

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

IX. MISCELLANEOUS PROJECTS AND CORRESPONDENCE WITH INDUSTRY

C. Appraisal Consulting

1. Review of Appraisal Principles for Gruen and Gruen + Associates in Internal Revenue Service vs. Southern Pacific Case, 1974-1975

DR. CLAUDE GRUEN & NINA J. GRUEN OF GRUEN GRUEN + ASSOCIATES

The Wisconsin Real Estate Alumni Association gratefully acknowledges the permission of Dr. Claude Gruen and Nina J. Gruen to reprint documents relating to them and to Gruen Gruen + Associates, Inc. on The James A. Graaskamp Collection of Teaching Materials CD-ROM. Dr. Claude Gruen and Nina J. Gruen reserve all of their rights relating to such documents.



Memorandum from Gruen Gruen + Associates

Ferry Building
San Francisco
California 94111
(415) 433-7598

Date: September 5, 1974

Subject: THE I.R.S. ASSIGNMENT

From: Claude Gruen

To: Jim Graaskamp cc: R. Hendler, L. Hausrath, W. Smith

Enclosed is the following:

1. Contract between the I.R.S. and GG+A which I hope will be signed by the time you get this material.
2. A May 3 letter from the I.R.S. agent, Mr. Booher, in which he initially outlines the problem.
3. A memo from Wally Smith suggesting an approach to the problem, along with a memo from me transmitting Wally's writing to the I.R.S.
4. Sixty-five leases, along with an Exhibit A cover sheet that lists the leases by item number. So far, I haven't been able to relate the item number to the leases.

These leases cover all of the properties that the Southern Pacific has claimed charitable contributions for having purported to have leased.

5. Eighteen appraisals, along with an Exhibit B, which lists those appraisals. You can go from the leases to the sheet that lists the appraisals by looking at the lease audit number.

The two thickest of the appraisal reports are appraisals done by Rex Schaeffer (I'm not sure how he spells his last name) who works for the Southern Pacific. We then have additional appraisals from Jim Halliburton and Floyd Clevenger for some of the same properties covered by Schaeffer. We also have an appraisal by a Martin MacLeod, who as far as I know, is appraising a property that is not covered in the Schaeffer appraisal.

Why have I sent you all this material, other than to challenge the U.S. mails? I think first of all you should have this material because we will be referencing it. I'd like you to review the appraisals and, to a lesser extent, the leases and other material. We need, at this point, to decide several things.

1. What kind of factors should we study in order to estimate (a) the net charitable contribution, and (b) the market value of the purported leases? I sent the memo Wally wrote on this subject along to get your thoughts on the approach he suggests. I've also sent a copy of that to the boys at I.R.S.
2. We need to get a feeling for how good or bad the appraisals themselves are.
3. We need to make up a research strategy. As we inspect the 18 parcels, if we need to do so, what should we be looking for? What kind of subsidiary research has to be done in order to estimate the validity of the appraisals, set a framework for new appraisals, and estimate the magnitude of the charitable contributions, if any?

I am writing this memo as one of my last acts before going to Europe. I will be back from Europe the week of September 23rd. I will be getting back to San Francisco in the middle of that week, so probably the following week is the first time that I will be able to get back to the I.R.S. case. If you have the time, I'd very much appreciate having a memo with your thoughts on the answer to the posed questions and suggestions for how we should proceed by the last week in September. If I don't have a memo from you by then, I'll call you. If I do have a memo from you by then, I'll also call you after reading it. Arivaderci!

Circa May 1975

Claude Gruen
Gruen & Gruen
Ferry Bldg.
San Francisco, CA 94111

Dear Claude & Bruce:

Have been receiving appraisals in bits and pieces since you are still using my School of Business address, an incomplete, obsolete one at that. School was out May 16 so I'm not there to hunt things down. Have your secretaries correct their listing on me as follows:

Preferred address: James A. Graaskamp
Landmark Research Inc.
202-A Breese Terrace
Madison, WI 53705
608-238-8452

Correct school address:
Professor. James A. Graaskamp
School of Business
University of Wisconsin
1155 Observatory Drive
Madison, WI 53706
608-262-6378

Now relative to the appraisal, those in Reno by Robert Alves seem to be complete and well-documented except:

1. He indicates land leases would be 8.25% in Reno not including real estate tax, as compared to 6% claimed by everybody in California. He should be prepared for cross examination on that point.
2. The 20% of gross taken for operating expenses and real estate taxes in all cases should be allocated between real estate tax, hourly personnel, maintenance of meters or attendants and overall management; it may not allocate enough to overall management and therefore attribute too much value to the land.
3. His net income is after taxes while others provide NOI before real estate taxes.

Claude Gruen
Page Two
Circa May, 1975

I am not taking issue with Mr. Alves on these points but only wondering about them as they are not as well detailed as much of the other information which is provided. It might be useful to have the equalization rate and mill rate for the 1959-61 period.

Relative to Bob Steele and Shattuck and Co. I have his letter and tables as to values on each property. Did you only xerox the tables or is that all he gave us for a report? I note that he is using a tax of 1.25%. What is the mill rate and equalization ratio? The problem of what to use for taxes seems to be a critical point.

1. The railroad generally assumes that it could shift the real estate tax in part to the tenant even though the tax on the railroad was not allocated specifically to the parcel. A prudent tenant wouldn't accept more of the real estate tax than would be justified by equalization rate times the mill rate times market value of the ground.
2. Does Shattuck support his estimated market rental per sq. ft. with any actual leases or has he derived the annual fee for the license simply as a mechanical calculation converting market value to rents?

Shattuck's appraisal of Beverly Hills lease audit #PE12099 has me totally confused. How can a piece of land 28' wide be worth \$8.20 a sq. ft. with a rental value of \$43,790? How can he assume the site is even buildable? And who would rent it with trains going by? Hasn't he made the same mistake as Halliburton?

3. What did Steele establish as the best commercial use for that strip of beautification land? Alves at least worked out the economics of parking and provided a photo of a 28" wide building with an unsuccessful business history.
4. Have been attempting to call him without success.

Relative to Ingram's appraisal of Palo Alto, he never established the best use or probable buyer. He established that buildable sites sell for \$5 and then he said this one was 20% less desirable. Less desirable for what?? It seems to me it is first necessary to establish the most probable use and then to find the comparable rather than to select a comparable by proximity alone.

Claude Gruen
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Circa May, 1975

Ingram also defines fair rental as net rental without allowance for real estate tax which presumably will be born by the tenant, nevertheless. This reveals a fundamental inconsistency between or among different appraisers. How do you want to define rental costs? From the tenant viewpoint it should include taxes. That would explain why Ingram's values are lower than the railroad. All in all I am disappointed in Mr. Ingram's logic which is essentially interviewing and choosing a number from the various replies of those interviewed.

