



AIRPORTS ADVISORY COMMITTEE

Meeting Notice and Agenda

Wednesday, October 14, 2026, at 3:00 p.m.
Location: Montgomery-Gibbs Executive Airport Terminal Building
3750 John J. Montgomery Drive, San Diego, CA 92123

Chair: Peter Doft | Vice Chair: David Gordon

Committee Members: Rob M. Hixson, Cindy Scott, Shawn Ellis, Melissa Johnston, Donald Chick, Ron Lee, Chase M. Franzen, Merle Richman and John Embree.

Committee Liaison: Jorge Rubio, A.A.E.

Public Participation Instructions:

Members of the public may participate and provide comment in person, via telephone, the virtual platform, using the [webform](#) or e-mail submission as follows:

In Person Testimony:

If you wish to address the Committee on an item on today's agenda, please complete and submit a speaker form before the Committee hears the agenda item. You will be called at the time the item is heard.

If you wish to address the Committee during non-agenda public comment, please complete and submit a speaker form. However, California's open meeting laws do not permit the Committee to discuss or take any action on the matter at today's meeting. At its discretion, the Committee may add the item to a future meeting agenda or refer the matter to staff or committee. Individuals' comments are limited to three minutes per speaker. At the discretion of the Chair, if a large number of people wish to speak on the same item, comments may be limited to a set period of time per item.

Joining the Webinar and Offering Phone-in Testimony

The Airports Advisory Committee meetings will continue to offer the public a virtual participation option using the Zoom Webinar platform. Members of the public can offer public comment on agenda items or during Non-Agenda Public Comment by accessing the meeting online using a desktop computer, laptop, tablet, or Smartphone, or by calling into the meeting using a Smartphone, cellular phone, or land line.

The link to join the Meeting Webinar by computer, tablet, or Smartphone is:

<https://sandiego.zoomgov.com/j/1654039335>

To join by telephone:

Dial 833 568 8864

When prompted, input **Webinar ID: 165 403 9335**

How to Speak to A Particular Item or During Non-Agenda Public Comment Via Virtual Platform:

When the Chair introduces the item you would like to comment on (or indicates it is time for Non-Agenda Public Comment), raise your hand by either tapping the "Raise Your Hand" button on your computer, tablet, or Smartphone, or by dialing *9 on your phone. You will be taken in the order in which you raised your hand. You may only speak once on a particular item.

When the Committee Liaison indicates it is your turn to speak, unmute your phone by tapping the Unmute button on your computer, tablet or Smartphone, or dial *6 on your phone.

If you are speaking on Non-Agenda Public Comment, please note that California's open meeting laws do not permit the Committee to discuss or take any action on the matter at today's meeting. At its discretion, the Committee may add the item to a future meeting agenda or refer the matter to staff, Subcommittee, or Ad-Hoc Committee. Individuals' comments are limited to three minutes per speaker. At the discretion of the Chair, if a large number of people wish to speak on the same item, comments may be limited to a set period of time per item.

Written Comment through Webform:

Comment on Agenda Items may be submitted using the [webform](#) indicating the agenda item number for which you wish to submit your comment. Comments received by the start of the meeting will be distributed to the Committee Members and posted online with the meeting materials. All webform comments are limited to 500 words and up to 5 attachment files with a maximum of 10MB for each file. Comments received after the start of the meeting but before the item is called will be submitted into the written record for the relevant item.

REQUESTS FOR ACCESSIBILITY MODIFICATIONS OR ACCOMMODATIONS

This information will be made available in alternative formats upon request, as required by the Americans with Disabilities Act (ADA), by contacting Giancarlo Vargas at 858-573-1405 or giancarlovg@sanidiego.gov. Requests for disability-related modifications or accommodations required to facilitate meeting participation, including requests for alternatives to observing meetings and offering public comment as noted above, may be made by contacting Giancarlo Vargas at 858-573-1405 or giancarlovg@sanidiego.gov. Requests for disability-related modifications or accommodations required to facilitate meeting participation, including requests for auxiliary aids, services, or interpreters, require different lead times, ranging from five business days to two weeks. Please keep this in mind and provide as much advance notice as possible in order to ensure availability. The City is committed to resolving accessibility requests swiftly in order to maximize accessibility.

1. CALL TO ORDER and PLEDGE OF ALLEGIANCE

2. ROLL CALL

3. NON-AGENDA PUBLIC COMMENT

4. APPROVAL OF MINUTES

- A. September 9, 2026

5. UNFINISHED BUSINESS – None

6. NEW BUSINESS

- A. Approval of Amended 2026 Airports Advisory Committee Meeting Calendar
- B. Approval of Aviation Rental Rates for Airport Land and Facilities at Montgomery-Gibbs Executive Airport and Brown Field Airport for FY2027
 - Staff Recommends that the Airports Advisory Committee Recommend to the City Council the following action:
 - Approval of the use of these appraisals for establishing fair rental values for new leases and other agreements for the use of airport property at Montgomery-Gibbs Executive Airport and Brown Field Airport for the current Fiscal Year.

7. INFORMATIONAL ITEMS

- A. Staff Reports
- B. Other Reports
 - Monthly Airport Operations Reports – September 2026
 - Monthly Noise Management Report – September 2026 [To be provided at meeting]
 - Airports Projects Status Report – October 2026

8. COMMITTEE COMMENTS

9. ADJOURNMENT

CITY OF SAN DIEGO
AIRPORTS ADVISORY COMMITTEE
DRAFT MINUTES
Meeting of September 9, 2026
Montgomery Gibbs Executive Airport
3750 John J. Montgomery Drive, San Diego, CA 92123

1. CALL TO ORDER and PLEDGE OF ALLEGIANCE

Chair Doft called the meeting to order at 3:00 p.m.

2. ROLL CALL

A quorum was present.

Following Roll Call, Chair Doft asked all present to take a moment of silence in honor of those who lost their lives in the aircraft accident on September 7, 2026.

MEMBERS PRESENT:	MEMBERS ABSENT:
Chair Peter S. Doft Special Expertise Representative	Chase Franzen* Kearny Mesa Representative
Vice Chair David Gordon Special Expertise	
Ron Lee Brown Field Aviation User Group	
Cindy Scott Navajo Community Representative	
Rob M. Hixson Otay Mesa Representative	
John H. Embree Serra Mesa Community	
Donald Chick Tierrasanta Representative	
Merle Richman Brown Field Municipal Airport Aviation User Group	
Melissa Johnston Montgomery-Gibbs Aviation Lessees Representative	
Shawn Ellis Montgomery-Gibbs Aviation User Group Representative	

*Excused

STAFF PRESENT:

Jorge Rubio, David Reed, Charles Broadbent, William LeGrand, Jennifer Bearse, Tom Fallon, and Hannah Sax.

3. NON-AGENDA PUBLIC COMMENT

None

4. APPROVAL OF MINUTES

Minutes from the August 12, 2026, meeting.

Member Hixson made a motion to approve the minutes. Vice Chair Gordon seconded the motion. 10 members voted in favor. Motion passed unanimously.

5. UNFINISHED BUSINESS

None

6. NEW BUSINESS

None

7. INFORMATIONAL ITEMS

A. Pavement Maintenance at Executive Airpark During Miramar Airshow

B. Staff Reports

Chief of Airports - Jorge Rubio, A.A.E.

- Chief of Airports, Jorge Rubio, took a moment to acknowledge the incident of September 7, offering heartfelt sympathies and condolences to all involved. Additionally, he thanked the MYF Operations team, San Diego Police Department and San Diego Fire and Rescue for their swift actions on the scene.
- Mr. Rubio thanked Jennifer Bearse for her time with the city as her last day is October 3rd. During her tenure, she assisted with crucial real estate transactions and prepared the buildings in the business park to be ready to house hundreds of City employees.
- The roof replacement at Brown Field Airport has been completed. There is a minor follow up, but the roof is now a membrane roof that should last another 20 years.
- The MYF terminal area parking lot has been completed. It includes new design with improved ADA markings.
- Women in Aviation San Diego Chapter is hosting "Girls in Aviation Day" at Brown Field Airport on September 19 from 10:00am- 2:00pm for approximately 500 attendees. Airlines, flight schools, Air & Space Museum, Miramar College and CAU will be providing information throughout the event.
- On September 1, Mr. Rubio had the opportunity to speak to the Airport Management Aviation Law class from Cal State LA about airport careers, ranging from Biologist to Real Estate and Airport Operations.
- On August 24, Mr. Rubio had a meet and greet with Atif Saeed, President and CEO of the San Diego County International Airport Authority to discuss the regional aviation priorities and the different roles that all of our airports play in the region.

Montgomery-Gibbs Executive Airport (MYF) – Charles Broadbent, MYF Airport Manager

- There were over 28,000 operations at MYF in August.
- The Miramar airshow is scheduled for September 24-27 and MYF will be closed intermittently, please check Notices to Airmen for updates.
- MYF received a new tractor for maintenance.
- Gate 1 and 8 will be replaced starting September 10. Gate 8 will be a 2-track system. Gate 4 currently has parts being shipped out to the airport.

- Interviews are being scheduled for the Airports Operations Assistant position on September 15.

Airports Lease Administration – Jennifer Bearse, Program Manager

- Construction of the Fixed Based Operator (FBO) with San Diego Airpark (SDA) is underway.
- Legal action against AERO-ABRE related to environmental remediation and underpayment of rent is underway.
- Experimental Aircraft Association (EAA) to exercise option to extend the size of the leasehold. Negotiating Term Sheet with Tenant.
- Staff is in discussions with San Diego Community College District (SDCCD) for the potential construction of new hangar and facilities.
- Corporate Helicopters was provided with FAA feedback on the CATEX for NEPA. Corporate Helicopters to provide necessary documents to FAA for CATEX application completion.
- Staff is working with Crown Air on new, longer-term agreement for transient ramp parking and is expected to submit to Council in the coming months.
- Lease negotiations have been finalized with Casa Machado on new lease agreement.
- 94th Aero Squadron restaurant has ceased operations. In discussions with tenant and CAO on early termination of lease for exterior patio area.
- The City's Engineering and Capital Projects Department occupancy of the additional space at the 8525 building will be in late fall/early winter of 2026.
- The existing Lessee (Clown Market) has applied to relocate its liquor license to Suite 101 Lessee will retain existing space for separate ice cream and water business.
- Staff met with the owner of Infinity Nails about expanding its premises for the nail salon and is currently evaluating tenant for a potential lease in Suite 116.
- Sewer pipe replacement project is underway at the retail center.
- RFP for property management services for the Gibbs and retail center has been released to qualified pool for bidding. Bids due the end of September.

C. Other Reports
None

8. COMMITTEE COMMENTS

None

9. ADJOURNMENT

The meeting adjourned at 4:06 p.m. Next meeting will be September 9, 2026.

Respectfully submitted,

Giancarlo Vargas
Administrative Aide 1

AIRPORTS ADVISORY COMMITTEE 2026 REGULAR MEETING CALENDAR

Second Wednesday of each month at 3:00PM, except August and December. November meeting will take place on first Wednesday at 3:00PM, due to the Veterans Day holiday.

- 1. January 14, 2026**
- 2. February 11, 2026**
- 3. March 11, 2026**
- 4. April 8, 2026**
- 5. May 13, 2026**
- 6. June 10, 2026**
- 7. July 8, 2026**
- 8. August (Recess)**
- 9. September 9, 2026**
- 10. October 14, 2026**
- 11. November 4, 2026**
- 12. December (Recess)**

***The location of each meeting will be announced in advance and in accordance with the Brown Act.**



The City of San Diego

Staff Report

DATE ISSUED: 9/24/26

TO: Airport Advisory Committee

FROM: Economic Development Department

SUBJECT: Approval of Aviation Rental Rates for Airport Land and Facilities at Montgomery-Gibbs Executive Airport and Brown Field Airport for FY2027.

Primary Contact: Christina Bibler Phone: (619) 236-6421

Secondary Contact: Thurman Hodges Phone: (858) 573-1426

Council District(s): 7,8

OVERVIEW:

This report recommends approval of the appraisals for airport land and facilities at Montgomery – Gibbs Executive Airport and Brown Field Airport, in accordance with Council Policy 700–10 as it relates to airport properties establishing fair rental values for new leases and other agreements for the use of airport property at Montgomery-Gibbs Executive Airport and Brown Field Municipal Airport.

PROPOSED ACTIONS:

Staff recommends that the Airport Advisory Committee recommend that the City Council approve the use of these appraisals for establishing fair rental values for new leases and other agreements for the use of airport property at Montgomery-Gibbs Executive Airport and Brown Field Airport for the current Fiscal Year.

DISCUSSION OF ITEM:

Montgomery Gibbs Executive and Brown Field airports are subject to Federal Aviation regulations requiring that airports rents and fees follow federal government rate setting for aeronautical services,

Pursuant to Council Policy 700-10, Market Rent for Airport Land and Facilities, the Council adopted the following rent and appraisal requirements for new leases for Aviation Land Rent and Aviation Facilities/Improved-Land Leases at Montgomery-Gibbs Executive Airport and Brown Field Municipal Airport:

1. The rental rate will be set every year for each airport and approved by the City Council no earlier than 90 days from the beginning of each fiscal year (July 1 through June 30).

2. The annual rental rate will be based on a timely appraisal of the current market rent, reflecting that aviation land can only be used for aviation purposes.
3. Each approved annual rental rate will become effective at the beginning of the fiscal year and will be published on the Department's website

On April 13, 2026, Airports obtained separate appraisals for new leases for Aviation Land Rent and Aviation Facilities/Improved-Land Leases at Montgomery-Gibbs Executive Airport and Brown Field Airport from the appraisal firm Buss-Shelger Associates.

Summary of Appraisals:

Buss-Shelger Associates appraised Aviation Land Rent and Aviation Facilities/Improved-Land Leases at Montgomery-Gibbs Executive Airport as follows:

Appraised Values for Montgomery-Gibbs Executive Airport				
Property No.	Leasehold Land	Leased Area	Annual Rent	
			Per Square Foot	Extended
1	Aero Dr Non-Aviation	2.9 Acres	\$3.76	\$474,978
2	Glenn H, Curtis Rd-Aviation	14.1 Acres	\$2.44	\$1,498,638
3	Kearney Villa Rd Aviation	2.63 Acres	\$2.15	\$246,310

Buss-Shelger Associates appraised Aviation Land Rent and Aviation Facilities/Improved-Land Leases at Brown Airport as follows:

Appraised Values for Brown Field Airport				
Location	Size (Sq. Ft)	Use	Annual Rent	
			Per Square Foot	Extended
7200 Curran Street	7,200	Hangar	\$3.60	\$25,920
	1600	Hangar	\$4.80	\$7,680
	4068	Office	\$4.20	\$17,086
	87337	Ramp	\$1.91	\$166,814
6810 Curran Street	3424	Office/Shop	\$5.40	\$18,490
	121628	Ramp	\$1.91	\$232,309
	Size (Acres)			
NEC Sikorsky Street & Heritage Street	10.721	Raw Land	\$1.59	\$742,540
S/S Curran Street	8.2992	Land	\$1.59	\$574,805

For each new lease on Airports property comprised of aviation land and each new lease comprised of City-owned aviation buildings and improvements, the rental rates will be set using the rental rate established by appraisals and approved by City Council. All other lease terms including and appraisals will comply with Council Policy 700-10, including annual review, competitive selection, and publication requirements.

City Strategic Plan Goal(s)/Objective(s):

Goal #3: Create and sustain a resilient and economically prosperous City by providing for development of aviation facilities for the public

Objective #1: Create dynamic neighborhoods that incorporate mobility, connectivity, and sustainability

Fiscal Considerations:

None.

Environmental Impact:

To be provided by Planning

Previous City Council and/or Committee Actions:

This item will be heard by the Economic Development and Intergovernmental Relations Committee prior to City Council.

Key Stakeholders and Community Outreach Efforts:

This item will be discussed at the Airports Advisory Committee public meeting.

Department Director

Deputy Chief Operating Officer, Internal
Operations

**CURRENT MARKET RENTAL VALUATION
THREE LAND LEASEHOLDS
MONTGOMERY-GIBBS EXECUTIVE AIRPORT
SAN DIEGO, CALIFORNIA**

BUSS-SHELGER ASSOCIATES

BUSS-SHELGER ASSOCIATES

Real Estate Consultants

23 Foxtail Lane
Trabuco Canyon, CA 92679
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April 13, 2026

City of San Diego
Economic Development Department
1200 Third Avenue, Suite 1400
San Diego, California 92101

Attention: Mr. Michael Keagy, MAI
Principal Appraiser/
Program Manager - Valuations

Ms. Erica Manning
Supervising Property Specialist

Reference: Market Rental Valuation
Three Land Leaseholds
Montgomery-Gibbs Executive Airport
San Diego, California

Our File No. 6045C-25

Ladies & Gentlemen:

Pursuant to your request, we have appraised three leaseholds comprised of raw, vacant land at Montgomery-Gibbs Executive Airport which is located in the northern portion of the City of San Diego, California. The purpose of this report is to provide a market rental value opinion for each leasehold; one of the sites involves non-aviation land, and the other two are intended for aviation uses. Based on our investigation and analysis of the leaseholds under evaluation, the following opinions of market rental value have been set forth as of January 6, 2026; it is assumed that any potential leases for this land will include a fixed or CPI index which is common for most airport leases.

Property No.	Leasehold Land	Leased Area	Annual Rent	
			Per Sq.Ft.	Extended
1	Aero Drive – Non-aviation	2.9 acres	\$3.76	\$474,980
2	Glenn H Curtiss Road – Aviation	14.1 acres	\$2.44	\$1,498,640
3	Kearny Villa Road - Aviation	2.63 acres	\$2.15	\$246,310

The rental values for the land in this appraisal utilize the hypothetical condition that there are no environmental issues impacting development of the site; it is assumed that any environmental mitigation required or limitations to development due to environmental concerns on these properties would be addressed during lease negotiations.

Following is an appraisal report containing factual information, market data, and the analyses which form the basis for the opinions rendered. This appraisal has been prepared in accordance with the standards and reporting requirements of the Uniform Standards of Professional Appraisal Practice.

Respectfully submitted,
BUSS-SHELGER ASSOCIATES

A handwritten signature in blue ink, appearing to read "Lara Buss", is positioned above the printed name.

Lara Z. Buss, MAI

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GENERAL INFORMATION

INTRODUCTION

Buss-Shelger Associates has been asked to appraise the market rental value for three leaseholds involving undeveloped land at Montgomery-Gibbs Executive Airport. There are two sites designated for aviation uses, with 2.63 and 14.1 acres respectively, both of which have access to Taxiway G on the airfield; there is one parcel with 2.9 acres which fronts Aero Drive that has been approved for non-aviation uses. All three properties have public street frontage and are located in the southwest quadrant of the Airport.

PURPOSE OF APPRAISAL

The purpose of this appraisal is to determine the market rental value for the three subject land parcels.

DATE OF VALUE

The opinions and matters expressed in this report are stated as of January 6, 2026, the date of property inspection.

INTENDED USE/INTENDED USERS

This appraisal has been requested by Michael Keagy, MAI, Principal Appraiser, representing the City of San Diego's Economic Development Department. This appraisal is intended to be used to establish a market rental value for the three undeveloped land parcels at Montgomery-Gibbs Executive Airport.

OWNERSHIP AND IDENTIFICATION

The leaseholds in question are owned by the City of San Diego; they are located in the southwestern portion of Montgomery-Gibbs Executive Airport.

PROPERTY RIGHTS APPRAISED

This appraisal addresses the market rental value of the three land parcels based on an expected rate of return applied to the market value of the fee simple interest in the land, after accounting for the encumbrances of being located on an airport.

SCOPE OF APPRAISAL

To achieve the stated purpose, the appraiser has evaluated the subject parcels and surrounding area, plus collected, confirmed, and analyzed pertinent market data necessary to form the opinions of market value for the land. The parcels in question have been analyzed via a comparative approach utilizing recent transfers of non-residential land from within the surrounding marketplace. The leaseholds may have some environmentally sensitive areas which would need to be addressed if developed. While the appraiser has reviewed the environmental report, the appraiser is not qualified to determine mitigation required or restrictions to development due to the environmental concerns noted. A hypothetical condition has been made that the land is free of environmental concerns and can be developed in accordance with the uses permitted by the Airport Master Plan. As a result, the land value has not been discounted for environmental concerns; it is assumed that any mitigation required will be address through the lease negotiation process.

The off-airport land value determined for each leasehold via the comparative approach has been discounted to account for the development and use restrictions imposed by both the FAA and the City of San Diego as a result of their location on the Airport, as well as for the limitations based on their leasehold property rights. In order to determine a market rental value, current rates of return from ground leased land and outdoor storage acquisitions in San Diego County have been examined; additionally, a survey pertaining to expected rates of return by investors has been consulted. Based on these indices, a rate of return has been applied to the on-airport land value to determine an appropriate annual ground rental rate for the parcels being evaluated.

While the rental value for improvements on an airport (hangars, terminal space, cargo facilities, office space, etc.) are typically evaluated in comparison to other similar facilities at comparable airports, land rental valuation is usually based on the value of land in the immediate area surrounding an airport. The FAA Memo identified as Compliance Guidance Letter 2018-3, dated August 27, 2018, provides guidance in determining the market rental value for aviation land based on the methodology applied in this report. It assumes that any landlord would require a return on the value of the land that is leased; the value of the land is determined by its location, allowed uses, and demand as reflected in prices for comparable properties in the competitive market area. The FAA further recommends considering any use and development restrictions applied to aeronautical land based on FAA regulations and those of the Master Plan governing the airport. In the event a comparative approach is undertaken utilizing land rental rates at other general aviation airports, it is common to employ a location adjustment based on the prevailing land values in the subject airport's immediate vicinity as compared to the land values surrounding the airports included in the survey; this adjustment is effectively utilizing the land value in an airport's immediate locale to determine the rental value. Given the lower land base surrounding most general aviation airports in Southern California in comparison to land prices near Montgomery-Gibbs Executive Airport, a subjective location adjustment would be required, eroding reliability to the point that the comparables would have no reasonable contribution to the analysis; as a result, a comparative analysis has not been undertaken.

HIGHEST AND BEST USE

Definition (The Dictionary of Real Estate Appraisal – 7th Edition)

“The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.”

Optimum Use

The usage of land and improvements at the Montgomery-Gibbs Executive Airport is subject to the plans of the City of San Diego's Montgomery-Gibbs Airport Master Plan and Airport Layout Plan. Additionally, the land uses and development restrictions are subject to the Federal Aviation Administration (FAA) guidelines. The two aviation parcels in this study have the ability to be connected to the taxiway and would most optimally be developed with aeronautical facilities given their secondary street frontage. The non-aviation site which fronts Aero Drive would most optimally be utilized for commercial uses (i.e. office, retail, restaurants, service commercial, or hospitality facilities) consistent with the surrounding properties which will benefit both the airport, as well as the new mixed-use residential development along Aero Drive.

