

NOTES ON RAIL CORRIDOR VALUATION

CORRIDOR DEFINITION

Charles Seymour, CRE, MAI in a 2002 Right of Way magazine article entitled "The Continuing Evolution of Corridor Appraising" defined a corridor as "a long, narrow strip of land or real property rights for which the highest and best use is to provide an economic or social benefit by connecting the end points, and sometimes serving intermediate points along the way."

ATF DEFINITIONS

ATF is defined by the Appraisal Institute (U.S.A.) in the Dictionary of Real Estate Appraisal as "A means of estimating the price or value of land adjacent to or 'across the fence' from a railroad, pipeline, highway, or other corridor real estate."

Charles Seymour, in the "The Continuing Evolution of Corridor Appraising" article defined the ATF of a corridor as "the sum of the value indicators for each land use segment of the corridor obtained by applying unit rates reflected by typical land sales in the vicinity of the corridor, as of the date of the appraisal."

BASIC PRINCIPLES OF ATF

- The ATF value is based on the estimated unit per acre or per square foot of similar adjoining or nearby land sales.
- ATF is based on the premise that the land value of a corridor should be at least as much as the land through which the corridor passes. It reflects the price that a rail company would pay to acquire the land through the subject area.
- The ATF value is considered appropriate when there is a single purchaser of the corridor and the corridor use, as a linear transportation corridor, is maintained.

CORRIDOR FACTOR

The Corridor Factor is based on the premise that the assembled corridor may be more or less valuable than the sum of its component parts and a premium or discount factor should be paid. This premium value accounts for the value of the corridor's continuity.

The Corridor Factor concept originated as far back as 1978 when the Appraisal Journal of the Appraisal Institute (US appraisal association) published an article by John Dolman and Charles Seymour entitled "Valuation of Transportation/Communication Corridors". They argued that the ATF should be augmented by an "Enhancement Factor" that accounted for the corridor's continuity. The Enhancement Factor was viewed as a means of accounting for the additional costs that would be incurred to construct or configure a continuous corridor from scratch. However, recognizing that the corridor value adjustment could be negative or an adjustment factor less than 1.0 the enhancement factor is now generally referred to as a "Corridor Factor."

RAIL CORRIDOR SALES

Lake City Industrial Area Corridor

Sale by Burlington Northern and Santa Fe Railway (BNSF) to the City of Burnaby of an abandoned rail corridor comprising 18.19 acres through the Lake City Industrial area. This corridor had been identified as Park and Open Space in Burnaby's October 2000 Lake City Business Centre Guide plan and was purchased for a linear park/trail system. The sale price in 2005 was \$4,100,000.

Richmond Corridor

Sale by Canadian Pacific Railway Company (CPR) to the City of Richmond of an operating rail corridor (Van Horne Spur) comprising 13.20 acres through the Richmond City Centre. This 1.87 mile corridor is located from Capstan Way to No. 2 Road near River Road and No. 3 Road. This corridor had been identified as a Transportation Corridor in Richmond's City Centre Area Plan. The sale price in late 2005 was \$20,900,000.

City of Niagara Falls Corridor

Sale of an operating freight rail line (6.6 miles) by the Canadian Southern Railway Co. (a CNCP partnership) to the City of Niagara Falls and the Ontario Lottery and Gaming Corporation. The rail corridor cut through the centre of downtown Niagara Falls and was an operating freight line utilized by eight to twelve trains on a daily basis. Purchased by the City of Niagara Falls as part of a commuter rail system through the City. The sale price in 2001 was approximately \$23,000,000.

ARTICLES

- John P. Dolman, MAI, CRE and Charles F. Seymour, MAI, CRE "Valuation of Transportation/Communication Corridors", The Appraisal Journal (October 1978): pages 509-522;
- Arthur G. Rahn, "The Enhancement Factor in Transportation Sales and Appraisal", The Appraisal Journal, January 1999, Pages 89-92 (Reprinted Right of Way, May/June 1999, Pages 14-17);
- Charles F. Seymour, MAI, CRE, "The Continuing Evolution of Corridor Appraisal", Right of Way, May/June, 2002;
- Clifford A. Zoll, MAI "Rail Corridor Sales", The Appraisal Journal, July 1985, Pages 379-387;
- Clifford A. Zoll, MAI "Rail Corridor Markets and Sales Factors", The Appraisal Journal, October 1991, Pages 504-512.