I also told Ingram about the PUC case when I saw him in San Jose in February, but we should have sent him Stan Mellin's report. Unlike other parcels, those in Palo Alto are almost contiguous to the station and linked with pedestrian bridges so that the PUC would probably apply the 1967 approach.

The appraisal of the site in Gridley by Wolcott of Urban Property Research Co. is the traditional type but he does discuss the uses and provides a string of comparable sales. Unlike the others he even gives a comparable for why he chose 6% return and added 2% for taxes, giving evidence of both the mill rate and the equalization ratio. Hosanna!!

However he not give evidence that the S.P. lessee that he uses as an example ever paid any real estate taxes and then he does not utilize real estate taxes to determine fair market rent ($\$50,000 \times .06 = \$3,000$ per year).

In his discussion of the rental estimates he points out that Mills Construction Co. paid only \$25 a year under a 30 day cancellation clause as does a savings and loan association. His estimate is \$600 a year in Gridley is based on a lease to the Growers Coop but is the only one which has at least substantiated the impact of the 30 day cancellation clause with comparable leases. All in all Wolcott seems to have done the job better than any of the others.

I will be in Nashville, TN at the Hyatt House Hotel on May 27 and 28 running a seminar at the University of Tennessee, Nashville. On May 29 I will be travelling to St. Louis by car and on the 30 and 31 I will be at the Hilton Hotel at the airport running a seminar for the Farm Appraisers and I will be back in Madison on June 1. It now appears I will be testifying for the Home Loan Bank and Freddie Mac in Washington D.C. and I will be at the Howard Johnson's on Virginia Avenue from June 8 to 11.

Claude Gruen
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Circa May, 1975

I will not be available the week of June 15, but the seminar I was to teach for the Institute beginning June 22 has been cancelled so if necessary I could be someplace (?) for a day during that week, but I have classes for summer school which I can only miss on occasion. Will be in home office June 1 to June 6.

Condolences on your remodeling project.

James A. Graaskamp

(Letter retyped by Landmark Research, Inc. 7/92)

MEMORANDUM

Observations on Appraisals

Appraisals are no better than assumptions on which they are based and the assumptions don't jibe with the facts. Consider:

1. The titles are good and marketable and free of all encumbrances.
2. That a transportation zone would permit any form of building and improvement by ~~various variant~~ ~~varia~~ variance (for example on page 8 of the Halliburton Company valuation of Beverly Hills, Lease #20199 ~~#72117~~ and #11077 depends on the assumptions that the variance granted the George Elkins Company is sufficiently similar in facts to be a precedent but no facts are given. This presumption could be wrecked by comparing shapes and location of sites, etc.
3. Assuming construction of commercial improvements were possible, then transportation sector of code which has no setback line since code was past after the railroad was located would be transferred to another code section of any of the communities in question.
4. The appraiser is supposed to have notes showing a use is physically feasible and has specific demand. Under cross examination I doubt if such notes exist.
5. It is significant that the square feet are always given but the dimensions are not always available.
6. Rate of return analysis for 1959 at 6% is all right but 2 1/2% for taxes is questionable. How is that computed and why does cost of money and cost of taxes imply economic rent? When was the market price of anything the sum of the costs at a fair return? If so cattle raisers need an appraisal.
7. Why wouldn't the value be the income from the property as coin operated public parking less maintenance cost?
8. If assessments represent market value of the full railroad right-of-way what would be the value divided between the parking strip and the railway tracks which remain with the railroad? The before and after value would be very little different. Would the remainder value of the severed piece be valued as in a condemnation? Can a municipality condemn railway land in California? Given the setback lines required on Santa Monica Blvd. would the whole piece be buildable if the railroad wasn't there? If not why is a fraction buildable.
9. ~~The~~ ^{ys} premise that one ~~buys~~ ~~land~~ at a dollar per square foot, buildable or not is no more appropriate than buying a car by the pound, whether it runs or not.
10. What is meant by "comparable rentals from adjacent leases"?
11. For long narrow parcels, why not determine potential parking revenue, subtract administrative and maintenance cost, a reserve for replacement of paving and meters per stall, and capitalize the net income?

LANDMARK RESEARCH, INC

July 3, 1975

Dr. Claude Gruen
Gruen & Gruen Assoc.
Ferry Building
San Francisco, Calif. 94111

Dear Claude:

This letter and the charts attached represent my review and analysis and appraisals prepared for the Internal Revenue Service of the San Francisco District relative to certain charitable contributions claimed by the Southern Pacific Railroad on lands leased to municipalities for tax years beginning in 1959, 1960 or 1961. It concludes that IRS is well justified in negotiating a compromise at 50% of deduction taken by railroad.

ANALYSIS OF VALUES UNDER ASSUMPTION SETS I AND II

The first step of analysis was to assemble the appraised values and fair market rental values and related data on three summary charts, one for each year. (Exhibit 1 - 1959, Exhibit 2 - 1960, and Exhibit 3 - 1961.) As you will recall, the appraisers were instructed to make their estimates under three sets of assumptions:

Assumption I Fair market and rental values of the property ignoring any possible restrictions upon the use of the land that may be imposed by public utility regulations even though the property was being used in connection with the provision of the transportation services.

Assumption II Fair market and rental values of the property subject to uses that would be consistent with restraints imposed by the likelihood of public utility regulation or concern in any such transaction.

Assumption III Considering all relevant factors in I and II, and the actual lease granted by the railroad, the fair rental value per annum of the actual railroad leases for the years 1959, 1960, and 1961. (See your detailed instructions to appraisers on page 2 of your letters of February 10, 1975.)

Relative to Assumption Sets I and II, none of the properties outside of California were found to be subject to public utility commission regulation

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and therefore there was no difference between reported values in either case. The State of California posed somewhat more difficult problems, however. Each appraiser approached the problem of PUC somewhat differently, but except for Ingram, seemed to approach it correctly and carefully. Steele argued that the majority of the right-of-ways which he had to appraise were eventually converted to streets and computed the ratio of the purchase price of right-of-way to frontage sales (which Halliburton had not) and found a ratio of 56%. In addition, Steele stated on page 2 of his multiple property report:

"Pursuant to inquiry with both the Public Utilities Commission and the Interstate Commerce Commission, it was determined that with the exception of specified minimum clearances on each side of the main line track, the respective agencies could not regulate the use of the additional railroad lands as long as rail service was provided. The railroad has the right to lease or sell excess widths so long as service standards are maintained."

