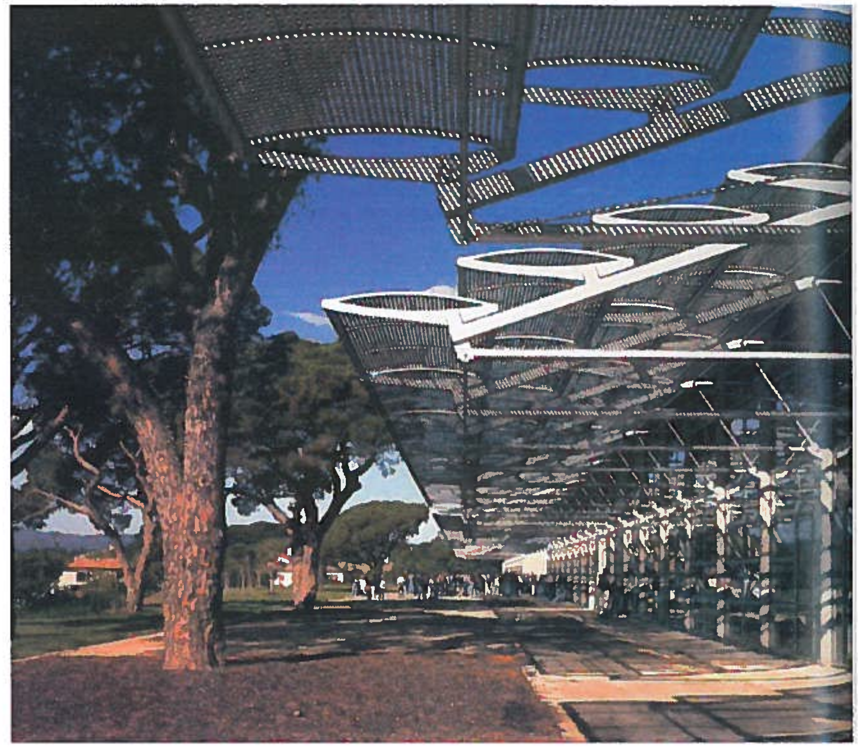


HART HOWERTON

Exhibit 31
Friedman Memorial Airport Redevelopment
Perspective of Interior Arrival Lobby for a Research and Development Complex

Exhibit 32
Friedman Memorial Airport Redevelopment
Images of Sustainable Research and Development Campus Buildings

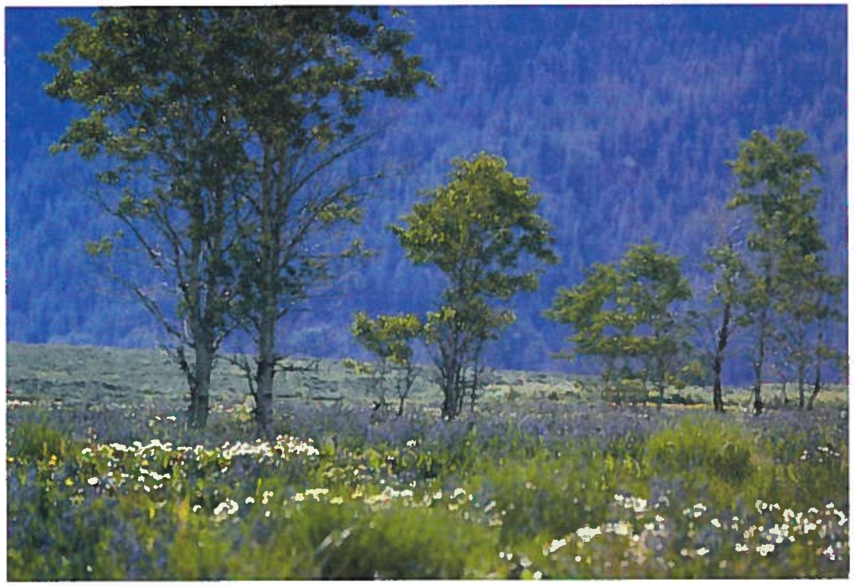


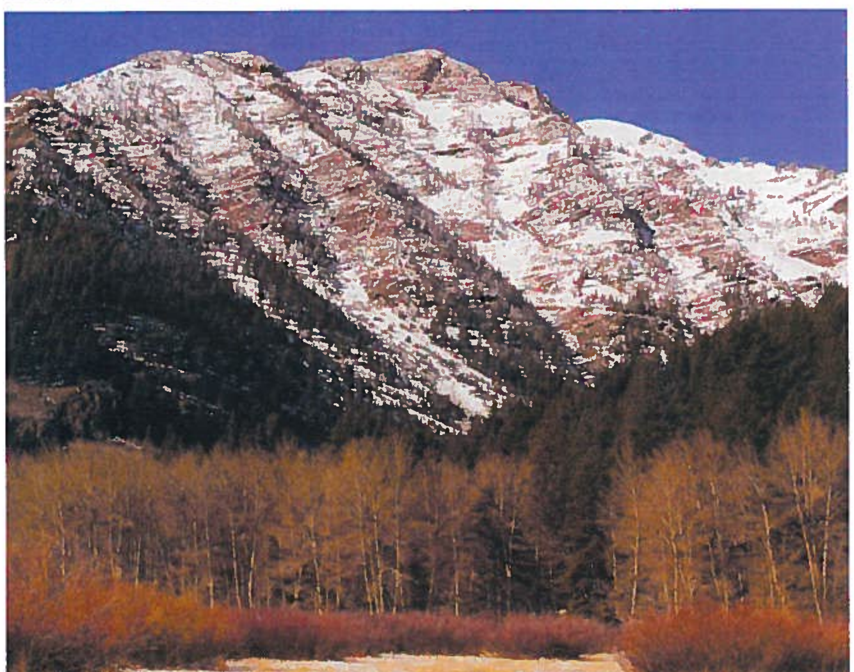


VERTON

Exhibit 33
Friedman Memorial Airport Redevelopment
Perspective of an Open Space Corridor Along Highway 75

