Valuation Viewpoint

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EASEMENTS AND SPECIAL ASSESSMENTS

WHAT SEEMS SIMPLE ON THE SURFACE MAY BE QUITE COMPLEX

BY: ANGELA HOUGH AND JOHN SCHMICK

Experienced appraisers know that the first (and most important) step in any appraisal assignment is to make sure that the appraisal problem is clearly identified. Following that, the appraiser will take the necessary steps to answer the appraisal question. Despite years of experience, we continue to receive assignments that seem simple on the surface but become complicated as we further research the appraisal problem. Assignments involving valuations for easement and special assessment matters are especially challenging. However, a reasonable estimate of damages or benefits can be determined if the appraiser has all of the relevant information.

In one assignment, which involved the construction of a new underground pipeline for natural gas, the subject properties consisted of vacant farmland. Initially, the case appeared to be based solely on the loss of value in the easement area. However, research indicated a far more complex situation. The emerging data reinforced our belief that what you see is not necessarily what you get! Soil experts identified some unexpected impacts of easements:

- **Construction equipment caused a compaction of soils on either side of the pipeline.** In one study, soil tests indicated compaction problems to a depth of 24 to 30 inches. Soil compaction affects the ability of crop roots to grow downward. Unable to grow down, the roots "pancake" out to the sides, stunting plant growth and diminishing crop yield. Equipment capable of ripping the soil to alleviate the compaction currently reaches to a depth of only 14 inches. Thus, the problem could not be cured. Crop experts predicted measurable diminished crop yield 15 years or more into the future.

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MARKET TRENDS AND INDICATORS

Office Buildings	↑	1%
Retail Centers	↑	3%
Industrial Buildings	↑	1%
Apartments	↑	1%
New Housing Starts	↑	.5%
Productivity	↓	1.8%
Composite PE	→	20
Consumer Confidence Index	↑	107.2

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MARKET TRENDS AND INDICATORS

ECONOMIC INDICATOR

	1999	2000	2001	2002	2003	2004	2005
New Housing Starts—Yearly Totals	347,300	317,500	330,400	349,600	374, 100	355,700	357,400

*Midwest Region re-defined in 2002

P/E RATIOS IN SELECT INDUSTRIES

Industry (Year end)	1985	1990	1995	2000	2003	2004	2Q 2005
Automotive	6	N/M	12	9	21	11	28
Banking	9	14	12	19	14	14	13
Retailing—General*	16	23	22	13	22	22	22
Food & Staples*	14	22	18	24	27	25	22
Fuel-Oil & Gas*	11	15	40	16	12	12	12
Health Care Equipment & Services*	18	22	22	45	24	25	26
Manufacturing—Capital Goods*	20	16	16	20	24	21	21
Service Industries—Commercial*	22	21	18	32	24	21	19
Telecommunications	11	15	21	26	21	32	33
Transportation	18.3	28	21	18	56	NM	NM
Utilities*	11	15	17	17	19	19	20
Pharmaceuticals & Biotechnology*	—	—	—	—	35	24	27
Composite	15	17	19	26	23	20	20

*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	2000	2003	2004	2005
Inflation	5.0%	4.0%	3.1%	3.4%	2.3%	2.7%	3.4%
Productivity	1.7%	0.6%	1.5%	2.9%	8.6%	4.0%	1.8%
GDP	4.0%	1.8%	2.7%	3.8%	3.1%	4.4%	3.5%
Consumer Confidence	84.9	104.2	99.2	128.6	91.7	104	107.2

RATES OF RETURN AND RISK HIERARCHY

Investment	Current
30 Year Treasury	4.8%
Aaa Bond	5.3%
Bbb Bond	6.2%
Commercial Mortgage	5.75–6.75%
Institutional Real Estate	7–8%
Non-Institutional Real Estate	8.5–10.5%

Investment	Current
Speculative Real Estate	11–15%
S & P Equity (Ibbotson)	12.2%
Land Development	12–17%
Equipment Finance Rates	14%
NYSE/OTC Equity (Ibbotson)	16.5%
NYSE Smallest Cap. Equity (Ibbotson)	22.4%

Sources: National Real Estate Index (2006), Appraisal Institute; F.W. Dodge Division, Business Week, Value Line, U.S. Chamber of Commerce, Standard & Poors, Investment Dealers Digest, U.S. Government Census.

