



***AIRPORT GROUND LEASE SURVEY***

Bandon State Airport  
Bandon, Oregon

**Date of Report:**

November 15, 2007

**Submitted To:**

Rita Rogerson  
Contracts and Leasing Manager  
Oregon Department of Aviation  
3040 25<sup>th</sup> Street SE  
Salem, Oregon 97302-1125

**Date of Survey:**

October 19, 2007

**Submitted By:**

Clint C. Becraft  
Richard J. Duncan, MAI, SRA  
**DUNCAN & BROWN, INC.**  
1260 Charnelton Street  
Eugene, Oregon 97401  
Duncan & Brown File No. 07-286b

**DUNCAN & BROWN**

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November 15, 2007

Rita Rogerson  
Contracts and Leasing Manager  
Oregon Department of Aviation  
3040 25<sup>th</sup> Street SE  
Salem, Oregon 97302-1125

**Re: Airport Ground Lease Rate Survey**  
Bandon State Airport  
Bandon, Oregon

Dear Ms. Rogerson:

Pursuant to your written authorization, we have completed an airport ground lease rate survey for the purpose of determining the fair market lease rate for runway access land at the Bandon State Airport in Bandon, Oregon, as of October 19, 2007.

After an inspection of the subject property and based on subsequent research and analysis of pertinent market data, it is our opinion the fair market rental rate for runway access land, as of October 19, 2007, was:

***\$0.18 Per Square Foot Annually\****

*\*The conclusion of market rent above assumes a periodic escalation based on the Consumer Price Index. Each of the comparables utilized in concluding the fair market rental rate for the subject have provisions for periodic increases.*

In order to arrive at an opinion of fair market rent for the subject property we have surveyed those airports that lease sites that are most similar to the subject in terms of location, city size, airport facilities and activity. Some provide a higher level of facilities and service and some lower. Generally, the fields with more services, facilities and commercial activity command higher lease rates. The comparables were used to establish a reasonable range of rent levels for the subject.

This Summary Report is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Report. As such, it presents only summary discussions of the data, reasoning and analyses that were used in the appraisal process to develop the appraisers' conclusions. Supporting documentation concerning the data, reasoning and analyses is retained in the

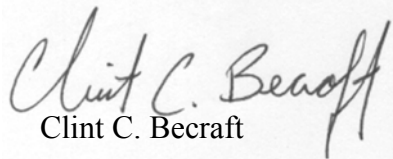
appraisers' file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use. The appraisers are not responsible for unauthorized use of this report.

The attached survey report details the basis and reasoning for our conclusions. Please refer to the Summary of Salient Facts on page 5. Your attention is also directed to the statement of Assumptions and Limiting Conditions contained on pages 6 through 7. This report has been made in conformance with the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of Appraisal Foundation.

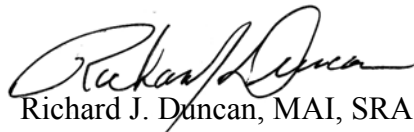
We certify this survey report has been prepared in accordance with the Code of Professional Ethics and Standards of Professional Practices set forth by the Appraisal Institute. We certify we have no present or contemplated interest in the property and our fee for making this report is not predicated upon reporting any specified value or value range.

Please call at your convenience if any additional data or information is required.

Respectfully submitted,  
**DUNCAN & BROWN**



Clint C. Becraft



Richard J. Duncan, MAI, SRA

**CCB, Certification No. C000856, Exp. 04/30/08**  
**RJD, MAI, SRA, Certification No. C000106, Exp. 7/31/09**

CCB/RJD/mh

**DUNCAN & BROWN**

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## ***SUMMARY OF SALIENT FACTS***

**Name/Location:** Bandon State Airport  
Kehl Road  
Bandon, Oregon

**FAA Identifier:** S05

**Oregon Functional Category:** 4

**Service Level:** Community General Aviation

**NPIAS Role:** General Aviation

**Facilities:** 3,600' x 60' paved runway, paved taxiways, one FBO building and a flight club building. No control tower.

**Current Ground Lease Rate:** \$0.14/sf/year

**Fair Market Rent Conclusion:** \$0.18/sf/year

**Date of Report:** November 15, 2007

**Date of Inspection:** October 19, 2007

**Appraisers:** Clint C. Becraft  
Richard J. Duncan, MAI, SRA

## ***ASSUMPTIONS & LIMITING CONDITIONS***

### **General Assumptions and Limiting Conditions**

1. This is a Summary Report, which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Report. As such, it may not include full discussions of the data, reasoning and analyses that were used in the appraisal process to develop the appraisers' conclusions. Supporting documentation concerning the data, reasoning and analyses is retained in the appraisers' file. The information contained herein is specific to the needs of the client and for the intended use stated in this report. The appraisers are not responsible for unauthorized use of this report.
2. Title to the property is assumed good and marketable unless otherwise stated in this report. No responsibility is assumed for the legal description or for such matters including legal or title considerations.
3. The property is analyzed free and clear of any or all liens or encumbrances unless otherwise stated in this report.
4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
5. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
6. Any plot plans or illustrative material in this report are included only to assist the reader in visualizing the property.
7. It is assumed there are no hidden or unapparent conditions of the property, subsoil or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
8. It is assumed there is full compliance with all applicable federal, state and local environmental regulations and laws, unless non-compliance is stated, defined and considered in the appraisal report.
9. The appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers that may suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. The appraisers' conclusions are predicated on the assumption there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers'

## ***Assumptions & Limiting Conditions***

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descriptions and comments are the result of the routine observations made during the appraisal process.

10. Compliance with all applicable zoning and use regulations and restrictions is assumed unless a nonconforming use has been stated, defined and considered in the report.
11. It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the conclusions contained in this report are based.
12. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless otherwise stated in this report.
13. Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.
14. It is assumed that, inasmuch as a detailed soils survey was not provided, the soil conditions found within the subject property would not excessively restrict and/or inhibit its development when compared to competing sites.
15. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraisers, and in any event only with proper written qualification and only in its entirety. The appraisers are not required to give further consultation, testimony, or be in attendance in court with reference to the property in question by reason of this appraisal, unless arrangements have been previously made.
16. Neither all nor any part of the contents of this report, including any conclusions, the identity of the appraisers, or the firm with which the appraisers are connected, shall be disseminated to the public through advertising, public relations, news, sales or other media without the prior written consent and approval of the appraisers.

## ***PRELIMINARY INFORMATION***

### **Subject of Survey**

The subject of this survey is the land area at the Bandon State Airport that has runway access. This includes the land area to be leased to private hangar owners and any commercial fixed base operators.

