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Assessors' Association of Pennsylvania

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Shell Game: Big Box Retailers and the Dark Store Theory

Joan Righter Price, Esquire, AAP Solicitor

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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25TH ANNUAL
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CCAP
PA GIS Conference

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*!

What's Inside

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

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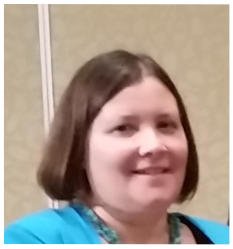
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President's Message

Greetings fellow assessors,

What can you really accomplish in a year?

As I am sitting here preparing my last President's message, I started reflecting back on the most recent accomplishments and changes that have occurred in our association and the assessment profession.

- Act 89 of 2016 amendments to Clean and Green
- Veteran Exemption – No restriction to acreage
- Reassessment Manual Group is making significant progress with the Public Relations, Contracting Standards, Common Level Ratio/ STEB and Self Evaluation Tool/Operation Manual groups
- STEB Sub-Committee is making significant progress with the sales validation manual and CLR calculation
- Recommendation of a CPE representative to the PA SBCREA
- CPE background check. AAP is all over this!

This year, the Annual Conference will be held at the Lancaster Marriott. The Conference Planning Committee, under the direction of Deb Crawford, has reviewed all of your comments from the evaluations and has put together a variety of classes in response to the evaluations. We will also have our silent/regular auction on Wednesday evening. Please remember that the more items we have, the more money we will raise that will go back to our chapters to offset some of our education expenses.

It has truly been my honor and privilege to have served this association for the past year. I would like to also thank the Executive Officers, the Board of Governors and the AAP staff for their support, dedication and service.

What can you accomplish in a year? With the right people working together -- a lot!

Sincerely,

Angie

Angelia S. Tennies, CPE
AAP President



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*.

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, for more details.*

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Article submissions are welcome. Please send to:
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AAP People & Chapter News

North West Chapter

The chapter is pleased to congratulate our newest CPEs - **Damon Hoak** from Butler County, **Janet Courson** and **Brian Knickerbocker** from Crawford County, and **Sarah Willow** from Erie County. Great job, everyone!

South Central Chapter

The South Central Chapter meets quarterly - March, June, September and December. Each meeting begins with the business meetings at 9 a.m., with seminars beginning immediately after the meeting (approximately 9:30 a.m.) and are held at the Adams County Agricultural and Natural Resources Center, 670 Old Harrisburg Road, Gettysburg, PA 17325. Please contact Barb Walter at (717) 337-9837 for more information.

Armstrong County

After 16 years of service to the county, **Vince Milie** retired on March 10. Best wishes, Vince!

Berks County

Kathe Stanislaw has been named the county's new chief assessor in Berks. Congratulations, Kathe!

Franklin County

Sara Rininger, an appraiser with the county for 15 years, has retired to spend more time with her grandchildren.

Gary Martin, chief appraiser, recently retired. Gary was employed by Franklin County for 38 years as a contractor and for the last 16 years as a county employee and chief appraiser. Gary hopes to continue to do appraisal work under his general appraisal designation and do some traveling with his wife.

Good luck to Sara and Gary! We hope you enjoy your retirement.

Lancaster County

Lancaster County's reassessment is moving forward. Preliminary notices will be mailed March 1, with informal reviews beginning on March 13th. Final notices will be mailed in June 2017.

Northumberland County

Congratulations to **Brenda Shaw**, the county's new Director of Real Estate. Welcome, Brenda!

Sullivan County

Following the retirement of the Tax Claim Director, **Susan McCarty** is the county's new Tax Claim Director since February 1. Susan is still also the Assistant Chief Assessor. **Kristin Montgomery** will be the Tax Claim Supervisor and Chief Assessor. We wish Susan and Kristin the best of luck!

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AAP People & Chapter News

Susquehanna County

After more than fifteen years in the assessment office, Chief Assessor **Tom Button** has announced his retirement. His last day will be June 7th, 2017. We wish him well in his retirement!