Exhibit 34
Friedman Memorial Airport Redevelopment
Native Landscape Imagery





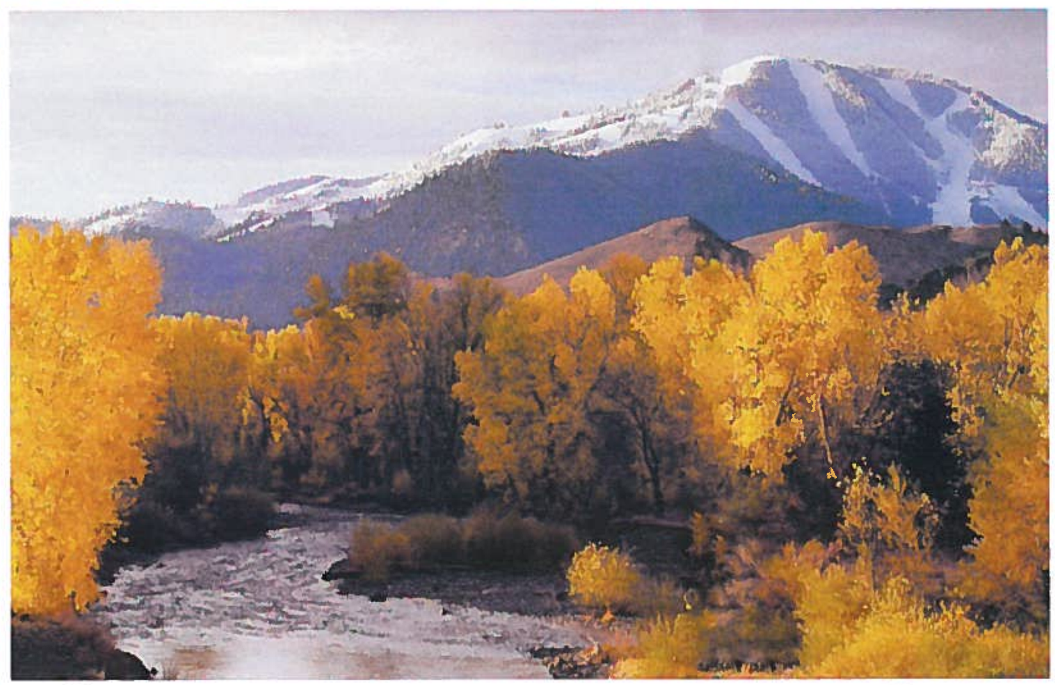


Exhibit 35
Friedman Memorial Airport Redevelopment
"Village" Plan Area Enlargement

Exhibit 36
Friedman Memorial Airport Redevelopment
Perspective of "Village" Area

Exhibit 37
Friedman Memorial Airport Redevelopment
Enlargement of the South Parcel with Large Format Retail Plan

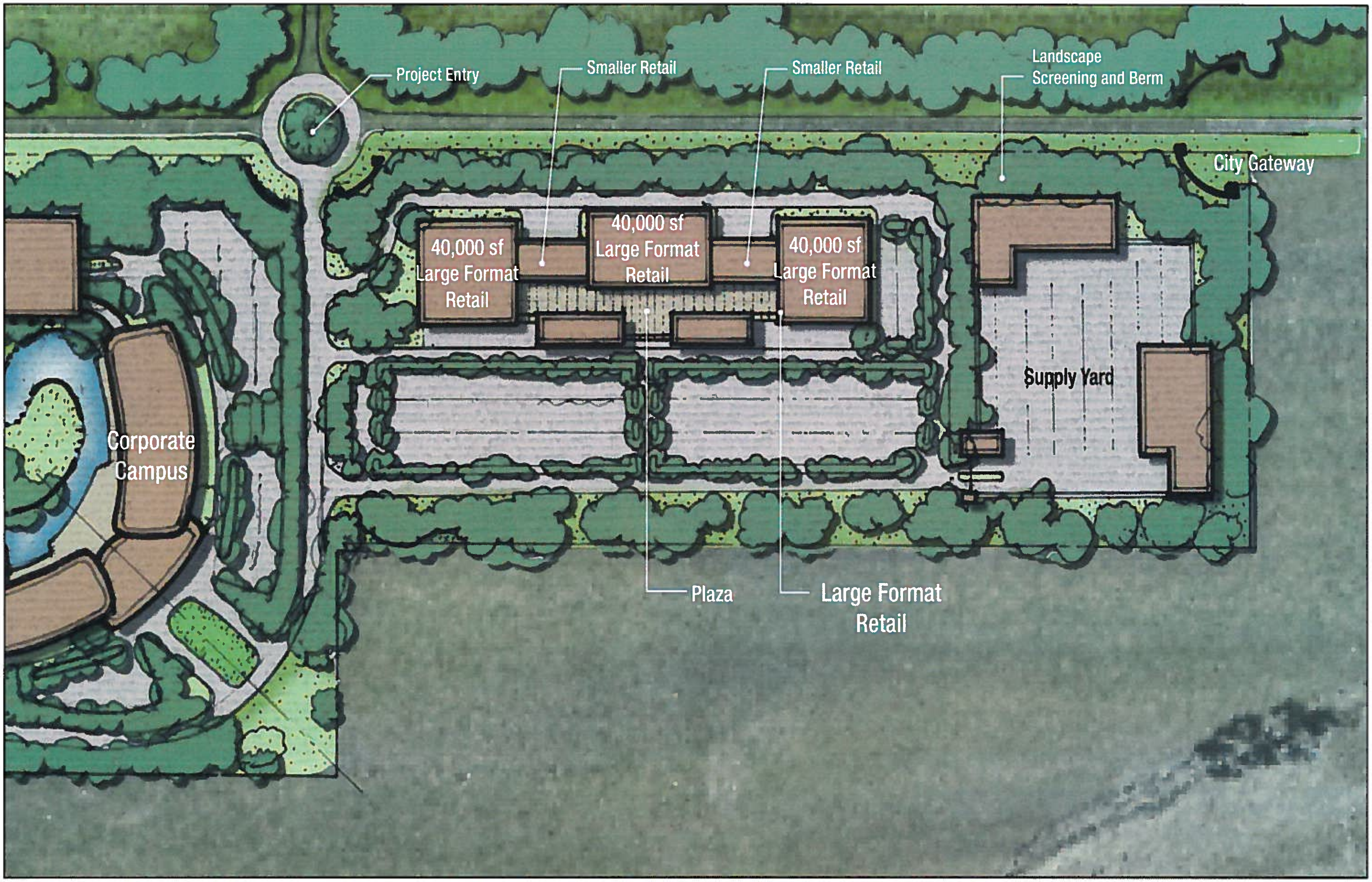


Exhibit 38
Friedman Memorial Airport Redevelopment
Perspective View of the South Parcel with Large Format Retail