### **Purpose, Function and Intended User of the Report**

The purpose of this survey is to estimate the fair market rental rate for runway access land at the subject property, as of the date of property inspection, October 19, 2007. The function of this survey is to assist the client in setting the rental rates for land at the Bandon State Airport. The intended user of the report is the Oregon Department of Aviation.

### **Fair Market Rent Definition**

The rental income that a property would most probably command in the open market; indicated by the current rents paid and asked for comparable space as of the date of the appraisal.<sup>1</sup>

### **Scope of the Assignment**

The scope of the assignment has been to collect, confirm, analyze and interpret pertinent market data and other market forces so as to arrive at an estimate of fair market rent for runway access land at the subject property as of the date of inspection. This assignment incorporated an investigation of all pertinent data relating to the subject property, including, but not limited to:

- Personal inspection of the subject property
- Review of public property records
- Review of rules governing use of State-owned airports
- Review of current leasing policies at the subject property
- Research of market conditions
- Research of land lease rates at comparable airports

Information relative to the subject's regional, neighborhood areas and competitive neighborhoods were researched and considered, as well as the current market trends and the competitive position of the subject property.

The client understands and is in agreement with the survey report being conveyed in a summary format.

### **Compliance & Competency Provision**

This report has been prepared in compliance with the current edition of the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Standards Board of the Appraisal Foundation. Clint C. Becraft and Richard J. Duncan, MAI, SRA, are certified general appraisers in the State of Oregon, Certification Nos. C000856 and C000106, and have the knowledge and experience to complete this assignment competently, in compliance with the stated regulations.

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1. The Dictionary of Real Estate Appraisal, Chicago, 1993, Appraisal Institute, p. 221.

**Inspection Data**

Date:	October 19, 2007
Owner Representative:	None
Duncan & Brown Representatives:	Clint C. Becraft



Regional Location

## ***ABBREVIATED CITY/AREA DESCRIPTION***

### *Bandon*

The City of Bandon is geographically bound by the Coquille River estuary to the North, the Pacific Ocean to the West, and unincorporated residential and agricultural areas to the South and East. The initial development of the town was along the South Bank of the Coquille River at the mouth of the bay, but the entire town was destroyed by fire in 1936. The redevelopment of the town took place with commercial and retail uses along Highway 101. The town is laid out with the Central Business District (CBD) following Highway 101 and residential uses backing the CBD. The area along the Pacific Ocean in the Beach Loop neighborhood is primarily residential and recreational oriented commercial land uses. There is also extensive residential development in the outlying areas. The city is located at the junction of U.S. Highway 101 and State Highway 42 South, making it a crossroads of sort for travel through and along the Southern Oregon Coast.

### **Population/Demographics**

The current population for the city of Bandon is 3,115 persons according to the Population Research Center at Portland State University. Bandon provides primary support facilities for an additional approximately 3,000 to 4,000 people living within a 20-mile radius. The population for the years 1970 through 1993 was relatively stable with growth increases since 1993, primarily retirees. The median age in Bandon is 49.3 years and the largest demographic group is 35 to 54 years old (26.6%).

### **Land Use**

The city of Bandon has three distinct commercial zones. The northern part is centered at the intersection of Highways 101 and 42, which has seen some new developments in recent years. The “Old Town” commercial area along the harbor has seen increasing demand for improved properties in recent years. The third commercial zone is the southern section, with many older commercial structures along Highway 101 as well as on the commercially zoned streets of Alabama and Baltimore Avenues. Most of the land within the city limits along Highway 101 has been developed. Land further south is mostly residentially zoned with pockets of commercially zoned land. The master plan of the City of Bandon is for southward expansion and expectations are that Highway 101 frontage will be utilized commercially. There are also commercial uses along Beach Loop Road with its ocean view and ocean frontage. These uses include motels, restaurants, a golf course and cabin rentals.

Construction of new homes is relatively slow. The price of beachfront land has risen considerably over the last several years. Local land-use laws and continued refinement of State land use criteria has limited the potential for development of land along the oceanfront substantially. The demand for ocean frontage had broadened to include the better sites along Beach Loop Road which offer an ocean view, and even for residential land to the east of Beach Loop Road which has no or lesser ocean views. There have been several homes constructed in recent years in the Beach Loop area.

Bandon is one of the more popular areas in Coos County’s recreational development, and is certainly one of the stronger residential growth areas in the county with past vacant land purchases along the coast pointing towards further luxury quality residential development. This growth is based largely upon the influence of the Pacific Ocean, the draw of the Old Town area,

and the Bandon Dunes Golf Courses. Old Town Bandon commercial redevelopment appears to be having a positive impact on tourism. These influences have shown to be quite durable and these trends are projected into the foreseeable future.

### **Community Development**

The Bandon School District provides public education, school bus service and special education. The schools include grades kindergarten through fourth at Ocean Crest Elementary, grades 5 to 8 at Harbor Lights Middle School and grades 9 to 12 at Bandon High. Pacific Christian School offers pre-school to eighth. The Presbyterian Church also offers a pre-school program. Head Start offers pre-school for low-income families.

Police services are provided by the city of Bandon Police Department and the Coos County Sheriff's office. The Bandon Police Department includes a force of six officers and several reserve officers

The City contracts with the Bandon Rural Fire District. The District has volunteer staff with apparatus stored in rural stations.

Bandon is served by Southern Coos Hospital and Health Center (SCHHC), which is licensed as a full service, general acute care hospital. Ambulance service is available. There are six doctors with offices in town. There is an assisted-living facility (Heritage Place) located on the South Jetty.

Water, sewer and electric provided by City of Bandon. Coos Curry Cooperative and Pacific Power and Light provide power to areas not served by the city. Rural areas are on well and septic systems.

### **Economic Conditions**

Similar to many communities on the Oregon coast, Bandon had significant fishing and timber industries, which were greatly diminished by the 1980s, though some remnants still exist. The largest employers in the Bandon area include the Bandon Dunes Golf Course, Southern Coos Health District, School District #54, Heritage Place, Oregon Overseas Timber, the City of Bandon and Hardin Optical. Over the past year, Coos County's largest employment gains occurred in leisure and hospitality, health care and social assistance, and Indian tribal local government. Professional and business services, and manufacturing posted the largest declines.

The Bandon Dunes Resort is having a positive economic impact on Bandon. The resort is a complex of three golf courses (Bandon Dunes, Pacific Dunes and Bandon Trails) located approximately 5 miles north of Bandon. A fourth course is planned to be opened in 2010. This should lead to continued new interest in this area. The facility has resulted in a large increase in private aircraft flights in to Coos County, of which, almost all of the traffic goes to North Bend Municipal Airport due to the facilities and services. Much of the traffic is corporate jets. Some smaller jets and propeller planes use Bandon State Airport, which has a shorter runway.

