A REAL PROPERTY APPRAISAL REVIEW REPORT

MULTIPLE PROPERTIES

CENTRAL COLORADO REGIONAL AIRPORT
BUENA VISTA, COLORADO 81211

PREPARED FOR:

TOWN OF BUENA VISTA
Michael J. Hickman, Finance Director
Buena Vista, Colorado 81211

EFFECTIVE DATE MARCH 10, 2015

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Specializing in Special Purpose Property & General Property Appraisals

March 10, 2015

Michael J. Hickman, Finance Director
Town of Buena Vista
Buena Vista, Colorado 81211

RE: Review of the Decker Appraisal of Multiple Properties at the Central Colorado Regional Airport Buena Vista, Colorado 81211

Mr. Hickman:

In accordance with your instructions and the Uniform Standards of Professional Appraisal Practice (USPAP 2014-2015), I offer the following Standard 3 review appraisal (purpose of the assignment) of the November 7, 2014 appraisal report prepared by Robert D. Decker, MAI and David C. Benner, of the above captioned property. I was not provided with the appraiser's work file and have not reviewed it. You asked me to provide a Standard #3 appraisal review of following appraisal report and offer my comments about its strengths, weaknesses, and credibility.

REVIEWER'S REPORT

The appraisal report reviewed is:

Property Appraised:	Multiple Properties
Appraiser that completed the work under review:	Robert D. Decker, MAI and David C. Benner
Property interest appraised:	Fee-Simple & Leased Fee Interest
Date of report reviewed:	November 7, 2014
Effective date of valuation of report reviewed:	June 4, 2014
Effective date of review:	March 3, 2015

Client: Town of Buena Vista, its Finance Director, Mr. Michael J. Hickman and Ms. Jill Van Deel, Airport Manager, are the client for this assignment.

Intended Users of the Review: Town of Buena Vista, Ms. Jill Van Deel, Airport Manager and its Finance Director, Mr. Michael J. Hickman and any others designated by you, are the intended users of this review. Use of this report by others is not intended.

Purpose and Intended Use of the Review: This review has been prepared in the context of considering the completeness, accuracy, adequacy relevance and reasonableness of the scope, analyses, opinions, and conclusions presented in the November 7, 2014 appraisal report prepared by Robert D. Decker, MAI and David C. Benner. This review reflects my opinion concerning the strengths, weaknesses, and credibility of the work performed by the appraiser. The scope of work for this appraisal review is preformed under USPAP Standard #3 and does include the reviewer developing an independent opinion of value of one of the properties under review. This appraisal review is intended to aid in or support decisions relating to acquisition of the various properties by the Town of Buena Vista. If necessary, this Standard #3 appraisal review will serve as a basis of court testimony for trial purposes. This USPAP Standard #3 appraisal review is not intended for any other use.

Effective Date: The effective date of my review is March 3, 2015.

Appraisal Problem Under Review:

The subject of the appraisal report under review consists of a commercial hangar, an executive hangar, asphalt apron and 13 industrial zoned non-aeronautical lots owned by five separate individuals on or adjacent to the Central Colorado Regional Airport in Buena Vista, Colorado. The appraisal states that the report is a summary report that is intended to meet USPAP and conform with the Federal Aviation Administration (FAA) requirements. There are existing vertical improvements located on some of the parcels.

REVIEWERS SCOPE OF WORK

The scope of my assignment includes:

- The reviewer has read the cited appraisal report prepared by Robert D. Decker, MAI and David C. Benner
- The reviewer has not been provided with the appraisal file of Robert D. Decker, MAI and David C. Benner for review
- The reviewer has had no discussions with Robert D. Decker, MAI and David C. Benner, the authors of the appraisal report under review
- The reviewer has made a personal on-site inspection of the subject properties, but has not inspected the comparable sales utilized in the report
- The reviewer has inspected the Town of Buena Vista for any properties under construction
- The reviewer evaluated the completeness, accuracy, adequacy relevance and reasonableness of the appraisal report
- The reviewer developed an opinion of value for the community hangar
- The reviewer prepared a Review Report meeting the requirements of Standard #3 of the Uniform Standards of Professional Appraisal Practice (USPAP 2014 - 2015).

Documents Reviewed but not Specifically Referenced by Robert D. Decker, MAI and David C. Benner

- The reviewer reviewed Demographic information prepared by the Neilson Group
- Marshall Valuation Services, Calculator Method, Hangars (329), Section 14, page 29 (February 2014), refinements, excess office area, cooling, floor area multiplier, story height multiplier, and Current & Local Cost Multipliers-Section 99 were reviewed
- Researched sales of airplane hangars along the Colorado Front Range and Mountain Communities
- The reviewer has reviewed specific sections from the Appraisal of Real Estate", 14th Edition, the Appraisal Institute, 2013
- The reviewer has reviewed specific sections from the Appraisal Institutes Courses - General Sales Comparison Approach, General Site Valuation & Cost Approach, General Market Analysis & Highest and Best Use and Advanced Market Analysis & Highest and Best Use

Reviewers Research and Analyses:

- **Completeness of the Data:** The product productivity data of the various properties was generally relevant to the assignment but incomplete specific to the commercial hangar and industrial land market in Buena Vista. Lacking additional information specific to the commercial hangar and bulk land value conclusion, the data utilized is not complete.
- **Accuracy of the Data:** The accuracy of the data was generally correct.
- **Adequacy of the Data:** Product productivity data was generally relevant to the appraisal assignment but lacking for the commercial hangar and support for the bulk discount for industrial land. The data utilized by the appraisers were adequate for the majority of the appraisal problem.
- **Relevancy of the Data:** The data utilized by the appraisers were relevant for the majority of the properties appraised. The data utilized for the commercial hangar and establishing a bulk value discount for the industrial land was lacking.
- **Appraisal Methods and Techniques:** The appraisers used the sales comparison approach for the industrial land. This is the appropriate approach for this appraisal problem. The appraisers used a land residual technique for determining a bulk discount for the industrial land which is appropriate when sufficient information is available. The information needed was not presented so the analysis lacks support. The commercial and executive hangars were valued using the cost and income approach. The sales comparison approach was not processed.
- **Appropriateness and Reasonableness of the Analysis and Conclusion:** The analysis and conclusion specific to the individual industrial land parcels were within a reasonable range of value considering the magnitude of adjustments. The lack of information presented for the bulk discount concluded lacks support and should be revised. The analysis and conclusion specific to the commercial hangar were not within a reasonable range of value considering the magnitude of adjustments and the variance in value estimates of the two approaches. The analysis and conclusion specific to the executive hangar were within a reasonable range of value considering the magnitude of adjustments.

Identified deficiencies under USPAP and general comments are:

Item	Report	McCloud Comments
1. Date of Value	June 4, 2014	
2. Date of Report	November 7, 2014	
3. Report Type	Summary	This report type was retired 1/1/2014
4. User	Town of Buena Vista	
5. Intended Use	Possible acquisition	
6. Extraordinary Assumption	None	
7. Hypothetical Condition	None	
8. Interest	Fee Simple & Leased Fee	
9. Last Transfer Date	Not stated	
10. Last Transfer Price	Not Stated	
11. Exposure Time	12 Months	No support
12. Marketing Time	12 Months	No support
13. Land area	Presented individually	
14. Improvements	Community & Executive hangars and vacant land	
15. Market Analysis	Retail/Apartment	
16. Hangar Market	Macro	National, Regional and State airport data
17. Industrial Land Market	None	No market study provided
18. Neighborhood	Yes	
19. Site Description	Yes	
20. Zoning	I-1 (APO)	
21. Improvements	2 Hangars	Physical, Functional & External Obsolescence's not discussed
22. Highest and Best Use– As-If Vacant- Land	Meeting FAA's object fee criteria	No conclusion as to develop now or to hold, the most likely use or buyer
23. Highest and Best Use– As-If Vacant- Hangars	Aeronautical use	No conclusion as to develop now or to hold, the most likely buyer
24. Highest and Best Use – As-Improved Hangars	Continue with current use	No conclusion as to timing or the most buyer
25. Property Valued As	Individual Improved Hangars and industrial land parcels	
26. Valuation Methodology	Land - Sales Comparison Approach	
27. Valuation Methodology	Hangar's – Cost and Income Approach	No sales considered
28. Land Sales	Presented individually	
Bulk Value	DCF	The bulk sale analysis is based on a DCF, incorrectly analyzed and lacks market support
29. Community Hangar	$320,000	Inconsistencies with improvement description of the community hangar – Income based on several means from sources
30. Executive Hangar	$250,000	
31. Reconciliation	Minimal	Explanation is lacking

McCloud Review Comments:

3. Report Type: The Appraiser's state that the appraisal report is communicated in a summary format. The summary format Standard Rule 2-2(b) was retired effective January 1, 2014. This reference should be deleted and the 2014-2015 USPAP standards applied.

