

to have an appraisal to be used as more or less a guideline, but you should not ask for an additional rental based on an increase in the appraisal, and we should not ask you to make a substantial reduction in the rental amount if the appraisal showed less value. In other words, if we write in the bill \$2.9 million based on your estimated value of the land and not the building, and later on some appraiser says it is worth more, would you have any objection to our using these figures as a maximum and any additional savings would accrue to the Federal Government? That is what Mr. Knott proposes, that any such savings would accrue to the Government. That is why he wants to use the maximum amount.

Mr. MULLIGAN. That is quite correct, Mr. Chairman. Let me put it also this way—but before I go to the second point I want to make it clear we use 6 percent per annum as the estimated cost of borrowing.

Mr. GRAY. This is just for the new improvements?

Mr. MULLIGAN. It would be using, again, the numbers we have talked about—\$11 million for the parking facility, \$5 million for remodeling of the station. Now, I would hope we could borrow for no more than 6 percent. I would be delighted if we could borrow for less.

Mr. GRAY. But if it is less the savings will accrue to the Government? I want the record to show that.

Mr. MULLIGAN. The record should show if the interest is less the savings would be reflected in the rental, but, on the other side of that coin, if the interest rate is more there would be an increase reflected in the rental.

Mr. GRAY. I felt we should reach a compromise both on the appraisal and the amount of money because these are funds of the taxpayers and our Commission wanted to get as near as we could to the exact figure.

In your best judgment this morning the figure of \$2.9 million would be a fair and reasonable annual rental to the Federal Government for these improvements and the present facility, and in your judgment this would not vary very much one way or another?

Mr. MULLIGAN. That is correct.

Mr. GRAY. Any further questions?

Mr. GROVER. On page 2 of your statement, the last two sentences, you say:

It is also my understanding that the lessor would be protected against any increase in real estate tax liability or increase in other financial liability which might arise as a consequence of the leases to the Government of the properties and improvements contemplated under this legislation.

I have two questions: What other financial liability do you have in contemplation other than tax liability?

Mr. MULLIGAN. We have none specifically in contemplation, and I would like to make this point, if I may: The Terminal Co. does not seek to escape payment of the taxes to the District which it is paying, and those aggregate approximately—real estate taxes I am talking about now—\$350,000 a year. However, this project is being undertaken by the Government. Left to our own devices we would not build a parking facility for 4,000 vehicles. And we think, in all fairness, since we are undertaking this at your request, and since we are predicating our rental on what I think is a very modest rate of return—if we had started out at the beginning talking 7 percent no heads would have fallen to the floor—