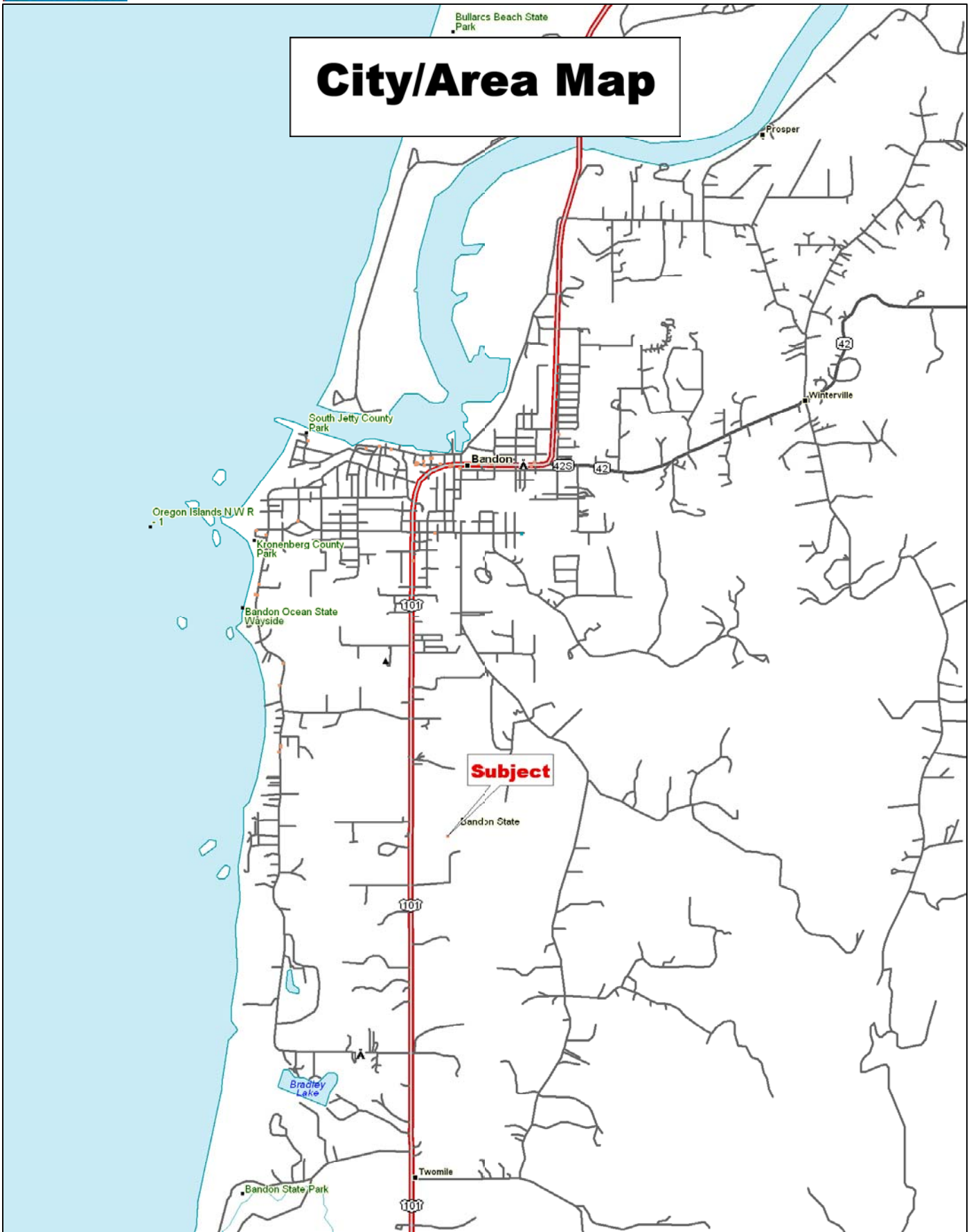
Bandon is a major cranberry bog area, with Ocean Spray having a large presence in the area. In recent years, the combination of rapid development of cranberry bog acreage in the world market has led to a decline in cranberry prices, such that many farmers have suffered. In response some local growers have converted to an organic cranberry. There are also efforts to create a "value

added” product, including supplying a fresh fruit niche. Some growers are still reportedly hanging on with further negative economic impact. The decline in the local cranberry bog industry may be a negative influence on the economy, however, the long-term prospects for the city of Bandon are positive.

**Summary**

The continuing trends should have a positive influence on the Bandon area and throughout the Coos County area. Bandon commercial property has continued showing some general appreciation because of the influence of Bandon Dunes. Residential properties with ocean frontage or views also appear to show continuing appreciation. The long term prospects for Bandon appear to be good, and there should be continuing growth into the near to mid term future.

# City/Area Map



## ***PROPERTY DATA***

### **Ownership**

The subject property is owned by the State of Oregon and operated by the Oregon Department of Aviation (ODA).

### **Current Rental Rates**

The current stated rates for the airport are \$0.14 per square foot for both commercial and non-commercial tenants. The ODA defines commercial tenants as any entity that is operating a business at the airport, in addition to the Fixed Base Operator (FBO). This includes owners of hangars that rent space to aircraft owners. This definition of commercial tenant is somewhat unusual in the market where commercial tenants are more commonly defined as those with commercial businesses on the field, primarily FBOs.

The ODA rent charges are based on the building footprint, plus a five-foot setback on the front, sides and rear of the building, which is typical in practice in the market. At some competing airports, however, a larger front setback than the sides and back is required to cover the size of the front apron. Some other airports do not require any setbacks and the lease area is based on the footprint of the building structure. In this analysis, the fair market rent for the subject property will be estimated based on five-foot setbacks on the front, sides and rear.

The ODA also currently offers a lower rate for undeveloped land area. The rental rate for undeveloped land is quoted as \$0.05 per square foot per year. The unimproved land lease rate will be addressed in a later section of the report.

***SUBJECT PHOTOGRAPHS***



Aerial photo of the subject property.



Main entrance from Kehl Road.



FBO building.



Ramp area.



Flight club building.



Viewing north from the ramp area.



North hangar buildings, viewing north.



Viewing north at west hangar buildings not on state property.

## ***SUBJECT DESCRIPTION***

### **Airport Classification**

Airports are categorized according to their function in the State and National airport systems. Below, the State and Federal classifications systems are summarized. The chart below presents the five functional categories for the State of Oregon, their significant function and designation criteria. The Federal Aviation Administration’s (FAA) National Plan of Integrated Airports Systems (NPIAS) classifications follow.