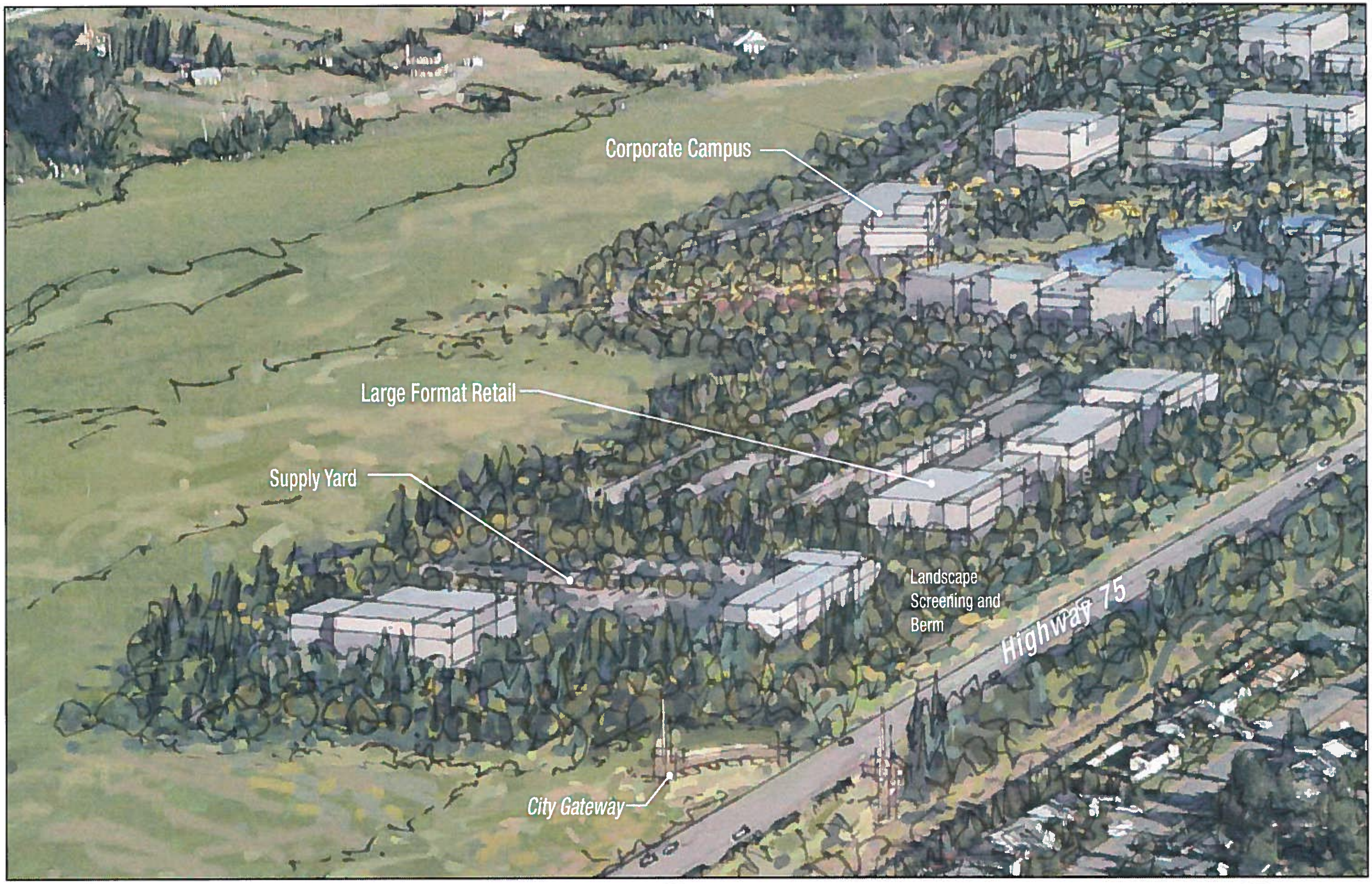


Exhibit 39
Friedman Memorial Airport Redevelopment
Perspective View of the South Parcel with Research and Development or Corporate Campus

