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# STATE OF MICHIGAN

# COURT OF APPEALS

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| ZECORRA ENTERPRISES, LLC,<br><br>Petitioner-Appellant,<br><br>v<br><br>REDFORD TOWNSHIP,<br><br>Respondent-Appellee. | UNPUBLISHED<br>October 14, 2026<br>9:40 AM<br><br>No. 376030<br>Tax Tribunal<br>LC No. 23-001305 |

Before: BORRELLO, P.J., and BAZZI and LIEVENSE, JJ.

PER CURIAM.

In this action contesting the tax assessment of real property, petitioner, Zecorra Enterprises, LLC, appeals by right the Michigan Tax Tribunal's opinion and judgment determining the true cash value of petitioner's commercial property for the 2023 tax year. In making this determination, the tribunal adopted and applied a renovation deduction proposed by respondent, Redford Township. Finding no errors warranting reversal, we affirm.

## I. BASIC FACTS AND PROCEDURAL HISTORY

This case involves the parties' dispute over the valuation of petitioner's commercial property, located in Redford Township, Michigan. The building on the property previously operated as a bowling alley, which closed in 2019 and fell into disrepair. Petitioner executed a purchase agreement to buy the property in June 2022, and thereafter signed a contract with Mann Construction to renovate the "vacant retail premises building into a Turn Key Box location for a proposed Dollar General store" in September 2022.

The sale of the property closed in October 2022, and petitioner paid a total acquisition cost of $450,000. The cost breakdown included $200,000 as the "[c]ontract sales price," plus $250,000 in "[o]ther [c]onsideration[.]" Petitioner's appraiser, Michael Collins, characterized the sale of the property as "an arm's length transaction." However, respondent's appraiser, John Widmer, claimed the $200,000 sale price was a "significant outlier" from the market rate because the property had been listed at a price of $525,000 in June 2021, signifying a 62% discount to petitioner's purchase price. According to Collins, the "other consideration" in the acquisition cost included personal property, fixtures, and furniture associated with the bowling alley. Photographs

indicate that the bowling-alley fixtures were removed in October 2022, after the property was purchased.

In December 2022, petitioner agreed to lease the property to Dolgencorp, LLC (Dollar General). The lease obligated petitioner to perform construction on the premises, to be completed by April 1, 2023, after which Dollar General would take possession of the property. The timing and extent of the construction performed on the property is disputed. Collins represented that petitioner did not make any renovation payments in 2022, the renovations occurred in 2023, and the cost of construction totaled $797,783.70. Petitioner's owner told Collins the property was "cleaned up and secured" in 2022, but "no significant work had occurred." Conversely, while Widmer could not identify what specific work was performed in 2022, he claimed that based on his review of the documentation, "roughly $80,300" of construction work was performed in 2022.[1] Dollar General took possession of the property in May 2023.

In May 2023, petitioner initiated the instant action by filing a petition in the Tax Tribunal to contest respondent's 2023 tax assessment, alleging that respondent erroneously determined the property's true cash value. Accordingly, petitioner requested the tribunal reduce the property's assessed and taxable value.

Collins and Widmer filed appraisal reports with the Tax Tribunal. They agreed regarding the highest and best use of the property, with Collins concluding it was "commercial repurpose/use," and Widmer concluding it was the property's "current retail use . . . ." However, their determinations of the property's true cash value as of the December 31, 2022 valuation date differed significantly.[2] To determine the property's true cash value, both appraisers relied on the sales-comparison and income-capitalization valuation approaches.[3]

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[1] Collins's testimony was based on a general ledger dated January 1, 2023 to August 31, 2023, that petitioner provided to him. Widmer's analysis relied on a general ledger dated January 1, 2022 to July 12, 2023, which respondent purportedly received from petitioner through discovery. At the time of his appraisal, Collins had not seen the ledger produced in discovery. In contrast to the general ledger Collins relied on, the one Widmer relied on listed four nominal payments made from November 10, 2022 to December 15, 2022. Both general ledgers listed a $78,983.78 payment made on January 12, 2023. Widmer attributed those costs to work performed in 2022 because, in his experience, construction work "is paid when it's done."

