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FINAL ARGUMENTS

Prepared for: **Board of Equalization**

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EXHIBIT – COST APPROACH WORKSHEET

Property: 3584A N Main St, Kelseyville, CA
Subject: County Cost Approach Analysis
Sale Price (2023): $700,000

<u>**Land Value**</u>

- Calculator cost worksheet provided by the County prior to the appeal stated the 2024 land value was $100,000
- Calculator cost worksheet provided by the County at the appeal stated the 2024 land value was now $150,000 because of grading

1. Actual Cost vs. County Adjustment

- **Actual grading + gravel cost: $5,327.33**
- **County land adjustment: $50,000**

10× higher than actual cost

2. Work Performed Was Limited in Scope

The work consisted of:

- Basic grading
- Gravel placement

It did **not include**:

- Paving (asphalt or concrete)
- Utilities (water, sewer, electricity)
- Drainage systems
- Structural site improvements

This was **minor site work**, not major land development.

3. Misclassification: Land vs. Site Improvements

- **Land value** = value of raw site
- **Grading & gravel** = **site improvements**

If recognized at all, this should be treated as a **minor site improvement**, not a **$50,000 increase in land value**

The county also already has the aisle gravel roadway in the additives-yard improvement section of their worksheet for **$15,750** (1.05 x 15000sqft). We again only paid a total of **$5,327.33 for grading and gravel**.

Entrepreneurial Profit

- Calculator cost worksheet provided by the County prior to the appeal stated that entrepreneurial profit was **not included**
- Calculator cost worksheet provided by the County at the appeal has a **20% entrepreneurial profit** added for a total of **$126,137.37**

Marshall & Swift does not automatically include entrepreneurial profit, it must be supported by the market. There is no evidence that buyers of small, utility-limited storage facilities pay a developer premium. This is a **simple property** with no utilities, no office, and no development complexity. It is also an existing, stabilized asset, **not a new development project**. Adding entrepreneurial profit would push the value above the actual purchase price and income-supported value, which shows it is not market-supported. For those reasons, **entrepreneurial profit should not be included** in the cost approach.

Depreciation

- The county also has 0 depreciation even though the facility was built in 2020.

County's Current Building and additives subtotal: $630,686.87

- Change Aisle gravel roadway cost: 5,327.33

5,327.33 x 1.3552 (regional & local multiplier) = 7,219.59

7,219.59 (yard improvement cost) + 894.43 (sign cost) = **8,114.02 (total additives cost)**

232,882.65+174,229.26+201,336.14+8,114.02=**616,562.07**

(Building A+Building B+Building C+Additives cost= Building and Additives Subtotal)

- Real Estate Taxes (Say 1% of building cost) = 6,165.62
- Remove Entrepreneurial profit

  616,562.07+6,165.02=**622,727.09**
  (Building and additives subtotal + Real Estate Taxes)

- Add 6 years depreciation

Economic life: 40

Age: 6

6/40=0.15

15% of cost = depreciation

622,727.09x15%=93,409.06

622,727.09-93,409.06=529,318.03

- Change land value back to 100,000

529,318.03+100,000=**629,318.03**

Subtotal: 629,318.03

County's Cost Worksheet Prior to Appeal

CALCULATOR COST WORKSHEET

008-063-250

Building type	MINI-WAREHOUSES (386)	
Building class/quality	S-average	
Building size (area)	30X175, 15x190, 15x250	12000
Perimeter		1350
Age & Condition	New	
Region	WESTERN	1.07
City	lake county	1.22
Section 14, page 28, February 2024		