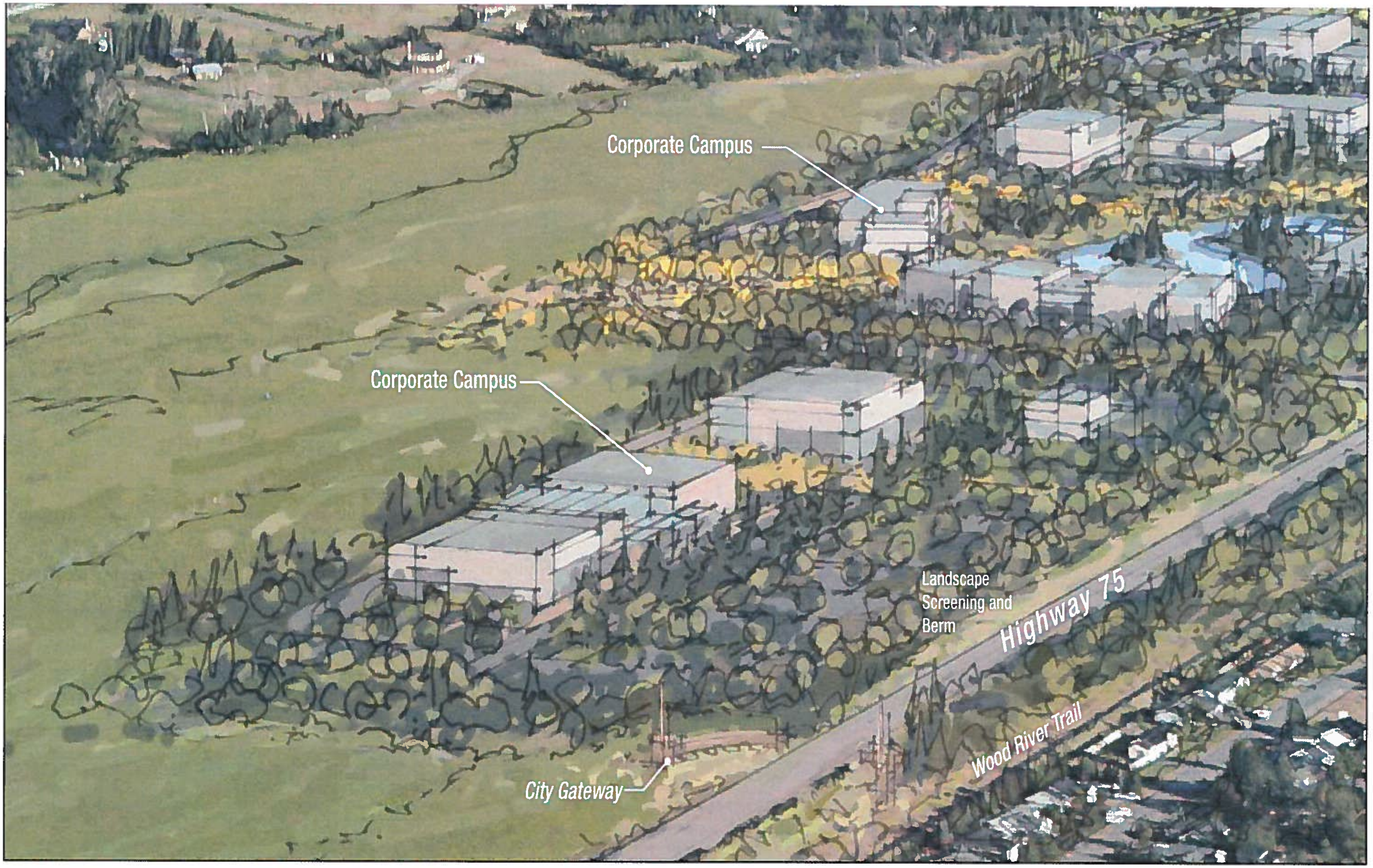
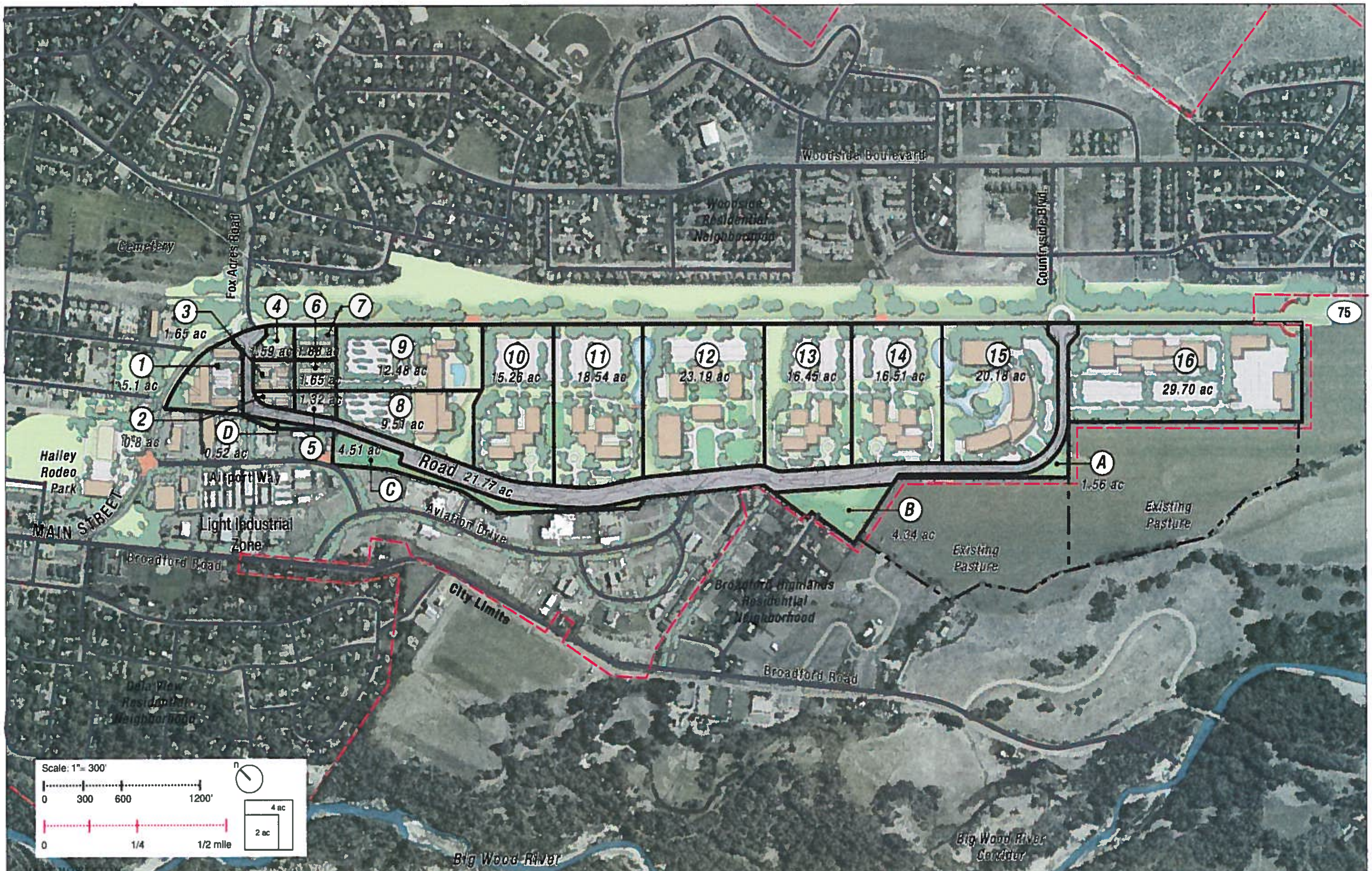


Exhibit 40
Friedman Memorial Airport Redevelopment
Parcel Plan



Historical land values and absorption rates in Blaine County were analyzed in order to determine appropriate land values for the FMA site.

Friedman Memorial Airport

Redevelopment Plan and Feasibility Analysis

Economics

Economic Overview

One primary objective of this report was to determine the land values of the FMA site. In order to determine the land values the following steps were taken.

- The entire FMA site has approximately 207.94 acres. Of this total, 21.77 acres of land were allocated to roads and 10.93 acres were allocated to outparcels which will be used for non-income producing land. The remaining balance of land was 175.24 acres which was deemed as income producing. Additionally, each land parcel was reduced by 10% to cover unforeseen loss of land. In conclusion 158.27 acres were considered to be income producing land.
- Historical land values and absorption rates in the Wood River Valley were analyzed.
- Comparable land values were determined by conducting interviews with a number of local entities familiar with land values in the Hailey Trade Area. Land values ranged from $4.50 per square feet for residential land to $30.00 for prime real estate. Based on this analysis, land at the FMA site was valued at $3.50 to $8.00 per square foot depending on the projected use, the location of specific parcels, the projected timing of the disposition of each parcel, and the abundance of land.
- Framework plans for the FMA site were developed in order to determine the amount of land that would be available for sale when roads, setbacks and open space requirements were considered.
- The land was divided into the maximum number of units which were deemed to be acceptable to the community in order to create the highest land value.
- The framework plans were developed with significant input from local residents and officials.

Based on the above steps the FMA site was planned to have 16 parcels of land ranging from less than one acre to 5.14 acres on the north side of the development and up to 29.70 acres on the south side of the development. Total available land for sale was estimated to be 175.86 acres.

Outlined on the following pages are detailed summary charts indicating the estimated value of the land. In summary, the total land value for 158.27 acres is $34,252,700 in current dollars.

As per the charts on the following two pages, year 1 of the FMA site disposition program is

2016 or any other revised opening date of the new airport. The projected sale of all land on the FMA site will occur over a nine year period. Assuming a start date of 2016, all of the land will be sold off by the year of 2025.

