



# Valuation Viewpoint

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## BUSINESS RELOCATION: PART TWO FIGURING OUT WHO GETS WHAT AND WHY

BY ELEASALO V. ALE, STEVEN L. ERIKSSON AND ROBERT J. STRACHOTA

**I**n the last issue of Valuation Viewpoint (Spring, 2002), we provided a general overview of the Uniform Relocation Assistance and Real Property Acquisition Act of 1970, as amended (42 U.S.C. §§ 4601-4655), and its governing rules and regulations (49 C.F.R. Part 24), more commonly referred to collectively as the Uniform Relocation Act or URA. The URA is a federal law that establishes real property acquisition policies for federal and federally assisted programs as well as standards for business and residential relocation. Minnesota, like many other states, has adopted the relocation provisions of the URA. This issue of Valuation Viewpoint provides a case study of a business to be relocated and answers frequently asked questions concerning relocation.

### The Scenario

John Smith owns an old bank building located on a very busy corner in suburban Minneapolis. It is a basic commercial building easily adapted for a variety of uses. Seven years ago, John Smith (“Landlord”) leased the building and the entire property to Quickie Convenience Store, LLC (“QCS” or “Tenant”) to operate a Quickie Convenience Store. The Lease was for an original term of 10 years with a 10-year option to renew.

Pursuant to the terms of the Lease, Tenant, at its own expense, converted the property, including the old bank building, into a full-service gas station and convenience store. QCS installed gas station tanks, islands and pumps, built a stand-alone car

*continued on page 4*

### MARKET TRENDS AND INDICATORS

Office Buildings	↓	10%
Retail Centers	→	0%
Industrial Buildings	↓	5%
Apartments	↓	5%
New Housing Starts	↑	4.24%
Productivity	↑	4.0%
Composite PE	↓	30
Consumer Confidence Index	↓	93.7
Number of IPOs	↓	40

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## MARKET TRENDS AND INDICATORS

### ECONOMIC INDICATOR

	1996	1997	1998	1999	2000	2001	3RD Q 2002
New Housing Starts	254,000	238,000	332,000	349,600	303,200	330,300	344,300

### P/E RATIOS IN SELECT INDUSTRIES

INDUSTRY (YEAR END)	1985	1990	1995	1999	2000	2001	3RD Q 2002
Automotive	6	N/M	12	9	9	34	NM
Banking	9	14	12	13	19	18	14
Retailing—General*	16	23	22	34	33	28	29
Food & Drug Retailing*	14	22	18	19	24	24	21
Fuel-Oil & Gas*	11	15	40	26	16	18	37
Health Care Equipment & Services*	18	22	22	40	45	58	24
Manufacturing—Capital Goods*	20	16	16	30	20	42	22
Service Industries—Commercial*	22	21	18	25	32	26	24
Telecommunications	11	15	21	34	26	25	NM
Transportation	18.3	28	21	20	18	33	NM
Utilities*	11	15	17	14	17	16	13
Pharmaceuticals & Biotechnology*	—	—	—	—	—	—	25
Composite	15	17	19	29	26	32	30

\*Reporting categories changed in 3rd Qtr 2002 to more accurately identify and report industry activity. NM=not measurable

### ECONOMIC INDICATORS

INDICATOR (5 YR. AVG.)	1985	1990	1995	1999	2000	2001	3RD Q 2002
Inflation	5.0%	4.0%	3.1%	2.2%	3.4%	1.8%	2.3%
Productivity	1.7%	0.6%	1.5%	2.4%	3.4%	1.8%	4.0%
GDP	4.0%	1.8%	2.7%	4.2%	5.0%	1.1%	2.3%
Consumer Confidence	84.9	104.2	99.2	144.4	128.6	97.3	93.7
Initial Public Offerings	169	144	512	548	339	91	40
IPO in Volume \$Billion	5.7	9.9	26.6	100.6	55.46	37.1	\$18.6