11. Reasonable Exposure Time: The appraisers conclude an exposure time of 12 months for the industrial land. This conclusion is not supported by the comparable sales utilized but by a national investor survey. Standard Rule 1-2 (c) states: "When exposure time is a component of the definition for the value opinion being developed, the appraiser must also develop an opinion of reasonable exposure time linked to that value opinion." Statement 6 provides the methodology including; statistical information about days on market; information gathered through sales verification; and interviews of market participants. Per AO-7, anticipated changes in market conditions should also be considered.

12. Reasonable Marketing Time: The appraisers conclude a marketing time of 12 months. This conclusion is not supported by the comparable sales utilized but by a national investor survey. Advisory Opinion 7 states that "The reasonable marketing time is a function of price, time, use, and anticipated market conditions, such as changes in the cost and availability of funds, and is not an isolated opinion of time alone.

16. Hangar Market Analysis: The appraiser presented a general market analysis but did not provide a marketability study. The subject's product productivity was presented however the subject's competitive market area was not defined. No current demand or supply data within the subject's competitive market area was provided to support marginal demand in order to conclude to the subject's market capture. The lack of consideration concerning this fact substantially reduces specific reliability on the general market data presented.

17. Industrial Land Market Analysis: The appraisers did not present any market analysis for industrial land in Buena Vistas. The subject's product productivity was presented however the subject's competitive market area was not defined. No current demand or supply data within the subject's competitive market area was provided to support marginal demand in order to conclude to the subject's market capture. This item Is required for developing a bulk sale price based on a discounted cash flow analysis.

21. Hangar Improvements: Deferred maintenance was identified in the Community Hangar however, no discussion of Physical Deterioration, Functional & External Obsolescence's was presented of analyzed.

22. Highest and Best Use – As-If Vacant: The appraisers provided no conclusions as to whether the industrial sites as-if vacant should be developed at this time or held for future development or who the most likely buyer would be.

23. Highest and Best Use – As-If Vacant: The appraisers provided no conclusions as to whether the hangar sites as-if vacant should be developed at this time or held for future development or who the most likely buyer would be. The Highest and Best Use As-If Vacant must answer three questions; 1) the use, 2) the most likely buyer and 3) the timing. The report does not address two of these issues which leaves the conclusion overly broad.

24. Highest and Best Use – As Improved: The appraisers conclude that the improvements do contribute to land value and should continue. In the case of the Community hangar however, they conclude in the valuation section that the hangar is 75% depreciated which should have been tested in financial feasibility as to whether renovation or alteration would be feasible. This would allow the appraisers to consider whether the improvements are an interim use awaiting demolition and redevelopment. Missing from their conclusion was timing and the most likely buyer. The Highest and Best Use As-If Vacant must answer three questions; 1) the use, 2) the most likely buyer and 3) the timing. The report does not address these issues which leaves the conclusion overly broad. The Highest and Best Use As-Improved must answer three questions; 1) the use, 2) the most likely buyer and 3) the timing. The report does not address two of these issues which leaves the conclusion overly broad. If the Highest and Best Use is not right, everything else is wrong.

27. Valuation Methodology: The appraisers processed the Cost Approach into a value indication. The Income Approach is processed using national and regional market data means that was general not segmented. Lacking a sales comparison approach, there is no check for the Cost Approach. Lacking the most likely buyer, the reliability of the Income Approach is diminished.

28. Bulk Land Value: The appraisers processed a Discounted Cash Flow Analysis in concluding a bulk value for some of the industrial lots but lacked a marketability study or any support for their assumptions and the methodology used was not correct.

29. Community Hangar: Replacement Cost of the Improvements provides no details concerning the base hangar type or the adjusted base costs or multipliers used. Indirect costs utilized included advertising/lease-up (indicating an investor property which was not stated) permanent loan fees (lenders not consulted) legal, title insurance and miscellaneous fees. Entrepreneurial incentive (mislabeled as profit) was estimated at 10%. The appraiser's stated that no curable physical depreciation was calculated due to the condition of the hangar. This is not consistent with the need for roof repairs found on page 18. The appraisers utilized the age/life method to determine total accrued depreciation, relying on Marshal Valuation Service (MVS) for total economic life and conclude depreciation at 75%.

The appraiser's state on Page 18 that the roof leaks and needs repair (deferred maintenance). What was not noted was the leaking roof also requires the replacement of roof insulation, the hangar door needs repair and the epoxy floor needs re-finishing (deferred maintenance) due to the leaking roof. Deductions for these items would have been the first adjustment after concluding replacement cost new prior to applying the age/life method. Additionally, the hangar walls and roof form the exterior of the building and reflect long-lived items. The repair of the roof would reduce physical depreciation.

I have utilized MVS to calculate replacement cost new and disagree with the appraiser's replacement cost estimate. I have also considered the actual costs of similar hangars at Front Range and Centennial Airport which also support a higher cost new figure. I made an on-site inspection of the Commercial Hangar and disagree with the appraiser's effective age of 30 years (chronological age of 31 years). The primary building components for this hangar include a concrete floor, concrete caissons and a steel frame. The floor shows minimal signs of cracking. The caissons show no signs of cracking and the steel frame is in good condition with no rust observed. The office area is dated but serviceable.

I disagree with the appraiser's use of MVS economic life table. Commercial hangars at reliever airports and local airports along the front-range and in mountain communities have operational hangars that reflect economic lives beyond that found in MVS. The Community hangar also suffers from functional obsolescence in the form of the hangar door height, which was not noted by the appraiser's. I considered this functional obsolescence factor to be curable by installing a new door system.

In applying the Income Approach, the appraiser's relied on National, Regional and Comparable Airport Data in the form of mean averages. Regional data was defined as the Northwest Mountain Region. The Comparable Airport Data was drawn from six airports, five of which are not located within the Northwest Mountain Region. Additional market date was presented from airports within 50 nautical miles. The appraiser's conclude lease rates on a triple net basis, which does not include management expenses and reserves for replacement. A capitalization rate was concluded relying on investor surveys from a national counting firm utilizing investment grade industrial warehouse sales. Discussions with the two hangar owners were used as a test of reasonableness.

The Income Approach relies on limited data from Competitive Airports in the area. This is reflected by the table on page 43 which lacks any lease rates for the Office area or Executive Hangar. The lack of data is reflective of the subject's rural location but also greatly reduces the reliability on the Income Approach. This would also tend to indicate that the most likely buyer for the Commercial Hangar may be an owner/user or partial owner/user. It could also indicate external obsolescence, which was not considered.

Due to the nature of the appraisal problem and the limited data for leased hangars, comparable sales should also have been considered as a test of reasonableness against the cost approach.

31. Reconciliation: The two approaches to value used for the community hangar are approximately 31.6% apart (high to low). No discussion concerning what weight was given to each approach or why was presented. The value conclusion drawn for the community hangar is the mathematical center of the range with no explanation given. The statement that "the Cost Approach supports the Income Approach and vice versa" is not supported by the approximately 31.6% range. The magnitude of this range generally indicates that one or both of the approaches utilized were not correctly employed. It would also indicate that a sales comparison approach should have been processed.

The same two approaches were utilized for the Executive hangar which produced a range of $225,000 to $250,000 which are approximately 10.0% apart (high to low). Unlike the Community hangar, these value indications do support each other. No discussion concerning what weight was given to each approach or why was presented.

The individual values for the various industrial land parcels was supported and appears reasonable. The bulk discounted value was not properly analyzed and the assumptions made were not supported.

McCloud Review Conclusions

The appraisal report did clearly and accurately set forth the appraisal in a manner that was not misleading. The appraisal report did contain sufficient information to enable the intended users of the appraisal to understand the report properly. There are necessary matters that require additional explanation and reasoning to support the conclusions specific to the bulk discount value for the industrial parcels. The valuation process and value indications concluded for the commercial hangar are not supported and the value range is excessive indicating improper analysis in one of both approaches. The appraisers need to address items 3, 11, 12, 16, 17, 21, 22, 23, 24, 27, 28, 29 and 31 of the table on page 4.