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ETHICS AND BUSINESS VALUATION

A QUESTION OF BALANCE

BY: SCOT TORKELSON

Business Valuation is a profession which is, first and foremost, based upon trust. The foundation of this trust is the ethical performance of the business valuation professional. In the field of rhetoric, ethics is considered one of the three means of persuasion. In our valuation reports, we establish our moral competence by persuading the clients that the estimated value conclusion is an ethical one. Much is written about ethics in appraisal practice, but there is scant ability to provide any meaningful measure of whether a valuation is ethical or not.

Let's begin with the modern dictionary definition for ethics: "The rules or standards governing the conduct of a person or the members of a profession." All appraisal organizations have established standards to govern the ethics of their members. Key among such guidelines for business valuation professionals are lengthy ethics provisions from: The Institute of Business Appraisers, the Uniform Standards of Professional Appraisal Practice and the American Society of Appraisers (each with its own Competency Rules). In general, we find a special emphasis on objectivity and impartiality set forth in each of the standards. Additionally, considerable time is spent on the importance of an appraisal fee that is clearly and overtly communicated so as to avoid entanglements that may be construed as under-the-table fees for a predetermined value conclusion. Also, within these ethics provisions are the requirements of confidentiality, accuracy, and thoroughness. There are obvious areas of overlap among the guidelines. For those of us in the profession, the guidelines can be summed up by these five words: Objectivity, Independence, Confidentiality, Accuracy and Thoroughness. One might ask: 'How, as business valuation professionals, can we prove that a report meets the above criteria?' and, 'How can our clients know for sure that the value conclusion was estimated ethically?'

> "*There is scant ability to provide any meaningful measure of whether a valuation is ethical or not.*"

Perhaps the modern definition leaves something to be desired. The word ethics comes to us originally from the root words "ethos" (the place of living) and "ethicos" (the theory of living). Predicated within these root meanings is balance: the essence of life being a balance of forces. In order to be ethically competent, and thus trusted by our clients, we must provide balanced value estimates.

So Where Are We?

Objectivity and independence are not readily measurable and each person carries his or her own idea of what constitutes objectivity and independence. Confidentiality falls under the category of keeping the client's information to oneself. In certain instances, maintaining confidentiality could actually be unethical (hence the caveat in the ethics provisions: "unless under the direction of a Court"). With regard to accuracy and thoroughness, we have seen many appraisal reports that were accurate in the application of the approaches used, perfectly spell-checked and mathematically sound but, in the final analysis, failed to meet the ethical standard. Ethical conduct in business valuation encompasses more than following a set of guidelines. It must be measurable and the current literature for the business valuation community is inadequate. This article discusses a measurable means of discerning ethical conduct in the area of business valuation.

First Measure of an Ethical Appraisal —The Golden Mean

Ethics, according to Aristotle, is a mean. That is not to say a mathematical average, but a balance of extremes; the goal being to avoid both excess and deficiency. "Every knowledgeable person avoids excess and deficiency, but looks for the mean and chooses it." He goes on to state that the mean is not a fixed point, using athletics as an example:

> "Supposing that ten pounds of food is a large and two pounds a small allowance for an athlete, it does not follow that the trainer will prescribe six pounds at all times; for even this is perhaps too much or too little for the person who is to receive it - too little for the largest of athletes but too much for one who is only beginning to train."

Further, this application of a middle, or a mean, between excess and deficiency is a collective result: an end place on a continuum of choices. Aristotle recognized that at any given point in time a choice may be made that is too few or too much, but that the culmination of choices collectively made, should on the whole be balanced.

> "This much, then, is clear: in all our conduct it is the mean that is to be commended. But one should incline sometimes toward excess and sometimes towards deficiency because in this way we shall most easily hit upon the mean that is, the right course."

Conceptually, this ethical guideline can be applied in appraisal practice, because the process of determining value is precisely the application of multiple-choice points which collectively result in a final value conclusion. Throughout the process, there are numerous opportunities to consider each of the factors of a particular company which may indicate "extremes" or "deficiencies." It is the job of an ethical appraiser to keep track of the relative balance at each point of choice within the appraisal.

