

Detailed Outline

IAAO Legal Conf 2025 Phoenix

Special Purpose, Special Problems: A Case Study in Hospitality Valuation and Functional Obsolescence

Case Study: The Waterside, Norfolk

What did the property look like?



This is a special purpose hospitality property on the waterfront in downtown Norfolk, Virginia. Once a vibrant Rouse "festival marketplace," the property underwent major renovation in 2017 — only to face declining

performance and contentious tax appeals during and after the pandemic.

This session examines a legal challenge in which the taxpayer and local assessor reached sharply different conclusions regarding depreciation and functional obsolescence. The appraiser retained by the assessor's office will compare and contrast the valuation strategies used in the Cost, Sales Comparison, and Income Approaches.

This session includes information on:

- Appraisal techniques for measuring obsolescence under each approach to value
- What functional obsolescence looks like in special purpose properties
- How unfinished building areas can impact obsolescence calculations
- Why disputes of this type can hinge on valuation methodology rather than "comps"

A timed outline for the presentation is presented on the following page.

Minutes	Topic	Description
3	Introduction	General information and introduction
5	Subject Lawsuit	Outline parties, history, issues, legal questions, sidebar topics such as casino litigation
7	The Property - Intro	Describe the subject property using photos and maps, highlight special purpose elements
5	Valuation Summary	Highlight details relating to valuation. Summarize the appraisals and appraised real estate values.
10	Special Purpose Properties	Definitions and Reference Materials, including functional obsolescence
10	Valuation Strategies	Valuation techniques used in this case study
5	Conclusions	Summarize key points from case study and presentation
10	Q&A	Time for audience to ask questions about the presentation and receive answers from the panel

Subject Photos illustrating more typical hospitality property characteristics and also special purpose characteristics:

What did the property look like?



What did the property look like?



What did the property look like?



What did the property look like?



What did the property look like?



What did the property look like?



What did the property look like?

- 4.09 acres of land
- 600 feet of frontage on Elizabeth River
- Adjoins a marina and portion of a riverfront promenade
- Public ferry docks at the marina
- Sightseeing tour boats dock at or near the marina

What did the property look like?

Bldg sq footage		
70,000	Finished leasable area	
40,000	Unfinished leasable area	
110,000	Total leasable square footage	

- Majority of the building is owner-occupied
- 1 tenant space lease by a “third-party” restaurant

Valuation overview

Both appraisers used all three approaches to value

The unfinished area of the building was handled differently in all three approaches to value

Measuring functional obsolescence

-overview of choices for depreciation

-examples of depreciation in this case study

-pros and cons of methods used by each appraiser

What is this property worth?

Summary of Property Values:

Tax Year	Assessor Total MV	Shawn Wilson Total MV	Taxpayer Total MV
2023	\$ 18,021,600	\$ 19,130,000	\$ 6,840,000
2022	\$ 20,469,700	\$ 18,063,000	\$ 6,050,000
2021	\$ 25,464,800	\$ 16,975,000	\$ 5,130,000
2020	\$ 34,996,600	\$ 15,877,000	\$ 4,300,000

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What is this property worth?

Interesting Value Comparison:

Tax Year	Wilson MV Land Only	Taxpayer MV GRAND TOTAL
2023	\$ 8,910,000	\$ 6,840,000
2022	\$ 8,910,000	\$ 6,050,000
2021	\$ 8,460,000	\$ 5,130,000
2020	\$ 8,020,000	\$ 4,300,000

What happened with Waterside?

Negotiations continued and eventually settled

YEAR	TAX ASSESSMENT	SHAWN WILSON TOTAL MV	CORRECTION	TAXPAYER'S TOTAL MV
2024	\$ 14,334,200		\$ 12,741,500	\$ 9,000,000
2023	\$ 18,021,600	\$ 19,130,000	\$ 17,500,000	\$ 6,840,000
2022	\$ 20,469,700	\$ 18,063,000	\$ 17,000,000	\$ 6,050,000
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- Performance Grant payments were likewise adjusted
- Past Grant overpayments treated as credit against the refund owed

Summarize outcome of the case study

Summarize conclusions and methodologies

Bibliography

1. Schoenhut, William F. Jr. "Appraising Special-Purpose Property." *The Real Estate Finance Journal*, Summer 1990.
2. Finch, J. Howard, and Richard Casavant. "Highest and Best Use and the Special Purpose Property." *The Appraisal Journal*, 1996.
3. Atherton, Thomas M. "Theories, Challenges and Approaches to Valuation of Special Purpose Properties." *39th Annual IAAO Legal Seminar*, Bose McKinney & Evans LLP, December 13, 2018.
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5. Throupe, Ron, Kay Zhang, and Xue Mao. "What's So Special About Special-Purpose Property?" *The Appraisal Journal*, Summer 2015.
6. Throupe, Ron, Eryn Throupe, and Jennifer (Fang) Dong. "What's Still Special About Special Purpose Property." *Real Estate Issues* 44, no. 19 (October 9, 2020). Published by The Counselors of Real Estate.