In the case of appraisals by Hopper (Tulare, California) and Wolcott (Gridley) the properties were clearly surplus to railroad needs and auto parking for commuters, etc. was not a relevant issue.

Only in the case of David Ingram do we have some difference of opinion as to whether the Utility Commission would permit a change of use from parking or beautification of roadbed to a commercial development, and he chose to ignore the work of Stan Mellin in his memo of December 11, 1974 and Stan's letter to David Ingram of May 14, 1975. Since Assumption Sets I and II are simply irrelevant to the IRS negotiation position at this point, I think it is safe to ignore Ingram's values under Assumption Sets I and II and make certain adjustments as I have done to Assumption Sets III.

ADJUSTMENT FOR REAL ESTATE TAXES

While none of the appraisers found cause to arrive at different value conclusions constraints imposed by the Utility Commission, each one approached the problem of real estate taxes differently. In some states specific tax payments were apparently a matter of public record for the parcel and since the typical railroad lease called for the tenant to pay the taxes, one must assume that they did, even though the railroad might not have enforced it. In the market presumed by appraisal, any landlord other than a railroad would be able to assign taxes to a site and any tenant but a city would expect to pay real estate taxes as part of its occupancy cost. The fair market concept assumes interchangeable buyers and sellers operating in prudent way.

Only in Nogales, Arizona had the property evaporated from tax records completely. City management practices there are more oblique, shall we say Mexican in style rather than American, and Mr. Swango felt that since the parcel did not exist on the tax map, was a city park, and was later purchased by the city to bring title into consistency with the facts that

It was proper to ignore the real estate tax, and I concur. Nevertheless for purposes of comparison it was necessary to adjust many of the indicated triple net annual rentals to include real estate taxes, either on the basis of actual dollars reported or as a ratio of assessment ratio times mill rate. Reference to Exhibits 4, 5, and 6 will provide calculation of the adjusted market rents for 1959, 1960, and 1961 respectively and then a comparison of those rents to the rental values and gift contributions claimed by the Southern Pacific. There were several pieces of information which I was missing and these are indicated by question marks. The most significant element is the rental values claimed by the Southern Pacific for \$75,000 on the Beverly Hills lease PE 120 99 as there was no indication that this represented the railroad's half interest or the full rental value; in addition there is no indication of whether the 50% of gross provision has produced actual rents greater than the \$2000 minimum called for. These elements can be completed by your office or the IRS and totals then provided for the last 2 columns. There are an excessive number of footnotes to explain the adjustments.

RENTAL VALUES FOR ASSUMPTION SET III

The relevant information for purposes of IRS negotiation with the Southern Pacific can be found on Exhibits 7, 8, and 9 together with the extensive notes attached to them at the end of Exhibit 9. These Exhibits are elaborately titled:

A Comparison of Appropriate Rents for a Lease Subject to 30-Day Cancellation of a Fee Which Might Be Subject to Zoning or Public Utility Commission Restraints as to Use for Selected Pacific Properties

Ironically the best appraisal was done on the smallest property, specifically Wolcott's appraisal of the site in Gridley, California. To adjust for the 30-day cancellation clause, he found comparable land rented from the railroad for farm equipment storage, a use which required no improvements and which could be relocated within 30 days. These market comps dropped the rental value from \$4000 to \$800 per year but there was no similar opportunity for comparable rents in the other communities.

To check the reasonableness of appraised rents for a lease subject to a 30-day cancellation clause, the reviewer first related the best use indicated for property if sold as an unencumbered fee to the need for a use which required little or no improvement so that the tenant would not be significantly hurt by cancellation of a 30-day lease. It will be noted from Exhibits 7-9 that in a majority of cases the best use assuming fee simple purchase was still only ground storage and parking or road right-of-way.

To check parking revenues the reviewer invented the plausible premise that vacant lots in a secondary commercial area might be rented to new car dealers for the storage of trucks and cars. 500 square feet per vehicle and a generous rent of \$2 a month per vehicle was assumed on the theory that no improvements would be required, the use might be seasonal, and

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therefore supportive of premium rents for brief periods of time. The 500 square feet accounted for the inefficiency of parcel shapes and different sized vehicles and made the long division problems easy.

In one case by Steele, Baldwin Park PE 11826, the public parking contemplated was a fully improved metered area while the secondary use was for a street. Assuming a 30 day cancellation clause the public parking concept would not have been possible and I arbitrarily dropped the rental value to \$900 which is what the railroad was receiving until the city bought the land.

For the lease in Reno, Nevada the appraiser dropped the rent by reducing the cap rate 2% (page 80-81 of report by Alves) on the theory that it was comparable to a contingent trust deed. While I don't agree with the analogy, the appraiser did recognize the impact of the 30-day cancellation clause and since the best use for the fee unencumbered was parking I made no further adjustments.

The most drastic adjustments were to the appraisals by David Ingram. He saw intensive commercial usage for most of the sites which he had to appraise but when pressed by phone and correspondence as to the impact of a 30-day cancellation clause he responded in a letter of June 12, 1975 that the sites had no feasible use. In Palo Alto the subject site had fairly difficult access problems off a street overpass and required a well organized parking layout to be manageable so that I determined from the map that it probably was not acceptable for full scale vehicle storage of the type assumed above. Thus I gave it a rental value of 0 and I took the same approach on Menlo Park where I determined that the rental value subject to 30-day cancellation was the same as the \$10 received by the railroad. In the other cases appraised by Ingram I set the rent in San Carlos based on vehicle storage since Camino Real is a haven for auto dealers.

A telephone conversation with Jean Felts relative to the Lafayette, La. parcel produced the observation that the 30-day cancellation clause in Lafayette would have little impact as neither tenants nor investors were that sophisticated. Indeed short run seasonal equipment storage might command a premium in Lafayette claimed Ms. Felts. Since her estimated market rent including taxes was close to the benchmark number for auto storage I made no change in her estimate.

CONCLUSIONS

As a result of these adjustments, the exhibits suggest a total justified gift contribution in 1959 of \$114,699, \$162,696 in 1960, and \$168,384 in 1961. The big jump between 1959 and 1960 is explained primarily by Baldwin Park lease 12555 which did not really become operational for a full year until 1960 and the appreciation in value in Reno, Nevada. These numbers could be modified slightly if it appeared the railroad was receiving more than \$2000 from the Beverly Hills lease. With the exception of 1959

these contributions are in the neighborhood of 50% of the totals claimed by the railroad in respect to the 18 selected properties.

