



***AIRPORT GROUND LEASE SURVEY***

Lebanon State Airport  
Lebanon, 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 17, 2007

**Submitted By:**

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

# DUNCAN & BROWN, Inc.

REAL ESTATE ANALYSTS



RICHARD J. DUNCAN, MAI, SRA

COREY S. DINGMAN  
JASEN D. HANSEN

ASSOCIATES

THOMAS S. MORGAN  
ALAN CLARK  
DAVID L. CELLERS  
LEAH CARTER  
CLINT BECRAFT

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**  
Lebanon State Airport  
Lebanon, 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 Lebanon State Airport in Lebanon, Oregon, as of October 17, 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 17, 2007, was:

***\$0.16 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 Standards 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

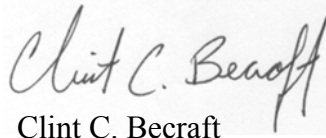
appraisers' file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use. The appraisers are not responsible for unauthorized use of this report.

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/mk

**DUNCAN & BROWN**

## ***TABLE OF CONTENTS***

<b>COVER PAGE</b>	
<b>LETTER OF TRANSMITTAL</b>	
<b>TABLE OF CONTENTS PAGE</b>	
<b>SALIENT FACTS</b>	
<b>INTRODUCTION</b>	
ASSUMPTIONS AND LIMITING CONDITIONS.....	6
<b>PRELIMINARY INFORMATION</b>	
REGIONAL MAP .....	10
ABBREVIATED CITY/AREA DESCRIPTION .....	11
CITY/AREA MAP .....	13
<b>PROPERTY DATA</b>	
SUBJECT PHOTOGRAPHS.....	15
SUBJECT DESCRIPTION.....	19
<b>ANALYSES AND CONCLUSIONS</b>	
AIRPORT GROUND LEASE SURVEY .....	22
GROUND LEASE SUMMARY CHART .....	35
<b>CERTIFICATION</b>	
<b>ADDENDA</b>	
APPRAISERS' QUALIFICATIONS	

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

**Name/Location:** Lebanon State Airport  
W. Airway Road  
Lebanon, Oregon

**FAA Identifier:** S30

**Oregon Functional Category:** 4

**Service Level:** Community General Aviation

**NPIAS Role:** General Aviation

**Facilities:** 2,877' x 50' paved runway, paved taxiways, one FBO building with pilot's lounge and restrooms. No other FBO services. No control tower.

**Current Ground Lease Rate:** \$0.16/sf/year

**Fair Market Rent Conclusion:** \$0.16/sf/year

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

**Date of Inspection:** October 17, 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***

---

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 Lebanon 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 17, 2007. The function of this survey is to assist the client in setting the rental rates for land at the Lebanon 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 appraisal 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.

---

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

**Inspection Data**

Date:	October 17, 2007
Owner Representative:	None
Duncan & Brown Representatives:	Clint C. Becraft



Regional Location

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

### *Lebanon, Oregon*

The City of Lebanon is located at the edge of the foothills of the Cascade Mountains in the Mid-Willamette Valley area. Strategically positioned at the junction of U.S. Highway 20 (Santiam Highway) and Oregon Highway 34 (Tangent Street), Lebanon is 8 miles east of Interstate 5, 90 miles south of Portland, 45 miles north of Eugene, and 70 miles east of the Oregon coast.

### **Population/Demographics**

The current population for the city of Lebanon is 14,355 persons. The population of Lebanon has increased in steady proportion to surrounding communities of similar size in the Linn/Benton County region. From the period between 1990 and 2000, the Center for Population Research at Portland State University reported an increase in the Lebanon population of 20% whereas Linn County increased 13.5%. The median age in Lebanon is 35.9 years and the largest demographic group is 25 to 44 years old (26.9%).

### **Land Use**

Residential development in Lebanon includes single family homes, duplexes, apartments and several mobile home parks. Single family development ranges from 80 to 100+ year old vintage homes in the older central neighborhoods to typical postwar tract home developments. Most new development has been modest in terms of home size and quality. There is a large inventory of vacant single family and mobile home park lots and spaces available. There are approximately 5,500 dwelling units in Lebanon of which approximately 40 percent are renter occupied. The median home value in Lebanon (2000 census) was \$110,500.