For example, the history of Company A may indicate very high rates of revenue growth. An extreme rate of growth would therefore be projected relative to a more moderate or mean rate of growth indicated by the national economy, and this would be reasonable. Thus, Company A may have a projected rate of growth of say 10% annually within an industry growing at a far more moderate 3% annually. However, the selection of such an "extreme" rate of growth at the beginning of the process must be properly considered throughout the rest of the appraisal process - in the areas of capital expenditure, profitability or discount rates - in order to retain balance and result in an ethical final value estimate.

Staying with this example, Company A, which anticipates 10% annual growth in revenues is likely to face higher risks than the more typical companies within the industry group growing with the market at 3%. Higher risk necessitates the selection of a higher discount rate on earnings, which serves to balance the excessive growth. A higher discount rate (one higher than the industry would dictate), taken out of context, would appear to be a deficiency. However, the excess of high growth would be offset by the deficiency in the selection of a higher discount rate and, collectively, a balance results. This is the hallmark of an ethical appraisal.

Likewise, while Company A is growing rapidly, capital spending would tend to be higher as well. Company A, growing three times faster than its counterpart Company B, within a given industry (10% growth vs. 3% growth) may also require three times the capital expenditure and three times the working capital than the industry would indicate to provide the fixed asset base for such a sustained rate of growth. If viewed out of context, the higher capital expenditures would appear to pull down the value of the company, yet in response to the higher rate of growth, they serve to balance the final value estimate.

> *"Ethical conduct in business valuation encompasses more than following a set of guidelines."*

An example of an unethical appraisal then is one where growth is projected at the high range (which may be fully supported by the company's history) - say 10% annually, but the appraiser proceeds to apply an industry average capital cost which does not take into account the higher rate of growth, and then continues with the selection of a discount rate which is also low within the particular industry. There are three excesses in this example - a high rate of growth (justified), a low capital expenditure (not justified), and too low a discount rate (not justified). At each point, the appraiser made the decision which leads to a progressively higher value estimate. The absence of an overall collective balance leads to an unethical final value estimate.

The application of this method of value is precisely set forth by Aristotle's Ethics:

> "Ethical behavior is intermediate between doing injustice and suffering it; for the one is to have more and the other to have less than one's share [in an unethical value estimate]. Ethics is a sort of mean state, only not in the same way as the other virtues are, but because it aims at a mean, whereas injustice aims at the extremes . . . Thus un-ethics consists in excess and deficiency."

Second Measure of an Ethical Appraisal— The End Does Not Justify the Means

The elephant in the living room of appraisal is that every assignment carries with it an end depending upon the client. This is a value estimate that is known, desired or, perhaps, implied. Call it a high value or a low value. This end is a challenge to ethics, in that the end may not be right or good, only an end in itself. "In all the states … there is a sort of target; and it is with his eyes on this that a person … stretches or relaxes his string." (Aristotle's Ethics, Book 3)

And here is where ethical considerations must be applied: "There is also a sort of limit determining the mean states which, as we hold, lie between excess and deficiency, and which accord with the right principle." (Aristotle's Ethics, Book 3)

Simply stated, the end exists; it can be seen and acknowledged. For example, assume that a client is engaged in an estate tax matter. Nothing has to be said, the entity being appraised will be taxed and a higher value is subject to a higher tax. A low value is the end in sight for this client. However, the means to reach the end is subject to numerous intermediate choices, wherein the appraiser chooses to stretch or relax his bowstring, so to speak. That said, the second measure of an ethical appraisal is that the end does not justify the means, for the process of determining the means must be followed.

