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BOARD OF REVIEW
Wednesday, October 23, 2013 – 9:00 a.m.
Thursday, October 24, 2013 – 9:00 a.m.
Thursday, November 11, 2013 – 8:30 a.m.

PRESENT: Messrs. Benz, Van Bibber and Walsh -3

ALSO PRESENT: Mr. Kesner, City Attorney; Mr. Miner, Assessor; Atty. Seibel, Assessor's Counsel; Atty. Millis, property owner's Counsel; Ms. Ledesma, Board Secretary

Mr. Benz in the Chair

Request for Reconsideration of Decision to Deny a Hearing for Property at 1400 N. 113th Street.
Atty. Don Millis, Reinhart Boerner Van Deuren s.c., 22 E. Mifflin Street, Madison, was present on behalf of the property owner of 1400 N. 113th Street. The Board had previously denied a request for a hearing concerning the property's 2013 assessment.

Mr. Kesner noted that the Board had declined on September 18, 2013 to schedule this objection for hearing.

Mr. Millis submitted three exhibits: A January 2, 2013 letter from the Assessor's office to commercial property owners requesting income/expense (I/E) information; a faxed letter of October 21, 2013 from Atty. Kristina Somers laying out the history of the submittal of objection-related material; a September 19, 2013 letter detailing the Board's decision of September 18, 2013 not to schedule this objection for hearing.

Wisconsin Statutes 70.47 (7) (af) authorizes the assessor to request I/E information if either the tax payer or the assessor will use the income approach to valuation. If the tax payer fails to provide the requested information consistent with *The Wisconsin Assessment Manual*, but provided the request is made to the tax payer (who does not comply) and if the assessor or tax payer uses the income approach and does not, the hearing can be denied. Mr. Millis pointed out that the statute does not specify a time limit by which data is to be supplied.

The request was received in January 2013. It appears the tax payer did not respond. Atty. Somers filed a timely objection form on September 13, 2013 and filed the I/E information on September 17, 2013, the day before the Board's initial hearing. Clearly the I/E information had been submitted. Mr. Millis acknowledged that it would have been preferable to have had the material submitted sooner, but does the September 17th submission deny the right to be heard?

Atty. Millis added he was unaware of any litigation over timing of submission of I/E information. He added that while some communities may only convene the Board on one day, Wauwatosa's Board of Review has already been in session for five weeks this year, which suggests there is adequate time to review the material submitted on September 17th and schedule a hearing.

Mr. Miner replied that his office used the income approach on every commercial property when establishing assessments. The I/E information was requested in January 2013 with the intention of using that data for the revaluation. He reiterated that in this instance, the material was not submitted timely. Neither was it submitted during the open book period in August; it was submitted the day before the Board's first hearing date. Mr. Miner opined that commercial owners' representatives thoroughly understand Board of Review operations, unlike residential property owners, and ought to be held to a higher standard. The representatives are paid to do this work on behalf of the owners. Late submissions, such as this one, makes it appear that the representatives are making the work of the assessor's office as difficult as possible by withholding information.

Atty. Seibel added that the purpose of the wording in Wisconsin Statutes 70.47 (7) (af) was to prevent exactly this kind of situation from occurring. Withholding information forces assessors to guess and make assumptions, rather than base assessments on factual data. This, in turn, can affect the entire assessment community, as the information upon which decisions are made may be faulty and/or incomplete.

Mr. Millis countered that the Supreme Court has held that taxpayers cannot be treated differently. Employing a representative ought not mean a commercial property owner is held to a different standard. He added that the City of Madison does not require submission of I/E information until after an objection form is filed. Milwaukee frequently follows this same process. Atty. Millis noted that the requested information was not available to provide any earlier than it was.

It was moved by Mr. Walsh, seconded by Mr. Van Bibber
to deny the request for reconsideration. -3

335-9998-20
2500 N. Mayfair Road

City Clerk Ledesma swore in Mr. Miner; Atty. Seibel (Assessor's Counsel); Atty. Don Millis, Reinhart Boerner Van Deuren s.c., 22 E. Mifflin Street, Madison (owner's Counsel); Paul Bakken, MAI appraiser; and Atlanta appraiser Alvin Benton.

