

Board Briefing Memo- Proposed Purchase of Billboard Structures

Executive Summary & Recommendation

I recommend approval of the purchase of two billboard structures (four total faces) located on our property on HWY 431. The proposed purchase price of \$100,000 is financially favorable, strategically advantageous, and presents low overall risk. Subject to confirmation that all permits and rights transfer cleanly, this acquisition is recommended for approval.

Asset Overview

- Two billboard structures (four total advertising faces)
- Condition: Good; lighted and well maintained
- All faces are regularly rented

Proposed Transaction Terms

- Purchase Price: \$100,000 (total)
- Seller Concession: Two billboard faces provided rent-free to seller for one year
- MLBH Responsibility Post-Closing: Power, insurance, and maintenance

Financial Overview

- Gross Revenue: \$24,000 annually (4 faces × \$500/month)
- Estimated Annual Operating Costs: \$4,000–\$6,000
- Stabilized Net Operating Income (NOI): Approximately \$19,000 annually

One-Time Concession Impact

The seller has requested use of two billboard faces rent-free for one year. This represents an estimated one-time revenue concession of \$12,000. Full stabilized revenue is expected beginning in Year 2.

Five-Year Cash Flow Projection (Conservative)

Year	Gross Revenue	Operating Costs	Net Cash Flow	Notes	Cumulative Cash Flow
Year 1	\$12,000	\$5,000	\$7,000	Includes 1-yr free rent concession	\$7,000
Year 2	\$24,000	\$5,000	\$19,000	Stabilized operations	\$26,000
Year 3	\$24,000	\$5,000	\$19,000	Stabilized operations	\$45,000
Year 4	\$24,000	\$5,000	\$19,000	Stabilized operations	\$64,000
Year 5	\$24,000	\$5,000	\$19,000	Stabilized operations	\$83,000

Note: Cash flow does not include potential inflationary rent increases or future redevelopment or signage upgrades. After Year 5, cumulative cash flow continues to improve materially.

Key Strategic Benefits

- Eliminates third-party easements on MLBH-owned land
- No ongoing ground lease risk
- Provides predictable, recurring non-clinical revenue
- Enhances long-term site control and development flexibility

Risks & Mitigations

- Structural age: mitigated through routine maintenance reserve
- Regulatory compliance: confirm permit transfer prior to closing
- First-year reduced income: one-time concession only

Comparable Values

- Local sales of billboards are infrequent and through my research I did not locate any recent billboard transactions
- Consulted with a local real estate agent and he reported selling a single billboard (also 2 faces) of similar style and condition approximately one year ago for \$70,000 (located on HWY 69 in the Warrenton area- less traffic count area). He said he would ask \$75K+ each for the signs located on our property HWY 431.

Final Recommendation

Approve the purchase of the two billboard structures for \$100,000, subject to satisfactory completion of final due diligence and confirmation of permit transferability.