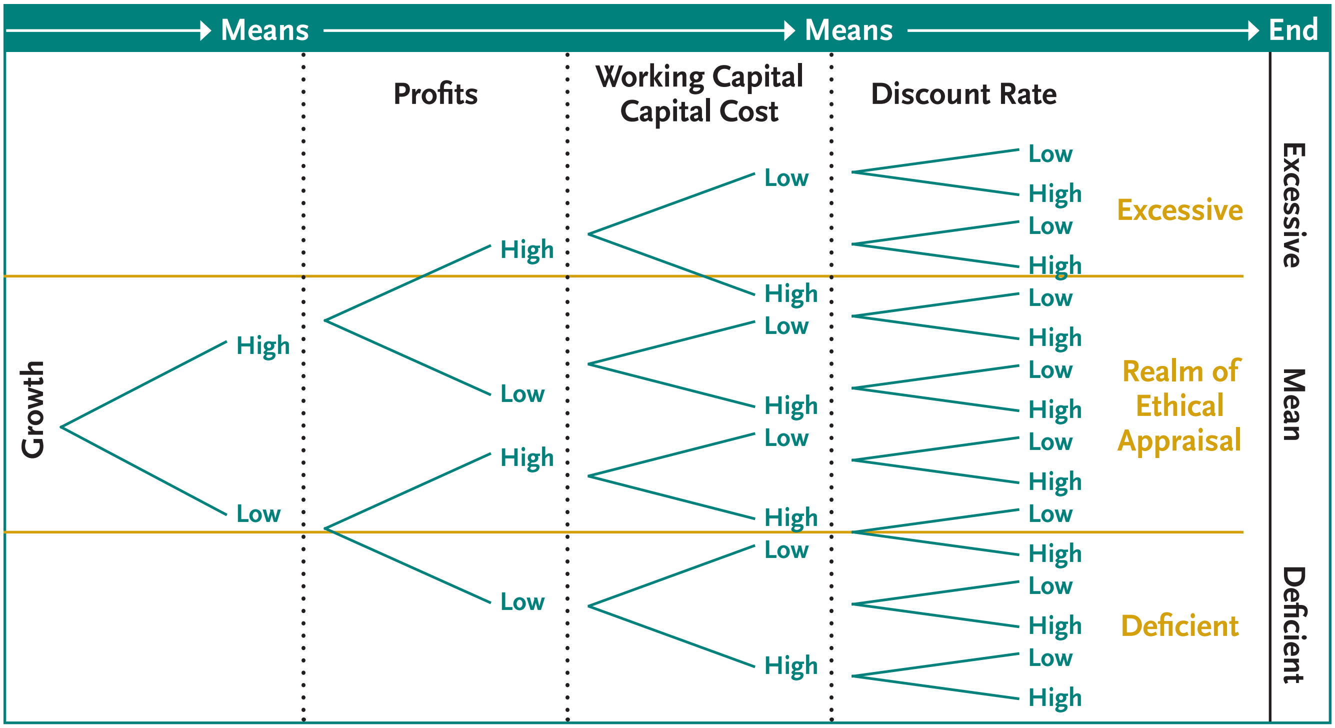
> *"It is the job of an ethical appraiser to keep track of the relative balance at each point of choice within the appraisal."*

And what are the means? It is precisely the need to retain (to hold to the balance of judgment within the context of the appraisal process) the mean at each of the multiple points of choice to the concluded value estimate. If the end is a low value: does the appraiser choose low revenue growth, low profitability, high capital costs, high discount rates, high minority interest discounts, and high lack of marketability discounts; thus rendering the value as low as it can possibly go?

The appraiser who follows this route and achieves the desired end—without any consideration of the means to get there—has produced an unethical, deficient appraisal analysis. The end does not justify the means.

Third Measure of an Ethical Appraisal— Intellectual Virtues

The third measure ties closely to the competency provisions set forth in the professional standards. In a nutshell, appraisers must cultivate core competencies, or intellectual virtues, which provide clear indicators of the quality of the valuation work product. Let us consider how the following six intellectual virtues: Honesty, Courage, Responsibility, Humility, Simplicity and Restraint provide the business valuation professional with the means to excellence.



Honesty

For the valuation professional, honesty means not pretending to know more than you do, admitting to your own errors, and acknowledging others' opinions as valid and worthwhile even when their opinions differ from yours.

Courage

It is the willingness to publicly present and defend your professional opinion. The appraiser steps forward and takes the risk of being wrong each time he or she signs a report.

Responsibility

The responsible appraiser takes ownership of the work product and does not try to blame others for mistakes. You arrived at the value conclusion and you are responsible for its accuracy.

Humility

The appraiser must separate his or her own ego from the reasoned discourse which will produce an ethical report with its supportable value conclusions. Give credit where credit is due and respect those who hold opinions different from yours.

