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www.ipx1031.com  
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(800) 327-5347

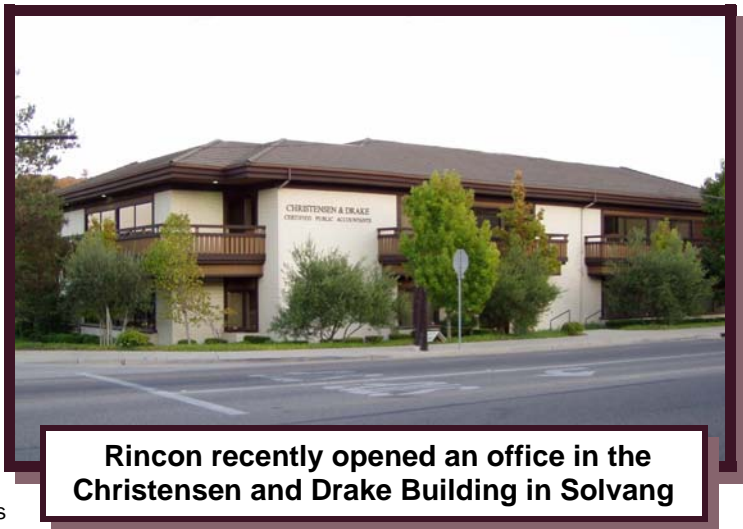
**LandAmerica Exchange**  
www.landam.com  
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## RINCON OPENS NEW OFFICE EXPANDING SANTA YNEZ VALLEY ACTIVITIES

With its business activities rapidly growing in the Santa Ynez Valley, Rincon has opened a second office located in the prestigious Christensen and Drake building in Solvang. "For the last few years, we have been serving our clients in the Santa Ynez Valley from our Santa Maria office," says Larry Lahr, President of Rincon.

"We now have sufficient business to warrant opening this office to better serve these clients, and to add to our client base in the Valley. Having financed many Santa Ynez Valley agricultural operations when I worked at Production Credit Association in the 1980's, I have already worked with many of today's agriculturalists in the Valley."

Rincon's activities in the Santa Ynez valley demonstrate Rincon's full service approach. "We have helped wineries obtain and structure financing, helped thoroughbred horse breeders with financial analysis, appraised both agricultural and commercial real estate, managed Valley farms and ranches, and of course represented both buyers and sellers as their real estate broker," reports Lahr. Rincon is also serving as property manager



**Rincon recently opened an office in the Christensen and Drake Building in Solvang**

for the Christensen and Drake Building.

One popular service Rincon provides is its *Real Property Plan*, in which Rincon helps landowners determine the most advantageous strategies to optimize income and value for their property.

"In a sense, this is really a coming-home for Rincon," Lahr adds, "since Rincon was originally founded in Solvang in 1991,"

## DEVELOPMENT LAND SOLD

When a long-time Los Alamos ranching family decided it was time to sell the 3,472 acre Rancho Alamo a few years ago, Rincon advised them to hold a twelve acre parcel out of the sale. This parcel had an antiquated subdivision map on it, and current zoning for residential development.

Since the market for large ranches runs to a different cycle and a different market than residential or commercial development property, Rincon advised the owners to sell the two properties separately. Rincon used its connections in the land development industry to market the property to a large number of interested parties. The property was ultimately sold for a price in excess of \$2 million.

"Even though we had considerable interest from many out-of-area developers", says Frank Ferrero of Rincon, "both Rincon and the family were quite pleased that the buyer was a partnership headed by Los Alamos local, David Thompson. We all wanted to see this parcel developed in a manner that is sensitive to the local residents and the local environment. David will make this project one that everybody will feel good about."

According to David Thompson, who is heading the development effort for this land, "We believe that we have been able to design a project consistent with the community goals, and that this project will be a positive extension of the existing neighborhood."