Hwy. 20, which runs north-south through Lebanon, is the city's main commercial strip. It is developed with a wide array of commercial services including restaurants, fast food, banks, grocery stores, auto dealers, clothing stores, drug stores etc. Wal-Mart, which is located along the strip, is the city's largest retailer. Safeway has also completed construction of a new Marketplace along Highway 20.

### **Transportation**

There are many means of transportation into and from the city of Lebanon. Lebanon is located approximately 8 miles east of the I-5 interchange with Oregon Highway 34, and approximately 8 miles southeast of the I-5 interchange with U.S. Highway 20. The city is served by freight trains through either the Burlington Northern Rail Line or Willamette Valley Railroad. Santiam Railroad is approximately one mile long and is owned by the City of Lebanon connecting to the Southern Pacific Railroad.

Lebanon State Airport is a public use and public-owned airport, located approximately one mile west of downtown Lebanon. The runway is 2,877 feet long and 50 feet wide with a paved surface and is equipped with a Visual Approach Slope Indicator (VASI) System and a Medium Intensity Runway Lighting System. The Portland International Airport is located approximately 90 miles north and the Eugene Airport is located approximately 45 miles southwest of Lebanon.

**Community Development**

Lebanon has a total of 12 schools in the school district, including an alternative school, two middle schools and one high school with a total enrollment of approximately 4,500 students.

Community colleges and universities consist of Linn-Benton Community College and Oregon State University in Corvallis, located approximately 17 miles from Lebanon.

Several private schools are available for different age levels. Rainbow Children's Center and First Presbyterian Church offer programs for the younger child and East Linn Christian Academy and Lebanon Christian School offer educational services for children from K-12.

Police services are provided by the Lebanon Police Dept. The department has 27 paid and reserve officers. Linn County Sheriff's deputies and Oregon State Police Officers assist in the surrounding rural areas.

Fire protection and emergency medical services are provided by the Lebanon Fire District. The district operates on a 24-hour basis and its 29 emergency services personnel and 42 volunteer firefighters serve a 156-square mile area.

Lebanon is served by Lebanon Community Hospital.