Based on the sum of these issues, I conclude that the Robert D. Decker, MAI and David C. Benner appraisal report concerning the individual industrial land values and the executive hangar are credible and can be relied on. The perceived corrections do not misrepresent or mislead the reader but are issues that should be addressed by the appraisers.

Concerning the bulk discount value of the industrial land parcels, based on the sum of the issues, I conclude that the Robert D. Decker, MAI and David C. Benner report is questionable and cannot be relied upon without further market research and documentation to support the appraiser's conclusion.

Concerning the Commercial hangar, based on the sum of the issues, I conclude that the Robert D. Decker, MAI and David C. Benner report contains inadequate support of adjustments, explanations, and reasoning to support the conclusions, is hopelessly flawed, is not credible and should not be relied on. I have no opinion about intent.

I have been request by the client to provide an opinion regarding the value of the Commercial Hangar only.

Respectfully submitted,

Harold S. McCloud, MAI
Certified General Appraiser
in Colorado #CGO1313633

Certification

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

- the statements of facts contained in this report are true and correct.
- 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.
- I have no present or prospective interest in the property that is the subject of the work under review and no personal interest with respect to the parties involved.
- I have performed no other services, as an appraiser or in any other capacity, regarding the property that is the subject of the work under review within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of the work under review or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon development or reporting predetermined results.
- my compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined assignment results or assignment results that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review.
- my analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the *Uniform Standards of Professional Appraisal Practice* (USPAP: 2014-2015) (specifically the format for Standard 3 – Review Appraisals).
- I have made a personal exterior inspection of the subject of the work under review.
- No one provided significant appraisal, appraisal review or appraisal consulting assistance to the person signing this certification.
- The report of Appraiser Robert D. Decker, MAI and David C. Benner is incorporated herein by reference.

- the use of this review report is subject to the requirements of the Appraisal Institute and the Appraisal Foundation relating to review by their duly authorized representatives.

- as of the date of this review report, Harold S. McCloud, MAI has completed the requirements of the continuing education program of the Appraisal Institute.

- As of the effective date of this review report (March 10, 2015), I find that the appraisal report prepared by Appraiser Robert D. Decker, MAI and David C. Benner concerning the industrial land to be credible with the identified corrections. As a result the individual market value estimates are considered credible.

- As of the effective date of this review report (March 10, 2015), I find that the appraisal report prepared by Appraiser Robert D. Decker, MAI and David C. Benner concerning the Executive Hangar to be credible with the identified corrections. As a result the market value estimates are considered credible.

- As of the effective date of this review report (March 10, 2015), I do not find that the appraisal report prepared by Appraiser Robert D. Decker, MAI and David C. Benner concerning the Commercial hangar to be credible and in fact is hopelessly flawed and therefore misleading. As a result the value estimate is not credible, is misleading and cannot be relied on.

Harold S. McCloud, MAI
Certified General Appraiser
in Colorado #CGO1313633

Mr. Hickman:

In accordance with your most recent instructions and the Uniform Standards of Professional Appraisal Practice (USPAP 2014-2015), I offer the following Standard 3 review appraisal report of the Commercial hangar which incorporates my opinion of value (purpose of the assignment) with a value date of February 4, 2015, the most recent date of inspection. This reviewer opinion of value is an expansion of my original scope of work. You originally engaged me to review the appraisal report of the Commercial hangar prepared by Robert D. Decker, MAI and David C. Benner with a valuation date of June 4, 2014. This appraisal report is incorporated into this review report by reference.

<u>Standards Rule 3-3</u>

C) When the scope of work includes the reviewer developing his or her own opinion of value or review opinion, the reviewer must comply with the Standard applicable to the development of that opinion.

(i) The requirements of STANDARDS 1, 6, 7, and 9 apply to the reviewer's opinion of value for the property that is the subject of the appraisal review assignment.

Under Standard 3-3, "The reviewer is not required to replicate the steps completed by the original appraisers. Those items in the work under review that the reviewer concludes are credible can be extended to the reviewer's development process on the basis of an ***<u>extraordinary assumption</u>***. Those items not deemed to be credible must be replaced with information or analysis developed in conformance with STANDARD 1, 3, 6, 7, or 9, as applicable, to produce credible assignment results."

Client: The Town of Buena Vista, the Town's Finance Director Mr. Michael J. Hickman and the Airport Manager Ms. Jill Van Deel, is the client for this assignment.

Intended Users of the Review: The intended users include the Town of Buena Vista, the Town's Finance Director Mr. Michael J. Hickman and the Airport Manager Ms. Jill Van Deel and any others designated by you, are the intended users of this review. ***<u>Use of this report by others is not intended.</u>***

Purpose and Intended Use of the Review Report: This reviewer report is the expansion of my original scope of work of the real property appraisal prepared by Robert D. Decker, MAI and David C. Benner with a valuation date of June 4, 2014. Per your most recent instructions, this report expands my previous scope of work to include my opinion of the market value of the leasehold interest in the Commercial hangar in its "as-is" condition, as of February 4, 2015. The scope of work for this appraisal review is performed under USPAP Standard #3 and does include the reviewer developing an independent opinion of value of the property under review. This appraisal review is intended to aid in or support decisions relating to acquiring the subject from the current owners. ***This USPAP Standard #3 appraisal review is not intended for any other use.***

Definition of Market Value: Following is the definition of "Market Value".

> "Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is consummation of a sale as of a specified date and passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well-informed or well-advised and each acting in what they consider their own best interest;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

Typical Market Financing: Based on a survey of local lending institutions, typical financing for commercial hangars is up to 70% of value at interest rates of 8.0% to 9.0% fully amortized over 15 to 20 years with no call provisions. Roll over terms quoting 3 to 5 year call provisions are at rates of 5.0% to 6.0%. Any seller assisted financing approximating these terms is deemed cash to seller.

Appraisal Problem:

The appraisal problem is to develop an opinion of the market value (February 4, 2015) of the leasehold interest in a Commercial hangar located at the Buena Vista Airport in Chaffee County, Colorado. This appraisal review report is intended to comply with Standard Rules 1, 2 and 3 of the Uniform Standards of Professional Appraisal Practice (USPAP 2014-2015).

SCOPE OF WORK

The scope of my assignment includes:

- The reviewer has read the cited appraisal reports prepared by Robert D. Decker, MAI and David C. Benner.

- The reviewer has utilized an ***extraordinary assumption*** concerning portions of the appraisal under review that are deemed to be creditable in this appraisal review assignment. The reviewer will be relying primarily on the general data, site description and improvement description provided in the Robert D. Decker, MAI and David C. Benner report.

- The reviewer has made a personal on-site inspection of the subject property and the comparable sales utilized in the report. The reviewer has read all of the transfer documents for each of the sales utilized in this report. The reviewer has confirmed the sales utilized in this report.

- The data was then analyzed for relevance and applicability to this specific appraisal problem and is the basis for the conclusions, to value expressed in this report.

- The reviewer prepared a Review Report meeting the requirements of Standard #3 of the Uniform Standards of Professional Appraisal Practice (USPAP)

Per Standard 3-3(c), I have utilized an ***extraordinary assumption*** pertaining to the items listed below that are deemed to be credible from the report reviewed and relied on:

- no hypothetical conditions were utilized
- the subject property consists of a 15,480 square foot hangar that contains 2,760 square feet of office area and 12,720 square feet of open hangar
- the neighborhood boundaries presented in the report are reasonable and accepted by the reviewer
- the general aviation market data is correct
- the legal description, site data and improvements description are correct
- the property is zoned I-1 (APO)
- the highest and best use: legally permissible and physically possible
- The reviewer will be relying primarily on the general data, site description and improvement description provided in the Robert D. Decker, MAI and David C. Benner report.

REVIEW APPRAISER COMMENTS

Valuation Considerations and Property Rights: Hangars are a special purpose property by virtue of design and use. This does not mean that there are any factors inherent within the property's design or construction that detract in any manner from intrinsic value or market value. When appraising a type of property that is not commonly exchanged or rented, it may be difficult to determine whether an opinion of use value or market value is sought. Most hangars have a market value, as opposed to use value, because they are or can be sold or rented in an open market. Comparable sales data may be especially limited because the market is shallow; if so, hangar owners recognize that the demand may be tight or there is limited demand due to location. Also, the sale of a hangar may be bundled with the sale of an aviation business. In which case, the real property components need to be separated from business components.

Property Rights: The property right which gives value to the hangar owner is the leasehold interest. A leasehold interest is defined as, "The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions."