The degree to which I found it necessary to make adjustments is probably a useful measure of the degree to which the IRS may wish to use the appraisals in their negotiations with the railroad. All the appraisals are serviceable and the large numbers reported for some are not the result of high values but extensive land areas, one exceeding 600,000 square feet with rentals which were supported by market comparables of 6¢ per square foot or less. Only in the case of David Ingram should the IRS use his letter of June 12 and Stan Mellin's December memorandum rather than the appraisal.

Hopefully not too much relevant detail has been lost by condensing the appraisal reports and their implications to 9 charts and supporting footnotes. For the month of July I will be in Madison and of course starting August 10 I will be in San Francisco at the Traveler's Lodge at the Wharf and the University of San Francisco Center for Adult Education to answer any questions.

James A. Graaskamp, CRE, SRPA

JAG:mo

Encl.

EXHIBIT I

SUMMARY COMPARISON OF SOUTHERN PACIFIC RR APPRAISALS
TO 1959 MARKET VALUES AND MARKET RENTS (INCLUDING REAL ESTATE TAX)
UNDER THREE SETS OF ASSUMPTIONS OF USE CONTROL
BY GRUEN, GRUEN AND ASSOCIATES, APPRAISERS

Lease Audit #	Location	Name of RR Appraiser	1959 RR Market Value	1959 RR Rental Value	GG Market Value Asmp 1	GG Rental Val./Yr. Asmp 1	GG Market Value Asmp 2	GG Rental Val./Yr. Asmp 2	GG Market Value Asmp 3	GG Rental Val./Yr. Asmp 3	Name of GG Appraiser
1. 12320	Lynwood		429,000	34,277	310,000	24,800	310,000	24,800	310,000	24,800	Steele
2. 9174A	Yorba Linda		92,000	7,820	75,000	6,000	75,000	6,000	75,000	6,000	Steele
3. PE12099	Beverly Hills	Halliburton	750,000	75,000	540,000	19,575**	540,000	19,575	540,000	19,575	Steele
4. 112503	Compton		233,000	19,805	178,000	14,240	178,000	14,240	178,000	14,240	Steele
5. PE11077	Beverly Hills	Halliburton	63,750	6,375	66,000	2,393**	66,000	2,393	66,000	2,393	Steele
6. PE11826	Baldwin Park		218,000	18,538	162,000	13,365	162,000	13,365	162,000	13,365	Steele
7. PE12555	Baldwin Park		778,100	66,138	NA	NA	NA	NA	NA	NA	Robert Steele
8. 104015	Tulare, Ca.	?	108,400	9,200	26,000	1,560	26,000	1,560	26,000	1,560	Kenneth Hopper
9. 103994	Reno, Nev.		416,000	35,275	401,600	34,000*	401,600	34,000*	401,600	26,000*	Robert Alves
10. 95938	Burlingame Broadway		?	?	21,300	1,260*	21,300	1,260*	21,300	1,260*	Ingram
11. 73886 72430	Palo Alto, Ca.	Clevenger	428,000	36,300	419,000	25,000	419,000	25,000	419,000	25,000	David Ingram
12. 99794	San Carlos	Clevenger	159,300	13,905	95,000	5,700*	95,000	5,700*	95,000	5,700*	Ingram
13. 78755	San Carlos	Clevenger	194,700	16,995	111,000	6,700*	111,000	6,700*	111,000	6,700*	Ingram
14. 18379	Nogales, Ariz.			13,983	84,500	7,186*	84,500	7,186*	84,500	7,186*	Swango
15. 127299	Lafayette, La.	Morton P. MacLeod	122,526	8,322	55,000	3,300*	55,000	3,300*	?	?	Jean Felts
16. 122033	Menlo Park		199,000	16,915	110,000	6,600*	110,000	6,600*	110,000	6,600*	Ingram
17. 59129	Gridley		55,600	4,726	50,000	3,000*	50,000	3,000*	50,000	600*	Wolcott
18. 96391	San Mateo		53,600	4,556	165,000	9,900*	165,000	9,900*	165,000	9,900*	Ingram

*Net after real estate taxes

**1/2 rent for S.P. interest () = real estate taxes reported separately

LANDMARK INVESTMENT, INC

EXHIBIT 2

SUMMARY COMPARISON OF SOUTHERN PACIFIC RR APPRAISALS
TO 1960 MARKET VALUES AND MARKET RENTS (INCLUDING REAL ESTATE TAX)
UNDER THREE SETS OF ASSUMPTIONS OF USE CONTROL
BY GRUEN, GRUEN AND ASSOCIATES, APPRAISERS

Lease Audit #	Location	Name of RR Appraiser	1960 RR Market Value	1960 RR Rental Value	GG Market Value Asmp. 1	GG Rental Val./Yr. Asmp. 1	GG Market Value Asmp. 2	GG Rental Val./Yr. Asmp. 2	GG Market Value Asmp. 3	GG Rental Value/Yr. Asmp. 3	Name of GG Appraiser
1. 12320	Lynwood		429,000	34,277	310,000	24,800	310,000	24,800	310,000	24,800	Steele
2. 9174A	Yorba Linda		92,000	7,820	75,000	6,000	75,000	6,000	75,000	6,000	Steele
3. PE 12099	Beverly Hills	Halliburton	750,000	75,000	572,000	20,735**	572,000	20,735**	572,000	20,735**	Steele
4. 112503	Compton		233,000	19,805	214,000	17,120	214,000	17,120	214,000	17,120	Steele
5. PE11077	Beverly Hills	Halliburton	63,750	6,375	73,000	2,647**	73,000	2,647**	73,000	2,647**	Steele
6. PE11826	Baldwin Park		218,000	18,538	162,000	13,365	162,000	13,365	162,000	13,365	Steele
7. PE12555	Baldwin Park		778,100	66,138	434,000	35,805	434,000	35,805	434,000	35,805	Robert Steele
8. 104015	Tulare, Ca.	?	108,400	9,200	26,000	1,560	26,000	1,560	26,000	1,560	Kenneth Hopper
9. 103994	Reno, Nev.	?	416,000	35,275	401,600	34,000*	401,600	34,000*	401,600	26,000*	Robert Alves
10. 95938	Burlingame Broadway		?	?	21,300	1,260*	21,300	1,260*	21,300	1,260*	Ingram
11. 73886 72430	Palo Alto, Ca.	Clevenger	428,000	36,300	419,000	25,000	419,000	25,000	419,000	25,000	David Ingram
12. 99794	San Carlos	Clevenger	159,300	13,905	95,000	5,700*	95,000	5,700*	95,000	5,700*	Ingram
13. 78755	San Carlos	Clevenger	194,700	16,995	110,000	6,700*	111,000	6,700*	111,000	6,700*	Ingram
14. 18379	Nogales, Ariz.			13,983	84,500	7,186*	84,500	7,186*	84,500	7,186*	Swango
15. 127299	Lafayette, La.	Morton P. MacLeod	122,526	8,322	67,500	4,050*	67,500	4,050*			
16. 122033	Menlo Park		199,000	16,915	110,000	6,600*	110,000	6,600*	110,000	6,600*	Jean Felts
17. 59129	Gridley		55,600	4,726	50,000	3,000	50,000	3,000	50,000	600	David Ingram
18. 96391	San Mateo				165,000	9,900*	165,000	9,900*	165,000	9,900*	Wolcott