DEFINITIONS

Market Value (Appraisal Institute – The Dictionary of Real Estate Appraisal, 7th Edition)

“The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.”

Market Value (FAA Advisory Circular No. 150/5100-17, dated November 7, 2005)

“The highest price on the date of valuation that would be agreed to by the seller, being willing to sell but under no particular or urgent necessity for so doing, nor obligated to sell, and a buyer, being ready, willing and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.”

Fee Simple Estate (Appraisal Institute – The Dictionary of Real Estate Appraisal, 7th Edition)

“Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

Rental Value (Appraisal Institute – The Dictionary of Real Estate Appraisal, 7th Edition)

“The most probable rent that a property should bring in a competitive and open market under all conditions requisite to a fair lease transaction, the lessee and lessor each acting prudently and knowledgeably, and assuming the rent is not affected by undue stimulus.”

Leasehold Estate (Appraisal Institute - The Dictionary of Real Estate Appraisal, 7th Edition)

“The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.”

As Is Market Value (Appraisal Institute - The Dictionary of Real Estate Appraisal, 7th Edition)

“The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.”

Hypothetical Condition (The Dictionary of Real Estate Appraisal, 7th Edition)

“A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.”

LOCATION AND SURROUNDINGS

AIRPORT OVERVIEW

Montgomery-Gibbs Executive Airport is situated in the north central portion of the City of San Diego, in a district identified as Kearny Mesa. It is a general aviation airport, classified by the FAA as a National Asset, with a combination of hangar rentals (primarily through FBOs) and tie-downs; there are some smaller businesses that provide light aircraft repair services and flight schools. There are three runways, one at 4,598 feet by 150 feet, one with 3,401 feet by 60 feet, and the last with 3,400 feet by 75 feet; the airfield has a FAA ATCT (Air Traffic Control Tower). The airport is a designated reliever airport for San Diego International Airport. There are roughly 435 aircraft based on the airfield with over 1,000 aircraft operations per day. The Airport has fuel options provided by the FBOs, as well as transient parking available. Immediately north and northeast of the airport are business/industrial parks and research/development facilities; to the south beyond the main corridor, the region is primarily residential with supporting neighborhood commercial development. The following aerial identifies the location of the properties under analysis on the airport.



KEARNY MESA MARKET OVERVIEW

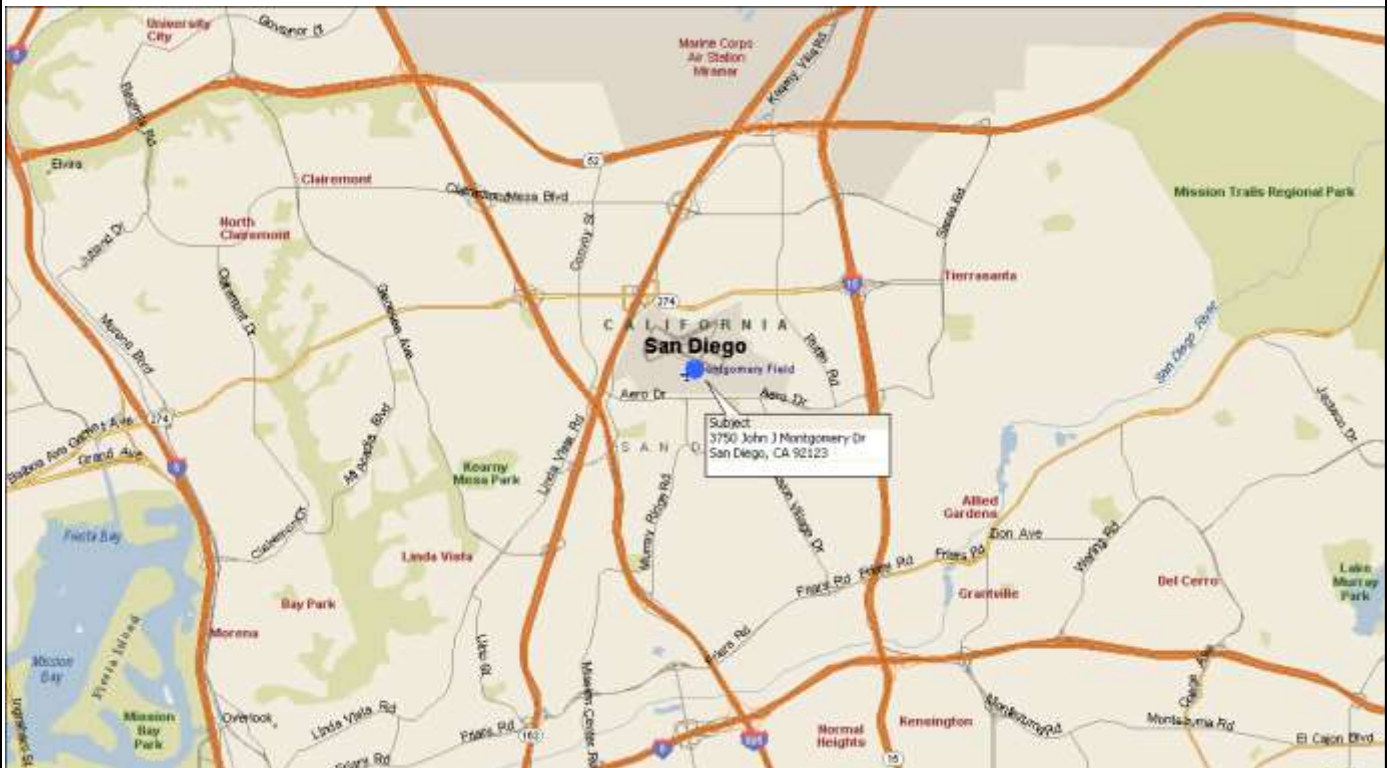
The subject holdings are situated in the southwest quadrant of Montgomery-Gibbs Executive Airport in San Diego, California within San Diego County. The specific area in which the Airport is located is identified as Kearny Mesa. This region is generally south of State Highway 52, between the Interstate 805 and 15 Freeways; the southern boundary of the district the residential area of Serra Mesa, just south of the airport, which extends south to the Interstate 8 Freeway. State Highway 163 bisects the district providing additional highway access to the Airport.

The subject's submarket consists of a mixture of office, technology, retail, and residential development. The goal of the most recent community plan for the Kearny Mesa district is to transform the area from a suburban environment to a more urban locale featuring higher density residential housing and live/work projects. Additionally, the office and business parks are slated to be more densely developed as opposed to spread-out campuses. As the community begins the transformation to a "Urban Village", there has been demand for new mixed-use, business/office park, and residential development. The result has been a significant increase in land prices in the marketplace over the past five to ten years.

The area north and northeast of the Airport is primarily zoned for and comprised of business/industrial parks, research and development facilities, and office space with a high concentration of technology companies. On the southern side of the Airport, redevelopment is already in progress to create mixed-use villages comprised of a high-density residential component with supporting commercial venues; this provides a gradual transition to the existing suburban residential area of Serra Mesa further to the south. The Kearny Mesa community on a whole is already fully developed; as a result, the new community plans to transform the district are being accomplished primarily through redevelopment.

IMMEDIATE SURROUNDINGS

The southern boundary of Montgomery-Gibbs Executive Airport is Aero Drive, with the western boundary being Kearny Villa Road; this is the location of the subject leaseholds. On the north side of Aero Drive in the immediate vicinity of the properties under analysis, there is a hotel at the northeastern corner of Kearny Villa Road and Aero Drive, and to the east along Aero Drive are office buildings and commercial facilities. On the south side of Aero Drive, there is a mixture of industrial, office, and multifamily residential facilities, as well as a private school. Many of the older industrial sites have been redeveloped or are planned for redevelopment with housing or mixed-use residential projects. To the south beyond the properties fronting Aero Drive is the residential community of Serra Mesa. The Location Map below provides the situs of the Airport within the broader region.



SUBJECT PROPERTY DESCRIPTIONS

PROPERTY NO. 1 – 2.9 ACRES - AERO DRIVE

Features

Location:	Northwest corner of Aero Drive and Glenn H. Curtiss Road
Land Area:	2.9 gross acres per Airport personnel; net acreage may be less due to environmental issues.
Topography:	Relatively level with streets and surrounding land.
Hazards:	There are no known flood or earthquake hazard zones associated with the subject parcel.
Site Improvements:	Raw unimproved land.
Utilities:	All public service utilities are available at the street for extension to the property.
Access:	Currently, the parcel is within the secured perimeter of Montgomery-Gibbs Executive Airport. Given that the land has been approved for non-aviation uses, it is assumed that if the property is developed, the fence-line will be relocated allowing public access to the site.

Aerial View



Airport Non-Aviation Map



SD Airports
Montgomery-Gibbs Executive
Airport Master Plan

Figure 3.10
Non-Aeronautical Land Uses



Street View



PROPERTY NO. 2 – 14.1 ACRES – GLENN H. CURTISS ROAD

Features

- Location: West side of Glenn H Curtiss Road, north Aero Drive, south of Taxiway G.
- Land Area: 14.1 gross acres per Airport personnel; net acreage might be less due to environmental issues.
- Topography: Relatively level with street and surrounding land.
- Hazards: There are no known flood or earthquake hazard zones associated with the subject parcel.
- Site Improvements: Raw unimproved land.
- Utilities: All public service utilities are available at the street for extension to the property.
- Access: The parcel is within the secured perimeter of Montgomery-Gibbs Executive Airport and designated for aviation uses. Access would be available to individuals authorized by the Airport or by airport operator. Glenn H Curtiss Road is the public street that provides access to this site, presumably through an airport security gate.
- Building Limitations: There is a small part of the northern portion of this site which is within the Building Restriction area (green dashed line) of a runway which limits any building height to 35 feet. As this area is closer to the taxiway and would likely involve ramp space or smaller hangars, the impact to the development of the property is considered nominal.

Aerial View



Street View



PROPERTY NO. 3 – 2.63 ACRES – KEARNY VILLA ROAD

Features

- Location: East side of Kearny Villa Road, north Aero Drive, western terminus of Taxiway G
- Land Area: 2.63 acres per Airport personnel; net acreage may be less due to two drainage channels which cross the property, one on the east side and one on the west side.
- Topography: The topography is uneven due to the drainage channels; there is a relatively level pad area in the center of the site.
- Hazards: There are no known flood or earthquake hazard zones associated with the subject parcel.
- Site Improvements: Raw unimproved land.
- Utilities: All public service utilities are available from adjacent airport leaseholds for extension to the property.
- Access: The parcel is within the secured perimeter of Montgomery-Gibbs Executive Airport and designated for aviation uses. Access would be available to individuals authorized by the Airport or by an airport operator. Kearny Villa Road is the public street provides street access to this site through an airport security gate.
- Building Limitations: The most of the parcel is within the Building Restriction area (green dashed line) from the runway which limits development to a height of 35 feet.

Aerial View



Street View



LAND VALUATION

BACKGROUND

Montgomery-Gibbs Executive Airport is positioned inland in the northern portion of the City of San Diego; the area is commonly identified as Kearny Mesa. Transfers involving land zoned for, or intended to be developed with, non-residential uses have been researched; the data has been correlated to the subject holding. Subsequently, the FAA and City use restrictions for airport related parcels have been considered with the appropriate discount applied to the prevailing land value.

KEARNY MESA INDUSTRIAL MARKET

Within San Diego County, the Kearny Mesa industrial submarket is mid-sized. In the 2nd Quarter of 2025, there was 95,800 square feet of new industrial space delivered; there are only four other San Diego submarkets with new space under construction or recently delivered. The following table highlights the overall San Diego industrial market and the Kearny Mesa submarket based on Kidder Matthew's Industrial Market Report as the 3rd Quarter of 2025.

<u>Category</u>	<u>San Diego County</u>	<u>Kearny Mesa</u>
Total Inventory (SF)	210,683,164	15,507,450
Under Construction (SF)	2,180,005	0
Vacancy	9.7%	4.5%
YTD Absorption (SF)	(1,686,326)	166,420
Monthly Asking Rent (Per SF)	\$1.48	\$1.95

The vacancy rate for the subject submarket is below the overall rate for the County due to high demand in the locale. Compared to the same time last year, Countywide vacancy rates have increased to a rate not seen in over a decade; vacancy in the subject's locale mirrored this trend despite being less than half of the overall County figure. The asking rents in the County have decreased year-over-year which corresponds to increasing vacancy rates. The asking rents in the

subject's locale are higher than the County average, likely due to Kearny Mesa's centralized location within the County and excellent access to multiple freeways.

In mid-2023 when interest rates began to increase significantly, the marketplace began to soften due to the higher cost of capital, inflated construction costs, and economic uncertainty. Since a peak in 2021, sales volume and leasing activity have been declining in the County which is also reflected in the negative net absorption since 2023. In contrast to the countywide negative absorption, the year-to-date net absorption in Kearny Mesa is the highest of all of the County's submarkets. Industrial demand for this centralized location will remain high as it allows for easy access to all parts of the County.

OFF-AIRPORT LAND VALUE

Overview

Given the fully built-out nature of the Kearny Mesa/Clairemont Mesa area, there are relatively few recent land acquisitions; as a result, a longer timeframe has been examined to uncover purchases in the competitive marketplace. Due to the new community plan for Kearny Mesa enacted in 2020, there are many sites in the area which have been rezoned to allow for high-density residential housing, despite having been previously used for industrial or commercial purposes. Additionally, many commercially zoned properties now allow for low density residential development for the entire site or as a component of a mixed-use project.

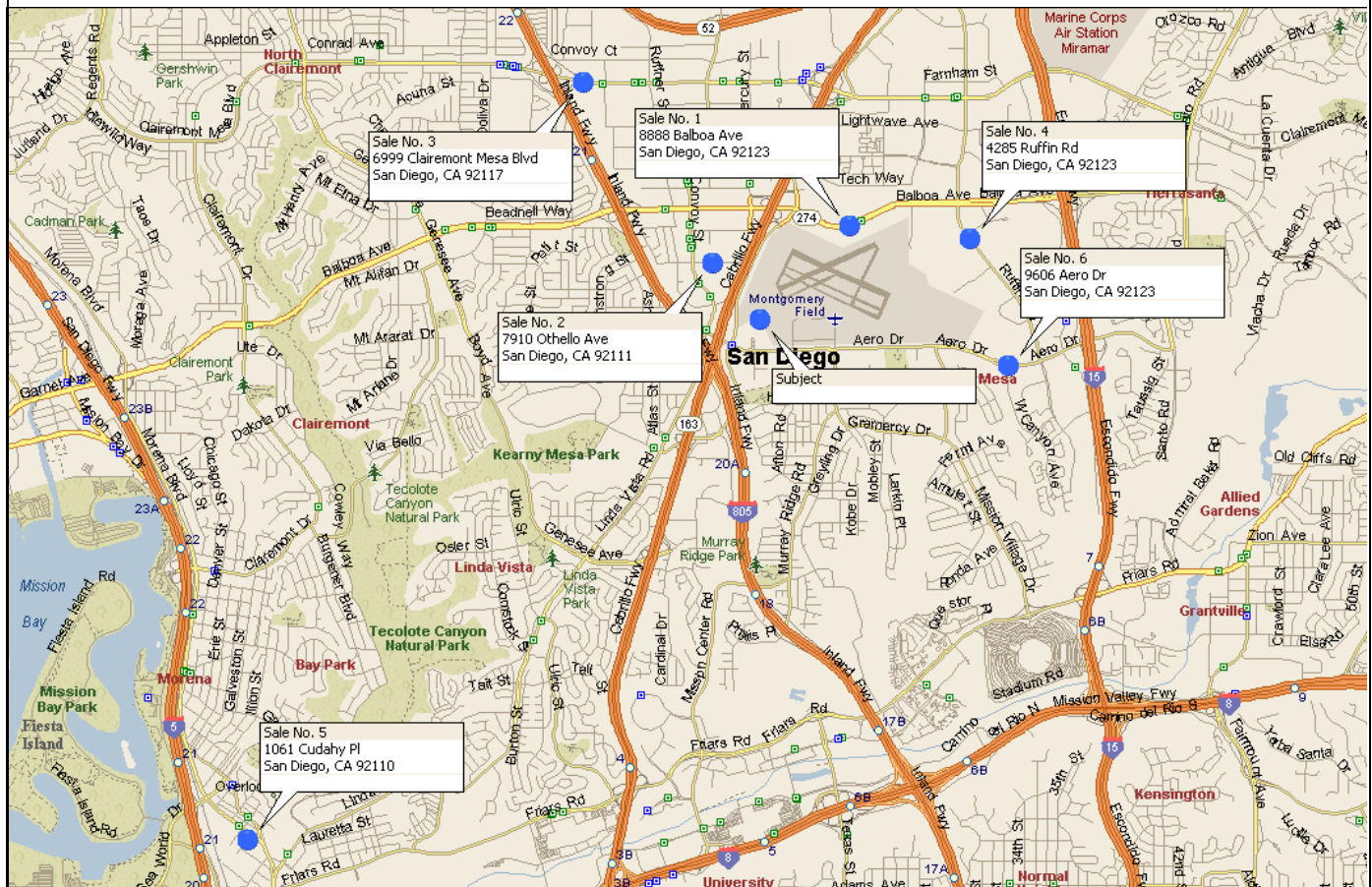
The subject properties allow for industrial, commercial, hospitality, and service commercial uses; as a result, only non-residential sales involving more than one acre have been assembled for a comparative analysis. Sales since the beginning of 2021 have been listed chronologically in the table below with a Land Sales Map on the following page.

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Sales Summary

Sale No. Date	San Diego Address	Land Area Existing Use	Current Zoning	Sale Price Price/SF
1 2/21	8888 Balboa Avenue	241,758 SF Industrial/Flex	IL-2-1	\$19,800,000 \$82
2 4/21	7910 Othello Avenue	88,862 SF Service Building	IL-2-1	\$7,125,000 \$80
3 9/21	6999 Clairemont Mesa Boulevard	242,629 Former Boomers	EMX-2	\$13,000,000 \$54
4 2/23	4285 Ruffin Road	46,174 SF Damaged Bank	IP-2-1	\$3,950,000 \$86
5 6/24	1061 Cudahy Place	49,223 SF Industrial Facility	IL-3-1	\$4,300,000 \$87
6 8/24	9606 Aero Drive	186,001 SF Data Warehouse	IL-2-1	\$12,100,000 \$65

Land Sales Map



Land Value Trend

There are very few land transfers in this highly developed area of San Diego; additionally, many of the recent sales involving redevelopment sites have already been entitled for or developed with residential projects. The acquisitions in this study indicate a price range from \$54 to \$87 per square foot; each property has been acquired for continued industrial, commercial, or office usage which is supported by zoning and the new land use plan.

Sales Recap

Sale No. 1 (\$82/SF) - The existing improvements associated with Sale No. 1 were intended to be demolished in favor of a new, larger industrial building. The new facility has been completed.

Sale No. 2 (\$80/SF) – This parcel has an extremely low site coverage and is primarily utilized for parking of service vehicles; the lease in-place at the time of transfer expired in late 2021, and the buyer's long-term plans for the site have not been made known.

Sale No. 3 (\$54/SF) – This acquisition involves a former Boomers entertainment center; the site was purchased to construct a new Mazda car dealership which has already been completed.

Sale No. 4 (\$86/SF) – This transaction involved a badly damaged bank building which was demolished subsequent to the purchase. The buyer decided to forego redevelopment, and it has been for sale as land or for lease as a build-to-suit opportunity. The site has been available in the market for a prolonged period of time without interest due to high asking price which exceeds \$100 per square foot.

Sale No. 5 (\$87/SF) – The acquisition of this older, industrial building was by the neighboring Public Storage facility. It is assumed that this site will be used to expand the adjacent self-storage facility.

Sale No. 6 (\$65/SF) – The property was acquired with a short-term leaseback in-place for a portion of the improvements. After the tenant vacates the property, the buyer intends to reconfigure the land and improvements for outdoor industrial storage. This property is along the eastern border of the Airport; while not in the Runway Protection Zone, it is within Safety Zone 2 which the FAA recommends limiting to low density uses due to higher risk of aviation accidents.

Value Analysis

Parcel size influences the price per square foot with larger facilities typically transferring for a lower price per square foot; this price pattern is evident in this study. The smaller size of Sale Nos. 4 and 5 at just over one acre is reflected in their higher prices of \$86 and \$87 per square foot;

the other data items that are more than 2 acres in size form a lower price bracket from \$54 to \$82 per square foot. Among the larger parcels, the industrial sites which transferred in 2021, Sale Nos. 1 and 2, average \$81 per square foot. Sale No. 3 is the only commercially zoned site which sold for \$54 per square foot. The lower price of \$54 per square foot is due to the limited street frontage/visibility and overhead power lines which constrain the potential uses for the site and decrease the developable land area. Sale No. 6 is the most recent transfer of a larger industrial site; this data item was acquired for \$65 per square foot. The lower price for this data item is due to its lack of direct street frontage or visibility from the street as access to Sale No. 6 is via a long, private, sloping road.

Each of the subject parcels have been compared to the data items based on market conditions, street frontage, size, access, and development constraints; this latter category does not include the aviation use limitations which will be address in the ensuing section of this report. Market conditions during the timeframe covered have fluctuated. After the new Kearny Mesa zoning was passed in 2020, the land prices increased over the next few years through the first half of 2023 when they peaked. In the second half of 2023, inflation rose significantly, increasing the cost of construction, and interest rates increased substantially raising the cost of capital. As a result, land prices from late 2023 through 2025 softened to the prices from roughly 2021 through the beginning of 2022. Due to these fluctuations, there has been no market condition adjustment to the 2021 or 2024 sales. Sale No. 4 occurred at the peak of price levels in early 2023; this is the only data item considered superior based on market conditions.

As all of the market data items in this study had utilities connected and were finished, level sites, unlike the subject holdings, the resulting price benchmarks have been adjusted for the raw status of the land. The price difference between raw land and finished sites with utilities are between 15% to 25% depending on the land prices in the area. In the case of the subject marketplace in which land prices are elevated, a lower percentage in indicated. A deduction of 15% has been taken from the indicated price for each subject property based on the raw status of the land under

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evaluation. Based on the individual attributes of the subject leaseholds, the following land prices have been adopted

Property No. 1 – Aero Drive - 2.9 acres

Sale No.	Market Conditions	Street Frontage	Parcel Size	Property Access	Development Potential	Overall Comparability	Price Per SF
1	Similar	Similar	Similar	Similar	Similar	Similar	\$82
2	Similar	Inferior	Similar	Similar	Similar	Inferior	\$80
3	Similar	Inferior	Similar	Similar	Inferior	Inferior	\$54
4	Superior	Similar	Superior	Similar	Similar	Superior	\$86
5	Similar	Inferior	Superior	Similar	Similar	Similar	\$87
6	Similar	Inferior	Similar	Inferior	Similar	Inferior	\$65

The subject non-aviation parcel has a corner situs along Aero Drive. It is well positioned as there are many new developments which have recently been completed in the immediate vicinity. Based on the attributes of comparison in the preceding table, the similar properties in this study indicate a price range from \$82 to \$87 per square foot for the property in question. Utilizing a mid-range value of \$85 per square foot, the price has been discounted by 15% for the raw land status of the subject resulting in a value of \$72.25 per square foot. This value uses the hypothetical condition that there are no environmental issues that would impact development of the site or that need to be mitigated.