*OREGON AIRPORT FUNCTIONAL CATEGORIES*

<b>Category<sup>2</sup></b>	<b>Significant Function<sup>3</sup></b>	<b>Designation Criteria<sup>4</sup></b>
<b>1</b>	<b>Commercial Service Airports</b>	Accommodate scheduled major/national or regional/commuter commercial air carrier service.
<b>2</b>	<b>Business or High Activity General Aviation Airports</b>	Accommodate corporate aviation activity, including business jets, helicopters, and other general aviation activities.
<b>3</b>	<b>Regional General Aviation Airports</b>	Accommodate a wide range of general aviation users for large service areas in outlying parts of Oregon. Many also accommodate seasonal regional fire response activities with large aircraft.
<b>4</b>	<b>Community General Aviation Airports</b>	Accommodate general aviation users and local business activities.
<b>5</b>	<b>Low Activity General Aviation Airports</b>	Accommodate limited general aviation use in smaller communities and remote areas of Oregon. Provide emergency and recreational use function.

*Source: Oregon Aeronautics Oregon Aviation Plan, Page 18, Exhibit III-3*

Bandon State Airport is classified as a Category 4, Community General Aviation Airport. Category 4 airports accommodate general aviation users and local business activities. The airports have the airfield facilities, navigational aids, lighting and basic services necessary to accommodate general aviation users. Community airports serve locally-based business and general aviation users in addition to aircraft visiting the local area. Category 4 airports are designed to accommodate light single and multi-engine aircraft weighing 12,500 pounds and less. Basic services such as aviation fuel, aircraft maintenance, and pilot/passenger facilities are

2. Category 1 airports are divided into two groups based on the level of air service provided and the forecast design aircraft.
3. “Significant Function” identifies the most demanding function associated with each airport. Most airports have multiple functions. It is recognized that in addition to the highest primary function identified, each airport also provides many of the functions identified in the subsequent categories.
4. Activity breakdowns or thresholds listed in the “Criteria” column reflect existing distributions among Oregon airports. Among Oregon’s 101 public-use airports, only 22 have more than 30,000 annual operations; nearly half of Oregon’s 101 public-use airports have less than 2,500 annual aircraft operations and ten or fewer based aircraft.

generally available at Category 4 airports. Airfield facilities, lighting and services capable of accommodating general aviation users are generally provided, along with runway-taxiway systems, lighting, and navigational aids to accommodate basic general aviation activities.

Publicly owned community general aviation airports are typically included in the FAA's National Plan of Integrated Airports System (NPIAS). Airports are also classified by their role within the NPIAS system. The Airport and Airway Improvements Act of 1982 established the Airport Improvement Program (AIP) and required the publication of the National Plan of Integrated Airport Systems (NPIAS). The NPIAS, published by the FAA, was established to aid in the development of the national airport system. The NPIAS identifies an airport role as one of four basic service levels for public use airports throughout the U.S. The four basic service levels identified in the NPIAS, include (P) Commercial Service-Primary, (CS) Commercial Service-Non-Primary, (R) Reliever, and (GA) General Aviation.

Bandon State Airport is classified in the NPIAS as a (GA) General Aviation facility. The airport roles are summarized below.

***(P) Commercial Service-Primary***—Commercial service airports are defined as public airports receiving scheduled passenger service and having 2,500 or more enplaned passengers per year. Primary airports are grouped into four categories: large, medium, and small hubs, and non-hub airports. The FAA uses the term “hub” to identify very busy commercial service airports.

***(CS) Commercial Service-Non-Primary***—Commercial service airports that have from 2,500 to 10,000 annual passenger enplanements are categorized as non-primary commercial service airports. There are 135 of these airports in the NPIAS, and they account for 0.1 percent of all enplanements. These airports are used mainly by general aviation and have an average of 38 based aircraft.

***(R) Reliever***—Due to different operating requirements between small general aviation aircraft and large commercial aircraft, general aviation pilots often find using a congested commercial service airport can be difficult. In recognition of this, the FAA has encouraged the development of high capacity general aviation airports in major metropolitan areas. These specialized airports, called relievers, provide pilots with attractive alternatives to using congested hub airports. They also provide general aviation access to the surrounding area. To be eligible for reliever designation, these airports must have 100 or more based aircraft or 25,000 annual itinerant operations. The 274 reliever airports have an average of 232 based aircraft, which is 29 percent of the nation's general aviation fleet. All airports that are designated as relievers by FAA are in the NPIAS.

***(GA) General Aviation***—Communities that do not receive scheduled commercial service or that do not meet the criteria for classification as a commercial service airport may be included in the NPIAS as sites for general aviation airports if they account for enough activity (usually at least 10 locally based aircraft) and are at least 20 miles from the nearest NPIAS airport. The activity criterion may be relaxed for remote locations or in other mitigating circumstances. The 2,574 general aviation airports in the NPIAS tend to be distributed on a one-per-county basis in rural areas and are often located near the county seat. These airports, with an average of 33 based aircraft, account for 40 percent of the nation's general aviation fleet. They are the most convenient source of air transportation for about 19 percent of the population and are particularly important to rural areas.

The facilities and navigation aides for the Bandon State Airport are summarized below.

**Airside Facilities**

There is one asphalt paved runway (16/34) which is 3,600 feet long and 60 feet wide with an adjacent paved parallel taxi-way on the west side of the runway. The ramp area is asphalt paved and includes several tie-downs.

**Navigation Aids**

Bandon has a Precision Approach Path Indicator (PAPI), beacon and runway lights.

**Landside Facilities**

Landside facilities refer to all areas not included in the runway and taxiway system. These facilities include the FBO, hangars, taxi-lanes, utility services and vehicular access.

In regard to FBOs, There is one FBO, Frank's Flight Service, offering fuel, maintenance and limited supplies. There is no pilots lounge. The FBO building is located adjacent to the ramp on the west side, not on state property. There is a fuel station situated adjacent to the north side of the ramp area. The Bandon Flight Club also has a hangar building and a clubhouse located adjacent to the ramp area.

In regard to hangars, there are four hangars located north of the ramp area. Two of the hangars are mid-age and exhibit average maintenance levels. The northern two hangars appear to have been constructed within the past few years. The hangars have electrical service. There is land area available for more hangar development to the north of the existing hangars. Several other hangars are located on private land adjacent to the west of the airport. There are approximately 30 aircraft based on the field, most of which are stored at the Bandon Aero Club hangar or other private hangars by "through the fence" users.

## ***AIRPORT GROUND LEASE SURVEY***

Bandon State Airport is classified as a Category 4, Community General Aviation Airport. The most similar airports providing the best ground rent comparables would be other publicly-owned airports with a similar classification near a coastal community of similar size as Bandon. North Bend and Gold Beach, are the nearest airports that are not State-owned. Other similarly classified airports in the southwest Oregon area were surveyed and will be included in this analysis.