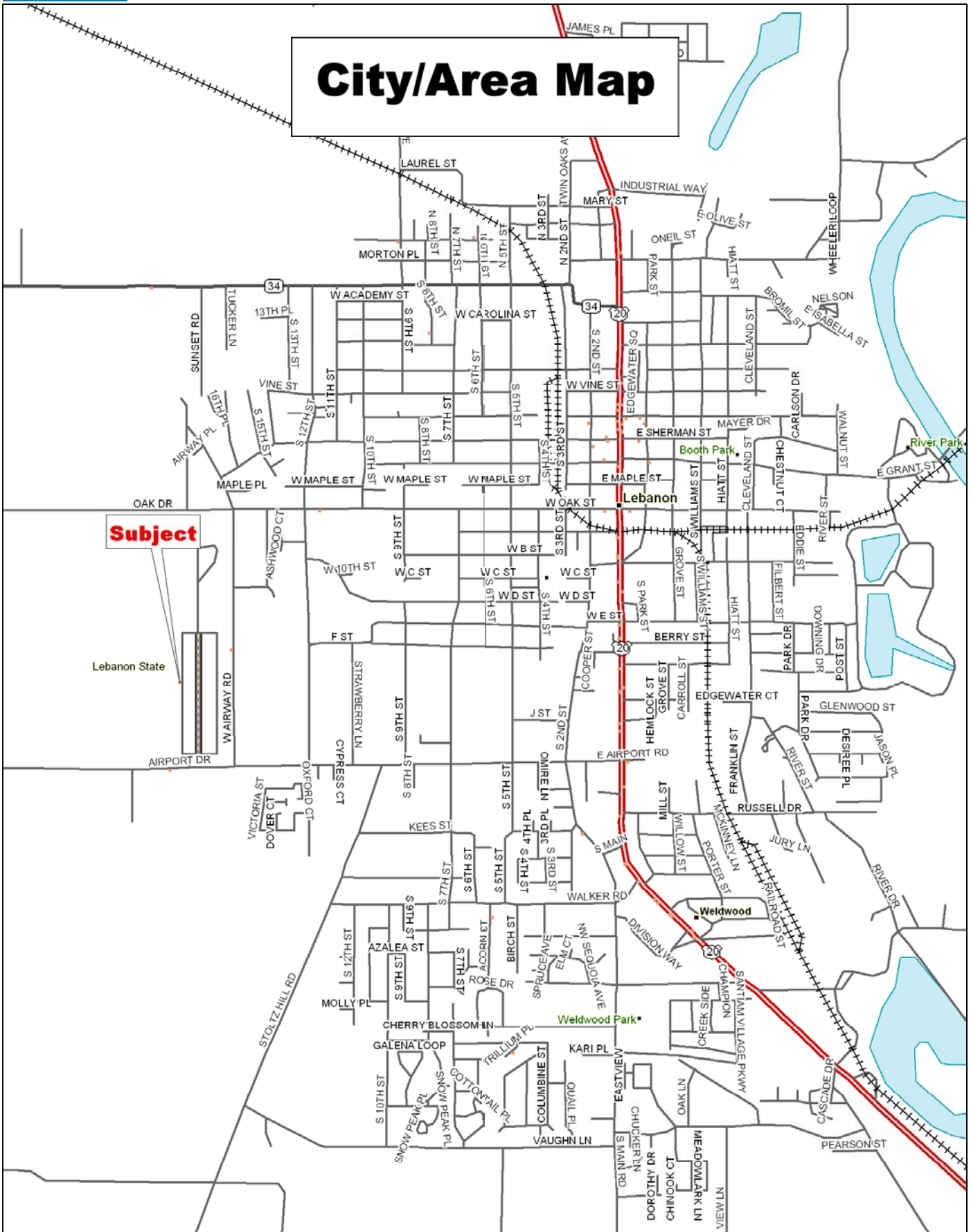
**Economic Conditions**

Like much of rural Oregon, Lebanon has a generally slow economy due to the decline in the natural resource industries. Unemployment for Linn County is above the Statewide average. Lebanon and Linn County industries include manufacturing, agriculture and food products, wood products, and rare metals. The largest employers in Lebanon include Lebanon Community Hospital, Lebanon Community School District, Entek Manufacturing, Wal-Mart, Linn Gear and Safeway. Over the past 12 months, Linn County's employment level increased 660 jobs to grow 1.6 percent. Linn County typically has fairly stable employment, but its wood product manufacturing has lost 360 jobs over the past 12 months, a 15.2 percent decline.

**Summary**

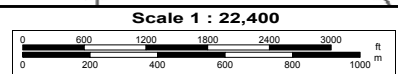
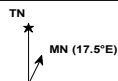
Lebanon acts as a bedroom community to the Albany/Corvallis area. The Lebanon economy has diversified slightly over the last decade, shifting from natural resource industries to manufacturing and service industries. Unemployment is still higher than the state average, which is typical of the smaller rural communities throughout the western part of Oregon. This smaller rural community offers good livability for those looking for the small town atmosphere. The local economy generally parallels state and national trends, although at a slower pace. Overall, the area is expected to experience slow economic and population growth in the coming years.

# City/Area Map



**Subject**

Lebanon State



Scale 1 : 22,400

1" = 1870 ft

## ***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 \$0.16 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, viewing south.



Main entrance from W. Airway Road.



FBO building and ramp area.



Fueling station.



Viewing south at the ramp area.



Viewing northwest to the field area.



East hangars, viewing north.



West hangars, viewing north.

## ***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*

Lebanon 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.

Lebanon 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 Lebanon State Airport are summarized below.

**Airside Facilities**

There is one asphalt paved runway (16/34) which is 2,877 feet long and 50 feet wide. A runway improvement project was initiated during 2006 for the subject property. The taxiways are also asphalt paved and appear to be adequately designed for efficient use. The FBO building has extended ramp area with tie downs.

**Navigation Aids**

Lebanon has a Visual Approach Slope Indicator (VASI). The runway has medium intensity lighting. There is also a beacon.

**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 the FBO, Lebanon has an FBO building that is currently not occupied. The building previously housed a full-service FBO (Lebanon Aviation) offering maintenance, supplies, a pilot's lounge and flight instruction. The previous operator has since left and there are no services available. The current building owner, does, however leave the pilot's lounge and restroom facilities unlocked for public use. There is a card lock fuel station to the west of the building.

