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TAX - NEW JERSEY

Palisadium Management Corp. v. Borough of Cliffside Park

Tax Court of New Jersey - May 2, 2016 - N.J.Tax - 2016 WL 2343387

Corporate taxpayer challenged tax assessments on property with improvements consisting of a building containing a banquet facility and a fitness/health spa facility.

The Tax Court held that:

- Cost approach was not an appropriate methodology for valuing the property;
- A hybrid approach, applying both the sales comparison and income capitalization approaches, was appropriate; and
- Expert's valuation adjustments were not credibly supported.

The cost approach was not an appropriate methodology in property tax assessment proceedings for valuing property consisting of two lots comprising approximately 4.19 acres, with an improvement on one of the lots consisting of 74,668 square feet, containing a banquet hall on the upper level and a fitness center and health spa on the lower level, notwithstanding borough's contention that the property's location, with its superior views of river and city skyline, and its unusual combination of uses, qualified it as a "unique" and "special-purpose" property. The subject properties were constructed more than thirty years before the first valuation date, neither a banquet hall nor a fitness center was unique or specially built, and there was unquestionably a market for the sale of banquet halls and the lease of health fitness centers.

A hybrid approach, applying both the sales comparison and income capitalization approaches, was appropriate in property tax assessment proceedings relating to property consisting of two lots comprising approximately 4.19 acres, with an improvement on one of the lots consisting of 74,668 square feet, containing a banquet hall on the upper level and a fitness center and health spa on the lower level. The sales comparison approach was appropriate for the banquet facility, and the income and expense approach was appropriate for the fitness/health spa.

Expert's valuation adjustments were not credibly supported in property tax assessment proceedings relating to property consisting of two lots comprising approximately 4.19 acres, with an improvement on one of the lots consisting of 74,668 square feet, containing a banquet hall on the upper level and a fitness center and health spa on the lower level. Expert's conclusion as to market conditions/time adjustment was not discernible from the evidence nor adequately supported by any objective facts, expert used same comparable sales to support multiple paired sales analyses, there was no objective data supporting conclusion that the reason the subject property was able to command higher prices than competitors was a result of its "above average" view of city skyline, and there was insufficient evidence to assess whether subject property actually charged higher prices than comparable venues.

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