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April 15, 2009

Ms.
Appraiser III -- Change of Ownership
Monterey County Assessor's Office
168 West Alisal Street, First Street
P.O. Box 570
Salinas, CA 93902-0570

Re: *Partitions -- Revenue and Taxation Code Section 62, Subdivision (a)(1), and Section 65.1, Subdivision (a) Assignment No. 09-001*

Dear Ms. :

This letter is in response to your request for a legal opinion regarding the application of Revenue and Taxation Code section¹ 62, subdivision (a)(1), the partition exclusion (section 62(a)(1)) and section 65.1, subdivision (a), the de minimis exclusion, (section 65.1(a)) to a partition of two adjacent retail stores separated only by a demising wall where one lot was jointly held in tenancy in common by an individual and a legal entity, and the other lot was jointly held in tenancy in common by another individual and the same legal entity (collectively the Parties) that resulted in three separate parcels (Parcels) owned in severalty by the two individuals and the legal entity, respectively.²

Based on your emails and our subsequent telephone conversations, our understanding of the issues are: (1) whether a legal entity may qualify for the partition exclusion or whether the exclusion applies only to individuals; (2) in determining whether the Parties' interests in the parcels held after the partition are proportional to the interests held in the lots before the partition, should the assessor compare each party's prior percentage of ownership interests in both lots as a whole or only the interests held in each separate lot; (3) if there is a change in the proportional interests held by the parties, what portion of property is revalued and how does the assessor compute the increase and the decrease in the factored base year values for each new

¹ All further section references are to the Revenue and Taxation Code unless otherwise indicated.

² An Excel spreadsheet depicting the before and after ownership interests for each party is attached hereto as Exhibit A. This spreadsheet also shows the factored base year values and the fair market values of the two lots before the partition and the fair market values of each new parcel after the partition.

parcel; and (4) if the value transferred is less than five percent, does the de minimis transfer exclusion apply.

As set forth below, a legal entity may qualify for the partition exclusion. Further, in determining whether the Parties' interests in the parcels held after the partition are proportional to the interests held before the partition, it is necessary for the assessor to compare each party's prior percentage of ownership interest in each separate lot. The assessor would not compare each party's prior percentage of ownership interests in both lots because the two lots were considered separate appraisal units. Once the assessor compares each party's prior percentage of ownership interests in the respective lots, if the assessor determines that there is a change in the proportional interests held by the parties, it will be necessary for the assessor to revalue the portion of the interest transferred. In this regard, a new base year value would be established for the increased holding while a revised (or reduced) factored base year value would be established for the decreased holding. A more in depth analysis regarding how to compute these figures is discussed below.³ Finally, the de minimis exclusion applies only if the value transferred is less than five percent and the value of the parcel or portion of the parcel transferred is less than \$10,000. Both criteria must be met for the de minimis exclusion to apply, which has not been met in this case.

Factual Background

Based upon our emails and telephone conversations, we understand the facts to be as follows:

Prior to the partition:

1. There existed two adjoining parcels, which contained two commercial retail stores separated by a demising wall (the Lots).
2. B , an individual, and R, a legal entity,⁴ jointly owned as tenants in common an undivided interest in one of the lots, formally known as assessor's parcel number (APN) 011-558-007 (Lot 7 or Parcel A).
3. P , another individual, and R, the same legal entity, jointly owned as tenants in common an undivided interest in the other adjoining lot, formally known as APN 011-558-008 (Lot 8 or Parcel B).
4. The factored base year value (FBYV) of Lot 7 (Parcel A) was \$159,197 while the fair market value (FMV) was \$525,000.
5. The FBYV of Lot 8 (Parcel B) was \$235,169 while the FMV was \$600,000.
6. While the combined FMV of both lots was \$1,125,000, the two lots were considered separate appraisal units as each could have been sold separately in the market place.

³ Also, a step-by-step analysis is contained in the spreadsheet attached hereto as Exhibit A.

⁴ The type of legal entity is unknown but not necessary to complete the analysis of these facts.

