



PUBLIC BUILDINGS COMMITTEE

Practice Note 1

REVALUATION 2005

VALUATION OF AIRPORTS

1. Introduction

This Practice Note deals with the valuation of Airports and has been prepared following discussions with representatives of the Valuation Office Agency, BAA and other organisations dealing with Airports.

The principles of the valuations of the Scottish Airports have been agreed with representatives of the BAA.

2. Basis of Valuation

It is recommended that the Contractor's Basis should be used. The valuation will include all land, civil engineering works, buildings, car parks and rateable plant in the occupation of the Airports Authority together with any concessionary areas within the terminal buildings.

All retail, catering and duty free outlets within the terminal building are agreed to be considered to be held on agreements where the Landlord (airport authority) is in paramount control and as such should not be subject of separate entries in the valuation roll.

Advertising rights within the terminal footprint, where let on a concession type agreement will be reflected in the main assessment. Any advertising external to the terminals, which is not reflected in the site value of the terminal, should be valued separately and added into the valuation if not to be separately assessed.

It may be appropriate to make separate entries in respect of subjects such as check in desks, car hire subjects, offices and filling stations depending on the nature of the agreement between the occupier and the airport authority.

Agricultural land, exclusively occupied for agricultural purposes will be treated as exempt.

3 Costs

Building costs noted within the appendices have been adjusted to tone date, using the all Scotland Location Factor and analysed to a £2m contract size. All costs noted are exclusive of fees.

Reference should be made to Basic Principles Practice Note 2 and Public Buildings Practice Note 4.

4. Valuation

4.1. Buildings

For terminal buildings the costs are based upon agreed costings for beacon terminals, these costings are shown at appendix A, together with costings for other airport buildings. Adjustments to these beacon costs may be necessary to reflect the actual circumstances at individual airports and particular types of construction.

The basis for other buildings will be the adjusted replacement cost for the building or exceptionally a substitute building approach may be appropriate.

Allowances should be made for any age related disabilities, if applicable, as noted in appendix A. In addition if there is functional obsolescence or excessive accommodation it may also be appropriate to make allowance for such factors. However, any such allowance should take account of any refurbishment or updating that has taken place. Should a substituted building basis be adopted an allowance may be appropriate to reflect the state of the actual building.

Allowances in addition to the normally agreed allowances may be necessary at "Stage 2" for buildings on the following grounds:-

- i) Listed buildings - development restrictions, higher upkeep costs etc.
- ii) Accommodation problems/constraints caused by statutory or operational requirements.
- iii) Physical constraints.
- iv) Building in advance of requirements.
- v) Additional development affecting utilisation of existing space.

4.2 Runways

The basis to be adopted is adjusted replacement cost as set out in the agreed costings at appendix B. The cost to be adopted will be based upon the PCN (Pavement Classification Number) published in the edition of the "Airpilot" current at the valuation date or alternatively consideration may be given to any documentary evidence produced on behalf of the occupier as to specification.

The costs should be adjusted to take account of any age related disabilities, however, regard should be had to the fact that licensed pavements are regularly resurfaced to C.A.A standards, therefore a maximum age related allowance of 6% is appropriate for such pavements. The agreed scale is shown at appendix C to this document. Allowances may also be necessary for excessive strength, widths and lengths caused by historic reasons or environmental or operational restraints.

4.3 Taxiways/Aprons

Similar levels of costing to runways will be applicable.

4.4 Car Parks

4.4.1.

Multi storey car parks should be included in the airport assessment where they are operated on behalf of the airport under a concession type agreement, but separately assessed if they are occupied under a lease or licence. They should be included within the Contractor's Basis valuation at their adjusted replacement cost.

4.4.2.

Surface car parks should be included in the airport assessment where they are operated on behalf of the airport under a concession type agreement, but separately assessed if they are occupied under a lease or licence. Where car parking spaces are included in the lease of separately let accommodation then the spaces should be excluded from the airport valuation.

4.5 Roads

Those roads, which are not public highways, the ownership of which is vested in the airport authority and which lie within the airport's boundary are to be included in the Contractor's Basis valuation at their adjusted replacement cost. Estate roads wholly serving separately assessed units should be excluded.

4.6 Plant and Machinery

Plant and Machinery should be assessed in accordance with the appropriate Plant and Machinery Regulations.

Security equipment has been reflected (where rateable) within the agreed terminal costings so no further addition for these items will be appropriate.

4.7 Land

Local evidence should be used to determine the ECV of all land associated with the airport.

