

Appraisal Report

Bend Municipal Airport | Bend, OR 97701

as of April 2, 2020



Prepared for

City of Bend
Ms. Tracy Williams, A.A.E.
Bend Airport Manager
City of Bend

Prepared by

David Chudzik, Ph.D., MAI, CRE

KM Job A20-0318

Kidder Mathews

Valuation Advisory Services

601 Union Street, Suite 4720

Seattle, WA 98101

206.205.0222 | Fax 206.205.0220

dchudzik@kidder.com

kidder.com

November 12, 2020

Ms. Tracy Williams, A.A.E.
Bend Airport Manager
City of Bend
PO Box 68727
Bend, OR

RE: Bend Municipal Airport
63136 Powell Butte Highway
Bend, OR 97701

Dear Ms. Williams:

At your request, we have prepared a market rent appraisal of various leased premises at Bend Municipal Airport which is described in the attached report. The date of inspection and valuation is April 2, 2020. This report is an updated and revised version of the original report dated May 29, 2020. In this revised appraisal report, the market rent estimates for T-hangars have been revised as discussed later in this report.

We have inspected the subject property and obtained data regarding other similar real estate in the area and from similar airport properties in Oregon and Washington. This report has been prepared in conformance with the current Uniform Standards of Professional Appraisal Practice (USPAP), as formulated by the Appraisal Foundation. In addition, our services comply with and are subject to the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.

In this appraisal, a determination of market rent is made for a variety of leased premises including unimproved and improved land, T-hangars, box hangars, storage areas, tie-downs, office, café and parking areas at the Bend Municipal Airport. The intended use of this appraisal is to assist the intended user, the City of Bend, in setting rent for these premises at the subject. This report may not be suitable for other uses.

As a result of our investigation and analysis, we have concluded on the following market rents, subject to the limiting conditions and assumptions contained herein:

Improved Airside Land	\$0.36/sq ft/year
Improved Non-airside Land	\$0.20/sq ft/year
Tie-Down Spaces	\$45/month
T-Hangars A - B 63160 - 63170 Powell Butte Hwy	\$0.24/sq ft/month
T-Hangars D - H 63054 - 63070 Powell Butte Hwy	\$0.32/sq ft/month
T-Hangars I - J 63290 - 63316 Powell Butte Hwy	\$0.37/sq ft/month
T-Hangar 63088 63088 Powell Butte Hwy	\$0.24/sq ft/month
Hangars 63004 - 63008	\$0.48/sq ft/month
Hangar 63330	\$0.48/sq ft/month
Hangar 63120	\$0.40/sq ft/month
Hangar 63132	\$0.40/sq ft/month
Storage Space	\$0.32/sq ft/month
Office Space > 500 sq ft	\$18/sq ft/year
Office Space < or = 500 sq ft	\$14/sq ft/year
Café Space	\$6.00/sq ft/year
Asphalt-Paved Parking Space	\$40/month
Unpaved Parking Space	\$25/month

Respectfully submitted,



David Chudzik, Ph.D., MAI, CRE

State-Certified General Appraiser

#C001182

DMC/ds-sh

Certification

I certify that, to the best of my knowledge and belief:

- 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 my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- 3) I 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) I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- 5) My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 6) My 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) The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- 8) I have made a personal inspection of the property that is the subject of this report. The comparables were all confirmed with appropriate sources as indicated in the report.
- 9) David Chudzik, Ph.D., MAI, CRE has not provided professional appraisal or consulting services concerning the subject property once within the past three years.
- 10) No one provided significant real property appraisal assistance to the person signing this certification.
- 11) The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- 12) The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- 13) As of the date of this report, David Chudzik, Ph.D., MAI, CRE has completed the continuing education program for Designated Members of the Appraisal Institute.



David Chudzik, Ph.D., MAI, CRE
State-Certified General Appraiser
#C001182

Limiting Conditions

Limiting conditions specific to this appraisal are:

- 1) The appraiser has made no survey of the property and assume no responsibility in connection with such matters. Any sketch or identified survey of the property included in this report is only for the purpose of assisting the reader to visualize the property.
- 2) I assume that there are no hidden or unapparent conditions of the property, subsoil, or structures (including asbestos, soil contamination, or unknown environmental factors) that render it more or less valuable. No responsibility is assumed for such conditions or for arranging the studies that may be required to discover them.
- 3) No responsibility is assumed for the legal description or for matters including legal or title considerations.
- 4) The information identified in this report as being furnished by others is believed to be reliable, but no warranty is given for its accuracy.
- 5) The appraiser is not required to give testimony or attendance in court by reason of this appraisal unless arrangements have previously been made.
- 6) The allocation of total value to land, buildings, or any fractional part or interest as shown in this report, is invalidated if used separately in conjunction with any other appraisal.
- 7) The appraiser is competent and qualified to perform the appraisal assignment.
- 8) Valuation Advisory Services is a subsidiary of Kidder Mathews, a full service commercial real estate brokerage firm. On occasion, employees or agents of the firm have interests in the property being appraised. When present, interests have been disclosed, and the report has been made absent of any influence from these parties.

RESTRICTION UPON DISCLOSURE & USE:

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the appraisers. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus, or registration without the prior written consent of the appraisers.

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ADDENDUM

 Appraiser’s Experience Data

Summary of Appraisal

Summary of Appraisal

Identity of Property	Bend Municipal Airport 63136 Powell Butte Highway Bend, OR 97701
Property Description	The subject of this market rent appraisal comprises various leased premises at Bend Municipal Airport including hangars, tie-down areas, airside and non-airside land, office and café space and parking areas. The Oregon Department of Aviation classifies Bend Municipal Airport as a Category 2, High Activity Business and General Aviation airport. The airport has a single 5,260 ft runway and full length dual parallel taxiways. The airport is located on an approximately 420-acre site about five miles east of the City of Bend.
Scope	Comprehensive appraisal
Intended User/Use of Appraisal	In this appraisal, a determination of market rent is made for a variety of leased premises including unimproved and improved land, T-hangars, box hangars, tie-downs, office, café and parking areas at the Bend Municipal Airport. The intended use of this appraisal is to assist the intended user, the City of Bend, in setting rent for these premises at the subject. This report may not be suitable for other uses.
COVID-19	<p>An important part of any appraisal assignment is analysis of market conditions. The COVID-19 coronavirus pandemic is affecting societal and economic conditions in a manner not experienced in recent history. However, in most markets it is not yet clear to what extent real estate market conditions are and will be affected. Related complicating factors include fluctuations in the stock market and changes in mortgage interest rates. Market analysis includes observing both facts and market reactions. This analysis becomes more complicated when there is no data and market participants themselves are facing uncertainty and are not yet able to form any clear consensus as to the potential effects of these factors.</p> <p>In general, real estate investors and real estate capital are mostly patient and focus on longer views that would likely bridge the effects of the current disruptions. This was proven in the Seattle markets in the 2008 recession, where there were few forced sales and real estate investment led the recovery: starting less than two years after the market crash.</p>

So far, the economic impact is clearly negative. Businesses in discretionary retail, travel and leisure were the most immediately affected. Market participants at this point do not have enough information to forecast the potential duration of the sources and results of volatility. It is possible this impact could, or in some experts' opinions, already has, pushed the national economy into a recession. At this point in time, it is not possible to forecast the trend of either the economy or real estate markets with any level of confidence. Therefore, while best efforts have been made to survey the market and consider any available data as of the date of value, it is cautioned that it may be necessary to increase frequency of re-analysis of this conclusion as the effects of these issues will continue to emerge and change rapidly over the near term.

It is noted that the date of value occurred prior to any significant impact by the COVID-19 coronavirus.

Extraordinary Assumption	None
Hypothetical Condition	None
Date of Report	November 12, 2020
Date of Last Inspection	April 2, 2020
Effective Dated of Appraisal	April 2, 2020

**Market Rent
 Conclusions**

Improved Airside Land	\$0.36/sq ft/year
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Asphalt-Paved Parking Space	\$40/month
Unpaved Parking Space	\$25/month



Aerial Photograph of Subject (Looking Southwest)

Subject Photographs

Red or Gibson Hangar



Typical hangar



Typical hangar



Subject Photographs

Tie downs



A & B T-hangars



Interior of T-hangar



Subject Photographs

Interior of box hangar



Interior of box hangar



Paved and unpaved areas
suitable for vehicle parking



Subject Photographs

Café in FBO Building



Typical office space in FBO Building



Raw land adjacent to taxi way on east side of airport



Introduction

Introduction

Identity of Property The subject comprises a variety of leased premises at Bend Municipal Airport.

ADDRESS 63136 Powell Butte Highway
Bend, OR 97701

ASSESSOR'S TAX ACCOUNT NUMBERS 171320 – tax lots 200, 202, 300, 401 and 402
171317 – tax lots 200

Ownership History The subject is owned by the City of Bend.

Intended User/Use of Appraisal In this appraisal, a determination of market rent is made for a variety of leased premises including unimproved and improved land, T-hangars, box hangars, tie-downs, office, café and parking areas at the Bend Municipal Airport. The intended use of this appraisal is to assist the intended user, the City of Bend, in setting rent for these premises at the subject. This report may not be suitable for other uses.

Extraordinary Assumption None

Hypothetical Condition None

Purpose of Appraisal The purpose of this appraisal is to estimate market rent at the subject property. The term "Market Rent" is defined as:

The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).

Source: Dictionary of Real Estate Appraisal, 6th Edition.