### **Unit of Comparison**

Airport land in the Pacific Northwest is typically leased on a per-square-foot basis with the lease amount based on the building footprint area plus setback areas around the building, typically five feet. The tenants are not charged for the taxi lanes or taxi-ways. The exception is Fixed Base Operators (FBOs) which typically have a ramp area in front of their buildings for outside storage of aircraft and for transient aircraft use. The FBOs typically lease that area as well, however, it is common the FBO is in control of more ramp area than is actually leased. This is due to the nature of small airports where the FBO is often also the airport manager. At State airports the FBOs are not required to lease the ramp area in the typical fashion according to current lease agreements. They are required to manage the ramp and pay a percentage of the tie down income to the State as rent. Tie down income at small airports is negligible. This arrangement is more favorable for the FBO and, depending on how much ramp area is under control, effectively reduces the FBO rent. In this analysis the ground rent will be estimated based on the five-foot setbacks on each side.

Ground leases are typically based on a triple net expense structure where the tenant is responsible for all expenses relating to the leased area. The structure on the site is the property of the tenant and is maintained by the tenant. Airports are typically publicly owned and are not subject to ad valorem taxation, therefore the airport does not have a tax expense associated with the land. The exceptions are state airports and airports owned by municipalities or ports serving large metropolitan areas. ORS 307.112 states, "Real property owned or leased by a municipality or port is exempt from taxation to the extent that the property is used as an airport owned by and serving a municipality of less than 300,000 inhabitants. Property owned or leased by the municipality or port is used as an airport if the proceeds of the lease or rental are used exclusively for purposes of maintenance and operation of the airport". The result of the statute is that tenants at state airports must pay real estate taxes on the land area whereas tenants at municipal airports do not, except municipal or port-owned airports serving municipalities with populations over 300,000. The statute was written in the 1950s and appears to have been directed at providing economic incentive for locating on municipal airports.

Ground lease terms are typically very long, usually an initial term of 10 years or more with extension clauses. Lease rates are most commonly escalated based on the Consumer Price Index at one, three or five year intervals. However, some airports have more cumbersome re-evaluation procedures before rates can be increased. In addition, there are often political considerations to setting and increasing lease rates. As a result, the lease rates often lag behind market trends.

On the following pages, the data researched from the most comparable airports is presented. For each comparable there is a brief description of the facilities, State Functional Category, the FAA's NPIAS role, services available and the lease rate. In addition, a photograph of the facility

is provided. Following the presentation of the data is a ground lease comparable tabulation chart summarizing the data. A regional map, showing the location of each comparable, is also presented.

**RENT COMPARABLE 1**



**Name & Location:** Florence Municipal Airport  
Florence, Oregon

**FAA Identifier:** 6S2

**Oregon Functional Category:** 4  
**Service Level:** Community general aviation.  
**NPIAS Role:** General aviation.

**Land Lease Rates:** \$0.19/sf/year. The land area is the building plus 5-foot setbacks.

**Increases:** Periodic reevaluation.

**Security:** Fenced. Coded key entry.

**Utilities:** Electricity only.

**FBOs:** One partial-service (Florence Aviation) including fuel, flight instruction and pilot supplies.

**Facilities:** One runway (2,916 feet x 60 feet). No control tower. Beacon. Automated weather observation system (AWOS). Precision

approach path indicator (PAPI) lights. Paved taxiways. Self-service fuel.

**Aircraft Based on the Field:** 31

**Average Aircraft Operations:** 134 per week as of 7/05.

**Comments:** Located approximately 60 miles north of the subject. Serves Florence and the coastal Lane County area. Owned by the City of Florence. There has been good demand for hangar sites in recent years. Four new hangars have been built within the last two years. The City of Florence is also planning on constructing a new multi-unit T-hangar building to be owned and managed by the City.

**Comparison to the Subject**

This comparable is similar to the subject in terms of service level, role and facilities, but superior regarding available FBO services and location in a larger community. Overall, this comparable is a slightly high indicator for the subject.

**RENT COMPARABLE 2**



**Name & Location:** North Bend Municipal Airport  
North Bend, Oregon

**FAA Identifier:** OTH

**Oregon Functional Category:** 1

**Service Level:** Commercial service airport.

**NPIAS Role:** Primary commercial service.

**Land Lease Rates:** \$0.20/sf/year. The land area is based on the building footprint plus typical setbacks. The current rate has not been adjusted for several years.

**Increases:** Periodic review.

**Security:** Fenced with gated access.

**Utilities:** The existing developed areas are served by utilities. New development pays for utility extensions if desired.

**FBOs:** Two full-service (Ocean Air Aviation and Coos Aviation) including pilot lounge, supplies, fuel, aircraft maintenance, courtesy transportation, charter service and hangar rentals.

**Facilities:** Three runways (5,330 x 150 feet, 4,471 feet x 150 feet, and 2,320 feet x 150 feet). No control tower. Beacon. Instrument landing system (ILS), Automated weather observation system (AWOS), Visual Slope Approach Indicator (VASI), Medium Intensity Approach Lighting System (MASLR). Paved taxiways. Full and self-service fuel.

**Aircraft Based on the Field:** 62

**Average Aircraft Operations:** 89 per day as of 5/07.

**Comments:** Located approximately 20 miles north of the subject. Serves the North Bend/Coos Bay area. Owned by the City of North Bend. Served by Horizon Airlines. There is not much land area available for new development. Demand for new private hangar sites has been limited.

**Comparison to the Subject**

This comparable is superior to the subject in terms of service level, role, facilities, available FBO services and location. Overall, this comparable is a high indicator for the subject.

**RENT COMPARABLE 3**



**Name & Location:** Gold Beach Municipal Airport  
Gold Beach, Oregon

**FAA Identifier:** 4S1

**Oregon Functional Category:** 4

**Service Level:** Community general aviation.

**NPIAS Role:** General aviation.

**Land Lease Rates:** \$0.58/sf/year for new development. The lease rate is based on the building foot print only. The rent would be approximately 25% lower (\$0.44/sf) if typical setbacks were applied. The base ground lease rate was set several years ago based on an 8% return on the market value of the land area, which greatly increased rental rates at the time. The base rate has since been subject to annual CPI adjustments.

**Increases:** Annual CPI increases.

**Security:** Fenced.

**Utilities:** No services available for private hangars.

- FBOs:** One limited-service owned and operated by the Port of Gold Beach. Includes a pilot lounge, fuel, tie downs and car rental. After hours fuel must be arranged with the port staff.
- Facilities:** One runway (3,200 feet x 75 feet). No control tower. Beacon. Paved taxiways. Fuel station.
- Aircraft Based on the Field:** 17
- Average Aircraft Operations:** 106 per week as of 9/04.
- Comments:** Located approximately 45 miles south of the subject. Serves the Gold Beach area. There have been two hangars constructed within the last few years and two new hangars are anticipated to be constructed by private individuals within the next year.