[2] The tribunal's property-tax assessment for the 2023 tax year depended on the value of the property as of the December 31, 2022 tax day. See MCL 211.2(2) (providing that "[t]he taxable status of persons and real and personal property for a tax year shall be determined as of each December 31 of the immediately preceding year, which is considered the tax day").

[3] "The three valuation methodologies that have been found acceptable and reliable by the Tax Tribunal and the courts are the cost-less-depreciation approach, the sales-comparison or market approach, and the capitalization-of-income approach." *Menard, Inc v Escanaba*, 315 Mich App 512, 523; 891 NW2d 1 (2016) (quotation marks and citation omitted). As summarized in Collins's report, the sales-comparison approach "utilizes sales of comparable properties in areas that are

Under the sales-comparison approach, Collins identified the property's true cash value as $214,000. For the income-capitalization approach, Collins estimated the property's value as $212,000. Noting that the property required remodeling, Collins then deducted a "Build-Out/Repair Allowance" of $57,000 to reach a true cash value of $155,000. This deduction reflected the amount needed to renovate the property "to attract the interest of a prospective tenant." Reconciling the two approaches, Collins determined the property's true cash value was $180,000.

Widmer identified the property's true cash value under both the sales-comparison and income-capitalization approaches as $570,000. Notably, under the income-capitalization approach, Widmer identified a "Stabilized True Cash Value" of $1,095,931. Widmer next made adjustments "to address the non-stabilized occupancy status of the property," deducting petitioner's monthly renovation cost by $121,464 per month for the four month "holding period" between the valuation date and the date the property was completed and occupied. After adjusting for loss of rent and the amount for present value, Widmer identified a total "[n]on-stabilized adjustment" of $525,000, which he deducted from the Stabilized True Cash Value for a true cash value of $570,000.

The Tax Tribunal held a three-day hearing to determine the proper valuation of the property. The parties presented documentary evidence and testimony from Collins and Widmer in support of their true-cash-value determinations. The tribunal issued its final opinion and judgment on May 27, 2025, determining that the true cash value of the property was $525,000. It found "that Petitioner's witness and evidence were not more persuasive than Respondent's valuation evidence and cogent analysis."

Regarding the highest and best use of the property, the tribunal noted the parties' agreement and found "no dispute that the subject's highest and best use is for a repurposed commercial use permissible under current zoning." The tribunal also considered evidence regarding the condition of the property on the valuation date, providing:

> The Tribunal does not accept Petitioner's premise that the subject property condition was the singular driving force for the value of the subject as of December 31, 2022. In this regard, Petitioner's photographic evidence of the subject building is unpersuasive. The appraiser's analysis of the subject's condition as well as renovation costs was unclear given the inconsistent and incomplete photographs. There are no photographs as of December 31, 2022, from either appraiser. Likewise, Petitioner's appraiser did not have any interior photographs of the subject as of January 2023. Petitioner's appraisal report included subject photographs which were taken in October 2022 by someone other than Petitioner's appraiser. Again, the October 2022 photographs of dismantled bowling lanes and equipment indicated initial renovation work prior to tax day. Yet, Petitioner's appraiser asserted that there were no renovations to the subject property as of December 31,

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considered to be competitive to the subject," while the income-capitalization approach evaluates a property's earning capability based on either its market-derived capitalization rate or discounted annual cash flow.

> 2022. Petitioner's workfile also included subject photographs which were undated and unauthored. The gaps in the photographic evidence are unpersuasive to the condition of the subject property as of tax day. Therefore, the condition of the subject property is not a determinative element for the subject property's market value for December 31, 2022.

The tribunal weighed the documentary evidence presented, finding that "Petitioner's bank financing, Petitioner's purchase date of the subject, Petitioner's lease agreement with Dollar General, and Petitioner's agreement with Mann Construction for renovations played a significant part in the market value of the subject property." It noted that "the sale price was not proven to be commensurate with the market," and was therefore "not presumptive market value for the subject property." Further, while it recognized that "the renovation costs of $800,000 are also an important element to the analysis of the subject property," those costs did not "necessarily equate to value."