After the partition:

1. The two adjoining lots (Lots 7 and 8) ultimately became three adjoining lots. The three new lots contained three commercial retail stores separated by demising walls. To obtain this result, both Lots 7 and 8 were first split in half. Then, R merged its two halves together into one new parcel.⁵ For ease of discussion, we call the new partitioned lots prior to R's merger of its two halves Parcels A1, A2, B1 and B2, where Parcels A1 and A2 derived from Lot 7 (Parcel A) and Parcels B1 and B2 derived from Lot 8 (Parcel B). The resulting lots, after R's merger of its two halves, are referenced as Parcels 1, 2, and 3.
2. The first parcel (Parcel 1), derived from Parcel A1, representing 25 percent of the Lots and 50 percent of Lot 7 (Parcel A) became B's. The FMV of this parcel after the partition was \$210,000.
3. The second parcel (Parcel 2), derived from Parcels A2 and B1, representing 50 percent of the Lots became R's. The FMV of this parcel after the partition was \$630,000. The FMV of each half (50 percent of Lot 7 [Parcel A] and 50 percent of Lot 8 [Parcel B]) prior to the merger but after the partition was \$315,000 respectively.
4. The third parcel (Parcel 3), derived from Parcel B2, representing 25 percent of the Lots and 50 percent of Lot 8 (Parcel B) became P's. The FMV of this parcel after the partition was \$285,000.

Applicable Law

Article XIII A, section 2 of the California Constitution requires the reassessment of real property upon a "change in ownership." A change in ownership is defined in section 60 as "a transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee interest."

Section 61, subdivision (f) provides that a change in ownership includes "the creation, transfer, or termination of any tenancy-in-common interest, except as provided in subdivision (a) of Section 62 and in Section 63."⁶

Section 62(a)(1) excludes from the definition of change in ownership:

Any transfer between coowners that results in a change in the method of holding title to the real property transferred without changing the proportional interests of the coowners in that real property, such as a partition of a tenancy in common.

⁵ See Attachment A for a visualization of the parcels before and after the partition.

⁶ Section 63 provides an exclusion from the definition of change in ownership for interspousal transfers, which we assume is not applicable here.

Property Tax Rule⁷ 462.020, subdivision (a) reiterates both section 61, subdivision (f) and section 62(a)(1) almost verbatim.

Section 65.1(a) provides that:

. . . when an interest in a portion of real property is purchased or changes ownership, only the interest or portion transferred shall be reappraised. [However, a] purchase or change in ownership of an interest with a market value of less than 5 percent of the value of the total property shall not be reappraised if the market value of the interest transferred is less than ten thousand dollars (\$10,000) provided, however, that transfers during any one assessment year shall be cumulated for the purpose of determining the percentage interests and value transferred.

In Letters to Assessors⁸ (LTA) No. 80/84, the Board of Equalization (Board) has stated that section 62(a)(1) should be applied separately to each appraisal unit:

Although there are no statutory limitations placed upon the location or extent of the property involved in the transfer, it is our position that Section 62(a) should be applied separately to each appraisal unit.

Historically, assessors value property on the basis of the 'appraisal unit.' That unit is defined in Assessors' Handbook Section 501 as 'the unit most likely to be sold as indicated by the analysis of market data.' We feel that using the 'appraisal unit' basis in regard to Section 62(a) transfers is not only consistent with appraisal practice but also the most practical approach from an administrative standpoint.

LTA No. 80/84 also discusses the procedures for determining whether the interests in the partitioned property are proportional to the interests held in the property prior to the partition and what portion of the property is revalued if there is a change in the proportional interests held by the parties. In this regard, LTA No. 80/84 states:

Determining Proportional Interests

In order to determine whether or not the same proportional interest exists after the transfer, it is necessary to establish and compare the market value of each property that has been created by the transfer. For example, if a two-acre parcel being held jointly is split into two separately held one-acre parcels, the value of

⁷ All subsequent references to "Rule(s)" are to the Property Tax Rules promulgated under title 18 of the California Code of Regulations.

⁸ LTAs represent Board staff's guidance on assessment issues as of the date each letter is issued. These, letters, however, are strictly advisory and it is the assessor who ultimately determines the facts of a controversy and whether or not a specific area of law applies. Accordingly, the opinions and advice contained in these letters have no binding legal effect on assessors. However, they are intended to provide guidance in the interpretation of statutes and BOE-related regulations. Furthermore, interpretations of statutory provisions by state administrative agencies are entitled to great weight when construing such provisions. See, e.g., *Yamaha Corp. of America v. State Board of Equalization* (1998) 19 Cal.4th 1; *General Dynamics Corp. v. San Diego County* (1980) 108 Cal.App.3d 132.

each one-acre parcel, as a separate unit, must be determined and the two values compared.