			Description	M&S (sec, pg, mo & yr)	Multiplier	Add/Subtract to base cost	Cost
BUILDINGS	**Square Foot Refinements**						
	1	Base Square Foot Cost	Average	sec 14 pg 28			47.5
	2	Heating & Cooling	Include			0	
	3	Elevator	None			0	
	4	Other				0	
	5	**Total (1+2+3+4)**					47.5
	Multiplier Refinements						
	6	Multiple story adjustment			1		
	7	Story Heights Multiplier			1		
	8	Floor Area/Perimeter Multiplier		sec 14 pg 38	1.083		
	9	Other multiplier (if applicable)			1		
	10	**Combined Mutlplier (6x7x8x9)**			1.083		
	Refined Square Foot Cost						51.4425
	11	Sprinklers		sec 14 pg 37		5.62	
	Refined Square Foot Cost + Sprinklers						57.0625
	Regional & Local Multiplier						
	12	Regional cost multiplier			1.07		
	13	Local Cost Multiplier			1.22		
	14	**Combined Mutlplier (12x13)**			1.3054		
	Final Square Foot Cost						74.4893875
	BUILDING COST (size x final sf cost)		12000				893872.65
ADDITIVES							
	Yard Improvement						
	1	warehouse aisle gravel roadway		sec66 pg1	1.05	15000	
		warehouse aisle roadway price per sf					
		Regional & Local multiplier			1.3054		
		Parking lot cost	(size x cost per sf x multiplier)				20560.05
		Total Yard Improvement cost	(1 + 2 + 3 + 4)				20560.05
	Signs						
	1	Sign size 5x3 metal	metal front only	Sec 56 pg 6	98	15	
		Sign cost per sf					
		Regional & Local multiplier			1.3054		
		Signs cost	(size x cost per sf x multiplier)				1918.938
	ADDITIVES COST						22478.988

BUILDING and ADDITIVES SUBTOTAL						916,352
Financing Costs						
Real Estate Taxes		Say 1% of building cost				9,164
Leasing Commisions						
Land Value		2024 land value assessment				100,000
Entrepreneurial Profit		not included				
Broker's Commision						
SUBTOTAL						1,025,515
	expected life sec 97 p 12	*expected life*	*age*	*life left*	*percent*	
Depreciation		40	0	40	0	-
VALUE INDICATOR BY COST APPROACH						1,025,515

County's Worksheet at Appeal

CALCULATOR COST WORKSHEET

		BLDG A	BLDG B	BLDG C	
Building type	MINI-WAREHOUSES (386)				
Building class/quality	LOW COST				
Building size (area)	30X175, 15x190, 15x250	3750	2850	3750	
Perimeter		530	410	420	
Age & Condition	New				
Region	WESTERN	1.12	1.12	1.12	
City	lake county	1.21	1.21	1.21	
Section 14, page 28, February 2024					1.3552

BUILDING A		Square Foot Refinements	Description	M&S (sec, pg, mo & yr)	Multiplier	Add/Subtract to base cost	Cost
	1	Base Square Foot Cost	Low Cost	sec 14 pg 28			32.5
	2	Heating & Cooling	NONE			0	
	3	Elevator	None			0	
	4	Other				0	
	5	Total (1+2+3+4)					32.5
		Multiplier Refinements					
	6	Multiple story adjustment	1		1		
	7	Story Heights Multiplier	1		1		
	8	Floor Area/Perimeter Multiplier	530	sec 14 pg 38 2/22	1.41		
	9	Other multiplier (if applicable)			1		
	10	Combined Mutlplier (6x7x8x9)			1.41		
		Refined Square Foot Cost					45.825
	11	Sprinklers		sec 14 pg 37		0	
		Refined Square Foot Cost + Sprinklers					45.825
		Regional & Local Multiplier					
	12	Regional cost multiplier			1.12		
	13	Local Cost Multiplier			1.21		
	14	Combined Mutlplier (12x13)			1.3552		
		Final Square Foot Cost					62.10204
		BUILDING COST (size x final sf cost)	3750				232,882.65