Simplicity

Communicate your findings clearly and in a manner which the reader can understand. Do not attempt to hide your opinion by using complex calculations or words.

Restraint

Balance your views with a dispassionate skepticism. You could be wrong and if you are an unrestrained believer of your own opinion, you will not see the value in others' comments.

In conclusion, it is reasonable to expect an ethical value estimate from the business valuation professionals and that the final value is a measure of the mean. The goal is to be aware of excessive as well as deficient choices and to adjust subsequent choices accordingly (perhaps not precisely, but the mean between the extremes). An ethical selection at each decision point in the appraisal process guarantees a balanced value estimate.

An appraisal is an opinion; your opinion may differ from someone else's, but an appraisal based on the "Golden Mean" produces a value which can be defended. Ethical appraisals reflect the appraiser's balanced approach to estimating a well-reasoned and clearly communicated value while retaining his or her intellectual virtues. VV

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- **Failure to compact the soil over the pipeline trench** caused settling. The resulting change in the flow of surface water contributed to soil erosion and stunted growth in the plants. More importantly, in the first year or two after construction, farm machinery frequently bogged down in the trench area. In one instance, a combine tipped over in the trench with its nose stuck in the ground on the other side. The cost to repair the equipment was in excess of $4,000. Several farmers reported nearly tipping over when their equipment sank into the trench area. While equipment repair cost is one problem, operator safety is another issue entirely.
- **Owner compensation for taking of the easement area** is a common factor in all easements A legal description and a survey of the easement location are required by law. In this particular case, owners who accepted the initial offers of compensation received blanket easements over the entire field and no surveys were made of the "as built" locations. Other owners, who rejected the initial offers of compensation, did receive surveys and legal descriptions of the specific pipeline locations, but only after two years of litigation.
- **An intact drain tile system is essential to farming** in that it carries away excess soil moisture that can damage crops in as little as 48 hours. In this case, no effort was made to protect the drain tile because pipeline construction was placed on the "fast track". As a result, contractors cut through all of the drain tiles, repairing them after the pipeline was in place. Unfortunately, the replacement tile pipe was "un-slotted", meaning it could not provide drainage in the area of the repairs. This resulted in various changes in drainage water flow patterns and some ponding of water in the fields which, in turn, negatively affected crop yields.
- **Loss of value extended to the whole field.** Initially, no one anticipated the magnitude of value loss. However, market evidence introduced by both sides of the condemnation clearly indicated that a pipeline in this area caused a loss of value in the entire field. Although some subsequent buyers indicated that they didn't think a pipeline affected their purchase prices, market evidence showed otherwise.

This negative impact on value of pipeline easements is not exclusive to land currently used for farming. Pipelines closer to urban areas may not diminish crop yields or damage drain tiles. Nevertheless, they can significantly impact the properties they occupy. In another recent assignment, it appeared that the proposed natural gas pipeline easement would, again, encumber a property currently in agricultural production. Upon closer inspection, however, it became evident that the subject property was located in an area slated for annexation to the city and, thus, a prime candidate for urban residential subdivision in the near future. In reality, the appraisal assignment was to measure the impact of the easement on an urban residential development. Although this was also a gas pipeline easement case, the key valuation issues are relevant to other types of easements (overhead power line easements or road easements) as well. Careful consideration must be given to how the following changes affect the value of the subject property. Land that was prime for residential development is now encumbered with an easement:

> "*Valuations for easement and special assessment matters are especially challenging.*"

- **The land available for development is smaller** after the taking of land for an easement. In one pipeline easement study, Before and After single-family residential development plans were drawn to determine whether or not any lots would be lost due to the pipeline. Final drawings indicated a loss of 5% of the buildable lots with the pipeline easement in place. Not only were there fewer lots, those within the easement area itself had to be larger than normal to accommodate unique setback requirements. Larger lots like these do not necessarily warrant higher prices because of the building limitations created by the pipeline easement. In one example, a lot adjacent to the pipeline and twice the size of its neighboring lot sold for the same overall price. On a per square foot basis, the larger lot sold for approximately half the price the developer expected to achieve if two separate lots could have been developed. Additionally, there may be fewer developable lots in the subdivision as a whole once an easement is in place.