There are hangar buildings on both the east and west sides of the field. The east side fronts on a busy road in a predominantly industrial neighborhood. A full range of utilities is available on the east side. The west side hangars are mostly older and are served by electricity only. The vacant available land area for new hangar development is located on the west side. There are approximately 50 aircraft based on the field. The airport is fenced with gated access with coded keypads.

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

Lebanon 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 town the size of Lebanon. Corvallis and Albany municipal airports, which are city-owned facilities, are the nearest airports and best comparables due to proximity. Other competing airports in Lane, Marion and Yamhill Counties were also surveyed and 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:** Corvallis Municipal Airport  
Corvallis, Oregon

**FAA Identifier:** CVO

**Oregon Functional Category:** 2  
**Service Level:** Business or high activity general aviation.  
**NPIAS Role:** General aviation.

**Land Lease Rates:** \$0.21/sf/year for both commercial and private. The land area is based on the building footprint only. The rent would be approximately 25% lower (\$0.16/sf) if typical setbacks were applied. The current rate was set in 2006 based on an appraisal.

New development requires the construction of new taxiways. New hanger developers are required to pay half the cost of the taxi-way that serves their site.

**Increases:** The base lease rate is re-evaluated every five years and adjusted by annual CPI increases. The current base rate was last evaluated in 2006.

**Security:** Fenced, key pad entry.

<b>Utilities:</b>	Electricity. Full service available. Extension at lessee's cost if desired.
<b>FBOs:</b>	One full service (Corvallis Aero Service) including a pilot's lounge, supplies, fuel, aircraft maintenance, flight instruction, rental planes, charter service and courtesy transportation.
<b>Facilities:</b>	Two runways (5,900 feet x 150 feet and 3,545 feet x 75 feet). Beacon. Does not have a control tower. Instrument landing system. Automated Weather Observation System (AWOS). Precision Approach Path Indicator (PAPI) (shorter runway). Visual Approach Slope Indicator (VASI) (longer runway). (MASLR) Medium Intensity Approach Lighting System (longer runway). Paved taxiways.
<b>Aircraft Based on Field:</b>	144
<b>Average Aircraft Operations:</b>	99 per day as of 10/05.
<b>Comments:</b>	Located approximately 17 miles west subject. Serves the Corvallis/Benton County area. Owned by the City of Corvallis. Tenants do not pay real estate taxes on the land. There have been two new hangars constructed in the last two years. There have been approximately five new hangar buildings constructed within the last decade. The existing FBO is planning a large new facility to be located on the ramp area.

**Comparison to Subject**

This comparable is similar to the subject in terms of general location and role as a general aviation facility, but superior regarding facilities, available FBO services and service level, although there are currently no commercial carriers serving the airport and the activity level is lower than a typical Category 2 facility. Overall, this comparable is a reasonable indicator for the subject.

**RENT COMPARABLE 2**



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

**FAA Identifier:** S12

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

**Land Lease Rates:** \$0.195/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 policy was set several years ago based on a survey of competing airports.

**Increases:** \$0.01 per year for two years followed by annual CPI increases.

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

**Utilities:** Full service in some older areas. New tenants desiring full utilities must work with the city and pay whatever costs the city requires.

**FBOs:** One full-service (Reliant Aviation) including a lounge, supplies, flight instruction and aircraft maintenance.

**Facilities:** One runway (3,004 feet x 75 feet). Beacon. Visual Approach Slope Indicator (VASI). No tower. Self-service fuel station.

**Aircraft Based on Field:** 72

**Average Aircraft Operations:** 62 per day (as of 5/05).

**Comments:** Located approximately 10 miles northwest of the subject. Owned by the City of Albany. Tenants do not pay real estate taxes on the land. There has been increasing demand for new hangars in recent years. Three new hangars were built within the last year. An additional new hangar is anticipated to be constructed next year.

**Comparison to Subject**

This comparable is similar to the subject in terms of service level, role, facilities, and general location, but superior in available FBO services. This comparable should be a slightly high indicator for the subject, however, the rent appears to be below market as rates were set several years ago. Overall, this comparable is a reasonable indicator for the subject.

**RENT COMPARABLE 3**



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

**FAA Identifier:** MMV

**Oregon Functional Category:** 2  
**Service Level:** Business or high activity general aviation.  
**NPIAS Role:** General aviation.