The Tax Tribunal then made independent determinations of the property's true cash value. Under the sales-comparison approach, it concluded the property's market value was $529,000. Under the income-capitalization approach, it determined the property's Stabilized True Cash Value was $1,046,250. The tribunal then considered the parties' arguments regarding the correct amount of nonstabilized deductions for renovations. It gave petitioner's proposed renovation deduction of $57,184 "no weight or credibility in the income analysis," reasoning that the adjustment was unsupported and Collins's "testimony was too vague and broad to be applied to the subject or comparable data." Accordingly, it adopted respondent's proposed deduction of $525,000, explaining:

> Respondent's appraiser considered the subject's overall renovation cost from October 2022 to April 2023. Respondent's analysis stemmed from Petitioner's general ledger which denoted the total renovation cost of the subject property. Respondent developed a 4-month discounted cash flow (DCF) with application and market support. Contrary to the opposing party's challenges, Respondent's appraiser adjusted the subject's stabilized value by rent loss, renovation costs, and an appropriate discount rate. The analysis was well reasoned and supported by market analysis.

Applying respondent's deduction under the income-capitalization approach produced a true cash value of $521,000. Reconciling the two approaches, the Tax Tribunal's final determination of the property's true cash value was $525,000. This appeal ensued.

## II. TRUE CASH VALUE

On appeal, petitioner argues the Tax Tribunal erred in its true-cash-value determination by relying on Widmer's renovation deduction, which only accounted for a portion of petitioner's actual renovation costs. In petitioner's view, the opinion and judgment rested on the assumption that construction on the property began in 2022, and, because this assumption was not supported by substantial evidence, the tribunal should have deducted all of petitioner's renovation costs. We disagree.

"[T]his Court's review of decisions of the Tax Tribunal, in the absence of fraud, is limited to determining whether the tribunal made an error of law or adopted a wrong principle[.]" *President Inn Props, LLC v Grand Rapids*, 291 Mich App 625, 631; 806 NW2d 342 (2011) (quotation marks and citation omitted). See also Const 1963, art 6, § 28. This Court must accept the tribunal's findings of fact if they are supported by competent, material, and substantial evidence on the whole record. *Adamo Demolition Co v Dep't of Treasury*, 303 Mich App 356, 367; 844 NW2d 143 (2013). Substantial evidence is evidence that a reasonable person would accept as sufficient to support a conclusion and "may be substantially less than a preponderance." *Id*. (quotation marks and citation omitted). "Failure to base a decision on competent, material, and substantial evidence constitutes an error of law requiring reversal." *Menard, Inc v Escanaba*, 315 Mich App 512, 520; 891 NW2d 1 (2016) (quotation marks and citation omitted). This Court "must defer to the tribunal's determinations of witness credibility." *Detroit Lions, Inc v Dearborn*, 302 Mich App 676, 703; 840 NW2d 168 (2013).

A property-tax assessment must be based on the property's true cash value under the Michigan Constitution. *Wayne Co v Mich State Tax Comm*, 261 Mich App 174, 178; 682 NW2d 100 (2004), citing Const 1963, art 9, § 3. MCL 211.27(1) defines true cash value as "the usual selling price at the place where the property . . . is at the time of assessment, being the price that could be obtained for the property at private sale . . . ." True cash value is synonymous with fair market value, i.e., "the probable price that a willing buyer and a willing seller would arrive at through arm's length negotiation." *Huron Ridge, LP v Ypsilanti Twp*, 275 Mich App 23, 28; 737 NW2d 187 (2007). Although a petitioner has the burden to establish a property's true cash value, "because Tax Tribunal proceedings are de novo in nature, the Tax Tribunal has the duty to make an independent determination of true cash value." *President Inn Props*, 291 Mich App at 631.