### RATES OF RETURN AND RISK HIERARCHY

INVESTMENT	CURRENT	INVESTMENT	CURRENT
30 Year Treasury	5.1%	Speculative Real Estate	11–14%
Aaa Bond	6.5%	S & P Equity (Ibbotson)	12.9%
Bbb Bond	8.0%	Land Development	11–16%
Commercial Mortgage	7–8%	Equipment Finance Rates	15–18%
Institutional Real Estate	6.5–8%	NYSE/OTC Equity (Ibbotson)	17.8%
Non-Institutional Real Estate	7.5–10%	NYSE Smallest Cap. Equity (Ibbotson)	20.8%

Sources: National Real Estate Index (2002), Appraisal Institute; F.W. Dodge Division, Business Week, Value Line, U.S. Chamber of Commerce, Standard & Poors, Hale and Dorr IPO Report, Investment Dealers Digest, U.S. Government Census.

Shenhon Company makes every effort to ensure the accuracy of the information published in *Valuation Viewpoint*. Shenhon Company uses only those sources it determines are accurate and reliable, but no guarantee or warranty with regard to the information is made or implied.



# SHENEHON ONLINE

BY SCOT A. TORKELSON

We have updated our Web Page. This Shenehon Online introduces the offerings of Shenehon Company found at: [www.shenehon.com](http://www.shenehon.com).

## Library

[www.shenehon.com/library/valuationviewpoint/index.html](http://www.shenehon.com/library/valuationviewpoint/index.html)

Our Web Site features an extensive library area which continues to grow. The most comprehensive offering to date is our newsletter, *Valuation Viewpoint*. Most of the articles are fully accessible in electronic form for your benefit. The site is searchable and represents some of the leading issues of appraisal practice.

## Business Valuation

[www.shenehon.com/services/busivalu.html](http://www.shenehon.com/services/busivalu.html)

In this area, we include many of the basic principles of business valuation including a definition of market value for businesses, and a discussion of business valuation methodology. Another significant issue in the area of business valuation relates to minority and marketability discounts for partial ownership interests in a business. This basic discussion provides the client with a greater understanding of the business valuation process.

## Real Estate Valuation

[www.shenehon.com/services/reapprai.html](http://www.shenehon.com/services/reapprai.html)

We also provide a section featuring real estate valuation. As in the business valuation area, we provide a definition of market value for real estate and a discussion of the three basic approaches to valuing real estate—the Cost Approach, Income Approach and Market Approach.

## Consultation and Litigation Support

[www.shenehon.com/services/courtroom/index.html](http://www.shenehon.com/services/courtroom/index.html)

Our specialty in both business valuation and real estate valuation is in the area of consulting and litigation support. On our web page Shenehon provides a listing of “Courtroom Do’s and Don’ts” that we have developed over the years. We cover many areas of the appraisal process from the engagement to the trial itself, with a special section on “Key Errors to Avoid,” which is related to USPAP (Uniform Standards of Professional Appraisal Practice).

## Why Do You Need an Appraisal?

[www.shenehon.com/services/whydoyou.html](http://www.shenehon.com/services/whydoyou.html)

Within the “Why Do You Need an Appraisal?” section, we provide a listing of possible reasons for an appraisal engagement. Note that the list is not exhaustive, and that the practice and industry are continually evolving.

## Staff

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We offer a complete listing of our appraisal staff on the Shenehon Company web site. Each of our appraisers can be reached at 612.333.6533. **VV**



wash facility, featuring the most modern equipment, and made other necessary improvements. The store is branded as a Mobil station, and Mobil Oil Company installed its signs and brand labels on the exterior of



*...it is critical that our valuation team is able to properly classify an item as real estate or as personal property.*



the building. The store has six double-sided gas pumps on six concrete islands, with a canopy measuring 60 feet by 80 feet over the pumps.