*Net after real estate taxes

**1/2 rent for S.P. interest () = real estate taxes reported separately

LANDMARK RESEARCH, INC

EXHIBIT 3

SUMMARY COMPARISON OF SOUTHERN PACIFIC RR APPRAISALS
TO 1961 MARKET VALUES AND MARKET RENTS (INCLUDING REAL ESTATE TAX)
UNDER THREE SETS OF ASSUMPTIONS OF USE CONTROL
BY GRUEN, GRUEN AND ASSOCIATES, APPRAISERS

Lease Audit #	Location	Name of RR Appraiser	1961 RR Market Value	1961 RR Rental Value	GG Market Value Asmp. 1	GG Rental Val./Yr. Asmp. 1	GG Market Value Asmp. 2	GG Rental Val./Yr. Asmp. 2	GG Market Value Asmp. 3	GG Rental Val./Yr. Asmp. 3	Name of GG Appraiser
1. 12320	Lynwood		429,000	34,277	310,000	24,800	310,000	24,800	310,000	24,800	Steele
2. 9174A	Yorba Linda		92,000	7,820	75,000	6,000	75,000	6,000	75,000	6,000	Steele
3. PE12099	Beverly Hills	Halliburton	750,000	75,000	604,000	21,895**	604,000	21,895**	604,000	21,895**	Steele
4. 112503	Compton		233,000	19,805	249,000	19,920	249,000	19,920	249,000	19,920	Steele
5. PE11077	Beverly Hills	Halliburton	63,750	6,375	80,000	2,900**	80,000	2,900**	80,000	2,900**	Steele
6. PE11826	Baldwin Park		218,000	18,538	162,000	13,365	162,000	13,365	162,000	13,365	Robert Steele
7. PE12555	Baldwin Park		778,100	66,138	434,000	35,805	434,000	35,805	434,000	35,805	Robert Steele
8. 104015	Tulare, Ca.	?	108,400	9,200	26,000	1,560 (640.50)	26,000	1,560 (640.50)	26,000	1,560 (640.50)	Kenneth Hopper
9. 103994	Reno, Nev.		416,000	35,275	401,600	33,100*	401,600	33,100*	401,600	25,350*	Robert Alves
10. 95938	Burlingame Broadway		?	?	21,300	1,260*	21,300	1,260*	21,300	1,260	Ingram
11. 73886 72430	Palo Alto, Ca.	Clevenger	428,000	36,300	419,000	25,000	419,000	25,000	419,000	25,000	David Ingram
12. 99794	San Carlos	Clevenger	159,300	13,905	95,000	5,700*	95,000	5,700*	95,000	5,700*	Ingram
13. 78755	San Carlos	Clevenger	194,700	16,995	111,000	6,700*	111,000	6,700*	111,000	6,700*	Ingram
14. 18379	Nogales, Ariz.			13,983	84,500	7,186*	84,500	7,186*	84,500	7,186*	Swango
15. 127299	Lafayette, La.	Morton P. MacLeod	122,526	8,322	80,000	4,800* (1024.50)	80,000	4,800* (1024.50)			Jean Felts
16. 122033	Menlo Park		199,000	16,915	110,000	6,600*	110,000	6,600*	110,000	6,600*	Ingram
17. 59129	Gridley		55,600	4,726	50,000	3,000	50,000	3,000	50,000	600	Wolcott
18. 96391	San Mateo				165,000	9,900*	165,000	9,900	165,000	9,900*	Ingram

*Net after real estate taxes

**1/2 rent for S.P. interest () = real estate taxes reported separately

LANDMARK RESEARCH, INC

A COMPARISON OF FAIR MARKET RENTAL VALUE
 FOR SELECTED SOUTHERN PACIFIC PROPERTIES FOR 1959
 ASSUMING UNENCUMBERED & REAL ESTATE TAX INCLUDED IN RENT FEE*

Lease Audit #	Location	1959 GG Appraiser Rental Value	Correction for R.E. Tax	Total Rent Inc. R.E. Tax	Rental Value Claimed By SPRR	Rental Payment In Lease	Gift Claimed by SPRR	Gift Supported by GG Appraisal
12320	Lynwood	\$24,800	--	24,800	\$34,277	\$75.00	\$34,202	\$24,725
9174A	Yorba Linda	6,000	--	6,000	7,820	5.00	7,815	5,995
PE12099	Beverly Hills	19,575	--	19,575	75,000 ?	Greater of \$2,000 or 50% of gross	?	
112503	Compton	14,240	--	14,240	19,805		?	
PE11077	Beverly Hills	2,393	--	2,393	6,375	\$5.00	6,370	2,388
PE11826	Baldwin Park	13,365	--	13,365	18,538	\$900	17,638	12,465
PE12555	Baldwin Park	NA	NA	NA	66,138	\$12.00	NA	NA
104015	Tulare, Cal.	1,560	784.30	2,344.30	9,200	\$195.00	9,005	2,149.30
103994	Reno, Nevada	34,000	7,010 (7)	41,010	35,275	\$1,425	33,850	39,585
050038	Burlingame Broadway	1,260	343(5)	1,603	5,821	\$2.00		1,601
73886								
72430	Palo Alto, Cal.	25,000	10,468(1)	35,468	36,300	0	?	
99794	San Carlos	5,700	1,698(3)	7,398	13,095	\$1.00	13,904	7,397
78755	San Carlos	6,700	1,912(4)	8,612	16,995	\$1.00	16,994	8,611
18379	Nogales, Ariz.	7,186	0	7,186	13,983	\$5.00	13,978	7,181
127299	Lafayette, La.	3,300	1,046.50	4,346.50	8,322	\$1.00	8,321	4,345.50
122033	Menlo Park	6,600	2,395(2)	8,995	16,915	\$10.00	16,905	8,985
59129	Gridley	3,000	1,000	4,000	4,726	\$1.00	4,725	3,999
96391	San Mateo	9,900	2,780(6)	12,680	4,546	\$1.00	12,679	4,555