Exhibits submitted by the Assessor's office and by the property owner each consisted of 3-ring binders containing numerous tabs. Throughout the minutes, the referenced information will be referred to by the tab number (T-XX).

The assessed value as of January 1, 2013 was:

Land	$ 84,400,000
Improvements	$315,600,000
Total	$400,000,000

Atty. Millis clarified that the objection pertains to four individual parcels which, prior to this year, the Assessor had valued separately. The parcels were combined for assessment purposes for the 2013 assessment. Mr. Millis then reported the opinions of value as follows:

335-9998-05, $7,945,400
335-9998-14, $10,930,000
335-9998-15, $6,393,300
335-9998-20, $274,731,300

Mr. Millis added that a fifth parcel, not under objection, is separately owned by Boston Store. The aforementioned four are owned by Mayfair Mall LLC, c/o General Growth Properties LLC (GGP). He verified that the proper agent authorization form is on file.

In addressing the Assessor's decision to value these four parcels as one, Mr. Millis opined that each parcel is not so improved so that they are incapable of being separated for assessment purposes. He reiterated that they have been assessed separately in the past. One of the affected parcels, in fact, is currently a vacant parcel. He suggested that combining the parcels for assessment purposes is inconsistent with Wisconsin law.

Atty. Millis stated two witnesses would be called to refute the presumption of the correctness of the Assessor's valuation. The first was Paul Bakken, a MAI appraiser from the Twin Cities who specializes in retail properties. Mr. Bakken's credentials were presented. Mr. Millis explained that Mr. Bakken has performed a review of a March 2013 appraisal performed on the Mall.

The second witness is Alvin Benton, an Atlanta appraiser, who will testify as to the value of the property.

Mr. Bakken stated that he has toured the Mall property and has reviewed the lending appraisal on the Mall performed by Cushman & Wakefield (CW) in 2013. He performed an appropriate adjustment (converting the leased-fee into a fee simple valuation) on the appraisal to make it easier to use since it would have been difficult to use in its unadjusted form for property tax purposes.

Since the appraisal valued the Mall based upon the income approach, he focused on the income approach as well. For the office buildings, he looked at the capitalization rate. For the vacant land, he reviewed the land sales used by CW, as well as other land sales close to the Mall. Finally, CW also has a sales analysis; but he, Bakken, did not focus on this.

Mr. Bakken clarified that he did not perform an appraisal of the Mall, but assumed the information contained therein was accurate and performed the summary appraisal report and made the necessary adjustment as noted previously. Six adjustments were needed to the Mall value to convert it to a fee simple valuation.

Mr. Bakken gave a parcel summary of the subject properties, noting that there is the aforementioned vacant parcel, the parcel on which the mall building sits, and two out-lots, each housing the north or south tower buildings.

He disagreed with CW's appraisal conclusions concerning deferred maintenance after having toured the property, as well as with the capitalization ('cap') rate choice. He did agree with CW concerning the value of the vacant parcel. With respect to the deferred maintenance issue, Mr. Bakken stated that the below-grade level of the Mall houses 13 electrical substations. Replacement is occurring at a cost of $8 million dollars. As well, the HVAC systems are old and will cost another $6-7 million dollars to replace. The parking lot has some observable cracks and gaps in the pavement related to the underlying concrete. He estimated there is about $20 million dollars in deferred maintenance.

The Nordstrom addition planned for the Mall in 2015 will include construction of a parking deck. GGP is investing $70 million dollars to bring Nordstrom's on-board, a defensive move to preserve the value of the Mall; there is no expectation that it will generate a greater return.

In addressing the north and south tower buildings, Mr. Bakken noted they have narrow floor plates designed for smaller tenants. The north tower was built in 1972 and has a 22% vacancy rate. The south

tower is of similar design and was constructed in 1975; it has a 38% vacancy rate. The professional building (part of the Mall building) was constructed in 1959 and as a 48% vacancy rate. These three buildings all have some functional obsolescence. Some thought has been given to converting the professional building to a hotel, but this is not feasible.