Property No. 1 – Off-airport Land Value \$72.25/SF

Property No. 2 – Glenn H Curtiss Road - 14.1 acres

Sale No.	Market Conditions	Street Frontage	Parcel Size	Property Access	Potential Uses	Overall Comparability	Price Per SF
1	Similar	Superior	Similar	Similar	Similar	Superior	\$82
2	Similar	Similar	Superior	Similar	Similar	Superior	\$80
3	Similar	Inferior	Superior	Similar	Inferior	Inferior	\$54
4	Superior	Superior	Superior	Similar	Similar	Superior	\$86
5	Similar	Similar	Superior	Similar	Similar	Superior	\$87
6	Similar	Inferior	Superior	Inferior	Similar	Inferior	\$65

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This aviation land has the potential to be publicly accessible due to its extensive street frontage on Glenn H Curtis Road; a small section in the northern part of the site near Taxiway G has a building height restriction of 35 feet. Sale Nos. 3 and 6, at \$54 and \$65 per square foot, are considered to be inferior with the other transactions from \$80 to \$87 per square foot superior. A price between \$65 and \$80 per square foot is reasonable for the land under analysis. Recognizing the larger size of the holding under analysis, a value of \$68 per square foot has been adopted for the subject property. This value uses the hypothetical condition that there are no environmental issues that would impact development of the site or that need to be mitigated. Applying a 15% discount for the raw land status results in a value of \$57.80 per square foot for the property under evaluation.

Property No. 2 – Off-airport Land Value \$57.80/SF

Property No. 3 – Kearny Villa Road - 2.63 acres

Sale No.	Market Conditions	Street Frontage	Parcel Size	Property Access	Potential Uses	Overall Comparability	Price Per SF
1	Similar	Superior	Similar	Superior	Superior	Superior	\$82
2	Similar	Similar	Similar	Superior	Superior	Superior	\$80
3	Similar	Inferior	Similar	Superior	Similar	Similar	\$54
4	Superior	Superior	Superior	Superior	Superior	Superior	\$86
5	Similar	Similar	Superior	Superior	Superior	Superior	\$87
6	Similar	Inferior	Similar	Similar	Superior	Similar	\$65

While visible from Kearny Villa Road, the subject holding has two drainage channels which may potentially diminish the net usable area of the property. Additionally, the land is within the Building Restriction zone that limits development to a height of 35 feet. The most similar properties in this study are considered to be Sale Nos. 3 and 6 at \$54 and \$65 per square foot; an average of \$60 per square foot has been adopted for this land. With the 15% discount for its raw, undeveloped status, a value of \$51.00 per square foot emerges.

Property No. 3 – Off-airport Land Value \$51.00/SF

ON-AIRPORT LAND VALUE

Overview

Airport parcels are constrained by both safety issues with respect to buildable areas and height limitations, as well as by land usage restrictions which limit operations to aeronautical uses only. In addition, the land cannot be purchased and owned as a fee simple site; it can only be leased. The leases for on-airport properties are subject to FAA Grant Assurances which further restricts rental rates to only allow airports to cover their operation costs; this discourages any type of investment incentive beyond servicing the aviation community. These factors suggest airport leased sites should be discounted to reflect these on-airfield restrictions.

Use and Development Restrictions

As an airport property, the land in question is subject to certain use restrictions as defined in the Federal Aviation Administration Regulations Part 77. Primarily these limitations involve property use, plus location and height restrictions in relation to the airport surfaces. A brief recap of FAA Part 77 Regulations is as follows.

- Approach Slope - The approach slope is an incline of 50 to 1 extending 10,000 feet from the ends of the runway, decreasing to 40 to 1 from a distance of 10,000 feet to 50,000 feet.
- Transitional Slope - Transitional slopes extend laterally from the runway at a gradient of 7 to 1, terminating at the intersection with the horizontal surface.
- Primary Surface - A zero height limit applies to all areas within 500 feet of the sides of all runway centerlines and 200 feet beyond each end of a runway.
- Horizontal Surface - The horizontal surface is comprised of an imaginary plane 150 feet above the runway surface, extending outward to a radius of 13,000 feet.
- Clear Zone - A geometric fan, the clear zone extends 2,500 feet out from the approaches to runways or primary surfaces and is a designated flight hazard area.

FAA restrictions serve a necessary function, without which the airport could not operate safely and efficiently. While protective in nature, the guidelines are also restrictive, limiting permitted land uses. For Property No. 1 which involves publicly accessible, non-aviation land, there are still buildable height restrictions, and the utilization of the land is subject to Airport approval. These restrictions are diminished by the location of the property on the periphery of the larger Airport holding which further away from the runway; as a result, a lower discount of 10% has been applied to account for these limitations.

For Property Nos. 2 and 3, which involve aviation land, the uses are limited to primarily aeronautical uses and cannot be developed with a non-aeronautical facility, unless permitted by the FAA. Additionally, all of Property No. 3 and a portion of Property No. 2 have a 35-foot building height restriction. In a densely built-out market, the use and development constraints impact land values even more significantly as there is high demand for development land. Based on the building and usage restrictions and the high demand for land in the subject's locale, a land value discount of 25% has been applied to Property Nos. 2 and 3.

Leasehold Property Rights Restrictions

Airport lands leased by tenants do not enjoy the same level of utility as off-airport parcels. The land cannot be purchased and owned as a fee simple site; additionally, most airport lessees are constrained from creating the same site development intensity as conventional industrial and off-airport properties. Lessees are also constrained by the inability to recycle the use of the land consistent with changing market conditions. Finally, leasehold sale/sublease opportunities are not permitted without specific permission by the governmental entity holding the lessor's position. Given the lack of available land in the subjects' marketplace, the property rights restrictions present a further impediment to development of the land in question; as a result, a land value discount rate of 10% has been applied to all three leasehold land parcels.

Land Value Determination

The major concerns that comprise the overall land value discount are recapped in the following table.

Land Value Consideration	Discount Percentage	
	Property No. 1	Property Nos. 2 & 3
Use Restrictions	10.0%	25.0%
Leasehold Constraints	10.0%	10.0%
Total Discount	20.0%	35.0%

Aviation Land Value:

Property No. 1 - \$72.25 x 80% (20% discount).....	\$57.80/SF
Property No. 2 - \$57.80 x 65% (35% discount).....	\$37.57/SF
Property No. 3 - \$51.00 x 65% (35% discount).....	\$33.15/SF

LAND RENTAL VALUE DETERMINATION

OVERVIEW

Over time it has been demonstrated that the value of airport land is directly related to the value of surrounding land with similar zoning which has been purchased and developed for industrial and service commercial activities. Given the high demand for land in the area near the subject properties, a market yield rate has been utilized in this analysis to determine the rental value for the parcels in question.

EXPECTED RATE OF RETURN

To understand investors' expected returns in industrial land in the San Diego market, research has been conducted into recent ground-leased land transfers in the County. Given the built-out nature of the western half of San Diego, most industrial ground leases involve outdoor industrial storage yards. Recent transfers involving ground leases and industrial outdoor storage yards indicate rates of return varying from 6.1% to 7.9%. The recent acquisitions are listed in the following table.

<u>Sale Date</u>	<u>Property Address</u>	<u>Rate of Return</u>
6/24	9550-9558 Camino Ruiz, San Diego	6.1%
11/24	2570 S. Santa Fe Avenue, Vista	6.5%
7/25	2660 Cactus Road, San Diego	6.3%
7/25	9690-9694 Black Mountain Road, San Diego	7.9%
8/25	3384 Main Street, Chula Vista	7.0%
10/25	704 Rock Springs Road, Escondido	6.7%

Given the potential lease arrangements for the subject properties, the following rates of return from PricewaterhouseCoopers Real Estate Investor Survey have been considered.

<u>Category</u>	<u>Range</u>	<u>Average</u>
Industrial Outdoor Storage Market – Q4/2025	6.90% to 8.60%	7.75%
Industrial Land Outdoor Storage – Q4/2025	6.50% to 10.00%	8.25%
Net Lease Market – Q4/2025	6.25% to 9.00%	7.38%

The two outdoor storage indicators have averages of 7.75% and 8.25%; the net leased average is lower at 7.38%. These rates are higher than the recent San Diego transfers of outdoor

BUSS-SHELGER ASSOCIATES

storage yards which have an average rate of return of 6.75%. The lower regional rate in comparison to the national indicators is likely attributed to the higher property values in San Diego compared to the nation. Utilizing the regional indicator of 6.75%, a more conservative return 6.5% has been adopted for the airport recognizing that the ground leases are typically on a long-term basis, subject to annual increases, and require some amount of capital investment.

RENTAL DETERMINATION

A rate of return of 6.5% has been applied to the on-airport land values for the sites under analysis resulting in the following annual ground rental rate.

Property No. 1 - \$57.80 x 6.5%.....	\$3.76/SF
Property No. 2 - \$37.57 x 6.5%.....	\$2.44/SF
Property No. 3 - \$33.15 x 6.5%.....	\$2.15/SF

VALUATION

Based on the investigation and analyses, the following market rental values emerge for the three land leaseholds under analysis at Montgomery-Gibbs Executive Airport as of January 6, 2026. The extended rental figures in the following table have been round to the nearest \$5.

Property No.	Leasehold Land	Leased Area	Annual Rent	
			Per Sq.Ft.	Extended
1	Aero Drive – Non-aviation	2.9 acres	\$3.76	\$474,980
2	Glenn H Curtiss Road – Aviation	14.1 acres	\$2.44	\$1,498,640
3	Kearny Villa Road - Aviation	2.63 acres	\$2.15	\$246,310

LIMITING CONDITIONS

This report is made expressly subject to the following conditions and stipulations:

- 1) No responsibility is assumed by Buss-Shelger Associates for matters which are legal in nature.
- 2) No opinion of title is rendered and the property is appraised as though free of all encumbrances and the title marketable.
- 3) The appraisal covers the property described only.
- 4) No survey of the boundaries of the property has been made. All areas and dimensions furnished are assumed to be correct.
- 5) Sources of information are believed to be correct and, where feasible, have been verified.
- 6) By reason of this appraisal, Buss-Shelger Associates is not required to give testimony or to be in attendance in court or at any governmental or other hearing with reference to the property without arrangements having been made relative to such additional employment.
- 7) Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which she is 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 author(s).
- 8) Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property were not called to the attention of nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test for such substances. The presence of such hazardous substances may affect the value of the property. The value estimated herein is predicated on the assumption that no such hazardous substances exist on or in the property or in such proximity thereto which would cause a loss in value.

CERTIFICATION

The following certification applies to the market rental value of the three land parcels under evaluation located at Montgomery-Gibbs Executive Airport in San Diego, California.

- The undersigned appraiser has performed no appraisals as an appraiser regarding the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- The undersigned appraiser certifies that she has inspected the properties described herein; that she has no past, present or prospective, direct or indirect interest in or bias with respect to the subject property, nor personal interest or bias toward the parties involved.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are the personal, unbiased professional analyses, opinions, and conclusions of the undersigned; employment in this appraisal report is not in any manner contingent upon returning appraisal findings in any specified or implied amount or otherwise contingent upon anything other than the delivery of this report.
- This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
- To the best of the appraisers' knowledge and belief, all of the statements contained herein, upon which the analyses, opinions and conclusions expressed are based, are true and accurate; that no one other than the undersigned prepared the analyses, conclusions and opinions concerning real estate set forth in this report.
- The appraisers' 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.
- 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 & Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report, Lara Z. Buss, MAI has completed the requirements of the continuing education program of the Appraisal Institute.

Respectfully submitted,
BUSS-SHELGER ASSOCIATES



Lara Z. Buss, MAI

PROFESSIONAL QUALIFICATIONS

LARA Z. BUSS

EXPERIENCE

Buss-Shelger Associates, Los Angeles, California (since 2003).
Associate. Provides consultive and valuation services on all types of vacant and improved properties.

AmerisourceBergen Corp., Orange, California (2001-2003).
Project Manager. Prioritized, designed and managed enhancements to web, desktop and Palm based customer systems including ordering, receiving, inventory and reporting applications. Designed new web and desktop based customer systems.

Accenture, San Ramon, California (1997-2001).
Consultant. Provided technology consulting services including project management, software design and development, and business process analysis.

Buss-Shelger Associates, Los Angeles, California (1995).
Analyst. Conducted field investigations, sales analyses, rental surveys and cost strategies. Analyzed market information, demographic trends and real estate price patterns.

PROFESSIONAL ACTIVITIES

Phi Beta Kappa (Member)
Appraisal Institute (Southern California Chapter)
Lambda Alpha International (Member)

CERTIFICATION/EDUCATION

MAI designated and certified under The Appraisal Institute voluntary program of continuing education for its designated members.

Certified General Real Estate Appraiser in the State of California.
OREA Appraiser Certification No. AG036684

Bachelor of Arts – Vanderbilt University (1997)

ADDENDA

EXHIBIT A – SALE COMPARABLES DETAIL

BUSS-SHELGER ASSOCIATES

Sale No. 1 – 8888 Balboa Avenue, San Diego (APN 369-150-19)

Land Area: 241,758 square feet
Transfer Date: February 2021
Transfer Price: \$19,800,000, or \$82 per square foot

Aerial



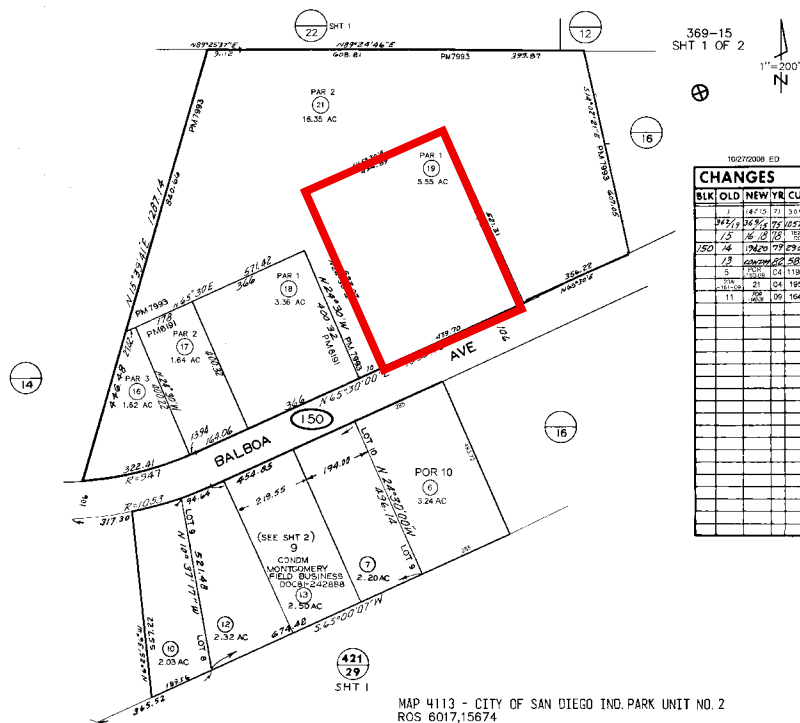
Plat Map

08

369-150-19

THIS MAP WAS PREPARED FOR ASSESSMENT PURPOSES ONLY. NO LIABILITY IS ASSUMED BY THE COUNTY OF SAN DIEGO FOR ANY ERRORS OR OMISSIONS. THIS MAP MAY NOT COMPLY WITH LOCAL SUBDIVISION OR EASEMENT REQUIREMENTS.

SAN DIEGO COUNTY
ASSESSOR'S MAP
BOOK 385 PAGE 15 SHT 1 OF 2



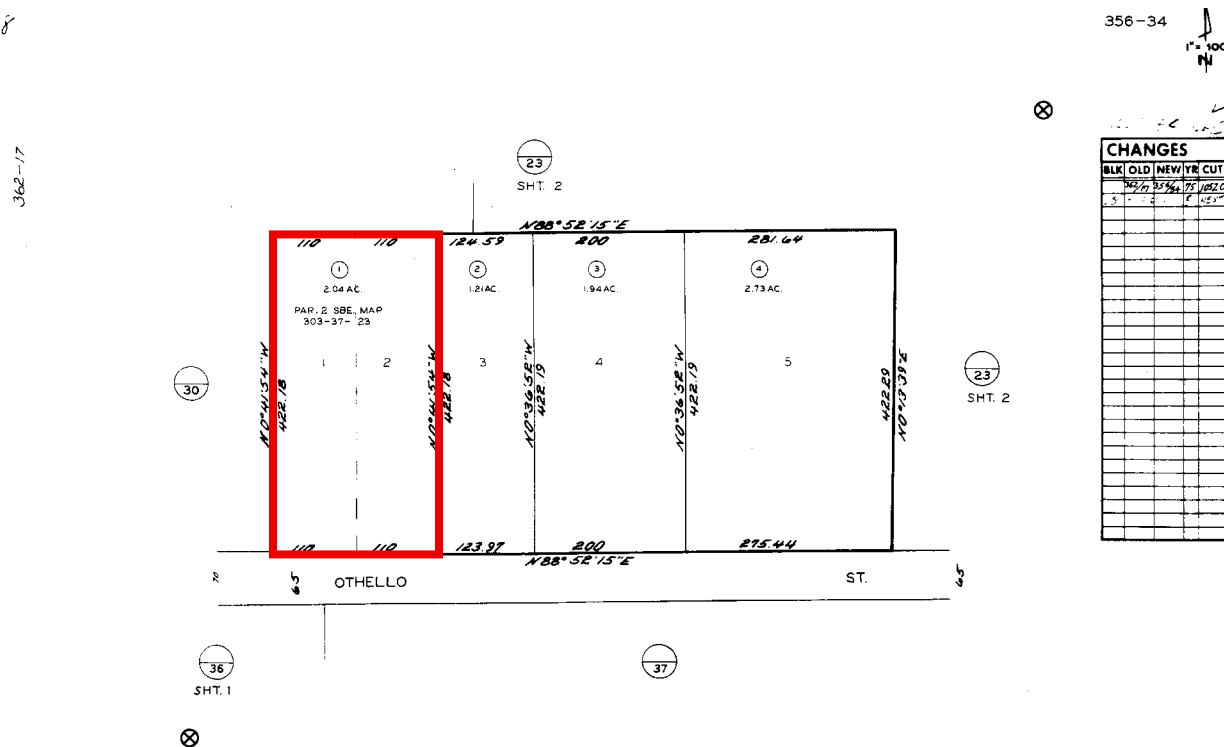
MAP 4113 - CITY OF SAN DIEGO IND. PARK UNIT NO. 2
ROS 6017,15674

Sale No. 2 – 7910 Othello Avenue, San Diego (APN 356-340-01)

Land Area: 88,862 square feet
Transfer Date: April 2021
Transfer Price: \$7,125,000, or \$77 per square foot

An aerial photograph of an industrial area. A yellow rectangle highlights a specific site located between a large parking lot on the left and several large industrial buildings on the right. The highlighted area contains a mix of paved surfaces, some debris, and a few small structures or vehicles. The surrounding area includes various industrial buildings, parking lots, and a road at the bottom.

08



BUSS-SHELGER ASSOCIATES

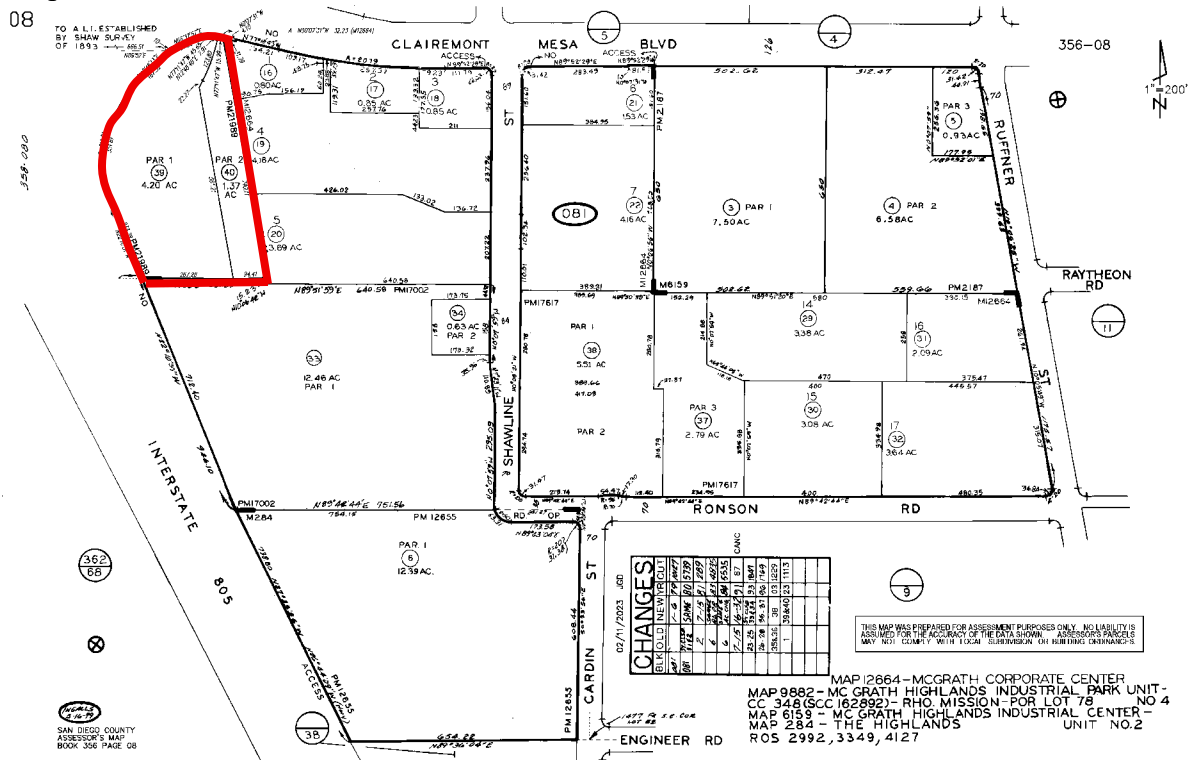
Sale No. 3 – 6999 Clairemont Mesa Boulevard, San Diego (APN 356-081-39 & 40)

Land Area: 242,629 square feet
 Transfer Date: September 2021
 Transfer Price: \$13,000,000, or \$54 per square foot

