



December 03, 2018

Brent Buskirk, Tax Consultant
16600 Woodruff Avenue
Bellflower, CA 90706

Dear Mr. Buskirk,

It was a pleasure speaking with you at the IPT symposium last month. I wanted to make sure I was giving you accurate information, so I went back to our sales data of store equipment. The biggest difference between using an economic life table and calculating value is the point in time at which the value changes. The majority of the economic life tables in Florida have a floor of 20% which is grossly overstated the longer an asset stays in service. Any asset can last longer than its "expected average economic life", but has little to no value after a number of years. The depreciation tables with a floor do not take that into consideration in the actual value of the assets.

1. In 2016 and 2017 Publix had a total of 20 new stores in the 45,000 square foot range with an average of \$3,350,000 installed cost per store.
2. By far the refrigeration is the most expensive asset in the store. Display cases are the asset that has the most resale data available. In the first 6 months of 2017, 378 display cases were sold with an average recovery percentage of 0.50% of original cost. Based on the sales information, the asset reaches a 20% value at just under 7 years with higher depreciation in the first 4 years. I would propose a fair depreciation schedule for refrigeration equipment as follows:

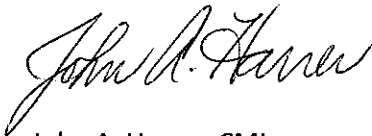
Year 1 – 70.0%
Year 2 – 61.0%
Year 3 – 52.0%
Year 4 – 43.0%
Year 5 – 34.0%
Year 6 – 25.0%
Year 7 – 20.0%
Year 8 – 10.0%
Year 9 - 5.0% (continuing to end of use)

3. Shelving for a new store is purchased as a package with each individual part detailed on the purchasing documents. This allows for replacement of it in sections or individual pieces as required by wear and tear, etc. I located 3 full store sales of shelving: Sale 1 had an average age of shelving of 7 years and recovered 8.42% of original cost. Sale 2 had an average age of shelving of 10 years and recovered 6.67% of original cost. Sale 3 had an average age of shelving of 12.5 years and recovered 6.77% of original cost. Based on the sales information, the asset reaches a 20% value at just under 6 years with higher depreciation in the first 4 years, but with a slightly higher resale value as a percentage of cost than refrigeration mostly because the metal is easier to recycle. I would propose a fair depreciation schedule for shelving as follows:

Year 1 – 70.0%
Year 2 – 60.0%
Year 3 – 50.0%
Year 4 – 40.0%
Year 5 – 30.0%
Year 6 – 20.0%
Year 7 – 10.0%
Year 8 – 7.0% (continuing to end of use)

All stores are evaluated and receive a review and updating where assets are replaced usually based on competitive advantage and new technology that would increase efficiency at the 5-year mark from opening date. The first remodel that generates significant asset replacement occurs at the 10-year mark from opening date. Then the same evaluation as was done at the 10-year mark is done every 5 years thereafter with asset replacement as needed. Closed store assets that are not in new condition are sold at auction individually and are not sold as a complete store. Hopefully this information will be helpful and provide a fair valuation basis for both the taxpayer and the county.

Sincerely,



John A. Harrer, CMI
Property Tax Manager
Publix Super Markets, Inc.



March 20, 2003

Mr. David L. Gangloff, Jr.
Property Tax Assistance Co., Inc.
16600 Woodruff Avenue
Bellflower, CA 90706

Dear David,

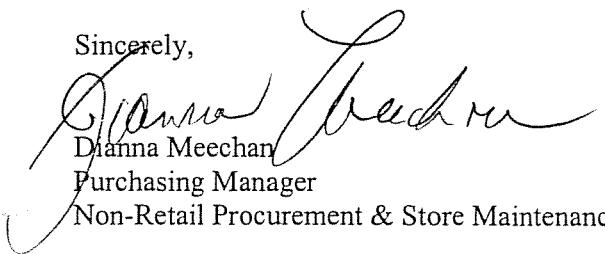
The Vons Companies, Inc. was founded in 1906. Safeway, Inc. purchased Vons in 1998. Safeway operates approximately 350 Vons and Pavilions stores in Southern California. In total, Safeway operates over 1,700 stores in various states. I have worked for Vons for 24 years, the last 5 years of which I have had the responsibility of purchasing store equipment and fixtures, maintenance, disposition of equipment and coordinating new store and remodel work with our in-house construction department.