Scope of Appraisal This report has been prepared in conformance with the current Uniform Standards of Professional Appraisal Practice (USPAP). In addition, our services comply with and are subject to the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute. In this appraisal, we have estimated the market rent for a variety of leased premises at Bend Municipal Airport. The appraisal is presented as a

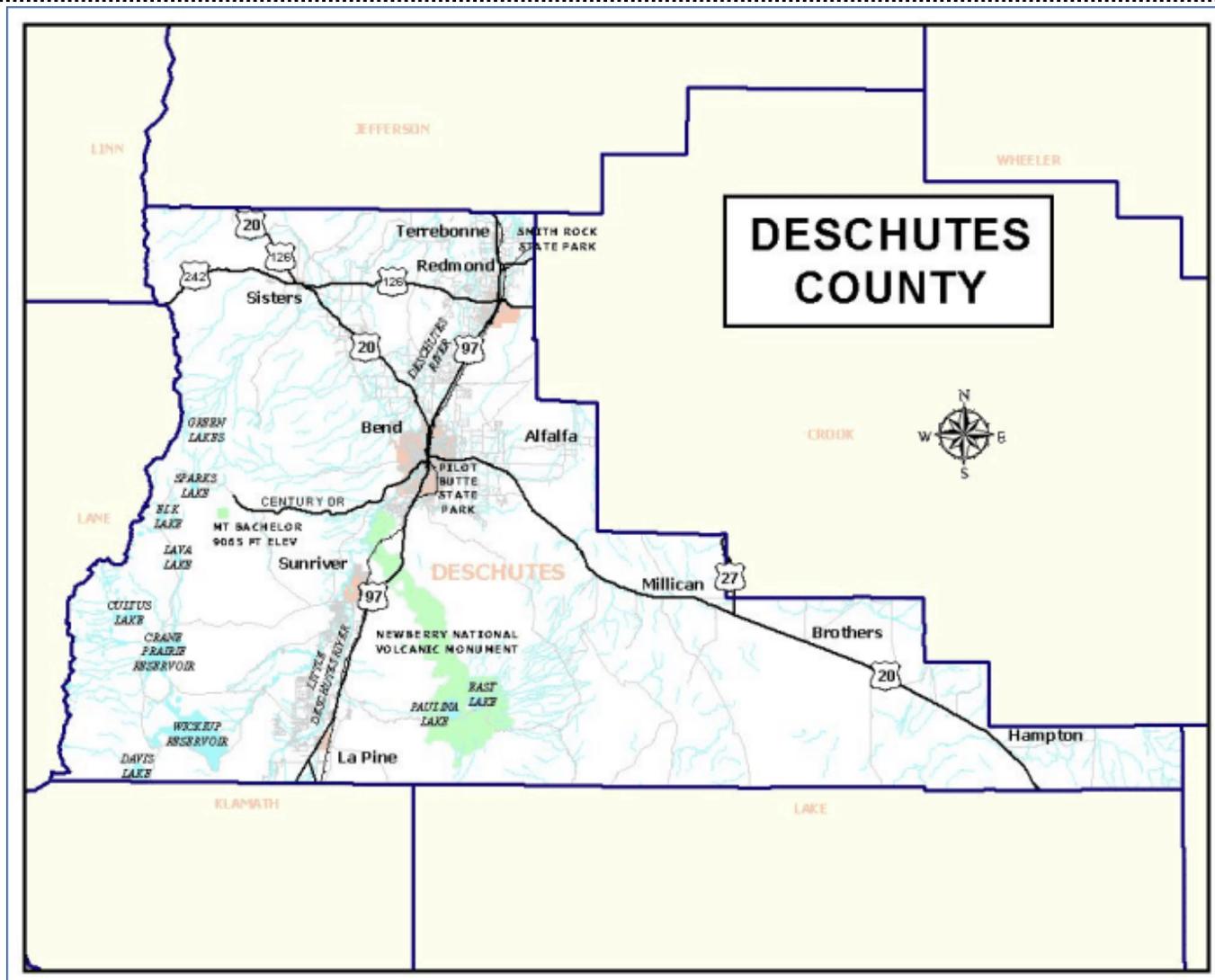
comprehensive appraisal report. The subject was inspected on April 2, 2020. Research included both general and specific data. Sources of general data included in the regional market trends including aviation market trends as well as information specific to Bend and the immediate area surrounding the subject. A survey of similar smaller general aviation airports in Oregon and Washington was performed. Rents from leasing transactions at these airports are analyzed to determine market rent for the subject.