Mr. Bakken noted that the CW appraisal's value conclusion as of March 2013 was $450,000,000 for the Mall; $7,600,000 for the North Tower building; $4,000,000 for the Bank Tower building; $3,100,000 for the vacant parcel, and $4,550,000 for the Professional building. Once Nordstrom's begins operation in 2015, CW assigned a future value of $540,000,000 for the Mall, $8,400,000 for the North Tower, $5,350,000 for the Bank Tower (but as of 4/1/2016), and $5,400,000 for the Professional building.

Mr. Bakken explained in some detail how the price someone pays when purchasing a mall relates to the rental income it generates. The long-term leases dictate what current and future income may be. When leases expire, many issues come into play – whether the current tenant can be retained, whether a new tenant will require more of an investment, whether a new tenant will create more expenses. Mr. Bakken highlighted the discounted cash flow analysis he performed using the Cushman Argus data, noting that he arrived at a present property value of $441,909,000 (rounded). Cushman & Wakefield's discounted cash flow analysis yielded a present property value of $446,775,000 (rounded).

Mr. Bakken further stated that he performed a rent roll comparison, duplicating the assumptions of the CW document, and came within 1% of the CW figures.

Mr. Bakken discussed the adjustments made to the Cushman analysis, noting that one adjustment made was to remove the existing taxes and loading the cap rate with the tax rate per the assessment manual. Mayfair Mall pays 2.26% of its value in taxes.

Upon questioning by Atty. Millis, Mr. Bakken explained occupancy costs and health ratio and occupancy costs to sales ratio. Total rent and operating expenses as a percent of store sales is the health ratio. Normal levels are between 10-15%; levels above that may result in loss of tenants. Operating expenses may include common area rent charges, taxes, maintenance, and rent. Leases may or may not include responsibility for a portion of taxes. An assessment increase can result in increased costs through higher taxes. Brookfield Square mall is at lower rate of assessment than Mayfair Mall; retailers could reduce costs by moving there and it is of concern for Mayfair Mall. Mr. Bakken reviewed in some detail the occupancy cost ratio of the CW appraisal.

Mr. Bakken referenced his appraisal summary, pp. T2-32 - T2-39 (GGP Exhibit), where he made a series of adjustments to the CW discounted cash flow to transform the leased-fee analysis into a usable fee simple analysis.

Mr. Bakken noted that CW did not see immediate physical deterioration during its appraisal. He observed differences, and proceeded to describe electrical system upgrades currently underway and the need for chiller replacement. He reiterated that parking lot improvements are needed. Needed capital repairs approached $20 million dollars as of January 1, 2013. As this is an older mall, ongoing maintenance will continue going forward as well.

Mr. Bakken explained that Mayfair Mall has an underground level. A modern mall will have loading docks built to the edge of a building, whereas these are underground. Maintenance is issue down here. There is a security issue (potential for explosions) with trucks driving under the Mall. There is some standing water in the underground level and it is an ongoing situation. There is lots of upkeep that a modern mall may not have.

Mr. Bakken's adjustments (iterate taxes/after iteration, short-term physical needs adjustment, long-term physical needs adjustment) this far resulted in a Mall value of $340,691,000 (T2-39).

T2-40 of the appraisal review deals with the vacancy rate adjustment. Mayfair Collection is being constructed to the north and west. It is different than Mayfair Mall, but a lot of retail space is being built on that site nevertheless. It will compete with the subject property at some level. The subject property has 473,000 sq. feet; Mayfair Collection is about two-thirds that size in phase 1, a sizeable in-line retail space. CW's appraisal has a 2% vacancy in their Argus run; Mr. Bakken raised it to 4% in years 3-11 and lowered the retention ratio at Mayfair Mall from 75% to 70%. When Mall tenants come up for renewal, the question is how many will stay and which will go. Usually 75% is the maximum retention rate. If an old tenant leaves, and a new one arrives, it affects owner cash flow. With a renewal, there is not much outflow in the space in cash. With a new tenant, though, the owner must finish off the premises for the new retailer. T2-43 reflects a Mall value of $331,633,000 after the vacancy and retention adjustment.