A typical Vons stores go through an annual minor remodel, which costs from \$20,000 to \$75,000. Most of this cost is for remerchandising and replacement of broken or damaged equipment. Unless the repair is minor, it costs less to replace the equipment than to repair them. Our average expense, per piece of equipment, is less than \$2,000. We completely renovate our stores every 6-8 years on average with a budget between 2 to 4 million dollars. Approximately \$800,000 to \$1,500,000 is for the purchase of equipment we plan to replace. Much of this equipment has limited or scrap market value. Some of the reasons we remodel are to keep up with convenience savvy consumer demands, energy and competition considerations, location and appearance of the store, foot traffic, etc. In most cases Vons has experienced an increase in store sales, after a major remodel of that particular store.

It is my understanding that the Assessor's Office is currently using 15-Year table, which places the value of our equipment at 55% after 10 years of continuous usage in a commercial environment. This is too high. We are fortunate if we can recover 10% of our original costs after 10 years. Once the equipment is 8 to 10 years old, the cost to dispose the equipment is more than its value. The used equipment dealer pays us anywhere between 0 to 2% of the original cost to haul our used equipment away. If the used equipment dealers do not take our equipment, we scrap them at the site and Williams Services takes them to the dump.

Based on my experience in purchasing new equipment and disposing of old equipment and fixtures at Vons, our equipment could fetch about 50% and 10% after 5 and 10 years of usage respectively, if the equipment is sold in working condition and as a complete store. If equipment is removed from the store, it is only worth scrap value because the cost associated with removal, refurbishing and marketing is more than the value of the used equipment in 'as is' condition. From the various tables used by the Assessor's office to value our equipment, the 8 year valuation table reflects a more realistic value of our equipment.

Sincerely,


Dianna Meechan
Purchasing Manager
Non-Retail Procurement & Store Maintenance

Gardena / Bestway Supermarkets
1012 W. Gardena Blvd.,
Gardena, CA 90247
Tel. 310-324-9971
Fax 310-324-9931

To Whom It May Concern:

I am the president of Gardena Supermarket, a chain of 10 grocery stores operating under the names of Bestway Supermarkets. We operate full service grocery stores in Southern California. Our average store size is between 20,000 and 30,000 square feet. I have 18 years of experience as a super market operator.

We buy most of our new and used equipment for our stores from equipment dealers. Occasionally we have purchased equipment from the major grocery stores. The main benefits of buying equipment from an equipment dealer are that they provide a warranty, maintenance contracts and financing on their equipment. After 4 to 5 years of usage, the equipment is dented from constant use, the paint begins to peel off, water starts to leak from coolers and refrigeration, equipment starts to rust, coolers and freezers do not maintain proper temperature, the non-skid floor is ruined, etc.

The cost of individual pieces of equipment, compared to a total cost of all equipment in the store, is small. It is extremely important that all equipment is working at all times. If the equipment is not working it must be fixed or replaced right away. Spoiled goods cost more than the cost of fixing or replacing the broken equipment. Also, this not only creates a bad image for our stores, but due to any inconvenience the customer may not return to our store. In most cases we replace the equipment because the cost to replace broken equipment is less than fixing the equipment.

You showed me a schedule used by various counties to value grocery store equipment. We have never bought or sold equipment for a price anywhere near to what that table reflects. The highest we would pay for 5-year old equipment is half the cost of new equipment. Normally, we would not buy a 10-year used piece of equipment because by then, it is junk or it costs more in maintenance and headaches. From the various valuation tables you showed me, the use of a 7 or 8-year table would place a more realistic market value for grocery store equipment if sold as a complete store. If the equipment were sold individually, one would be fortunate to get 10-15% after 5 or 6 years of usage. About 2 years ago, when Albertsons remodeled their store, we purchased all of their equipment for \$15,000 and opened our store. This equipment would have cost over \$800,000 if purchased new.

I hope my experience is of some merit in your quest to proper value store equipment.