Airports are commonly established as a public entity under state or local laws. Airports that receive funds from the Federal Aviation Administration are restricted from transferring fee simple interests along the boundary of the runways, although market value transfers can happen. Hangars, terminals, fixed base operators (FBO), other buildings, and parking lots are called landside development; runways, taxiways, ramps, aprons and holding bays are known as airside development. The leased fee ownership in the landside ground is commonly held by the airport authority or a local governmental entity. Terms commonly range from 20 years to 40 years. Consequently, a long-term ground lease may effectively transfer the use of the land to private parties.

Hangar Location: Micro-location characteristics within an airport are difficult to quantify. A first-tier location within an airport might be the area closest to the end of the runway. Airplanes should take off into the wind to maximize airspeed and land into the wind to minimize ground speed, so if an airport has a predominate or consistent wind direction, a commercial operator would prefer to be nearest to that end of the runway.

A hangar along a runway of taxiway may be a second-tier location. Taxiway width is important especially for larger planes that use larger hangars. Tight turns are hard for an aircraft. Convenient proximity to airport infrastructure and terminals is desirable. Access for the plane is usually more important that for a car. Close automobile parking is nonetheless beneficial.

Recreational pilots accept third-tier locations to save money. Third-tier locations might have indirect access to the runway's taxiways or may be in tertiary locations on the other side of the airport's main infrastructure. For small hangers, sunlight exposure is beneficial when the hangar door is open. Exposure to wind blasts is detrimental. Ground slope is important for smaller hangars because the planes are usually pulled in and out by hand. The site should be level with less than a 2-degree slope.

Summary: The subject property represents a leasehold interest and as such, land value is considered part of the appraisal assignment. The impact of the land lease on the leasehold interest must be considered as part of the overall risk. The land lease is fundamental to the operation of the leasehold interest, which cannot continue without a transferable leasehold interest.

The subject hangar is an integrated part of the adjacent airport terminal creating a symbiotic whole. The hangar has a first tier location on the airport based on runway placement attached services and adjacent parking.

The lease agreement provides for the existing improvements, allows direct access to the Buena Vista Airport and is necessary to operate the leasehold. The ground lease provisions were not provided for review. Discussions with Finance Director Mr. Michael J. Hickman and the Airport Manager Ms. Jill Van Deel indicate the improvements are subject to a long-term ground lease that allows for the only commercial use of a hangar on the airport at this time. The lessee is reportedly in compliance with the terms of the Lease. In the event the lessee fails to perform under the terms of the lease, a number of remedies are available to the lessor.

DESCRIPTION OF THE IMPROVEMENTS

One-story rectangular shaped hangar constructed in 1983 which contains a total of 15,480 square feet that is divided into 2,760 square feet of office area and 12,720 square feet of open hangar. Construction consists of a concrete slab-on-grade foundation, clear-span steel frame, corrugated steel walls and roof with shy-lights. The interior is improved with an office area, storage area and restroom. The office area is located in the northern portion of the hangar. The office area has an average quality finish with a restroom. The office area is heated and air-conditioned.

The hangar area has a clear ceiling height estimated at 28 feet with a 100’ x 20’ slide-by hangar door. The hangar walls and ceiling are insulated and contain mercury vapor lighting. The hangar area is heated by suspended radiant gas-fired units. The hangar floor contains a drain and has been epoxy sealed. Electrical service to the hangar appears adequate. There is adjacent parking and a concrete apron. Access to the taxiway is via the hangar doors.

Deferred Maintenance: During my site inspection, deferred maintenance was noted in the form of roof leakage, the epoxy floor requires re-sealing and the main hangar door requires maintenance. Discussions with the Airport Manager Ms. Jill Van Deel indicated that these repair are estimated at $85,000. The concrete apron is in overall average condition and requires no repair.

Physical Deterioration: The improvements are a Class "S" single-tenant hangar building that has an estimated total economic life of 45 years. The building was constructed in 1981 indicating an actual age of 31 years. The concrete floor exhibits minimal cracking and has been epoxy sealed to reduce deterioration and extend economic life. The concrete caissons that provide structural support for the clear-span steel frame show no signs of cracking or fatigue. The clear-span steel frame shows no signs of rusting or structural failure. My inspection of the exterior steel panels that make up the walls of the hangar indicated no sign of rusting with minimal denting and thus, are considered in above-average condition. The epoxy floor is a short-lived item that is in need of replacement to protect the long-term integrity of the concrete floor as discussed above. Long-lived components such as the roof and insulation are in need of replacement as discussed above and when replaced, will extend the economic life of the hangar. I have appraised a number of hangars at reliever airports in Colorado over the last 15 years and have observed hangars of this age or older that remain viable. I have not observed hangars of a physical age of 45 years being demolished and replaced based on their physical age. The subject has had an above-average degree of maintenance and I have estimated an effective age of 16 years indicating a remaining economic life of 29 years.

Functional Obsolescence: The size and configuration of the hangar is considered typical to accommodate commercial tenant needs for most aircraft but not the entire jet fleet consisting of the newer large business jets (i.e. Canadair Global Express, Boeing Business Jet, Gulfstream V). The office area is average for this type of hangar facility. The hangar door clear height is not sufficient to accommodate the increased size of newer private jet aircraft. I consider the functional utility of the subject to be below-average for the only commercial hangar on this airport. Thus, a deduction for functional obsolescence is required. The size and design of the hangar allows for the replacement of the current hangar door with a fold-up door that would provide a tail clearance height of 28 feet. Based on actual costs for a similar door for hangar Gold 9 at Centennial Airport, I have applied a $125,000 deduction for functional obsolescence. A picture of the replacement door is found below.

External Obsolescence: The subject property represents the only single-tenant commercial hangar facility at Buena Vista Airport. Rental rates for speculative commercial airplane hangars within the subject's competitive market area are not available. Thus, supply/demand is likely in balance and therefore, it is logical that there is no excess demand for new commercial hangars. Thus, external obsolescence due to current market conditions is not considered to be a factor.

Highest and Best Use

As If Vacant

Legally Permissible: In concluding to the highest and best use of the land, as if vacant, only those uses, which are legal, can be considered. The subject property is part of Centennial Airport, which is I-1 (APO) in Buena Vista. Uses by right include an airport and airplane hangar. Development within the airport requires approval of Buena Vista Airport Authority. The subject hangar site is located adjacent to the public terminal, proximate to other existing airplane hangar buildings. Considering the character of the neighborhood, a change in zoning is not considered likely.

Physically Possible: The subject site has a predominately level topography and is generally rectangular in shape. The drainage on the site is to the south and east. Soil conditions, as evidenced by sites adjacent to the subject, are capable of supporting development. Therefore, few development restrictions exist on the site and none are more restrictive than those imposed by the ground lease agreement, size, and zoning.

Financially Feasible: It is generally not financially feasible to develop the subject site with speculative commercial aircraft related uses at the present time. No expansion of the commercial avionics market at Buena Vista has occurred in decades. There are no rental rates available to conclude if speculative airplane hangars are practical assuming the subject was not in existence. The current use of the subject however does indicate that a commercial avionics hangar is practical if none existed. The lack of sales of commercial hangars in the subject's competitive market area over the last several years underscores lack of market demand for new product. Thus, it is reasonable to assume that commercial avionic hangars are restricted to owner/users.

Maximally Productive: After considering the character of the neighborhood and the site restrictions imposed by zoning and the existing land lease, the most probable use for the subject site would be to improve the property with a commercial avionics hangar facility. This type of use would be consistent with the surrounding neighborhood and the uses by right under the land lease.

Summary: After considering the characteristics of the neighborhood and the site restrictions imposed by zoning, the land lease and the physical constraints of the site, the most probable use for the subject, as vacant, would be for commercial avionics development. Thus, the highest and best use of the land, as if vacant, is for a single-tenant commercial avionics hangar facility to meet current demand evidenced at the Buena Vista Airport. The most likely buyer is an owner/user who would acquire the site to construct and operate a commercial avionics business or for acquisition and development of the site by the Airport Authority to lease the space to a commercial avionics operator.

As Improved

The highest and best use of the property as improved is based on the future potential of the land and the existing improvements. The subject is improved with a single-tenant commercial aircraft hangar containing a total of 15,480 square feet that must also meet the four tests previously mentioned. The subject hangar is legally permissible and physically possible as demonstrated by the current improvements.

The subject hangar is capable of supporting legally permissible commercial aircraft hangar user. The improvements are well designed and would accommodate most aircraft with clear tail heights up to 20 feet. Operating the improvements as general commercial aircraft hangar is feasible with the proper contributions of equity and debt capital. An aircraft hangar facility is considered the maximally productive use, and thus, is considered to be the highest and best use of the land, as developed. The most likely purchaser of the facility is an owner/user or the Airport Authority to lease the space to a commercial avionics operator.