Date of Report November 12, 2020

Date of Last Inspection April 2, 2020

Effective Date of Appraisal April 2, 2020

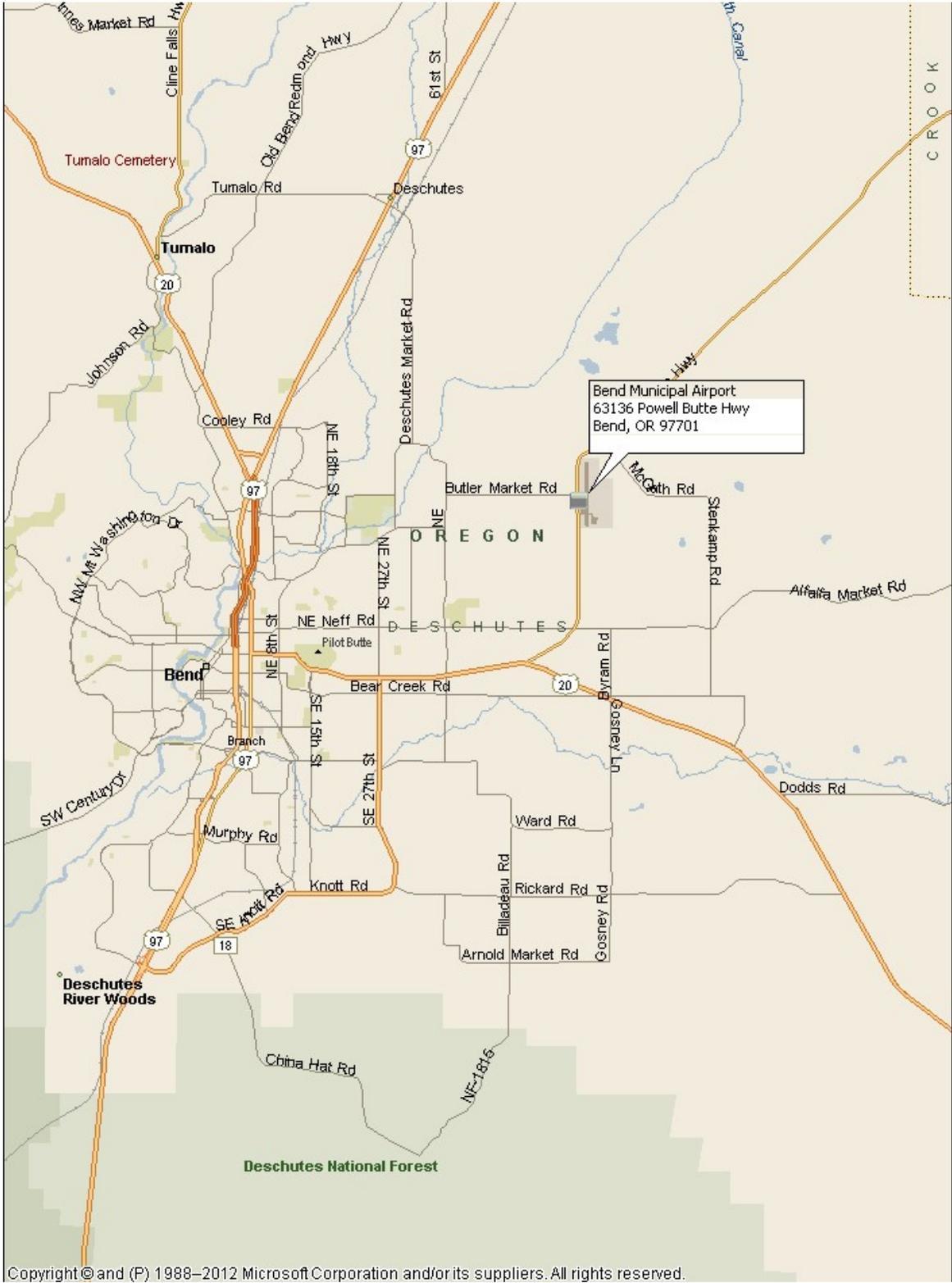
Market Overview



Regional Map

	City of Bend			Deschutes County			Oregon		
	2000	2019	CAAGR	2000	2019	CAAGR	2000	2019	CAAGR
Population									
Total Population	52,029	94,911	3.2%	115,367	191,930	2.7%	3,421,399	4,246,351	1.1%
Median Age	34.8	38.6	0.5%	38.3	42.4	0.5%	36.3	39.9	0.5%
Under 18 Years	24.5%	22.0%	-0.6%	24.8%	20.9%	-0.9%	24.7%	22.6%	-0.5%
18 to 64 Years	63.1%	62.0%	-0.1%	62.1%	59.8%	-0.2%	62.5%	63.5%	0.1%
Over 65 Years	12.4%	16.0%	1.4%	13.1%	19.3%	2.1%	12.8%	13.9%	0.4%
Average Household Size	2.42	2.42	0.0%	2.50	2.47	-0.1%	2.51	2.48	-0.1%
Housing									
Owner-Occupied Units	13,244	22,735	2.9%	32,971	50,572	2.3%	856,951	1,012,823	0.9%
Renter-Occupied Units	7,818	16,114	3.9%	12,624	26,582	4.0%	476,772	659,342	1.7%
Total Households	21,062	38,849	3.3%	45,595	77,154	2.8%	1,333,723	1,672,165	1.2%
Vacant Units	1,445	4,740	6.5%	8,988	18,713	3.9%	118,986	159,341	1.5%
Total Housing Units	22,507	43,589	3.5%	54,583	95,867	3.0%	1,452,709	1,831,506	1.2%
Vacancy Rate	6.4%	10.9%	2.8%	16.5%	19.5%	0.9%	8.2%	8.7%	0.3%
Rental Housing Ratio	37.1%	41.5%	0.7%	27.7%	34.5%	1.3%	35.7%	39.4%	0.6%
Median Monthly Rent	\$558	\$1,061	3.9%	\$550	\$1,186	4.6%	\$620	\$1,050	3.1%
Median Home Value	\$138,100	\$388,770	6.3%	\$148,800	\$380,047	5.7%	\$152,100	\$348,650	5.0%
Employment									
Civilian Labor Force	27,767	53,494	3.5%	58,785	98,017	2.7%	1,740,298	2,041,194	0.8%
Employed	26,565	51,785	3.6%	55,754	94,194	2.8%	1,627,769	1,943,217	0.9%
Unemployed	1,202	1,709	1.9%	3,031	3,823	1.2%	112,529	97,977	-0.7%
Unemployment Rate	4.3%	3.2%	-1.6%	5.2%	3.9%	-1.5%	6.5%	4.8%	-1.6%
Income									
Median Household Income	\$40,857	\$66,149	2.6%	\$41,847	\$64,323	2.3%	\$40,916	\$60,427	2.1%
Per Capita Income	\$21,624	\$35,831	2.7%	\$21,767	\$33,813	2.3%	\$20,940	\$33,117	2.4%
Families Below Poverty Level	6.9%	4.5%	-2.2%	6.3%	4.9%	-1.3%	7.9%	5.8%	-1.6%
Individuals Below Poverty Level	10.5%	10.2%	-0.2%	9.3%	10.6%	0.7%	11.6%	13.3%	0.7%
CAAGR = Compound Average Annual Growth Rate									

Demographics



Neighborhood Map

Regional Overview

Introduction

The subject is located in Deschutes County near the City of Bend. Deschutes County was created from the western portion of Crook County on Dec. 13, 1916. It was named for the Deschutes River which flows through the county. Early fur traders called the river Riviere des Chutes, which means "River of the Falls." The county seat is located in the city of Bend which was incorporated in 1905. The name Bend was derived from "Farewell Bend," the designation used by early pioneers to refer to the location along the Deschutes River where the town eventually was platted. The Deschutes Services Center opened in 2004 and houses county offices including the clerk, assessor and commissioners. The region is located in the middle of the state with the Cascades to the west dividing the state from north to south, and the smaller Ochoco Mountains to the east. Portions of the region are part of a basalt plateau formed by the Columbia River Basalt Group, others are part of the slopes of the Cascades, and others part of the Basin and Range.

Population

The Central Oregon region is comprised of three adjoining counties: Deschutes, Jefferson, and Crook. Of the three, Deschutes County has by far the largest population, with about 191,000 residents and five major urban areas. It encompasses an area of 3,055 square miles, extending from the Cascade Range on the west to the High Desert region on the east. Jefferson County (to the north) and Crook County (to the east) each have a population of about 20,000, with most of these residents concentrated in the county seats.

Bend is both the county seat and the largest city in Deschutes County. Redmond is about 20 miles northeast of Bend. The small town of Sisters is about the same distance northwest of Bend and due west of Redmond. To the south of Bend are Sunriver, La Pine, and the Mt. Bachelor recreation area. Other nearby communities include Prineville in Crook County (30 miles to the northeast) and Madras in Jefferson County (40 miles to the north). Central Deschutes County is 120 miles east of Eugene, 175 miles southeast of Portland, and 150 miles north of the California state line.

Transportation

US Highway 97 (US-97), the major north-south route through the central part of the state, passes directly through the cities of Bend and Redmond. US Highway 20 extends northwest from Bend to Sisters, with connections to Eugene and Salem. State Route 126 links the communities of Sisters, Redmond, and Prineville.

Deschutes County benefits from having the only major airport in Central Oregon. Located to the southeast of downtown Redmond, Roberts Field is served by Alaska, Allegiant, American, Delta, Sun Country, and United. There are direct flights to and from Chicago, Denver, Las Vegas, Los Angeles, Phoenix, Portland, Salt Lake City, San Francisco, and Seattle.

At the time of the 2000 census, the population of Deschutes County was 115,367 residents. By 2019, the county population was estimated at 191,930, for an average annual growth rate of 2.7%. The population of Bend increased from 52,029 to 94,911 for annual growth of 3.2%.

The median household income is about \$66,000 in Bend and \$64,000 in Deschutes County. Since 2000, household income has risen at annual rates of 2.6% to 2.3%.

The median value of a single-family home is estimated at \$388,770 in Bend and \$148,800 for the county as a whole. The average rates of appreciation in home values were 6.3% and 5.7%. Rents increased at annual rates of 3.9%, and 4.6%.

The disparity between income growth and housing appreciation suggests that home ownership has become less affordable. Slower growth in rental rates contributed to increases in the rental housing ratios.

**Economic
Conditions**

As with much of Central Oregon, the Deschutes County economy was founded on agriculture and forest products. As the county grew into a major population center, the economy diversified, with agrarian components supplemented, and eventually surpassed, by trade and services. Today, the largest employment sectors are educational and health services, retail trade, and tourism.

Prior to the 2009 recession, the county had experienced sustained and rapid growth. The area was viewed as the economic jewel of the state, a status that prompted rapid residential and commercial development. This period saw the revitalization of Downtown Bend, the establishment of the Old Mill District, upgrades to the air terminal at Roberts Field, and numerous other public and private projects. Buoyed by demand for vacation homes, housing construction accelerated.

During the recession, these positive trends were sharply reversed, as the region learned the downside of dependence on discretionary spending. Two major components of the economy, both founded on discretionary income, proved especially vulnerable: tourism and vacation housing.

Once the recession abated, the Deschutes County economy recovered. In recent years, Central Oregon has topped the state in job growth. However, while recent trends are positive, they have not duplicated the exceptionally rapid rates of growth recorded in the previous decade.

Another popular attraction is the High Desert Museum, a privately funded facility with 53,000 sq ft of exhibits and amenities. Located just south of Bend, this facility has proven to be very popular with both tourists and local residents. It includes numerous displays on the history and ecology of Central Oregon, narrated live animal exhibits, a restaurant, and a large gift shop.

The Mount Bachelor ski resort brings in tourists from the entire West Coast. The nearby Cascade Lakes are also a tourist destination. Recreational activities include downhill and cross-country skiing, rafting, golfing, camping, fishing, picnicking, rock climbing, and general sightseeing.

Education

Phase 1 of Oregon State University's Cascades Campus opened in September 2016 near Downtown Bend. The new 10-acre campus is the first public university to open in Oregon in more than 50 years. It provides classrooms, lab space, a dining center, and residential housing for 300 students. The campus will initially support 1,890 students. The overall development will include an additional 46 acres, with the anticipation that the campus will eventually have about 5,000 students.

Employment

Long-term employment projections are prepared by the Oregon Employment Department. The most recent forecast covers the 10-year period from 2017 to 2027. Over this interval, non-farm employment in the region encompassing Crook, Deschutes, and Jefferson Counties is projected to increase at an average annual rate of 1.4%.

In 2006, the average unemployment rate in Deschutes County was 4.6%. By 2009, unemployment had peaked at 14.6%. As of March 2020, the county unemployment rate was 3.4%. The statewide rate was 4.4%. The national unemployment rate was also 4.4%. However, these figures do not take into account the full impact of the COVID-19 pandemic which has significantly increased unemployment claims across the U.S.

Employers

By far the largest private employer in Deschutes County is St. Charles Health System. This network includes the St. Charles Hospitals in Bend and Redmond and Pioneer Memorial Hospital in nearby Prineville. St. Charles employs over 3,400 doctors, nurses, and support staff.

Les Schwab Tire Centers is a national chain headquartered in Bend. Including retail outlets, the company employs about 1,500 workers in Deschutes County.

About 2,500 workers are employed at five major resort properties. Total employment at the various smaller hotels in Bend and Redmond likely is in the range of 2,000 to 3,000 workers.

Other major employers include a T-Mobile call center in Redmond, a TRG call center in Bend, Epic Air, several wood products manufacturers, and numerous regional and national retailers.

Environmental Features

The climate of Central Oregon provides a full range of seasons. During the summer, high temperatures and clear skies have proven fertile ground for the development of golf courses and resorts. The winter season also has appeal for both local residents and recreational tourism, with a focus on Mt. Bachelor. The area is sheltered from the most extreme weather by the Cascade Range. While snow can occasionally impede the flow of traffic through the passes, the economic impact of seasonal road closures is minimal.

Governmental Regulations

Land use regulations are governed by city and county zoning codes. Typically, commercial development is encouraged in central business districts, at highway interchanges, and along primary arterials.

Property taxes are assessed on real estate and commercial personal property. Taxes are levied against a taxable value that may be well below market value. Levy rates generally are in the range of 1% to 2% of the taxable value.

While the State of Oregon has no sales tax, there are provisions for a transient room tax. This tax is levied on hotels, bed & breakfast inns, RV parks, and other providers of lodging for periods of less than 30 days. Most cities and counties elect to impose this tax to fund local tourism development, visitor centers, or other city services.