While the specific language of the statute would indicate that any change in the proportional interests would trigger a reappraisal, the assessor can exercise his judgment in making the value comparison. In our opinion, a change in proportional interest of less than 5 percent could be construed as no change in ownership following the same principle applicable to transfers of undivided interests of less than 5 percent (Revenue and Taxation Code Section 65[b]).

Valuation

Once it has been determined that a change in proportional interests has occurred, the interest transferred is subject to revaluation. For example, if a parcel was held jointly (50 percent interest each) and the property was divided so that one party receives 60 percent and the other 40 percent, a new base year would be established for the 10 percent interest transferred. The correct method of valuation would be to calculate 10 percent of the combined current market values of the two individual holdings and add this amount to the original factored base year value of the increased holding. The revised base year value of the decreased holding would be 40 percent of the original base year value of the undivided property.

Analysis

1. Can a legal entity qualify for the partition exclusion or does it apply only to individuals?

Section 62(a)(1) provides an exclusion from change in ownership for "[a]ny transfer between coowners that results in a change in the method of holding title to the real property transferred without changing the proportional interests of the coowners in that real property" It gives as an example a partition of a tenancy in common. Because legal entities can own real property as a tenant in common and there is no language in the statute precluding legal entities from qualifying for the exclusion, legal entities may qualify for the partition exclusion, assuming all other requirements for the exclusion are met. Thus, the fact that R is a legal entity would not preclude it or any of the parties from qualifying for the partition exclusion.

2. In determining proportionality of interests held before and after the partition, does the assessor compare the FMV of each party's new interest against that party's prior percentage of ownership interest in both lots, or against that party's prior percentage of ownership interest only in the lot that he/she/it previously owned?

Under the facts of this case, the assessor would compare the FMV of each party's new interest against that party's prior percentage of ownership interest in the lot that he/she/it previously owned. The assessor would not compare the FMV of each party's new interest against that party's prior percentage of ownership interest in both lots as a whole. The reason is twofold.

First, because Lots 7 and 8 were considered separate appraisal units prior to the partition,⁹ the assessor must compare the FMV of each party's new interest after the partition against that party's prior percentage of ownership interest in each and every separate lot that he/she/it previously owned and not that party's prior percentage of ownership interest in both lots as a whole.¹⁰ This is because the Board has opined in LTA No. 80/84 that the partition exclusion should be applied separately to each and every appraisal unit.

Secondly, because Lots 7 and 8 did not share common ownership prior to the partition,¹¹ the assessor must examine the partition of each lot separately as two partitions and not as one, even though R owned interest in both lots and ultimately merged its two new parcels together (Parcels A-2 and B-1). Section 62(a)(1) applies only to transfers between co-owners. Because there is no common ownership of both lots in total, the assessor cannot apply the exclusion to both lots in total.

Thus, to determine whether or not the same proportional interests exist after these transfers, the assessor must establish and compare the FMV of each new parcel that was created by the two partitions to the FMV of the corresponding lots prior to the partition. With respect to R's newly formed parcel, the assessor must establish and compare the FMV of each half of the parcel (Parcels A-2 and B-1), before they were merged. In other words, the assessor must treat each step separately to determine if there has been a change in ownership.

In this case, there were three separate steps: (1) the partition of Lot 7; (2) the partition of Lot 8; and (3) the merger of R's new interests obtained from both lots into one parcel.

3. Was there a change in the proportional interests held by the parties after the partition?

The Partition of Lot 7 (Parcel A)

Prior to the partition of Lot 7 (Parcel A), B and R each owned an undivided 50 percent interest in the lot. The FMV of Lot 7 (Parcel A) prior to the partition was \$525,000. After the partition, the FMV of B's portion (Parcel A-1) was \$210,000 while the FMV of R's portion of Lot 7 (Parcel A-2) was \$315,000. Comparing B's and R's new values to the old values, R obtained a 60 percent interest in Lot 7 while B obtained a 40 percent interest in Lot 7. Accordingly, there was a transfer of a 10 percent interest in Lot 7 from B to R, and as such, the transfer did not result in the same proportional interests in the lots as

⁹ Per our telephone conversation, you determined that the lots were separate appraisal units since each lot could have been sold separately in the market place. An appraisal unit is the basic unit of property for application of the value limitation provisions of article XIII A of the California Constitution. Section 51 sets forth the provisions for the establishment of a base year value for real property, which is defined as "that appraisal unit that persons in the marketplace commonly buy and sell as a unit, or that is normally valued separately." It is the function of the appraiser to determine whether the parcels being partitioned are single appraisal units. The fact that both lots could have been sold separately in the marketplace is one indication that the lots were separate appraisal units. Furthermore, the fact that both lots had separate APNs before the partition also shows that these lots were considered separate appraisal units.

