

Dark Store Theory

SB182 by Sen. Phil Williams

HB157 Rep. Corley Ellis

Championed among big-box stores, the Dark Store Theory is a property valuation concept that suggests commercial properties be appraised and valued as if they are vacant or "dark." These retailers argue that their stores are built for a specific purpose and would have little appeal to the next occupant, diminishing the property's value.

By contrast, it is customary practice for an appraiser to appraise property to its "highest and best use." This would mean appraising these commercial properties as operating locations.

As a result, dozens of lawsuits have been filed across Alabama by big retailers that favor the Dark Store Theory. Under current law, a retailer protesting or appealing a commercial property valuation can bury or hide evidence pertinent to determining how a commercial property should be appraised. Retailers' ability to conceal this information could cause Alabama to lose millions in commercial property taxes.

This bill would amend current law by requiring a retailer that seeks to use a sale or lease transaction to boost its case for appealing a property valuation to disclose the following:

1. Whether the property was occupied or unoccupied at the time of transaction;
2. And whether the comparable property was subject to any use, deed or lease restriction at the time of transaction that prohibits the property from being used for its original purpose.

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