Neighborhood Description

The subject is located about five miles east of the city of Bend. Bend has undergone significant growth over the past 10-15 years. Commercial development is generally concentrated in Downtown, the Old Mill District, and along Hwy. 97. There is also a collection of older retail development along Hwy. 20 in the eastern portion of the city. There are two large clusters of industrial development, including one south of Hwy. 20 between SE Centennial St. and SE 15th Ave., and one at the northern end

of the city along Boyd Acres Rd. and Empire Ave. The areas along peripheral streets are heavily developed with residential development.

Being outside Bend city limits, the immediate area surrounding the Bend Municipal Airport is rural in nature. To the west toward the city and to the south are mainly larger acreage homes and smaller scale farms. To the north and east there is significant undeveloped land typical of the high desert Oregon area with fairly minimal tree coverage. Larger acreage homes and farms are less common. With a relatively low population density, the neighborhood character is well-suited to support a general aviation airport.

Summary

Deschutes County is the economic and demographic hub of Central Oregon. The local economy is supported by tourism, health care, retail trade, and forest products. Prominent attractions include the central business districts of Bend and Redmond, the Expo Center, the Old Mill District, the High Desert Museum, and opportunities for summer and winter recreation.

Property Description



Parcel Map



(NORTH) AIRPORT TENANTS



MUNICIPAL AIRPORT



(SOUTH) AIRPORT TENANTS

FOR DISPLAY PURPOSES ONLY
 6/24/2024 12:00:00 PM

Site Description

Street Address	63136 Powell Butte Highway Bend, OR 97701
Site Dimensions & Land Area	Bend Municipal Airport (KBDN) is approximately 420 acres.
Streets, Access & Exposure	The main access to the Bend Municipal Airport is via Powell Butte Highway which runs north-side along the western border of the airport. This is a paved two-lane arterial. Access to the city of Bend is via this street connecting to Highway 20, a regional two-lane highway.
Topography & Soil Conditions	The airport is essentially level. It is an assumption that soils are sufficient to support development given the current building improvements and asphalt tarmac on the site.
Flood Zone	The site is located in an area not prone to flood risk, per FEMA community panel 41017C0700E. The subject is located in Zone X, which is an area determined to be outside the 100-year floodplain.
Utilities	Public utilities are available to the subject include sewer, water, storm drainage and electricity. Natural gas service is extended to the airport property but not yet available at all sites of the airport.
Easements, Encroachments, Covenants & Restrictions	No title report was provided. It is an assumption of this report that no easement, encroachment, covenant or restricts negativity impacts the use or marketability of the subject.
Recognized Environmental Conditions	Environmental reports were not provided. For the purpose of this appraisal, it is assumed that the subject property is free of contamination of any kind. This assumption should not be construed as a guarantee that such conditions do not exist. The reader is referred to Item 2 of the Limiting Conditions at the beginning of this report.
Zoning	The subject is zoned AD (Airport Development) by the Deschutes County. <i>The purpose of the Airport Development (AD) Zone is to allow for development compatible with ongoing airport use consistent with the Deschutes County Year 2000 Comprehensive Plan and the 1994 Bend Airport Master Plan (as amended by a 2002 supplement), while</i>

providing for public review of proposed development likely to have significant impact on surrounding lands. The AD Zone is composed of three separate zoning districts, each with its own set of allowed uses and distinct regulations, as further set forth in DCC 18.76.

The three sub-districts outlined in DCC 18.76 include:

Airport Operations District (AOD): which is intended to accommodate and protect airfield facilities such as runways, taxiways, and aircraft fueling.

Aviation Support District (ASD): which includes all of the items from the AOD and adds aircraft hangars, aircraft tiedowns, airport or aviation-related businesses that benefit from an airport location, and airport restaurants

Aviation-Related Industrial District (ARID): which expands the uses allowed in the ASD to include industrial businesses that benefit from an airport location

The main portion of the airport area where the subject leased premises are located is in the ASD sub-district.

Allowable uses include airports, hangars, tie-down areas, fuel storage, repair facilities, parking facilities. Conditional uses permitted include aviation-related businesses, restaurants and farm use.

FAA Part 77

In addition to local zoning regulations, properties around airports are subject to Federal Aviation Administration Part 77 regulations regarding the height of structures that may pose a hazard to navigation. These regulations create an overlay zone comprised of a series of imaginary surfaces that limit the height of structures near airports:

The **primary surface** is based on the centerline of the runway and extends at the same elevation of the nearest point on the runway 125 ft each side of centerline and 200 ft beyond each end of the runway. No structure other than a runway and runway associated aprons can be constructed in the primary surface zone.

The **transitional surfaces** begin at the outer edge of the primary surface and extend outward at 90° from the centerline at a slope of 7:1 (for every seven feet of horizontal distance the surface

risers one foot in elevation) until it reaches 150 ft above the airport.

The **horizontal surface** is horizontal plane 150 feet above the established airport elevation, the perimeter of which is constructed by swinging arcs of a specified radii from the center of each end of the primary surface of each runway of each airport and connecting the adjacent arcs by lines tangent to those arcs. The radius of each arc is:

- (1) 5,000 feet for all runways designated as utility or visual;
- (2) 10,000 feet for all other runways.

The **conical surface** is a surface extending outward and upward from the periphery of the horizontal surface at a slope of 20 to 1 for a horizontal distance of 4,000 feet.

The subject is impacted by Part 77 height restriction regulations which vary based on location per the regulations above.

Taxes & Assessment Information

The subject property is government-owned and exempt from property taxes.

Improvements

Improvements comprise asphalt-paved tarmac areas improved with tie-downs, hangars, and aviation-supporting commercial buildings.

T-Hangars

There are several groups of T-hangars distinguished by differing vintages and construction. Hangars range in size from about 900 sq ft up to 1,100 sq ft averaging 1,008 sq ft. Clear heights are typically about 15 ft. There is electrical power but no water or sewer.

A & B T-Hangars at 63160 - 63170 Powell Butte Highway

These are older vintage 1970s wooden hangars in fair condition. Flooring is a mix of gravel or asphalt paving in some cases. Many of the hangars have problems with door sliders making opening/closing somewhat challenging.

D - H T-Hangars at 63054 - 63070 Powell Butte Highway

These are metal framed and sided hangars with concrete flooring. They were constructed in the late 1990s and are in average condition.

I - J T-Hangars at 63290 – 63316 Powell Butte Highway

These are metal framed and sided hangars with concrete flooring. Doors are electrically operated bi-fold doors. They were constructed in the late 1990s and are in average condition.

T-Hangar at 63088 Powell Butte Highway

This is a metal framed and sided hangar with asphalt flooring. It was constructed in the late 1990s and is in fair condition. It has an electric door.

Box Hangars

Hangars at 63004, 63006 and 63008 Powell Butte Highway

These hangars were built in the early 1990s. Each space is approximately 3,000 sq ft. The hangars are of steel frame/metal sided construction. Clear height is about 15 ft. Units include an office area and bathroom. Water, sewer and electricity are available.

A & B Hangars at 63330 Powell Butte Highway

These hangars were built in the early 2000s. Each space is approximately 4,000 sq ft. The hangars are of steel frame/metal sided construction. Clear height is about 15 ft. Units include an office area and bathroom. Water, sewer and electricity are available. These are insulated and heated hangars.

Red or Gibson Hangar at 63120 Powell Butte Highway

This hangar was built during WW II and is approximately 3,800 sq ft. It is of masonry construction with a bow truss roof. Clear height is about 15 ft. There is an office area and bathroom. Water, sewer and electricity are available.

Blue Hangar at 63132 Powell Butte Highway

This hangar was built during WW II and is approximately 6,500 sq ft. It is of masonry construction with a bow truss roof. Clear height is about 15 ft. Water, sewer and electricity are available.

Café and Office at 63136 Powell Butte Highway

The café and office space are located in a two-story building that houses the FBO and associated office users. This building is located along the east side of Powell Butte Highway on the west side of the airport. It is in good condition with adjacent parking available to tenants. The café has 2,300 sq ft with typical café improvements including a display case, a

commercial kitchen and seating area. The office space is demised in sizes ranging from about 110 sq ft in smaller upstairs offices up to the 3,300 sq ft ground floor suite leased to the FBO. Finishes are typical commercial grade carpeting, painted drywall and acoustic drop tile ceilings with fluorescent lighting.

Tie-Downs

There are about 38 tie-downs scattered along the west side of the runway. These are leased on a monthly basis.

Highest & Best Use

Highest & Best Use

“Highest & Best Use” is defined by the Appraisal Institute as:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.

Source: The Dictionary of Real Estate Appraisal, Sixth Edition. Chicago: Appraisal Institute, 2015.