The average projected selling price is $4.97 per square foot or $216,414 per acre. However, it should be noted that the land values are based on the fact that the land will be sold over a nine year period which has benefits and disadvantages. From one perspective the land values will increase over time as one parcel's price is based in part from the sale of the previous parcels. Likewise, the land values of the FMA site will increase over time. However, selling land over time does not provide the FMAA with a one time cash infusion which would occur if all of the land was sold at one time, which raises the question of what the land value is if it was all sold at once. The answer is not easy to obtain because of the oversupply of land in the current market. Likewise, any potential buyer of the land today would defer such a purchase until the new airport is open and would then want to buy the land at wholesale in order to sell it at a retail price plus recover all of the hard and soft costs in the development. Therefore if the land was sold as one parcel with zoning in place, and assuming the economy had turned around, a purchase price of $3.50 to $4.50 per square foot or approximately $24.13 million to $31.02 million could be potentially obtained.

Land Use and Disposition Strategy Overview

The preferred land use strategy is to divide the FMA site into sixteen parcels ranging from less than one acre to 29.0 acres. Recommended uses include neighborhood and regional serving retail, moderately priced housing, institutional uses such as a research facility and a convention center and hotel. The final parcel of land (#16) could be used as a location for large format retail.

In developing a land pricing model, commercial land values and residential land values in the market were analyzed and were found to generally be in the $3.50 to $10.00 a square foot range or in the $152,500 to $435,600 an acre range with a number of notable exceptions based on the size of land parcels, the location of parcels and the intended use of the parcel.

Based on this research, a first cut number was developed by assuming 200 acres would be sold in bulk at a rate of $150,000 to $200,000 an acre or for a total of $30,000,000 to $40,000,000. These numbers were used as a guide for more detailed pricing. Next, land values were modeled on a parcel by parcel basis as detailed below. In developing these land values on a parcel by parcel basis it was assumed that the value of the large land parcels were less in the early years and more in the later years. Stated in other words, the land values increased as the supply of land parcels were reduced. In this scenario land values were estimated to be valued from $3.50 per square foot to $8.00 a square foot based on the size of the lot and the timing of its disposition.

In terms of timing, parcels were projected to be sold over a 9 year period. The first year was projected to be the year in which the new airport opens, or 2016 based on the current schedule.

Parcel 1 - "Village" Center

5.14 acres or 223,898 square feet, less 22,390 square feet for infrastructure, producing a net land parcel of 201,509 square feet, sold in year 1, (year of the opening of the new airport). Projected land value of $8.00 per square foot, resulting in a total value of $1,612,100.

Recommended Uses: Community retail acting as an extension of downtown Hailey. Possible uses could include financial institution, cafes, dry cleaner, home furnishings, apparel, outdoor provision company, table top gifts and neighborhood serving uses to include quick serve food for onsite and take-home consumption.

Parcels 2, 3 and 4 - "Village" Center

4.05 acres or 176,418 square feet, less 17,642 square feet for infrastructure, producing a net land parcel of 158,776 square feet, sold in year 2, (two years after the opening of the new airport). Projected land value of $3.50 per square foot, resulting in a total value of $555,717. Recommended Uses: Community retail acting as an extension of downtown Hailey. Possible uses could include financial institution, cafes, dry cleaner, home furnishings, apparel, outdoor provision company, table top gifts and neighborhood serving uses to include quick serve food for onsite and take-home consumption.

Parcels 5, 6 and 7 - Senior, Student, or Employee Housing

4.85 acres or 211,266 square feet, less 21,127 square feet for infrastructure, producing a net land parcel of 190,139 square feet sold in year 3, (three years after the opening of the new airport). Projected land value of $3.50 per square foot, resulting in a total value of $760,558. Recommended Uses: Senior, student, or employee housing.

Parcels 8 and 9 - Full Service Hotel and Convention Center

21.99 acres or 957,884 square feet, less 95,788 square feet for infrastructure, producing a net land parcel of 862,096 square feet sold in year 5, (two years after the opening of the new airport). Projected land value of $3.50 per square foot, resulting in a total value of $4,310,480. Recommended Uses: Full Service Hotel and Convention Center.

Parcel 10 and 11 - Research and Development Campus

33.8 acres or 1,472,328 square feet, less 147,233 for infrastructure, producing a net land parcel of 1,325,100 square feet, sold in year 5, less (five years after the opening of the new airport). Projected land value of $5.00 per square foot, resulting in a total land value of $6,625,476. Recommended Uses: Research and development campus.

Parcel 12 - Research and Development Campus

23.19 acres or 1,010,156 square feet, less 101,016 square feet for infrastructure to total 757,617 square feet sold in year 6 (six years after the opening of the new airport). Projected land value of $5.00 per square foot, resulting in a total value of $4,545,700. Recommended Uses: Research and development campus.

Parcel 15 - Corporate Campus

20.18 acres or 879,041 square feet, less 87,904 square feet for infrastructure, producing a net land parcel of 791,137 square feet. Sold in year 7, (seven years after the opening of the new airport). Projected land value of $4.50 per square foot, resulting in a total value of $3,560,115. Recommended Use: Corporate Campus

Parcel 13 and 14 - Research and Development Campus

32.96 acres or 1,435,738 square feet, less 143,574 square feet for infrastructure, producing a net land parcel of 1,292,164 square feet. Sold in year 8 (eight years after the opening of the new airport). Projected land value of $5.00 per square foot or $6,460,819.

Parcel 16 - Large Format Retail

29.70 acres or 1,293,732 square feet, less 129,373 square feet for infrastructure, producing a net land parcel of 1,164,359 square feet. Sold in year 9, (nine years after the opening of the new airport). Projected land value of $5.00 per square foot, resulting in a total value of $5,821,800. Recommended Use: Large format retail.

Summary

The total estimated land value as per the attached schedules is $34,252,731. The average land value per square foot is approximately $5.00 per square foot.