The store also features a quick lube and oil change operation for automobiles, consisting of two drive-in oil change pits that are state-of-the-art, with oil changes occurring, on average, every 15 to 20 minutes during normal business hours. The cash register system and gas pumps are computer-linked, ensuring maximum efficiency. Additionally, the convenience store includes a small bakery area with ovens, a video showroom area, an office area for the manager, and enough counters and shelves to serve the store's extensive retail needs. The entire store has a square footage of 4,500 square feet situated on a land parcel measuring 60,000 square feet.

The conversion of this former bank building to a Quickie Convenience Store was very successful, making a profit for the first seven years of the lease. The Tenant has three years left in the original term of the lease with a 10-year option which could be renewed at a flat rent of \$12.00 per square foot. The contract rent for the first 10 years was \$9.00 per square foot, and the current market rent for a store just like the Quickie Convenience Store is \$14.00 per square foot in a market that has been strong and is expected to increase at about 5% per year for the foreseeable future. At the end of the lease term, the Tenant has the option to remove any and all equipment installed at its expense, including the canopy, tanks, etc. Any equipment not removed will be deemed to be abandoned. The Lease, by its terms, does not terminate upon condemnation.

A state governmental unit with eminent domain authority ("Agency") has initiated condemnation to acquire, among others, the Quickie Convenience Store property for a constitutionally-valid public project. The project is partially funded by a federal grant. As a result of the government taking, QCS is required to vacate an excellent convenience store site with three years remaining on the original lease term and option to renew for another 10 years. Fortunately, QCS has located an old dry cleaning building down the street which could be adapted into a new Quickie Convenience Store. Landlord has no issues or concerns about relocation because he does not physically occupy the Property and does not own or store any personal items on the Property.

### Identifying and Addressing the Problem

In approaching the valuation questions of the condemnation and relocation of the Quickie Convenience Store, we are faced with determining the market value of the real estate due to the Landlord and the relocation and other costs that are eligible for reimbursement to the Tenant.

Because the project at issue involves federal funding, the Uniform Relocation Act applies. Even if no federal dollars were involved, however, the Agency would still be required to follow the relocation provisions of the URA. The Minnesota Uniform Relocation Act, Minn. Stat. §§ 117.50 – 117.56 ("MURA"), which sets forth Minnesota's relocation policy, requires state and local units of government, as well as certain private bodies that have the power of eminent domain, to provide "all relocation assistance, services, payments and benefits required by the [Uniform Relocation Act]."



*While some of the items listed here may be construed as real property, we believe there is a sufficient basis to treat all of them as personal property eligible for relocation into the new site.*





The Agency is required to pay “just compensation” to Landlord and Tenant for the value of their respective interests in the Property. Just compensation is determined based on the fair market value of the Property as of the date of taking, i.e., the date title and possession transferred to the Agency. Here, John Smith and QCS would pursue just compensation as part of the condemnation action initiated by the Agency.

The Agency is also required under the URA to provide relocation benefits to QCS. Smith, under the facts of this case study, is not a “displaced person” and, therefore, is not entitled to relocation benefits. Relocation claims are not part of the condemnation action. Therefore, QCS would have to prepare and submit a separate claim to the Agency for relocation benefits.

**Question:** What is a displaced person?

**Answer:** Generally, a displaced person is any person (including any individual, partnership, corporation or association) who moves from real property or moves his personal property from the real property as a result of government’s acquisition of real property for a public project. Only displaced persons are entitled to relocation benefits available under the URA. Here, Landlord does not satisfy the definition of “displaced person” because he is not an occupant of the Property and has nothing to move from the Property.

The URA does not allow duplication of payments. An item that is compensated as part of the condemnation award or settlement, cannot be used as part of a subsequent relocation claim. For example, if QCS receives compensation for a store shelving unit in the condemnation action, QCS cannot subsequently seek relocation payment for the costs to disconnect, move and reconnect the same shelving unit at the new site. As a result, it is critical that our valuation team is able to properly classify an item as real estate or as personal property. When determining whether an item is personal property or real property, we are guided by several factors that include the purpose of the item, its integration with

the real estate, how it is attached, ownership and the intention of the parties regarding the installation.