- **Easements affect the overall design of the development.** If the easement is approved prior to the design stages, the development is efficiently laid out to accommodate the easement. If there is no easement, the owner has a variety of development options allowing him or her to maximize density within the development. When working around an easement, the property owner loses flexibility; the encumbered land imposes significant design limitations. In effect, the overall character of the development may be altered as a result of the easement. Consider, for example, a housing development plan consisting of high-end homes on executive lots. If an easement were imposed on this property, it is likely that the character of the entire development would change: heavily wooded areas may lose their mature trees, cul-de-sac lots may be eliminated and roads re-aligned in an attempt to accommodate the project design once the easement is in place. What was an ideal site for single-family homes may now be a site better suited to townhomes or other types of higher density residential development. Initially, it appeared that the easement affected only the land it encumbered. However, as we noted, the entire parcel of land is affected, in one way or another, by the easement.

- **Increased development costs and prolonged planning** often occur for subdivisions with an easement. If the development plan is complete and ready for platting, the developer will now be required to spend additional time and money to re-design the site. Subsequent delays in the start of the development typically increase construction costs. If the overall character of the development has changed, it may result in lower lot prices and increase the time for lot sell-off, thus driving up the cost of holding the vacant land. Because of the easement, there are now fewer developable lots in the development, which reduces the available revenue to cover development expenses for the individual lots (grading costs, constructing the streets and configuring utilities to serve the subdivision). In the final analysis, a decrease in development revenue, an increase in the sell-off time, and the possible increase in the development expenses lead to an overall lower profitability of the land—all as a result of the easement.

> “*There may be fewer developable lots in the subdivision as a whole once an easement is in place.*”

Easements are by no means the only assignments which appear simple but may be quite complex. It is equally essential that the appraiser keep the big picture in mind when determining values for special assessment cases. One might assume that most of the appraisal concern will be related to land values and how much they might increase as a result of the introduction of public water and sewer services to the area. Often overlooked, however, is the question of benefits from those same water and sewer services as they pertain to the value of an improved property.

When municipal water and sewer services are brought into an area, the appraisal question is straightforward: How has the land value changed (if at all), as a result of these new services? Appraisers look for sales of land with these services and compare them to sales of land without these services. Obviously, there will always be additional issues (such as zoning) to consider in the valuation, but the market offers many examples of the impact these changes have on land values. However, for improved properties such as those with a warehouse or industrial building occupying the site, the appraisal question isn't just about land values. The appraiser must focus on total property value. If the land value goes up, what happens to total property value? What happens to the value of the improvements?

“The shrewd property owner understands that some issues will require the input of additional experts.”

One recently proposed theory regarding improvement value in a special assessment case suggests that total property value is increased by the amount of increase in land value. In effect, the building value “floats’ on the land value. However, this is in direct conflict with other valuation theories related to the estimated economic life of a building, interim uses, highest and best use and ripeness for redevelopment. Our research did not find any appraisal literature to support the “floating building” value theory.

The complexity of the issue becomes clear when the appraiser researches market sales data of similar building types both with and without municipal utility services. In researching market sales data, one is confronted with the difficulty of isolating the change in value from the total improved property when utility services are extended to that property. Assume, for example, that the property is improved with a metal skin industrial building. The subject is located in a fringe urban area using an on-site well and septic system. City utilities are extended to the site and the well and septic systems are abandoned. What we find in the market is that the extension of utility services often brings with it an upgrading in building standards such that metal skin buildings are no longer commonplace. In general, we find concrete buildings that are more costly to build but have a longer life expectancy. As a result, the difference in value between a higher cost concrete building with utility services compared to a lower cost metal skin building without utility services often masquerades as a “benefit caused by the extension of utility services”. In reality, the higher value is partially based on a difference in building types and is not due solely to the extension of utility services.

After deducting the cost to hook up to the new services, we discovered that there is nearly an equal exchange of increase in land value to loss in building value such that overall total property value remains unchanged. The composition of total value (building v. land) changes but total property value may not change at all. Intuitively, this makes sense because adding public water and sewer services to the land does not change the function and use of existing warehouse space unless that space is remodeled to a more intense use that needs the new utility services. What initially appeared to be a simple analysis of how municipal water and sewer benefit land value is, in fact, a complicated analysis of the benefit (if any) to an existing improvement.