Table 20
Friedman Memorial Airport Redevelopment
Base Land Values

PARCEL	ACRES	SQ.FT.	INFRASTRUCTURE	LAND ALLOCATED TO INFRASTRUCTURE	NET LAND	LAND VALUE PSF	TOTAL VALUE
1	5.14	223,898	10.00%	22,390	201,509	$8.00	$1,612,068
2	0.81	35,284	10.00%	3,528	31,755	$3.50	$111,143
3	1.65	71,874	10.00%	7,187	64,687	$3.50	$226,403
4	1.59	69,260	10.00%	6,926	62,334	$3.50	$218,170
5	1.32	57,499	10.00%	5,750	51,749	$4.00	$206,997
6	1.65	71,874	10.00%	7,187	64,687	$4.00	$258,746
7	1.88	81,893	10.00%	8,189	73,704	$4.00	$294,814
8	9.51	414,256	10.00%	41,426	372,830	$5.00	$1,864,150
9	12.48	543,629	10.00%	54,363	489,266	$5.00	$2,446,330
10	15.26	664,726	10.00%	66,473	598,253	$5.00	$2,991,265
11	18.54	807,602	10.00%	80,760	726,842	$5.00	$3,634,211
12	23.19	1,010,156	10.00%	101,016	909,141	$5.00	$4,545,704
13	16.45	716,562	10.00%	71,656	644,906	$5.00	$3,224,529
14	16.51	719,176	10.00%	71,918	647,258	$5.00	$3,236,290
15	20.18	879,041	10.00%	87,904	791,137	$4.50	$3,560,115
16	29.7	1,293,732	10.00%	129,373	1,164,359	$5.00	$5,821,794
	175.86	7,660,462	10.00%	766,046	6,894,415	$4.97	$34,252,731

Table 21
Friedman Memorial Airport Redevelopment
Base Land Values by Year

YEAR	PARCEL SOLD	ACRES SOLD	SQ.FT.	INFRASTRUCTURE	LAND ALLOCATED TO INFRASTRUCTURE	NET LAND	BASE LAND VALUE PSF	TOTAL VALUE
1	1	5.14	223,898	10%	22,390	201,509	$8.00	$1,612,068
2	2,3,4	4.05	176,418	10%	17,642	158,776	$3.50	$555,717
3	5,6,7	4.85	211,266	10%	21,127	190,139	$3.50	$760,558
4	8,9	21.99	957,884	10%	95,788	862,096	$3.50	$4,310,480
5	10,11	33.8	1,472,328	10%	147,233	1,325,095	$5.00	$6,625,476
6	12	23.19	1,010,156	10%	101,016	909,141	$5.00	$4,545,704
7	15	20.18	879,041	10%	87,904	791,137	$4.50	$3,560,115
8	13,14	32.96	1,435,738	10%	143,574	1,292,164	$5.00	$6,460,819
9	16	29.70	1,293,732	10%	129,373	1,164,359	$5.00	$5,821,794
10	NA	0	0	0	NA	NA	$-	NA
TOTAL	NA	175.86	7,660,462	10%	766,046	6,894,415	$4.97	$34,252,731

Table 22
Friedman Memorial Airport Redevelopment
Inflated Values at 1.5% per Year

YEAR	PARCEL SOLD	ACRES SOLD	SQ.FT.	INFRASTRUCTURE	LAND ALLOCATED TO INFRASTRUCTURE	NET LAND	BASE LAND VALUE PSF	INFLATION RATE (PER YEAR)	INFLATED LAND VALUE	ADJUSTED VALUE
1	1	5.14	223,898	10%	22,390	201,509	$8.00	0.0%	$8.00	$1,612,068
2	2,3,4	4.05	176,418	10%	17,642	158,776	$3.50	3.0%	$3.50	$555,717
3	5,6,7	4.85	211,266	10%	21,127	190,139	$3.50	4.5%	$3.75	$713,023
4	8,9	21.99	957,884	10%	95,788	862,096	$3.50	6.0%	$3.75	$3,232,860
5	10,11	33.8	1,472,328	10%	147,233	1,325,095	$5.00	7.5%	$5.50	$7,288,024
6	12	23.19	1,010,156	10%	101,016	909,141	$5.00	9.0%	$5.50	$5,000,274
7	15	20.18	879,041	10%	87,904	791,137	$4.50	10.5%	$5.25	$4,153,468
8	13,14	32.96	1,435,738	10%	143,574	1,292,164	$5.00	12.0%	$5.50	$7,106,901
9	16	29.70	1,293,732	10%	129,373	1,164,359	$5.00	13.5%	$5.75	$6,695,063
10	NA	0	0	0	NA	NA	$-		$-	NA
TOTAL	NA	175.86	7,660,462	10%	766,046	6,894,415	$4.97	1.5%	$5.27	$36,357,398