Aggregate Rental Values

214,015

393,941

GG = Gruen & Gruen IRS Appraisers

SPRR = Southern Pacific Railroad Appraisal

* GG Appraisers found no difference between assumption set 1 & 2

- (1) \$419,000 x .3 x 8.33 = 10,468
- (2) 110,000 x .25 x 8.72 = 2,395
- (3) 95,000 x .25 x 6.89 = 1,698
- (4) 111,000 x .25 x 6.89 = 1,912
- (5) 21,300 x .25 x 6.45 = 343
- (6) 165,000 x .25 x 6.74 = 2,780
- (7) 401,600 x .35 x 5.00 = 7,010

LANDMARK RESEARCH, INC

EXHIBIT 5

A COMPARISON OF FAIR MARKET RENTAL VALUE
FOR SELECTED SOUTHERN PACIFIC PROPERTIES FOR 1960
ASSUMING UNENCUMBERED & REAL ESTATE TAX INCLUDED IN RENT FEE

Lease Audit #	Location	1960 GG Appraiser Rental value	Correction For R.E. Tax	Total Rent Inc. R.E. Tax	Rental Value Claimed by SPRR	Rental Payment in Lease	Gift Claimed by SPRR	Gift Supported by GG Appraisal
12320	Lynwood	\$24,800	--	\$24,800	\$34,277	\$75.00	\$34,202	\$24,725
9174A	Yorba Linda	6,000	--	6,000	7,820	5.00	7,815	5,995
PE12099	Beverly Hills	20,735	--	20,735	37,500	2,000.00	35,500	18,735
112503	Compton	17,120	--	17,120	19,805	-	19,805	17,120
PE11077	Beverly Hills	2,647	--	2,642	6,375	5.00	6,370	2,642
PE11826	Baldwin Park	13,365	--	13,365	18,538	900.00	17,638	12,465
PE12555	Baldwin Park	35,805	--	35,805	66,138	12.00	66,126	35,793
104015	Tulare, Cal.	1,560	690(1)	2,250	9,200	195.00	9,005	2,055
103994	Reno, Nev.	34,000	7,010(2)	41,010	35,275	1,425.00	33,850	39,585
95938	Burlingame Broadway	1,260	363(3)	1,623	5,821	2.00	5,819	1,621
73886								
72430	Palo Alto, Cal.	25,000	10,182(4)	35,182	36,300	0	36,300	35,182
99794	San Carlos	5,700	1,717(5)	7,412	13,905	1.00	13,904	7,416
78755	San Carlos	6,700	1,988(6)	8,688	16,995	1.00	16,994	8,687
18377	Nogales, Ariz.	7,186	--	7,186	13,983	5.00	13,928	7,181
127299	Lafayette, La.	4,050	1,027.50(7)	5,077.50	8,322	1.00	8,321	5,076.50
122033	Menlo Park	6,600	2,472(8)	9,072	16,915	10.00	16,905	9,062
59129	Gridley	3,000	1,000	4,000	4,726	1.00	4,725	3,999
96391	San Mateo	9,900	2,941(9)	12,841	4,546	1.00	4,545	12,840

254,818.50 356,441

GG = Gruen & Gruen IRS Appraisers
SPRR = Southern Pacific Railroad Appraisal

- (1) \$690.03 provided by appraiser
(2) $\$401,600 \times .35 \times 5.0 = 7,010$
(3) $\$21,300 \times .25 \times 6.81 = 363$
(4) $\$419,000 \times .3 \times 8.10 = 10,182$
(5) $\$95,000 \times .25 \times 7.23 = 1,717$
(6) $\$110,000 \times .25 \times 7.23 = 1,988$
(7) Provided by appraiser
(8) $\$110,000 \times .25 \times 8.99 = 2,472$
(9) $\$165,000 \times .25 \times 7.13 = 2,941$

LANDMARK RESEARCH, INC

A COMPARISON OF FAIR MARKET RENTAL VALUE
FOR SELECTED SOUTHERN PACIFIC PROPERTIES FOR 1961
ASSUMING UNENCUMBERED & REAL ESTATE TAX INCLUDED IN RENT FEE

Lease Audit #	Location	1961 GG Appraiser Rental Value	Correction For R.E. Tax	Total Rent Inc. R.E. Tax	Rental Value Claimed by SPRR	Rental Payment in Lease	Gift Claimed by SPRR	Gift Supported by GG Appraisal
12320	Lynwood	\$24,800	--	\$24,800	\$34,177	\$75.00	\$34,102.00	\$24,725.00
9174A	Yorba Linda	6,000	--	6,000	7,815	5.00	7,810	5,995
PE12099	Beverly Hills	21,895	--	21,895	4,555	2,000.00(11)	2,555	19,895
112503	Compton	19,920	--	19,920	19,800	--	19,800	19,920
PE11077	Beverly Hills	2,900	--	2,900	7,449	5.00	7,444	2,895
PE1182	Baldwin Park	13,365	--	13,365	17,638	900.00	16,738	12,465
PE12555	Baldwin Park	35,805	--	35,805	66,126	12.00	66,114	35,793
104015	Tulare, Cal.	1,560	640.30(1)	2,200.30	9,106	195.00	2,005.30	7,111
103994	Reno, Nev.	33,100	7,028.00(2)	40,128	33,850	1,425.00	32,425	38,703
95938	Burlingame Broadway	1,260	346.12(3)	1,606.12	5,821	2.00	5,819	1,604.12
73886								
72430	Palo Alto, Cal.	25,000	9,141.(4)	34,141	34,339	0	34,339	34,141.50
99794	San Carlos	5,700	1,686.(5)	7,386	11,773	1.00	11,772	7,385
78755	San Carlos	6,700	1,970.(6)	8,670	15,129	1.00	15,128	8,669
18378	Nogales, Ariz	7,186	--	7,186	13,983	5.00	13,988	7,181
127299	Lafayette, La.	4,800	1,224.50(7)	5,824	8,323	1.00	8,322	5,823
122033	Menlo Park	6,600	2,368.(8)	8,968	15,793	10.00	15,783	8,958
59129	Gridley	3,000	1,000.(9)	4,000	4,726	1.00	4,725	3,999
96391	San Mateo	9,900	2,970.(10)	<u>12,870</u>	<u>4,546</u>	1.00	4,545	12,869
Aggregate Rental Values				257,664.42	314,949			

