



CITY OF WAUWATOSA
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BOARD OF REVIEW

Tuesday, July 27, 2010 – 10:35 a.m.

PRESENT: Messrs. Benz and Duffey; Ms. Wakefield -3

ALSO Ms. Aldana, Asst. City Atty./HR Director; Mr. Miner, Assessor; Mr. Lenski,
PRESENT: Deputy Assessor; Ms. Ledesma, City Clerk

Mr. Benz in the Chair

**2275 N. Mayfair Road
339-9999-00**

City Clerk Ledesma swore in Assessor Miner and Richard Donner, Reinhart Boerner Van Deuren s.c., 100 N. Water Street, Milwaukee.

The assessed value as of January 1, 2010 was:	Land	\$ 4,010,300
	Improvements	\$ 5,533,200
	Total	\$ 9,543,500

Exhibit 1 July 8, 2008 court decision, Walgreen Co v. City of Madison
Exhibit 2 Income Analysis (\$7,200,000)
Exhibit 3 Agent Authorization

Mr. Donner, representing MRED (Mayfair/North) Associates, c/o Walgreen Company (tenant), 104 Wilmot Road, Deerfield, IL 60015, stated that their opinion of value is \$7,200,000. The authorization of the property owner was submitted. The lease arrangement for this property is for 60 years; the building was constructed under a built-to-suit arrangement. The higher-than-average lease payments reflect the developer recovering land acquisition, development, construction, and profit margin costs.

Mr. Donner referenced a Supreme Court case of Walgreens vs. the City of Madison 2 ½ years ago where the court noted that ‘no presumption of correctness may be accorded to an assessment that does not apply the principles in the *Property Assessment Manual*.’ Mr. Donner reviewed the three primary methods of assessing: cost approach, comparable sales, and income method, noting that the *Property Assessment Manual* finds that in leased property scenarios, the income approach is often the most reliable approach for property valuation.

Mr. Donner further pointed out that the aforementioned case also states that an above-market lease does not equate with a higher property value. Leases with higher lease terms may still result in

problems outweighing its benefits to the property owner. As such, a 'lease never increases the market value of real property rights to the fee simple estate.'

Mr. Donner again cited the court case mentioned previously, noting that 'a real property assessment should not be based on factors such as unusual financing or above market rent that are not normal conditions of sale reflected in the value of a fee simple property interest.'

In the City of Madison vs. Walgreens, the court also concluded that 'tax assessors must refrain from including creative financing arrangements under a specific property's lease in their valuations of that property.' And finally, 'an assessor's task is to value the real estate, not the business concern which may be using the property.'

Mr. Donner explained the income analysis approach that was used to arrive at their \$7,200,000 opinion of value.

Mr. Miner pointed out that Mr. Donner made no adjustment for traffic patterns adjacent to the subject property, noting that two very busy streets abut the property. This corner meets typical location criteria for a Walgreens or a CVS pharmacy store. This is a mixed use building; DSW occupies the south part of the building, while there is storage and office space above the Walgreens portion. This arrangement is a variation from the more common stand-alone Walgreens.

The valuation analysis is based upon these points and follows the Markarian hierarchy principles of determining value. Three valuation approaches – cost, income, and sales – were considered, and the value was determined after reconciling the data of these three approaches. In addition, a market rent analysis was performed.

The cost approach determined a value of \$8,496,500. The income approach arrived at a value of \$8,200,000. The market (sales) approach figure was \$10,683,300.

Mr. Donner disputed the market rent analysis since the assessor did not compare similar-sized properties to the subject property.

The hearing was declared closed.

Ms. Wakefield was inclined to uphold the assessor's valuation based upon the property's location, multi-use, and information on comparable sales.

Mr. Duffey focused on the assessor's cost and income approaches to valuation, noting that those figures are close in range to each other; that fact lends credibility to the calculations and a value of between \$8.2 and \$8.4 million dollars

It was moved by Ms. Wakefield, seconded by Mr. Benz to uphold the assessor's valuation. 2-1 (Duffey)

Stipulations

	<u>From</u>	<u>To</u>	<u>Change</u>
#042800 CIT Communications Finance Corporation	\$191,350	\$30,800	-\$160,500

Mr. Miner explained that CIT has property located at the GE property, which has changed from being locally assessed to being state-assessed. CIT will have a locally assessed personal property account and a DOR (Department of Revenue) personal property account.

	<u>From</u>	<u>To</u>	<u>Change</u>
#254803 Williams Scotsman, Inc.	\$ 12,740	\$ 20,710	\$ 7,970
384-0475-00 6110 W. Blue Mound Road	\$241,300	\$198,600	-\$42,700
411-9976-05 and 411-9994-03 (comprised of multiple parcels)			

Mr. Miner explained that the aforementioned ‘411’ parcels have been in litigation with the city since 2004. At issue is the properties’ exemption status. The valuation cases have been placed on hold until the exemption cases have been resolved. In essence, the Board upholds the assessor’s valuation for the purpose of establishing Wheaton Franciscan, Inc.’s ability to challenge in circuit court instead of holding a valuation case before the Board.

It was moved by Mr. Duffey, seconded by Ms. Wakefield
to accept the foregoing stipulations. -3

**115 N. Mayfair Road
411-9974-01**

No one appeared on behalf of the property owner. An unsuccessful effort was made to contact the agent for the tax payer prior to Board action being taken.

It was moved by Mr. Duffey, seconded by Ms. Wakefield
to sustain the assessor’s valuation due to non-appearance
by the tax payer or the agent. -3

The meeting recessed at 11:30 a.m. to a date uncertain.

Carla A. Ledesma, Secretary
Board of Review

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