



**CITY OF WAUWATOSA**  
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**BOARD OF REVIEW**  
**Tuesday, July 12, 2011 – 12:00 p.m.**

PRESENT: Mr. Benz, Mr. Lemke, Mr. Rice

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

Mr. Benz in the Chair

The board reconvened at 1:04 p.m.

**10701 Research Drive**  
**Tax Key #379-9999-06**

Land	\$2,714,600
Improvements	\$12,153,400
Total	\$14,868,000

Mr. Robert A. Hill, Attorney, noted that he is working with Cresa Partners. He commented that he has had a very successful dialog with the Assessor's Office. He brought the boards' attention to Exhibit #1, page 1, saying that United Healthcare Group (UHG) and Cresa Partners have seen a noticeable decline in property value. The building is designed to be a single tenant user. Some things that may be different from other comparables are the cafeteria and break rooms. He added that the building could be multi-tenanted, but the change would be made at considerable cost. Mr. Hill thought that single sale is more appropriate because it is a single tenant building.

Mr. Hill noted that UHG could enter into a sale lease back situation. The building is owned by a Real Estate Investment Trust (REIT), but leased to UHG. The building was built in 1995. Mr. Hill commented that the Assessor says the land is \$4 per square foot. The lease rate is \$12.75 per square foot. This is a triple net lease. UHG pays the taxes so the rent is about \$9 per square foot. He noted that they didn't appeal anything in 2010.

Mr. Hill pointed to the comparables in Exhibit #1 on page #6 saying that the buildings are very close in most of their statistics. They are competing in the market place. They used what they thought the vacancy rate would be in Wauwatosa. He went on to describe how they determined the rentable value. On page 24 they have listed their conclusion: 1) the sales comparison value of \$8,652,232-\$8,999,682; 2) the income approach value of \$10,261,099; and 3) the value conclusion which is \$8,900,000-\$9,300,000.

Ms. Amy Seibel, Attorney for the City noted that she is licensed as an appraiser by the IBT Institute for professionals. She also has a CMI. Mr. Hill noted that he has an assessor education, but not a license.

Ms. Seibel asked how Mr. Hill had verified the comps. She outlined what they know about the income approach to determining a property assessment. She explained that there is a time adjustment factor of about 5%.

A discussion continued regarding options for the building. Mr. Hill emphasized that lack of a market for office buildings or converting single occupancy buildings to multi-tenant contributes to plummeting values.

Mr. Tuff prepared the report and referred everyone to the summary page. He noted the use of the Markarian Hierarchy. He noted that the assessment did not change under the criteria of any of the tiers. Ms. Seibel asked if the Assessor's Office had met all the statutory obligations. Mr. Miner responded that they had.

Mr. Miner read from the manual in Exhibit #2. Mr. Hill voiced his objection to wording in the manual citing Walgreen's vs. State of Wisconsin which he thought called some of the wording into question.

Exhibits submitted for the record:

#1 – Cresa Partners, Corporate Real Estate Service Advisors, information on subject property, sales comparison grid, and income approach to value analysis

Ms. Seibel asked when the manual was revised. Mr. Miner responded in January, 2009. Ms. Seibel pointed out that the Walgreen's decision was made in 2008. She asked if any of the language prior to Walgreen's remains in the manual. Mr. Miner answered that it has been removed.

Mr. Hill continued to object that Ms. Seibel's argument was fraudulent. Ms. Seibel denied having been sanctioned by any court. She explained how changes in the manual came about. She stressed that the state statute says that the assessor must follow the manual.

Mr. Kesner determined that the testimony will include the use of the manual. Mr. Hill continued his objections to the entire line of questioning. Mr. Kesner noted Mr. Hill's objections.

Ms. Seibel continued saying that the goal of the assessor is to determine the market value of a property taking into account the "bundle of rights". Mr. Miner added that included in the "bundle of rights" is the right to lease the property and sell the property.

Mr. Hill objected once again citing Walgreen's vs. Madison. Ms. Seibel apologized that they had not copied page 27 of the manual. Mr. Miner read from the manual regarding characteristics to take into account.

Ms. Seibel asked about the sales comparison approach. She also asked if contract rent was the same as market rent. Mr. Miner answered that they are as referenced in the manual. Mr. Hill cross examined Mr. Miner. He asked if he was charged with assessing similar properties equitably. Mr. Miner responded that the "bundle of rights" has to be considered in both situations.

Mr. Hill asked if Mr. Miner was allowed by law to treat the properties differently. Mr. Miner answered that he has to follow the manual and taking into account all, the factors.

Mr. Hill asked if it was allowable under the constitution of the State of Wisconsin to treat them differently if the assessor is going to use the income approach. Mr. Miner responded that they always use the tier 2 methodology. Mr. Hill continued to object.

Mr. Tuff described the closing statement. Ms. Seibel noted that she received copies of the property owner's appraisal and closing document by subpoena. She added that in this transaction the buyer acquired more than the subject property. She went through the purchase agreement and the amendment.

Mr. Tuff noted that the rent cannot fall below 9.5% of the fair market value and the lease is a triple net lease. There was also a discussion of the rent and square footage. He noted Standard & Poor's credit rating for UHG.

Mr. Hill objected to hearsay information. Mr. Tuff responded that adjustments are as they are described in the manual. Mr. Hill objected again. Mr. Tuff described the adjustments made. Wells Fargo bank charges \$8 per square foot and that is capped.

A discussion continued regarding differences between the sale or leasing of the comparable properties and the owner's property.

Mr. Hill asked if Mr. Tuff inquired about the assessments for the comparable properties. Mr. Tuff responded that he had not asked.

Mr. Hill asked if Mr. Tuff would be able to treat the lease fee interest as its assessed value. Mr. Tuff answered that the subject property was lease fee and fully rented. Mr. Hill continued to question the method that was used. Mr. Tuff assured Mr. Hill that each individual property was evaluated. Mr. Hill asked if Mr. Tuff had talked to anyone from the Department of Revenue (DOR). Mr. Tuff responded that the property has a true lease and not a financing agreement.

Mr. Hill asked Mr. Tuff to give him the definition of market value. Ms. Seibel reiterated that they must follow the manual by state statute.

The board recessed at 5:05 p.m.

Susan Van Hoven, Deputy City Clerk

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