Aerial



Plat Map



BUSS-SHELGER ASSOCIATES

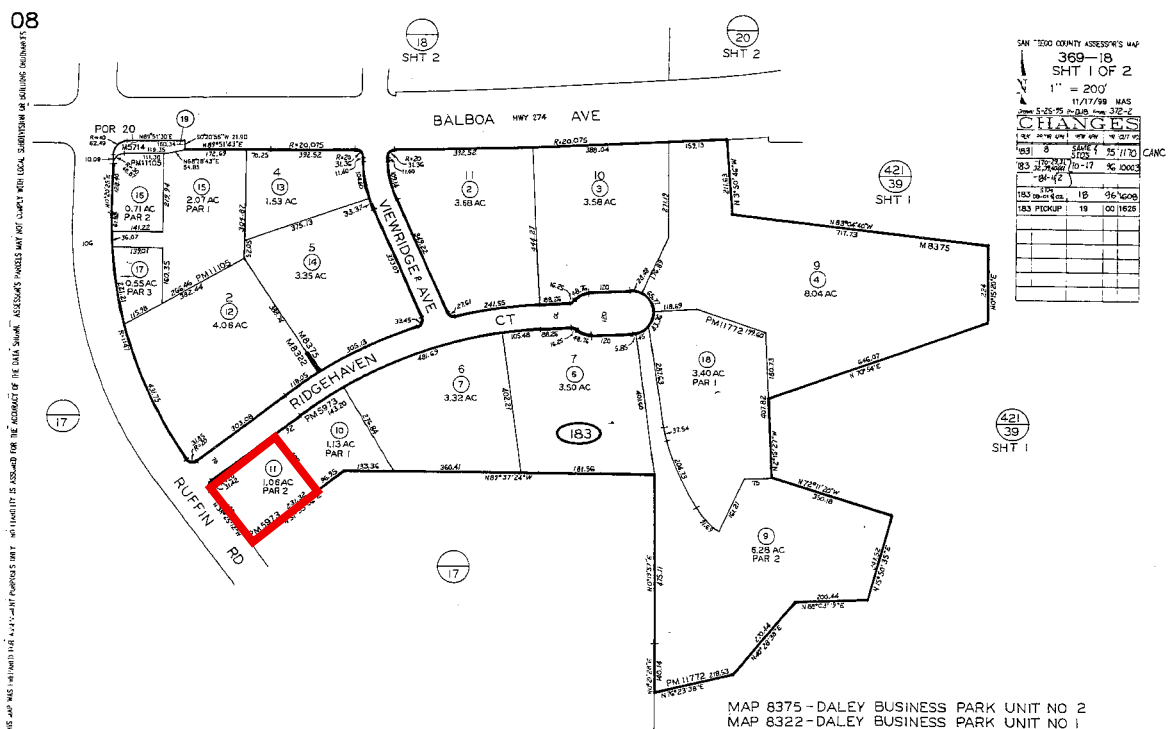
Sale No. 4 – 4285 Ruffin Road, San Diego (APN 369-183-11)

Land Area: 46,174 square feet
 Transfer Date: February 2023
 Transfer Price: \$3,950,000, or \$86 per square foot

Aerial



Plat Map



BUSS-SHELGER ASSOCIATES

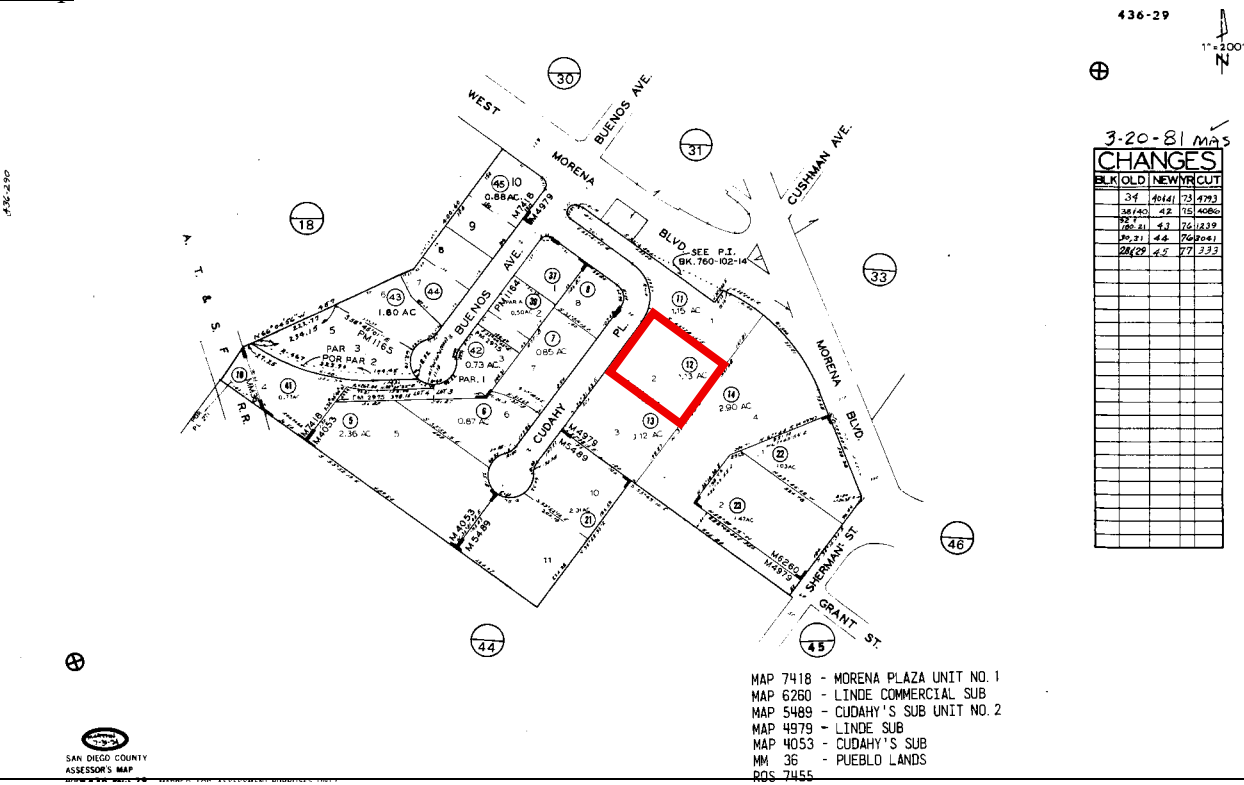
Sale No. 5 – 1061 Cudahy Place, San Diego (APN 436-290-12)

Land Area: 49,223 square feet
Transfer Date: June 2024
Transfer Price: \$4,300,000, or \$87 per square foot

Aerial



Plat Map



3-20-81 MAS

CHANGES			
BLK	OLD	NEW	CUT
34	4041	73	4793
38	40	42	75
40	41	42	76
42	41	42	76
44	41	42	76
46	41	42	76
48	41	42	76
50	41	42	76
52	41	42	76
54	41	42	76
56	41	42	76
58	41	42	76
60	41	42	76
62	41	42	76
64	41	42	76
66	41	42	76
68	41	42	76
70	41	42	76
72	41	42	76
74	41	42	76
76	41	42	76
78	41	42	76
80	41	42	76
82	41	42	76
84	41	42	76
86	41	42	76
88	41	42	76
90	41	42	76
92	41	42	76
94	41	42	76
96	41	42	76
98	41	42	76
100	41	42	76

MAP 7418 - MORENA PLAZA UNIT NO. 1
MAP 6260 - LINDE COMMERCIAL SUB
MAP 5489 - CUDAHY'S SUB UNIT NO. 2
MAP 4979 - LINDE SUB
MAP 4053 - CUDAHY'S SUB
MM 36 - PUEBLO LANDS
ROS 7455

**CURRENT MARKET RENTAL VALUATION
FOUR LEASEHOLDS
BROWN FIELD MUNICIPAL AIRPORT
SAN DIEGO, CALIFORNIA**

BUSS-SHELGER ASSOCIATES

BUSS-SHELGER ASSOCIATES

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March 4, 2026

City of San Diego
Economic Development Department
1200 Third Avenue, Suite 1400
San Diego, California 92101

Attention: Mr. Michael Keagy, MAI
Principal Appraiser/Program Manager

Ms. Erica Manning
Supervising Property Specialist

Reference: Current Market Rental Valuation
Four Leaseholds
Brown Field Municipal Airport
San Diego, California

Our File No. 6045B-25

Ladies & Gentlemen:

Pursuant to your request, we have appraised four leaseholds located at Brown Field Municipal Airport for the purpose of providing current market rental values for the land and improvements associated with each holding. All of the properties are currently intended for aviation use and located inside of the secured airfield perimeter. All rental rates set forth in this appraisal assume a typical airport annual rental increase based on the CPI index, with a minimum increase of 3%. Based on our investigation and analysis of the leaseholds in question, the following opinions of rental value have been set forth as of a current date of January 6, 2026. All of the extended rents have been rounded to the nearest \$5.

Prop. Index	Property Identification	Leased Area	Property Type	Market Rent (Annually)	
				Rent/SF	Extended
1	7020 Curran Street	7,200 SF	Hangar	\$3.60	\$25,920
		1,600 SF	Hangar	\$4.80	\$7,680
		4,068 SF	Office	\$4.20	\$17,085
		87,337 SF	Ramp	\$1.91	<u>\$166,815</u>
				Total	\$217,500
2	NEC Sikorsky Street & Heritage Street	10.721 AC	Raw Land	\$1.59	\$742,540
3	S/S Curran Street	8.2992 AC	Land	\$1.59	\$574,805
4	6810 Curran Street	3,424 SF	Office/Shop	\$5.40	\$18,490
		121,628 SF	Ramp	\$1.91	<u>\$232,310</u>
				Total	\$250,800

The rental valuations are predicated on the following extraordinary assumptions.

- Property No. 1 - The hangar door for the larger hangar has been replaced. Additionally, the interior office space has been painted, the flooring has been replaced, and the wall-mounted HVAC units are functional.
- Property No. 2 - There are no remediation issues from the former fuel farm that would impede aeronautical development of the site.
- Property No. 3 – Aircraft taxiway access would be extended to the property to allow for aeronautical development of the site.
- Property No. 4 – Excluding the historic nose-dock hangar, the other building improvements on this leasehold are tenant owned and have not been included in this valuation.

Following is an appraisal report containing factual information, market data and the analyses which form the basis for the opinion rendered. This appraisal has been prepared in accordance with the standards and reporting requirements of the Uniform Standards of Professional Appraisal Practice.

Respectfully submitted,
BUSS-SHELGER ASSOCIATES

Lara Z. Buss, MAI

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GENERAL INFORMATION

INTRODUCTION

Buss-Shelger Associates has been asked to determine a market rental value for four aviation leaseholds on the south and west sides of Brown Field Municipal Airport in San Diego, California; all four holdings are currently within the secured perimeter of the Airport.

Prop. Index	Property Identification	Leased Area	Property Type
1	7020 Curran Street	98,205 SF 7,200 SF 1,600 SF 4,068 SF	Land Hangar Hangar Office
2	NEC Sikorsky Street & Heritage Street	10.721 AC	Raw Land
3	S/S Curran Street	8.2992 AC	Land
4	6810 Curran Street	2.92 AC 3,424 SF 121,628 SF	Land Hangar Ramp

All of the leaseholds have access from Curran Street, an interior airport road providing access to the airfield and the aviation facilities at the airport; Property No. 2 extends westerly from the western terminus of Curran Street to Heritage Street and south to Sikorsky Street. The aerial below identifies each of the four leaseholds.



PURPOSE OF APPRAISAL

The purpose of this appraisal is to determine the market rental value of the four leaseholds as of a current date of value.

DATE OF VALUE

The opinions and matters expressed in this report are stated as of January 6, 2026, the date of property inspection.

INTENDED USE/INTENDED USERS

This appraisal was prepared at the request of Michael Keagy, MAI, representing the City of San Diego Economic Development Department, on behalf of Airport Lease Administration, for negotiating new leases for the land and buildings under analysis.

PROPERTY OWNERSHIP

The properties in question are owned by the City of San Diego and located at Brown Field Municipal Airport.

PROPERTY RIGHTS APPRAISED

This appraisal addresses the market rental value of four aviation leaseholds. The land rental value is predicated on the market value of the fee simple interest in the property, discounted for use constraints related to the location on airport land.

SCOPE OF APPRAISAL

To achieve the stated purpose, the appraiser has evaluated the subject properties and surrounding area, plus collected, confirmed, and analyzed pertinent market data necessary to form the opinions of market rental value. The land parcels in question have been analyzed via a comparative approach utilizing recent transfers of industrial outdoor storage yards and industrial/service commercial land within the surrounding marketplace. Since all of the parcels are currently within the Airport's secured perimeter, there are development and use restrictions imposed by the FAA due to the proximity of the parcels in relationship to the aircraft runway, as well as use limitations based on their leasehold status. The discount resulting from being aviation land has been applied to the prevailing unencumbered land value producing an on-airport land value. In order to determine a market rental value for the land, a market rate of return has been applied to the on-airport land value to determine an appropriate annual rental rate for the leaseholds being evaluated.

The aeronautical building improvements under analysis have been evaluated via a comparative study utilizing rental rates from other Southern California general aviation airports. The rental data uncovered has been related to each type of improvement resulting in a market rental value.

The rental valuations set forth in this report utilize the following extraordinary assumptions.

- Property No. 1 - The hangar door for the larger hangar has been replaced. Additionally, the interior office space has been painted, the flooring has been replaced, and the wall-mounted HVAC units are functional.
- Property No. 2 - There are no remediation issues from the former fuel farm that would impede aeronautical development of the site.
- Property No. 3 – Aircraft taxiway access would be extended to the property to allow for aeronautical development of the site.
- Property No. 4 – Excluding the historic nose-dock hangar, the other building improvements on this leasehold are tenant owned and have not been included in this valuation.

HIGHEST AND BEST USE

Definition

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

Optimum Use

The usage of land at the Brown Field Municipal Airport is subject to Brown Field Municipal Airport Master Plan. Additionally, the land uses and development restrictions are subject to the Federal Aviation Administration (FAA) guidelines. Based on the Master Plan, the properties are intended for aviation related uses including hangars and tie-downs with supporting office and storage space which are considered the highest and best use of this land.

DEFINITIONS

Market Value (Appraisal Institute – The Dictionary of Real Estate Appraisal, 7th Edition)

“The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.”

Market Value (FAA Advisory Circular No. 150/5100-17, dated November 7, 2005)

“The highest price on the date of valuation that would be agreed to by the seller, being willing to sell but under no particular or urgent necessity for so doing, nor obligated to sell, and a buyer, being ready, willing and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.”

Fee Simple Estate (Appraisal Institute – The Dictionary of Real Estate Appraisal, 7th Edition)

“Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

Rental Value (Appraisal Institute – The Dictionary of Real Estate Appraisal, 7th Edition)

“The most probable rent that a property should bring in a competitive and open market under all conditions requisite to a fair lease transaction, the lessee and lessor each acting prudently and knowledgeably, and assuming the rent is not affected by undue stimulus.”

LOCATION AND SURROUNDINGS

LOCATION

General Situs

The subject holdings are situated on the south and west sides of the airfield at Brown Field Municipal Airport in San Diego, California, within the southcentral portion of San Diego County, near the International Border with Mexico. The surrounding area is an industrial district within the City of San Diego identified as Otay Mesa. Specifically, the properties are accessible from Curran Street which is an interior airport road extending from Continental Street, a public road that provides general access to the Airport; Continental Street is the northerly extension of Cactus Road, north of Otay Mesa Road. The largest development leasehold in this study is also accessible from the Heritage Street which extends along the western boundary of the Airport; there is a gated entrance to the Airport at Sikorsky Street, an interior airport road. The Airport has nearby ingress and egress to the State Highways 905 and 125 Freeways. The Location Map below provides the general location of the Airport within the broader region.

Location Map



AIRPORT OVERVIEW

With a rich military history, Brown Field Municipal Airport is situated in the southeastern portion of the City of San Diego, just north of the Mexican Border. It is a general aviation airport with a combination of hangar rentals (primarily through FBOs), tie-downs, flight schools, aviation recreation activities, and government uses. The surrounding area is identified as the Otay Mesa district of the City. There are two runways, one at 7,972 feet by 150 feet and the other at 3,185 feet by 75 feet; the airfield has an aircraft control tower. While primarily a general aviation facility, the airport is a designated reliever airport for San Diego International Airport. There are roughly 159 aircraft based on the airfield a total of 90,096 aircraft operations for the calendar year 2024 as reported by the FAA. The Airport has fuel options provided by the FBOs, as well as transient parking available. The Airport is surrounded by an active and growing industrial district. The following aerial provides an overview of Brown Field Municipal Airport.



OTAY MESA INDUSTRIAL MARKET

Within San Diego County, the Otay Mesa submarket is leading the industrial sector with extensive existing product, as well as the largest amount of square footage under construction. The following table highlights the overall San Diego industrial market and the Otay Mesa submarket based on Kidder Matthew's Industrial Market Report as the 3rd Quarter of 2025.

<u>Category</u>	<u>San Diego County</u>	<u>Otay Mesa</u>
Total Inventory (SF.)	210,683,164	25,515,025
Under Construction (SF)	2,810,005	1,823,586
Vacancy	9.7%	13.7%
YTD Absorption (SF)	(1,686,326)	(35,796)
Monthly Asking Rent (Per SF)	\$1.48	\$1.14

The vacancy rate for the subject submarket is above the overall rate for the County due to the amount of new product being added to the marketplace. Almost all of the facilities under construction within the County are in the Otay Mesa submarket. The asking rents are lower than the County average due to its location further south, as well as the significant amount of space coming online in the district. The San Diego industrial marketplace was strong during the Covid-19 pandemic. Since mid-2023 when interest rates began to increase significantly, there has been a softening in the marketplace due to the higher cost of capital and economic uncertainty. These market conditions have led to an increase in vacancy rates and a decrease in rental rates. Despite the decline in market conditions, prices for industrial product have remained relatively stable the past year. One attribute aiding industrial growth in this area is a new border crossing which is currently under construction.

PROPERTY NO. 1 – 7020 CURRAN STREET

PROPERTY FEATURES

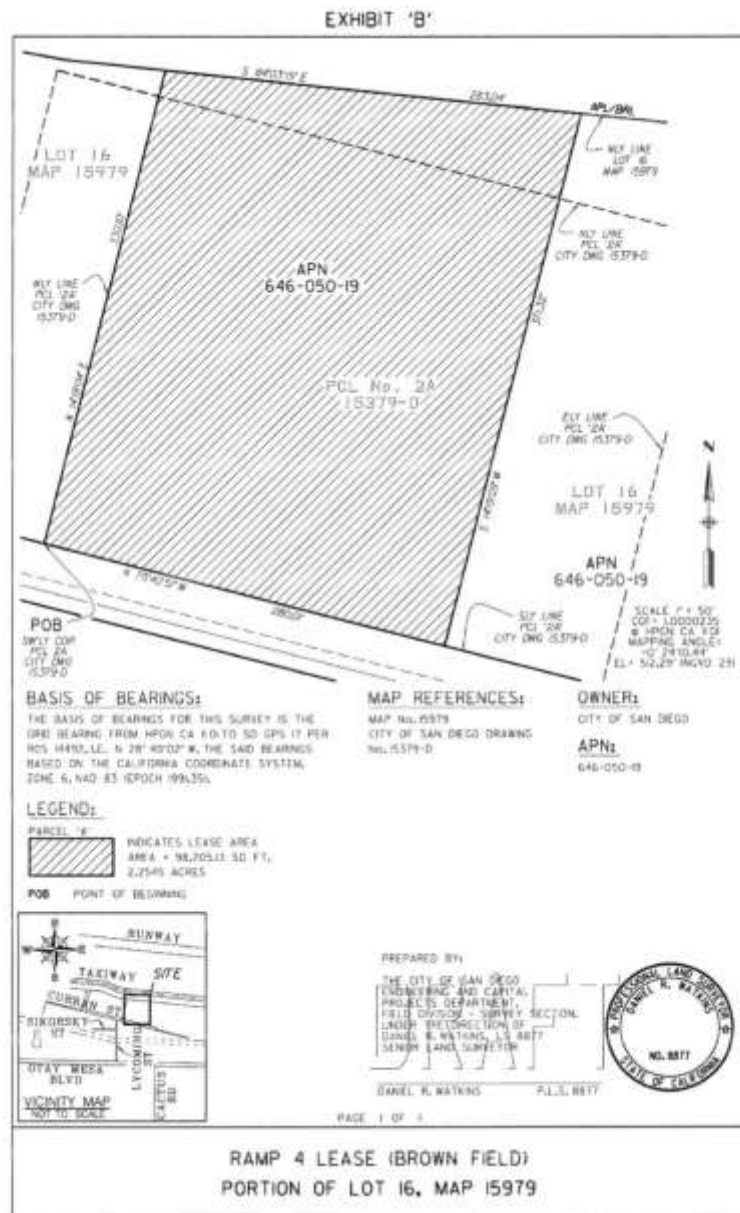
Location:	North side of Curran Street, an interior airport street, and south side of Taxiway G.
Address:	7020 Curran Street, San Diego, California
Land Area:	98,205 square feet per the City's land survey.
Building Area:	Office 4,068 sq.ft. Large Hangar 7,200 sq.ft. Small Hangar 1,600 sq.ft.
Large Hangar:	Metal construction on a concrete slab with sliding doors; the doors have an 18-foot clearance height. There is electricity in the hangar with strip fluorescent lighting.
Small Hangar:	Metal construction on concrete slab with a bifold door that has an electronic opener; the door has a 12-foot clearance. Electricity is available, but the building only has natural light.
Office:	The office is a two-story, wood-frame structure with wood siding. The office area on the ground floor is divided into two units; the second-floor office space is a single unit. The two ground floor office units and the upstairs office space are only accessible via exterior doors; there is a single-user bathroom on each floor. The first floor contains 2,068 square feet, the second 2,000 square feet. The ground floor has drop acoustical tile ceilings with embedded fluorescent lights; the second floor has sprayed acoustical ceilings with attached fluorescent lights. The flooring throughout the building requires replacement. There are wall-mounted, air-conditioning units throughout the office space; the functional status of these units is not known. There is an open mezzanine area above the 2 nd floor for light storage which is accessible from the 2 nd Floor office area; there are fluorescent lights in the mezzanine.
Canopies:	A canopy extends on either side of the office building which has been used as a nose dock in the past. The large hangar has been built underneath the west canopy, utilizing the canopy as part of the roof and the office building as one of the hangar walls. Both canopies have open older rails for a hoist.
Condition:	The office space is in poor condition based on the significant amount of visible deferred maintenance. The offices require new flooring and interior paint at minimum; additionally, some interior doors and light fixtures require repair or replacement. The small hangar is in average condition. The large hangar is in fair condition as the aircraft sliding doors are damaged and require replacement. Due to the sloping nature of the floor in the large hangar, there is a significant amount of water that pools in near the office during rains.

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Site Improvements: The paved concrete aircraft ramp is 87,337 square feet based on a land survey by the City of San Diego; the ramp has tie-down hooks already in-place. There is a 180-square foot storage shed in poor condition which has not been assigned any value.

Access: Access to the property is restricted to personnel authorized for access by the Airport. From the internal airport access road, there is a fence with a pedestrian access door and a vehicular access gate; the ramp has direct taxiway access.

