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February 8, 2012

The Honorable Cliff Bentz
The Honorable David Hunt
Co-Chairs
House Transportation and Economic Development Committee

Re: *Oregon House of Representatives Bill 4031*

Dear Gentlemen:

My name is Donna Desmond. I am a billboard appraiser employed by Donna Desmond Associates and a Senior Member of the American Society of Appraisers. I have specialized in valuing outdoor adverting assets for over twenty years and have testified on valuation and economic issues related to the outdoor advertising industry in federal district court as well as in state courts throughout the United States. I have valued in excess of 2,000 billboards throughout my career and consulted extensively to property owners in negotiating renewals of billboard ground leases.

I have reviewed the written testimony of Robert M. Greene relative to the value of a property after termination of a lease between a billboard operator and a property owner. Mr. Greene is inaccurate in his characterization of the value of a "left-behind billboard" on a number of levels.

First, a billboard structure is more than just "sticks and bricks." In addition to construction costs incurred to erect a structure, significant expenditures are made by the outdoor advertising company in finding the site, negotiating with the landlord, obtaining permits for the site, engineering the billboard to be uniquely suited to the property to maximize visibility, and in marketing the site to advertisers. The cost of marketing the site to advertisers is not inconsequential or a sunk cost. All past and current marketing of a billboard location enhances the future income generating capacity of the sign, whether or not the outdoor advertising company is able to continue to operate it.

Second, the income generating capacity of a billboard does not cease to exist at the end of the term of a lease. At least 50% of the larger format billboards in Oregon are sold to advertisers under long-term contracts. In these situations, it is highly likely that an advertiser would continue to contract for use of a board, even after ownership of the structure changes hands. Therefore, the future income stream being paid by the advertiser for use of the billboard would be lost to the outgoing lessee. The landlord or incoming competitor would be the beneficiary of the former lessee's marketing skills, reputation and industry acumen utilized to obtain that advertiser. The outgoing billboard company would clearly not be adequately compensated for these attributes and assets through payment of "salvage value of the structure."

Outdoor advertising signs are effectively irreplaceable in nature due to local ordinances and state laws restricting new billboard construction. Therefore, great incentive already exists for billboard companies to preserve their existing assets by negotiating renewals of their ground leases in good faith and at a fair market rental rate.

Thank you for your consideration of these matters.

DONNA DESMOND ASSOCIATES

Donna Desmond, ASA
Principal