The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

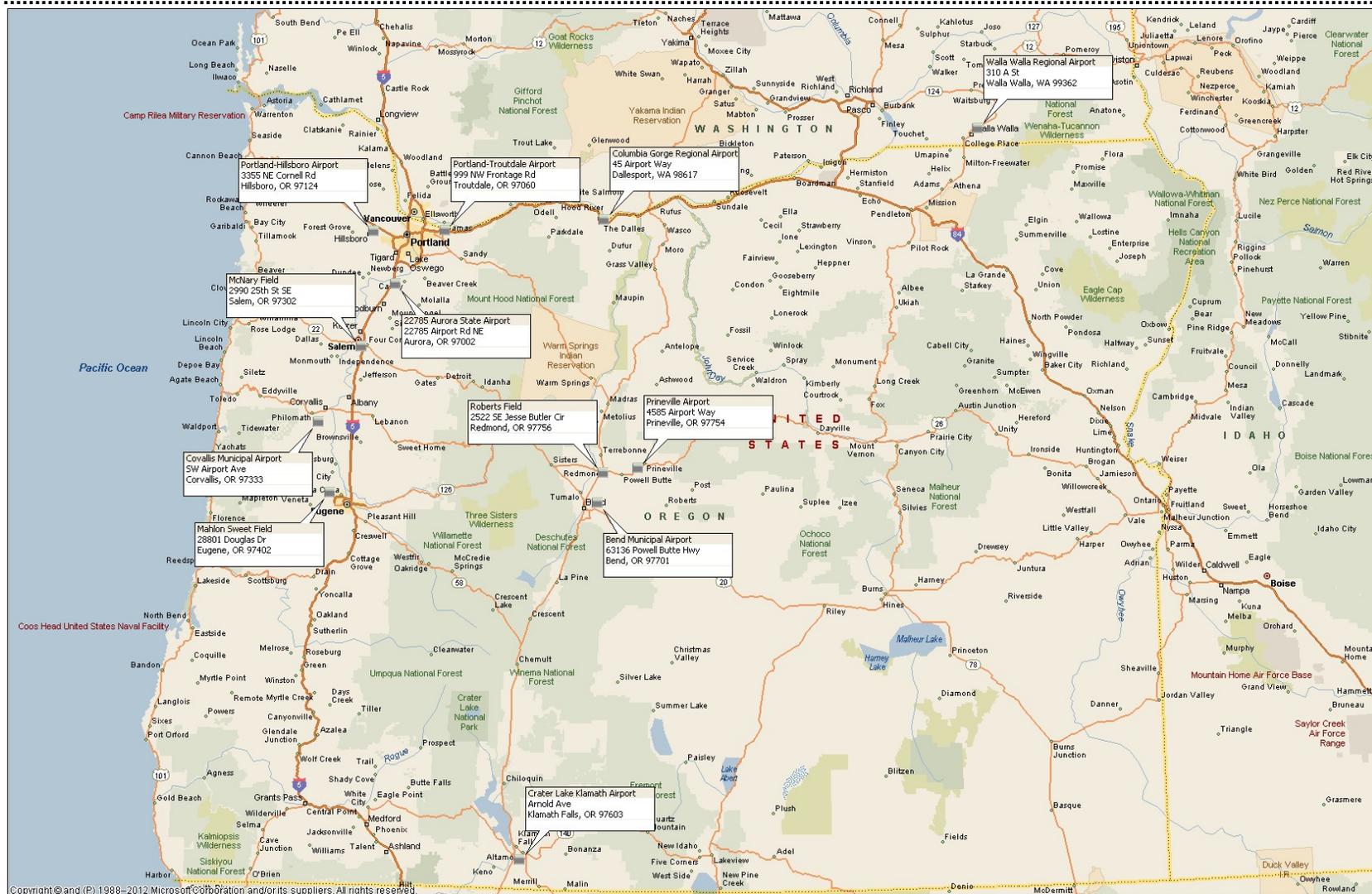
As If Vacant

The subject site is a large level site. Zoning permits mainly aviation-related uses but uses like farming are also permitted. The successful record of aviation operations at Bend Municipal Airport demonstrates adequate market demand for an airport. The highest and best use of the subject as if vacant is for aviation related uses.

As Improved

Highest and Best Use as improved identifies the use of the property that can be expected to produce the highest overall return to the property. Uses of a property as improved include, but are not limited to as is, demolition, renovation, addition or conversion. The subject is a smaller general aviation airport with a single runway and supporting facilities and hangars. Nevertheless, it is the third busiest airport in Oregon with a successful record in serving local aviation-related business and private citizens. The improvements provide significant value. The highest and best use as improved is for continued aviation-related use.

Market Rent Analysis



Competitive Airports

Market Rent Analysis

Introduction

Market rent is estimated through an analysis of leases from various comparable airports. Twelve airports in Oregon and Washington are selected for comparison with the subject. These are indicated on the preceding map and brief descriptions of each follow.

Aurora State Airport Aurora, OR

Aurora State Airport is a public airport located one mile northwest of the central business district of Aurora, OR. Aurora State Airport is the largest of the State-owned airports. Primarily a general aviation airport, it accommodates a significant amount of business jet and training activity. In addition, the airport serves as the home to two major aviation companies, Van's Aircraft and Columbia Helicopters. In 2015, a new air traffic control tower became operational.

Corvallis Municipal Airport Corvallis, OR

Corvallis Municipal Airport is located approximately 5 miles south of downtown Corvallis. Originally an Army air base, the airport was returned to the City after World War II. Numerous improvements over the years include utility systems, aircraft T-hangar storage, lighting, navigational aids, and runway and taxiway improvements. The airport FBO provides fueling and aircraft maintenance services in addition to aircraft rental, charter services and pilot training classes. There are 42 paved tie-downs, 102 T-hangars, and other indoor areas to accommodate larger aircraft.

Mahlon Sweet Field Eugene, OR

Mahlon Sweet Field is about 7 miles northwest of Eugene. Owned and operated by the City of Eugene, it is the fifth-largest airport in the Pacific Northwest with commercial service to several large U.S. cities on the west coast as well as Denver and Chicago. The airport has an expanded air cargo facility and three FBOs to handle general aviation.

Crater Lake-Klamath Regional Airport Klamath Falls, OR

Crater Lake–Klamath Regional Airport is a smaller airport in Klamath County, Oregon five miles southeast of Klamath Falls. It is used for commercial aviation with flights to San Francisco and Portland, military aviation and general aviation.

Roberts Field Redmond, OR

Roberts Field is owned and operated by the City of Redmond and is the fourth largest commercial service airport in Oregon. It is the home of aircraft maker Lancair and a base for aerial firefighting aircraft operated by private airtanker companies. The United States Forest Service Redmond Air Center is on the airport and supports regional firefighting operations.

McNary Field Salem, OR	McNary Field is owned by the City of Salem and is located about two miles southeast of the city center. This airport previously supported commercial airline service but no longer has commercial service. Precision approach landing guidance is available. It is mainly a general aviation airport but the Oregon Army National Guard and charter flights also use the facilities.
Walla Walla Regional Airport Walla Walla, WA	This airport is owned and operated by the Port of Walla Walla. The airport was significantly upgraded during WW II, and then served as a base for U.S. Airforce bombers after the war. The airport is mostly a general aviation airport but there is scheduled commercial airline service by Alaska Airlines subsidiary Horizon Air. There is a single 6,527 ft concrete/grooved runway and precision approach landing guidance.
Portland-Hillsboro Airport Hillsboro, OR	This non-commercial airport primarily serves corporate aviation for the Portland metro region. The airport is improved with two runways, an FAA traffic control tower, and has precision instrument approach capability. It is the second busiest airport in Oregon.
Portland-Troutdale Airport Troutdale, OR	Portland-Troutdale airport is owned by the Port of Portland. It has one full FBO, several limited FBOs, flight schools, and aircraft repair and maintenance facilities. It is mainly a general aviation airport but is also a popular base for scenic aerial tours of the Columbia River Gorge and recreational flying. It has one runway with an asphalt surface measuring 5,399 ft.
Columbia Gorge Regional Airport Dallesport, WA	Columbia Gorge Regional Airport, also referred to as The Dalles Municipal Airport, is a public use airport in Klickitat County, Washington. It is located near Dallesport, Washington and two miles northeast of The Dalles, OR. The airport is jointly owned by the City of The Dalles and Klickitat County and is adjacent to the Columbia River. This is primarily a general aviation airport. There are two runways with asphalt surfaces: one is 5,097 ft and the other is 4,647 ft.
Prineville Airport Prineville, OR	This is a small general aviation airport located about three miles southwest of Prineville, OR. It has two asphalt-paved runways: 10/28 is 5,751 ft and 15/33 is 4,031 ft.
Ken Jernsted Airfield Hood River, OR	Ken Jernsted Airfield is a public airport located two miles south of the city of Hood River, OR. The FBO is operated by TacAero who also base their tailwheel flight school there. The Airport serves about 15,000 flight operations annually, and provides storage for approximately 100 aircraft

Ground Rent Comparables

No.	Airport	Improved Airside Land Rent/SF/Year	Unimproved Airside Land Rent/SF/Year	Commercial Service	Runways	Comments
1	Aurora State Airport 22785 Airport Road NE Aurora, OR	\$0.3087	\$0.0500	No	17/35 is 5,004 ft	Airport is owned by State of Oregon but most adjacent land is privately held. Ground rents are set by the Oregon Department of Aviation
2	Corvallis Municipal Airport SW Airport Place Corvallis, OR	\$0.3060 Non-airside \$0.143	NA	No	17/35 is 5,900 ft 9/27 is 3,545 ft	Limited vacant land available. Long-term land lease required. All utilities are established and available.
3	Mahlon Sweet Field 28801 Douglas Drive Eugene, OR	\$0.3600	NA	Yes	16/34L is 8,009 ft 16/34R is 6,000 ft	Commercial airport and second busiest in the state of Oregon.
4	Crater Lake Klamath Regional Airport 6775 Arnold Avenue Klamath Falls, OR	\$0.2200	NA	Yes	14/32 10,301 ft 7/25 5,258 ft	Smaller commercial airport with mainly general aviation uses as well as Oregon National Guard airbase.
5	Roberts Field 2522 SE Jesse Butler Circle Redmond, OR	\$0.3600	NA	Yes	5/23 7,038 ft 11/29 7,006 ft	Most important commercial airport in central Oregon. Located close to the subject.
6	McNary Field 2990 25th Street SE Salem, OR	\$0.3400	\$0.3400	No	13/31 5,811 ft 16/34 5,145 ft	Smaller general aviation airport in Salem, OR. Previously supported commercial aviation, precision approach capability.
7	Portland-Hillsboro Airport 3355 NE Cornell Road Hillsboro, OR	\$0.4100	\$0.4100	No	13/31L 6,600 ft 13/31R 3,600 ft 2/20 3,821 ft	General aviation airport in the Portland metro area. Precision approach guidance and control tower.
8	Portland-Troutdale Airport 999 NW Frontage Road Troutdale, OR	\$0.2900	\$0.2900	No	7/25 5,399 ft	Smaller general aviation airport in the Portland metro area. Precision approach guidance and control tower.
9	Walla Walla Regional Airport 4585 SW Airport Road Walla Walla, WA	< 1 acre \$0.266 > 1 and < 3 acres \$0.199 > 3 and < 5 acres \$0.133 > 5 acres \$0.066	\$0.1060	Yes	2/20 6,527 ft	Mainly general aviation airport but there is commercial airline service to Seattle on Horizon Air. 12.84% leasehold tax added on top of rent.
10	Prineville Airport 310 A Street Prineville, OR	\$0.2500	NA	No	10/28 5,751 ft 15/33 4,031 ft.	Smaller general aviation airport located near the subject in Prineville.

stored in three-dozen T-hangar spaces or tied down on the tarmac. There is a single asphalt paved 3,040 ft runway.