T2-45 illustrates the contract rent to market rent adjustment and the resulting Mall value of $322,780,963.

The last adjustment is the above market rent adjustment, page T2-46 and 47. The scheduled base rent (above market) was adjusted downward to the potential market rent, resulting in a value reduction of $32,100,000. Below market rents were left in place. These series of adjustments resulted in a Mall value of $290,000,000.

Mr. Bakken then reviewed the adjustments he made to the office buildings, p. T2-48. He opined that the 9% cap rate CW used was too low; he applied a 10% rate based upon CW actual sales in Brookfield at 235 N. Executive Drive (10.6% cap rate) and 15800 W. Bluemound Road (9.5% cap rate). Those properties are superior to these office buildings. Mr. Bakken suggested that someone ought to do an iteration of taxes and convert contract rents to market rents for these properties. The higher the cap rate, the lower the value.

Mr. Bakken discussed comparable land sales cited in the CW appraisal as they pertain to the former Aurora site (now vacant land); he noted that none are near the subject property. He explained the locations of the 13 comparable properties he used in his appraisal review analysis and concurred that the $18.50 per sq. ft. used by CW is reasonable.

Upon questioning by Mr. Kesner, Mr. Millis confirmed that separate land valuation is not an issue in this appeal.

Recess 11:40 a.m. until 12:40 p.m.

In response to Atty. Seibel's question, Mr. Bakken confirmed he had not performed an appraisal on the subject property and therefore had no market value determination. He performed the appraisal review and tried to adjust the leased fee appraisal for a fee simple situation. He emphasized that if the Board wished to rely on data in the CW document, adjustments needed to occur because it isn't a suitable document for this venue. Mr. Bakken stated he provided roadmap to do this. He tried to take leased fee valuation and converted it to a fee simple. He stressed that he was not saying he would have arrived at same value if he did the appraisal himself. Six adjustments needed to occur for the CW appraisal to be usable; then the Board determines how much weight to give it. It was not usable in a raw format.

Considerable discussion ensued between Atty. Seibel and Mr. Bakken clarifying definitions that full value means fee simple value and not leased-fee value, and full value means fair market value, and that the basis for the assessor's valuation of real property is found in Section 70.32(a) of the Wisconsin Statutes.

Responding to Atty. Seibel, Mr. Bakken stated that all assessments must be based on fee simple. Under Assessor's exhibit T-25, p. 7-3, a more expanded explanation of fee simple ownership is discussed.

Again referencing the *Wisconsin Property Assessment Manual* excerpts in T-25, Ms. Seibel referred to p. 7-9, where she read Wisconsin Statute 70.32 (1), the Assessor's basis for valuation of real property. She also noted that 'full value' means 'fair market value' per the Wisconsin courts within 70.32.

Still on p. 7-9 of the 12/12 revised *Wisconsin Property Assessment Manual*, Atty. Seibel quoted that, "The goal of the assessor is to estimate the current market value of the bundle of rights for a particular property, considering only those rights and privileges that the owner, or beneficial owner, can transfer to a willing buyer in an arm's length transaction." She suggested that if GGP sold the Mall they would assign leases at the same time; the buyer would get the value and GGP would get paid along with the transfer of real estate.

Mr. Bakken stated that up to 2009, the *Manual* just referred to fee simple. After 2009 a change was made and language in the *Manual* changed such that mention of interest appears in the *Manual*. In the same *Manual* it still talks about full value. Mr. Bakken suggested that if Atty. Seibel wants to change the statute to say leased-fee, get it changed. But right now the statutes reflect both. Mr. Bakken referenced 70.32 of the Wisconsin Statutes and noted that fee simple is all bundle of rights

Mr. Bakken added that post-2009 for the cases he's testified in, this is the issue – leased-fee vs. fee simple – as in the Walgreens cases. Mr. Bakken stated he has testified that fee simple interest is equal to full value. He hasn't been in a court hearing where that is different.