BUILDINGB		Square Foot Refinements	Description	M&S (sec, pg, mo & yr)	Multiplier	Add/Subtract to base cost	Cost
	1	Base Square Foot Cost	Low Cost	sec 14 pg 28			32.5
	2	Heating & Cooling	NONE			0	
	3	Elevator	None			0	
	4	Other				0	
	5	Total (1+2+3+4)					32.5
		Multiplier Refinements					
	6	Multiple story adjustment			1		
	7	Story Heights Multiplier			1		
	8	Floor Area/Perimeter Multiplier	410	sec 14 pg 38	1.388		
	9	Other multiplier (if applicable)			1		
	10	Combined Mutlplier (6x7x8x9)			1.388		
		Refined Square Foot Cost					45.11
	11	Sprinklers		sec 14 pg 37		0	
		Refined Square Foot Cost + Sprinklers					45.11
		Regional & Local Multiplier					
	12	Regional cost multiplier			1.12		
	13	Local Cost Multiplier			1.21		
	14	Combined Mutlplier (12x13)			1.3552		
		Final Square Foot Cost					61.133072
		BUILDING COST (size x final sf cost)	2850				174,229.26

BUILDING C		Square Foot Refinements	Description	M&S (sec, pg, mo & yr)	Multiplier	Add/Subtract to base cost	Cost
	1	Base Square Foot Cost	Low Cost	sec 14 pg 28			32.5
	2	Heating & Cooling	NONE			0	
	3	Elevator	None			0	
	4	Other				0	
	5	Total (1+2+3+4)					32.5
		Multiplier Refinements					
	6	Multiple story adjustment			1		
	7	Story Heights Multiplier			1		
	8	Floor Area/Perimeter Multiplier	420	sec 14 pg 38	1.219		
	9	Other multiplier (if applicable)			1		
	10	Combined Mutlplier (6x7x8x9)			1.219		
		Refined Square Foot Cost					39.6175
	11	Sprinklers		sec 14 pg 37		0	
		Refined Square Foot Cost + Sprinklers					39.6175
		Regional & Local Multiplier					
	12	Regional cost multiplier			1.12		
	13	Local Cost Multiplier			1.21		
	14	Combined Mutlplier (12x13)			1.3552		
		Final Square Foot Cost					53.689636
		BUILDING COST (size x final sf cost)	3750				201,336.14

ADDITIVES							
		Yard Improvement					
	1	warehouse aisle gravel roadway		sec66 pg1	1.05	15000	
		warehouse aisle roadway price per sf					
		Regional & Local multiplier			1.3552		
		Parking lot cost	(size x cost per sf x multiplier)				21,344.40
		Total Yard Improvement cost	(1 + 2 + 3 + 4)				21,344.40
		Signs					
	1	Sign size 5x3 wood	wood front only	Sec 56 pg 6	44	15	
		Sign cost per sf					
		Regional & Local multiplier			1.3552		
		Signs cost	(size x cost per sf x multiplier)				894.43
		ADDITIVES COST					22,238.83
BUILDING and ADDITIVES SUBTOTAL							630,686.87
Financing Costs							
Real Estate Taxes				Say 1% of building cost			6,306.87
Leasing Commisions							
Entrepreneurial Profit					20%		126,137.37
Land Value				2024 land with grading			150,000.00
Broker's Commision							
SUBTOTAL							913,131.12
		expected life sec 97 p 12	*expected life*	*age*	*life left*	*percent*	
Depreciation			40	0	40	0	-
VALUE INDICATOR BY COST APPROACH							913,131

EXHIBIT- COUNTY UPDATED APPRAISAL

Property: 3584A N Main St, Kelseyville, CA
County Value Conclusion: $1,440,000
Owner Opinion of Value: $700,000 (supported by market sale)

1. No New Market Evidence

The County's appraisal relies on three incomparable properties:

- Large-scale facilities
- Multi-parcel portfolio sales
- Superior utility and infrastructure

The County's appraisal from the appeal **repackages adjustments** but does not improve comparability from the the appraisal that was given to us prior to the appeal.

2. Comparable Properties Are Not Similar

All County comparables are **materially superior**:

Feature	Subject	County Comps
Electricity	❌ None	✅ Yes
Water	❌ None	✅ Yes
Office	❌ None	✅ Yes
Paving	❌ Gravel	✅ Paved
Gate/Fence	❌ None	✅ Yes
Scale	12,000 sf	50,000–90,000+ sf

These are **institutional-grade facilities**, not comparable to a small rural property.