**Ground Rent
Analysis &
Conclusion**

Comparables presented on the previous page indicate a general range between \$0.22/sq ft/year up to \$0.41/sq ft/year for improved airside land. Ground leases are typically at least 10 years often with annual 2% to 3% or CPI escalations and periodic mark to market escalations. The high end of the range reflects Portland-Hillsboro airport, a general aviation airport in the Portland metro area and the second busiest in Oregon after Portland International Airport. This is a superior airport compared with the subject. The low end of the range is Crater Lake Klamath Regional Airport. Despite scheduled commercial airline service, this is a less busy airport with an inferior location. The most similar to the subject include Roberts Field in Redmond at \$0.36/sq ft/year, Corvallis Municipal Airport at \$0.306/sq ft/year, Mahlon Sweet Field at \$0.36/sq ft/year and McNary Field at \$0.34/sq ft/year suggesting a range mainly between \$0.34/sq ft/year and \$0.36/sq ft/year. Market rent for the improved airside land at the subject will fall in this range and is correlated at \$0.36/sq ft/year.

There is relatively little data from the comparable airports regarding rents for improved non-airside land. At Corvallis Municipal Airport, the non-airside land rent is \$0.143/sq ft/year or about 47% of the airside land rent at that airport. At other airports such as the state of Oregon owned airports like McNary Field, there is no distinction between airside and non-airside land rents. However, it is more customary for airports to discount non-airside land rent. Considering all factors, market rent for improved non-airside land is estimated at \$0.20/sq ft/year.

Because the cost of installing utilities varies widely, determination of the airside and non-airside unimproved land lacking utilities is best estimated as rent rates for improved land less the cost of bringing utilities to the site amortized across the length of the lease term.

Tie-Down Rent Comparables

No.	Airport	Monthly Rent	Commercial Service	Runways	Comments
1	Aurora State Airport 22785 Airport Road NE Aurora, OR	\$60	No	17/35 is 5,004 ft	Airport is owned by State of Oregon but most land is privately held. Grounds rents are set by the Oregon Department of Aviation
2	Mahlon Sweet Field 28801 Douglas Drive Eugene, OR	\$50 (Single engine) \$60 (Multi engine)	Yes	16/34L is 8,009 ft 16/34R is 6,000 ft	Commercial airport and second busiest in the state of Oregon.
3	Roberts Field 2522 SE Jesse Butler Circle Redmond, OR	\$50	Yes	5/23 7,038 ft 11/29 7,006 ft	Most important commercial airport in central Oregon. Located close to the subject.
4	McNary Field 2990 25th Street SE Salem, OR	\$35 < 6,000 lbs. \$60 6,000 - 12,500 lbs. \$80 > 12,500 lbs.	No	13/31 5,811 ft 16/34 5,145 ft	Smaller general aviation airport in Salem, OR. Previously supported commercial aviation, precision approach capability.
5	Portland-Hillsboro Airport 3355 NE Cornell Road Hillsboro, OR	\$35	No	13/31L 6,600 ft 13/31R 3,600 ft 2/20 3,821 ft	General aviation airport in the Portland metro area. Precision approach guidance and control tower.
6	Portland-Troutdale Airport 3355 NE Cornell Road Troutdale, OR	\$35	No	7/25 5,399 ft	Smaller general aviation airport in the Portland metro area. Precision approach guidance and control tower.
7	Walla Walla Regional Airport 310 A Street Walla Walla, WA	\$40	Yes	2/20 6,527 ft	Mainly general aviation airport but there is commercial airline service to Seattle on Horizon Air. 12.84% leasehold tax added on top of rent.
8	Prineville Airport 4585 SW Airport Road Prineville, OR	\$25 (Single engine) \$35 (Multi engine)	No	10/28 5,751 ft 15/33 4,031 ft	Smaller general aviation airport located near the subject in Prineville.

Tie-Down Rent Analysis & Conclusion

At the subject, there are approximately 38 tie-down spaces leased on a monthly basis. Tie-down rent rates at similar airports were researched. Comparables presented above indicate a general range between \$25/month up to \$80/month for tie-down rent. The high end of the range reflects Aurora State Airport, Mahlon Sweet Field and McNary Field all airports in Western Oregon. The subject would be considered reasonably similar to these airports. Roberts Field near the subject indicates \$50/month and is also considered reasonably similar. However, other airports demonstrate lower rates such as \$35/month at Portland-Hillsboro airport, a general aviation airport in the Portland metro area and the second busiest in Oregon after Portland International Airport. This is a superior airport compared with the subject. Prineville airport also near the subject but inferior has a tie-down rate of \$25/month

for single engine planes and \$35/month for dual engine planes. Overall, the rent rates at comparable airports are somewhat dispersed and, in some cases, may reflect older rent rates having not been updated to a current market level. Considering all factors, rent for tie-down spaces at the subject is estimated at \$45/month.

**Hangar Rent
Analysis &
Conclusion**

The subject has a mix of T-hangars and box hangars. Comparables presented on the following page indicate a general range between \$0.11/sq ft/month up to \$0.50/sq ft/month for T-hanger rents. The low end of the range is for some low-quality T-hangars at Walla Walla Regional Airport while other better-quality T-hangars at that airport rent for \$0.20/sq ft/month. The high end of the range is for T-hangars at Hillsboro Airport and Aurora State Airport in the Portland Area.

City of Bend T-hangars currently rent at rates between \$207/month and \$340/month or \$0.21/sq ft and \$0.35/sq ft. Occupancy is typically high reflecting strong demand. At the City of Bend airport, a private developer, SGS Development, leased an older good quality 1,680 sq ft T-hangar on a short term basis at \$600/month or \$0.36/sq ft/month but believes that the rate was below market and anticipates market rent at about \$0.50/sq ft/month. Another investor owner of several T-hangars at the airport leases 1,200 sq ft T-hangars for \$370/month or about \$0.31/sq ft. These are unheated basic hangars that have electrical doors. Another privately owned T-hangar reflects a rental rate of \$330/month or \$0.22/sq ft. This is an unheated 1,500 sq ft T-hangar with electric door. The tenant does pay extra for electricity. The highest rental rates at the subject airport are associated with profit-oriented private developers/investors more likely to be motivated to achieve maximum rents.

At Roberts Field, 1,063 sq ft T-hangars rent from \$230/month or \$0.22/sq ft. These hangars lack heating and have sliding doors with some in only fair condition. At Corvallis Municipal Airport, basic T-hangars rent between \$0.15/sq ft and \$0.19/sq ft with the low-end renting hangars lacking electrical power. It should be noted that at both of these airports rents have not been set to a market rate for many years via survey analysis or appraisals, with management electing to only increase rent periodically by inflationary factors.

Other airports like Portland Troutdale, Aurora Airport and Portland-Hillsboro Airport indicate rent ranges from \$0.25/sq ft/month up to \$0.50/sq ft/month with most rates in the high \$0.30s/sq ft/month and above. These airports are located in the Portland area with the highest

