



City of Lawrence

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Senator Caryn Tyson
Chair – Senate Assessment and Taxation Committee
Rm. 123 East, Statehouse
Topeka, KS 66612

March 5, 2018

Re: Dark Store Theory of Evaluation/Hypothetical Conditions

Dear Senator Tyson and Committee Members,

Your committee recently held an informational hearing on property valuation on large commercial properties. The City of Lawrence and other municipalities, are concerned about recent theories of property valuation presented before the Kansas Board of Tax Appeals in cases involving big box retailers. One of the theories being put forth by large corporate property owners is known as "dark store theory". The dark store theory originates from claims that big-box retail stores have been unfairly over-assessed by current appraisal practices. The theory has also been applied to multi-tenant shopping centers. The theory advocates for certain properties to be valued for taxation purposes as if the properties were vacant and unencumbered by leases – i.e. "dark". Tax representatives of these companies present evidence at valuation appeals based on sales of vacant properties, typically older stores, that have been abandoned by retailers. Such a methodology is not an accepted method recognized by mainstream appraisal organizations.¹

Using such a valuation methodology shifts taxpayer burden unfairly to residential and non-commercial property owners by lowering the true value of commercial properties. The Douglas County Appraiser's Office estimates that if such a valuation system was applied in Douglas County, the potential loss in revenue could be an over 36% reduction in valuation for commercial and apartment properties. Municipalities will have to decide to reduce services or increase taxes on all of the others in the tax base to make up for the lost revenue. The current rules for appraising property in Kansas are fair and equitable. They should not be hastily abandoned for the "Dark Store Theory" which many consider a flawed theory. The City of Lawrence urges the legislature to study this issue carefully and to oppose any legislation allowing for the use of this theory for the valuation of property for taxation purposes.

Sincerely,

Stuart Boley
Mayor

¹ The Dark Store Theory is not recognized in either The Appraisal of Real Estate, 14th ed. or the Dictionary of Real Estate Appraisal, 6th ed. – published by the Appraisal Institute.