**Land Lease Rates:** \$0.23/sf/year. The land area is the building plus five foot setbacks.

**Increases:** Periodic reevaluation.

**Security:** Fenced with gated access.

**Utilities:** Electricity only.

**FBOs:** One full service (Cirrus Aviation) including fuel, pilot supplies and lounge.

**Facilities:** Two runways (5,420 feet x 150 feet and 4,676 feet x 150 feet). Automated Surface Observation System (ASOS). Precision Approach Path Indicator (PAPI), Instrument Landing System

(ILS), Medium Intensity Approach Lighting System (MALSR).  
No control tower. Paved taxiways. Full and self-service fuel.

**Aircraft Based on Field:** 140

**Average Aircraft Operations:** 174 per day as of 11/03.

**Comments:** Located approximately 50 miles northwest of the subject. Serves the Yamhill County area. Owned by the City of McMinnville. Tenants do not pay real estate taxes on the land. A new taxiway is being installed, which will open up additional area for new hangars to be developed.

**Comparison to the Subject**

This comparable is similar to the subject in terms of its role as a general aviation facility, but superior regarding service level, facilities, available FBO services and general location being in closer proximity to the Portland metro area where there is a higher demand for aviation services. Overall, this comparable is a high indicator of market rent for the subject.

**RENT COMPARABLE 4**



**Name & Location:** Salem Municipal Airport/McNary Field  
Salem, Oregon

**FAA Identifier:** SLE

**Oregon Functional Category:** 2  
**Service Level:** Business or high activity general aviation.  
**NPIAS Role:** General aviation.

**Land Lease Rates:** \$0.20/sf/year (electricity only, small older hangar sites)  
\$0.26/sf/year (older hangar sites, average locations on field)  
\$0.33/sf/year (newer fully serviced hangar sites, highest rents are for superior locations on the field)

Rent differences are based on location and services available. The lease area is the footprint of the building plus setbacks, typically five feet.

**Increases:** Annual CPI increases. Older smaller site are adjusted based on CPI. The base rate for newer sites was based on an appraisal.

**Security:** Typical, fenced with key pad entry gates.

- Utilities:** Full service available to newer sites. Electricity only at most older sites.
- FBOs:** One full service (Salem Aviation Fueling) including pilot lounge, supplies, flight instruction, rental planes, charter service, aircraft maintenance and courtesy transportation.
- Facilities:** Two runways (5,811 feet x 150 feet & 5,145 feet x 100 feet). Control tower. Automated Surface Observation System (ASOS), Instrument Landing System (ILS), Precision Approach Path Indicator (PAPI), Visual Approach Slope Indicator (VASI), Omnidirectional Approach Lighting System (ODALS), Medium Intensity Approach Lighting System (MALSR). Full and self-service fuel. Paved and lighted taxiways. Restaurant on field.
- Aircraft Based on Field:** 212
- Average Aircraft Operations:** 203 per day as of 12/06.
- Comments:** Located approximately 28 miles northwest of the subject. Active field serving the Salem area. Tenants do not pay real estate taxes on the land. Owned by the City of Salem. Increasing demand for land and hangars the past several years.

**Comparison to Subject**

This comparable is similar to the subject in terms of its role as a general aviation facility, but superior regarding service level, facilities, available FBO services and location in a larger community. There are multiple rates at this field with the highest rents are for newer sites with full utility services available and are the best locations on the field. The lower end of the range of rates is concluded to be a high indicator for the subject.