GG = Gruen & Gruen IRS Appraisers
SPRR = Southern Pacific Railroad Appraisal

LANDMARK RESEARCH, INC

- (1) Provided by appraiser
(2) $\$401,600 \times .35 \times 5.00 = 7,028.00$
(3) $\$21,300 \times .25 \times 6.50 = 346.12$
(4) $\$419,000 \times .27 \times 8.08 = 9,141.00$
(5) $\$95,000 \times .25 \times 7.10 = 1,686.00$
(6) $\$111,000 \times .25 \times 7.10 = 1,970.00$
(7) Provided by appraisal
(8) $\$110,000 \times .25 \times 8.61 = 8,968.00$
(9) Expense incl. in income appraisal--
conversation with Wolcott
(10) $\$165,000 \times .25 \times 7.20 = 2,970.00$
(11) Greater of \$2,000 or 50% of gross

A COMPARISON OF APPROPRIATE RENTS FOR A LEASE
 SUBJECT TO 30-DAY CANCELLATION OF A FEE WHICH MIGHT BE SUBJECT TO ZONING
 OR PUBLIC UTILITY COMMISSION RESTRAINTS AS TO USE
 FOR SELECTED SOUTHERN PACIFIC PROPERTIES FOR 1959

LANDMARK RESEARCH, INC.

Lease Audit #	Location	1959 GG Appraiser Rental Value	Correction For R.E. Tax	Total Rent Inc. R.E. Tax	Best Use Indicated by Appraiser	Adjustment for 30-Day Cancellation of other R.E. Lease Provisions	JAG Adjusted Rental Value**	Rental Payment in Lease	Gift Supported by GG Appraisal Adjusted by JAG
12320	Lynwood	\$24,800	\$ --	\$24,800	Parking & grounds	Grounds	\$24,800(10)	\$ 75	\$24,725
9174A	Yorba Linda	6,000	--	6,000	Commercial	Parking	3,000(11)	5	2,995
PE12099	Beverly Hills	19,575	--	19,575	Parking	Parking	19,575(8)	2000(13)	17,575
112503	Compton	14,240	--	14,240	Ground	Same	14,240(9)	5	14,235
					Storage-Industrial				
PE11077	Beverly Hills	2,393	--	2,393	Parking & Grounds	Same	2,393	5	2,388
PE11826	Baldwin Park	13,365	--	13,365	Public Pkg. or Street	Street Right-of-Way	900(7)	900	0
PE12555	Baldwin Park	NA	NA	NA	NA	NA	NA	NA	NA
104015	Tulare, Cal.	1,560	784.30	2,344.30	Parking	Same	2,345(5)	195	2,150
103994	Reno, Nev.	26,000	7,010	33,010	Parking lot (P.80-81 appraisal)	Reduced cap Rate 2%	33,010	1425	31,595
959938	Burlingame Broadway	1,260	343	1,603	Parking	No Adjustment	1,603	2	1,601
73886	Palo Alto	25,000	10,468	35,468	8-story comm. building	No Feasible Use*	0	0	0
72430									
99794	San Carlos	5,700	1,698	7,398	Commercial	No Feasible Use*	1,680(1)	1	1,679
78755	San Carlos	6,700	1,912	8,612	Commercial	No Feasible Use*	2,640(1)	1	2,639
18379	Nogales, Ariz.	7,186	0	7,186	Commercial	Non-buildable	7,186(4)	5	7,181
127299	Lafayette, La.	3,300	1,046	4,346.50	Secondary Commerical	Car Storage	4,347(6)	1	4,346
122033	Menlo Park	6,600	2,395	8,995	Some Comm. Some Parking	No Feasible Use*	10	10	0
59129	Gridley	600	200	800	Retail	Equipment Storage	800(3)	1	799
96391	San Mateo	9,900	2,941	12,841	Commercial C-2	No Feasible Use*	792(2)	1	<u>791</u>

TOTAL JUSTIFIED CONTRIBUTION (GIFT) SUPPORTED BY GG APPRAISERS & REVIEWER - 1959 \$114,699

* Letter of June 12, 1975 from David Ingram

EXHIBIT 8

A COMPARISON OF APPROPRIATE RENTS FOR A LEASE
 SUBJECT TO 30-DAY CANCELLATION OF A FEE WHICH MIGHT BE SUBJECT TO ZONING
 OR PUBLIC UTILITY COMMISSION RESTRAINTS AS TO USE
 FOR SELECTED SOUTHERN PACIFIC PROPERTIES FOR 1960

LANDMARK RESEARCH

Lease Audit #	Location	1960 GG Appraiser Rental Value	Correction For R.E. Tax	Total Rent Inc. R.E. Tax	Best Use Indicated by Appraiser	Adjustment for 30-day Cancellation of other R.E. Lease Provisions	JAG Adjusted Rental Value**	Rental Payment in Lease	Gift Supported by GG Appraisal Adjusted by JAG
12320	Lynwood	\$24,800	\$ --	\$24,800	Parking & grounds	Grounds	\$24,800(10)	\$ 75	\$24,725
9174A	Yorba Linda	6,000	--	6,000	Commercial	Parking	3,000(11)	5	2,995
PE12099	Beverly Hills	20,735	--	20,735	Parking	Parking	20,735(8)	2,000(13)	18,735
112503	Compton	17,120	--	17,120	Ground Stor. Industrial	Same	17,120(9)	5	17,115
PE11077	Beverly Hills	2,647	--	2,642	Parking & Grounds	Same	2,642	5	2,637
PE11826	Baldwin Park	13,365	--	13,365	Public Pkg. or Street	Street Right-of-Way	900(7)	900	0
PE12555	Baldwin Park	35,805	--	35,805	Spot Parking & Grounds	Same	35,805(12)	12	35,793
104015	Tulare, Cal.	1,560	690	2,250	Parking	Same	2,250(5)	195	2,055
103994	Reno, Nev.	34,000	7,010	41,010	Parking lot (p. 80-81 Appraisal)	Reduced Cap Rate 2%	41,010	1,425	39,585
959938	Burlingame Broadway	1,260	363	1,623	Parking	No Adjustment	1,623	2	1,621
73886 72430	Palo Alto	25,000	10,182	35,182	8-story Building	No feasible Use*	0	0	0
99794	San Carlos	5,700	1,717	7,412	Commercial	No feasible Use*	1,680(1)	1	1,679
78755	San Carlos	6,700	1,988	8,688	Commercial	No feasible Use*	2,640(1)	1	2,639
18379	Nogales, Ariz.	7,186	--	7,186	Commercial	Non-buildable	7,186(4)	5	7,181
127299	Lafayette, La.	4,050	1,027.50	5,077.50	Secondary Commercial	Car Storage	4,347(6)	1	4,346
122033	Menlo Park	6,600	2,472	9,072	Some Comm. Some parking	No Feasible Use*	10	10	0
59129	Gridley	600	200	800	Retail	Equipment Storage	800(3)	1	799
96391	San Mateo	9,900	2,941	12,841	Commercial	No Feasible Use*	792(2)	1	791
C-2									
TOTAL JUSTIFIED CONTRIBUTION (GIFT) SUPPORTED BY GG APPRAISERS & REVIEWER- 1960								\$162,696	