Valuation Overview

The subject property has been valued using the cost and sales comparison approach. Both of these approaches are based on the principle of substitution. Lacking any comparable income, expense or capitalization rates, a reliable income approach is not considered possible and has not been processed.

Cost Approach

I have utilized Marshall Valuation Service (MVS) to calculate replacement cost new for the subject. Adjustments have been made to the base cost to arrive at the unit cost new of $1,005,326. These calculations are found in the tables on the next two pages. Indirect costs ($40,213 or 4.0%) and entrepreneurial incentive ($52,277 or 5.0%) were added to replacement cost new to arrive at a cost estimate of $1,097,816. Deductions for deferred maintenance, physical deterioration and functional obsolescence were applied as discussed earlier. The depreciated value estimate concluded by the cost approach is **$450,000** or $29.07 per square foot.

COST APPROACH

PROJECT: Community Hangar			
Cost/Sq. Ft.--Marshall Valuation Service	**MVS**	**Section 14; Page 29**	
Updated To: February 2014	**Structure**		
Property Type	Maintenance Hangar		
Project Quality (MVS)	Average		
Construction Class (MVS)	S		
No. of Stories	1		
Gross Building Area (Total Building)	15,480		
Type of Heat	Radiant		
Year Built	1983		
Base Cost/SF	***$47.76***		
Excess Office Area (1,986 SF)	$6.41		
Adjusted Base Cost/SF	$54.17		
Cooling (Page 36)	$1.53		
Adjusted Base Cost/SF	$55.70		
Sprinklers (Page 37)	$0.00		
Adjusted Base Cost/SF	$55.70		
Perimeter Multiplier (Page 38)	0.970		
Adjusted Base Cost/SF	$54.03		
Height Multiplier (Page 39)	1.281		
Adjusted Base Cost/SF	$69.21		
Regional Multiplier (Section 99, Page 3)	1.02		
Adjusted Base Cost/SF	$70.59		
Current Cost/Location Multiplier (Section 99, Page 7)	0.92		
Adjusted Base Cost/SF	**$64.94**		
Sub Total Replacement Cost	$1,005,326		

Direct Building Costs*	**100.0%**		**$1,005,326**
Indirect Cost Estimates Not in Marshall Valuation Service			
Appraisal/Feasibility Fee			$5,000
Gas and Electric Connection Fee			$0
Insurance	0.5%		$5,027
Land Interest Costs	0.0%		$0
Land Planning for Large Developments			$0
Leasing Commissions	$0.00	/SF	$0
Legal, Accounting, & Closing	1.0%		$10,053
Loan Points	1.0%		$10,053
Marketing and Advertising	0.0%		$0
Offsite Improvements			Paid
Land Taxes During Construction	0.0%		$0
Water and Sewer Tap Fee			$0
Other - Miscellaneous	1.0%		$10,053

Total Indirect Costs	4.0%		$40,186
Rounded to (Input % --->)	4.0%		$40,213

COST APPROACH TO VALUE (cont.)

In summary, the value indication for the subject by the Cost Approach is shown below:

Direct Building Costs				
15,480 Sq. Ft. @	$64.94	/SF	$1,005,326	
Indirect Costs				
Estimated at	4.00%	of Direct Costs	$40,213	
Entrepreneurial Incentive				
Estimated at	5.0%	of Direct and Indirect	$52,277	
Total Construction Costs				**$1,097,816**
Less: Accrued Depreciation				
Deferred Maintenance	7.7%		$85,000	
Curable	0.0%		$0	
Incurable	40.0%		$439,126	
Functional Obsolescence	11.4%		$125,000	
External Obsolescence	0.0%		$0	
Total Depreciation				**($649,126)**
Total Depreciated Value of Improvements				**$448,690**
			Rounded	$450,000
Add: Land Value				$0
Total Value Indication by the Cost Approach				**$450,000**

Sales Comparison Approach

The subject property is a leasehold interest in a 15,480 square foot commercial hangar facility. Commercial avionics companies typically occupy their space on a long-term basis and sales of such hangars are infrequent. Such sales typically reflect market conditions such as fundamental changes in the market, expansion/contraction and/or a need for doors with increased tail height capacity due to new aircraft design.

To conclude a value of the subject by the sales comparison approach, I have researched sales at Front Range and Centennial Airport in Denver, as well as other reliever airports along the front-range. These sales have been used as a check of reasonableness against the cost approach. There have been no sales of commercial hangars in the subject's competitive market area within the last ten years. The hangar sales researched are discussed below.

There have been five arms-length sales of commercial hangars at Front Range airport over the last 12 years. Front Range Airport is located north of Watkins in Adams County. This airport is considered most similar to the subject in the Denver metro area. A table reflecting these sales is found on the following page.

SALES COMPARISON APPROACH SALES CHART - AIRCRAFT HANGARS							
Sale No.	**Address**	**Sale Date**	**Sale Price**	**Hangar Size**	**Office Area**	**Door Height**	**Price/ Sq. Ft.**
FRONT RANGE AIRPORT							
1	37650 Astra Way	Jun-09	$227,746	6,119	0	16	$37.22
2	37503 Beechcraft Way	Jun-08	$110,000	4,200	0	16	$26.19
3	37900 Cessna Way Unit A	Jun-08	$550,000	10,000	0	27	$55.00
4	37835 Astra Way	Aug-03	$840,000	15,400	1,500	22	$54.55
5	37700 Cessna Way, Units 3E &3W	Oct-02	$220,000	5,700	0	18	$38.60

These are older sales at an airport with an extending driving time from metro Denver. Three of the largest hangars have been acquired through deed in lieu and have been on the market for several years.

I have considered arms-length sales within Willowbrook Park, a commercial development located at Centennial Airport.

1. 13304 & 13310 Control Tower Road (63-10 & 11) is the October 2009 sale of two, 6,400 square foot class "S" condominium hangars constructed in 2003 for $950,000 or **$74.22** per square foot. The facilities have minimal office space. Hangar door is 75 feet by 18.5 feet.

2. 13334 Control Tower Road (63-7) is the November 2008 sale of a 7,200 square foot class "S" condominium hangar constructed in 2003 for $756,000 or **$105.00** per square foot. The facility has minimal office space. Hangar door is 75 feet by 18.5 feet.

3. 13352 Control Tower Road (63-4) is the August 2008 sale of a 7,200 square foot class "S" condominium hangar constructed in 2003 for $612,000 or **$85.00** per square foot under an option agreement that was entered into 6 years ago without escalators. The facility has approximately 360 square feet or 5% of office space. Hangar door is 75 feet by 18.5 feet. (Note: A 5% time adjustment for four years would indicate a sale price of $103.32/SF.)

4. 13364 Control Tower Road (63-15) is the June 2007 sale of a 6,400 square foot class "S" condominium hangar constructed in 2003 for $525,000 or **$82.03** per square foot. The facility has minimal office space. Hangar door is 75 feet by 18.5 feet.

5. 13382 Control Tower Road (63-12) was under contract in November 2006 for a contract price of $730,000. The building is a 7,456 square foot class "S" condominium hangar constructed in 2003. The contract price reflects a sale price of **$97.90** per square foot. The facility has approximately 1,056 square feet or 15% of office space. Hangar door is 75 x 18.5 feet.

One additional sale and one listing were also considered.

1. 7793 South Peoria Street is the September 2011 sale of a 6,400 square foot corporate hangar constructed in 1993 for $275,000 or **<u>$42.97</u>** per square foot. The facility has approximately 776 square feet or 12% of office space. Hangar door was 70 feet by 20 feet. The hangar required a new roof and the floor required epoxying.

2. 12690 East Control Tower Road is a 2014 listing of a 6,000 square foot corporate hangar constructed in 1981 for $245,000 or **<u>$40.83</u>** per square foot. The facility has approximately 480 square feet or 8.0% of office space. Hangar door is 70 feet by 20 feet.

I have researched three corporate hangar sales and one contract that did not close at Rocky Mountain Airport offer which are discussed below.

3. 11870 Airport Way is the February 2004 sale of a 7,034 square foot corporate hangar constructed in 1993 for $500,000 or **<u>$71.08</u>** per square foot. The facility has approximately 2,000 square feet or 30% of office space. Hanger door is 65 feet by 16 feet. This hangar has no fuel tanks.