Mr. Bakken confirmed to Atty. Seibel that in his Walgreens cases he found above market rent in 40+ cases. Atty. Seibel, referring once again to the Mall, noted Mr. Bakken adjusted leased-fee to fee simple by $160,000,000 on GGP exhibit T2-3. The adjustment was made because Mr. Bakken believed tenants are paying above market rent. Mr. Bakken stated he adjusted for CW rent and the contract rent. He thought they were high by $8/sq. ft., but for the rest of the Mall he didn't do anything.

A lengthy exchange ensued concerning contract rent vs market rent.

Responding to Ms. Seibel, Mr. Bakken stated that he believes lease value should be included in the value of property at the market level, but not at the contract level. The lease creates the leased-fee interest. He explained that he tried to value the building at market value and not at contract level.

Mr. Bakken stated he received data on the subject property at the time he inspected it, or shortly thereafter. Accompanying him on the inspection were Messrs. Millis, Benton, the property's general manager, and GGP's Manager of Tax Services, Dave Swinkle.

Atty. Seibel submitted Exhibit #26 ("General Growth Properties Project Approval Request Package). It was obtained via subpoena issued to General Growth Properties by the Board. It shows cost projections on the Nordstrom development of $73,216,181 and a cash return of 5%.

Mr. Bakken opined that GGP is spending about $73 million dollars and is creating something greater in value; the $73 million is not a loss, but it is not creating $73 million in positive value. The payoff is not enough to justify this expense.

Ms. Seibel noted that CW produced two valuation calculations on the Mall value today of $450 million dollars; after the Nordstrom development, it goes up $90 million dollars. She asked Mr. Bakken whether these figures are incorrect.

Mr. Bakken explained that on the day GGP makes an expenditure, the value is created. But whatever value is created when GGP does that is not enough to cover the $73 million capital outlay. CW made future projections for 2015-26 and they must see positive things happening then. Mr. Bakken explained that the January 2013 investment was not being done to generate a positive return at the time it is being done.

Ms. Seibel pointed out that as of January 2013 GGP hadn't spent any of the $73 million. She submitted Assessor's exhibit T-27, an excerpt from the GGP Q2 2013 earnings call transcript printed from the Internet. Comments made by Sandeep Lakhmi Mathrani, CEO of GGP, indicates that he expects a 'big pickup of income.' Atty. Seibel observed that this seems to contradict Mr. Bakken's prediction of the negative construction of Nordstrom's.

Mr. Bakken reiterated his previous position, that there will be benefit as a result of the construction, but it won't equal the cost.

In response to questions by Ms. Seibel concerning deferred maintenance, Mr. Bakken stated that he did not believe the $20 million estimated deferred maintenance was related to the Nordstrom development. Information indicates Nordstrom will not be tied into existing systems, but will stand alone (i.e., electricity and HVAC will be separate for the new building). Neither is Nordstrom paying for the new building; General Growth Property is paying. Upon further questioning, Mr. Bakken stated that Dave Olson, the Operations Manager for the Mall, advised that $8-8 ½ million dollars' worth of work was needed (and is almost finished) on the electrical system. None of the work had been done prior to January 2013.

Ms. Seibel submitted City's exhibit T-28, GGP's capital planning project list from June 2013. Mr. Bakken stated he hadn't seen it before. Comments were exchanged over whether CW had missed the deferred maintenance in its appraisal or whether it included the deferred maintenance costs in the amount allocated ($64 million dollars) for the Nordstrom expansion. Mr. Bakken reiterated that the $20 million dollar figure pertains to maintenance needed on the old (existing) building, not the new expansion.

Ms. Seibel and Mr. Bakken then engaged in a discussion of the methods used in his adjustment of the CW appraisal as it pertains to property taxes. Leases may provide for tenants paying something towards property taxes. Amounts may be fixed, or may be set according to square footage. Mr. Bakken stated that the CW appraisal has defining information about this on pages 1-325 to 1-373. Fixed-amount data related to property taxes appears in the CW appraisal on pages 1-296 through 299.