Naresh Solanki



SUPERMARKETS • BAKERY • DELIS • RESTAURANTS
NEW, USED and RECONDITIONED EQUIPMENT

CA State Lic. No. 444848

LICENSED and BONDED

723 RAILROAD AVENUE

WINTERS, CALIFORNIA 95694

(530) 785-4049

Declaration of Mr. Marv Crawford

I am currently and have been in the business of selling used supermarket equipment for forty years. I sell all the equipment that is found in major retail supermarkets. In certain instances the supermarket removes certain equipment (shopping carts, rolling racks, and other mobile equipment) before I can acquire it. Therefore I generally acquire all the equipment except the most mobile. The equipment removed by the supermarket generally represents only 20% percent of the total cost of a supermarket, therefore the equipment I remove represents about 80% of the total original cost of equipment for a supermarket. I currently have a 90,000 square foot warehouse stocking about 1000 used refrigeration cases.

When a store closes or remodels we go in and appraise the equipment. We then repair and auction as much of the equipment we can on site, after this we remove the equipment from the supermarket and resell it at our warehouse either through auction or retailing, we also completely refurbish some of the equipment and resell to other dealers for resale. This refurbished equipment has a market due to the periodic shortages of new equipment available to supermarkets due to manufacturing backlogs. We discard whatever equipment does not fall into the above three areas.

In essence we are a one stop shop in that we go in to a supermarket and either repair and sell equipment on site or remove and sell the equipment at our warehouse or refurbish and sell the equipment or dispose of equipment for the supermarket. The equipment with resale potential is resold to smaller stores such as delis, mom and pop stores, independently owned convenience stores, and liquor stores through a retail process or auction process, depending on what yields us the highest return on the equipment.



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WINTERS, CALIFORNIA 95694

(530) 795-4049

Through my 40 years of experience in dealing with used store equipment I am very familiar with the cost of used equipment and new equipment, as well as how the cost of taxes and installation raise the final price of used and new equipment

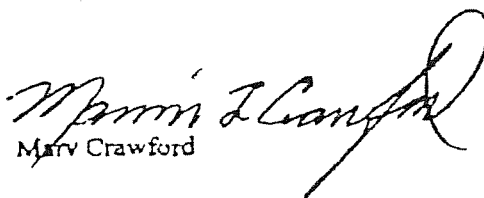
In a specific instance we removed equipment from a store that was between 3-5 years old. The total paid for the removed equipment was only 7% of its original cost. This is the most I have ever paid for used equipment supermarket equipment in this age group.

For older stores, which are 8-10 ten years old, it is more expensive to dispose of the equipment then the value of the equipment. Even though some items in this age group do have some resell value, these items represent only 15-20 percent of the total cost of equipment in a supermarket, and further these item are generally kept by the store for re-use if needed.

I can safely say with my experience of 40 years that supermarket equipment that is in the 5-6 year old we can only expect to recover 10-15% of value in respect to the original cost. Further equipment that is in the 10 years and older range can be expected to return only 0 to 2 percent of its value in respect to the original cost.

I understand the county has used store equipment valued at 47% of its original cost after 10 years of use. I believe due to me 40 years of experience in this area that this equipment is actually only worth 0-2 percent of its original value after ten years of use.

I certify under penalty of perjury of perjury that the foregoing facts are true to the best of my knowledge.


Marv Crawford

CAL-MAR, INC.

1850 Massachusetts Avenue • Riverside, California 92507
909/274-0810 • FAX 909/274-0818

October 20, 1994

Mr. David Gangloff Sr.
Property Tax Assistance Co., Inc.
16906 Bellflower blvd.
Bellflower, Ca 90706

Dear Mr. Gangloff,

Thank you for your inquiry as to whether Cal-Mar, Inc. might be able to help answer some of the questions that have recently been posed to you on your clients behalf. First let me assure you that I feel certain that with our credentials and expertise, i.e. having been in the grocery equipment business for over 12 years, having key personnel with over fifty years experience in the grocery field, and having dealt with virtually every major grocery chain and large independent operator in Southern California, that my answers should at least reflect the general consensus of the few companies in Southern California that are involved in the surplus equipment business and uniquely in our case, full service store maintenance.

As to your questions;

1. What is the useful life of Grocery Store Equipment?

Generally speaking, the useful life of equipment in a high volume store is 8-9 years. Normally at that point, equipment, especially refrigeration, has been worn out by constant use, customer and employee abuse, and normal wear and tear. Also breakdowns and maintenance costs tend to rise during this period due to increased costs for parts, if and when they are available. Refrigerated equipment tends to suffer the most due to constant moisture, which accelerates rust and corrosion.