A property's highest and best use is "fundamental" to determining its true cash value. *Detroit Lions*, 302 Mich App at 697. "Highest and best use means the most profitable and advantageous use the owner may make of the property even if the property is presently used for a different purpose or is vacant, so long as there is a market demand for such use." *Id*. (quotation marks and citation omitted). "A highest and best use determination requires simply that the use be legally permissible, financially feasible, maximally productive, and physically possible." *Id*. (quotation marks and citation omitted). A property's existing use is relevant to determining its fair market value. *Id*.

Applying the income-capitalization approach, the tribunal determined the property's Stabilized True Cash Value was $1,046,250. To account for the property being vacant on the valuation date, the tribunal applied respondent's proposed deduction of $525,000, which included renovation costs and loss of rent incurred after the valuation date. In petitioner's view, the tribunal should have deducted its full renovation costs of $797,783, because renovation did not begin until 2023, after the valuation date.

We hold, however, that the Tax Tribunal's deduction of $525,000 in determining the property's true cash value was supported by substantial evidence. Collins and Widmer presented the tribunal with "vastly different" deductions to account for the nonstabilized occupancy of the property, including renovations. Collins arrived at a deduction of approximately $57,000 as a "buildout repair allowance" to account for the fact that the property was not occupied on the valuation date. Because "market participants would recognize they're going to have to do

something with the inside of the space to attract a tenant," Collins created a "white box allowance" of $4 per square foot to calculate the appropriate deduction. In reviewing the evidence, the tribunal attributed "no weight or credibility" to Collins's proposed deduction. It found the deduction to be "unsupported and conclusory" and stated that Collins's testimony regarding the "$4/[square foot] for a 'white box' space was confusing" and too vague to be applied.

In contrast, Widmer proposed a deduction of $525,000, which accounted for both the loss of rent and renovation costs between the valuation date and the completion of work on the property. With respect to the renovation costs, Widmer concluded that the costs totaled $485,856 over the four-month period from January 2023 to April 2023. While he based his calculation on the total construction costs provided in petitioner's general ledger, Widmer employed a discounted cash flow method by "taking . . . monthly amounts and discounting them back to a present value," and analyzed the property as "a generic market-oriented retail property" rather than using the specific buildout costs attributable to Dollar General's tenancy. The tribunal adopted Widmer's proposed deduction, finding that it was appropriately based on the renovation costs in the general ledger and calculated using a discounted cash flow analysis that accounted for rent loss, renovation costs, and a discount rate that was supported by market analysis. Given the appraisers' respective explanations for their opinions and the evidence from which they were derived, "the dispute was a matter of the weight and credibility of the evidence, which was for the Tax Tribunal to resolve." *New Covert Generating Co, LLC v Covert Twp*, 334 Mich App 24, 75; 964 NW2d 378 (2020).

Petitioner nonetheless contends that the tribunal should have deducted its full renovation costs in determining the true cash value of the property. This position ignores the fact that Widmer's deduction did not reflect the actual cost of construction, but rather, represented "a mathematical calculation" to reflect the cost that "an investor would pay for the subject property" on the valuation date. The tribunal recognized this distinction, stating that Widmer "worked backwards from Dollar General's move in date to derive a 4-month [discounted cash flow] analysis for allocated renovation costs attributable to 2022," or "[i]n other words, [Widmer] applied the construction costs to the market and did not merely apply the general ledger cost."

This Court rejected an argument similar to petitioner's in *New Covert Generating*, 334 Mich App 24. That case involved review of the Tax Tribunal's decision to deduct costs for constructing a switchyard when determining the value of an electric power plant. *Id*. at 72. Because the switchyard did not exist on the valuation date, the petitioner argued that the tribunal should deduct $41 million to account for the associated construction costs. *Id*. at 72-73. The respondent contested this deduction, arguing that the actual cost of the switchyard was not $41 million. *Id*. at 74. This Court rejected the respondent's argument because the testimony clearly indicated the deduction rate "was applied to the baseline replacement cost of a new plant as a way to calculate the amount included within the total cost that reflected the costs of a new switchyard. *That is, the deduction did not reflect the value of the actual . . . switchyard*." *Id*. (emphasis added). In this case, petitioner's argument that the tribunal should have deducted the actual construction costs incurred is similarly inapposite. The tribunal did not adopt respondent's deduction because it was reflective of actual costs, but because the deduction represented an appropriate calculation of the property's market value on the valuation date.

