

Reversion Deferral & Transfer Fee Program

The Bend Municipal Airport (BDN) recently completed an update to the Rules & Regulations, Minimum Standards, and Leasing & Development Policy (R&R's). In developing the Leasing & Development Policy BDN took note of its obligation to make sure it is adhering to Airport Sponsor Grant Assurances - www.faa.gov/airports/aip/grant_assurances, specifically Assurances 5, 22, 24, and 38, which if violated would put in jeopardy all past and future Federal grants. This is the Federal Aviation Administration's (FAA) way of ensuring the highest and best use of grant assurance-obligated property, protecting the federal investment in our nation's airports.

One of the actions taken was to increase the standard lease term on a ground lease improvement from 35 years to 40 years, consistent with the Internal Revenue Service's amortization timeline of 39.5 years. In a good faith effort to support the local aviation community, BDN will grant those with an original lease term (including extensions) of less than 40 years, and are in compliance with their lease terms, an extension up to 5 years with a not to exceed total term equal to 40 years.

In addition, BDN intends to adopt (as part of the R&R's) a new Reversion Deferral Fee (RDF) program that would enable eligible ground lessees (tenants) the opportunity to enter into a new ground lease (and defer the reversion of permanent improvements) for an additional period of up to 20 years, so long as the total lease term does not exceed 49 years when including the remaining lease term and any eligible extensions.

The initial RDF program will have an opt-in fee of \$500.00, and the initial rate shall be set at \$0.50 per square foot of ground leased area per year, multiplied by the number of years granted through the lease extension (maximum 20 years); which will be prorated for equal installment payments beginning at the time the new lease is executed. The RDF will increase 3% annually on July 1st of each year following adoption of the R&R's, beginning July 1st, 2025.

**As an incentive, BDN is offering, an RDF reduction to \$0.35 per square foot of ground leased area per year to eligible ground lessees who submit an application and pay an opt-in fee by May 30th, 2025. Any application received after May 30th, 2025, will be subject to the adopted deferral fee rate and any annual increase as aforementioned above.*

Lastly, a Transfer Fee of 3% or \$10,000, whichever is lesser, of the total sales price will be implemented for all agreements transferred or assigned, upon City approval.

Bend City Council will vote on establishing the (RDF) and Transfer Fee into the City's Fee Resolution at a Public Hearing on September 4th, 2024 – www.bendoregon.gov/council

BDN Staff will be addressing the administrative and application process of the RDF program over the next few months and anticipate opening the RDF program for applications between October & November of 2024. Additional information and notice on how to apply will be distributed to tenants and users as it becomes available.

Additional information regarding the RDF can be found in Part IV, Section 3.7.2, of the Rules & Regulations, Minimum Standards, and Leasing & Development Policy document available on the Bend Municipal Airport webpage – www.bendoregon.gov/airport.



EXAMPLE GROUND LEASE & RDF

Ground Lease Area: 6,000 Square Feet

Original Lease Term: 25 years, + 2, 5-year options (total = 35 years)

Remaining Lease Term: 10 years + 2, 5-year options (total = 20 years)

- 1) Lessee has 10 years left on their original lease and would like to participate in the RDF program. Upon submission of an application and payment of the \$500.00 opt-in fee, the lessee will enter in to a new lease beginning July 1st, 2025. The new lease terms will include an additional 5-year option to bring the Original Lease Term up from 35 years to 40 years

- 2) Deferral Fee:
 - a. If Lessee opts-in to RDF program prior to May 30th, 2025 (takes advantage of RDF incentive rate and reduces RDF from \$0.50/sf/year to \$0.35/sf/year*):
 - i. Opt-in Fee: \$500.00
 - ii. New Lease beginning July 1st, 2025
 - iii. New Lease Term: 45 years (Remaining Lease + RDF Extension + 5 year = 20 + 20 +5)
 - iv. Deferral Rate: \$0.50/sf/year for 20 years = \$60,000 (\$0.50*6,000 sq ft*20 years)
 *INCENTIVE RATE: \$0.35/sf/year for 20 years = \$42,000 (\$0.35*6,000 sq ft*20 years)
 - v. Deferral Fee Amortized over life of new lease: \$933.33/year (\$42,000/45 years)

 - b. If Lessee opts-in to Deferral Fee program after May 30th, 2025 and before May 30th, 2026:
 - i. Opt-in Fee: \$500.00
 - ii. New Lease beginning July 1st, 2026
 - iii. New Lease Term: 44 years (Remaining Lease + RDF Extension + 5 year = 19 + 20 + 5)
 - iv. Deferral Rate: \$0.52/sf/year for 20 years = \$62,400 (\$0.52*6,000 sq ft*20 years)
 - v. Deferral Fee Amortized over life of new lease: \$1,418.18/year (\$62,400/44 years)

+Deferral Fee of \$0.50 will increase by 3% each subsequent year

++All other applicable Lease Rates will continue to apply

Deferral Fee Rate Table

Application Date	New Lease Effective Date	Deferral Fee Rate
prior to 5/30/25	7/1/25	\$0.50 (\$0.35 incentive)
prior to 5/30/26	7/1/26	\$0.52
prior to 5/30/27	7/1/27	\$0.53
prior to 5/30/28	7/1/28	\$0.55
prior to 5/30/29	7/1/29	\$0.56
prior to 5/30/30	7/1/30	\$0.58
prior to 5/30/31	7/1/31	\$0.60



Accommodation Information for People with Disabilities

To obtain this information in an alternate format such as Braille, large print, electronic formats, etc., please contact Misty Driggers, Sr. Admin Support Specialist, at mdriggers@bendoregon.gov or 541-322-6384. Relay Users Dial 7-1-1.