In conclusion, no matter what type of appraisal question or litigation problem you bring to the appraiser, it is wise to be aware that what appears on the surface to be a simple and straight forward appraisal assignment may be much more complicated. The shrewd property owner understands that some issues will require the input of additional experts and that it will take more time to thoroughly complete the assignment. No matter how complex the situation, all those who use valuation services should require that their valuation experts have the experience and skill to bring the assignment to a successful conclusion. VV

Shenehon is pleased to announce that John T. Schmick and Robert J. Strachota are featured in both the Jan/Feb and Mar/Apr 2006 editions of *Right of Way* (a publication for the right of way professional). Their article, “Appraising Public Utility Easements in a Railroad Right of Way,” presents a valuation model which is practical, relatively simple and market based.

MARKET TRANSACTION: BUSINESS VALUATION

Purchase of Minority Interests

General Description of Companies Involved

Following is a comparison chart of data for dissenting shareholder disputes in three well-established companies. All three transactions were sales or transfers of stock from the minority shareholders back to the company itself or to other individuals within the company. Each of the three companies faced some threat of litigation. Appraisals were completed for each company with some type of arms length negotiation between parties in each situation.

Trends in Multiples

No trends in value seemed to evolve up or down based on the dispute. Overall value appeared to be derived based on future profitability and growth, with applications and methods specific to the industry. Nonetheless, all three companies sold/transferred the minority interest in a fairly narrow range of multiples of earnings (5.6 to 8.0) while multiples of revenue and book had a very wide disparity.

Application of Discount

For two of the three companies, no lack of control or lack of marketability was applied. Note also that if there was a buy-sell agreement, valuation was not covered in the agreement and therefore had no effect on the value of the company. Company A had a buy/sell agreement which instructed the parties how the dissenter interest was to be valued and then purchased. The agreement allowed for a lack of marketability discount.

General Lessons:

- Litigation of shareholder disputes can be very expensive for both parties.
- Well-written buy/sell agreements are essential in shareholder disputes. They save money for each side, expedite the transfer of shares, and hold up in court.

	COMPANY A	COMPANY B	COMPANY C
	Document Destruction	Millwork Wholesale Distribution	Grocery Store
Type of Entity	"S" Corp	"S" Corp	"S" Corp
Multiple of Revenue	1.70%	36%	21%
Multiple of Earnings Before Tax Unadjusted	8.0	7.0	5.6
Multiple of Book	5.5	4.7	N/A
Profitability	25%	5.7%	3.0%
Revenue Growth – 3 Year Average	11.0%	16.0%	23%
Discounts Applied – Lack of Marketability	20%	None	None
Size of Interest Purchased	5%	33%	43.75%
Buy/Sell Agreement Affecting Sale Price	Yes	No	No
Distributions	Yes	Yes	No

MARKET TRANSACTION: REAL ESTATE

Property:	Thunderbird Hotel 2201 78th St. East Bloomington, Minnesota
Buyer:	Hotel Properties Acquisition
Seller:	The Thunderbird Hotel
Source:	Seller
Sale Date:	December 13, 2005
Sale Price:	$19,600,000
Unit Price:	263 rooms at: $74,525.00 per room
Gross Building Area:	224,741 sq. ft.
Zoning:	CS-1, Commercial Service
Utilities:	Public: all available
Topography and Soil:	Level, assumed stable
Visibility and Access:	Excellent from Interstate 494, 24th Avenue and 78th Street.
Age:	1962 with additions in 1965, 1966, 1967, 1973, 1978, 1986, and 1997
Land Size:	487,504 sq. ft. or 11.19 acres
Remarks:	Seller had owned the property since 1963 and periodically refurbished the building. The most recent update was in 2003. This property has undergone a number of changes over the years. In 2003, the City of Bloomington took 6,466 sq. ft. of land for road improvements, which affected access to the site. In 2004, the property lost air rights estimated at $3.3 million which resulted in height limitations of 30 feet on the east side but rising gradually to 150 feet on the west side of the property. Also in 2004, the property lost the 30,320 sq. ft of land it leased for an Amoco Station and the improvement itself, for a total loss of $4.5 million.

SCOPE OF SERVICES

Shenehon 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

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