¹⁰ Furthermore, as pointed out in the next paragraph, B and P did not own interests in both lots as a whole; therefore, it would be incorrect for the assessor to compare their new interests against the value of both lots as a whole.

¹¹ While R and B equally owned Lot 7 and R and P equally owned Lot 8, B did not own any interest in Lot 8 and P did not own any interest in Lot 7.

previously owned by B and R. Therefore, the partition of Lot 7 does not qualify for exclusion under section 62(a)(1) and the 10 percent interest transferred in Lot 7 would be subject to reappraisal under section 65.1(a).

The Partition of Lot 8 (Parcel B)

Prior to the partition of Lot 8 (Parcel B), P and R each owned an undivided 50 percent interest in the lot. The FMV of Lot 8 (Parcel B) prior to the partition was \$600,000. After the partition, the FMV of P's portion (Parcel B-2) was \$285,000 while the FMV of R's portion of Lot 8 (Parcel B-1) was \$315,000. Comparing P's and R's new values to the old values, P obtained a 47.5 percent interest in Lot 8 while R obtained a 52.5 percent interest in Lot 8. Accordingly, there was a transfer of a 2.5 percent interest in Lot 8 from R to P, and as such, the transfer did not result in the same proportional interests in the lots as previously owned by P and R. Therefore, the partition of Lot 8 does not qualify for exclusion under section 62(a)(1) and the 2.5 percent interest transferred in Lot 8 would be subject to reappraisal under section 65.1(a).

4. If there is a change in the proportional interests held by the parties, how are the increase and the decrease in the factored base year values for each new parcel computed?

As determined under question 3 above, there has been a change in the proportional interests held by the parties in each lot--a transfer of a 10 percent interest in Lot 7 and a transfer of a 2.5 percent interest in Lot 8. Under section 65.1(a), only the interest or portion of interest transferred is subject to reassessment¹² and not the entire property. This is because the co-owners previously owned a portion of the property and continue to own a portion of that same property after the partition albeit in a lesser or greater percentage. Therefore, the assessor cannot reassess the portion that the parties previously owned and continue to own; the assessor may only reassess the increased portion transferred between the parties while at the same time making an adjustment to the FBYV of the decreased holdings. Here, the assessor would reassess the 10 percent interest transferred from B to R in Lot 7 and the 2.5 percent interest transferred from P to R in Lot 8 while reducing B's and P's new FBYV by the same respective percentages.

Computation of B's New FBYV for Parcel 1 derived from Parcel A-1

To calculate the new FBYV for the decreased holding in B's Parcel 1 derived from Parcel A-1, the assessor must first determine the FBYV for the original 50 percent interest that B held in Lot 7 (as a base). To make this determination, the assessor takes half of the original FBYV in Lot 7 as a whole (this amount represents B's original 50 percent interest in Lot 7). In this case, half of the original FBYV in Lot 7 is \$79,599¹³ (1/2 of \$159,197).

Once the assessor establishes the FBYV for the original 50 percent interest that B held in Lot 7, then the assessor must determine the value of the decreased holding. To determine

¹² This is true *unless* the portion of interest transferred is less than five percent of the value of the total property and that five percent interest is valued at less than ten thousand dollars (\$10,000) -- the de minimis exclusion, which, as explained in the preceding section, is not applicable here. See section 65.1(a).

¹³ All values are rounded to the nearest tenth.

the value of the decreased holding, the assessor multiplies the 10 percent interest against the entire original FBYV for Lot 7. The decreased holding is multiplied against the entire original FBYV for Lot 7 because B transferred a 10 percent interest from B's original interest in Lot 7 as a whole. In this case, 10 percent of the FBYV of the entire Lot 7 is \$15,920 (10% of \$159,197).

Finally, to calculate the new FBYV for Parcel 1, the assessor subtracts the 10 percent decreased holding (\$15,920) from the one-half original FBYV of Lot 7 (\$79,599) to arrive at \$63,679.

Computation of R's New FBYV for Parcel 2

To determine the new FBYV for Parcel 2, the assessor must first determine the new FBYVs for Parcels A-2 and B-1 and add those amounts together.