Atty. Seibel questioned Mr. Bakken about page 2-14 of the appraisal review, an aerial view of the North Tower parcel, the Bank Tower parcel, the Mall parcel, and the 'Excess Land' parcel. Mr. Bakken opined that it would be fairly easy to value each parcel separately. Ms. Seibel pointed out that the Bank Tower parcel also houses part of the Cheesecake Factory and the parking structure. She also noted that CW did not include the parking structure in valuation.

Mr. Bakken explained that it doesn't need to be because one is assuming there is enough parking. If the parking were a paid ramp, it would be handled differently. The parking ramp is implicit in all valuations because there is no deduction for not having it; the ramp provides parking so buildings can operate. The CW appraisal assumed the buildings work and there is no functional obsolescence due to a lack of parking. CW doesn't deduct value for having insufficient parking on a stand-alone basis.

When asked, Mr. Bakken reiterated that his summary of adjustments occurred as the math was carried over from page to page in the adjustment section of his appraisal review. The adjustments were made relative to taxes ($6,767,000), deferred maintenance ($15,836,000), capitalization rate/discount rate ($24,615,000), the vacancy rate ($9,058,000), changing contract rent to market rent ($8,852,000), and market rents above contract rents ($32,089,665).

Alvin Benton, 6151 Tower Surry Road SE, Atlanta, GA, was sworn in and provided a summary of his qualifications.

Atty. Millis referenced GGP's T3-1, the Mayfair Mall summary rent roll as of December 31, 2012, and stated that Mr. Benton would be providing an opinion of value. The rent roll details a breakdown of stores, five out-parcels, one theater, 125 in-line shops, and ten food court outlets.

Mr. Benton noted that ten in-line and two food court locations had vacancies. Main anchors are Macy's and Boston Store; anchors heavily advertise and are the main mall draw. In terms of rent, mall department stores often own their stores. Mall owners get revenue from other accounts. In-line tenants are the shops throughout the corridor of the mall; these are the 'bread/butter' of a mall. Jewelry outlets and food courts tend to pay the most rent. If leased, anchors have long-term leases that set land use for 50 years; each anchor has operating covenants for 15 years and operates as a specific brand. If one or two mall anchors drop off, other tenants can drop out as well. Additionally, anchors can leave if 60% of in-line locations are not rented. In-line leases are typically 10-year leases. This subject mall is 97.9% occupied

GGP's T3-5 shows the Mall's lease expiration schedule. Fifty-four percent will expire in the next three years. In this market, it may cost to bring in new tenants (tenant improvements, downtime); it is a risk to a mall. Mr. Benton added that these 54% expiring leases represent 59% of the Mall's income. Additionally, 69.7% of the out-lot leases expire within four years; these represent 32% of the income.

GGP's T3-6 provides a historical operating analysis for the period 2009-2012. Mr. Benton noted that Mall income over the last four years has been consistent. Core NOI (net operating income) is listed before leasing commissions, capital, or tenant improvements. Tenant improvements may run about $1 million dollars annually; lease and commission costs account for another $1 million dollars per year. Ongoing capital expenditures may be amortized over the life of a lease.

In response to Mr. Millis' query, Mr. Benton explained that the term 'overage rent' refers to rent that is paid above contractual amount for various reasons, i.e., sales of a certain point that exceed breakpoint. Mr. Benton added that the addition of a Nordstrom's store to a mall typically also brings in a number of other tenants; however, in Mayfair's case, many of those stores are already present within the Mall. Mr. Benton opined that the move to have Nordstrom's locate to the subject mall is one of preservation and not

the injection of new income. If Nordstrom had decided to locate at another mall, other Mayfair tenants may have followed.

Mr. Benton then reviewed GGP T3-8, an analysis of gross sales for those tenants reporting for 12 months for the years 2012, 2011, 2010, and 2009. The analysis showed sales per square foot for Macy's, in-line shops - both including and excluding the Apple store - and the food court stores only. Square footage breakdowns for each category were also listed. In 2012, in-line stores grossed $560/sq. ft. with the Apple store, and $466/sq. ft. without Apple store; figures are similar for 2011-09. Mr. Benton suggested that the figures excluding the Apple store give a more reasonable picture. Mayfair is a Class A mall based on sales, though regional malls generally have 700,000 -1,000 000 million square feet (more than does Mayfair).