The agreed basis for the valuation of the land under an airport, as set out below, should arrive at an appropriate overall value for the whole airfield site. The value of the site will be comprised of four distinct elements :-

- 1) Land under Terminal buildings and adjacent multi storey car parks should be taken at full commercial value., on a double footprint basis. Commercial value may be defined as follows:-
 - i) For airports with circa 4.5 million terminal passengers or more per terminal in 2002/2003 (based on C.R.I. statistics), the site value adopted should reflect the value of the concessions within the terminals. Therefore the value should equate to appropriate commercial land values (eg. major retail site value) as at tone date.
 - ii) For airports with less than 4.5 million passengers in 2002/2003 the site value should be compared with food retail sites, having regard to the level of values as at tone date for appropriate sites (careful analysis of comparable transactions will be necessary as large areas of such sites will be taken up by car parking provision). Account should be taken of the relative size of the retailing areas in this category of airport.
 - iii) For small National Specialist airports (those with less than 1million passengers in 2002/2003) the site value of the terminal building may be compared with non-food retail

sites, having regard to the level of values as at one date for appropriate sites. Account should be taken of the relative size of the retailing areas in this category of airport.

All the above valuation approaches to terminal site value should be based upon a double footprint of the terminal site unless there is a particular reason why this should not be adopted.

- 2) Land under buildings, (other than terminal buildings and multi storey car parks) including piers and walkways, which are reflected in the main assessment, should be taken at general warehouse value based on a double footprint. For smaller airports this may be subject to variation, based on Local evidence.
- 3) Land under runways, taxiways, aprons, surface car parks, roads and other hard surfaced areas, should be taken at a percentage of the value of warehousing land, as is evidenced in the locality, to fairly reflect its true value. (For Revaluation 2000 this percentage was generally around 25% for National Specialist Airports and 10% for Minor Airports and unless evidence to the contrary is available these relativities should be adopted for the 2005 Revaluation).
- 4) The "remaining land" to be based on agricultural value appropriate to the locality.

The land value adopted above includes the value of off site accommodation works which make the land suitable for the purposes used and reflects the value of commercial opportunities at the airport.

In view of the fact that a high proportion of airport land is unencumbered with buildings and consequently there is a very low site coverage by the buildings, it is not appropriate for allowances derived from the Imperial College v Ebdon (VO) case to be applied. This approach was confirmed in the 1990 list decision by the Valuation Tribunal on Bristol Airport.

As a cross check the overall price per hectare produced by the above should be considered.

Where it can be demonstrated that the introduction of government requirements in respect of security, increased insurance premiums or other relevant factors, have impacted on the airport operator and have reduced his potential rental bid, consideration should be given to reflecting such issues in the value applied to the land element within the valuation.

4.8 Advertising Rights

Those advertising rights which require to be separately assessed should be valued according to Miscellaneous Committee Practice Note 20.

4.9 Petrol Filling Stations etc.

These would normally fall to be separately assessed. However, if they are included in the main valuation their value should be calculated on a comparative basis with other similar separately valued subjects and added on at the end of the valuation.

5. Allowances

5.1 Age Allowances

5.1.1 Buildings

Age and obsolescence allowances should be applied to the estimated replacement cost in accordance with the table in Basic Principles Committee Practice Note 2.

5.1.2 Runways, Taxiways and Aprons

The costs should be adjusted to take account of any age related disabilities, however, regard should be had to the fact that licensed pavements are regularly resurfaced to C.A.A standards, therefore a maximum age related allowance of 6% is appropriate for such pavements.

The agreed scale is shown as appendix C to this document.

5.2 Other Allowances

5.2.1 Runways

Where secondary runways exist, that are vastly in excess of the modern equivalent (e.g. war time runways) notional areas should be calculated in accordance with the decision in CAA v Strathclyde Regional Council, 1989

5.2.2 Account should be taken of any disabilities arising because of shape/operational restrictions.

5.2.3 It may be appropriate to make an addition to reflect blast screens or Hydrants.

6. Decapitalisation Rate

The statutory decapitalisation rate will be applicable.

7. End Allowance

A "stand back and look" allowance may be appropriate at some airports in order to arrive at a valuation which accords with the statutory definition of Rateable Value. Examples of end allowances that have been adopted in the past have included:-

- i) Under utilisation/surplusage.)
- ii) Restricted Passengers/Traffic.)
- iii) Runway/operational) **If not accounted**
restrictions/planning obligations) **for at an earlier**
) **stage in the**
) **valuation**
- iv) Lack of facilities affecting viability.)
- v) Infrastructure provided in advance of)
requirements)

8. Cross Check Valuation

It will be necessary to check the valuation produced. This can be done by comparison with other airport assessments on an analysis per work load units per passenger, per aircraft movement or in relation to the "Gross Take" of the airport.