Parcel A-2:

To calculate the new FBYV for R's increased holding in Parcel A-2, the assessor must first determine the FBYV for the original 50 percent interest that R held in Lot 7 (Parcel A) since R is allowed to carry that half of the FBYV of Lot 7 over to Parcel A-2. To make this determination, the assessor takes half of the original FBYV in Lot 7 (this amount represents R's original 50 percent interest in Lot 7). In this case, half of the original FBYV in Lot 7 is \$79,599 (1/2 of \$159,197).

Once the assessor establishes the FBYV for the original 50 percent interest that R held in Lot 7, then the assessor must determine and add to that amount the FMV of the newly acquired 10 percent interest in Parcel A-2. The 10 percent interest is determined at FMV since this is the portion of the property that changed ownership, and thus, is the portion that must be reappraised. To determine the value of the 10 percent interest transferred, the assessor must multiply 10 percent against the entire FMV of Lot 7 (i.e., the FMV for both Parcel A-1 and Parcel A-2 [the half that derived from Lot 7]) since the 10 percent interest derived from the entire Lot 7 (before it was partitioned). In this case, the FMV of the 10 percent interest is \$52,500 (10% of \$525,000).

Finally, to calculate the new FBYV for Parcel A-2, the assessor simply adds the 10 percent increased holding (\$52,500) to the one-half original FBYV of Lot 7 (\$79,599) to arrive at \$132,099.

Parcel B-1:

Similar to its holding in Parcel A-2, R obtained an increase in interest in Parcel B-1, namely, an increase in the amount of 2.5 percent interest. Thus, the same analysis applied to determine R's new FBYV for Parcel A-2 applies to Parcel B-1.

First, the assessor must determine the FBYV for the original 50 percent interest that R held in Lot 8 (Parcel B) since R is entitled to carry that half of the FBYV of Lot 8 over to Parcel B-1. In this case, half of the original FBYV in Lot 8 is \$117,585 (1/2 of \$235,169).

Next, the assessor must determine and add to that amount the FMV of the newly acquired 2.5 percent interest in Parcel B-1. In this case, the FMV of the 2.5 percent interest is \$15,000 (\$600,000 x 2.5%).

Finally, to calculate the new FBV for Parcel B-1, the assessor simply adds the 2.5 percent increased holding (\$15,000) to the one-half original FBV of Lot 8 (\$117,585) to arrive at \$132,585.

R's New FBV for entire Parcel 2:

Because R merged its interests in both Parcels A-2 and B-1, the calculations derived from determining the new FBV for those parcels must be added together to determine the final new FBV for R's Parcel 2. This amount is \$264,684 (\$132,099 + \$132,585).

Computation of P's New FBV for Parcel 3

Similar to B, P suffered a decrease in Parcel 3, namely, a reduction in the amount of 2.5 percent interest. Thus, the same analysis applied to determine B's new FBV for Parcel 1 applies to Parcel 3.

First, the assessor must determine the FBV for the original 50 percent interest that P held in Lot 8 (as a base). In this case, half of the original FBV in Lot 8 is \$117,585 (1/2 of \$235,169). Then, the assessor must determine the value of the decreased holding. In this case, 2.5 percent of the FBV of the entire Lot 8 is \$5,879 (2.5% of \$235,169). Finally, to calculate the new FBV for Parcel 3, the assessor subtracts the 2.5 percent decreased holding (\$5,879) from the one-half original FBV of Lot 8 (\$117,585) to arrive at \$111,706.

Note that these conclusions assume that the properties are homogeneous and the base year values are assigned on a pro-rata basis.

5. Does the De Minimis Exclusion apply to R's 2.5 percent increase in Parcel B1?

With respect to R's 2.5 percent increase, please disregard the paragraph contained in LTA 80/84 that discusses section 65, subdivision (b). This section of the Revenue and Taxation Code has since been repealed. Under current law, the de minimis exclusion contained in section 65.1, subdivision (a) (section 65.1(a)) governs this situation. Section 65.1(a) provides that if the market value of the interest transferred is less than five percent of the value of the total property, then the interest shall not be reappraised if the market value of the interest transferred is *also* less than ten thousand dollars (\$10,000). Both requirements must be met before the interest transferred can be excluded (i.e., the interest transferred must be both: (a) less than five percent of the value of the total property, and (b) less than ten thousand dollars in value). This "de minimis" transfer exclusion may be used once a year and may apply to multiple transfers by the same person so long as cumulatively the value of the transfers of real property is less than five percent total value of that real property and the value of the property transferred is less than ten thousand dollars. Multiple transfers are cumulated for the purpose of determining the percentage interests and value transferred. (Property Tax Rule 462.020, subd.(b)(2).)