## FEATURED PROPERTY:

### 50 +/- ACRES, HIGHWAY 101, LOS ALAMOS

Rincon is pleased to feature the Waller Ranch, located approximately 3/4 mile east of Los Alamos on the north side of Highway 101. With excellent freeway visibility and good access from the frontage road extending from the Los Alamos on/off ramp, this property provides a special opportunity for operations that benefit from high visibility and high traffic. Potential uses include horse breeding or training operations, vineyard and winery operations

(the property is surrounded on two sides by vineyards), or possibly an organic farming operation with a retail outlet. The land has been disked to keep it clean, but has not been farmed for over a year.

Historically, the property was owned by Waller Flower Seed Company, and was used for flower seed crops and some vegetable production. When that company was sold the owners retained this property from the sale, and are now offering it for sale through Rincon.

"Agriculturally, this is an excellent ranch," says Larry Lahr of Rincon. "It is almost all farmable, with Class I soils, level with good drainage, and an irrigation system that includes a well producing 395 +/- GPM, an underground pressurized mainline, and a lined reservoir. Given the high agricultural utility of the land, and its unique location with high freeway visibility and access, this property lends itself to some very interesting possibilities."

"The Los Alamos Valley has been attracting a lot of interest recently", says Lahr. "The natural beauty of the region with its rolling, oak covered hills and moderate climate makes it a very desirable area. With the advent of wineries and tasting rooms, antique stores, and new restaurants, it is fast becoming a popular tourist destination."

For more information contact Frank Ferrero or Larry Lahr at Rincon.



## 1031 EXCHANGES (CONTINUED)

*(Continued from page 4)*

investor to be in escrow, or even to have opened negotiations for any of the identified properties; merely listing them as potential Replacement Properties is all that is required. From a practical point of view however, an investor should be searching and negotiating for a potential Replacement Property during the sale escrow of the Relinquished Property.

Once the investor has identified the potential Replacement Properties, then escrow must close on the purchase of one of these within 180 days of the close of escrow of the Relinquished Property.

Another complexity is that the Replacement Property must have at least as much debt as the Relinquished Property and as much equity as the Relinquished property. **If either of these requirements fall short, the entire shortfall is considered taxable capital gains** (to the extent gains existed in the Relinquished Property).

The requirement for the debt and equity require-

ments can be juggled to some extent by refinancing the Relinquished Property before its sale, or the Replacement Property after the purchase. There is some risk in doing this, especially close to the transaction. In general, it is important that the refinancing be done for "independent business purposes", and is done as a separate transaction from the exchange.

A qualified 1031 exchange is a complex transaction, and it's important to consult your tax professionals in advance to make sure you structure your transactions correctly.

There are many strategies involved in selling your Relinquished Property on a timely basis while maximizing its price. It is even more critical to be able to find a Replacement Property that meets your investment criteria and your 1031 requirements. Rincon has extensive experience with both selling Relinquished Property and buying Replacement Property. We are active in agricultural, industrial, and commercial property. Feel free to give us a call to discuss any questions or ideas you might have.

## FEATURED PROPERTY:

### 300,000+/- S.F. GREENHOUSE, NIPOMO

Rincon is also featuring in this issue of *AgLand News* the Nipomo Mesa Farms operation, greenhouse growers of vine-ripened tomatoes. The property is located on Highway 101 and Thompson Avenue.

The parcel consists of approximately 52 acres. About 15 acres are located in the upper greenhouse area, about 14 acres are located in sloping hillside, approximately 10 acres are located in the lower-level seasonal farmground, with the balance in the Nipomo Creek area.

The greenhouse operations produce the “Patricia Lee” brand vine ripened tomatoes. However, the facilities are suitable for many types of greenhouse operations. The facilities also include an office, storage areas, and a cooling and packing facility. There is a quaint older residence and guest house totaling almost 5,000 square feet that are in need of some work. The upper greenhouse area has room for an additional 100,000 +/- square feet of greenhouses.

Water is supplied by a system of three water wells which feed an 80,000 gallon storage tank. A reverse osmosis system processes the water for the hydroponics operation.