Hangar Rent Comparables

No.	Airport	T-Hangar			Box Hangar			Commercial Service	Runways	Comments
		Size (SF)	Monthly Rent	Rent/SF/Mo.	Size (SF)	Monthly Rent	Rent/SF/Mo.			
1	Aurora State Airport 22785 Airport Road NE Aurora, OR	~1,000 sq ft	\$450 to \$500	\$0.45 to \$0.50	NA	NA	NA	No	17/35 is 5,004 ft	Airport is owned by State of Oregon but most land is privately held. Hangars are mainly owned by private parties.
2	Corvallis Municipal Airport SW Airport Place Corvallis, OR	~1,000 sq ft	\$147 to \$187	\$0.15 to \$0.19	NA	NA	NA	No	17/35 is 5,900 ft 9/27 is 3,545 ft	10% discount if annual rent is prepaid. Electricity billed extra. Low end is no power. High end has power.
3	Mahlon Sweet Field 28801 Douglas Drive Eugene, OR	NA	NA	NA	5,500 sq ft		\$1.00 to \$1.50	Yes	16/34L is 8,009 ft 16/34R is 6,000 ft	Commercial airport and second busiest in the state of Oregon. Industrial storage rent rate is \$0.65/sq ft/month.
4	Roberts Field 2522 SE Jesse Butler Circle Redmond, OR	1,062 sq ft	\$230	\$0.22	1,600 sq ft to 48,800 sq ft	NA	\$0.33 to \$0.58	Yes	5/23 7,038 ft 11/29 7,006 ft	Most important commercial airport in central Oregon. Located close to the subject.
5	Portland-Hillsboro Airport 3355 NE Cornell Road Hillsboro, OR	1,073 sq ft to 1,230 sq ft	\$350 to \$550	\$0.33 to \$0.45	NA	NA	NA	No	13/31L 6,600 ft 13/31R 3,600 ft 2/20 3,821 ft	General aviation airport in the Portland metro area. Precision approach guidance and control tower.
6	Portland-Troutdale Airport 3355 NE Cornell Road Troutdale, OR	1,050 sq ft	\$267 to \$390	\$0.25 to \$0.37	NA	NA	NA	No	7/25 5,399 ft	Smaller general aviation airport in the Portland metro area. Precision approach guidance and control tower.
7	Bend Municipal Airport 63136 Powell Butte Highway Bend, OR	~1,000 sq ft	\$207 to \$345	\$0.21 to \$0.35				No	16/34 5,260 ft	City of Bend current T-Hangar lease rates.
		1,680 sq ft	\$600	\$0.36	5,400 sq ft	\$2,700	\$0.50			Leases from privately-owned hangars at Bend Municipal Airport.
		1,200 sq ft	\$370	\$0.31	3,600 sq ft	\$2,100	\$0.58			
		1,500 sq ft	\$330	\$0.22	1,200 sq ft	\$340	\$0.28			
					2,000 sq ft	\$650	\$0.33			
					1,375 sq ft	\$425	\$0.31			
8	Walla Walla Regional Airport 4585 SW Airport Road Walla Walla, WA	1,020 sq ft to 1,060 sq ft	\$115 to \$210	\$0.11 to \$0.20	4,800 sq ft 11,000 sq ft	\$1,558	\$0.32 to \$0.14	Yes	2/20 6,527 ft	Mainly general aviation airport but there is commercial airline service to Seattle on Horizon Air. 12.84% leasehold tax added on top of rent.
9	Prineville Airport 310 A Street Prineville, OR	1,320 sq ft	\$350	\$0.27	NA	NA	NA	No	10/28 5,751 ft 15/33 4,031 ft	Smaller general aviation airport located near the subject in Prineville.

median household income at about \$77,800/year among locations of the comparables. The Bend area has a median income of about \$68,700/year which is higher than all comparable locations except the Portland area and Corvallis.

Although the comparable airports differ in a variety of ways including in airport size, number of aircraft, runway configurations, instrument approach, precision approach capabilities, tower control, etc., one of the most significant factors in explaining rent differences is median net income in the surrounding area. Those airports in areas with higher median net incomes tend to have the highest T-hangar rental rates. This includes the airports in the Portland area as well as Bend with its high median net income which best explains why rental rates at Bend Municipal Airport are higher than other airports in Eastern Oregon. Airports located in higher income areas typically have higher rental rates. In correlating market rent rates, most emphasis is placed on rental data from the subject airport as well as airports typically located in higher income areas.

As noted, at the subject there are several groups of T-hangars distinguished by differing vintages and construction. Hangars range in size from about 900 sq ft up to 1,100 sq ft averaging about 1,008 sq ft. Clear heights are typically about 15 ft. Hangars have electrical power but no water or sewer.

A & B T-Hangars at 63160 - 63170 Powell Butte Highway

These are older vintage 1970s wooden hangars in fair condition. Flooring is a mix of gravel or asphalt paving in some cases. Many of these hangars have problems with the door sliders making opening/closing somewhat challenging. Market rent for these T-hangars is estimated at \$0.24/sq ft/month.

D - H T-Hangars at 63054 - 63070 Powell Butte Highway

These are metal framed and sided hangars with concrete flooring. They were constructed in the late 1990s and are in average condition. Market rent for these T-hangars is estimated at \$0.32/sq ft/month.

I - J T-Hangars at 63290 – 63316 Powell Butte Highway

These are metal framed and sided hangars with concrete flooring. Doors are electrically operated bi-fold doors. They were constructed in the late 1990s and are in average condition. Market rent for these T-hangars is estimated at \$0.37/sq ft/month.

T-Hangar at 63088 Powell Butte Highway

This is a metal framed and sided hangar with asphalt flooring. It was constructed in the late 1990s and is in fair condition. Market rent for this T-hangar is estimated at \$0.24/sq ft/month.

Market rent estimates for T-hangars are summarized as follows:

Property	No. of Units	Market Rent (\$/Month/sq ft)
T-Hangars A - B 63160 - 63170 Powell Butte Hwy	20	\$0.24/sq ft/month
T-Hangars D - H 63154 - 63070 Powell Butte Hwy	24	\$0.32/sq ft/month
T-Hangars I - J 63290 - 63316 Powell Butte Hwy	20	\$0.37/sq ft/month
T-Hangar 63088 63088 Powell Butte Hwy	1	\$0.24/sq ft/month

Note that the T-hangar market rent estimates are downwardly revised from the estimates provided in the original appraisal dated May 29, 2020. In this revised appraisal dated November 12, 2020, additional privately-owned T-hangar rental rates from T-hangars at Bend Municipal Airport as well as from Roberts Field in Redmond were added and considered. Also, a typographical error in the presentation of rents at Corvallis Municipal Airport was corrected.

In the original appraisal, in setting market rent rates, relatively more emphasis was placed on high rent rates typically charged by profit-oriented private developers/investors who typically seek the highest rents a market will bear. In the revised report, relatively more consideration is given to rent rates at airport-owned hangars including at airports like Redmond Municipal Airport where airport administrators have not conducted a formal process to re-set rents to a market level (also known as “revaluation”) for many years. It is noted that the definition of market rent on page 11 does presume “revaluation”. In essence, although it would appear that several airports do not regularly perform periodic “revaluation” and thus have set hangar rent rates below a level that the market will bear, these airports are part of the market and rental rates at these airports should be given reasonable consideration in the analysis.

For box hangars, the comparables indicate a rent range from \$0.13/sq ft/month up to \$1.50/sq ft/month. The low end reflects larger older hangars at Walla Walla Regional Airport. The high end of the range is for space in a larger box hangar at Mahlon Sweet Field, but rent is charged only for the area that a plane occupies. Assuming a three to one ratio of

total box hangar space to space occupied by a plane, this suggests a rent rate of about \$0.33/sq ft/month up to \$0.50/sq ft/month. Box hangars at Roberts Field in Redmond range in size from about 1,600 sq ft up to 48,800 sq ft. Rents range from \$0.33/sq ft/month up to \$0.36/sq ft/month. Rent at a private box hangar at the City of Bend airport is \$0.50/sq ft. This is a 5,400 sq ft hangar in good condition with a bathroom. The same owner is asking \$0.58/sq ft for another 3,600 sq ft box hangar. These are heated with bathrooms. Rents for the subject box hangars will range from the rates at Roberts Field up toward the high end of range depending on amenities and quality/condition.

There are several groups of box hangars at the subject distinguished by differing vintages and construction. Hangars range in size from about 3,000 sq ft up to 6,500 sq ft.

Hangars at 63004, 63006 and 63008 Powell Butte Highway

These hangars were built in the early 1990s. Each space is approximately 3,000 sq ft. The hangars are of steel frame/metal sided construction. Clear height is about 15 ft. Units include an office area and bathroom. Water, sewer and electricity are available. Market rent is estimated at \$0.48/sq ft/month.

A & B Hangars at 63330 Powell Butte Highway

These hangars were built in the early 2000s. Each space is approximately 4,000 sq ft. The hangars are of steel frame/metal sided construction. Clear height is about 15 ft. Units include an office area and bathroom. Water, sewer and electricity are available. These are insulated and heated hangars. Market rent is estimated at \$0.48/sq ft/month.

Red or Gibson Hangar at 63120 Powell Butte Highway

This hangar was built during WW II and is approximately 3,800 sq ft. It is of masonry construction with a bow truss roof. Clear height is about 15 ft. There is an office area and bathroom. Water, sewer and electricity are available. Market rent is estimated at \$0.40/sq ft/month.

Blue Hangar at 63132 Powell Butte Highway

This hangar was built during WW II and is approximately 6,500 sq ft. It is of masonry construction with a bow truss roof. Clear height is about 15 ft. Water, sewer and electricity are available. Market rent is estimated at \$0.40/sq ft/month.

b

Office and Cafe Rent Comparables

No.	Airport	Office Annual Rent	Cafe Annual Rent	Commercial Service	Runways	Comments
1	Crater Lake - Klamath Regional Airport 6775 Arnold Avenue Klamath Falls, OR	\$13.50		Yes	14/32 10,301 ft 7/25 5,258 ft	Smaller commercial airport with mainly general aviation uses as well as Oregon National Guard airbase.
2	Roberts Field 2522 SE Jesse Butler Circle Redmond, OR	\$14.30	\$39.00 (Restaurant)	Yes	5/23 7,038 ft 11/29 7,006 ft	Most important commercial airport in central Oregon. Located close to the subject.
3	McNary Field 2990 25th Street SE Salem, OR	\$18	\$6.17 (Restaurant)	No	13/31 5,811 ft 16/34 5,145 ft	Smaller general aviation airport in Salem, OR. Previously supported commercial aviation, precision approach capability.
4	Portland-Hillsboro Airport 3355 NE Cornell Road Hillsboro, OR	\$15.75		No	13/31L 6,600 ft 13/31R 3,600 ft 2/20 3,821 ft	General aviation airport in the Portland metro area. Precision approach guidance and control tower.
5	Portland-Troutdale Airport 3355 NE Cornell Road Troutdale, OR	\$3.65 to \$5.19		No	7/25 5,399 ft	Smaller general aviation airport in the Portland metro area. Precision approach guidance and control tower.
6	Columbia Gorge Regional Airport 45 Airport Way Dallesport, WA		\$12.00 (Commercial Kitchen)	No	7/25 4,647 ft 12/30 5,097 ft	Smaller general aviation airport in smaller city. No commercial service. Café closed down due to lack of business but kitchen is now leased.
7	Walla Walla Regional Airport 310 A Street Walla Walla, WA	\$14.00 (Ticket Counter Offices) \$12.50 to \$20 (2nd Flr. Offices)	\$6.86 (Café Space)	Yes	2/20 6,527 ft	Mainly general aviation airport but there is commercial airline service to Seattle on Horizon Air. 12.84% leasehold tax added on top of rent. Low end of office rent range is for cubicle space.