2. How much would I pay for 8-10 year old store?

Depending on the mix of fixtures and equipment, my price would vary, i.e. the ratio of equipment in demand to non-demand items. Whether the store had specialty type departments like bakeries, deli's, and service meat would also effect the price overall.

Considering the fact that we are fully insured with Workman's Compensation, liability, vehicle insurance, and that our workers are paid hourly with overtime, if applicable, we must weigh those factors into the equation. Also, a certain percentage of that equipment must be scrapped if it is in non-saleable condition, which means additional costs for rubbish bins and dump fees. In the event that refrigerated cases are dumped, landfills charge a premium as they are considered "hard to handle". Given the variables, the value of the equipment could range from 2-8% of original value.

3. Is there a refrigerant problem that will eventually obsolete certain refrigeration systems in California?

Within the next year, R-12 Freon will no longer be used on a national basis, leaving R-12 & R-502 as the only near term refrigerants available and eventually, all CFC refrigerants will be done away with. The result is that any R-12 compressor will have no resale value, except as a possible replacement change out units for an existing system. This alone with the fact that AQMD now requires that freon must be reclaimed, which is a slow and costly procedure, presents another cost that must be weighed into the value of a store when being purchased.

4. Which table would I recommend to reflect its residual value of a store?

The Valuation table that is closest to what I feel reflects current values would be the assessors 738 trend.

5. Is there viable secondary market for used equipment and who have I bought equipment from?

Yes, but for certain types of equipment. More and more, due to tighter health, energy, and environmental regulations, used equipment cannot be used for start up businesses. The primary applications would be for existing operations, doing remodels, or wholesale sales to other dealers out of the area.

Cal-Mar, Inc. has purchased stores from Albertsons, Alpha Beta, Arden-Mayfair, Hughes, Lucky's, Ralph's, Safeway (prior to its acquisition), Vons, as well as several independent grocers.

If you have any further questions, please do not hesitate to give me a call.

Sincerely,



Bob Matsie
General Manager, Sales & Purchasing



7142 CHAPMAN AVENUE GARDEN GROVE, CALIFORNIA 92641 310 637-7050 714 936-8770
FAX 714 884-0510

LEN J CISOK
REGIONAL NATIONAL ACCOUNT MANAGER
PACIFIC SOUTH-WEST REGION

October 19, 1994

Mr. David Gangloff Sr.
Property Tax Assistance
Fax: (310) 920-5775

Dear Mr. Gangloff Sr.,

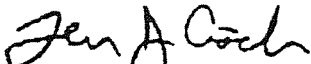
I have been associated with the Grocery Industry with the Hobart Food Equipment Corporation for over 16 years. I feel I have seen the technology change dramatically in these years and strongly state the life of 15 years for today's electronic scales would not be current technology in today's marketplace.

I believe a fair depreciation schedule would be in the 10 year range. This would reflect most companies remodeling schedules. Today's electronic scale technology more closely resembles that of the electronic cash registers.

Currently we are communicating over phone modem the following information.

- 1.) Item File Maintenance
 - a.) Price Changes
 - b.) Adding or deleting items
 - c.) Adding or changing ingredients in Bakery Departments
- 2.) Recalling Totals
 - a.) Checking item movement
 - b.) Comparing results of sales by store
 - c.) Comparing results vs. competition

Regards,


Len J Cisok
Region National Accounts Manager

LJC:lr



PBI MARKET EQUIPMENT, INC.

20 October, 1994

Mr. David Gangloff Sr.
Property Tax Assistance

Dear David,

This is in reply to your request for information on the economic useful life of the equipment and supplies we sell to the Vons Companies, Inc.

We are currently supplying Deli, Meat Dept, Bakery and Produce the following equipment. Scales, Slicers, Printers, Rotisseries, Hot and Cold Cases, Pizza processing equipment, etc.

Generally, this type of equipment is deemed obsolete in approximately seven years due to the following reasons:

- A) Usage Equipment being used in the Deli, Meat, Bakery and Produce departments is subject to heavy usage in an environment that is very hard on equipment, i.e., very damp areas.
- B) Safety Safety regulations are changed constantly making it necessary to purchase new equipment for the safety of the employees.
- C) Regulations Many regulations for Deli, Meat, Bakery, and Produce labeling and scaling equipment are changed by various regulatory agencies making it necessary to purchase new equipment, i.e. Safe handling and Nutritional labeling requirements.