SITE MAP



SUBJECT PHOTOGRAPHS

Aerial Overview



Office Exterior



Office Interior



Mezzanine Storage



Exterior Large Hangar



Interior Large Hangar



Interior Large Hangar/Office Alternate Entrance



Exterior Small Hangar



Interior Small Hangar



BUILDING RENTAL VALUATION**Hangar Rental Rates**

Executive box and small commercial hangar rental rates from general aviation airports have been assembled and recapped in the following table; T-hangar rental rates have been excluded. The rental rates are current 2025 rates for individual hangars which have been approved by each of the entities which oversee the airports referenced below. The data has been listed by airport type as classified by the Caltrans Division of Aeronautics; the total number of airport operations recorded for 2024 is based on the data collected by the FAA for airports with control towers. For reference, Brown Field Municipal Airport is identified as a Regional airport with 90,096 total aircraft operations in 2024.

Airport Type	Airport Identification	Monthly Rent Per SF	2024 Airport Operations
Commercial	Santa Maria Public Airport	\$0.41 - \$0.42	29,153
Metropolitan	Oxnard Airport	\$0.40	89,505
Metropolitan	Camarillo Airports	\$0.40	180,162
Metropolitan	Zamperini Field (Torrance)	\$0.73 - \$0.82	102,242
Metropolitan	Brackett Field Airport	\$0.44	125,784
Metropolitan	Whiteman Airport	\$0.45 - \$0.47	91,508
Metropolitan	San Gabriel Valley Airport	\$0.46	93,620
Regional	General William J. Fox Airport	\$0.42	61,606
Regional	Fullerton Airport	\$0.43 - \$0.64	83,597
Regional	Riverside Municipal Airport	\$0.44	137,223
Regional	Big Bear Airport	\$0.22 - \$0.33	No tower
Regional	Redlands Municipal Airport	\$0.39 - \$0.46	No tower
Community	Lompoc Airport	\$0.36	No tower

The data in this study reveals a broad range in executive hangar rates from \$0.22 to \$0.82 per square foot monthly. The variation in rents is attributed to age of the facility, size of the hangar, quantity of hangars available on the airfield, demand in a particular locale, and other usage fees and charges associated with the airport. Smaller hangars tend to command a higher rent than the larger spaces; older structures are at the lower end of the range compared to newer facilities.

At the upper end of the spectrum is Zamperini Field in Torrance; all of the hangars, executive and T-hangars, have the same rate with the variation attributed to resident versus non-resident status. The bulk of the hangars on the airfield are smaller in size, and demand at that airport is high due to the lack of competitive nearby airfields; these characteristics are reflected in the elevated rental rates of \$0.73 to \$0.83 per square foot monthly.

At the opposite end of the rental spectrum are the two smaller, more remotely located airfields of Lompoc Airport and Big Bear Airport which range from \$0.22 to \$0.36 per square foot monthly. The more remote locales and less demand at the airfields are reflected in their lower rental structure; additionally, neither airport has a control tower.

The remaining airfields form a fairly narrow variation from \$0.39 to \$0.53 per square foot monthly, with most between \$0.40 and \$0.45 per square foot. Fullerton Municipal Airport has one smaller hangar configuration which reaches as high as \$0.64 per square foot monthly due to its smaller size and newer construction, but the bulk of the hangars are within the average range.

Recognizing that there is an inverse relationship between size and rental rate per square foot, a lower rent is warranted for the subject's larger hangar in comparison to the smaller one. Given the older age of the subject smaller hangar, a monthly rent of \$0.40 per square foot is considered reasonable. A lower rental rate of \$0.30 per square foot has been adopted for the larger hangar based on its size and deferred maintenance; this rental rate assumes that the hangar door has been replaced.

Smaller Hangar:		
Monthly Rate		\$0.40/SF
Annual Rate		\$4.80/SF
Larger Hangar:		
Monthly Rate		\$0.30/SF
Annual Rate		\$3.60/SF

Aviation Office Rental Rates

In an aviation complex where a larger hangar has integrated office area, aviation office space is often incorporated as part of the overall hangar rental rate. Since the subject office space is older, heavily partitioned, and in poor condition, there is little independent demand for this office without the accompanying hangar and ramp space. The few Southern California airports which offer non-terminal aviation office space are listed in the following table.

Data No.	Airport	Monthly Rent Per SF
1	Oxnard/Camarillo Airports	\$0.50
2	Santa Maria Public Airport	\$0.59
3	Van Nuys Airport	\$0.42

The properties in this study involve single story office space unlike the subject's two-story configuration. Given the age, condition, and partitioned nature of the office space, a lower rental rate is appropriate. A rental rate consistent with the average of two subject hangars of \$0.35 per square foot has been extended to the office area; this rental rate assumes the flooring has been replaced, walls have been painted, and that the wall mounted air conditioning units are functional.

Aviation Office:	
Monthly Rate	\$0.35/SF
Annual Rate	\$4.20/SF

RAMP RENTAL VALUE DETERMINATION

Overview

In order to evaluate the large ramp area associated with the subject leasehold, transfers involving industrial outdoor storage yards and land zoned for industrial and service commercial endeavors have been researched; the data has been correlated to the subject holding recognizing the concrete paving on the ramp. Subsequently, the FAA use restrictions for airport related parcels and the leasehold status of the property have been considered with the appropriate discount applied to the prevailing land value inclusive of the concrete paving. A market rate of return has been applied to the resulting value producing a fair market rental rate for the ramp area which includes both the land and paving.

Off-airport Value

Sales Survey

Acquisitions since the beginning 2024, involving industrial/service commercial land parcels and outdoor industrial storage yards with roughly one acre or more, have been assembled. The transactions uncovered have been listed chronologically in the table below. A Land Sales map identifying the location of each transfer in relationship to the subject property is found on the following page.

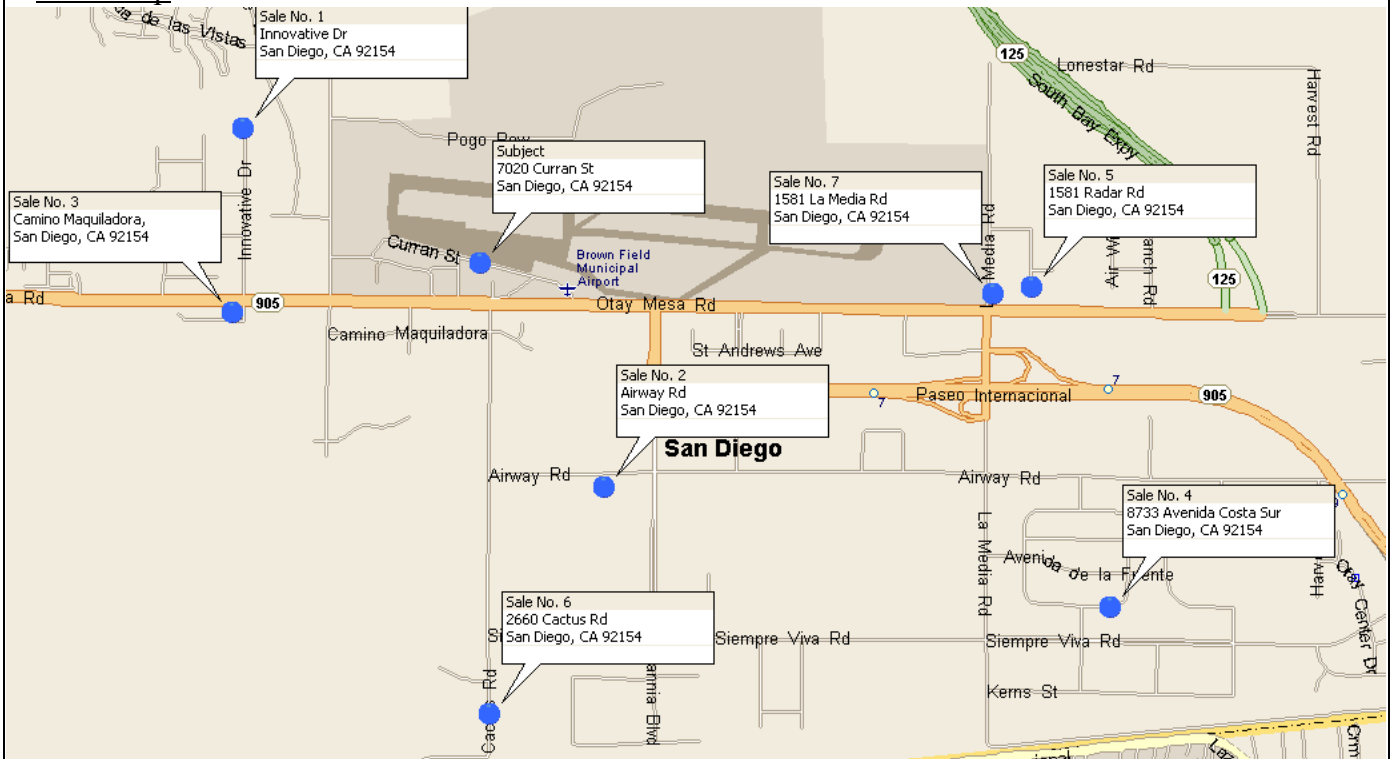
<u>Sale No.</u>	<u>San Diego</u>	<u>Land Area</u>	<u>Sale Price</u>
<u>Date</u>	<u>Location</u>	<u>Status</u>	<u>Price/SF</u>
1 8/24	Northern terminus of Innovative Drive	2.35 AC Finished Lot	\$3,873,500 \$38
2 8/24	5761 Airway Road	37.90 AC Raw Land	\$58,000,000 \$35
3 10/24	N/S Camino Maquiladora, W/O Innovative Drive	3.34 AC Rough Graded	\$5,175,000 \$36
4 2/25	8733 Avenida Costa Sur	1.01 AC Paved/Building	\$2,550,000 \$58

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<u>Sale No.</u>	<u>San Diego</u>	<u>Land Area</u>	<u>Sale Price</u>
<u>Date</u>	<u>Location</u>	<u>Status</u>	<u>Price/SF</u>
5 5/25	1581 Radar Road	1.95 AC Paved/Gravel/Building	\$4,200,000 \$49
6 7/25	2660 Cactus Road	5.85 AC* Paved/Gravel/Building	\$12,150,000 \$48
7 9/25	1581 La Media Road	1.04 AC Paved	\$2,000,000 \$44

* Net developable area of 6.84-acre site.

Sales Map



Value Analysis

The transactions involving industrial land and outdoor storage facilities indicate a price range from \$35 to \$58 per square foot. There are no unusual sale conditions that have been noted for any of the properties in this study. The market conditions for the timeframe researched are considered to be comparable to the present. A brief summary of the property features for each transaction in this study is found on the following page.

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Sale No. 1 (\$38/SF) – The 2.35 acres of land has been graded, fenced, and finished for development or storage. Access to the property is from a short dirt drive which extends from a curb-cut at the cul-de-sac terminus of Innovative Drive. The property is surrounded by vacant land with an industrial district to the south along Innovative Drive.

Sale No. 2 (\$35/SF) – This large, 37.50-acre parcel, is situated west of the core of the Otay Mesa industrial district. The immediate surroundings are still being developed. The land has strong access with paved roads on three sides of the property.

Sale No. 3 (\$36/SF) – This transaction involves 3.34 acres of land which parallel the south side of Otay Mesa Road. The two assessor's parcels which comprise the property have each been fenced and graded. This is at the westerly end of the Otay Mesa district. The surrounding properties are primarily outdoor storage yards.

Sale No. 4 (\$58/SF) – The property involves roughly one acre of fenced, paved outdoor storage space. There appears to be a modular structure on-site. This property is located in the core of Otay Mesa, near the border crossing.

Sale No. 5 (\$49/SF) – The storage yard that transferred involves 1.95 acres with a small 3,600-square foot structure on-site. The yard is partially concrete paved and partially compacted aggregate. The property is located on the east side of Brown Field Municipal Airport.

Sale No. 6 (\$48/SF) – This large outdoor industrial storage yard involves 6.84 acres, with only 5.85 acres are usable. The site features 4,320 square feet of office/storage space; additionally, there is a large metal canopy on one side of the property for covered storage. Near the street front, there is paving with the bulk of the yard compacted, graded, and aggregate covered. This property sold as a leased investment with a reported capitalization rate of 6.3%.

Sale No. 7 (\$44/SF) – This smaller site was purchased by the adjacent property owner for expansion. It is a paved lot utilized for truck parking. This property is across the street from the east side of the Brown Field Municipal Airport.

The most significant factor influencing the price per square foot is the extent of site improvements. Sale Nos. 1 thru 3 consist of undeveloped lots ranging from raw land to finished grade; these data items form the lower end of price range from \$35 to \$38 per square foot depending on the degree to which the property is improved. Sales 4 thru 6 involve industrial outdoor storage yards with paving and nominal building improvements; these purchases indicate a higher price bracket from \$48 to \$58 per square foot depending on the type of improvements. Sale No. 7 involves a paved truck parking lot that does not have the utilities found in Sale Nos. 4 thru 6; as a result, it has a lower price of \$44 per square foot.

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In comparison to the other properties in this study, the subject holding has inferior access as it does not front on a public street. The following table contains a qualitative comparison of the subject holding in relationship to the other data items in this study. The elements of comparison are as follows:

Size – There tends to be an inverse relationship between size and price per square foot with smaller parcels garnering a higher price per square foot. Properties with 1 to 5 acres are considered to be similar in size to the subject holding.

Improvements – Aside from the subject building improvements which have been analyzed separately, the land under analysis is a concrete paved ramp for aircraft parking. For comparison to the other data items in this study, the aircraft ramp area is considered to be a paved parcel without utilities.

Access – The subject holding does not have public street frontage for the parcel. As a result, the access to the property is considered inferior to the data items in this study which are all accessible from public streets.

Sale No.	Parcel Size	Property Improvements	Land Accessibility	Overall Comparability	Price Per SF
1	Similar	Inferior	Superior	Similar	\$38
2	Inferior	Inferior	Superior	Inferior	\$35
3	Similar	Inferior	Superior	Similar	\$36
4	Similar	Superior	Superior	Superior	\$58
5	Similar	Superior	Superior	Superior	\$49
6	Inferior	Superior	Superior	Superior	\$48
7	Similar	Similar	Superior	Superior	\$44

Based on this comparison table, the superior properties form a price range from \$44 to \$58 per square foot. The similar holdings transferred for \$38 and \$36 per square foot with the one inferior site at \$35 per square foot. The two similar properties lack the site improvements, but have public access. The subject has thick concrete aircraft paving which is costly to create. Sale No. 7 is a paved site at \$44 per square foot; it is considered superior to the subject due to its public access. A value between \$38 and \$44 per square foot is considered reasonable for the subject land given the ramp improvements. A value of \$42 per square foot has been adopted for the ramp area prior to the aviation related constraints; this value recognizes the paving in-place on the ramp land.

Off-airport Value \$42.00/SF

On-Airport Value

Overview

Airport parcels are constrained by both safety issues with respect to buildable areas and height limitations, as well as by land usage restrictions which limit operations to aeronautical uses. In addition, the land cannot be purchased and owned as a fee simple site; it can only be leased. The leases for airport properties are subject to FAA Grant Assurances that only allow airports to cover their operational costs which discourage any type of investment incentive beyond servicing the aviation community. These factors suggest airport leased sites should be discounted to reflect these restrictions.

FAA Part 77 Restrictions

As an airport property, the ramp land in question is subject to certain use restrictions as defined in the Federal Aviation Administration Regulations, Part 77. Primarily these limitations involve property use, plus location and height restrictions in relation to the airport surfaces. A brief recap of FAA Part 77 Regulations is as follows.

- Approach Slope - The approach slope is an incline of 50 to 1 extending 10,000 feet from the ends of the runway, decreasing to 40 to 1 from a distance of 10,000 feet to 50,000 feet.
- Transitional Slope - Transitional slopes extend laterally from the runway at a gradient of 7 to 1, terminating at the intersection with the horizontal surface.
- Primary Surface - A zero height limit applies to all areas within 500 feet of the sides of all runway centerlines and 200 feet beyond each end of a runway.
- Horizontal Surface - The horizontal surface is comprised of an imaginary plane 150 feet above the runway surface, extending outward to a radius of 13,000 feet.
- Clear Zone - A geometric fan, the clear zone extends 2,500 feet out from the approaches to runways or primary surfaces and is a designated flight hazard area.

FAA restrictions serve a necessary function, without which the airport could not operate safely and efficiently. While protective in nature, the guidelines are also restrictive, limiting permitted development both physically and functionally. Recognizing the subject's location adjacent to the airfield, there are buildable height restrictions; additionally, the aeronautical utilization of the land is restrictive in comparison to off-airport parcels. A discount of 20% has been applied to account for these limitations based on standards commonly found at airports.

Leasehold Property Rights Restrictions

Airport lands leased by tenants do not enjoy the same level of utility as off-airport parcels. The land cannot be purchased and owned as a fee simple site; additionally, most airport lessees are constrained from creating the same site development intensity as conventional off-airport properties. Lessees are unable to recycle the use of the land consistent with changing market conditions. Finally, leasehold sale/sublease opportunities are not permitted without specific permission by the governmental entity holding the lessor's position.

As a result of these leasehold restrictions, airports typically recognize discounts from prevailing off-airport land values in negotiating ground rental terms with prospective or renewing tenants. While the extent of discount varies, it is clear that the marketplace recognizes a discount due to land use limitations imposed by the governing airport municipalities through the lease contracts. In a densely built-out market, these constraints impact land values even more significantly as there is high demand for development land. As there is still undeveloped land in the subject's locale, a discount of 10% has been applied.

Land Value Determination

The major concerns that comprise the overall land value discount are recapped below. Based on our experience valuing airport properties and information obtained from market participants, the following discount rate is considered reasonable for the land in question.

BUSS-SHELGER ASSOCIATES

Land Value Consideration	Percent Discount
Use and Development Restrictions	20.0%
Leasehold Restrictions	10.0%
Total Discount	30.0%

On-airport Value - \$42 x 70% (30% discount)..... \$29.40/SF

Rental Valuation

Overview

The market value of the ramp land, subject to airport constraints, has been utilized in determining the rental value. A market determined expected rate of return has been applied to the land value resulting in an annual ground rent for the property.

Expected Rate of Return

Since the ramp area under consideration is intended for outdoor storage of aircraft, recent transfers involving industrial outdoor storage yards in San Diego County indicate rates of return varying from 6.1% to 7.9%. The recent acquisitions are listed in the following table.

Sale Date	Property Address	Rate of Return
6/24	9550-9558 Camino Ruiz, San Diego	6.1%
11/24	2570 S. Santa Fe Avenue, Vista	6.5%
7/25	2660 Cactus Road, San Diego	6.3%
7/25	9690-9694 Black Mountain Road, San Diego	7.9%
8/25	3384 Main Street, Chula Vista	7.0%
10/25	704 Rock Springs Road, Escondido	6.7%

As another benchmark for expected returns by investors in both land, outdoor storage, and net leased properties, the following rates of return from PricewaterhouseCoopers Real Estate Investor Survey have been considered.

Category	Range	Average
Industrial Outdoor Storage Market – Q4/2025	6.90% to 8.60%	7.75%
Industrial Land Outdoor Storage – Q4/2025	6.50% to 10.00%	8.25%
Net Lease Market – Q4/2025	6.25% to 9.00%	7.38%

BUSS-SHELGER ASSOCIATES

The two outdoor storage indicators have averages of 7.75% and 8.25%; the net leased average is lower at 7.38%. These rates are higher than the recent San Diego transfers of outdoor storage yards which have an average rate of return of 6.75%. The lower regional rate in comparison to the national indicators is likely attributed to the higher property values in San Diego compared to the nation. Utilizing the regional indicator of 6.75%, a more conservative return 6.5% has been adopted for the airport recognizing that the leases are typically on a long-term basis, require some amount of capital investment, and have an annual rental increase.

Rental Determination

Annual Market Rental Rate - \$29.40/SF x 6.5%..... \$1.91/SF/year

RECAPITULATION

Property Type	Leased Area	Monthly Rent/SF	Annual Rent	
			Per SF	Extended
Small Hangar	1,600 SF	\$0.40	\$4.80	\$7,680
Large Hangar	7,200 SF	\$0.30	\$3.60	\$25,920
Office	4,068 SF	\$0.35	\$4.20	\$17,085
Ramp	87,337 SF	\$0.16	\$1.91	\$166,815
Total.....				\$217,500

PROPERTY NO. 2 – NEC SIKORSKY STREET & HERITAGE STREET

PROPERTY FEATURES

- Location: Western terminus of Curran Street extending west to the northeast corner of Sikorsky Street and Heritage Street.
- Land Area: 10.721 gross acres of raw land. There are a few deteriorated concrete pads from the former fuel farm.
- Topography: Relatively level with a nominal slope that would not impair development.
- Utilities: Utilities are available to be connect and extended through the property.
- Access: Access to the property is restricted to personnel authorized for access by the Airport from both Curran Street and Heritage Street via Sikorsky Street. The property has direct access to the airfield and can be connected to Taxiway G.

SUBJECT PHOTOGRAPH

Aerial



LAND RENTAL VALUE DETERMINATION

Overview

Transfers involving industrial outdoor storage yards and land zoned for industrial and service commercial endeavors have been researched; the data has been correlated to the subject holding. Subsequently, the FAA use restrictions for airport related parcels and the leasehold status of the property have been considered with the appropriate discount applied to the prevailing land value. A market rate of return has been applied to the resulting on-airport land value producing a fair market rental rate for the land.

Off-airport Land Value

Sales Survey

Acquisitions since the beginning 2024, involving industrial/service commercial land parcels and outdoor industrial storage yards with roughly one acre or more, have been assembled. The transactions uncovered have been listed chronologically in the table below. A Land Sales map identifying the location of each transfer in relationship to the subject property is found on the following page.

<u>Sale No.</u>	<u>San Diego</u>	<u>Land Area</u>	<u>Sale Price</u>
<u>Date</u>	<u>Location</u>	<u>Status</u>	<u>Price/SF</u>
1 8/24	Northern terminus of Innovative Drive	2.35 AC Finished Lot	\$3,873,500 \$38
2 8/24	5761 Airway Road	37.90 AC Raw Land	\$58,000,000 \$35
3 10/24	N/S Camino Maquiladora, W/O Innovative Drive	3.34 AC Rough Graded	\$5,175,000 \$36
4 2/25	8733 Avenida Costa Sur	1.01 AC Paved/Building	\$2,550,000 \$58
5 5/25	1581 Radar Road	1.95 AC Paved/Gravel/Building	\$4,200,000 \$49

BUSS-SHELGER ASSOCIATES

<u>Sale No.</u>	<u>San Diego</u>	<u>Land Area</u>	<u>Sale Price</u>
<u>Date</u>	<u>Location</u>	<u>Status</u>	<u>Price/SF</u>
6 7/25	2660 Cactus Road	5.85 AC* Paved/Gravel/Building	\$12,150,000 \$48
7 9/25	1581 La Media Road	1.04 AC Paved	\$2,000,000 \$44

* Net developable area of 6.84-acre site.