In this case, while only a 2.5 percent interest was transferred, that interest is valued at \$15,000, more than \$10,000, and therefore, the transfer would not qualify for the de minimis exclusion under section 65.1(a).

The views expressed in this letter are only advisory in nature; they represent the analysis of the legal staff of the Board based on present law and the facts set forth herein, and are not binding on any person or public entity.

Sincerely,

/s/ Denise L. Riley

Denise L. Riley
Tax Counsel

DLR/cme

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cc: Mr. David Gau MIC:63
Mr. Dean Kinnee MIC:64
Mr. Todd Gilman MIC:70
Ms. Glenna Schultz MIC:64

EXHIBIT A

BEFORE

| | |
|-------------------------|-------------------------|
| <u>Lot 7 (Parcel A)</u> | <u>Lot 8 (Parcel B)</u> |
| B 50% | P 50% |
| R 50% | R 50% |
| FBYV \$159,197 | FBYV \$235,169 |
| FMV \$525,000 | FMV \$600,000 |

FMV \$1,125,000

[Note this number is irrelevant for our purpose as it is the combined FMV (see step 11)]

Step 1: Treat Parcels A and B as total separate properties (not combined)
(figure out the FBYV and the FMV for each parcel (separately))

Step 2: Determine FMV for each portion of the partitioned property for both Parcels A and B (as indicated in box below. Determine whether the same proportional interests exists for each parcel (as indicated below under the boxes). The FMV for Parcel A1 and A2 should add up to the FMV of the entire Parcel A; same for Parcels B1 and B2), which I note was done correctly.

| | | | |
|-------------------------------|------------------|--------------------------------|------------------|
| <u>Parcel A1</u> | <u>Parcel A2</u> | <u>Parcel B1</u> | <u>Parcel B2</u> |
| B | R | R | P |
| FMV \$210,000 | FMV \$315,000 | FMV \$315,000 | FMV \$285,000 |
| 40% | 60% | 52.5% | 47.5% |
| 10% change according to value | | 2.5% change according to value | |

Step 3: Determine new FMV for each partitioned property (i.e., A1, A2, B1 and B2) and then add R's together at the end..

- a) For B's 10% decrease in Parcel A1:

| | |
|-------------------|--|
| \$79,599 | [1/2 of Parcel A's original entire FBYV (1/2 of \$159,197)] |
| <u>(\$15,950)</u> | [10% of FBYV for entire Parcel A (\$159,197 x 10%)] |
| \$63,679 | [N. FBYV] (note: this is the same as 40% of Parcel A's original entire FBYV (\$159,197 x .40)) |
- b) For R's 10% increase in Parcel A2:

| | |
|-----------------|---|
| \$79,599 | [1/2 of Parcel A's original entire FBYV (1/2 of \$159,197)] |
| <u>\$52,500</u> | [10% of Parcel A's FMV (\$525,000 x 10%)] |
| \$132,099 | [N. FBYV] |
- c) For R's 2.5% increase in Parcel B1:

| | |
|-----------------|---|
| \$117,585 | [1/2 of Parcel B's original entire FBYV (1/2 of \$235,169)] |
| <u>\$15,000</u> | [2.5% of Parcel B's FMV (2.5% of \$600,000)] |
| \$132,585 | [N. FBYV] (note: this is the same as 47.5% of Parcel B's original entire FBYV (\$235,169 x .475)) |
- d) For P's 2.5 decrease in Parcel B2:

| | |
|------------------|---|
| \$117,585 | [1/2 of Parcel B's original entire FBYV (1/2 of \$235,169)] |
| <u>(\$5,879)</u> | [2.5% of FBYV for entire Parcel B (\$235,169 x 2.5%)] |
| \$111,706 | [N. FBYV] |

Step 4: Add R's N. FBYV for Parcels A2 and B1 together to reflect the merger of those two parcels:

| | |
|------------------|-------------------------|
| \$132,099 | [N. FBYV for Parcel A2] |
| <u>\$132,585</u> | [N. FBYV for Parcel B1] |
| \$264,684 | |

Conclusion:

AFTER

| | | |
|---------------------|----------------------|----------------------|
| 100% | 100% | 100% |
| B | R | P |
| N. FBYV \$63,679 | N. FBYV \$264,684 | N. FBYV \$111,706 |

Combined total
\$440,069