Friedman Memorial Airport Redevelopment Framework Plan Diagram

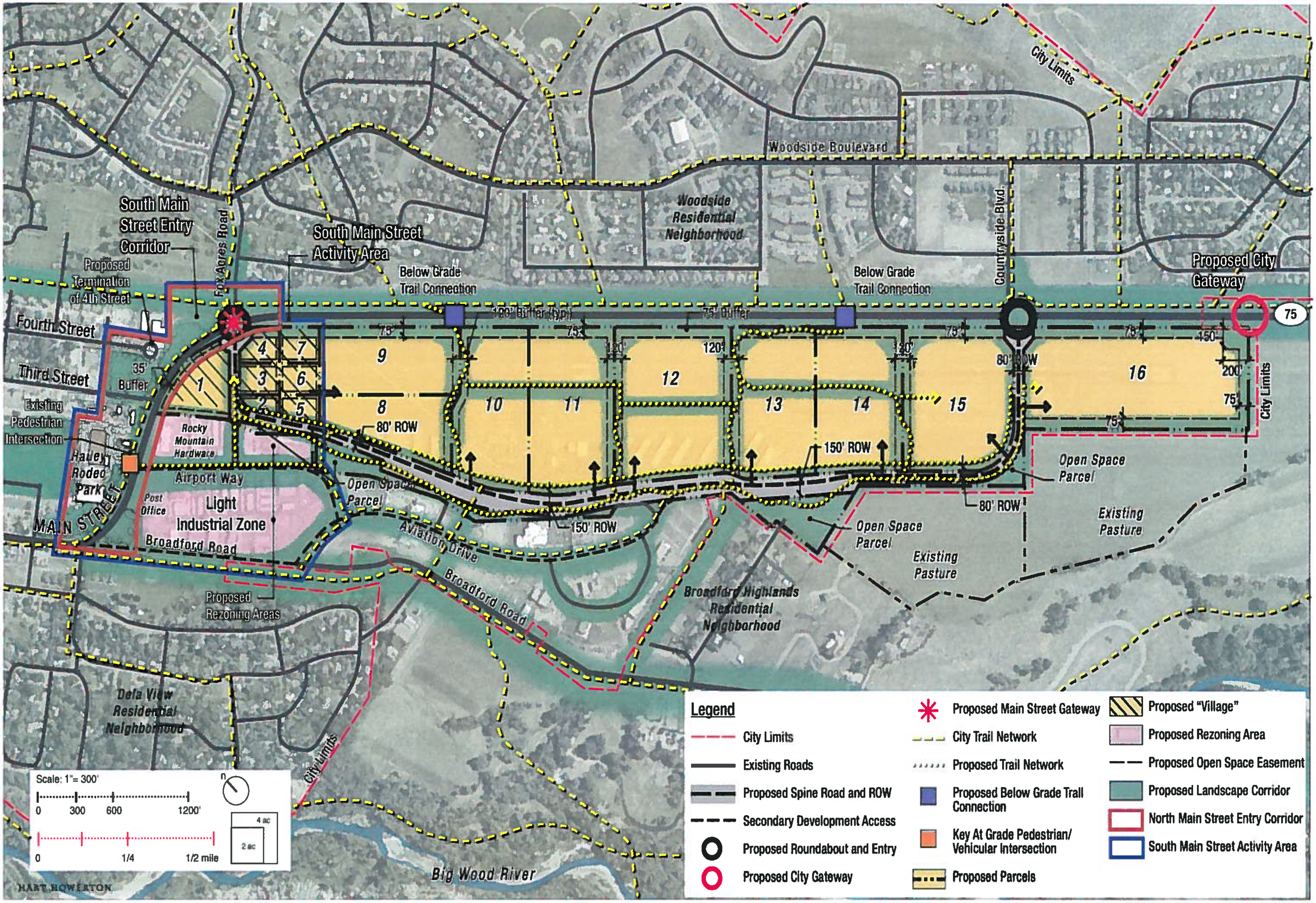


Table 23
Friedman Memorial Airport Redevelopment
Proposed Uses

PARCEL	TYPE	TOTAL ACRES	NET ACRES	BUILDING SQ. FT	DESCRIPTION
1,2,3, & 4	"Village" Center	19.9	6.89	160,000	"Village" Cluster type image and layout and with small scale type uses consisting of financial institutions, drug store, small grocery, drug store, café/coffee shop, dry cleaner, home furnishings, apparel, outdoor provision company, table top gifts and neighborhood serving retail. Shops would be approximately 70 feet deep and 30 feet in width.
5,6, & 7	Residential	4.85	3.63	95,000	
8 & 9	Hotel and Conference Center	22	16.49	215,000	A moderate level hotel such as a Sheraton of approximately 150 rooms. Convention center would be approximately 20,000 sf which would include banquet facilities and large format meeting spaces as an extension of the hotel. Food services would operate from a combined kitchen for both the convention center and hotel.
10 & 11	Institutional Research & Development Facilities	33.8	25.35	200,000	Research and Development buildings arranged in a "pod" type arrangement with a central communal building lobby and arrival area. Individual R & D buildings could be 3 story buildings with a 20,000 sf floor plates.
12	University or Other Campus Institutional Use	23.19	07.39	215,000	The University or Institute would be straddled between the R and D uses. The land will be given to a university or institution.
13 & 14	Institutional Research & Development Facilities	32.96	24.72	120,000	Assume a large company with 300 employees and 400 sf / employee. 120,000 sf foot building on two floors, or a 60,000 sf footprint.
15	Corporate Campus	20.18	15.135	200,000	Either be entry level housing such as dorms or apartments or senior housing for active adults. Number of units to be determined.
16	Large Format Retail Store	29.7	22.75	160,000	3 large format stores of 40,000 sf on one floor or a total of 120,000 sf. These large format stores could be very "green" in how they are designed. 2 clusters of 20,000 square foot sub-anchor tenants.
TOTAL		175.86	131.895	1,325,000	

Friedman Memorial Airport Redevelopment
Parcel Plan

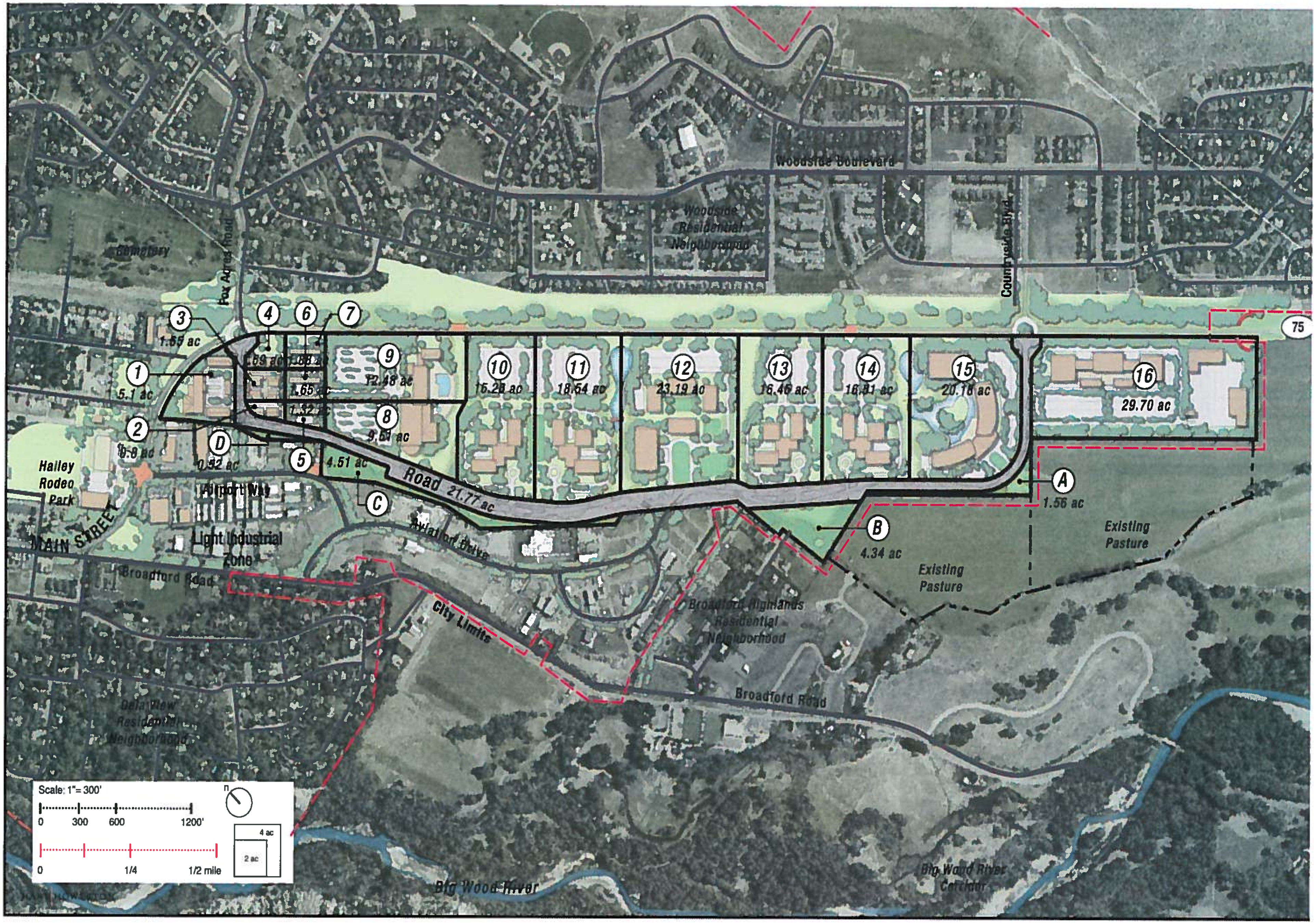


Table 24
Friedman Memorial Airport Redevelopment
Preliminary Statement of Airport Demolition Costs

