





# CONVENIENCE STORES

## Part Two: The impacts of right of way

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In this article, we delve into several case studies illustrating issues that arise when right of way impacts convenience stores. Change in access can affect a convenience store when it limits the site maneuverability or impacts the traffic flow into or out of the site. Ways to address changes in access include changing the highest and best use of the site after the taking or curing the maneuverability issue created. Temporary construction easements (TCEs) provide unique problems, as they do not exist in perpetuity and their impact cannot be considered as such. The case studies exemplify the impact that changes in access and proposed easements can have on a convenience store, and illustrate the methods we used to address each issue.

### Case Study 1 – Vacant is as Vacant Does

Convenience Store Characteristics:

- High traffic volume
- Corner access
- Small site
- Four fuel dispensers
- TCE to wrap around canopy in close proximity and across frontage on both roads
- Loss of one access point permanently, but retains an ingress/egress from both roads

This case study further exemplifies the issues a TCE can cause for a convenience store. While the property did lose an access point, it retained at least one access point from each bounding roadway, so the impact due to the access loss was negligible. However, the TCE for this particular parcel wrapped around the canopy in close proximity, which left no room on the site for maneuverability. As indicated in the last article,

convenience stores are valued primarily on the income they can produce, and while this particular state DOT does not compensate for income loss, income and real estate value are interconnected. Thus, the appraisal problem is how to determine if damages to the real estate exist and if so, how to calculate those damages without estimating income loss.

In our estimation, the store would be closed for the duration of the TCE and would be vacant for approximately three years. Thus, we concluded the subject would be treated by market participants as a vacant store immediately after the TCE was removed. Because convenience stores are bought and sold primarily on their income producing potential, the sales of vacant convenience stores are steeply discounted. This discount is due to several factors, including the lack of historical income, the capital investment necessary to open and operate a store, the repairs and maintenance to the real estate components, the cost of repairing and replacing equipment items, and the regulations to be met before approval for dispensing fuel. Therefore, in order to determine an appropriate damage amount, we found sales of vacant convenience stores and paired them with sales of operating convenience stores with similar characteristics (such as traffic volume size, and number of fuel dispensers) in order to extract a ratio. We then applied this ratio to the real estate and compensable FF&E items to reach a concluded value after the taking. One set of the paired sales utilized is summarized in the following table, with addresses redacted.

Vacant Store 1								
Traffic Volume	No. of Dispensers	Improved SF	Site Size	FAR	Year Built	Condition	Sale Date	Sale Price
22,000	5	3,830	1,447	6.1%	1988	Average	1/26/2018	\$400,000
Owner-Operated C-Store Sales								
Traffic Volume	No. of Dispensers	Improved SF	Site Size	FAR	Year Built	Condition	Sale Date	Sale Price
11,000	4	1,999	0.700	6.6%	1998	Good	22-Sep-17 % Discount	\$950,000 -57.89%
40,000	4	2,824	3.789	1.7%	1986	Average	3-May-17 % Discount	\$1,150,000 -65.22%
9,200	5	2,400	0.740	7.2%	1994	Above Average	13-Mar-19 % Discount	\$1,169,000 -65.78%
21,400	6	2,400	0.950	5.8%	1986	Average	23-Apr-19 % Discount	\$1,200,000 -66.67%
							Min	-66.67%
							Max	-57.89%
							Mean	-63.89%
							Median	-66.67%

### Case Study 2 – The TCE Wrap

Convenience Store Characteristics:

- High traffic volume
- Two ingress/egress points from road
- Four fuel dispensers
- Small paved area of the site
- Loss of one access point after project completion
- No corner access, potential issue with fuel supply truck maneuverability

In this case study, we look at the impact the loss of an access point can cause and a potential way to cure it. This convenience store, in addition to the proposed easement and right of way, was losing one of its two ingress/egress points. It was not

located on a corner, and relied on its two northern and southern curb cuts to provide the necessary turning radius for fuel supply trucks as well as inventory trucks. While we considered trying to extract a damage ratio using increased expense, or changing the highest and best use of the site to another use that would not require large truck access, we decided to estimate a cost-to-cure that addresses the turning radius concerns.