* Letter of June 12, 1975 from David Ingram

LANDMARK RESEARCH, INC. SUBJECT TO 30-DAY CANCELLATION OF A FEE WHICH MIGHT BE SUBJECT TO ZONING OR PUBLIC UTILITY COMMISSION RESTRAINTS AS TO USE FOR SELECTED SOUTHERN PACIFIC PROPERTIES FOR 1961

Lease Audit #	Location	1961 GG Appraiser Rental Value	Correction For R.E. TAX	Total Rent Inc. R.E. Tax	Best Use Indicated by Appraiser	Adjustment for 30-Day Cancellation of other R.E. Lease Provisions	JAG Adjusted Rental Value**	Rental Payment in Lease	Gift Supported by GG Appraisal Adjusted by JAG
12320	Lynwood	\$24,800	--	\$24,800	Parking & Grounds	Grounds	\$24,800(10)	\$ 75	\$24,725
9174A	Yorba Linda	6,000	--	6,000	Commercial	Parking	3,000(11)	5	2,995
PE12099	Beverly Hills	21,895	--	21,895	Parking	Parking	21,895(8)	2,000	19,895
112503	Compton	19,920	--	19,920	Ground Stor.	Same	19,920(9)	12	19,908
PE11077	Beverly Hills	2,900	--	2,900	Industrial	Parking & Grounds	2,900	5	2,895
PE11826	Baldwin Park	13,365	--	13,365	Public Pkg. or Street	Street Right-of-Way	900	900	0
PE12555	Baldwin Park	35,805	--	35,805	Spot Parking & Grounds	Same	35,805	12	35,793
104015	Tulare, Cal.	1,560	640.30	2,200.30	Parking	Same	2,250	195	2,055
103994	Reno, Nev.	33,100	7,028	40,128	Parking lot (p.80-81 Appraisal)	Reduced Cap Rate 2%	41,010	1,425	39,585
959938	Burlingame Broadway	1,260	346.12	1,606.12	Parking	No Adjustment	1,623	2	1,621
73886	Palo Alto	25,000	9,141	34,141	8-story Comm. Bldg.	No Feasible Use*	0	0	0
72430									
99794	San Carlos	5,700	1,686	7,386	Commercial	No feasible Use*	1,680	1	1,679
78755	San Carlos	6,700	1,970	8,670	Commercial	No Feasible Use*	2,640	1	2,639
18378	Nogales, Ariz.	7,186	--	7,186	Commercial	Non-Buildable	7,186	5	7,181
127299	Lafayette, La.	4,800	1,224.50	5,824	Secondary Commercial	Car Storage	5,824	1	5,823
122033	Menlo Park	6,600	2,368	8,968	Some Comm. Some parking	No Feasible Use*	10	10	0
59129	Gridley	600	200	800	Retail	Equipment Stor.	800(3)	1	799
96391	San Mateo	9,900	2,970	12,870	Commercial	No Feasible Use*	792	1	791
					C-2				

TOTAL JUSTIFIED CONTRIBUTION (GIFT) SUPPORTED BY GG APPRAISERS & REVIEWER - 1961 \$168,384

* Letter of June 12, 1975 from David Ingram

NOTES TO TAX CONTRIBUTION EXHIBITS

- (1) Based on areas of usable ground for San Carlos #1 & #2 (35,245 + 55,650) or approximately 90,000 sq. ft., one could store 70 and 110 cars and trucks for nearby auto dealers on a monthly basis of \$2/vehicle.

San Carlos #1 70 x 2 x 12 = 1,680
San Carlos #2 110 x 2 x 12 = 2,640

LANDMARK RESEARCH INC

- (2) 16,500 sq. ft. = 33 cars and trucks in storage 33 x 2 x 12 = 792
- (3) Appraisal supported rent on market comparables, p. 27
- (4) 30-day clause rendered site unbuildable and therefore non-buildable rents would apply according to letter of June 13, 1975 from Vern Swango, appraiser. No taxes were charged as the property has never appeared on the tax rolls so far as Nogales assessors are concerned. There may have been an understanding between the community and the railroad as the community later purchased the park from the railroad.
- (5) Appraiser indicates on page 7 that parking is the best use under any set of assumptions and reiterates that in cover letter dated May 19, 1975.
- (6) 84,500 sq. ft. was identified by the appraiser as secondary commercial suitable for automobile ownership and for parking. Assumption of analyst is that it could park 170 cars and trucks for dealer storage at \$2/month. $170 \times 2 \times 12 = 4,080$. That is not dissimilar from indicated rental values with and without real estate taxes so that appraisal value is accepted without adjustment even though appraisal report is ambiguous as to impact of 30-day cancellation clause.
- (7) Appraiser is incorrect in capitalizing fee value at 6% + taxes for a 30-day cancellation lease unless there was no foreseeable reason to cancel the lease. Property in question was a strip of right-of-way in the middle of a street and appraiser had discounted market value because of this factor. Technically lease is worth no more than \$900 though from a practical viewpoint the city could expect long tenure and expect to be the ultimate buyer.
- (8) Best use requires minimal improvement and market value on which rents were based sharply discounted limited possible uses because of shape and zoning. Parking compatible with 30-day cancellation.
- (9) Best use compatible with 30-day cancellation.
- (10) Best use covers 15 parcels ultimately totaling over 500,000 sq. ft. so that although \$ rental may seem high it is compatible with storage of 1,000 vehicles at \$2/month x 12 or \$24,000. Hence no adjustment was made although appraisal was ambiguous as to explicit impact of 30-day cancellation clause.
- (11) A check on appraisal report rent might consider parking or vehicle storage. 49,800 sq. ft. on subject site might translate to 100 vehicles at \$2/month, or \$2400. Therefore JAG has presumed to adjust appraisal report figure to \$3,000 rent for use subject to \$30/day cancellation.
- (12) No change because of total gross area of 600,000 sq. ft. was given an annual rental of only 6¢/sq.ft.
- (13) 2,000 or 50% of gross whichever is greater do not have details on actual gross so this amount may be understated.