Work load units are the preferred basis and should be based upon the published C.R.I. Statistics for 2002/2003. Work load units are calculated on the basis that 1 passenger plus baggage = 200lb, to convert into metric tonnes a divisor of 11 should be applied to the total passenger numbers shown in the C.R.I. statistics. To this figure the total cargo tonnage must be added to give a work load figure.

Appendix A

Buildings Costs

Terminal Buildings

Description:

BAND 1.

MAJOR INTERNATIONALS £2,335 /M²

Multi-storey buildings, steel/concrete clad frame, high standards of fittings and finishes, elaborate services for ventilation, heating, transportation, VIP and CIP suites etc

BAND 2.

INTERNATIONALS £1,900 /M²

Modern steel/concrete frame, external cladding and glazing to high quality specification, good quality internal fittings and finishes, good quality ventilation, heating and some transportation, limited VIP and CIP suites etc.

BAND 3.

REGIONAL LARGE £1,205 /M²

Extended buildings over a long period. Continual improvements. Many differing types of constructions, less extensive provision of fittings and fixtures.

BAND 4.

REGIONAL MEDIUM £1,125 /M²

Extended buildings over a period. Continual improvements and facilities. Good fittings and finishes

BAND 5.

REGIONAL SMALL £1,010 /M²

Modern steel framed. Brickwork, glazing and insulated metal cladding roof and walls good quality but economical fittings and finishes.

Other Buildings

Description:

FIRE STATIONS/CRASH AND RESCUE £1,360 /M²

Modern 1990s style buildings incorporating 4 bay tender/crash vehicle stands with front opening doors, vehicle exhaust system for engine warm up, stores, crew accommodation including offices, kitchen/mess rooms, locker rooms, showers and wash room, communications centre.

Description:

VISUAL CONTROL ROOM £9,100 /M²

Modern 1990s style. Visual control room with 360° vision, sloping windows, with small bars for maximum vision to all sides of the airport, balcony external and access by vertical ladder or stairs from fire station or other building below.

Description:

Multi Storey Car Parks £270 /M²

Appendix B

Description: Pavements

<u>PCN</u>	Rate M ² £	<u>PCN</u>	Rate M ² £	<u>PCN</u>	Rate M ² £
10	33.88	41	64.34	72	81.13
11	35.46	42	64.95	73	81.63
12	37.04	43	65.56	74	82.12
13	38.61	44	66.16	75	82.62
14	40.19	45	66.77	76	83.25
15	41.76	46	67.36	77	83.89
16	42.95	47	67.95	78	84.52
17	44.13	48	68.54	79	85.15
18	45.32	49	69.14	80	85.78
19	46.50	50	69.73	81	86.24
20	47.68	51	70.24	82	86.69
21	48.72	52	70.74	83	87.14
22	49.76	53	71.24	84	87.59
23	50.81	54	71.75	85	88.04
24	51.85	55	72.26	86	88.60
25	52.89	56	72.79	87	89.17
26	53.72	57	73.33	88	89.72
27	54.56	58	73.87	89	90.29
28	55.38	59	74.40	90	90.85
29	56.22	60	74.94	91	91.38
30	57.05	61	75.50	92	91.56
31	57.71	62	76.06	93	92.12
32	58.37	63	76.63		
33	59.03	64	77.19		
34	59.70	65	77.76		
35	60.36	66	78.24		
36	61.03	67	78.72		
37	61.71	68	79.20		
38	62.39	69	79.67		
39	63.06	70	80.14		
40	63.74	71	80.64		

Description Notes:

The costs include for excavations and disposal of surplus materials arising from the excavations being disposed on site. Pavement construction comprises imported limestone fill, lean mix concrete sub base, slip form pavement quality concrete and associated drainage and AGL ducting.

Appendix C

Description

Airport Concrete A&O Allowances (2005)

Year	Civils - Runways/ Taxiways/Aprons Age related
Pre 1984	6.00%
1984	5.50%
1985	5.00%
1986	4.50%
1987	4.00%
1988	3.50%
1989	3.00%
1990	2.50%
1991	2.00%
1992	1.50%
1993	1.00%
1994	0.50%
1995	0.00%
1996	0.00%
1997	0.00%
1998	0.00%
1999	0.00%
2000	0.00%
2001	0.00%
2002	0.00%
2003	0.00%
2004	0.00%
2005	0.00%
2006	0.00%