**Question:** What is real estate?

**Answer:** According to *The Dictionary of Real Estate Appraisal* (Fourth Edition), “real estate is the physical land and appurtenances attached to the land, e.g., structures. Also, an identified parcel or tract of land, including improvements, if any”. For this article, real property and real estate are used interchangeably.

**Question:** How do I know if it is considered personal property?

**Answer:** Personal property “consists of every kind of property that is not real property; movable without damage to itself or the real estate”, *The Dictionary of Real Estate Appraisal* (Fourth Edition).

**Question:** What is a fixture?

**Answer:** “Attached improvements that can be real or personal property. If attached to the realty in such a manner that its removal would damage the real property or the fixture, the fixture is realty. If the fixture is removable without damage, it is generally considered personal property”, *The Dictionary of Real Estate Appraisal* (Fourth Edition).

### **Classification of Property as Real or Personal**

As recommended in *Valuation Viewpoint*, Business Relocation: Part One, our valuation team includes a real estate appraiser, a fixture/equipment appraiser and a relocation expert. Our initial task is to classify the property into real and personal property. This is a key step in the analysis because only real property is compensable in the condemnation action. Items that do not meet the definition of real property may qualify for reimbursement under the URA. It is important to start by reviewing the terms of the Lease followed by a thorough inspection of the Property. For purposes of this case study, we have identified the following items for further discussion:



- Land and main building
- Computer systems and wiring
- Permanent shelving
- Store inventory
- Gasoline canopy
- Pits for oil change
- Concrete gasoline islands
- Task lighting throughout the convenience store
- Ovens and wiring
- Store counters
- Car wash building
- Lighted Mobil gasoline sign
- Gasoline pumps
- Underground gasoline tanks

### Real Property

The following items constitute real property and will be compensated as part of the condemnation process:

Land and Main Building; Permanent Shelving; Store Counters; Car Wash Building; Gasoline Canopy; Mobil Signs; Concrete Pits for Oil Change; Concrete Gasoline Islands; and Gasoline Tanks.

“  
*Where appropriate, our team will work cooperatively with the Agency and maintain dialogue with Agency officials throughout the process so that there are no surprises when the final relocation claim is submitted for payment.*



Under the terms of the Lease, the Tenant retains ownership of all tenant improvements on the Property, including Permanent Shelving, Store Counters, Car Wash Building, Gasoline Canopy, Mobil Signs, Concrete Pits for Oil Change, Concrete Gasoline Islands, and Gasoline Tanks. QCS is entitled to remove these improvements from the Property at the expiration of the Lease. As part of the condemnation action, QCS would seek

just compensation that includes the value of such improvements. The property acquisition provisions of

the URA (42 U.S.C. § 4652; 49 C.F.R. § 24.105), in addition to mandating the acquisition of tenant-owned improvements under certain circumstances, also provide that the just compensation for a tenant-owned improvement is the greater of: (1) the amount which the improvement contributes to the fair market value of the whole property; or (2) its salvage value.

The Landlord, John Smith, would pursue just compensation based on the fair market value of the Property. This would include the underlying land and main building, as well as his reversionary interest in the Property upon termination of QCS’s tenancy.

### Personal Property

The following items constitute personal property of QCS:

Task Lighting; Computer System; Ovens; Car Wash Equipment; and Gasoline Pumps.

Personal property items are not compensable in the condemnation action. However, the cost to relocate them to the replacement site or to purchase and install substitute property at the replacement site may be eligible for reimbursement under the URA. While some of the items listed here may be construed as real property, we believe there is a sufficient basis to treat all of them as personal property eligible for relocation into the new site.