“This is being offered as a turn-key operation”, says Frank Ferrero of Rincon. “A buyer has the opportunity to walk into an operation and start picking tomatoes the day escrow closes. The property is being offered with all existing equipment, brands



and labels, as well as inventory and growing crops.”

“This is a rather unusual opportunity to step into an existing operation, and either continue it as is, or to incorporate a different type of growing operation using the existing facilities, staff, and the existing expansion capability. I think the Highway 101 visibility could be very advantageous,” says Ferrero.

## VARIATIONS OF 1031 EXCHANGES

Two variations of 1031 exchanges include the Reverse Exchange and the Build-to-Suit Exchange. As the name implies, with a Reverse 1031 Exchange, an investor may first purchase their Replacement Property (or the one they intend to keep) before selling the Relinquished Property.

The main advantage to the Reverse Exchange is that often a buying opportunity presents itself before an investor decides to, or is able to sell the Relinquished Property. Probably the biggest deterrent to this alternative is that the investor must have the financial wherewithal to own both properties simultaneously.

Reverse 1031's have been done successfully for many years. However, they had not officially been recognized by the IRS until two years ago. A Reverse 1031 which is structured within the framework established by the IRS is known as a “Safe-Harbor” Reverse Exchange. A Reverse 1031 Exchanges may be structured as a “Non-Safe-Harbor” Reverse Exchange, but its qualification as a tax deferred exchange is not as certain.

To qualify for a Safe-Harbor Reverse Exchange, the investor must place the Replacement Property in escrow, and subsequently assign that position to a Facilitator. **The purchase escrow must close with the Facilitator taking title to the Replacement Property** (which some Facilitators are reluctant to do). The Relinquished Property to be sold must be identified within 45 days, and the sale escrow closed within 180 days of this.

A Build-to-Suit 1031 Exchange allows the investor to meet their 1031 re-investment requirements by including both the purchase price plus qualified improvements to the Replacement Property. A Safe-Harbor Build-to-Suite Exchange requires that title to the Replacement Property must remain with the Facilitator. The improvements must be done within 180 days of the purchase of the Replacement Property, and funded through the Facilitator.

Of course, there are a lot more issues involved with these type of transactions. Be sure to consult with your tax professional before you proceed in any 1031 transaction.

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*Larry Labr  
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### Real Estate Brokerage

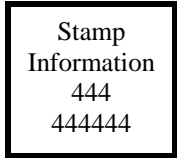
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# RINCON CORPORATION

## 1031 TAX DEFERRED EXCHANGES

### A UNIQUE REAL ESTATE TAX ADVANTAGE

Real estate investors have a unique opportunity available which allows the tax-free sale and subsequent re-investment of real estate. While the transaction itself is "tax-free", the gain on the property is more technically "deferred", with the tax basis of the old property being transferred to the new property. The 1031 Tax Deferred Exchange is actually available for personal property as well. However, the breadth of re-investment options are narrowly restricted for personal property.

With real estate 1031 exchanges, the investor has very wide latitude as to what to re-invest in. Basically, any type of real property may be exchanged for any other type of real property, provided that:

1. The property is not a personal residence, and
2. The property sold was held for investment, and not for resale (i.e. a developer selling homes)

The way a 1031 Exchange essentially works is that when a property is sold, an investor transfers this "Relinquished Property" to a Qualified Intermedi-

ary, or Facilitator, **prior to the close of escrow of the Relinquished Property.** The Facilitator then holds the funds from the sale to use to purchase the new property, or "Replacement Property". When the investor makes a deal to purchase the Replacement Property, the right to purchase this Replacement Property is transferred to the Facilitator who does so with the funds from the sale of Relinquished Property. **It is critical that the investor never "touch" the funds from the sale of the Relinquished Property.**

Of course, there are some complicated rules to go along with this process. One complication is the time limit imposed in the process. From the time escrow closes on the sale of the Relinquished Property, the investor must identify potential Replacement Properties within 45 days. There are several rules as to how many properties may be identified, but the most commonly used rule is that an investor may identify up to three potential properties. The ultimate Replacement Property must be one of these three so identified. This doesn't require the

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