4. 9606 Jeffco Airport Avenue is the December 2002 sale of a 36,992 square foot corporate hangar constructed in 1991 for $3,670,000 or **<u>$99.21</u>** per square foot. The facility has approximately 12,000 square feet or 33% of office space. Clear hanger door height is reported at 22 feet. This hangar does have onsite fuel tanks.

5. 11906 Hangar Court is the December 1997 sale of an 11,980 square foot corporate hanger constructed in 1991 for $825,000 or **<u>$68.86</u>** per square foot. The facility has approximately 1,500 square feet or 12% of office space. Clear hangar door height is reported at 20 feet. This hangar does have onsite fuel tanks.

6. 9646 Jeffco Airport Avenue is an offer to acquire an 11,800 square foot corporate hangar constructed in 1999 for $1,100,000 or **<u>$93.22</u>** per square foot. The facility has approximately 1,800 square feet or 15% of office space. Clear hangar door height is reported at 20 feet. This hanger has onsite fuel tanks.

Market abstracted adjustments are extremely difficult to quantify (quantitative analysis) in the current market. "No matched pair sales" were found to support the appraiser's adjustments. Thus, the applied adjustments are **<u>not</u>** abstract able from the market (qualitative analysis) and were, therefore, based upon the appraiser's subjective analysis, opinion and experience.

The sales were compared as to real property rights, financing (cash equivalency), conditions of sale (motivation), market conditions (time), location, door height, size, age/condition and other physical characteristics.

The most relevant unit of comparison in the marketplace is the price per square foot of hangar area. The sales will be analyzed and compared on that basis.

Sales Discussion and Value Conclusion

<u>Discussion of the Comparable Land Sales and Resulting Adjustments</u>

In order to estimate the market value of the subject, the comparable sales are adjusted based on the characteristics of the subject relative to attributes that impact value. If a comparable has a quality that is considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories considered inferior to the subject. Within the appraisal process, appraisers typically consider adjustments for the following items:

- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Expenditures after sale
- Market conditions (time)
- Location
- Physical features

A discussion of the adjustments to the comparable sales relative to the subject property follows:

<u>Real Property Right Conveyed</u>

All of the comparable sales involved the transfer of the leasehold interest and no adjustments are required.

<u>Financing Terms</u>

The sales transferred for either cash or at terms similar to market; therefore, no adjustments are necessary for extraordinary financing.

<u>Conditions of Sale</u>

Conditions related to a sale can account for a significant variance from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller.

Certain conditions of sale are considered to be atypical of the market and include, but may not be limited to, the following:

- a non-arm's length (i.e. family) transaction
- a lack of exposure to the open market
- a seller acting under duress
- an unusual tax consideration
- a premium paid for site assemblage
- a sale at legal auction
- an eminent domain proceeding.

All of the comparable sales sold under typical market conditions and thus, no adjustment has been made for this factor.

Expenditures after Sale

During the confirmation process, most of the sales reported having no deferred maintenance at time of sale. The sales that did require expenditures after sale and factored the cost into the sale price and thus, I have made no deduction for this factor.

Market Conditions/Date of Sale

Adjustments in this category result from changes in the market relative to date of sale and market conditions. Market conditions consist of the impact on the properties from current national and local recessionary trends, as well as the restricted credit markets. An analysis of the sales did not indicate that a time adjustment is required for the comparable sales.

Location Adjustment:

***Front Range Airport*:** Front Range Airport is classified as a general aviation airport. The airport is located east of Denver and services all general aviation needs. The airport can accommodate both commercial and corporate aircraft operations. The airport offers the support services of a fixed based operator. Front Range Airport does not provide scheduled airline flights and military aviation. Aircraft at Front Range include both privately owned single-engine planes and business jets.

The airport is positioned on a 3,300-acre site, occupying more land than all the general aviation airports in the area. A 200 foot air traffic control tower was completed in June 25, 2003. Front Range Airport is also the only general aviation airport in the Denver area without noise or over flight considerations. The airport is located in an area designated as an Airport Influence Zone (AIZ), and prevents future residential development that would potentially place limitations on plane noise. Front Range Airport has the capacity to expand its runway to accommodate substantially larger aircraft.

The airport is equipped with two runways measuring 8,000 feet in length, and 100 feet in width each. According to the Airport Authority, the east/west runway has a designed strength of 28,000 pounds for Single Wheel Gear (SWG) and 40,000 pounds for Double Wheel Gear (DWG). The north/south runway has a designed strength of 26,000 pounds for SWG and 37,000 pounds for DWG.

The airport houses a NEXRAD weather radar facility and Doppler radar. Front Range has one FBO that supplies aircraft support services including aircraft maintenance, fuel (100LL and Jet A) and a Hertz rent-a-car on site. The airport also provides an Aircraft Rescue and Firefighting (ARFF). The airport currently has an 801 acre supply of raw land for development.

Front Range Airport is a 26 year old airport that has historically focused on cargo, private and business jet operations. Front Range has purposely avoided commercial airline flights for years. In fact, it had agreed not to pursue such operations in a 1992 deal, although Front Range officials say the agreement is no longer valid. Market conditions in 2003 included the beginning of the TransPort development, which will combine rail, air and road cargo transportation near Front Range. (This project has yet to materialize.).

Centennial-based Aviation Technology Group had planned to manufacture its new Javelin at a Front Range and eventually employ up to 600 workers there. The company ran into financial problems and ceased operations late in 2007 and has since declared bankruptcy. At the same time, Frontier Airlines was considering the potential for a maintenance facility on airport land. (Frontier chose Colorado Springs as the site of it new maintenance hangar.) The airport also turned down overtures by low-cost carrier SkyBus Airlines to operate out of Front Range.

Today, none of those projects have come to fruition and the airport is changing its focus. Front Range is now gearing up to pursue commercial airline service as well. The best possibility: turboprop flights or regionalists that would shuttle passengers to mountain towns in Colorado or smaller cities in nearby states, maybe as soon as 2010. To accomplish this Front Range must compete against Denver International Airport, located just six miles to the northwest, for both flights and federal funding.

Preparing for passenger service will be costly and will require Front Range to make numerous improvements to receive Federal Aviation Administration approval to do so. That includes building a security screen area in the terminal, strengthening runways and adding parking. The airport estimates it will cost approximately $12 million to make the necessary upgrades, which Front Range could potentially finance through airport revenue bonds or other measures.

Front Range has already embarked on numerous upgrades, including road improvements and the construction of an air traffic control tower and a "wastewater treatment plant to handle growth. These improvements are part of a $104 million infrastructure that was built to accommodate a large-scope project and to accommodate large aircraft.

Front Range has invested millions of dollars in federal, local and private money into improvements to accommodate a large operation, be it a maintenance hangar or a manufacturing plant. Nothing of that scale however has materialized, creating a financial strain on an airport already suffering from the effects of a rapid rise in the price of fuel, which has caused a fall in some areas of its business as a consequence.

Transient business jet operations are up substantially but piston and prop-jet has weakened significantly. Total fuel sales have dipped as well as cost have risen. That drop coupled with the fact that none of the expected projects materialized, forced Front Range to revise its recent budgets downward. As part of the cutbacks, Front Range implemented pay cuts and slash its budget for small capital projects. The 2012 budget reflects the continued market conditions experienced in 2008-2011.

The airport is also short on payments related to the new wastewater plant. The airport expected to use revenues gleaned from the ATG manufacturing plant to pay back the cost of that plant. Adams County has extended funding until Front Range can get its revenues up.

Current market conditions and extensive infrastructure investment are having a negative impact on the airport. The airport however is County owned and has sufficient recourses the weather the current market downturn. A decline in fuel price would have a positive impact on business and would ease financial pressure. This airport is considered slightly superior to the subject.

***Centennial Airport*:** Centennial Airport, formally known as Arapahoe County Airport, officially opened for business on May 12, 1968. It is a general aviation airport that does not have commercial air flights. The airport contains a total of 1,400 acres. Construction of the four million dollar facility, including runway 34/16 measured 4,200 x 100 feet began in 1967 with a partial grant from the Federal Government and a local match. By 1971 the 10-28 crosswind runway was added and the first air traffic control tower was built in 1973. The runways at Centennial Airport are between 4,800 and 10,002 feet in length, and can support 65,000 pounds Single Wheel Gear (SWG), and 75,000 Double Wheel Gear (DWG).