DESCRIPTION	SIZE (APPROX. SQ.YDS.)	AREA (APPROX. SQ.FT.)	ESTIMATED COST (PER SQ.YD.)	COMMENT	COST
PAVING					
Runway Area					
Runway 31/13	83,912	755,206	$16.00		$1,343,000
Taxiway Areas					
Southeast	38032	342294	8		$304,000
Southwest	26442	237982	8		$212,000
Northwest	38730	348570	8		$310,000
Northeast	10000	90005	8		$80,000
General Paving					
Terminal Apron	7376	66386	8		$59,000
North Terminal Apron	15270	137434	8		$122,000
North Hanger Apron	11703	105329	8		$94,000
Main Terminal Parking Area	15318	137867	8		$123,000
Long Term Parking Area	7042	63385	8		$56,000
ARFF/ Shop Apron	14591	131322	8		$117,000
North Circulation Road	19242	173179	8		$154,000
Road between Terminal & South Hanger Block	4793	43139	8		$38,000
South Hanger Apron/ Road	28075	252683	8		$225,000
Tie-Down Area	37653	338877	8		$301,000
SV Aviation Apron	31420	282788	8		$251,000
SV Aviation Parking & South Circulation Roads	15756	141804	8		$126,000
Control Tower Parking/ Circulation	2658	23927	8		$21,000
SV Aviation Gravel Park-ing Lot	~	N/A	~		~
Project Management, Engineering and Con-tract					
Document Services (12%)	~	~	~		$472,000
PAVING SUBTOTAL	408,013	3,672,177	~		$4,408,000

Table 24
Preliminary Statement of Airport Demolition Costs Continued

DESCRIPTION	SIZE (APPROX. SQ.YDS.)	AREA (APPROX. SQ.FT.)	ESTIMATED COST (PER SQ.YD.)	COMMENT	COST
BUILDINGS					
Terminal	260 x 70	18,200	2.6		$47,320
Hanger 1N	55 x230	12,650	0.8	Found/Slab only, recycle structure	$10,120
Hanger 2N	60 x 60	3,600	0.8	"	$2,880
Hanger 3N	60 x180	10,800	0.8	"	$8,640
Hanger 4N	190 x 170	32,300	1	"	$32,300
Hanger 5N	120 x 130	15,600	0.8	"	$12,480
Hanger 6N	170 x 70	11,900	0.8	"	$9,520
Hanger 7N	65 x 60	3,900	0.8	"	$3,120
Admin. Office	60 X 40	2,400	1.8		$4,320
ARRF Building	50 x 50	2,500	2.5		$6,250
Shop Building	90 x 50	4,500	1.3		$5,850
Equipment Storage	40 x 90	3,600	0.6	Found/Slab only, recycle structure	$2,160
Hanger 1S	60 x 60	3,600	1.3	"	$4,680
Hanger 2S	80 x 85	6,800	1.8		$12,240
Hanger 3S	60 x 60	3,600	1.1	Found/Slab only, recycle structure	$3,960
Hanger 4S	190 x 50	9,500	0.8	"	$7,600
Hanger 5S	230 x 60	13,800	0.8	"	$11,040
Hanger 6S	230 x 60	13,800	0.8	"	$11,040
Hanger 7S	230 x 60	13,800	0.8	"	$11,040
Hanger 8S	230 x 50	11,500	0.8	"	$9,200
Hanger 9S	250 x 60	15,000	1	"	$15,000
Hanger 10S	250 x 60	15,000	1	"	$15,000
Hanger 11S	230 x 50	11,500	1	"	$11,500
Atlantic Aviation Exec. Terminal	130 x 70	9,100	2.6		$23,660
Atlantic Aviation Hanger	130 x 230	29,900	1.1	Found/Slab only, recycle structure	$32,890
Control Tower	25 x 25	1,200	3.5		$4,200
Individual Building Structural Assessment					
and Investigation	~	~	~		$30,000
Project Management, Architectural/ Engineering and Contract Document Services (12%)	~	~	~		$47,000
BUILDINGS SUBTOTAL		280,050			$395,010

Table 24
Preliminary Statement of Airport Demolition Costs Continued

DESCRIPTION	SIZE (APPROX. SQ.YDS.)	AREA (APPROX. SQ.FT.)	ESTIMATED COST (PER SQ.YD.)	COMMENT	COST
REVEGETATION AREAS					
Tarmac & Taxi		1,840,443		Includes minor soil preparation	
Apron Paving		1,831,734		"	
Bare Land:		32,223		"	
(SV Aviation Gravel Parking & Fuel Farm)		~		"	
Buildings		279,475		"	
10% Additional Area		398,387		"	
Project Management and Contract Document Services (9%)	~	~	~		$30,000
REVEGETATION SUBTOTAL	100.60/ ACRE	4,382,262	$3,200/ACRE		$352,000
ADDITIONAL ITEMS					
Fencing		$27,277	$3.00/LIN.FT.	Includes salvage to contractor	$82,000
Runway & Taxi Lights		$30,992	$0.00	Salvage Lighting	N/A
TOTAL ALL CATEGORIES					$5,237,010

ITEMS NOT INCLUDED IN ABOVE COSTS

- Removal of base material below all paved areas.
- Backfill/compaction at areas where building foundations and pavements have been removed.
- Removal of subsurface utilities such as power distribution, runway lighting wiring, parking/tarmac lighting, navigational aid infrastructure, sewer, water, storm drain systems, communications wiring, etc..
- Removal of stock piled paving material from site.
- Subdivision approvals, subdivision engineering, new infrastructure costs, etc..
- Permitting Fees and Contingencies
- Possible reuse of materials for replacement airport efforts
- Unit costs are projected based upon 2011 unit pricing. Adjustments should be made for actual year of construction.

Disclaimer: Demolition cost assumptions are based on a 2016 closing date for the FMA Airport. These costs are preliminary and subject to further refinement.

Source: Primary: Ruscitto/Latham/Blanton Architectura, P.A
Support: Jviation - Civil aspects