Land Sales Map



Land Value Analysis

The transactions uncovered involving industrial land and outdoor storage facilities indicate a price range from \$35 to \$58 per square foot. There are no unusual sale conditions that have been noted for any of the properties in this study. The market conditions for the timeframe researched are considered to be comparable to the present. A brief summary of the property features for each transaction in this study is found on the following page.

BUSS-SHELGER ASSOCIATES

Sale No. 1 (\$38/SF) – The 2.35 acres of land has been graded, fenced, and finished for development or storage. Access to the property is from a short dirt drive which extends from a curb-cut at the cul-de-sac terminus of Innovative Drive. The property is surrounded by vacant land with an industrial district to the south along Innovative Drive.

Sale No. 2 (\$35/SF) – This large, 37.50-acre parcel, is situated west of the core of the Otay Mesa industrial district. The immediate surroundings are still being developed. The land has strong access with paved roads on three sides of the property.

Sale No. 3 (\$36/SF) – This transaction involves 3.34 acres of land which parallel the south side of Otay Mesa Road. The two assessor's parcels which comprise the property have each been fenced and graded. This is at the westerly end of the Otay Mesa district. The surrounding properties are primarily outdoor storage yards.

Sale No. 4 (\$58/SF) – The property involves roughly one acre of fenced, paved outdoor storage space. There appears to be a modular structure on-site. This property is located in the core of Otay Mesa, near the border crossing.

Sale No. 5 (\$49/SF) – The storage yard that transferred involves 1.95 acres with a small 3,600-square foot structure on-site. The yard is partially concrete paved and partially compacted aggregate. The property is located on the east side of Brown Field Municipal Airport.

Sale No. 6 (\$48/SF) – This large outdoor industrial storage yard involves 6.84 acres, with only 5.85 acres are usable. The site features 4,320 square feet of office/storage space; additionally, there is a large metal canopy on one side of the property for covered storage. Near the street front, there is paving with the bulk of the yard compacted, graded, and aggregate covered. This property sold as a leased investment with a reported capitalization rate of 6.3%.

Sale No. 7 (\$44/SF) – This smaller site was purchased by the adjacent property owner for expansion. It is a paved lot utilized for truck parking. This property is across the street from the east side of the Brown Field Municipal Airport.

The most significant factor influencing the price per square foot is the extent of site improvements. Sale Nos. 1 thru 3 consist of undeveloped lots ranging from raw land to finished grade; these data items form the lower end of price range from \$35 to \$38 per square foot depending on the degree to which the property is improved. Sales 4 thru 6 involve industrial outdoor storage yards with paving and nominal building improvements; these purchases indicate a higher price bracket from \$48 to \$58 per square foot depending on the type of improvements. Sale No. 7 involves a paved truck parking lot that does not have the utilities found in Sale Nos. 4 thru 6; as a result, it has a lower price of \$44 per square foot.

Although the property requires security clearance from the airport to gain entry to the property, the holding fronts on a public street and could be publicly accessed depending on its future development. When considering the holding without the aviation constraints, the property is considered publicly accessible. The following table contains a qualitative comparison of the subject holding in relationship to the other data items in this study. The elements of comparison are as follows:

Size – There tends to be an inverse relationship between size and price per square foot with smaller parcels garnering a higher price per square foot. Properties with 5 to 15 acres are considered to be similar in size to the subject holding.

Improvements – The subject holding is raw land without utilities; properties with site improvements and utilities are considered to be superior.

Sale No.	Parcel Size	Property Improvements	Overall Comparability	Price Per SF
1	Superior	Similar	Superior	\$38
2	Inferior	Similar	Inferior	\$35
3	Superior	Similar	Superior	\$36
4	Superior	Superior	Superior	\$58
5	Superior	Superior	Superior	\$49
6	Similar	Superior	Superior	\$48
7	Superior	Superior	Superior	\$44

Given the offsetting attributes of each of the market data items in this study in comparison to the subject property, Sale No. 2 is considered inferior at \$35 per square foot due to its larger size in comparison to the subject property; the other transactions from \$36 to \$58 per square foot are considered superior primarily due to on-site improvements or smaller parcel sizes. A value of \$35 per square foot has been adopted for the subject land parcel before aviation use and property rights constraints based on its location on the airport. The value utilizes the extraordinary assumption that property does not have any environmental contamination from the prior use as a fuel farm which would impede development.

Off-airport Land Value..... \$35.00/SF

Aviation Land Value

Overview

Airport parcels are constrained by both safety issues with respect to buildable areas and height limitations, as well as by land usage restrictions which limit operations to aviation support services. In addition, the land cannot be purchased and owned as a fee simple site; it can only be leased. The leases for airport properties are subject to FAA Grant Assurances that only allow airports to cover their operational costs which discourage any type of investment incentive beyond servicing the aviation community. These factors suggest airport leased sites should be discounted to reflect these restrictions.

FAA Part 77 Restrictions

As an airport property, the lands in question are subject to certain use restrictions as defined in the Federal Aviation Administration Regulations, Part 77. Primarily these limitations involve property use, plus location and height restrictions in relation to the airport surfaces. A brief recap of FAA Part 77 Regulations is as follows.

- Approach Slope - The approach slope is an incline of 50 to 1 extending 10,000 feet from the ends of the runway, decreasing to 40 to 1 from a distance of 10,000 feet to 50,000 feet.
- Transitional Slope - Transitional slopes extend laterally from the runway at a gradient of 7 to 1, terminating at the intersection with the horizontal surface.
- Primary Surface - A zero height limit applies to all areas within 500 feet of the sides of all runway centerlines and 200 feet beyond each end of a runway.
- Horizontal Surface - The horizontal surface is comprised of an imaginary plane 150 feet above the runway surface, extending outward to a radius of 13,000 feet.
- Clear Zone - A geometric fan, the clear zone extends 2,500 feet out from the approaches to runways or primary surfaces and is a designated flight hazard area.

FAA restrictions serve a necessary function, without which the airport could not operate safely and efficiently. While protective in nature, the guidelines are also restrictive, limiting permitted development both physically and functionally. Recognizing the subject's location adjacent to the airfield, there are buildable height restrictions; additionally, the aeronautical utilization of the land is restrictive in comparison to off-airport parcels. A discount of 20% has been applied to account for these limitations based on standards commonly found at airports.

Leasehold Property Rights Restrictions

Airport lands leased by tenants do not enjoy the same level of utility as off-airport parcels. The land cannot be purchased and owned as a fee simple site; additionally, most airport lessees are constrained from creating the same site development intensity as conventional off-airport properties. Lessees are unable to recycle the use of the land consistent with changing market conditions. Finally, leasehold sale/sublease opportunities are not permitted without specific permission by the governmental entity holding the lessor's position.

As a result of these leasehold restrictions, airports typically recognize discounts from prevailing off-airport land values in negotiating ground rental terms with prospective or renewing tenants. While the extent of discount varies, it is clear that the marketplace recognizes a discount due to land use limitations imposed by the governing airport municipalities through the lease contracts. In a densely built-out market, these constraints impact land values even more significantly as there is high demand for development land. As there is still undeveloped land in the subject's locale, a discount of 10% has been applied.

Land Value Determination

The major concerns that comprise the overall land value discount are recapped below. Based on our experience valuing airport properties and information obtained from market participants, the following discount rate is considered reasonable for the land in question.

BUSS-SHELGER ASSOCIATES

Land Value Consideration	Percent Discount
Use and Development Restrictions	20.0%
Leasehold Restrictions	10.0%
Total Discount	30.0%

Aviation Land Value - \$35 x 70% (30% discount) \$24.50/SF

Rental Valuation

Overview

The market value land, subject to airport constraints, has been utilized in determining the rental value. A market determined expected rate of return has been applied to the land value resulting in an annual ground rent for the property.

Expected Rate of Return

Most of the recent acquisitions involving ground leased parcels in the San Diego area involve industrial outdoor storage yards. The rates of return from the transfers of ground leased land and industrial storage yards are listed in the following table.

Sale Date	Property Address	Rate of Return
6/24	9550-9558 Camino Ruiz, San Diego	6.1%
11/24	2570 S. Santa Fe Avenue, Vista	6.5%
7/25	2660 Cactus Road, San Diego	6.3%
7/25	9690-9694 Black Mountain Road, San Diego	7.9%
8/25	3384 Main Street, Chula Vista	7.0%
10/25	704 Rock Springs Road, Escondido	6.7%

As another benchmark for expected returns by investors in both land, outdoor storage, and net leased properties, the following rates of return from PricewaterhouseCoopers Real Estate Investor Survey have been considered.

Category	Range	Average
Industrial Outdoor Storage Market – Q4/2025	6.90% to 8.60%	7.75%
Industrial Land Outdoor Storage – Q4/2025	6.50% to 10.00%	8.25%
Net Lease Market – Q4/2025	6.25% to 9.00%	7.38%

BUSS-SHELGER ASSOCIATES

The two outdoor storage indicators have averages of 7.75% and 8.25%; the net leased average is lower at 7.38%. These rates are higher than the recent San Diego transfers of outdoor storage yards which have an average rate of return of 6.75%. The lower regional rate in comparison to the national indicators is likely attributed to the higher property values in San Diego compared to the nation. Utilizing the regional indicator of 6.75%, a more conservative return 6.5% has been adopted for the airport recognizing that the ground leases are typically on a long-term basis, require some amount of capital investment, and have an annual rental increase.

Rental Determination

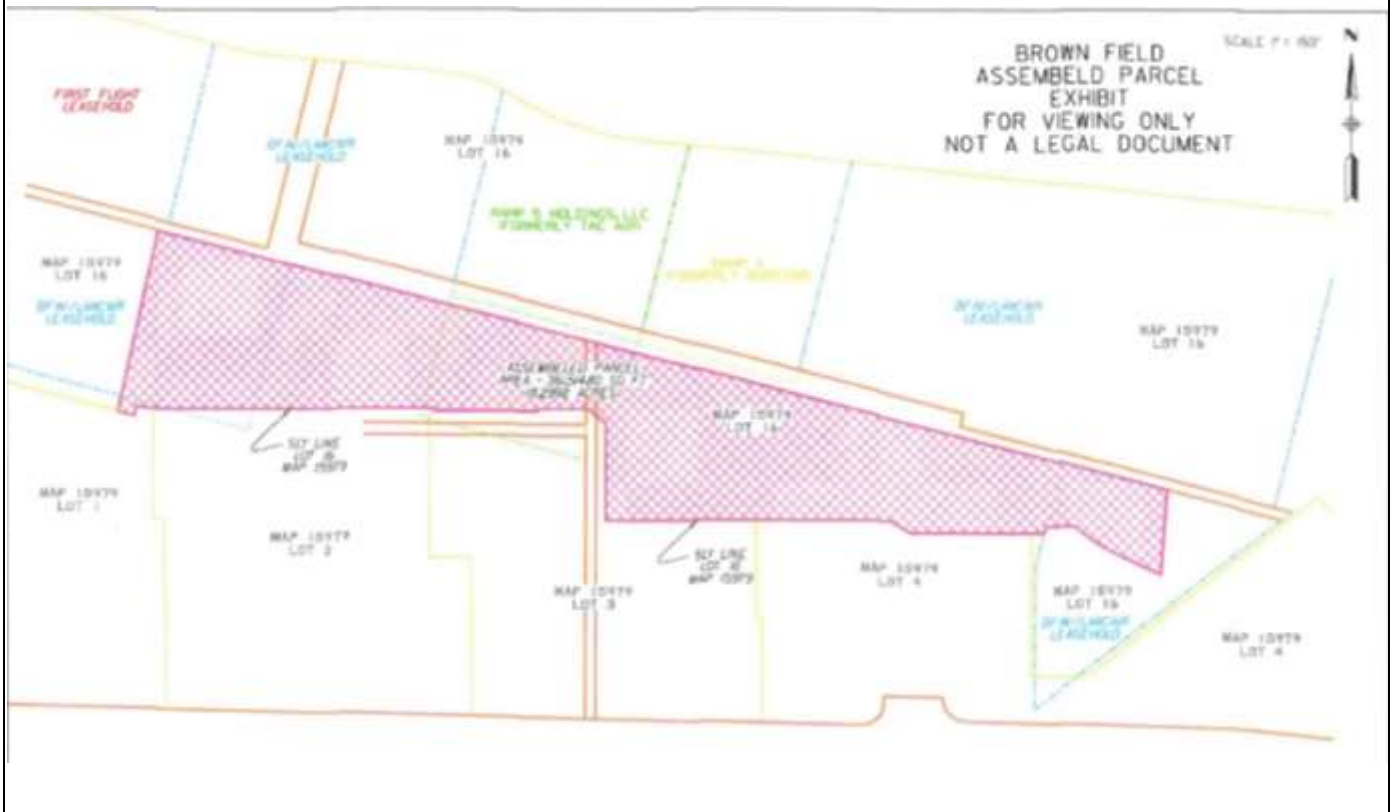
Annual Market Rental Rate - $\$24.50/\text{SF} \times 6.5\%$ \$1.59/SF/year

PROPERTY NO. 3 – SOUTH SIDE OF CURRAN STREET

PROPERTY FEATURES

- Location: South side of Curran Street which is an interior street on the Airport property.
- Land Area: 8.2992 gross acres of previously developed land. There are a number of older, abandoned structures on the site which would need to be demolished to redevelop this site. Given the current condition of the buildings, no value has been assigned to these improvements. The property has been considered as vacant redevelopment land.
- Topography: Relatively level land which would need to be re-graded when developed.
- Utilities: Utilities were previously connected to the various structures on-site; the utilities would need to be upgraded and extended throughout the site during redevelopment. The land has been considered vacant with utilities available, but not connected.
- Access: Access to the property is restricted to personnel authorized for access by the Airport from Curran Street on the north and Sikorsky Street on the southwest. It is assumed that the former taxiways connecting this land to the airfield will be repaved and expanded giving the subject land direct access to the airfield.

Site Plan



SUBJECT PHOTOGRAPH

Aerial



LAND RENTAL VALUE DETERMINATION

Overview

Transfers involving industrial outdoor storage yards and land zoned for industrial and service commercial endeavors have been researched; the data has been correlated to the subject holding. Subsequently, the FAA use restrictions for airport related parcels and the leasehold status of the property have been considered with the appropriate discount applied to the prevailing land value. A market rate of return has been applied to the resulting on-airport land value producing a fair market rental rate for the land.

Off-airport Land Value

Sales Survey

Acquisitions since the beginning 2024, involving industrial/service commercial land parcels and outdoor industrial storage yards with roughly one acre or more, have been assembled. The transactions uncovered have been listed chronologically in the table below. A Land Sales map identifying the location of each transfer in relationship to the subject property is found on the following page.

<u>Sale No.</u>	<u>San Diego</u>	<u>Land Area</u>	<u>Sale Price</u>
<u>Date</u>	<u>Location</u>	<u>Status</u>	<u>Price/SF</u>
1 8/24	Northern terminus of Innovative Drive	2.35 AV Finished Lot	\$3,873,500 \$38
2 8/24	5761 Airway Road	37.90 AC Raw Land	\$58,000,000 \$35
3 10/24	N/S Camino Maquiladora, W/O Innovative Drive	3.34 AC Rough Graded	\$5,175,000 \$36
4 2/25	8733 Avenida Costa Sur	1.01 AC Paved/Building	\$2,550,000 \$58
5 5/25	1581 Radar Road	1.95 AC Paved/Gravel/Building	\$4,200,000 \$49

BUSS-SHELGER ASSOCIATES

<u>Sale No.</u>	<u>San Diego</u>	<u>Land Area</u>	<u>Sale Price</u>
<u>Date</u>	<u>Location</u>	<u>Status</u>	<u>Price/SF</u>
6 7/25	2660 Cactus Road	5.85 AC* Paved/Gravel/Building	\$12,150,000 \$48
7 9/25	1581 La Media Road	1.04 AC Paved	\$2,000,000 \$44

* Net developable area of 6.84-acre site.

Land Sales Map



Land Value Analysis

The transactions uncovered involving industrial land and outdoor storage facilities indicate a price range from \$35 to \$58 per square foot. There are no unusual sale conditions that have been noted for any of the properties in this study. The market conditions for the timeframe researched are considered to be comparable to the present. A brief summary of the property features for each transaction in this study is listed below.

Sale No. 1 (\$38/SF) – The 2.35 acres of land has been graded, fenced, and finished for development or storage. Access to the property is from a short dirt drive which extends from a curb-cut at the cul-de-sac terminus of Innovative Drive. The property is surrounded by vacant land with an industrial district to the south along Innovative Drive.

Sale No. 2 (\$35/SF) – This large, 37.50-acre parcel, is situated west of the core of the Otay Mesa industrial district. The immediate surroundings are still being developed. The land has strong access with paved roads on three sides of the property.

Sale No. 3 (\$36/SF) – This transaction involves 3.34 acres of land which parallel the south side of Otay Mesa Road. The two assessor's parcels which comprise the property have each been fenced and graded. This is at the westerly end of the Otay Mesa district. The surrounding properties are primarily outdoor storage yards.

Sale No. 4 (\$58/SF) – The property involves roughly one acre of fenced, paved outdoor storage space. There appears to be a modular structure on-site. This property is located in the core of Otay Mesa, near the border crossing.

Sale No. 5 (\$49/SF) – The storage yard that transferred involves 1.95 acres with a small 3,600-square foot structure on-site. The yard is partially concrete paved and partially compacted aggregate. The property is located on the east side of Brown Field Municipal Airport.

Sale No. 6 (\$48/SF) – This large outdoor industrial storage yard involves 6.84 acres, with only 5.85 acres are usable. The site features 4,320 square feet of office/storage space; additionally, there is a large metal canopy on one side of the property for covered storage. Near the street front, there is paving with the bulk of the yard compacted, graded, and aggregate covered. This property sold as a leased investment with a reported capitalization rate of 6.3%.

Sale No. 7 (\$44/SF) – This smaller site was purchased by the adjacent property owner for expansion. It is a paved lot utilized for truck parking. This property is across the street from the east side of the Brown Field Municipal Airport.

The most significant factor influencing the price per square foot is the extent of site improvements. Sale Nos. 1 thru 3 consist of undeveloped lots ranging from raw land to finished grade; these data items form the lower end of price range from \$35 to \$38 per square foot depending on the degree to which the property is improved. Sales 4 thru 6 involve industrial outdoor storage yards with paving and nominal building improvements; these purchases indicate a higher price bracket from \$48 to \$58 per square foot depending on the type of improvements. Sale No. 7 involves a paved truck parking lot that does not have the utilities found in Sale Nos. 4 thru 6; as a result, it has a lower price of \$44 per square foot.

BUSS-SHELGER ASSOCIATES

In comparison to the other properties in this study, the subject holding has inferior access as it does not front on a public street. The following table contains a qualitative comparison of the subject holding in relationship to the other data items in this study. The elements of comparison are as follows:

Size – There tends to be an inverse relationship between size and price per square foot with smaller parcels garnering a higher price per square foot. Properties with 5 to 15 acres are considered to be similar in size to the subject holding.

Improvements – The subject holding is considered to be raw land without utilities; properties with site improvements and utilities are considered to be superior.

Access – The subject does not front on a public street which is considered inferior to the data items in this study which have unencumbered ingress/egress on public streets.

<u>Sale No.</u>	<u>Parcel Size</u>	<u>Property Improvements</u>	<u>Land Accessibility</u>	<u>Overall Comparability</u>	<u>Price Per SF</u>
1	Superior	Similar	Superior	Superior	\$38
2	Inferior	Similar	Superior	Similar	\$35
3	Superior	Similar	Superior	Superior	\$36
4	Superior	Superior	Superior	Superior	\$58
5	Superior	Superior	Superior	Superior	\$49
6	Similar	Superior	Superior	Superior	\$48
7	Superior	Superior	Superior	Superior	\$44

Given the offsetting attributes of each of the market data items in this study in comparison to the subject property, Sale No. 2 is considered to be the most similar at \$35 per square foot. The other transactions from \$36 to \$58 per square foot are considered to be superior. A value of \$35 per square foot has been adopted for the subject.

Off-airport Land Value..... \$35.00/SF

Aviation Land Value

Overview

Airport parcels are constrained by both safety issues with respect to buildable areas and height limitations, as well as by land usage restrictions which limit operations to aviation support services. In addition, the land cannot be purchased and owned as a fee simple site; it can only be leased. The leases for airport properties are subject to FAA Grant Assurances that only allow airports to cover their operational costs which discourage any type of investment incentive beyond servicing the aviation community. These factors suggest airport leased sites should be discounted to reflect these restrictions.

FAA Part 77 Restrictions

As an airport property, the lands in question are subject to certain use restrictions as defined in the Federal Aviation Administration Regulations, Part 77. Primarily these limitations involve property use, plus location and height restrictions in relation to the airport surfaces. A brief recap of FAA Part 77 Regulations is as follows.

- Approach Slope - The approach slope is an incline of 50 to 1 extending 10,000 feet from the ends of the runway, decreasing to 40 to 1 from a distance of 10,000 feet to 50,000 feet.
- Transitional Slope - Transitional slopes extend laterally from the runway at a gradient of 7 to 1, terminating at the intersection with the horizontal surface.
- Primary Surface - A zero height limit applies to all areas within 500 feet of the sides of all runway centerlines and 200 feet beyond each end of a runway.
- Horizontal Surface - The horizontal surface is comprised of an imaginary plane 150 feet above the runway surface, extending outward to a radius of 13,000 feet.
- Clear Zone - A geometric fan, the clear zone extends 2,500 feet out from the approaches to runways or primary surfaces and is a designated flight hazard area.

FAA restrictions serve a necessary function, without which the airport could not operate safely and efficiently. While protective in nature, the guidelines are also restrictive, limiting permitted development both physically and functionally. Recognizing the subject's proximity to the airfield, there are buildable height restrictions; additionally, the aeronautical utilization of the land is restrictive in comparison to off-airport parcels. A discount of 20% has been applied to account for these limitations based on standards commonly found at airports.

Leasehold Property Rights Restrictions

Airport lands leased by tenants do not enjoy the same level of utility as off-airport parcels. The land cannot be purchased and owned as a fee simple site; additionally, most airport lessees are constrained from creating the same site development intensity as conventional off-airport properties. Lessees are unable to recycle the use of the land consistent with changing market conditions. Finally, leasehold sale/sublease opportunities are not permitted without specific permission by the governmental entity holding the lessor's position.

As a result of these leasehold restrictions, airports typically recognize discounts from prevailing off-airport land values in negotiating ground rental terms with prospective or renewing tenants. While the extent of discount varies, it is clear that the marketplace recognizes a discount due to land use limitations imposed by the governing airport municipalities through the lease contracts. In a densely built-out market, these constraints impact land values even more significantly as there is high demand for development land. As there is still undeveloped land in the subject's locale, a discount of 10% has been applied.

Land Value Determination

The major concerns that comprise the overall land value discount are recapped below. Based on our experience valuing airport properties and information obtained from market participants, the following discount rate is considered reasonable for the land in question.

