I. Good morning. My name is Robert M. Greene, G-R-E-E-N-E. I reside at 6311 SW Canby Street, Portland, Oregon. I am a real estate appraiser. I am employed by Integra Realty Resources in Portland as the Director of Litigation Support Services.

I have been a real estate appraiser for approximately 30 years, first in Michigan, then in Chicago, and for the last five-and-one-half years in Oregon. In the course of my career I have appraised in several states and in Europe. I am currently a General Certified Real Estate appraiser in the states of Oregon and Washington.

I hold the professional designations of MAI and SRA. The MAI is awarded by the Appraisal Institute and is considered the preeminent designation in our profession. It requires more than 350 hours of specialized education, a review of more than 3,000 hours of field work by MAI-designated members of the Institute, passing of a two-day comprehensive examination, and completion of a demonstration appraisal report, roughly comparable to a PhD dissertation. I also have a Ph.D. and I am an adjunct professor in the Portland State University real estate program, teaching the beginning and advanced real estate appraisal courses for undergraduates and graduate students. Finally, I serve on local and national committees of the Appraisal Institute, including the Comprehensive Examination Panel and the University Relations Panel. I also am the 2012 President of the Greater Oregon Chapter of the Appraisal Institute.

II. In the course of my career, I have appraised numerous billboard properties, and I am familiar with the specialized issues involved in billboard valuation. I have appraised several billboard properties for eminent domain, and I have also reviewed and am familiar with the professional and academic literature dealing with billboard valuation issues. I have been asked by Mr. Chris Daugherty and Mr. Christopher Rich to speak to the Committee regarding some of the issues concerning the valuation of billboard properties, especially insofar as they relate to House Bill 4031 and the value of a property after termination of a lease between a billboard operator and a property owner.

Billboard valuation has some characteristics special to itself, most notably in regard to the traditional three approaches to value. The traditional three approaches are the sales comparison approach, in which sales of reasonably comparable sales are compared to the subject to arrive at an estimate of value; the cost approach, in which depreciated cost plus land value is considered a potential measure of value; and the income capitalization approach, in which value is measured by estimating the net income of a billboard and estimating how much a typical investor would pay to acquire that income stream. In most cases, there is a reasonable correlation among the three approaches.

In the case of billboards, however, there are so few sales of individual billboards that there is usually not enough market data to use the sales comparison approach.

The cost approach is not applicable for an ***active*** billboard because the amount of revenue generated by a successful billboard is extremely high relative to the cost of the structure. For example, it would not be unusual for a billboard monopole structure with a cost to construct of $100,000 to $300,000 to generate income well into 7 figures.

Therefore, functional and successful operating billboards are valued by the income capitalization approach, which best reflects what a typical investor in that market would pay for it. However, when we estimate that value we are not measuring simple tangible "sticks and bricks." *The value of that property is created by the ODOT permit that permits it to operate, which is owned and controlled by the sign company.* Without that permit, the value of the billboard collapses.

III. Perhaps it will be clearer by consideration of an analogy. Taxicabs in most cities require a permit, called a medallion, in order to operate as taxis. I was back in Chicago a few months ago, and my taxi driver was a West African man who was driving a brand new Scion, which in fact made a terrific taxicab—it was small but roomy and very comfortable. I asked him about his car, and he offered that he had just purchased it for $19,000. I asked him if he also owned his medallion—in fact only a minority of taxi drivers own their own medallions. Typically they work for companies that own the medallions and hire the drivers, sometimes providing cars as well. Oh, yes, he said, he had bought his medallion several years ago for $65,000. (He admitted that he had borrowed money to buy the medallion.) Do you know how much the medallion would cost today, I asked him. Yes, he said, between $200,000 and $225,000.

I was shocked, but that's the market. There is a limited number of medallions provided by the City, just as there is a limited number of ODOT permits for billboards. When my taxi driver bought his new car he simply moved his medallion to his new vehicle. If he sells his car, he will not sell the medallion, just as he did not sell his medallion when he bought his new Scion . . . or he will sell it separately. His new car was worth $19,000, but the car in and of itself is not magically worth more because its owner also owns a medallion.

IV. Therefore, when a sign company no longer leases land for a billboard, there is no residual value that attaches to the left-behind billboard. The value of that physical structure was its ability to generate income, and without the permit there is no such value. The only value that remains is the salvage value of the structure and the underlying land.

V. I would like to stress that my understanding of the correct valuation procedures is in conformance with generally accepted appraisal practice. The practice of our profession is governed by the Uniform Standards of Professional Appraisal Practice, a national set of standards that is enforced in Oregon by the Oregon Appraiser Certification and Licensing Board (ACLB), and the valuation of special properties like billboards has been discussed, analyzed, and explicated in publications of the Appraisal Institute and others. I have read much of that specialized literature, though doubtless not all of it, and I am confident that the methodology and analysis I have described is in conformance with generally accepted practice.

Real estate legal theory, as well as the valuation theory that is built on the legal theory, states that what we value are the bundle of rights attributable to a particular form of ownership. For example, when you own a dwelling and lease it to another, in exchange for rent you cede to your tenant the right of occupancy (with certain restrictions), and you receive the right to receive rent and the right to reversion after the lease expires. In a similar fashion in the case of a billboard permit, the lessee has obtained a special benefit by virtue of the ODOT permit, *one that the lessor did not have and does not revert to him.* Therefore, the value of it does not accrue to him.

A similar case might be that of a restaurant owner with a liquor license. When the restaurant owner terminates his lease, the value of that liquor license does not accrue to the property owner.

VI. I will be happy to answer any questions you might have.