### Tenant’s Relocation Claim

In *Valuation Viewpoint*, Business Relocation: Part One, we identified and described three basic categories of relocation payments available to displaced businesses under the URA: (1) Moving Expenses; (2) Reestablishment Expenses; and (3) Fixed Payment. We will discuss these same categories in determining the Tenant’s relocation claim. In preparing QCS’s relocation claim, it is important to remember that the Agency is also obligated under the URA to provide relocation advisory services and assist QCS in securing relocation benefits. Where appropriate, our team will work cooperatively with the Agency and maintain dialogue with Agency officials throughout the process so that there are no surprises when the final relocation claim is submitted for payment.



## Moving Expenses

QCS is entitled to payment for such “actual moving and related expenses as the Agency determines to be reasonable and necessary.” 49 C.F.R. § 24.303(a). Unlike reestablishment expenses which are capped at \$10,000, there is no set limit for moving expenses. As long as such expenses are reasonable and necessary, they are subject to reimbursement.

### 1. Task Lighting

The task lighting system is the personal property of QCS and may be removed by QCS to the replacement site. The “hard wired” base building lighting system is part of the real estate and will be included in the value of the real estate owned by the Landlord. *The “URA” provides for reimbursement of the cost to disconnect, move and reconnect the task lighting including the cost to provide electrical outlets for the task lighting at the replacement site.* QCS may prefer to purchase new Task Lights rather than move the existing lights in order to fit the new store design scheme. *If the Tenant elects to purchase substitute personal property (Task Lighting), the Tenant’s reimbursement would be determined based on the lower of: (1) the cost of the new lights plus installation less sale proceeds of the replaced task lights; or (2) the cost to remove the task lighting, move it and re-install it at the replacement facility.*

### 2. Computer Systems and Wiring

Generally speaking, it is not practical to reuse computer cabling; therefore, as part of the move, new computer cabling will be professionally installed and configured to the layout at the replacement facility. The existing computer systems will be backed up, disconnected from the existing network, transported to the replacement site and reinstalled by a computer technician. The “system” will then be set up or otherwise calibrated, tested and data restored by a technician licensed by the software company. *The cost of moving the existing computer systems including the cabling, computer move, setup and testing as well as technical assistance is a reimbursable moving expense.*

### 3. Ovens and Wiring

The ovens and associated mechanical components are treated under the Lease as personal property of the

Tenant. These items are eligible for relocation. The components include electrically heated ovens, the venting hood, fire suppression system, the ductwork, the makeup air system and electrical connections.

The ovens and associated components will be disconnected and transported to the replacement facility for reinstallation. If necessary, reinstallation will include installing a new electrical circuit breaker panel after the main service disconnect and wiring from the new panel to the affected equipment. It is likely that it will be

less expensive to have new ductwork installed for the venting and makeup air system as opposed to removal and reinstallation of the existing ducts; bids should be obtained for both alternatives. In the case of the makeup air system, it is assumed that the building is served by another source of heat and that the makeup air is a required part of the oven venting system. *Reasonable expenses incurred by QCS to dismantle, move and reinstall the ovens and its key components at the new site are reimbursable as moving expenses.*

“  
*What is the difference between moving expenses and reestablishment expenses?*  
”

**Question:** What if there is not sufficient electrical power serving the replacement site and it is necessary to run a new electrical line from the right of way in order to operate the ovens and all other relocated equipment?

**Answer:** Expenses incurred by QCS to connect utilities, such as electricity, gas, water, telephone, and others, from the right-of-way to the building or improvement can be reimbursed as a reestablishment expense under the URA. The URA currently limits the amount of recoverable reestablishment expenses to \$10,000. A recent amendment to the MURA, which became effective July 1, 2001, allows the



condemning authority to increase that amount to \$50,000. Minn. Stat. § 117.51 provides that “[a]n acquiring authority may consider reimbursing up to \$50,000 in reestablishment expenses of a displaced business.” *In the case of QCS, the cost of bringing the additional electrical capacity from the right-of-way to the building is a reestablishment expense.* For purposes of this exercise, we will utilize the \$10,000 reestablishment expense limit set by the URA.