The various supply items that we sell Vons such as shovels, platters, spoons, lugs, and dollies need to be replaced every seven to ten years either for sanitary reasons or normal wear and tear. The health inspectors can be critical of these items and suggest some action be taken.

Sincerely,

Bob Heidkamp
Sales Representative

HUSSMANN

Hussmann Corporation
13770 Ramona Avenue
Chino, CA 91710
P.O. Box 5133
Chino, CA 91708
(909) 590 4910
Lic. #644406

October 24, 1994

THE VONS COMPANIES, INC.
P.O. Box 3338, Terminal Annex
Los Angeles, Ca. 90051-3338

Attention: Russ Doyle

Regarding Information on Vision line cases

Dear Russ,

We received your fax this morning regarding the information needed by Mr. David L. Gangloff Sr. at the Property Tax Assistance Co, Inc. in Bellflower.

Enclosed is our response to the questionnaire. We were not provided a fax number and did not fax it to Mr. Gangloff.

Please review as necessary and forward to Mr. Gangloff.

Sincerely,
HUSSMANN CORPORATION

Rick Hormann

Rick Hormann
Sr. Account Manager

RH/kd

cc Z. Marlatt
L. Rauzon
file

CURRENT INFORMATION

The new line vision cases had begun marketing in 1990.

- (1) Is the new vision line a popular product? Yes.

Please advise the changes made from the prior line classic to the new line vision: Power
Looks (yes)
Texture/materials (yes)

- (2) Please explain the system that is part of the refrigeration equipment, i.e. necessary construction needed to install the "system".

Compressor system including control panel - copper piping run from system to all refrigeration cases & cooler box coils. Electrical run from same.

- (3) In your opinion how often do the major retailers, i.e. Vons, Hughes, Ralphs, etc., renovate their stores? 7-10 years

- (4) Does this usually require replacing the refrigeration equipment? Yes.

- (5) In your opinion are the refrigeration systems replaced every 5 years _____ 7 years _____ 10 years X

- (6) When refrigeration equipment is replaced, is there a resale value? Can you estimate the value as a percentage? 5% X 10% _____ 25% _____
Of the original cost if it is 10 years old? Based on condition of equipment.

- (7) Does the company warranty on the products extend longer than five years? YES _____ NO X

- (8) In your opinion how often does the refrigeration technology change?
Power 5yrs Sanitation _____ Refrigerants (i.e. freon) depends on drivers of change

Power - A trend towards 460V.

Refrigerants - New interim blends, also new fluorine based refrigerants

NEW LAW

- (1) Are you familiar with the new law of 1990 phasing out refrigeration substances by December 1993 and some by December 1995? YES.

- (2) Can all items be retrofitted? - Yes.

- (3) Will this be an expensive retrofit?
In the case of interim blends, NO!
The HFC Refrigerants (new installations) price should continue to drop, as usage increases.

- (4) Will current owners be better off to replace equipment rather than retrofit? Depends on Drivers of change i.e. age of equipment etc.

- (5) Do you have a plan to respond to the new law? Already in place.

- (6) Do your customers have a plan to respond to the new law?
YES.

- (7) Do you assist, advise and implement these changes for your customers? Yes.

- (8) In your opinion has this new law accelerated the obsolescence of refrigeration equipment by how many years 0
- (9) In your opinion what economic life would you consider your refrigeration equipment would have taking into consideration the stores upgrades, marketing and competition?
7 to 10 years.
- (10) We do know that some minor amounts of equipment "will" be long lasting, however, on average over how many years would you depreciate refrigeration equipment? 7 years
- (11) In your opinion, how old is equipment when the maintenance on the equipment becomes excessive and the customer should replace the equipment?
Depends on drivers of change (10 years)
- (12) Is the maintenance of the refrigeration equipment a major expense for the first 3 years 5 years
10 years X 15 years
Depends on quality of preventive maintenance and installation.
- (13) If you look back on refrigeration equipment since 1950, would you say there has been a lot of technological changes since then? Yes.
- (14) Could you list some of these changes?
Cut energy requirements
- (15) Even if the maintenance is performed faithfully and the equipment is used in the stores, does the equipment/systems just wear out? Yes, i.e. store volume.
- (16) How does it wear out?
Wear, customer & store personnel abuse this equipment. Runs 24 hr/day, 365 days a year.
Over how long a period? 7-10 years.