BUSS-SHELGER ASSOCIATES

Land Value Consideration	Percent Discount
Use and Development Restrictions	20.0%
Leasehold Restrictions	10.0%
Total Discount	30.0%

Aviation Land Value - \$35 x 70% (30% discount) \$24.50/SF

Rental Valuation

Overview

The market value of the land, subject to airport constraints, has been utilized in determining the rental value. A market determined expected rate of return has been applied to the land value resulting in an annual ground rent for the property.

Expected Rate of Return

Most of the recent acquisitions involving ground leased parcels in the San Diego area involve industrial outdoor storage yards. The rates of return from the transfers of ground leased land and industrial storage yards are listed in the following table.

Sale Date	Property Address	Rate of Return
6/24	9550-9558 Camino Ruiz, San Diego	6.1%
11/24	2570 S. Santa Fe Avenue, Vista	6.5%
7/25	2660 Cactus Road, San Diego	6.3%
7/25	9690-9694 Black Mountain Road, San Diego	7.9%
8/25	3384 Main Street, Chula Vista	7.0%
10/25	704 Rock Springs Road, Escondido	6.7%

As another benchmark for expected returns by investors in both land, outdoor storage, and net leased properties, the following rates of return from PricewaterhouseCoopers Real Estate Investor Survey have been considered.

Category	Range	Average
Industrial Outdoor Storage Market – Q4/2025	6.90% to 8.60%	7.75%
Industrial Land Outdoor Storage – Q4/2025	6.50% to 10.00%	8.25%
Net Lease Market – Q4/2025	6.25% to 9.00%	7.38%

The two outdoor storage indicators have averages of 7.75% and 8.25%; the net leased average is lower at 7.38%. These rates are higher than the recent San Diego transfers of outdoor storage yards which have an average rate of return of 6.75%. The lower regional rate in comparison to the national indicators is likely attributed to the higher property values in San Diego compared to the nation. Utilizing the regional indicator of 6.75%, a more conservative return 6.5% has been adopted for the airport recognizing that the ground leases are typically on a long-term basis, require some amount of capital investment, and have an annual rental increase.

Rental Determination

Annual Market Rental Rate - \$24.50/SF x 6.5%..... \$1.59/SF/year

The rental rate determined in this study uses the extraordinary assumption that when the property is developed taxiways will be extended to the subject property allowing for aircraft to access the airfield.

PROPERTY NO. 4 – 6810 CURRAN STREET

PROPERTY FEATURES

Location:	North side of Curran Street, an interior airport street, and south side of Taxiway G.
Address:	6810 Curran Street, San Diego, California
Land Area:	2.92 acres per the City's survey.
Building Area:	3,424 square feet in two stories based on the lease.
Office/Shop:	This former nose-dock hangar is two-stories made of wood-frame with wood siding. There is a partially enclosed area on the west side of the building under the nose-dock canopy which has metal siding and a wooden frame; this space is utilized for storage. The ground floor has both shop and office space; the second floor is all office space. The shop area has a large open entrance on the east side of the building. There is exterior staircase access the second floor. The office space has standard office finishes with a combination of sprayed acoustical ceilings and acoustical tiles, fluorescent lighting, painted walls, and industrial carpet flooring. The shop space has exposed construction elements and fluorescent lighting. There is a bathroom on each level.
Canopies:	A canopy extends on either side of the building which has been used as a nose dock in the past. The west canopy has older rails for a hoist.
Condition:	The structure is in average condition.
Site Improvements:	There is a 121,628-square foot concrete aircraft ramp surrounding the nose-dock hangar building. This area is the total land area for the leasehold less the footprint of the nose-dock building including the canopies (69' x 81') based on diagrams provided by the Airport. The other hangars and building improvements on the property are owned by the tenant and are not a part of this report.
Access:	Access to the property is restricted to personnel authorized for access by the Airport; the leasehold has direct airfield access.

SUBJECT PHOTOGRAPHS

Aerial



Building Exterior





BUILDING RENTAL VALUATION

In a facility similar to the subject holding, aviation office/shop space is often incorporated as part of the overall hangar rental rate. There is little independent demand for this type of office/shop building without the accompanying ramp space. The few Southern California airports which offer non-terminal aviation office and shop space are listed in the following table; this does not include T-hangar end units.

Data No.	Airport	Monthly Rent Per SF
1	Oxnard/Camarillo Airports	Office - \$0.50 Shop - \$0.40
2	Santa Maria Public Airport	Office - \$0.59 Shop - \$0.42
3	Van Nuys Airport	Office - \$0.42

It is noted that the above space pertains to single story facilities. The space on the second story is not as desirable, especially given that there is only stairway access. The office space forms a higher bracket from \$0.42 to \$0.59 per square foot monthly; the shop space varies from \$0.40 to \$0.42 per square foot which is commensurate with hangar rental rates at the respective airports. Given the age and condition of the facility, its two-story configuration, and the blended office and space, a mid-range rental rate of \$0.45 per square foot has been extended to the office/shop structure.

Aviation Office/Shop:

Monthly Rate	\$0.45/SF
Annual Rate	\$5.40/SF

RAMP RENTAL VALUE DETERMINATION

Overview

In order to evaluate the large ramp area associated with the subject leasehold, transfers involving industrial outdoor storage yards and land zoned for industrial and service commercial endeavors have been researched; the data has been correlated to the subject holding recognizing the concrete paving on the ramp. Subsequently, the FAA use restrictions for airport related parcels and the leasehold status of the property have been considered with the appropriate discount applied to the prevailing land value inclusive of the concrete paving. A market rate of return has been applied to the resulting value producing a fair market rental rate for the ramp area which includes both the land and paving.

Off-airport Value

Sales Survey

Acquisitions since the beginning 2024, involving industrial/service commercial land parcels and outdoor industrial storage yards with roughly one acre or more, have been assembled. The transactions uncovered have been listed chronologically in the table below. A Land Sales map identifying the location of each transfer in relationship to the subject property is found on the following page.

<u>Sale No.</u>	<u>San Diego</u>	<u>Land Area</u>	<u>Sale Price</u>
<u>Date</u>	<u>Location</u>	<u>Status</u>	<u>Price/SF</u>
1 8/24	Northern terminus of Innovative Drive	2.35 AC Finished Lot	\$3,873,500 \$38
2 8/24	5761 Airway Road	37.90 AC Raw Land	\$58,000,000 \$35
3 10/24	N/S Camino Maquiladora, W/O Innovative Drive	3.34 AC Rough Graded	\$5,175,000 \$36
4 2/25	8733 Avenida Costa Sur	1.01 AC Paved/Building	\$2,550,000 \$58

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Sale No. Date	San Diego Location	Land Area Status	Sale Price Price/SF
5 5/25	1581 Radar Road	1.95 AC Paved/Gravel/Building	\$4,200,000 \$49
6 7/25	2660 Cactus Road	5.85 AC* Paved/Gravel/Building	\$12,150,000 \$48
7 9/25	1581 La Media Road	1.04 AC Paved	\$2,000,000 \$44

* Net developable area of 6.84-acre site.

Sales Map



Value Analysis

The transactions involving industrial land and outdoor storage facilities indicate a price range from \$35 to \$58 per square foot. There are no unusual sale conditions that have been noted for any of the properties in this study. The market conditions for the timeframe researched are considered to be comparable to the present. A brief summary of the property features for each transaction in this study is found on the following page.

Sale No. 1 (\$38/SF) – The 2.35 acres of land has been graded, fenced, and finished for development or storage. Access to the property is from a short dirt drive which extends from a curb-cut at the cul-de-sac terminus of Innovative Drive. The property is surrounded by vacant land with an industrial district to the south along Innovative Drive.

Sale No. 2 (\$35/SF) – This large, 37.50-acre parcel, is situated west of the core of the Otay Mesa industrial district. The immediate surroundings are still being developed. The land has strong access with paved roads on three sides of the property.

Sale No. 3 (\$36/SF) – This transaction involves 3.34 acres of land which parallel the south side of Otay Mesa Road. The two assessor's parcels which comprise the property have each been fenced and graded. This is at the westerly end of the Otay Mesa district. The surrounding properties are primarily outdoor storage yards.

Sale No. 4 (\$58/SF) – The property involves roughly one acre of fenced, paved outdoor storage space. There appears to be a modular structure on-site. This property is located in the core of Otay Mesa, near the border crossing.

Sale No. 5 (\$49/SF) – The storage yard that transferred involves 1.95 acres with a small 3,600-square foot structure on-site. The yard is partially concrete paved and partially compacted aggregate. The property is located on the east side of Brown Field Municipal Airport.

Sale No. 6 (\$48/SF) – This large outdoor industrial storage yard involves 6.84 acres, with only 5.85 acres are usable. The site features 4,320 square feet of office/storage space; additionally, there is a large metal canopy on one side of the property for covered storage. Near the street front, there is paving with the bulk of the yard compacted, graded, and aggregate covered. This property sold as a leased investment with a reported capitalization rate of 6.3%.

Sale No. 7 (\$44/SF) – This smaller site was purchased by the adjacent property owner for expansion. It is a paved lot utilized for truck parking. This property is across the street from the east side of the Brown Field Municipal Airport.

The most significant factor influencing the price per square foot is the extent of site improvements. Sale Nos. 1 thru 3 consist of undeveloped lots ranging from raw land to finished grade; these data items form the lower end of price range from \$35 to \$38 per square foot depending on the degree to which the property is improved. Sales 4 thru 6 involve industrial outdoor storage yards with paving and nominal building improvements; these purchases indicate a higher price bracket from \$48 to \$58 per square foot depending on the type of improvements. Sale No. 7 involves a paved truck parking lot that does not have the utilities found in Sale Nos. 4 thru 6; as a result, it has a lower price of \$44 per square foot.

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In comparison to the other properties in this study, the subject holding has inferior access as it does not front on a public street. The following table contains a qualitative comparison of the subject holding in relationship to the other data items in this study. The elements of comparison are as follows:

Size – There tends to be an inverse relationship between size and price per square foot with smaller parcels garnering a higher price per square foot. Properties with 1 to 5 acres are considered to be similar in size to the subject holding.

Improvements – Aside from the subject building improvements which have been analyzed separately, the land under analysis is a concrete paved ramp for aircraft parking. For comparison to the other data items in this study, the aircraft ramp area is considered to be a paved parcel without utilities.

Access – The subject holding does not have public street frontage for the parcel. As a result, the access to the property is considered inferior to the data items in this study which are all accessible from public streets.

Sale No.	Parcel Size	Property Improvements	Land Accessibility	Overall Comparability	Price Per SF
1	Similar	Inferior	Superior	Similar	\$38
2	Inferior	Inferior	Superior	Inferior	\$35
3	Similar	Inferior	Superior	Similar	\$36
4	Similar	Superior	Superior	Superior	\$58
5	Similar	Superior	Superior	Superior	\$49
6	Inferior	Superior	Superior	Superior	\$48
7	Similar	Similar	Superior	Superior	\$44

Based on this comparison table, the superior properties form a price range from \$44 to \$58 per square foot. The similar holdings transferred for \$38 and \$36 per square foot with the one inferior site at \$35 per square foot. The two similar properties lack the site improvements, but have public access. The subject has thick concrete aircraft paving which is costly to create. Sale No. 7 is a paved site at \$44 per square foot; it is considered superior to the subject due to its public access. A value between \$38 and \$44 per square foot is considered reasonable for the subject land given the ramp improvements. A value of \$42 per square foot has been adopted for the ramp area prior to the aviation related constraints; this value recognizes the paving in-place on the ramp land.

Off-airport Value \$42.00/SF

On-Airport Value

Overview

Airport parcels are constrained by both safety issues with respect to buildable areas and height limitations, as well as by land usage restrictions which limit operations to aeronautical uses. In addition, the land cannot be purchased and owned as a fee simple site; it can only be leased. The leases for airport properties are subject to FAA Grant Assurances that only allow airports to cover their operational costs which discourage any type of investment incentive beyond servicing the aviation community. These factors suggest airport leased sites should be discounted to reflect these restrictions.

FAA Part 77 Restrictions

As an airport property, the ramp land in question is subject to certain use restrictions as defined in the Federal Aviation Administration Regulations, Part 77. Primarily these limitations involve property use, plus location and height restrictions in relation to the airport surfaces. A brief recap of FAA Part 77 Regulations is as follows.

- Approach Slope - The approach slope is an incline of 50 to 1 extending 10,000 feet from the ends of the runway, decreasing to 40 to 1 from a distance of 10,000 feet to 50,000 feet.
- Transitional Slope - Transitional slopes extend laterally from the runway at a gradient of 7 to 1, terminating at the intersection with the horizontal surface.
- Primary Surface - A zero height limit applies to all areas within 500 feet of the sides of all runway centerlines and 200 feet beyond each end of a runway.
- Horizontal Surface - The horizontal surface is comprised of an imaginary plane 150 feet above the runway surface, extending outward to a radius of 13,000 feet.
- Clear Zone - A geometric fan, the clear zone extends 2,500 feet out from the approaches to runways or primary surfaces and is a designated flight hazard area.

FAA restrictions serve a necessary function, without which the airport could not operate safely and efficiently. While protective in nature, the guidelines are also restrictive, limiting permitted development both physically and functionally. Recognizing the subject's location adjacent to the airfield, there are buildable height restrictions; additionally, the aeronautical utilization of the land is restrictive in comparison to off-airport parcels. A discount of 20% has been applied to account for these limitations based on standards commonly found at airports.

Leasehold Property Rights Restrictions

Airport lands leased by tenants do not enjoy the same level of utility as off-airport parcels. The land cannot be purchased and owned as a fee simple site; additionally, most airport lessees are constrained from creating the same site development intensity as conventional off-airport properties. Lessees are unable to recycle the use of the land consistent with changing market conditions. Finally, leasehold sale/sublease opportunities are not permitted without specific permission by the governmental entity holding the lessor's position.

As a result of these leasehold restrictions, airports typically recognize discounts from prevailing off-airport land values in negotiating ground rental terms with prospective or renewing tenants. While the extent of discount varies, it is clear that the marketplace recognizes a discount due to land use limitations imposed by the governing airport municipalities through the lease contracts. In a densely built-out market, these constraints impact land values even more significantly as there is high demand for development land. As there is still undeveloped land in the subject's locale, a discount of 10% has been applied.

Land Value Determination

The major concerns that comprise the overall land value discount are recapped below. Based on our experience valuing airport properties and information obtained from market participants, the following discount rate is considered reasonable for the land in question.

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Land Value Consideration	Percent Discount
Use and Development Restrictions	20.0%
Leasehold Restrictions	10.0%
Total Discount	30.0%

On-airport Value - \$42 x 70% (30% discount)..... \$29.40/SF

Rental Valuation

Overview

The market value of the ramp land, subject to airport constraints, has been utilized in determining the rental value. A market determined expected rate of return has been applied to the land value resulting in an annual ground rent for the property.

Expected Rate of Return

Since the ramp area under consideration is intended for outdoor storage of aircraft, recent transfers involving industrial outdoor storage yards in San Diego County indicate rates of return varying from 6.1% to 7.9%. The recent acquisitions are listed in the following table.

Sale Date	Property Address	Rate of Return
6/24	9550-9558 Camino Ruiz, San Diego	6.1%
11/24	2570 S. Santa Fe Avenue, Vista	6.5%
7/25	2660 Cactus Road, San Diego	6.3%
7/25	9690-9694 Black Mountain Road, San Diego	7.9%
8/25	3384 Main Street, Chula Vista	7.0%
10/25	704 Rock Springs Road, Escondido	6.7%

As another benchmark for expected returns by investors in both land, outdoor storage, and net leased properties, the following rates of return from PricewaterhouseCoopers Real Estate Investor Survey have been considered.

Category	Range	Average
Industrial Outdoor Storage Market – Q4/2025	6.90% to 8.60%	7.75%
Industrial Land Outdoor Storage – Q4/2025	6.50% to 10.00%	8.25%
Net Lease Market – Q4/2025	6.25% to 9.00%	7.38%

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The two outdoor storage indicators have averages of 7.75% and 8.25%; the net leased average is lower at 7.38%. These rates are higher than the recent San Diego transfers of outdoor storage yards which have an average rate of return of 6.75%. The lower regional rate in comparison to the national indicators is likely attributed to the higher property values in San Diego compared to the nation. Utilizing the regional indicator of 6.75%, a more conservative return 6.5% has been adopted for the airport recognizing that the leases are typically on a long-term basis, require some amount of capital investment, and have an annual rental increase.

Rental Determination

Annual Market Rental Rate - \$29.40/SF x 6.5%..... \$1.91/SF/year

RECAPITULATION

Property Type	Leased Area	Monthly Rent/SF	Annual Rent	
			Per SF	Extended
Office/Shop	3,424 SF	\$0.45	\$5.40	\$18,490
Ramp	121,628 SF	\$0.16	\$1.91	\$232,310
Total.....				\$250,800

VALUATION

Based on our investigation and analyses, the following market rental values have been set forth as of January 6, 2025, pertaining to four leaseholds at Brown Field Municipal Airport. All extended rental amounts have been rounded to the nearest \$5 dollars.

Prop. Index	Property Identification	Leased Area	Property Type	Market Rent (Annually)	
				Rent/SF	Extended
1	7020 Curran Street	7,200 SF	Hangar	\$3.60	\$25,920
		1,600 SF	Hangar	\$4.80	\$7,680
		4,068 SF	Office	\$4.20	\$17,085
		87,337 SF	Ramp	\$1.91	<u>\$166,815</u>
			Total		\$217,500
2	NEC Sikorsky Street & Heritage Street	10.721 AC	Raw Land	\$1.59	\$742,540
3	S/S Curran Street	8.2992 AC	Land	\$1.59	\$574,805
4	6810 Curran Street	3,424 SF	Office/Shop	\$5.40	\$18,490
		121,628 SF	Ramp	\$1.91	<u>\$232,310</u>
			Total		\$250,800

The rental valuations in the table above are predicated on the following extraordinary assumptions.

- Property No. 1 - The hangar door for the larger hangar has been replaced. Additionally, the interior office space has been painted, the flooring has been replaced, and the wall-mounted HVAC units are functional.
- Property No. 2 - There are no remediation issues from the former fuel farm that would impede aeronautical development of the site.
- Property No. 3 – Aircraft taxiway access would be extended to the property to allow for aeronautical development of the site.
- Property No. 4 – Excluding the historic nose-dock hangar, the other building improvements on this leasehold are tenant owned and have not been included in this valuation.

LIMITING CONDITIONS

This report is made expressly subject to the following conditions and stipulations:

- 1) No responsibility is assumed by us for matters which are legal in nature.
- 2) No opinion of title is rendered and the property is appraised as though free of all encumbrances and the title marketable.
- 3) The appraisal covers the property described only.
- 4) No survey of the boundaries of the property has been made. All areas and dimensions furnished are assumed to be correct.
- 5) Sources of information are believed to be correct and, where feasible, have been verified.
- 6) By reason of this appraisal we are not required to give testimony or to be in attendance in court or at any governmental or other hearing with reference to the property without arrangements having been made relative to such additional employment.
- 7) 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 author(s).
- 8) Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property were not called to the attention of nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test for such substances. The presence of such hazardous substances may affect the value of the property. The value estimated herein is predicated on the assumption that no such hazardous substances exist on or in the property or in such proximity thereto which would cause a loss in value.

CERTIFICATION

The following certification applies to the market rental value of four leaseholds at Brown Field Municipal Airport in San Diego, California.

- The appraiser has appraised one of the properties that are the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- The undersigned appraiser certifies that she has inspected the properties described herein; that she has no past, present or prospective, direct or indirect interest in or bias with respect to the subject properties, nor personal interest or bias toward the parties involved.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are the personal, unbiased professional analyses, opinions, and conclusions of the undersigned; employment in this appraisal report is not in any manner contingent upon returning appraisal findings in any specified or implied amount or otherwise contingent upon anything other than the delivery of this report.
- This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
- To the best of the appraisers' knowledge and belief, all of the statements contained herein, upon which the analyses, opinions and conclusions expressed are based, are true and accurate; that no one other than the undersigned prepared the analyses, conclusions and opinions concerning real estate set forth in this report.
- The appraisers' 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.
- 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 & Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report, Lara Z. Buss, MAI has completed the requirements of the continuing education program of the Appraisal Institute.

Respectfully submitted,
BUSS-SHELGER ASSOCIATES

Lara Z. Buss, MAI

PROFESSIONAL QUALIFICATIONS

LARA Z. BUSS

EXPERIENCE

Buss-Shelger Associates, Los Angeles, California (since 2003).

Associate. Provides consultive and valuation services on all types of vacant and improved properties.

AmerisourceBergen Corp., Orange, California (2001-2003).

Project Manager. Prioritized, designed and managed enhancements to web, desktop and Palm based customer systems including ordering, receiving, inventory and reporting applications. Designed new web and desktop based customer systems.

Accenture, San Ramon, California (1997-2001).

Consultant. Provided technology consulting services including project management, software design and development, and business process analysis.

Buss-Shelger Associates, Los Angeles, California (1995).

Analyst. Conducted field investigations, sales analyses, rental surveys and cost strategies. Analyzed market information, demographic trends and real estate price patterns.

PROFESSIONAL ACTIVITIES

Phi Beta Kappa (Member)

Appraisal Institute (Southern California Chapter)

Lambda Alpha International (Member)

CERTIFICATION/EDUCATION

MAI designated and certified under The Appraisal Institute voluntary program of continuing education for its designated members.

Certified General Real Estate Appraiser in the State of California.