State Tax Equalization Board

STEB welcomes two new employees. **Danielle Simpson**, formerly with the Indiana County assessment Office, has been added to the STEB staff and will be working in our southwest counties. **Marshall (Dave) Hummel**, formerly with the Northumberland County assessment office, has also joined STEB. Dave will be working in our southeast counties. STEB is excited to have them onboard. Both Danielle and Dave come with many years of assessment knowledge and will be an asset to the STEB team. Good luck in your new positions!

Send Your Chapter and County News!

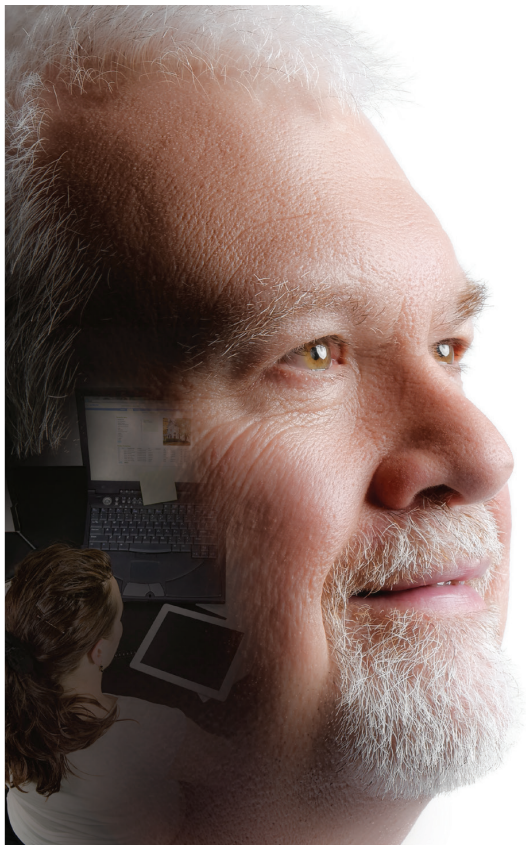
Don't forget to send your county or chapter news for the next AAP Journal. Our next deadline is June 7.

Please send your news to Terry Cochran at *tcochran@pacounties.org*.

83rd Annual Conference On Assessment Administration

The 83rd Annual International Conference on Assessment Administration will be held September 24 – 27, 2017 at Bally's Las Vegas, with more than 1,500 attendees. Check out *www.iaao.org* for more information.

Attendees can register online or download the registration form. The registration fee for the conference is $595 for members and $775 for nonmembers until July 21st and then increases to $715 and $895. Onsite registration pricing starts on September 9th with the fee for members at $830 and $1,015 for nonmembers.



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Mark Kellerman
Chief Assessor
Centre County

Years in assessment field: 16

Marital Status and family: Single, two children Andrew and Sara

What irritates me most in the assessment business: Appraisal reports which use "nationwide" data to conclude a low value, rather than actual or relevant local data.

Most people would be surprised to know: My degree is in horticulture.

Biggest challenge as an assessor: Unscrupulous people

First Job: Arborist while in college

If I couldn't be an assessor, I'd be: A garden center owner again.

If I won millions in the lottery, I would: Assure my children's financial future, retire and purchase a large parcel of land.

Favorite food and drink: Steak dinner on the grill and an ice cold beer

Favorite vacation: Niagara Falls

Favorite movie: *The Longest Day*

Three people living or dead that I would invite to dinner: Thomas Jefferson, William Clark and Meriwether Lewis

The hardest lesson I ever learned as an assessor was the time: At my first trial I received advice to not get so tense as I was told by a friend, "No one is going to jail and no one's children are being taken away as a result of an assessment appeal trial. It's about money."

If I could live in the past for one day, I would change: Really nothing.