**RENT COMPARABLE 5**



**Name & Location:** Hobby Field  
Creswell, Oregon

**FAA Identifier:** 77S

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

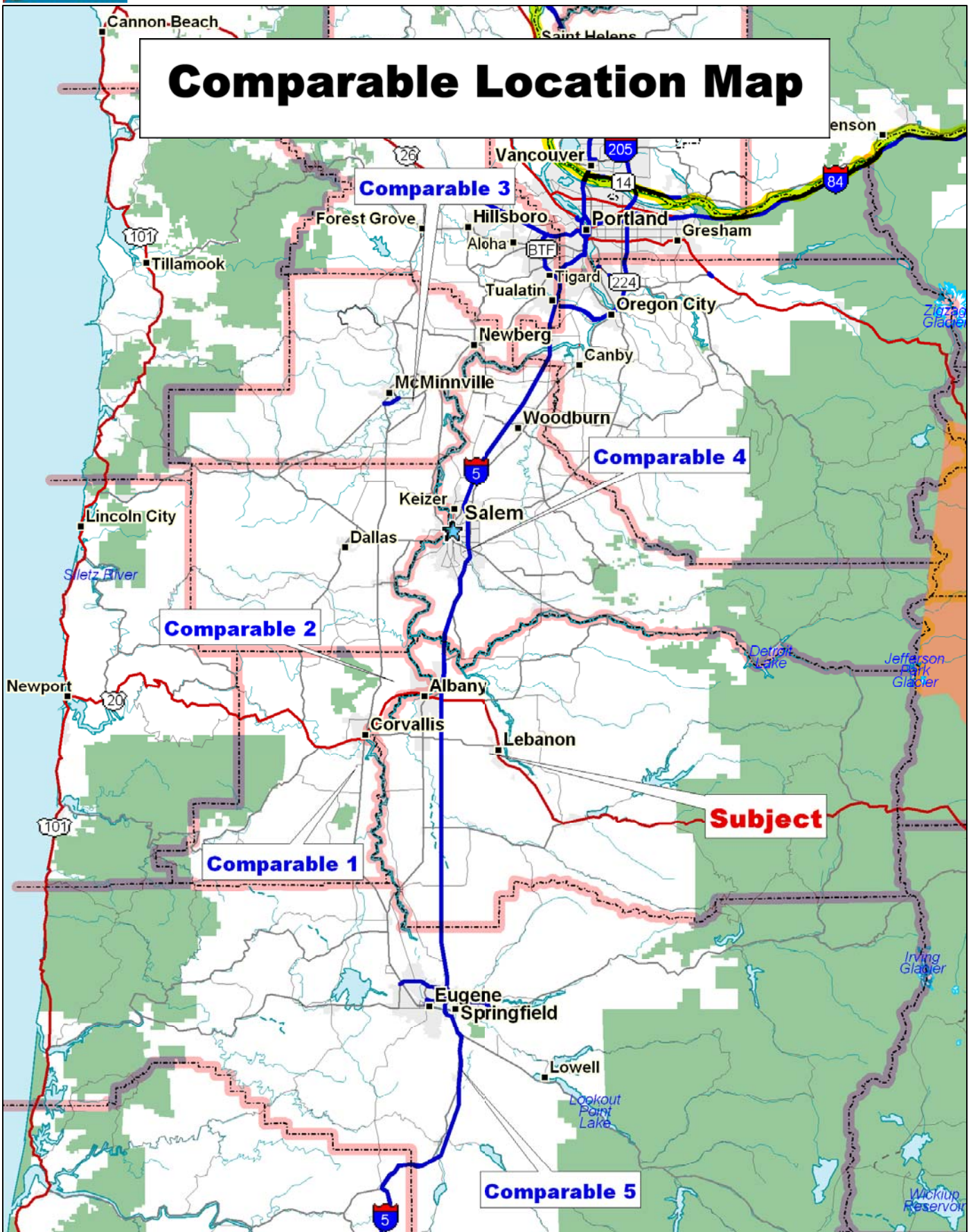
**Land Lease Rate:** \$0.15-\$0.18/sf/year, depending on size with smaller private sites paying the higher rates. The larger sites are T-hangar building sites operated as investments with multiple units being separately leased. The airport requires a 5-foot setback on the sides and rear with a larger setback in the front, typically 15 to 20 feet. The front setbacks are larger than many airports and results in an effectively higher rent. To adjust to the same basis as the subject (a 5-foot setback) the rent would be approximately \$0.16 to \$0.20 per square foot per year. Tenants do not pay property taxes on the land, however, the city assesses hangar owners a maintenance fee at a rate of \$20 per \$1,000 of building value in lieu of typical property taxes that would be paid on the land. The additional assessment varies with the size and quality of the building.

