



CITY OF WAUWATOSA
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BOARD OF REVIEW
Tuesday, May 25, 2011 – 12:00 p.m.

PRESENT: Mr. Benz, Mr. Duffey, Mr. Rice

ALSO PRESENT: Mr. Kesner, City Attorney; Ms. Aldana, Asst. City Atty.; Mr. Miner, City Assessor; Mr. Lenski, Dep. City Assessor; Mr. Tuff, Appraiser III

Mr. Benz in the Chair

10001 Innovation Drive
Tax Key #379-9999-38

Land	\$959,400
Improvements	\$6,156,600
Total	\$7,116,000

Atty. Maureen McGinnity, Foley and Lardner, 777 E. Wisconsin Avenue, began by saying that it is her client's belief that the fair market value of the property is \$4.4 million. She introduced Peter Moegenburg, Real Estate Appraiser, 155 S. Executive Drive, Brookfield, and the property owner, Bill Luterbach, V.P., James Development, 2880 S. First Street, Berlin.

Ms. Aldana, Asst. City Attorney, was present as counsel to the Assessor's Office. Mr. Kesner commented that he has not discussed the property with Ms. Aldana.

Mr. Luterbach described the property as being 54,000 square feet over four acres. It is a brick office building rental property. It is Class B space built in 2000-2001. The cost of acquiring the land was \$490,000. He thought the value was \$4,837,000 including the land. The building has been rented since its construction.

Ms. McGinnity asked Mr. Luterbach about the rent roll. Mr. Luterbach responded that the building has been rented consistently except recently when 11,600 square feet of the building has been vacant. Since 2008 they have been down to two tenants and in 2010 they lost Clifton Gunderson as a tenant. Clifton Gunderson occupied a little over half the building. He explained that after they were notified in 2009 that Clifton Gunderson was planning on moving out, they began discussion with them about remodeling the space. They made proposals and it looked like more people were coming in. They tried to create features that would be in line with a Class A building. They were also dealing with issues of retrofitting.

Mr. Tuff objected, saying that the tenant was there as of the assessment date and therefore Mr. Luterbach's comments were regarding a period of time after that and that information was not relevant. Mr. Benz overruled the objection.

Mr. Luterbach continued that they have submitted numerous proposals in that time frame for marketing the property. They might have a chance to rent the entire second floor. They have also reduced the rent in all proposals. In addition, they have offered free rent for a number of months, but the lease terms are getting shorter. He also contacted the Assessor's Office to find out what they should do.

Mr. Luterbach noted that there have been significant changes in the real estate market. They submitted an Income Expense Report to the assessor and the assessor opted not to make an adjustment.

Mr. Moegenburg recited his resume as an appraiser saying that he is state-certified in six states and a member of the Appraisal Institute. He noted that the objective of the letter he submitted was to provide an opinion of fair market value. Exhibit 11 reflects an opinion of fair market value. He noted that he met with the City Assessor and the Deputy City Assessor. He explained that the income approach is different from other approaches. The income approach establishes an opinion of market value. He went on to explain his methods for calculating the value of a property.

The board recessed at 1:45 p.m. and reconvened at 1:59 p.m.

Mr. Miner noted that the taxes were added to the cap rate and the overall rate. He asked why taxes were added again. He also observed that the cap rate was mentioned and the Net Operating Income (NOI) per square foot.

Mr. Moegenburg commented that the income earned per square foot was \$11.89; the cap rate is 8.5%. When you divide the two the total is \$139.88 per square foot. He added that the tax liability for the subject property results a liability of \$160,127 with total operating expenses of \$451,662.

Mr. Miner observed that when they receive that information it usually includes conflicting information. Mr. Moegenburg responded that they appraised every sale. Mr. Miner wanted to validate the records they were looking at. Mr. Moegenburg responded that they have a complete work file on each of the sales. Ms. McGinnity noted that the assessor hadn't asked for that information previously.