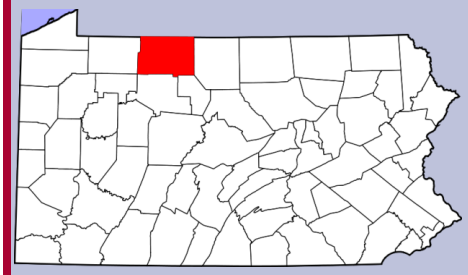
My best friend: My son Andrew

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County Corner!

Angelia Tennies, CPE
Chief Assessor, McKean County

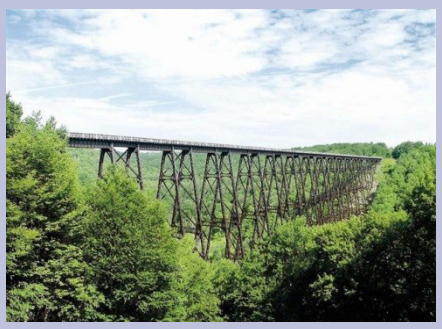


McKean County is situated in the northwest portion of the Commonwealth in the region known as the Pennsylvania Wilds including the Allegheny National Forest and borders the state of New York.

McKean County was established March 26, 1804 and was annexed from Lycoming County. The county was named for Thomas McKean, the second Governor of Pennsylvania, and was founded because of its natural resources including heavy timber, coal, gas and oil. Today the economy includes a university, rural medical center, regional airport, federal correctional institutions and a number of manufacturing companies.

We are the home of Zippo Manufacturing Company which makes the famous Zippo lighter. Other world known products are Case knifes which are made by WR Case and Sons Cutlery. Both companies are located in Bradford, Pennsylvania. Oil production and forestry are also significant industries.

The most famous attraction in McKean County is the Kinzua Bridge State Park. The bridge was built in 1882 and was 301 feet tall and 2,052 feet long. In 1900, the bridge was dismantled and rebuilt out of steel to allow for heavier trains. In 1963, it became a state park and the bridge was also known as the eighth wonder of the world. In July 2003, engineers and skilled bridge builders were hard at work on a $12 million repair project to reinforce the aging structure. After the workers left for the day a tornado tore through the forest and struck the bridge causing a large portion of the bridge to collapse. Before the bridge collapsed, it was ranked the fourth-tallest railway bridge in the United States. The State decided not to rebuild the bridge and on September 15, 2011 the Kinzua Sky Walk was open, which included a pedestrian walkway to an observation deck with a glass floor at the end of the bridge. The State Park is open daily and attracts many people to McKean County.



Kinzua Bridge

We are proud of our heritage of military service in McKean County beginning with the Bucktail Regiment formed by Philadelphian Thomas Leiper Kane. On April 25, 1861 the McKean County Rifles Company marched out of Smethport to answer Presidents Lincoln's call to save the Nation's Capital. Today, McKean County is the home of a special place that remembers and recognizes the men and women who served during World War II. The Eldred World War II Museum located in Eldred, Pennsylvania was created by the late Tim Roudebush who had a vision and dream for future generations to remember the service and sacrifices of the greatest generation.

The museum tells the story of the Eldred National Munitions Company operated in Eldred during the war and is a major attraction with life-like statues of women who worked at the plant. The plant went into operation in 1941 before the United States became actively involved in World War II. Fifteen hundred people worked at the facility and when the men were called into service ninety-five percent of the employees were women. Types of munitions assembled at the plant were British 3 inch trench mortars, 2 inch smoke projectiles and incendiary bombs.

Mr. Roudebush's father, George Roudebush, was a United States Attorney who recommended Eldred, Pennsylvania as a suitable location for the plant that would serve the British and American armed forces. Operations ceased once the war ended.

In the twenty one years of operation this little museum has honored and provided a place for some of our country's greatest heroes to share their stories. The Navajo Code Talkers and Master Sergeant Abie Abraham survivor of the infamous Bataan Death March have spoken at the museum and been featured by Hollywood as their stories became movies. The museum proudly has on display in the Mitchell Page Hall the Medal of Honor of Col. Mitchell Paige.

Angelia Tennies is the current president of the AAP and Chief Assessor of McKean County.

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