3. Adjustments Are Unsupported

The updated report applies:

- Large dollar adjustments
- % condition adjustments (e.g., 15%)

However, it provides:

- ❌ No paired sales analysis
- ❌ No cost-based support
- ❌ No market-derived adjustment data

The County added more adjustments in the updated report, including condition percentages, but provides no market evidence to support them.

There is no paired sales analysis, no cost basis, no explanation of how these numbers were derived.

4. Arm's-Length Sale Ignored

- Subject sold in **2023 for $700,000**
- Equals **~$58/sf**
- Within supported market range of **$40–$60/sf**

County conclusion:

- **$1,440,000 (~$100–$120/sf)**

No evidence supports a **100%+ increase over a recent market transaction**

5. Conclusion

The updated appraisal adds complexity, but not credibility.

The appraisal provided by the County prior to the appeal gave a value of $1,000,000. The appraisal provided at the appeal has a value of $1,440,000.

Trying to understand where $440,000 got added back in.

The most reliable evidence remains the actual sale and the properly adjusted market range of $40 to $60 per square foot.

PROPERTY TAX APPRAISAL

County's Appraisal Prior to Appeal

Different Comp

	Subject Property	Comp1		Comp2		Comp3	
							
Assessment	008-063-250-000	014-270-680-000		049-300-140-000		010-044-220-000	
Document Number		2022R0005681		2022R0010277		2022R0003348	
Situs	3584A NORTH MAIN ST KELSEYVILLE	18355 VINTAGE CT MIDDLETOWN		11360 SPRUCE GROVE RD LOWER LAKE		2260 OGULIN CANYON RD CLEARLAKE	
NeighborhoodCode	008	014		049		010	
SalesPrice		8,500,000		6,875,000		6,490,000	
EventDate		04/22/2022		07/27/2022		03/10/2022	
BuildingSize						35,319	
PricePerSF						$ 183.75	
UnfinBelGrdSF							
QualityClass							
YearBuilt							
EffectiveYear							
Condition							
Distance		19.96		14.42		12.73	
Location	Slope: 2°	Slope: 3°		Slope: 18°		Slope: 10°	
Acres	0.62	1.37	-1,033,979	7.46	-684,000	3.04	-2,374,026
BedRooms							
BathRooms							
HalfBaths							
HVAC							
Garage							
AttachedGarageSF							
DetachedGarageSF							
CarportSF							
PatioSF							
DecksSF							
PoolSpa							
Fireplace							
View							
MiscBuildings			-2,000,000		-1,000,000		
SpecialFeatures	12k sf storage space	70k sf storage space	-4321000	89k storage space	-3657500	64k sf storage space	-2470000
Remarks		7 parc grp sale 10.33 ac		1 prcl 7storge units		7 prcl grp sale 23+/- ac	
NetAdjustments			-7,354,979		-5,341,500		-4,844,026
AdjustedPrice			1,145,021		1,533,500		1,645,974

15-2025 Myers Storage	Comparable Approach	Income Approach	Cost Approach
008-063-250	$1,000,000	1,210,000	1,025,500
		$1,078,500	
	round down	$1,000,000	

PROPERTY TAX APPRAISAL

County's Appraisal at Appeal

Different Comp

PROPERTY DESCRIPTION

acreage $160k/acre   value is under View as program would not allow large amount in Acres allocation space
storage space $47.5/sf
condition $15k/year