<b>Increases:</b>	Periodic review.
<b>Security:</b>	Fenced with gated access.
<b>Utilities:</b>	Electricity only.
<b>FBOs:</b>	One partial-service owned and operated by the City of Creswell, including self-service fuel, pilot lounge and supplies.
<b>Facilities:</b>	One runway (3,101 feet x 60 feet). Beacon. No control tower. Precision Approach Path Indicator (PAPI). Paved taxiways.
<b>Aircraft Based on Field:</b>	110
<b>Average Aircraft Operations:</b>	105 per day as of 6/05.
<b>Comments:</b>	Located approximately 45 miles south of the subject. Serves the Eugene/Springfield area. Owned by the City of Creswell. There has been a moratorium on building at the airport due to the lack a fire protection. The moratorium is anticipated to be lifted within the next few years when funding becomes available fire protection. There is a waiting list for new hangars.

**Comparison to the Subject**

This comparable similar to the subject in terms of service level, role and facilities, but superior regarding available FBO services and general location in close proximity to a metropolitan area. Overall, the low end of the range indicated by this comparable is a reasonable indicator for the subject.

# Comparable Location Map



*LAND LEASE RATE COMPARABLE TABULATION CHART*

No.	Airport	Lease Rates	Comments
1.	<b>Corvallis Municipal</b> Corvallis	\$0.16*	Community general aviation airport. No control tower. Nav aids. Long runway. Reasonable indicator.
2.	<b>Albany Municipal</b> Albany	\$0.15*	Community general aviation airport. No control tower. Nav aids. Below market rent. Reasonable indicator.
3.	<b>McMinnville Municipal</b> McMinnville	\$0.23	Business or high activity/General aviation airport. No control tower. Nav aids. Superior location and facilities. High indicator.
4.	<b>Salem Municipal/McNary Field</b> Salem	\$0.20 / \$0.26 / \$0.33	Business or high activity/General aviation airport. Control tower. Nav aids. High end of rent range is for the best locations on the field with full utilities. The lower end of the range is a high indicator.
5.	<b>Creswell Hobby Field</b> Creswell	\$0.16 - \$0.20* (plus maintenance charge)	Community general aviation airport. No control tower. Nav aids. Similar location and facilities. The low end of the range is a reasonable indicator.

*\*Lease rate adjusted for setback areas.*

**Conclusion**

The comparables indicate a range of ground lease rates from \$0.15 to \$0.33 per square foot per year. Comparables 1, 2 and 5, at \$0.15 to \$0.20, offer the most similar locations and facilities as compared to the subject. The rents for comparables 1, 2 and 5 were adjusted as necessary for typical setback areas as compared to the subject. Comparables 1 and 2 are based on the building footprint only, which equates to an effectively lower rate as compared to the subject, which has typical 5 foot setbacks. Comparable 5, Creswell, was adjusted upward to reflect its larger front setback areas, which are typically 15 to 20 feet.

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 Lebanon Airport, however, indicates Linn 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. Tenants at Creswell, however, are assessed a maintenance fee by the city of Creswell based on the hangar building value in lieu of paying property taxes on the land. The additional assessment varies with the size and quality of the building, but could substantially add to the cost of operating a hangar at Creswell. If Linn 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.

Comparables 1 and 2 at \$0.16/sf and \$0.15/sf were concluded to be overall reasonable indicators for the subject based on physical and locational characteristics. Comparable 5 indicated a range of \$0.16/sf to \$0.20/sf and is similar to the subject in terms of service level, role and facilities, but superior regarding available FBO services and general location in close proximity to a metropolitan area. Overall, the low end of the range indicated by this comparable is a reasonable indicator for the subject. The remaining comparables include the McMinnville and Salem

airports, which are Category 2 facilities that are generally superior to the subject in terms of location, facilities and available FBO services. Both the McMinnville and Salem rates are high indicators for the subject. These comparables will be given secondary emphasis in the analysis.

Based on the above analysis, with primary emphasis given to comparables 1, 2 and 5, and support from comparables 3 and 4, the fair market ground lease rate for both commercial and private tenants at Lebanon State Airport, as of October 17, 2007 was concluded to be:

***\$0.16 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 \$0.16 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 Lebanon State Airport, which is the previously concluded rate of \$0.16/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 Lebanon 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 17, 2007, was:

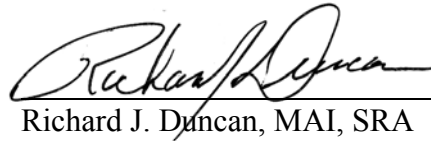
***\$0.16 Per Square Foot Annually\****

*\*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.*



Clint C. Becraft

Certification No. C000856  
Expiration 4/30/08



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