**Question:** What is the difference between moving expenses and reestablishment expenses?

**Answer:** The primary difference is that moving expenses have no set limit. As long as the expenses are “reasonable and necessary” as determined by the Agency, they would be paid. Reestablishment expenses are capped at \$10,000 (under the URA) and \$50,000 (under the MURA).

#### 4. Car Wash Equipment

*The car wash building itself is real estate. As a tenant-owned improvement, QCS is entitled to just compensation for this item in the condemnation action. The car wash equipment, plumbing and mechanical systems supporting the car wash, however, may be considered personal property. These items may be eligible for relocation payments if they were not included as part of the compensation for the car wash building. As in the case of the task lighting, a comparison should be made to determine if it is less expensive to move the equipment or to purchase substitute personal property.*

#### 5. Gasoline Pumps

*If QCS elects to relocate the existing gas pumps, it may recover expenses to disconnect or otherwise remove the items, transport them to the replacement site and reinstall them. If QCS elects to purchase substitute personal property, it may be entitled to reimbursement based on the cost to purchase and install the substitute items less proceeds from the sale of replaced items.*

#### 6. Store Inventory

The cost to move the store inventory to the new location is compensable as a moving expense. *The inventory move can be either contracted or a “self move.” In either case, it is preferable to obtain two bids for packing, moving and unpacking the inventory at the new site. Reimbursement for a contract move is based on actual reasonable cost and a “self move” is reimbursed at the lower of the two bids.*

#### 7. Mobil Signs

Because the station is branded by Mobil and it is assumed that the replacement station will retain that brand, the Tenant is the benefactor of the signage and therefore the cost to move the sign would be eligible for reimbursement. The URA allows for signs to be treated in one of two ways to be eligible for reimbursement. In the first instance, the sign is disconnected, transported to the replacement site and reinstalled. The alternative is to construct a new sign; however, this again falls under the reestablishment expense, which is capped at \$10,000. Obviously, the preferred method would be to classify the expense as a moving cost rather than a reestablishment expense. Changes to wording on the sign (if any) required because of the move would also be eligible for reimbursement as a moving expense. If one of the Mobil signs is destroyed as a result of the project or if QCS is unable to reestablish the sign at the new location, QCS may receive compensation based on the lesser of: (1) the depreciated reproduction cost of the sign less the proceeds from its sales; or (2) the estimated cost of moving the sign.

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Accordingly, QCS would forgo the fixed-payment option and instead seek relocation payments based on actual moving and reestablishment expenses.”





## Reestablishment Expenses

In addition to moving expenses, QCS is also entitled to reestablishment expenses. Unlike Moving Expenses which have no maximum limit, the amount available for reestablishment expenses is limited to \$10,000 and

is available only to a small business, farm or nonprofit organization. These expenses must be reasonable and necessary as determined by the Agency.

In this case, the costs incurred by QCS to convert the replacement site (here, an old dry cleaning building) into a full-service gas station and convenience store would be compensable as reestablishment expenses.

“  
*The URA also establishes an appeal process to allow for administrative review of initial relocation decisions.*”

Specifically, the reasonable costs of repairs to the site and building, construction of new outdoor signage, redecoration, licenses, fees and permits not paid as moving expenses, soil tests, and estimated increased costs of operation for the first two years at the replacement site all qualify as reestablishment expenses. 49 C.F.R. § 24.304. Reestablishment expenses, however, do not include reimbursement for the purchase of capital assets (such as office furniture, filing cabinets, machinery, or trade fixtures), production supplies, store inventory, or other items used in the normal course of QCS’s business. Similarly, the interest on any loan taken by QCS to facilitate the move or to purchase the replacement property is not a proper reestablishment expense.