**Comparison to Subject**

This comparable is similar to the subject in terms of service level, role, facilities, available FBO services and location considering the size of the surrounding community. This comparable should be a good indicator of rent level for the subject, however, the Port of Gold Beach has taken an aggressive step in setting land rental rates in a similar fashion as land rental rates are set in the commercial/industrial real estate industry. This is counter to recent aviation history where land lease rates lagged behind inflation due to public ownership of the land and political and economic considerations, in effect subsidizing general aviation. This is the only airport in Oregon known to establish rates in this fashion. Rates at this level would be too high for the subject and would likely inhibit new development.

**RENT COMPARABLE 4**



**Name & Location:** Brookings Airport  
Brookings, Oregon

**FAA Identifier:** BOK

**Oregon Functional Category:** 4

**Service Level:** Community general aviation.

**NPIAS Role:** General aviation.

**Land Lease Rates:** \$0.20/sf/year. The land area is based on the building footprint only. The rent would be approximately 25% less (\$0.15/sf) if typical setbacks were applied. The current rate was set several years ago and is anticipated to be re-evaluated with an increase likely in the next year.

**Increases:** Periodic reevaluation.

**Security:** Fenced with gated access.

**Utilities:** Water and electricity are available. Tenants must pay for the costs of extending services to the site. There is a terminal building that is served by a septic and drain field.

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<b>FBOs:</b>	None.
<b>Facilities:</b>	One runway (2,900 feet x 60 feet). No control tower. Beacon. Self-service fuel.
<b>Aircraft Based on Field:</b>	29
<b>Average Aircraft Operations:</b>	62 per day (as of 7/02).
<b>Comments:</b>	Located approximately 70 miles south of the subject. Serves Brookings and the southern Curry County area. Owned by Curry County. There has been strong demand for hangars sites. There is a waiting list of approximately 30 people desiring hangars. The county is preparing land area for 2 or 3 new private hangar sites and is also anticipating constructing some new hangar buildings to be owned and operated by the County.

**Comparison to the Subject**

This comparable is similar to the subject in terms of service level, role, facilities and general location, but inferior regarding available FBO services. This comparable should be a reasonable indicator for the subject, however, the ground lease rates were set several years ago and are anticipated to be increased within the next year. Therefore, this comparable is concluded to be a slightly low indicator for the subject.

**RENT COMPARABLE 5**



**Name & Location:** Illinois Valley Airport  
Cave Junction, Oregon

**FAA Identifier:** 3S4

**Oregon Functional Category:** 4

**Service Level:** Community general aviation.

**NPIAS Role:** General aviation.

**Land Lease Rates:** \$0.383/sf/year for private hangar sites.  
\$0.415/sf/year for commercial sites.  
The land area is based on the building footprint only. The rates would be approximately 25% less (\$0.29/sf and \$0.31/sf) if typical setbacks were applied. The County also offers a development rate of \$0.25/sf/year for the first five years for new development, which equates to approximately \$0.19/sf/year adjusted for typical setback areas. The rates are adjusted to the prevailing rate at the end of five years.

**Increases:** The prevailing rates are subject to annual CPI adjustments.

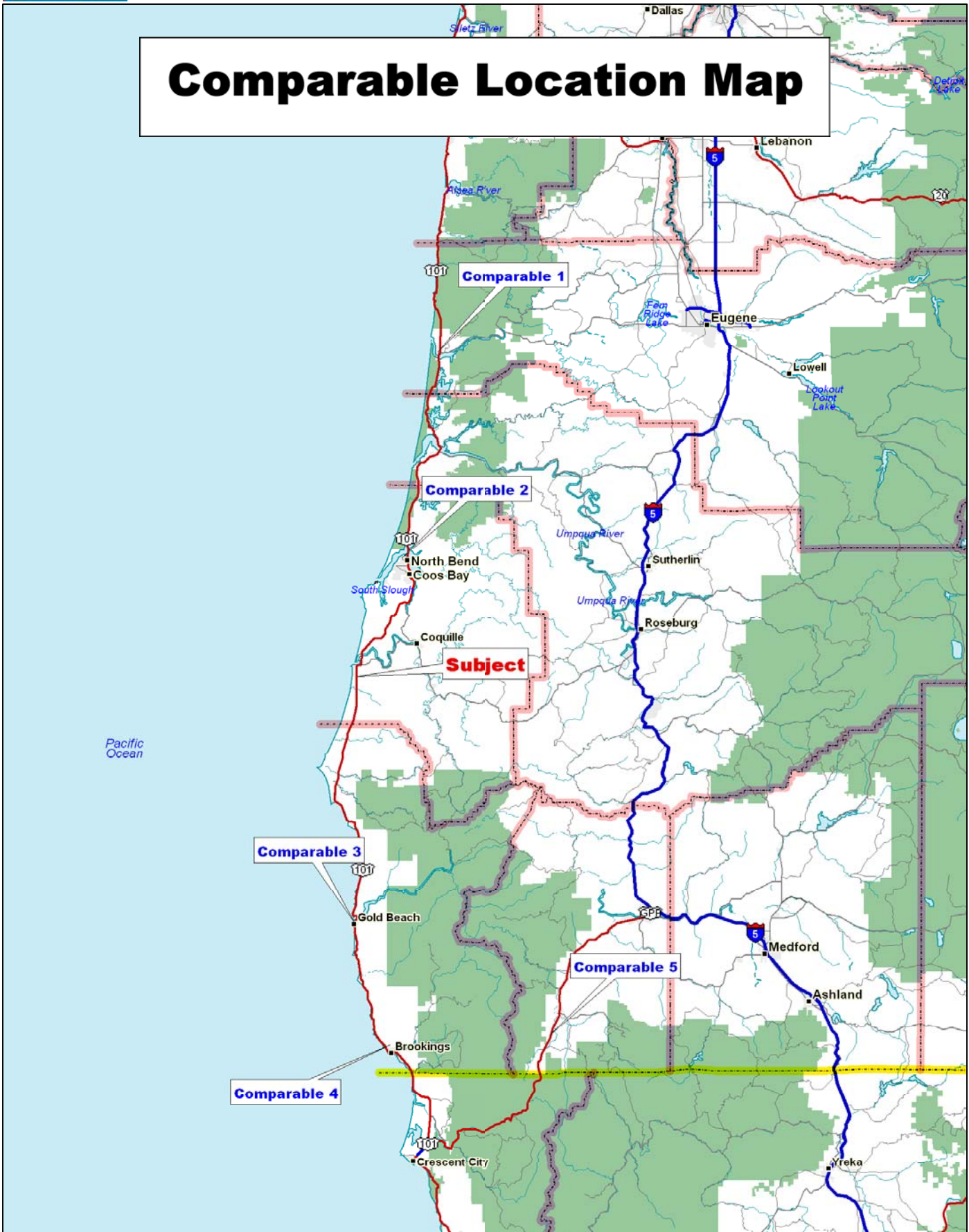
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<b>Security:</b>	Partially fenced.
<b>Utilities:</b>	Utilities are available.
<b>FBOs:</b>	One full-service (Pacific Aviation Northwest) including fuel, flight training and aircraft maintenance.
<b>Facilities:</b>	One runway (4,807 x 75 feet). No control tower. Beacon. Visual Approach Slope Indicator (VASI).
<b>Aircraft Based on the Field:</b>	22
<b>Average Aircraft Operations:</b>	115 per week as of 12/04.
<b>Comments:</b>	Located approximately 75 miles southeast of the subject. Serves the southern Josephine County area. Owned by Josephine County. Formerly a forest service firefighting field. There has been strong demand for hangar spaces in recent years. There have been approximately 30 new structures constructed on the field within the last 3 to 4 years, according to the airport manager. The County is preparing to construct infrastructure for an additional approximately 9 acres of land for future development.