OREA Appraiser Certification No. AG036684

Bachelor of Arts – Vanderbilt University (1997)

ADDENDA

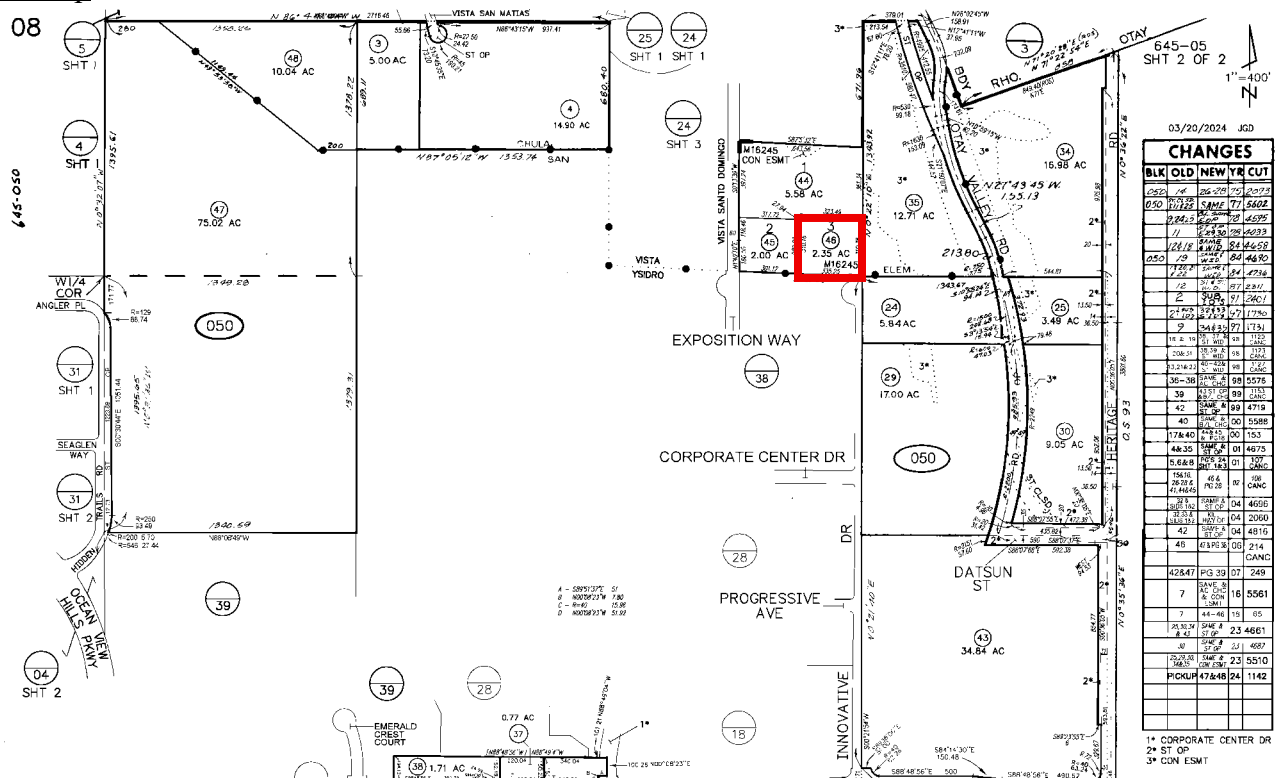
EXHIBIT A – SALE COMPARABLES DETAIL

BUSS-SHELGER ASSOCIATES

Sale No. 1 – Northern Terminus Innovative Drive (APN 645-050-46)

Land Area: 2.35 acres
Transfer Date: August 2024
Transfer Price: \$3,873,500, or \$38 per square foot

Aerial

Plat Map

BUSS-SHELGER ASSOCIATES

Sale No. 2 – 5761 Airway Road (APN 646-103-02)

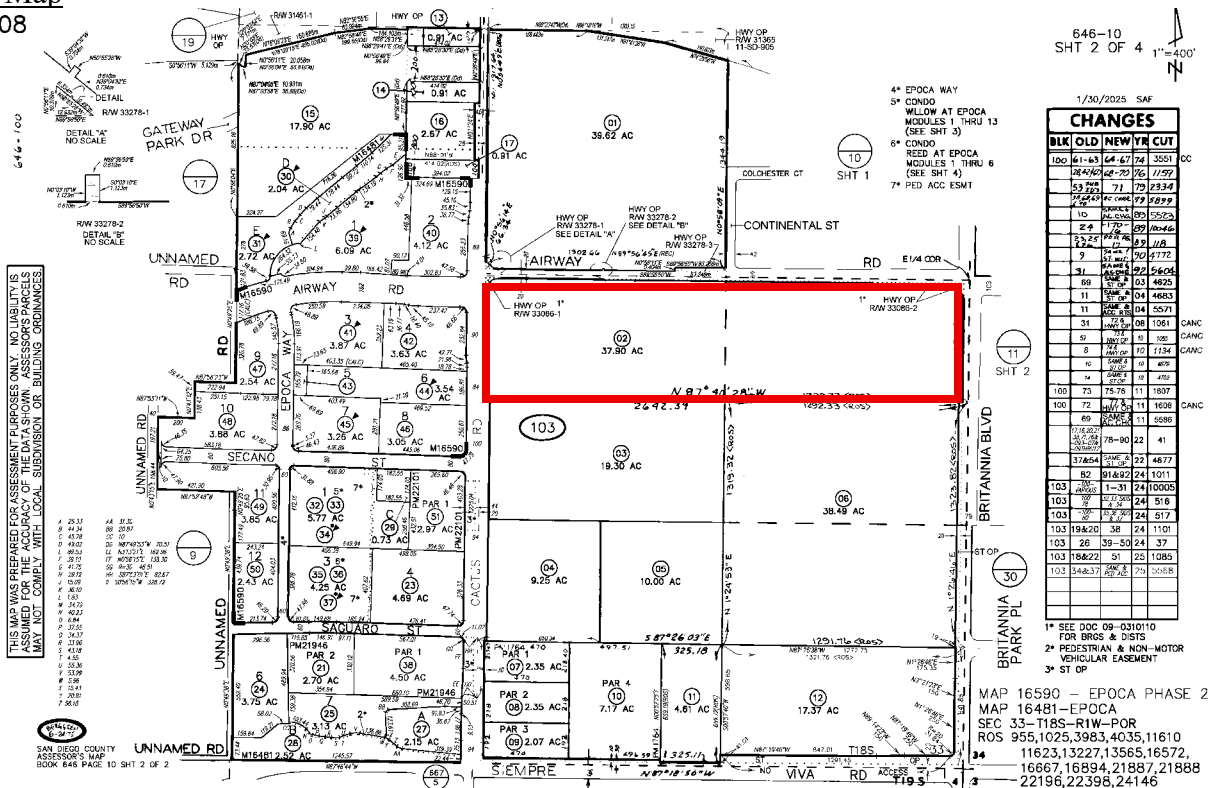
Land Area: 37.90 acres
 Transfer Date: August 2024
 Transfer Price: \$58,000,000, or \$35 per square foot

Aerial



Plat Map

08



BUSS-SHELGER ASSOCIATES

Sale No. 6 – 2660 Cactus Road (APN: 667-050-49)

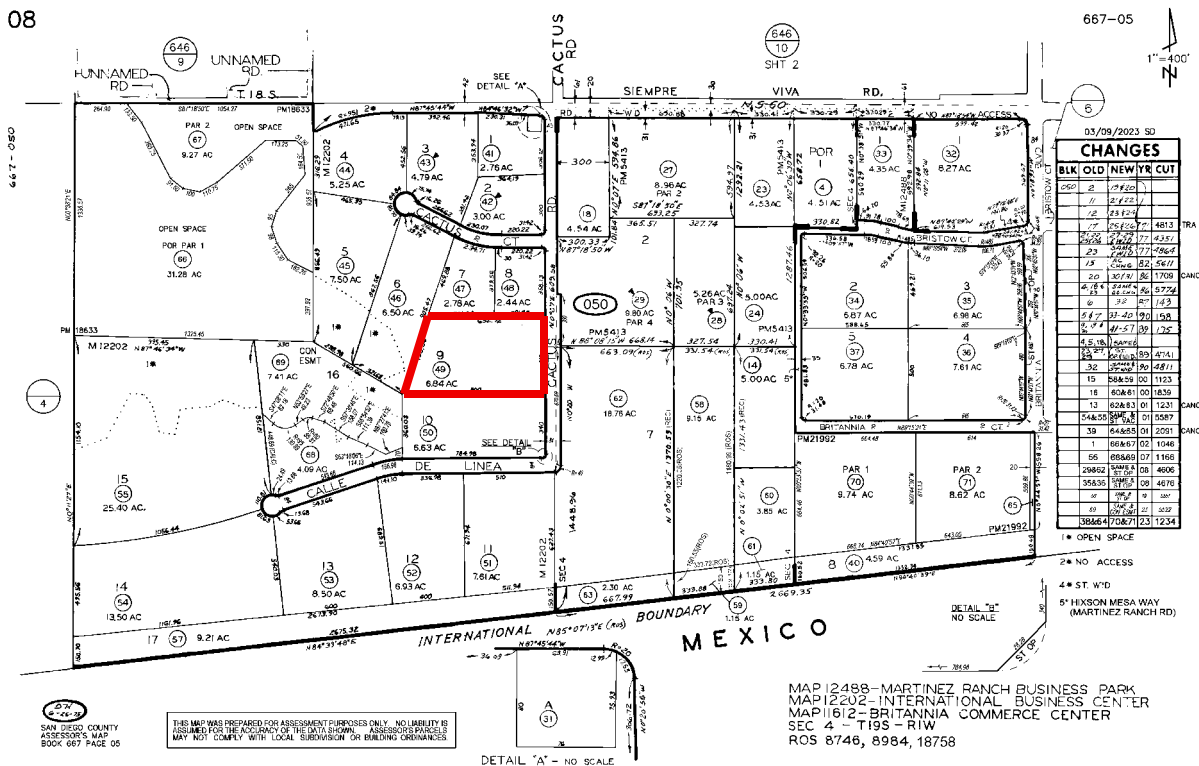
Land Area: 5.85 net acres; 6.84 gross acres
 Transfer Date: July 2025
 Transfer Price: \$12,150,000, or \$48 per square foot of net area

Aerial



Plat Map

08



Monthly Airport Operations Report

September 2026



MONTGOMERY-GIBBS EXECUTIVE AIRPORT

Flight Operations (Month)	Sep-26	Sep-25	% Diff
	27,316	32,960	-17.1%

Based A/C	431
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Flight Operations (CY)	2026 YTD	2025 YTD	% Diff
	279,485	289,247	-3.4%

Flight Operations (FY)	FY27 YTD	FY26 YTD	% Diff
	88,406	102,689	-13.9%

Unleaded AvGas (UL94 Gal)*	Available	Sold Aug 26	Sold FY27 YTD
	Will be provided at meeting		

Operations Office Revenue	FY27 YTD	FY26 YTD	% Diff
Landing Fees	\$15,988.00	\$7,745.59	106.4%
Transient A/C Parking	\$6,966.00	\$6,973.31	-0.1%
Vehicle Parking	\$678.00	\$516.00	31.4%
Conference Room	\$540.00	\$225.00	140.0%
Other	\$2,652.72	\$2,110.36	25.7%
Total	\$26,824.72	\$17,570.26	52.7%

Total Operations 10-Year History	
2025	370,911
2024	385,806
2023	321,830
2022	307,188
2021	292,805
2020	276,208
2019	253,090
2018	226,588
2017	207,103
2016	200,676

* Prices for AvGas and UL94 may vary. For up to date price information visit: <https://www.airnav.com/airport/KMYF>

Brown Field Airport

Flight Operations (Month)	Sep-26	Sep-25	% Diff
	6,702	6,904	-2.9%

Based A/C	157
-----------	-----

Flight Operations (CY)	2026 YTD	2025 YTD	% Diff
	68,930	67,640	1.9%

Flight Operations (FY)	FY27 YTD	FY26 YTD	% Diff
	22,992	24,419	-5.8%

Operations Office Revenue	FY27 YTD	FY26 YTD	% Diff
Landing Fees	\$32,886.00	\$24,235.00	35.7%
Transient A/C Parking	\$3,964.00	\$5,223.00	-24.1%
Vehicle Parking	\$6,993.00	\$25,227.00	-72.3%
Other	\$1,748.00	\$1,014.00	0.0%
Total	\$45,591.00	\$55,699.00	-18.1%

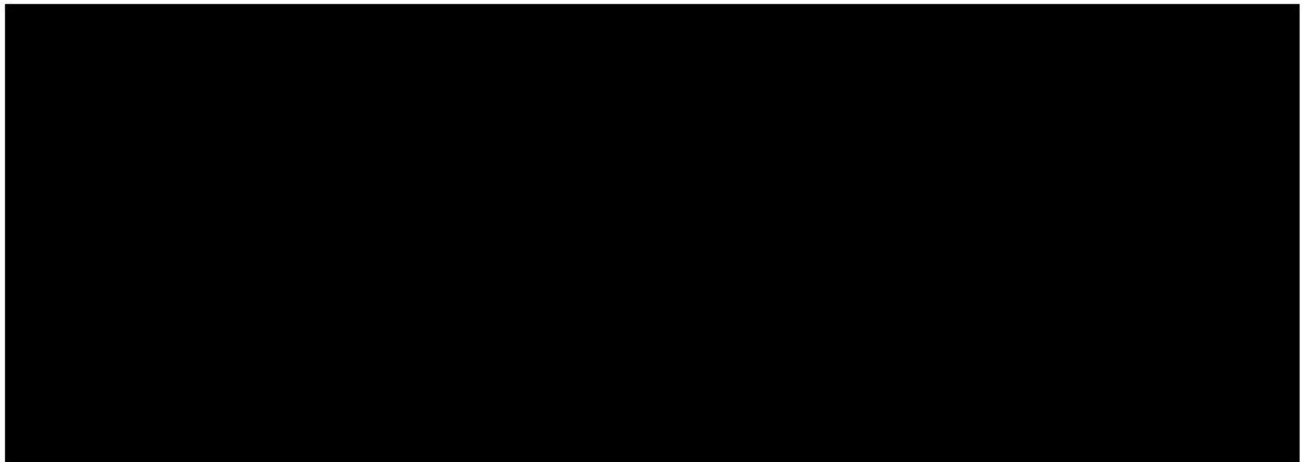
Total Operations 10-Year History	
2025	89,490
2024	93,525
2023	92,255
2022	94,925
2021	106,001
2020	100,462
2019	86,358
2018	78,916
2017	77,355
2016	86,027



Montgomery-Gibbs Executive Airport



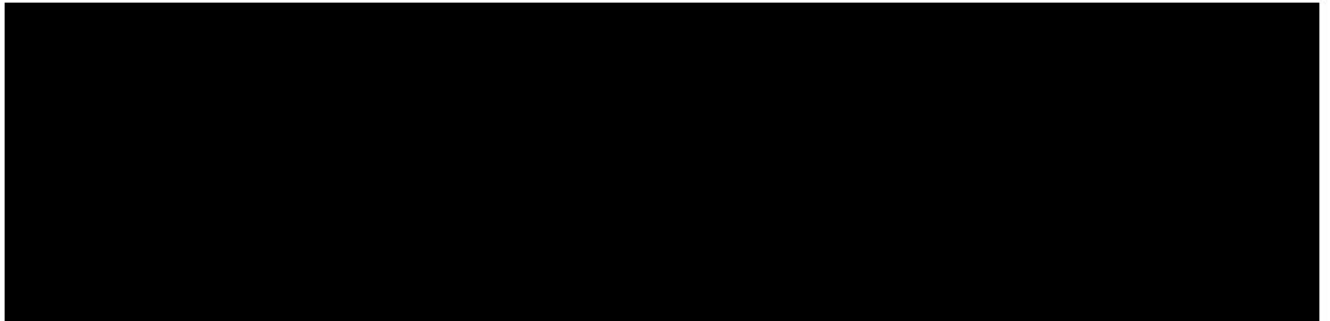
Community Complaint Totals



Total Number of Complaints:



Community Complaint Details



*Noise Abatement Violations only apply to Montgomery Gibbs Executive Airport as the City ordinance/policy was passed and put into place prior to the Airport Noise and Capacity Act of 1990

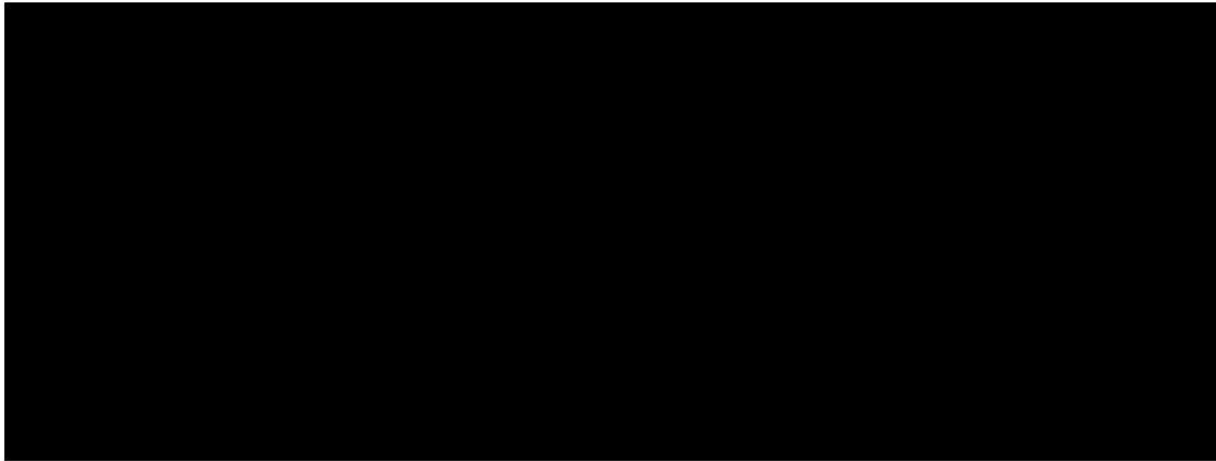


Economic Development Department



Brown Field Airport

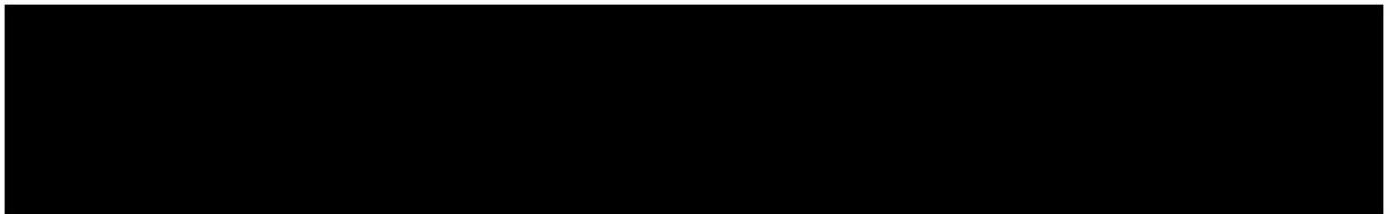
Community Complaint Totals:



Total Number of Complaints:



Community Complaint Details:



*Noise Abatement Violations only apply to Montgomery Gibbs Executive Airport as the City ordinance/policy was passed and put into place prior to the Airport Noise and Capacity Act of 1990



Economic Development Department

Year to Date Noise Management Report

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Community Complaint Totals

[REDACTED]

Total Number of Complaints:

[REDACTED]

Community Complaint Details

[REDACTED]

*Noise Abatement Violations only apply to Montgomery Gibbs Executive Airport as the City ordinance/policy was passed and put into place prior to the Airport Noise and Capacity Act of 1990



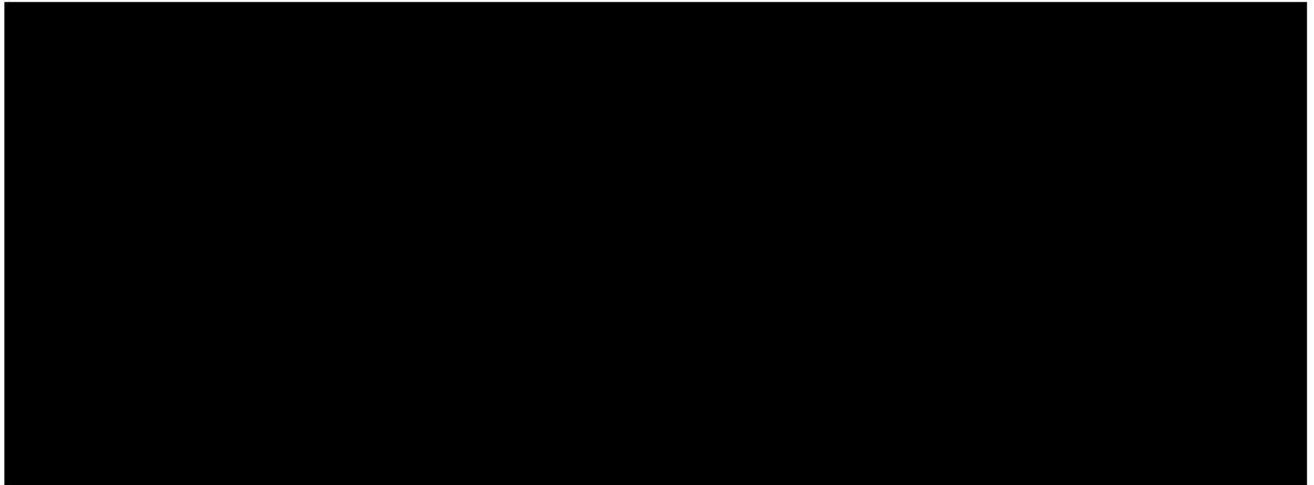
Economic Development Department

Year to Date Noise Management Report



Brown Field Airport

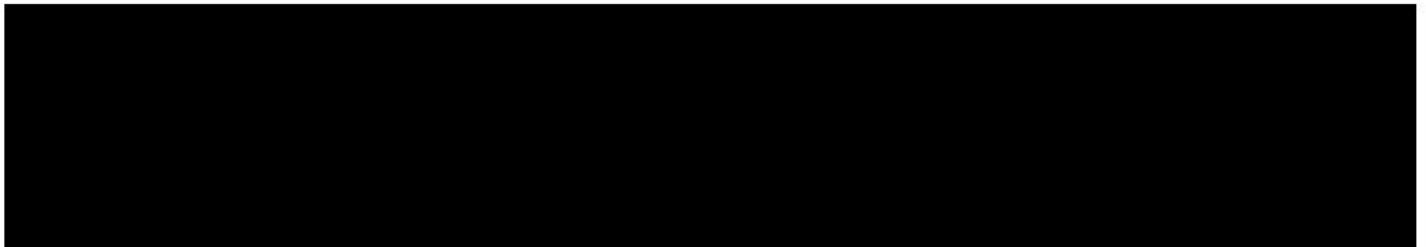
Community Complaint Totals



Total Number of Complaints:



Community Complaint Details



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Projects Progress Update

October 2026

Montgomery–Gibbs Executive Airport (MYF)

- Airport Master Plan
 - Meeting internally in regards to the current status of the EIR and discussing potential schedule
- MYF Terminal Parking Lot East Rehabilitation
 - Construction is complete, finishing punch list with contractor
- MYF Terminal Apron Rehabilitation
 - Received Planning Grant for \$1,425,000
 - 30% Design complete
- Air Center MYF (Corporate Helicopters)
 - Working with Tenant on FAA Environmental documents
- MYF Runway 10R/28L Taxiway B, F, H, M, D, C Rehabilitation
 - Awarding Design Task to WoodRogers
 - Accepted FAA Planning Grant for \$1,425,000
- FAA Owned Remote Transmitter Receiver (RTR) Replacement/Upgrade currently under construction

Brown Field Airport (SDM)

- SDM Taxiway Golf, Taxiway Bravo Rehab, Taxiway Charlie (G1) Rehab Realign, Pavement Removal Project
 - Completed 100% Design
 - Received Planning Grant for \$1,084,226
 - Preparing Bidding Documents for Construction Contract
- SDM Airport Terminal Roof Replacement
 - Roof work complete, work continuing in the old tower
- San Diego Airpark Project
 - Construction Activities on Phase 1 continue.
 - Conducting Phase 2 environmental work on Phase 2 parcels
- SDM Access Control System
 - Installation underway
 - Developing Badging portal and card user policy