## Fixed Payment

The requirements for fixed payment are provided in 49 C.F.R. § 24.306 and outlined in *Valuation Viewpoint*, Business Relocation: Part One. A qualified displaced business may choose a fixed payment in lieu of actual moving expenses and reestablishment

expenses. The maximum amount of fixed payment is \$20,000; the minimum amount is \$1,000. Here, it is assumed that QCS’s actual moving expenses and reestablishment costs are well over \$20,000. Accordingly, QCS would forgo the fixed-payment option and instead seek relocation payments based on actual moving and reestablishment expenses.

## Submitting the Relocation Claim

To receive payment for moving and reestablishment expenses, the Tenant must submit a written claim to the Agency with proper documentation. 49 C.F.R. § 24.207. QCS is required under the URA to file its relocation claim within 18 months after the date of displacement. The Agency can waive this requirement but only for “good cause.”

The URA also establishes an appeal process to allow for administrative review of initial relocation decisions. Thus, if QCS is dissatisfied with the Agency’s initial determination, it may file a written appeal with the Agency requesting an administrative hearing as required by the URA. Generally, this administrative appeal is held before a hearing officer designated by the Agency. Sometimes, the Agency and displaced person jointly select the hearing officer. In Minnesota, a displaced person must file a writ of certiorari to the Minnesota Court of Appeals to obtain judicial review of the Agency’s final relocation decision.

## Conclusion

This case study demonstrates one approach to handling relocation issues and the often competing interests of the landlord and the tenant in condemnation. Here, the acquisition of the real estate from the Landlord and the relocation of Quickie Convenience Store proceeded in a very smooth and orderly manner. We started by classifying the various property items by ownership and type (real or personal). This allowed us to determine and value those specific items which are compensable in the condemnation proceeding. Thus, the Landlord and the Tenant were able to pursue just compensation with a clear understanding of each other’s rights and interests in the



Property. We were also able to identify those items which qualify for relocation. By working through the requirements of the URA with an experienced team of experts and by maintaining a dialogue with the Agency throughout the process, we were able to prepare and submit a relocation claim that was both complete and persuasive. **VV**

**NOTE:** Further details are necessary for a complete understanding of the subject covered by this article. None of the materials discussed should be construed as offering legal, appraisal, or expert advice, and the specific advice of legal counsel, appraisal, or relocation experts is recommended before acting on any matter discussed in this article.

*Eleasalo V. Ale is an attorney at Faegre & Benson, LLP, where he practices primarily in the areas of real estate litigation, eminent domain and relocation law. Salo has represented and advised owners as well as the government on relocation matters. Salo can be reached at: eale@faegre.com*

*Steven L. Eriksson, president of Eriksson Commercial Real Estate, Inc., has been in commercial real estate for thirty years, starting in October of 1972. Mr. Eriksson formed First Industrial Real Estate, Inc., a private brokerage and consulting firm, later he and five partners formed the C. Chase Company. In April 1996, Steve returned*

*to his own brokerage and consulting firm, Eriksson Commercial Real Estate, Inc. "Eriksson Commercial" provides brokerage and consulting services to corporations, institutions, government agencies and private investors. Steve is well known for his ability to coordinate and evaluate the many aspects of high profile commercial transactions; services provided by Eriksson Commercial include property sales and leasing, tenant representation, lease negotiation, buyer representation, property and site acquisition, project coordination, interim property management and business and residential relocation. Steve can be reached at: seriksson@eriksson.com*

*Robert J. Strachota, president of Shenehon Company, has over 27 years of experience in the appraisal of commercial real estate and businesses. He is a licensed appraiser in Minnesota, Arizona, Wisconsin, North Dakota and Colorado. Bob's assignments include the preparation of professional valuations and market analysis of real estate, business enterprises and intangible property rights. Mr. Strachota also serves as an expert witness in Federal, State and District courts, commission hearings and special government proceedings. Shenehon Company provides its clients with the highest quality commercial property appraisals, investment counseling, lease and rental analyses, estate planning, valuation of limited and general partner interests in real estate and business, to mention a few. Bob publishes in local and national trade journals on a regular basis, acts as an arbitrator, commissioner or magistrate as needed, and teaches for both the University of St. Thomas and the University of Minnesota. Bob can be reached at: value@shenehon.com*