**Comparison to the Subject**

This comparable is similar to the subject in terms of service level, role and general location. The comparable is superior in facilities and available FBO services. There has been strong demand for sites in recent years, which is further enhanced by the County offering a cheaper initial rate for the first five years for new development. Overall, this comparable is a high indicator for the subject.

# Comparable Location Map



*LAND LEASE RATE COMPARABLE TABULATION CHART*

No.	Airport	Lease Rates	Comments
1.	<b>Florence Municipal</b> Florence	\$0.19	Community general aviation airport. Beacon. Superior facilities and services. Slightly high indicator.
2.	<b>North Bend Municipal</b> North Bend	\$0.20	Primary commercial service airport. Served by Horizon Air. Beacon. Superior facilities. Two FBOs. High indicator.
3.	<b>Gold Beach Municipal</b> Gold Beach	\$0.44*	Community general aviation airport. Beacon. Similar facilities and services. High indicator.
4.	<b>Brookings</b> Brookings	\$0.15*	Community general aviation airport. Beacon. No FBO. Similar location. Slightly low indicator.
5.	<b>Illinois Valley</b> Cave Junction	\$0.19* (new development rate)	Community general aviation airport. Beacon. Superior facilities and services. High indicator.

*\*Lease rate adjusted for setback areas.*

**Conclusion**

The comparables indicate a range of ground lease rates from \$0.15 to \$0.44 per square foot per year. The rents for comparables 3, 4 and 5 were adjusted as necessary for typical setback areas as compared to the subject. The land areas for comparables 3, 4 and 5 are based on the building footprints only, which equates to an effectively lower rate if typical setbacks are included, as is the case with the subject property.

Comparables 2, 4 and 5, at \$0.15 to \$0.20, offer the most similar locations and facilities as compared to the subject. Comparable 4 at \$0.15 per square foot should be an overall reasonable indicator for the subject, however, the current rates were set several years ago and are anticipated to be increased within the next year. Comparables 2 and 5 are superior to the subject regarding facilities and available FBO services and should be slightly high to high indicators for the subject. The rent for comparable 2 has not been increased in years.

The tenants at State-owned airports may also be assessed real estate taxes on the land, which effectively reduces the amount of market rent that could be achieved versus airports that are exempt from taxation. A review of the assessment data for Bandon Airport, however, indicates Coos County is not currently assessing the land at the airport. Therefore, no adjustment for property taxes is necessary as none of the tenants at the comparable airports pay real estate taxes on the leased land area. If Coos County begins assessing the land area, an adjustment may be necessary to the concluded fair market rate conclusion to arrive at the equivalent rent the ODA could charge after the tenant pays the real estate taxes.

Based on the above analysis, with primary emphasis given to comparables 2, 4 and 5, the fair market ground lease rate for both commercial and private tenants at Bandon State Airport, as of October 19, 2007 was concluded to be:

***\$0.18 Per Square Foot Annually\****

*\*The conclusion of market rent above assumes a periodic escalation based on the Consumer Price Index. Each of the comparables utilized in concluding the fair market rental rate for the subject have provisions for periodic increases.*

**Marketing/Exposure Time**

Marketing and exposure time for the subject property is estimated to be six to twelve months.

**Unimproved Land Lease Rate**

Per the request of the ODA, the issue of lease rates for undeveloped land will be discussed. The ODA currently quotes a rate of \$0.05 per square foot for undeveloped land. Undeveloped land is generally defined as areas not served by airport infrastructure.

The previously concluded rate of \$0.18 per square foot per year reflects the fair market rental rate for runway access land at the airport. In general terms, it is our opinion there is only one fair market lease rate for runway access land area at Bandon State Airport, which is the previously concluded rate of \$0.18/sf. The runway access land would represent the areas currently in use for airport operations or areas that are anticipated to be developed for airport operations in the near future. In the interest of equity, a tenant who wishes to lease runway access land at the airport and control it should pay the same rate as other tenants. Unimproved land areas represent the future expansion area of the airport in regard to on-field hangars and Bandon currently has a waiting list for hangar sites. It is not equitable or efficient for one tenant to tie up land at a lower rental rate while there is demand for the land at the market rental rate.

If there were, however, an abundant amount of undeveloped surplus land at the airport that was not currently needed to satisfy demand for new hangar site development or expansion of other airport operations, and was not generating income for the ODA, it may be prudent to lease the land area with some level of discount on an interim basis until such time that the area is needed for airport expansion. Such an arrangement would maximize income to the ODA in the interim, while not tying up future airport expansion land for a long-term at a below market rate. The most obvious example would be for an agricultural use on a tract that would not interfere with airport operations. Other interim uses could also be possible on a case by case basis depending on the amount of land available and the expansion plans for the airport. Ground lease rates are typically based on a 6% to 8% return on the market value of the site. If a larger tract of undeveloped land was leased for an alternate interim use, an appropriate rate should be reflective of the terms of the lease, the impact on the land area from that particular interim use, as well as the affect on the future expansion plans for the airport. Therefore, the appropriate rate for any unimproved surplus land outside of the area currently in airport use should be determined on a case by case basis.