Mr. Miner asked why, on sale #5 the adjusted price was at zero. He noted that it would skew the average. Mr. Moegenburg agreed that it might adding, that the true number would be \$115.19 per square foot. Mr. Miner pointed out that that would change the adjusted price at the bottom. Mr. Moegenburg responded that \$105.90 would be the adjusted sale price. Mr. Miner stressed that the numbers are significantly different. Mr. Moegenburg explained that the bottom numbers are very subjective. Taking \$110 results in a value of \$5,993,240 rounded to \$6 million. Mr. Miner noted that that was a significant difference. Mr. Moegenburg commented that reducing the value by taking out the expenses is completely acceptable. Ms McGinnity added that the value remains the same.

Ms. McGinnity noted that Mr. Luterbach contacted the assessor's office late last year. Mr. Tuff responded that it was in January of this year. The objection is dated December 30, 2010; however, Mr. Tuff received it in January 2011. He then requested an inspection.

Ms. McGinnity noted that the income expense information requested and rent roll, copies of leases were submitted. Mr. Tuff responded that they were all supplied to the assessor's office. The Assessor's Office asked for an inspection of the property after all the information was in and subsequently decided that there would be no change in the assessment.

Ms. McGinnity commented that the assessor's office kept the rate even though real estate and rent have been down. She submitted an open records request for documents from the 2010 and 2011 assessments and requested that copies be made.

A discussion followed regarding the origin and validity of the documents provided to Ms. McGinnity and Ms. McGinnity questioned the completeness of the documents provided. There was also a discussion regarding when the Assessor's Office first became aware that Clifton Gunderson was vacating the property. They discussed where the market sales number of \$8,113,000 came from and where the cost value came from.

Ms. McGinnity commented that the current numbers were not used for the cost analysis. A discussion continued regarding her open records request and any documents that might have been missing. She also discussed the exhibits section and whether the sales listed there are comparable sales. They discussed income valuation.

Mr. Tuff commented that income valuation helps in determining full value indicators. Ms. McGinnity commented that information backing up the assessor's numbers was not provided. She asked if the assessor offered \$6.3 million. Mr. Tuff requested that the assessment be frozen for three years and was told that this was illegal. He reiterated that \$6.3 million was not acceptable.

Ms. McGinnity noted that prior to setting the assessment the assessor's office had the information already. Mr. Tuff responded that he obtained additional information from various sources.

Ms. McGinnity commented on the raw data and the comparable sales. She noted that the comparables grid was not put together recently. She asked if an income valuation was done recently. She also felt that she wasn't given any records for her second records request.

Mr. Tuff noted that they didn't rely on the income approach and added that they have a comparables grid. Ms. McGinnity commented that she didn't get a copy of that. A discussion continued regarding Ms. McGinnity and Mr. Tuff's difference of opinion on what records were provided in response to the attorney's open records request.

List of Exhibits for May 25, 2011

- #1 – Notice of Assessment
- #2 – Notice of Intent to File Objections with Board of Review
- #3 – Income Expense Report
- #4 – Rent Roll
- #5 – Open Records Request
- #6A – Business Journal article, Dec. 2, 2010 – Clifton Gunderson to move
- #6B – Comparables
- #6C – Commercial Property Valuation Summary 2011
- #6D – Email regarding more information on Commercial Property Valuation Summary 2011
- #7 – Occupancy and Assessment History
- #8 – Second Open Records Request
- #9 – Response from Rhett Tuff regarding Open Records Request
- #10 – Preliminary Valuation Letter
- #11 – Supplemental Valuation Letter
- #12 – Resume of Peter A. Moegenburg, MAI, Real Estate Appraisal
- #13 – Valuation Techniques
- #14 – Income Approach
- #15 – Letter from Ms. McGinnity regarding the consensus of the Board to accept the exhibits

Ms. McGinnity asked Mr. Tuff what the occupancy rate was in 2008. Mr. Tuff responded that the building was 100% occupied. He added that this number went down in 2011.

Ms. McGinnity requested that exhibits #1- #15 be admitted into the record. Mr. Benz cautioned that some of the documents marked confidential will now be part of the public record.

It was the consensus of the board to recess the meeting and reconvene on either June 1st or June 8th.

The board recessed at 3:37 p.m.

Susan Van Hoven, Deputy City Clerk

svh