

# AAP Journal

Assessors' Association of Pennsylvania



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## Shell Game: Big Box Retailers and the Dark Store Theory

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The argument isn't new but it has gained traction in recent years. The argument goes like this: the fact that a retail store is thriving has nothing to do with the value of the underlying real estate. Retailers argue that when valuing a store using comparable sales, you must use sales of vacant stores. The reason, they argue, is because these so-called "dark stores" are the only true indication of the value of the real estate alone, not the business contained therein. This theory is also known as the "Go Dark" approach to valuation and it runs counter to the approach often used by appraisers of retail properties that evaluates the sales per square foot to arrive at a value for the real estate.

The theory became popular after the economic collapse in 2008. Large numbers of big-box retailers started closing locations because of lagging sales. They now had many examples of sales of buildings that were empty and these sales were used to support their valuation approach on appeal. The best way to judge value, retailers say, is to look at "comparable sales" — the prices that vacant big boxes command when they are sold. Those prices typically fall well short of the assessments on operating stores.

While certain aspects of this theory may have merit, it misses the mark.

There are critical factors that are often overlooked or glossed over when this claim is advanced. One of the factors is that most sales of vacant retail stores are accompanied by a deed restriction that limits use to non-competitors of the seller. Since the properties are sold with deed restrictions, the consideration paid is not full value.

Another factor that is often not readily apparent is that the retailer made a business decision to close one location and open a new store in a different but nearby site. It is often the case that a store is closed because a retailer has just opened another store nearby in what it perceives is a better business location. These are business decisions related to sales volume, not necessarily directly related to the real estate itself.

Retailers began advancing this theory in other states before raising it here in Pennsylvania. Michigan was the first, then Wisconsin, Ohio, Florida, Alabama and North Carolina received similar challenges. The International Association of Assessing Officers (IAAO) has published statistics showing that the average value for large retail space across the country ranges from \$45 to \$75 per square foot. In Michigan, the average is \$20 following the court's acceptance of the "Go Dark" approach to value.

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## Don't Miss Out!

25TH ANNUAL  
PA GIS CONFERENCE  
MAY 15-17, 2017  
THE PENN STATER CONFERENCE  
CENTER HOTEL



### About the Conference

The GIS profession is an innovative industry. The integration of emerging technologies will help to shape how the field of GIS evolves in the years to come. Challenges abound — from funding to policy to implementation — but the opportunities are many and varied. Coming together as a community we will explore this almost limitless potential.

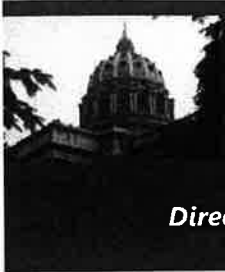
### About Us

The PA GIS Conference is supported by staff of the County Commissioners Association of Pennsylvania (CCAP). The Planning Committee consists of representatives from the Pennsylvania geospatial community.

Online registration now open at  
[www.pagisconference.com/](http://www.pagisconference.com/)

## What's Inside

President's Message, Legislative Update, Latest County Corner, AAP People



## Legislative Update

By Jonathan B. Schuck, Co Chair  
Government Information Committee and  
Director of Assessment/Tax Claim, Chester County

Greetings fellow assessment professionals throughout the Commonwealth of Pennsylvania. By the time you receive this issue of the AAP Journal, the vestiges of winter should be melted and the first signs of spring should be bursting forth. With the transition of seasons in progress, I hope this Update finds you healthy, safe and enjoying the warmer weather.

During the first two months of the 2017/2018 Session, 1271 bills/resolutions have been introduced, 22 of which pertain to assessment-related matters. Of the 22 pertinent bills/resolutions, 12 bills represent familiar legislation re-introduced from the 2015/2016 Session. I do not anticipate significant activity on many of these bills in the near future but a topical summary is provided below:

**Professional Licensure** – making the Assessors Certification Act applicable to counties of the first class  
**House Bill 539/Senate Bill 384**

**Property Tax Reform**  
**House Bill 262** (Elimination)  
**House Bill 230** (Diversification of County Taxes)  
**Senate Bill 347** (Homestead Exclusion)

**Tax Exemption for Disabled Veterans/Surviving Spouses**  
**House Bills 78 and 488**  
**Senate Bills 106, 156, 237, 239, 389, 390 and 407**

**Tax Relief for Senior Citizens**  
**House Bills 460 and 641**  
**Senate Bills 102, 356 and 376**

**Tax Relief for Volunteer Firefighters and EMTs**  
**Senate Bill 413**

**Exclusion of Mobile/Manufactured Homes from Real Property Assessment and Taxation**  
**Senate Bill 417**

## Dark Store

*Continued from page 1*

The IAAO Special Committee on Intangibles includes a discussion of the dark store theory in a white paper recently published addressing intangible assets in property tax assessments, available at [http://www.iaao.org/library/2017\\_Intangibles\\_web.pdf](http://www.iaao.org/library/2017_Intangibles_web.pdf).

## AAP Education Calendar

**2017 AAP Annual Conference**  
May 3 - 5  
Lancaster Marriott, Lancaster

**Fall 2017 CPE Classes**  
Courtyard by Marriott  
State College  
Intro - September 19 - 23  
Site/Market - September 27 - 30  
Cost - October 3 - 7  
Income - October 11 - 14

**2017 Fall Conference**  
November 2 - 3  
Eden Resort, Lancaster

*\* Check the AAP website, [www.paassessors.org](http://www.paassessors.org), for more details.*

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Article submissions are welcome.  
Please send to:  
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