	Subject Property	Comp1	Comp1 Adj.	Comp2	Comp2 Adj.	Comp3	Comp3 Adj.
Assessment	008-063-250-000	049-300-140-000		014-270-710-000		010-043-070-000	
Document Number		2022R0010277		2022R0005681		2022R0011224	
Situs	3584A NORTH MAIN ST KELSEYVILLE	11360 SPRUCE GROVE RD LOWER LAKE		18300 VINTAGE CT MIDDLETOWN		6925 OLD HWY 53 CLEARLAKE	
NeighborhoodCode	008	049		014		010	
SalesPrice		6,875,000		8,500,000		5,000,000	
EventDate		07/27/2022		04/22/2022		08/18/2022	
BuildingSize	12,000			14,273			
PricePerSF				$ 595.53			
UnfinBelGrdSF							
QualityClass							
YearBuilt	2021	0		0		0	
EffectiveYear	2021	0		0		0	
Condition	New		-570,000	Good	-285,000		-600,000
Distance		14.42		19.91		12.27	
Location	Slope: 2°	Slope: 18°		Slope: 2°		Slope: 2°	
Acres	0.62	7.46		1.10		0.57	
BedRooms	0	0		0		0	
BathRooms	0	0		0		0	
HalfBaths	0	0		0		0	
HVAC							
Garage							
AttachedGarageSF							
DetachedGarageSF							
CarportSF							
PatioSF							
DecksSF							
PoolSpa							
Fireplace							
View	No influence		-1,094,400		-1,553,600		-313,600
MiscBuildings			-200,000		-4,500,000		-850,000
SpecialFeatures	new	64k sf storage sp 38 yrs old	-2470000	15k sf storage 3 bldgs misc im	-142500	54k storage sp 40 yrs old	-1995000
Remarks		1 parc		7 parc grp sale 10.33 ac		3 parc grp sale 2.58 ac	
NetAdjustments			-4,334,400		-6,481,100		-3,558,600
AdjustedPrice			2,540,600		2,018,900		1,441,400

Indicated Value		
	Land:	$1,440,000
	Structure:	

EXHIBIT – FINANCING ADJUSTMENT (FCV WORKSHEET)

Property: 3584A N Main St, Kelseyville, CA
Subject: County "Full Cash Value with Present Value of Interest" Analysis
Sale Price (2023): $700,000

Issue:

The County attempts to increase the verified purchase price of **$700,000** to **$1,058,374** by adding a calculated **"present value of interest"** of **$358,374** derived from the loan amortization schedule.

1. Double-Counting Financing (Fundamental Error)

- The $700,000 purchase price already reflects the **total negotiated consideration** between buyer and seller.
- The County then **adds future interest payments** on top of that price.
- **Interest is the cost of borrowing money—not property value.**
- This results in **double-counting the same transaction**.

2. No Evidence of Concessionary or Below-Market Financing

- The loan terms shown:
    - **6% interest rate**
    - Seller financing

  Correct terms: 20% down, 7% interest rate, payments for 5 years with a balloon payment
- The County provides **no market evidence** that:
    - 6% was below market in 2023, or
    - The financing inflated the purchase price
- Without proof of a **financing premium**, **no upward adjustment is justified**.

3. Misapplication of "Cash Equivalent" Theory

- A proper cash-equivalent analysis:
    - Adjusts financing **to market terms if necessary**
    - Converts the price to a **cash equivalent—not a higher value**
- The County instead:
    - Adds **total projected interest** as if it were value
- This is **not an accepted appraisal method**.

4. Result is Economically Unrealistic

- County conclusion: **$1,058,374**
- Actual sale: **$700,000**

- Increase: **+51% above market transaction**
- The conclusion is based **solely on loan math—not market evidence**

Correct Standard of Value:

Under California law, **full cash value = fair market value**, defined as:

> The price a willing buyer and seller agree to in an open market transaction.

- The **2023 arm's-length sale at $700,000** is the **best evidence of value**
- Financing terms do **not convert into additional real estate value**

Conclusion:

> The County's analysis is **not a valid appraisal method** and results in a **material overstatement of value**. The calculation improperly converts financing costs into real estate value.

Final Position

- The County's "present value of interest" analysis is:
  - **Methodologically incorrect**
  - **Unsupported by market evidence**
  - **Contrary to appraisal standards**
- It should be given **no weight** in determining value