The site was such that the only room to add paving was behind the convenience store. Therefore, in order to remedy the issue, a cost-to-cure was estimated using the cost to grade and pave the area behind the convenience store in order to allow trucks the requisite turning radius to get into and out of the convenience store site.

### Case Study 3 – The Corner Piece

Convenience Store Characteristics:

- High traffic volume on both bounding roads
- High fuel margins
- Signalized corner
- Five fuel dispensers
- Small site
- Blocked access from one road for 400 days due to TCE
- Significant income loss due to obstruction to access

This convenience store appraisal problem is an example of the potential impact of a TCE, the potential impact of the loss of corner access and limited market data. In this instance, a TCE was obstructing access from one of the roadways, limiting maneuverability of fuel supply trucks (elevating expenses due to smaller delivery trucks being necessary) as well as driving away business to the store. It should be noted that this store was on a very small site. We had the benefit of the appraisal being retrospective and had actual income figures to support a significant decrease in sales during the days in which the TCE was in place.

First, in order to test the high margins of the fuel sales, we used OPIS (Oil Price Information Service) to gather local fuel sales data, including typical fuel margins for the area within the subject's zip code. Second, to measure the TCE's impact to the store, we calculated the percent change in fuel sales from before and after the TCE was in place. We then applied that percentage to the projected income over the 400 days in which the TCE was projected

to stay, then we discounted the income loss back to present value. The decrease was discounted as the income loss was not permanent; therefore, the discounted income loss was directly tied to the TCE.

One significant issue in this approach is that the income loss figure includes real property (land and improvements), FF&E and (maybe) intangible value. Thus, not all of the discounted figure was applicable to the real property. One way to allocate the figure applicable to the TCE is to break it up based on the percentage of each component concluded in the appraisal. Thus, if the real property accounts for 80 percent of the MVTAB, 15 percent to the FF&E and 5 percent to the IV, those same percentages can be applied to the figure from the TCE. Happily, in this case, real property, FF&E and intangible value were all compensable so no allocation was required.

### Case Study 4 – Mr. NoDa

Convenience Store Characteristics:

- Signalized corner access
- Two ingress/egress points from each road
- Two fuel dispensers
- Small site
- Retaining all access points
- Proposed right of way and TCE in close proximity to fuel canopy

In this case study, a store located at a signalized corner had a proposed right of way and a proposed TCE coming in close proximity to the fuel canopy. The concern was that the proposed taking and easement would impact fuel sales due to changes in maneuverability. In order to analyze the potential impact to the store, we looked at two factors. The first factor was the location of the ingress and egress points. The site had four two-way access points which allowed traffic flow to maneuver across the site from both corners, and the area impacted by the proposed right of way and TCE was unlikely to be used unless the site became backed-up. The second factor we looked at was the fuel sales history provided by the tenant. As it turned out, the fuel sales were minimal and the majority of the income to the store was due to merchandise sales. Considering the maneuverability of the site allowed by the four access points as well as the low fuel sales at the store, we concluded there were no damages (NoDa) to the remainder.

### Case Study 5 – Right-in/Right (way)-out

Site Characteristics

- Vacant convenience store site
- Signalized corner
- Access from bounding roads
- High traffic volume on primary road
- Excellent convenience store site
- Loss of access from primary road
- Limited access from secondary road
- Change in highest and best use

Access is often a contentious issue in right of way appraising, as many condemning authorities do not compensate for change in access as long as access remains. In this case study, a site purchased by a convenience store operator in the area lost access to such a degree that the highest and best use of the site changed.

The property before the taking was a prime convenience store site for the reasons listed above. The loss of access on the primary street may or may not have been enough to change the highest and best use; however, the change on the secondary street was significant. After the taking, access along the secondary street was limited to right-in/right-out; furthermore, to turn left (back towards the primary roadway), a customer would have to drive a quarter mile and make a U-turn without even a bulb-out. As a result, the site was no longer functional for convenience store development, and the highest and best use changed to office development.

### In Summary

The case studies above present thorny issues without simple solutions. The solutions we present are how we opted to handle the appraisal problem with the resources available; however, we recognize there are other ways to address each of these problems and would love to hear your thoughts about how you have handled, or would handle, these issues. 🌟



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