The extended runway lengths and weight capacities enable Centennial airport to serve larger aircraft and heavily loaded cargo carriers. The main runway is approved for D-III traffic (the entire jet fleet including the new large business jets i.e. Canadair Global Express, Gulfstream 650). The secondary runway is coded C-II and can accommodate the majority of the general aviation propeller aircraft, along with some smaller business jets. The airport facility has been developed to accommodate the full range of general aviation aircraft, including corporate business jets, under almost any weather conditions.

The last condominium hangar development at Centennial was Willowbrook Park in 2002. There has been limited development of separate corporate jet hangars in the southwestern portion of Centennial since that date. These hangars are designed to handle the largest private jets in service. At present, Centennial has approximately 158 acres of aeronautical developable land available for future hangars, which will require several decades to build out.

According to the Arapahoe County Public Airport Authority, takeoff and land statistics indicate a decrease since October 2008. Fuel sales have decrease 30% since that time. The number of annual aircraft operations at the airport is forecast to increase modestly during the next 20 years. The airport is already experiencing an increase in air traffic. The number of annual aircraft operations is forecast to increase 3-5% annual growth from January 2012. The number of based aircraft has increased from 700 in 2010 to 950 aircraft today of all types. During the last few years, there has been a steady increase in defense contracting on the airport, which currently employing 350 +/- people. New hiring's currently are 7-10 people per week, which is taking up every empty hangar on the airport. This airport is considered superior to the subject as well as the Front Range and Rocky Mountain airports.

Rocky Mountain Airport: The airport (formally Jeffco Airport) is a general aviation facility with no regularly scheduled commercial traffic allowed other than small-chartered aircraft. It contains 1,700 acres of land strategically located between Denver and Boulder. The northeast portion of the airport has 9 acres of remaining land that is available for development of three hanger facilities on three acre sites. Approximately 40 acres (of a total 600 acres) are soon to be available for development on the southwest side of the airport. The airport has a remaining total of 290 acres.

General aviation aircraft operated at the airport are primarily used by individuals and companies for private, charter and business use. The aircraft types using the airport include small single engine prop aircraft and large business aircraft, including the large business jet aircraft. The number of annual aircraft operations at the airport is forecast to increase modestly during the next 20 years. The number of annual aircraft operations is forecast to increase from 168,000 in 1998 to approximately 241,000 in 2020. The number of based aircraft is forecast to increase from 425 to 576 by 2020.

The airport facility has been developed to accommodate the full range of general aviation aircraft, including corporate business jets, under almost any weather conditions. The main runway (11L/29R) is a 9,000 foot runway that is approved for D-II traffic (the entire jet fleet except for the new large business jets (i.e. Canadair Global Express, Boeing Business Jet, Gulfstream V). The airport's master plan indicates that the runway is to be upgraded to a D-III rating to accommodate the larger business jets. The secondary parallel 7,000 foot runway (Runway 11L/29R) is coded B-II and can accommodate the majority of the general aviation propeller aircraft, along with some business jets. This runway is planned to be upgraded to C-II. The Crosswind Runway (Runway 2/20) is also coded B-II and is planned to be extended 1,100 to the southwest to be better utilized by small and medium size general aviation aircraft.

The airport hosts 90 businesses employing 514 people in the aviation and related industries. The U.S. Customs Office operates a 24-hour service facility at the airport, and the National Center for Atmospheric Research, headquartered in Boulder, has a new $3,000,000 aviation facility at the airport. Rocky Mountain is ranked as the 10th busiest airport in the Northwest Mountain Region. There were 187,898 departures and arrivals and 525 aircraft are reportedly based at Rocky Mountain Airport. Three runways from 3,600 to 9,000 feet in length are controlled and monitored by a control tower.

The airport is surrounded by newer office parks with a decidedly high-technological emphasis. Ball Aerospace Corporation has two campuses south and east of the airport as well as a large hangar on the airport proper. The Westmoor development features office space encircled by the Heritage at Westmoor Golf Course. North of the airport is Interlocken Business Park, home of Level 3 Communications, Sun Microsystems and other high-tech names. Interlocken boasts an Omni hotel and golf course.

The area is beautifully developed but still suffers from an oversupply of vacant office space from the last building boom. Steadily, office space is being absorbed and vacancies are coming down.

The Conoco/Phillips acquisition of 400+ acres in Broomfield was planned for a research and development center that will eventually employ 5,000 to 8,000 persons. This in-turn would have driven additional air travel and thus demand for private jets hangars at Rocky Mountain Metropolitan Airport. These plans have been cancelled and the site is listed for sale.

The Flatirons Mall, one of Denver's newest entertainment-retail regional malls is just northwest of the airport along US 36. The Northwest Parkway recently opened to traffic, adding 10 more miles to the beltway surrounding the Metro Denver Area. The last quadrant in the beltway, from Golden to Broomfield, is located west of the Rocky Mountain Airport. This airport is considered superior to Front Range and the subject.

After considering the attributes of these airports, I have analyzed the older sales at Front Range Airport and the most recent sale and listing at Centennial Airport. The remaining sales represent a different competitive market but demonstrate the strength of each of the competing reliever airports.

Size: The subject hangar is a single-tenant facility that contains 15,480 square feet. The most comparable sales range from approximately 6,000 sq. ft. to 15,400 square feet. These sales do not require an adjustment for size.

Hangar Door Height: Typically, buyers pay a higher price for a hangar with higher tail clearance hangar door heights that smaller ones. The subject has a door height of 20 feet and a width of 100 feet. The majority of the sales have door heights that range from 16 to 27 feet. I have adjusted hangar sales with door heights above 20 feet downward for this factor. Sales with tail heights below 18 feet have been adjusted upward for this factor.

Age/Condition: The subject property was constructed in 1983. The comparable sales were constructed during the 1980s and early 1990s. No adjustment for age/condition has been made.

Office Finish: Typically, buyers pay a higher price for hangars with a high percentage of office finish. All of the comparable sales have typical office finish and thus, no adjustment has been made for this characteristic.

The five sales at Front-Range Airport transferred from 2002 to 2009. The hangars ranged in size from 4,200 to 15,400. Sales #3 and #4 required significant downward adjustments for door height while sales #1 and #2 required upward adjustments for this factor. Less weight is given to sales prior to 2008 due to market conditions. The most recent sales reported an unadjusted range in price per unit of $26.19, $37.22 and $55.00 per square foot respectively. After adjustments, most weight is placed on the lower end of the unadjusted range or $26.19 to $37.22 per square foot.

The hangar sale located at 7793 South Peoria Street is the September 2011 sale of a 6,400 square foot corporate hangar constructed in 1993 for $275,000 or **$42.97** per square foot. The facility has approximately 776 square feet or 12% of office space. Hanger door was 70 feet by 20 feet. The hangar required a new roof & insulation, the floor required epoxying and new radiant heat was installed. In 2014, the buyers replaced the 20 foot door height with a 30 foot door to accommodate the largest private jet aircraft. The cost for these various items was reported at $225,000 and was estimated to increase the hangar's market value to $575,000 or 89.84 per square foot. The estimated market value falls within the market range indicated by the comparable sales at Centennial Airport. This sale is most similar to the subject in age/condition with generally the same deferred maintenance. A significant downward adjustment is required for the superior location of Centennial Airport.

The current listing (Summer 2014) located at 12690 East Control Tower Road at Centennial Airport is a 6,000 square foot corporate hangar constructed in 1981 for $245,000 or **$40.83** per square foot. The facility has approximately 480 square feet or 8.0% of office space. Hanger door is 70 feet by 20 feet. No deferred maintenance was reported by the broker. The property remains on the market. A downward adjustment is required for listing and significant downward adjustment is required for the superior location of Centennial Airport. After adjustments, these two hangars provide a value range of $28.58 to $32.23 per square foot.

The adjustment most difficult to quantify is the location adjustment. For that reason, I have concluded a value range for the subject by sales comparison approach. After considering the comparable sales and the absolute difference of the adjustments, I conclude a value range from $28.50 to $32.00 per square foot or $441,180 to $495,360, rounded to:

VALUE RANGE **$440,000 to $495,000**

Reconciliation

The two approaches to value developed value estimates of:

Value Estimate by Cost Approach	**$450,000**
Value Estimate by Sales Comparison Approach	**$440,000 to $495,000**

The value indication by the cost approach is considered to be a reliable indicator of value when sufficient land sales are available for comparison and for newer properties which do not suffer from substantial amounts of depreciation. In valuing the leasehold interest, land value is not considered. The improvements are existing and suffer from a reasonable amount of depreciation, though not excessive and are not impacted by external obsolescence due to current market conditions. Thus, the value indication by the cost approach is considered to be a reliable indication of value for the subject property.