LUCKY STORES, INC

6300 CLARK AVENUE, P.O. BOX, 88, DUBLIN, CALIFORNIA 94568 • (510) 833-6000

October 18, 1994

Mr. David L. Gangloff, Sr.
President
Property Tax Assistance Co., Inc.
16906 Bellflower Blvd.
Bellflower, CA 90706-5904

SUBJECT: Economic Useful Life
Grocery Store Equipment/Refrigeration Systems

Dear Mr. Gangloff:

Per our telephone conversation of October 17, 1994, I will provide information as to my opinion of the economic useful life of grocery store/refrigeration systems. I am now the Manager of Property and Sales Taxes for Lucky Stores, Inc. and have been in this position for almost seven years. Prior to working for Lucky, I worked four and one-half years for the Ohio Department of Taxation, Inter-County Group of the Property Tax Division, two years with Morton Salt Company in Chicago, four years with Levi Strauss & Co. in San Francisco and four and one-half years with Memorex Corporation in Santa Clara, CA.

As you know, the State Board of Equalization has recommended in Policy Statement No. 10, dated February 6, 1987, that retail stores should be assessed on the basis of a fifteen year useful life (see attachment #1). On May 16, 1990, I requested copies of all lifing studies and any other background information regarding the Board's recommendation (see attachment #2). On May 31, 1990, Mr. Verne Walton, who was then Chief of the Assessment Standards Division, State Board of Equalization, responded in a letter that the Board had no survival studies that statistically validate the Board's recommended lives (see Attachment #3). Since 1990, I have periodically checked with the Assessment Standards Division of the Board to see if Policy Statement #10 has been revised or updated and to date it has not been. I believe that the economic useful life of our store equipment very closely follows the store remodel cycle of Lucky, which is approximately eight to twelve years. As an example, Lucky sold its Gemco Division in December, 1986 to Dayton Hudson Corporation. Each Gemco store had a Lucky food store attached and the equipment in the food store was not included in the sale to Dayton Hudson Corporation. As we began pulling the refrigerated cases out of the grocery store section of the closed Gemco stores, it was

David L. Gangloff, Sr.
October 18, 1994
Page 2

decided by our engineering staff to sell or scrap all cases that were older than four years. The major reason for this decision was that we could not sufficiently extend the life of the cases to justify the cost of refurbishment. Over the years since 1986, Lucky has closed a number of California stores for various reasons, and has either paid to have the cases and gondolas hauled to the dump or an individual contractor pulled out all of the store equipment in return for that equipment. The equipment in Lucky's four hundred and twenty California stores operates twenty-four hours a day, regardless of how long the store is open each day (eighteen to twenty-four hours). While Lucky generally does a major remodel of its stores every eight to twelve years, this cycle varies with the customer traffic in the store, and is also very dependent upon local competition. The more traffic in the store and the more local competition usually dictates a shorter remodel cycle. In addition, maintenance costs rise as much 30% to 40% in the latter life of the cases (between six to eight years) and this will dictate when they are replaced. When we do a major remodel, we receive approximately five to ten percent of the original cost of the equipment, if we can sell it.

Due to Federal laws enacted in the late 1980's and early 1990's, all refrigeration equipment will be required to use less environmentally damaging refrigerants by the year 2000. This will result in much higher costs for existing refrigerants and possibly large costs for retrofitting or replacing of existing refrigeration equipment. As Lucky replaces refrigeration equipment and cases, the new equipment will be R-22 type systems.

I believe that the proper economic life for grocery store refrigeration equipment is between eight and twelve years. Since we rarely get more than five and ten percent of the original cost when we can sell our used equipment, I believe that the minimum percent good should be between five to ten percent. In addition, based upon Lucky's experience selling used equipment, it doesn't appear that a viable used market exists.

Should you need any additional information, please feel free to contact me at (510) 833-5784.

Very truly yours,

William L. Harris
William L. Harris
Manager, Property & Sales Taxes

Attachments