

November 5, 2010

Mr. George Bacon
Director – Idaho Department of Lands &
Idaho Board of Land Commissioners
300 North 6th Street, Suite 103
Boise, Idaho 83720-0050

Dear Director Bacon & State Board of Land Commissioners,

We are writing to you on behalf of the national Self Storage Association, representing more than 32,000 operators and more than 46,000 self storage facilities nationwide; and the Idaho Self Storage Association representing approximately 450 facilities in the state. Our organizations are very concerned about both the direct unfair competitive circumstance and the general poor precedent that your state's recent purchase of a self storage facility presents.

As has been the case with most real estate sectors during this recession, self storage operators currently face significant challenges and have had to adjust their business operations to compete with each other during this difficult period. They understand fair competition and recognize that all industry businesses must also make similar difficult decisions as they relate to overhead, payroll, security, marketing, regulatory mandates and taxes.

The State of Idaho's (Department of Land) purchase for \$2.7 million of Affordable Self Storage, and the subsequent management of the facility, is a direct affront to our understanding of the clear distinctions between private/public activities. It is both unfair to the Idaho citizens who have established businesses in your state, and to the many consumers who currently and in the future will rent storage units from private operators at rates established based upon uniform operating dynamics.

Fair competition between companies that provide similar goods and services usually benefits consumers through lower prices and superior products. Any government-run facility which, for example, is not required to remit property taxes, upsets this standard. Government projects that duplicate services that are readily available in the private sector not only unnecessarily increase the size of state government, but directly compete with main street businesses that pay the taxes which support that government.

Not only is the practice of your state government directly competing with private storage operators unfair to those private operators, we feel it will be unfair to the citizen/consumers of Idaho. History has clearly demonstrated that when governments enter traditionally private-sector areas the quality of those products and services deteriorate.

We have many questions about this immediate situation and any other future plans for the government to enter the private sector:

- Could you please describe for us the acquisition process via which Affordable Self Storage was purchased?

- Were private sector entities given the opportunity to make offers on the Affordable Self Storage property? If so, did the state “outbid” these private operators utilizing the considerable Idaho Endowment Trust Lands treasure chest?

- How will your new government-owned self storage facility compensate municipal governments if you are not required to pay property taxes? (Local property taxes typically account for 30% to 35% of the operating expenses for a self storage facility).

- How will the tax dollars lost to the local county, city and school district be replaced? (Conservatively, we estimate that property taxes remitted from our industry in your state exceed several million dollars). The government should not be in competition with its taxpayer base.

- If the state-owned facility does not pay property taxes, how will the state establish rental rates? If these rates are based upon operating expenses that do not include the same property tax expenses as private sector owner/operators, will your pricing be discernibly cheaper, thus undercutting private competing operators?

- Does the State of Idaho plan on continuing the practice of purchasing private self storage businesses?

Our memberships are made up of honest, taxpaying businesses that do not deserve this unfair competition which could threaten their livelihood and investments. These businesses have invested in your state and should not be required to cope with unfair and unwanted government-intrusion or murky acquisition practices. We encourage the Department of Lands to divest itself of this facility in a fair process and refrain from this practice in the future.

We respectfully recommend to the state that, if it wants to invest in self storage, it should look into purchasing shares of one of the four publicly traded Real Estate Investment Trusts (REITs) in our industry. Thank you for your prompt response to our concerns.

Sincerely,

Michael T. Scanlon, Jr.
President & CEO
Self Storage Association

For:
Richard Church
President
Idaho Self Storage Association