Box hangars market rents are summarized as follows:

Property	No. of Units	Market Rent (\$/Month/sq ft)
Hangars 63004 - 63008	3	\$0.48/sq ft/month
Hangar 63330	2	\$0.48/sq ft/month
Hangar 63120	1	\$0.40/sq ft/month
Hangar 63132	1	\$0.40/sq ft/month

There are also storage areas at the subject with the classes of hangars above. Market rent for the storage area is correlated at the same rental rate as the base class of hangar in which the storage area is located.

**Office & Café Rent
 Analysis &
 Conclusion**

The café and office space are located in a two-story building that houses the FBO and associated office users. The space is in good condition with adjacent parking available to tenants. The café has 2,300 sq ft with typical café improvements including a display case, a commercial kitchen and seating area. The office space is demised in sizes ranging from about 110 sq ft in smaller upstairs offices up to the 3,300 sq ft ground floor suite leased to the FBO. Finishes are typical commercial grade carpeting, painted drywall and acoustic drop tile ceilings with fluorescent lighting. Office and café rent comparables from seven airports are presented in a table on the previous page.

Office rent comparables range from \$3.65/sq ft/year up to \$20/sq ft/year with most between about \$13/sq ft/year up to \$18/sq ft/year. The most similar airports are Roberts Field in Redmond, McNary Field in Salem and Walla Walla Regional Airport which indicate a range generally between about \$14/sq ft/year and \$18/sq ft/year. Smaller offices typically command a premium on a per sq ft basis. Given the rent range at the comparables, office market rent at the subject is correlated at \$14/sq ft/year for suites 500 sq ft and larger and \$18/sq ft/year for suites less than 500 sq ft.

The comparables indicate rents for café and restaurant space ranging from \$6.17/sq ft up to \$39/sq ft. The low end of the range reflects café space at Walla Walla Regional Airport and McNary Field in Salem, OR where passenger traffic is light and does not support a highly profitable restaurant operation. At Walla Walla Regional Airport, staff indicate that rent was higher in the past, but café operators struggled to remain

profitable and rent was eventually lowered. At the high end of the range is rent for a restaurant occupying about 2,900 sq ft at Roberts Field. This is a very profitable restaurant. In addition, to the base rent there is an additional rent collected in amount of 10% of all revenue above a threshold level. Rent for café space will correlate with business potential. The subject café is in a low traffic location with overall lower business potential. Market rent for the café will fall toward the lower end of the range and is correlated at \$6.00/sq ft/year. It is also reasonable to contemplate additional percentage revenue rent above a threshold revenue level that allows to café operator to achieve a reasonable return on business investment but also provides the landlord additional rent in the event that high café revenues are achieved.

Parking Rent Comparables

No.	Airport	Monthly Rent	Commercial Service	Runways	Comments
1	Aurora State Airport 22785 Airport Road NE Aurora, OR	\$60	No	17/35 is 5,004 ft	Airport is owned by State of Oregon but most land is privately held. Grounds rents are set by the Oregon Department of Aviation
2	Mahlon Sweet Field 28801 Douglas Drive Eugene, OR	\$10	Yes	16/34L is 8,009 ft 16/34R is 6,000 ft	Commercial airport and second busiest in the state of Oregon.
3	Roberts Field 2522 SE Jesse Butler Circle Redmond, OR	\$30	Yes	5/23 7,038 ft 11/29 7,006 ft	Most important commercial airport in central Oregon. Located close to the subject. Monthly parking is in a gravelled lot.
4	McNary Field 2990 25th Street SE Salem, OR	\$15	No	13/31 5,811 ft 16/34 5,145 ft	Smaller general aviation airport in Salem, OR. Previously supported commercial aviation, precision approach capability.
5	Portland-Hillsboro Airport 3355 NE Cornell Road Hillsboro, OR	\$35	No	13/31L 6,600 ft 13/31R 3,600 ft 2/20 3,821 ft	General aviation airport in the Portland metro area. Precision approach guidance and control tower.
6	Walla Walla Regional Airport 310 A Street Walla Walla, WA	\$40	Yes	2/20 6,527 ft	Mainly general aviation airport but there is commercial airline service to Seattle on Horizon Air. 12.84% leasehold tax added on top of rent.
7	Columbia Gorge Regional Airport 45 Airport Way Dallesport, WA	\$50	No	7/25 4,647 ft 12/30 5,097 ft	Gravelled area leased for vehicle storage. Much of the parking is offered for free.

In addition, there is a small closet area (~20 sq ft) used by cell tower operators on the second floor of the FBO building. Market rent for this area is correlated at \$18/sq ft/year.

**Parking Rent
Conclusion**

Monthly parking is offered at several airports typically for employee parking. Parking rents vary widely and range from \$10/month at Mahlon Sweet Field up to \$60/month at Aurora State Airport. Although there are some exceptions, many of the highest rates are at airports in areas of generally higher populations and higher land values. The subject location has similarity with Roberts Field, Mahlon Sweet Field, McNary Field and Walla Walla Regional airport which indicate a range between \$10/month and \$40/month. Considering all factors, market rent for asphalt-paved parking stalls is estimated at \$40/month. For un-paved parking, market rent is estimated at \$25/month.

ADDENDUM

Appraiser's Experience Data



DAVID M. CHUDZIK, Ph.D., MAI, CRE

Senior Vice President
Valuation Advisory Services

Since joining Kidd Mathews' Valuation Advisory Services in October of 2004, David has provided valuation and consultation services for a wide variety of commercial property types including office, industrial, retail, multifamily, hospitality, marina, and development properties. His experience includes complex properties like biotechnology research facilities, data centers, sawmills, shipyards, and other specialized property types. He has performed biotechnology valuation and market analysis on a national basis and authored the National Biotechnology Real Estate Market Analysis for GVA Worldwide. Assignments have included valuation of leasehold interests, air rights, condemnation compensation, conservation easements as well as market rent studies.

David's professional experience includes venture capital investing with emphasis in the life sciences industry. He has also worked as a development analyst and project manager at Seattle area real estate development companies. His development experience includes multifamily residential, commercial office, and marina developments.

David brings unique qualifications to real estate valuation and consulting making him well qualified in the analysis of some of the most complex and sophisticated real estate.

EDUCATION

PH.D. in Biochemistry from University of Washington

MBA in Management from University of Washington

BS in Biochemistry from University of Washington

BA in Spanish from University of Washington

PROFESSIONAL LICENSES

Washington Certified General Real Estate Appraiser (No. 1102099)

Oregon Certified General Real Estate Appraiser (No. C00182)

California Certified General Real Estate Appraiser (No. 3004403)

Idaho Certified General Real Estate Appraiser (No. CGA-4877)

Virginia Certified General Real Estate Appraiser (No. 4001017780)

Washington Real Estate Broker (No. 127896)

PROFESSIONAL LICENSES

MEMBER of Appraisal Institute (MAI)

MEMBER of Counselors of Real Estate (CRE)

SELECT CLIENT LIST

- Allstate Life Insurance Co.
- Alexandria Real Estate Equities
- Archdiocese of Seattle
- Bank of America
- BECU
- Bloch Properties
- Citibank
- City of Seattle
- City of Renton
- Davis Wright Tremaine
- East West Bank
- First Sound Bank
- First Mutual Bank
- GE Capital
- H5 Capital
- Heritage Bank
- Jefferson County



T 206.205.0222
F 206.205.0220
david.chudzik@kidd.com
601 Union St
Suite 4720
Seattle, WA 98101



ADDITIONAL CLIENTS

JPMorgan Chase Bank	Portland State University
KeyBank	Puget Sound Bank
King County	Puget Western
Low Income Housing Institute	San Juan County Land Bank
Memorial Medical Center	Schnitzer West
Merrill Lynch	Seattle BioMed
Morgan Stanley	Seattle Monorail Project
Morton McGoldrick, PS	Server Farm Realty
Moss Adams	Stockbridge Capital Group
National Real Estate Advisors	Todd Shipyards
Nexus Properties	Unico Properties
Northwest Diabetes Reaseach Center	Union Bank
Northwest Kidney Center	University of Washington
Novartis	US Bancorp
Olympus Real Estate Partners	Vulcan Real Estate
Overlake Medical Center	Washington Federal
Perkins Coie	Washington Trust Bank
Port of Port Townsend	Wells Fargo

T 206.205.0222
F 206.205.0220
david.chudzik@kidder.com
601 Union St
Suite 4720
Seattle, WA 98101



DAVID M CHUDZIK
KIDDER MATHEWS
601 UNION ST STE 4720
SEATTLE, WA 98101

Appraiser Certification and Licensure Board
State Certified General Appraiser
28 hours of continuing education required

License No.: C001182

Issue Date: December 01, 2020

Expiration Date: November 30, 2022

A handwritten signature in black ink, appearing to read "Chad Koch", is written over a horizontal line.

Chad Koch, Administrator