## ***CERTIFICATION***

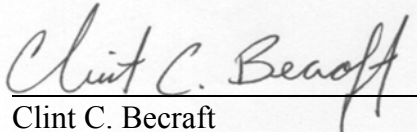
We, Clint C. Becraft and Richard J. Duncan, MAI, SRA, do hereby certify that:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
8. Clint C. Becraft made a personal inspection of the property that is the subject of this report.
9. No one provided significant professional assistance to the persons signing this report.
10. As of the date of this report, Richard J. Duncan, MAI, SRA has completed the requirements of the continuing education program of the Appraisal Institute.
11. This appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute.
12. We have had a level of training and experience considered necessary for the formulation of a reliable opinion of value for the subject property.
13. The use of this report is subject to the requirements of the Appraisal Institute relating to its duly authorized representatives.

14. In our opinion, the fair market ground rental rate for runway access land as of October 19, 2007, was:

***\$0.18 Per Square Foot Annually\****

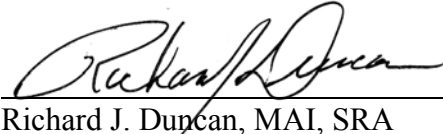
*\*The conclusion of market rent above assumes a periodic escalation based on the Consumer Price Index. Each of the comparables utilized in concluding the fair market rental rate for the subject have provisions for periodic increases.*



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Clint C. Becraft

Certification No. C000856  
Expiration 4/30/08



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Richard J. Duncan, MAI, SRA

Certification No. C000106  
Expiration 7/31/09

## ***QUALIFICATIONS OF CLINT C. BECRAFT***

### **APPRAISAL EDUCATION**

#### Appraisal Institute

Apartment Appraisal (Course 330)	2006
National Uniform Standards of Professional Appraisal Practice Update	2006
Advanced Income Capitalization (Course 510)	2005
Highest and Best Use and Market Analysis (Course 520)	2005
Basic Income Capitalization (Course 310)	2003
State of the Valuation Profession	2001
National Uniform Standards of Professional Appraisal Practice	1999
Foundations of Real Estate Appraisal	1993
Appraising the Single Family Residence	1993
National Uniform Standards of Professional Appraisal Practice	1993

#### College Courses

Real Estate Taxation and Exchange, Lane Community College	2002
Real Estate Investments, Lane Community College	2001
Real Estate Appraisal II, Chemeketa Community College	1994
Real Estate Law, Real Estate School of Oregon	1992
Real Estate Finance, Real Estate School of Oregon	1992
Real Estate Practice, Real Estate School of Oregon	1992

#### Continuing Education Courses

Board of Property Tax Appeals Training, Oregon Department of Revenue	2004
Magistrate Training, Oregon Department of Revenue	2004
Non-USPAP Regulatory Compliance, Bob Keith Appraiser Seminars	2004
National USPAP (15 Hour), American College of Appraisal	2004
National USPAP Update, American College of Appraisal	2003
Model Appraisal Report, Oregon Department of Revenue	2002
Real Estate Law, American College of Real Estate	2000
Mass Appraisal Principles, Oregon Department of Revenue	2000
Introduction to Review Appraisal, McKissock Data Systems	1998

### **FORMAL EDUCATION**

Associate of Arts Degree	1998
Lane Community College	
Eugene, Oregon	

### **LICENSES**

Certified General Appraiser – State of Oregon, 2006	Certificate No. C000856
Licensed Residential Appraiser – State of Oregon, 1996-2006	License No. L000980

**PROFESSIONAL EXPERIENCE**

General Appraiser Duncan & Brown Real Estate Analysts	2006 – Present
Appraiser Assistant Duncan & Brown Real Estate Analysts	2005 – 2006
General/Residential Appraiser Lane County Department of Assessment & Taxation	2000 – 2005
Residential Appraiser Becraft Appraisal Service	1999 – 2000
Residential Appraiser R. H. Timpe Real Estate Appraisers	1996 – 1999
Appraiser Assistant R. H. Timpe Real Estate Appraisers	1994 – 1996

## ***QUALIFICATIONS OF RICHARD J. DUNCAN, MAI, SRA***

### **PROFESSIONAL DESIGNATIONS**

SRA – Appraisal Institute	1991
MAI – Appraisal Institute, Certificate No. 7961	1988
Eugene Planning Commissioner	

### **FORMAL EDUCATION**

Graduate Study in Real Estate University of Oregon, Eugene, Oregon	1978
Master Degree Business Administration – Quantitative Methods University of Oregon, Eugene, Oregon	1975
Bachelor of Science Degree Business Administration – Marketing University of Nebraska at Lincoln	1973

### **APPRAISAL EDUCATION**

#### University Courses

Real Estate Principles and Practice  
Real Estate Economics  
Real Estate Investment Analysis  
Real Estate Appraising  
Real Estate Finance  
Property Taxation  
Land Use Planning

#### Appraisal Institute

Easement Valuation  
Standards of Professional Practice  
Wetlands Valuation  
Litigation and Court Preparation  
Developments in Income Property Valuation  
Argus Software Training  
Contemporary Issues of Appraisal Theory  
Management of an Appraisal Office  
Subdivision Analysis  
Limited Appraisals & Reporting Options  
Uniform Standards of Professional Appraisal Practices  
High-Tech Appraisal Office  
Internet and Appraising  
Litigation Skills for the Appraiser  
Automated Valuation Models  
Standards of Professional Appraisal Practice, Part B  
Special Purpose Properties-Greater Oregon Chapter  
Partial Interest Valuation

Appraisal Institute, cont'd

Standards of Professional Appraisal Practice – Part A  
Industrial Search Strategies for R.E. Appraisers  
Feasibility, Market Value, Investment Timing: Option Value  
Valuation of Detrimental Condition  
Standards of Professional Appraisal Practice – Part B  
Analyzing Operating Expenses  
Uniform Appraisal Standards for Federal Land  
Small Hotel/Motel Valuation  
Appraisal Scope of Work: Burden or Blessing  
Income Capitalization – Advanced

Appraiser Certification & Licensing Board

Administrative Rule Overview

American Institute of Real Estate Appraisers

Course 1A – Principles of Appraising  
Capitalization A&B  
Capitalization – Theory and Techniques  
Depreciation Analysis  
Highest and Best Use Analysis  
Case Studies in Real Estate Valuation  
Standards of Professional Practice  
Valuation Analysis and Report Writing  
Cash Equivalency  
Analyzing Cash Flows  
R/E Investment and Discounted Cash Flow Analysis  
Feasibility Analysis – Non-Residential Properties

Society of Real Estate Appraisers

Appraising Residential Condominiums  
Income Property Valuation – Course 201/202  
Contemporary Appraising of Income Property  
Investment Feasibility Analysis  
Appraisal Office Management

American Society of Farm Managers and Rural Appraisers

Fractional Interest Seminar  
Appraising Undivided Interests in Real Estate

USGA Regional Green Section Conference

Golf Course Construction

**EXPERT WITNESS**

Lane County Circuit Court  
Federal Bankruptcy Court  
Lane County District Court

