

## ANOTHER RESOUNDING VICTORY FOR CONDEMNING ENTITIES

### A \$10,000,000 Claim is Rejected

#### *The City of Los Angeles v. Chrysler Realty Corporation*

#### Background of the Case

Chrysler Realty Corporation (“Chrysler”) claimed that it lost \$9,400,000 in goodwill as a result of the City of Los Angeles (the “City”) condemning a vacant property upon which it was going to build an automobile dealership (the “Subject Property”). Chrysler’s expert opined that the loss of the Subject Property caused a compensable goodwill loss to the automobile manufacturing business of DaimlerChrysler AG.

Deputy City Attorney Mary Dennis, conducted discovery and uncovered numerous inaccuracies and errors in the analysis performed by Chrysler’s appraiser. This resulted in Chrysler’s appraiser issuing a second report, which concluded at a loss of \$10,000,000. After further discovery, Chrysler’s appraiser issued a third and a fourth report, which both concluded at a loss of \$9,000,000.

During discovery, SP&H provided the City Attorney with assistance in preparing deposition questions, information requests, attending depositions, and analyzing the various appraisal reports produced by Chrysler.

#### City Retains Sanli Pastore & Hill

The City retained SP&H to:

- 1) Analyze whether Chrysler’s ownership of the Subject Property could constitute a business interest;
- 2) Provide expert witness analysis to determine whether Chrysler suffered any economic damages or loss of goodwill value as a result of the loss of the Subject Property; and
- 3) Determine whether Chrysler engaged in reasonable efforts to mitigate its damages, if any, and/or preserve its goodwill, if any.

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June 2002

SP&H assembled a team consisting of Nevin Sanli, ASA and an experienced analyst. The SP&H team worked diligently and efficiently in performing many tasks including:

- Research (industry, economic, and competitive);
- Analysis of facts relating to case law concerning entitlement to claim loss of goodwill;
- Providing support for discovery;
- Assisting in writing declarations; and
- Deposition preparation.

This thorough preparation resulted in a successful challenge to Chrysler's theories and their expert's credibility.

SP&H's report dated April 15, 2002, stated:

*"There were no businesses located on the Subject Property at the date of value, nor were there any indications that any business would be opened on the Subject Property in the future. As such, the Subject Property had no goodwill."*

The City Attorney and SP&H worked very well as a team preparing intensely for depositions. Ms. Dennis' examination of all witnesses was very effective and revealed inconsistencies and inaccuracies in the analysis performed by Chrysler's expert. As a result, Chrysler revised its report on three different occasions while discovery was ongoing.

After concluding discovery, SP&H helped the City Attorney prepare an opposition to Chrysler's motion to submit the goodwill issue to a jury. The thrust of the City's opposition was the argument that no business had been conducted on the Subject Property:

*"Prior to establishing its entitlement to put on any evidence regarding the value of the claimed goodwill loss, Chrysler has to prove that it is the owner of a business conducted on the property at the time the property was taken. Chrysler simply cannot do this."*

## Decision

Based on the City's opposition brief, Judge Gregory Alarcon rejected Chrysler's claim for compensation for lost goodwill:

*"Based on the undisputed facts, the automobile dealership was never an 'ongoing business' because Chrysler has never operated an automobile dealership on the Property. Because it was never an ongoing business, the nascent automobile dealership never had any 'business goodwill' which might be compensable under §1263.510(a)"*

As such, Chrysler's attempt to claim \$10,000,000 (and later \$9,000,000), an amount that would have significantly impacted the City's budget, failed.

The City Attorney and SP&H proved that teamwork, thorough research, and diligent discovery can thwart substantial but unsupported claims that so often cause financial difficulties for government entities and, ultimately, taxpayers.

If you would like a copy of the decision or other legal papers relating to this case or other work by SP&H please contact Nevin Sanli, ASA, or Tom Pastore, ASA, at (310) 571-3400. In Northern California, please ask for Forrest Vickery, ASA, at (916) 614-0530.