The sales comparison approach uses the sales of other similar properties to estimate the value of the subject property. The sales comparison approach is considered to produce a reliable indication of value when an adequate number of truly comparable sales are available. A number of comparable sales were available for analysis. The absolute adjustment made to these sales was not significant. All of these sales were to owner/users. For this reason, the sales comparison approach is considered to be a reliable indicator of value.

In concluding what weight to give each of the approaches, I have considered that the subject will probably be acquired by an owner/user, which typically relies most heavily on the sales comparison approach. The adjustment most difficult to quantify however was the location adjustment. Front Range Airport is considered most similar to the subject's Buena Vista Airport based on travel time from the Denver metro area for both owners and employees. The sales at Front Range airport are older but were above the value indication concluded for the cost approach. An adjustment downward for location generally supports the value indication concluded in the cost approach. The hangar addressed at 7793 South Peoria Street at Centennial Airport is the most recent sale and most similar to the subject in physical condition. An adjustment downward for location also generally supports the value indication concluded in the cost approach. Therefore, after considering the strengths and weakness of both approaches, I conclude a final value estimate of:

FINAL VALUE ESTIMATE, LEASEHOLD INTEREST
($450,000)

Certification

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

- The statements of fact contained in this report are true and correct.
- 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
- 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.
- I have not performed real estate services, as an appraiser, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 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.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* of the Appraisal Foundation and the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- Harold S. McCloud, MAI has made a personal inspection of the property that is the subject of this report.
- No one provided significant real estate appraisal assistance to the person signing this certificate.
- The use of this report is subject to the requirements of the Appraisal Institute and the Appraisal Foundation relating to review by their duly authorized representatives.

- As of the date of this report, Harold S. McCloud, MAI has completed the requirements of the continuing education program of the Appraisal Institute.
- The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- In my opinion, the Leasehold Interest, as of February 4, 2015, is **$450,000.**

Harold S. McCloud, MAI
Certified General Appraiser
in Colorado #CGO1313633

Qualifications of the Appraiser

NAME: Harold S. McCloud

EDUCATION: Bachelor of Arts, Metropolitan State College May, 1991, Major: History: Minor: Real Estate - Various Classes & Continuing Education Seminars

APPRAISAL ASSOCIATIONS:

MAI (Member, Appraisal Institute),
Certificate No. 9758, December 1992
Colorado Chapter President 2006
Region 2 - Regional Representative-Various Years
Colorado Chapter Director1993-2002
Approved Appraiser - Colorado Department of Transportation

MEMBER OF:

President, Parker Properties I (Closed), Canterberry I & II Metropolitan Districts, 1990-Present
President-Canterberry Crossing (1,700 homes) 1993-2000
Council-member-Town of Parker 1994-1996
Member: DRCOG, CML & E-470 Authority 1994-1996
Member: National Golf Foundation - 1996-Present

STAFF INSTRUCTOR:

Construction Lending School current, Arapahoe Community College and Emily Griffith Opportunity School - 1993-1999
Marshall & Swift – Marshall Valuation Service

APPAISAL INSTITUTE INSTRUCTOR:

Course-Appraisal Principles
Course-Appraisal Procedures
Course-Sales Comparison Approach
Course-Site Valuation & Cost Approach
Course-Income Capitalization Approach Part I
Course-Income Capitalization Approach Part II
Course-Real Estate Finance, Statistics & Valuation Modeling
Course-Market Analysis & Highest and Best Use
Course-Advanced Market Analysis & Highest and Best Use
Course-Advanced Income Capitalization Approach
Course-Advanced Concepts & Case Studies
Course-Two Day Curriculum
Various one-day seminars

- Business Practices and Ethics
- Subdivision Valuation
- Marketability Studies: 6 Step Process Basic Applications
- Valuation & Tenant Risk Studies

LICENSES: Certified General Appraiser in Colorado - #CGO1313633
Colorado Real Estate Broker - #ER01100755
Class B Contractors License (inactive)
Certified – Master Scuba Diver

STATE OF COLORADO
Department of Regulatory Agencies
Division of Real Estate

Active
Cert Gen Appraiser

PRINTED ON SECURE PAPER

1313633	Jan 1 2013	Dec 31 2015
Number	Issue Date	Expires

HAROLD SMITH MCCLOUD
PARKER, CO 80138

Program Administrator

Licensee Signature

BUSINESS AFFILIATIONS:

McCloud & Associates
18690 East Plaza Drive, Suite #109
Parker, Colorado 80134
Telephone: 720-747-4710
Fax: 303-805-9910
E-Mail: hdmccloud@comcast.net

APPRAISAL EXPERIENCE:

Land: Commercial pads, residential, multi-family, industrial and commercial parcels, residential & commercial subdivisions from 100 to 3,600 acres

Adams County: Land area 100 acres to 640+ acres (**Subdivisions:** Big Dry Creek, Buffalo Run, Buckley Ranch, Fallbrook Farms and Turnberry)

Arapahoe County: Land area 100 acres to 800+ acres (**Subdivisions:** Antelope Hills, Estancia and Southshore)

Broomfield County: Land area 30 acres to 2,000+ acres (**Subdivisions:** Wildgrass, Hyland Village and Vista Ridge)

Douglas County: Land area 100 acres to 3,600+ acres (**Subdivisions:** Hunting Hills, Stroh Ranch, Canterberry Crossing, Pine Bluffs, Idyllwilde, Dawson Ridge, Hidden Valley, Plum Creek, Bell Mountain Ranch, Perry Park, Sageport, Puma Ridge and Castle Pines)

Jefferson County: Land area 100 acres to 1,500+ acres

Elbert County: Land area ¼ Section to 2,500+ acres (**Subdivisions:** Blue Sky Ranch and Spring Valley Ranch)

Weld County: Land area 50 to 320+ acres (**Subdivisions:** Bartley, Mesa Ridge & Ridgelands III)

Apartments: Low, Medium & High-rise buildings, projects & condominiums from 6 to 800 units

Industrial: Single & Multi-tenant buildings from 1,000 to 1,300,000 square feet

Office: Low, Medium & High-rise buildings & projects, condominiums from 2,000 to 500,000 square feet Class C to AA

Retail: Single & Multi-tenant buildings, Stand-alone, Small Strip Center to Super Regional Mall

Special Purpose:

Aggregate production, airplane hangars/terminals, bowling alleys, casinos, car washes, conference centers, congregate care facilities, day-care facilities, gentlemen's clubs, golf courses & driving ranges, hotels, ice arenas, mobile home parks, marina's, motels, mini-marts, quick-lubes, recreational properties, restaurants, theaters veterinary clinic/hospitals and water storage facilities. Furniture, Fixtures & Equipment and Business component valued and presented separately

Construction Experience:

I have been licensed as a general contractor since 1977, and have extensive bid estimation experience. I have processed the reproduction cost for more than 700 properties using the quantity survey method per the Construction Specifications Institute (CSI). I last functioned as a general contractor by constructing my own 3,028 square foot office building in Parker that received its certificate of occupancy in November 2004. I am a Marshall & Swift instructor and have past the Marshall Cost Estimation Course.

Interests: Fee simple, leasehold and leased fee interests. Condominium and partial ownership interests and right-of-way & facade easements. Historic designations, historic districts and national landmarks

Major Assignments:

Douglas County - Eminent Domain - various projects
National Park Service – Grand Canyon National Park
Yellowstone National Park
Grand Teton National Park
Mesa Verde National Park
Lake Mead National Recreation Area
Glen Canyon National Recreation Area

CAREER HISTORY: Owner, McCloud & Associates and Unique Properties Valuation and Consulting. Principal Appraiser with MacTaggart and Mosier from 1990 to 1995; Associate Appraiser with Joseph Farber & Company, Inc. from 1986 to 1990. Two years with John Ratkovich, Century 21 as a commercial real estate salesman. From 1969 to 1984, Held various positions in construction from journeyman to management

E & O INSURANCE Zurich American Insurance Company - #EOC 9827639 02

EXPERT WITNESS TESTIMONY

- Adams County District Court
- Arapahoe County District Court
- Boulder County District Court
- Denver District Court
- Douglas County District Court
- Elbert County District Court
- Gilpin County District Court
- Jefferson County District Court
- Summit County District Court
- Weld County District Court
- Anoka County District Court, Minnesota
- Cook County, Illinois
- Santa Fe, New Mexico
- Numerous tax appeals at County & State level
- US Tax Court