Petitioner also challenges the tribunal's decision because it relied on the assumption that construction on the property began in 2022. It argues that the tribunal's conclusion was not

supported by substantial evidence because the construction permits, construction contract, lease agreement, and construction payments all indicate that construction began in 2023. Further, despite Widmer's conclusion that the construction costs amounted to $485,856 of his proposed $525,000 deduction, he testified that only $80,300 worth of construction work was actually performed in 2022.

Again, petitioner's reliance on the actual cost of construction is irrelevant, because Widmer's deduction was not intended to reflect actual costs. Further, the tribunal's reliance on Widmer's deduction, which only included costs incurred after the valuation date, was supported by substantial evidence. Photographs in Collins's appraisal report showed the bowling alley lanes and equipment were being dismantled in October 2022. Respondent presented a general ledger that indicated construction work began in November 2022. The general ledgers provided by both parties indicated that petitioner paid Mann Construction $78,793 on January 12, 2023, and Widmer concluded this payment was likely for renovation work completed in 2022. The testimony and exhibits provided evidence that a reasonable mind would accept as sufficient to justify the conclusion that some construction work was performed in 2022. The tribunal did not err by adopting a deduction that excluded costs incurred before the valuation date. See *New Covert Generating*, 334 Mich App at 88 (rejecting a petitioner's argument that the tribunal should have deducted construction costs when "testimony and evidence supported a finding that the costs . . . had already been paid by the valuation date" and "there was evidence that a purchaser would not have to account for those costs when purchasing the plant").

Petitioner's focus on the actual renovation costs and when they were incurred ignores several factors that contribute to the proper determination of true cash value. At the hearing, Collins said he appraised the property based on "what was there and not what was to be." While petitioner correctly observes that true cash value "means the usual selling price at the place where the property . . . is at the time of assessment," under MCL 211.27(1), a "fundamental" part of a property's true cash value is its highest and best use, i.e., "the most profitable and advantageous use the owner may make of the property *even if the property . . . is vacant*," *Detroit Lions*, 302 Mich App at 697 (quotation marks and citation omitted; emphasis added). The Tax Tribunal determined that the property's highest and best use was a commercial repurposed use, and petitioner does not dispute that determination. The tribunal correctly assessed the property's true cash value in light of that highest and best use, not its use as a vacant bowling alley.

While petitioner argues that the tribunal erred by finding that the condition of the property was "not a determinative element" in its analysis, the tribunal gave appropriate consideration and weight to the condition of the property and its use as of the valuation date. See MCL 211.27(1) (listing "existing use" of the property as one of several factors to consider in determining true cash value). The existing use of the property as a vacant bowling alley on the valuation date was not its highest and best use, and the tribunal properly considered other pertinent factors including petitioner's construction and lease agreements to redevelop the property as a Dollar General store in determining its true cash value. See *Detroit Lions*, 302 Mich App at 698.

Finally, petitioner argues the tribunal did not sufficiently weigh the $200,000 sale price for the property's real estate. However, a sale or purchase price "is not the presumptive true cash value of the property transferred." MCL 211.27(6). The tribunal determined the $200,000 sale price did not reflect the property's fair market value. Even including the $250,000 allocation for

personal property and fixtures, the $450,000 petitioner paid for the property was still less than its listed price of $525,000. Notably, the tribunal's decision to set the true cash value at $525,000 was consistent with the listed price of the property at the time petitioner purchased it. The tribunal was not required to accept the property's sale price as its true cash value, particularly where the sale price did not comport with the property's market value.

Affirmed.

/s/ Stephen L. Borrello
/s/ Mariam S. Bazzi
/s/ Andrew J. Lievense