

Bond Case Briefs

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TAX - NEW JERSEY

Eagle Rock Convalescent Center v. Township of West Caldwell

Tax Court of New Jersey - January 6, 2021 - 32 N.J.Tax 122

Taxpayer filed action seeking to lower the local property tax assessments on property, a skilled nursing facility which depended on Medicaid for income.

The Tax Court held that:

- Income approach used by taxpayer's expert was not a reliable indication of property's value;
- Cost approach which utilized an automated valuation software to generate cost estimates was not a valid or reliable approach for determination of property's value;
- Township's assessments as to years for which there was no evidence of value of property were affirmed due to a failure of proofs;
- There was no evidence of economic obsolescence;
- Conclusion of taxpayer's expert as to five percent depreciation for curable functional obsolescence was based on credible testimony;
- There was no evidence that property suffered from incurable functional obsolescence; and
- Opinion of township's expert regarding effective age of property in determining physical depreciation was well founded and supported by permits.

Income approach relied upon by taxpayer's expert was not a reliable indication of value of real property subject to property tax assessment, a skilled nursing facility; there was no attempt to separately allocate value among the realty versus the value of the business operation, properties offered as comparables were not located within competitive market, there were more differences than similarities when attempting to align comparable properties with the subject property, and record provided inadequate support to find property's actual income was stable and consistent with the market.

Cost approach which utilized automated valuation software to generate cost estimates was not a valid or reliable approach to determine value of real property subject to property tax assessment, a skilled nursing facility, where inputs and additional data used by software were not provided to court for review, and experts did not authenticate and explain calculations used by automated valuation software, were not knowledgeable about the workings of software or how program performed cost calculations, and did not produce evidence to confirm validity of results through manual calculation or through production of actual construction costs to compare experts' conclusions reached using software.

There was no evidence from which the court could determine value of real property subject to property tax assessment, a skilled nursing facility, as to certain tax years, and thus township's assessments as to those years were affirmed due to a failure of proofs.

There was no evidence to support claim of economic obsolescence in determining value of real

property subject to tax assessment, a skilled nursing facility that received substantial income from Medicaid; there was no evidence that rules establishing the Medicaid reimbursement rate for nursing home patient care, in any manner governed, restricted, or limited the transfer and ownership of the land or that receipt of Medicaid revenue equated to a public policy that should have been shared by the taxpayers in form of reduced property taxes for nursing homes.

Conclusion of taxpayer's expert as to five percent depreciation for curable functional obsolescence in determining value of real property subject to tax assessment, a skilled nursing facility, was based on credible testimony that expert relied on national cost index with local building costs defined by zip-codes or local cost multipliers for the cost of the items, including installation, and converted the figure to a percentage.

There was no evidence that real property subject to property tax assessment, a skilled nursing facility, suffered from incurable functional obsolescence; there was no proof connecting property's vacancy to the real estate versus operation of the business or evidence of statewide vacancy rates, and Certificate of Need for 180 beds continued at property unchanged year to year for more than 20 years.

Opinion of township's expert regarding effective age of real property subject to tax assessment, a skilled nursing facility, in determining physical depreciation, that the general maintenance of property over the years was very good, was well founded and supported by permits taken out on property; permits dated during ten years prior to and after valuation dates elicited a pattern of maintenance, upgrades, and repairs at property demonstrating a propensity for taxpayer to maintain and upgrade the property in a manner which would likely have reduced its effective age.