



# Amerival

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## LION & THE LAMB!

BY  
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**KNOW THESE?-** Here are some terms which you may not be familiar. Give them some thought. Definitions are on the following page.

**PRICE OPINIONS**      **DARK STORE**      **FEE SIMPLE ABSOLUTE**      **BUSINESS VALUATIONS**

*Please don't miss the **Professional of the Edition on Last Page***

**REMINDER: UPDATE ON NJ NAIFA ANNUAL CONFERENCE-** Make your reservations now, the hotel advised that they are nearing the allocation of rooms for the conference at the reduced nightly fee. Don't delay, ladies and gentlemen. Call today!! The NAIFA 52nd Annual Conference is scheduled for April 11 & 12, 2018, being held at the Tropicana Casino and Resort on the boardwalk of Atlantic City. Based on approvals the full program now provides 15 CE credits for the two days, not 14. The first day is USPAP and there will be a 2 hour seminar for NJ law as now required by New Jersey. I will keep you posted in my newsletters. Also, if you have any questions give a call or send an e-mail and I will make sure it is answered. You can go to NJNAIFA.com and that website will have information to assist you.

Please remember that you have two years to attain the required 28 credit hours of education to retain your appraisal license. However, without fail, many will be hunting online courses at the last minute to retain their license. NOT a good idea. Why? Because the CEU's required are intended for appraisers to grow their knowledge and increase their acceptance of the clients one seeks. In July the NAIFA is merging with the ASA. A quick review of upcoming seminars and courses is exciting. Growth and professional growth is the goal for this merger and it appears that it is on the right track.

All that is needed is the positive response of it's public which is the professionals that are invested in real estate and businesses, as the ASA is the most recognized organization for business valuations.

**Dark Stores-** Yes, this is a new term but a condition that big box owners / operators take serious. Their contention is that the "big box" stores are being improperly assessed throughout the United States. However, a small town in Michigan, Escanaba had a tax appeal case in 2016 in which a retail giant, Menards, appealed its tax assessment on the basis that the municipality was incorrect in valuing it's store via traditional methods. The retailer lost its appeal to the state tax court, and then appealed to the Michigan State Supreme Court for relief. In this case, they didn't succeed. The court decided not to hear the case. Likely, a politically correct decision, but also an escapist tactic which demeans the importance of a supreme court. **(CON'T)**

Courtesy of

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**CON'T-** However, in 2015 the Dark Store methodology did have success. According to the Michigan County Treasures it was stated that municipalities had refunded \$75 million to “Big Box” store since the adoption of the concept. And, of course the political position is the public had to pick up the revenue loss to compensate for the losses. In the proceedings in Michigan, the approaches to have applied were the Cost Approach and the Sales Comparison (Comparative) Approach. The Income Approach was not used by any participants. In Michigan, the Cost Approach was the primary appraisal method used. The “system” decided that this approach was the most objective, which it is. The concern was and is that older properties suffer via this approach due to difficulty of measuring depreciation therefore, the results appeared unfair and inadequate. The newer properties however did not suffer that problem. The Cost Approach’s most recognizable advantage is it doesn’t infuse inadequate market data or distorted market scenarios.

It’s understood that “big box” owners seek the lowest valuation possible and conversely the municipalities seek the highest possible value. The primary problem is the Sales Comparison approach is historically the most reasonable as it compares *apples to apples*, etc. However, there is a paucity of “big box” stores available for comparison. In addition, the owners when abandoning the locations, don’t sell in a reasonable time period in order to avoid competition from taking hold. It’s recognition reasons not dollar loss as the store is closed. It is also commonplace to impose deed restrictions which disallows the sale to competitive entities. These tactics dramatically reduce “comparable” values and thus, property values of active stores. The tactics impact the tax revenue of the municipality and creates tax increases to the general public which is always the loser in any scenarios as this. The most recent reaction by the Supreme Court of Michigan as to the Escanaba Menards store, is a clear indication that the system is putting the skids on this “Dark Store Methodology and not a moment too soon.

**DARK STORE-** A new term referencing *big box stores* which owners / operators of these type buildings, i.e., Walmart, Costco, BJ’s and the like believe their tax assessments should be based on a vacant brick and mortar status. So, “Dark” means it should presume that the stores regardless of income should be considered as vacant and non-productive.

**FEE SIMPLE ABSOLUTE-** An interest in land that, being the broadest property interest allowed by law, endures until the current holder dies without heirs; esp., a fee simple absolute, often referenced as “fee”.

**BUSINESS VALUATIONS-** Valuing on-going businesses is not a new thing but is receiving a lot of attention today. It is the process of determining the economic value of a business or company. Business valuation can be used to determining the fair value of a business for a variety of reasons, including sale value, establishing partner ownership, and divorce proceedings. Often times, owners will turn to professional business valuers for an objective estimate of the value of the business

### **THIS EDITION’S SELECT PROFESSIONAL**

**James O’Donnell, CTA, SCREA- Real Estate Appraiser, Lodi, NJ ; Tel. 973-773-5593; EMAIL- JamesOdonnellappraiser@gmail.com.** Mr. O’Donnell is an accomplished real estate appraiser. He had his beginning as a real estate sales person and in 1987 decided to give appraising a try. His real estate experience has served him well. Jim developed a keen understanding over the years for properties located in the municipalities in the Northeast section of New Jersey. Amerival relies on Jim for every assignment for which we are retained in his “neck of the woods”. As a north Jersey past resident I have a good feel for many of the areas but “good” ain’t good enough when you are being retained to help defend or assist a client that is obvious very important to it. The smart money goes to getting the assistance from the best; and, that is what Jim is, the best. We have had years of cooperative cases in which his assistance was invaluable. But, more importantly, Jim as many of my professionals whom I have written is most importantly, a “nice” guy or gal when appropriate. He is one of the truly honest and deeply client concerned professionals with whom I have had the pleasure and good fortune to know and with whom to work. Mr. O’Donnell is very well known by the tax boards, attorneys and municipalities for his incredible detail oriented reports and his winning ways at tax board hearings. Whether its as large property or a house, Jim’s diligence and priorities are the same. I truly suggest that if you are in need of an accomplished and highly recognized appraiser for a tax appeal, call Jim.