**WE'VE MOVED**

**SHENEHON COMPANY**

IS PLEASED TO ANNOUNCE  
OUR RELOCATION  
EFFECTIVE  
OCTOBER 18, 2002  
TO  
88 SOUTH TENTH STREET, SUITE 400  
MINNEAPOLIS, MINNESOTA 55403

612.333.6533 TELEPHONE  
612.344.1635 FACSIMILE

WWW.SHENEHON.COM



## MARKET TRANSACTION: REAL ESTATE



Property:	Lund International Building 911 Lund Boulevard Anoka, MN 55303
Buyer:	HOM Furniture
Seller:	Lund International Holdings, Inc.
Source:	Broker, Seller
Sale Date:	October, 2002
Sale Price:	\$6,800,000
Unit Price:	\$20.51 per square foot
Net Rentable Area:	331,510 square feet
Gross Building Area:	331,510 square feet
Zoning:	M-1, Light Industrial
Utilities:	All available
Topography and Soil:	Level, assumed stable
Visibility and Access:	Good
Age:	1955, 1998
Land Size:	24.60 acres or 1,071,408 square feet

### Remarks:

Lund International, an automotive specialty company, relocated its warehousing operations to Georgia in 2001. Initially, Lund offered the subject property for sale at approximately \$10 million. After two years on the market, the property was sold to HOM Furniture for warehousing purposes. The building includes an office area of 24,000 square feet, a research/development area of 17,000 square feet and a warehouse area of 299,728 square feet. Features of note are the 30 foot clear ceilings and 12 dock doors. Lund International will continue to lease a small portion of the office space after the sale.



## SCOPE OF SERVICES

**S**HENEHON COMPANY IS A REAL ESTATE AND BUSINESS VALUATION FIRM, serving both the private and public sectors throughout the United States. Our unique combination of real estate and business valuation expertise allows us to provide a wide range of services and to offer innovative solutions to difficult valuation issues. Obtaining accurate and reliable industry information and expertise should play a key role in any decision-making process, and Shenehon Company is dedicated to equipping its clients with the tools necessary to make informed and knowledgeable decisions regarding their capital investments.

### Areas of Expertise:

- Allocation of purchase price
- Asset depreciation studies
- Bankruptcy proceedings
- Charitable donations
- Commercial properties
- Condemnation
- Contamination impact studies
- ESOP/ESOT
- Estate planning
- Feasibility analyses
- General and limited partnership interests
- Gift tax evaluations
- Going public or private
- Highest and best use studies
- Industrial properties
- Insurance indemnification
- Intangible asset valuation
- Internal management decisions
- Investment counseling
- Land development cost studies
- Lease and rental analyses
- Lost profit analyses
- Marriage dissolution
- Mortgage financing
- Multi-family residential properties
- Municipal redevelopment studies
- Potential sales and purchases
- Railroad right-of-ways
- Special assessment appeals
- Special purpose real estate
- Tax abatement proceedings
- Tax increment financing
- Utility and communication easements



88 South Tenth Street  
Minneapolis, Minnesota 55403  
(612) 333-6533  
Fax: (612) 344-1635  
e-mail: [value@shenehon.com](mailto:value@shenehon.com)  
[www.shenehon.com](http://www.shenehon.com)

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1358  
MPLS., MN.

### Contributors:

Eleasalo Ale, Steven Eriksson, John Flaherty,  
Karen Johansen, Darrell Koehlinger, Denise O'Leary,  
Robert Strachota, Scot Torkelson

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