Mr. Millis noted there were only two anchors at the time of valuation; Mayfair Mall is a borderline regional mall. Mr. Benton added that a 'fortress mall' has sales at the top of the range; it has very little competition and very solid demographics. A fortress mall has 1-2 fashion image tenants (i.e., Nordstrom, Sak's 5th Avenue, Bloomingdale). Mayfair is not a fortress mall currently, though it could be after the addition of Nordstrom's; it depends on sales.

GGP T3-9 and following pages contain the percent change in gross sales for in-line shop tenants reporting for all 12 months from 2009-2012. Thirty-nine shops reported a decrease in sales, and 64 had increases. This amount of decrease is not a major cause for concern.

In GGP T3-11, Mr. Benton explained, he classified Mayfair's reporting tenants and ranked them on occupancy costs vs. their sales: under 13 ½%, 13.6-14.5%, 14.6-18%, 18.1 -20%, 20.1-25%, and greater than 25%. The CW appraisal said most malls have 10-15% occupancy cost ratio. This is the cost of being in the space. Mr. Benton opined that for a mall like this, 13 ½ - 14 ½% or higher is of concern to the mall; tenants may seek to renegotiate or leave. Mayfair currently has 25 tenants under 14.5%.

GGP T3-12 illustrates higher occupancy costs; 72.8% of Mayfair's in-line have costs above 14.5%. This is 72.6% of revenue. T3-13 shows occupancy cost over 20%; 27.2% of tenants have costs above 25% and this is 24.7% of revenue. The Mayfair Collection site may be attractive to tenants as lifestyle malls have lower costs. They are open air and increasingly common.

GGP T3-14 and 3-15 address the risk of increased occupancy costs. Once the occupancy cost is over 14%, the cap rate increases. If it is greater than 25%, the capitalization rate is increased by 1%. This is based on occupancy cost risk and Mayfair's occupancy costs suggest a concluded overall capitalization rate of 9%.

Mr. Benton stated that T3-16 considers debt and equity requirements for a 20-year term at 6% interest, an equity dividend rate of 10%, and a 60% loan-to-value ratio as of January 1, 2013. It gives a cap rate of 9.1%. (This is called mortgage equity technique.)

Mr. Benton turned to T6-1, the assessment of Mayfair Mall by Mr. Miner. In it, Mr. Miner identified 11 sales used in a sales comparison approach. They are ranked. Mayfair is in the middle with sales of $592.00/sq. ft. Six sold with higher per-square sales than Mayfair and five were below Mayfair. Some correlation exists between sales and cap rates; it appears Mayfair sales per sq. ft. is right at 9%.

GGP T3-17 refers to comparable mall sales 2008 –12, and includes some used by Mr. Miner in Tab 6-1. Data on these sales indicate some are outlet malls, which are different from the subject mall. Some are only partial purchases and are not necessarily reliable as comparable sales. One (Queens Center Mall) has sales three times that of Mayfair. Mr. Benton noted he didn't rely on comparable sales to value Mayfair Mall because one can't get enough information on the sales to make valid comparison. Sales of distressed mall, for example, are not comparable.

GGP T3-18 is a summary of Mr. Benton's cap rate conclusion. By sales definition, Mayfair is a Class A mall, but it is 'iffy' with only two major anchors.

Mr. Benton suggested that T3-19 showing a reconstructed operating statement and a January 1, 2013 valuation date is the best way to look at in-place income to get value. He removed non-realty items, i.e., specialty leasing, the sale of water and utilities to tenants, meeting room rental, overage rent, and other non-tenant revenue not related to real estate rent. Mr. Benton then looked at expenses; he added a 4% management fee, but did not add a replacement reserve. This reconstruction yielded a net operating income of $33,013,779, total operating expenses of $11,129,305, and a 9% cap rate.

Tangible real property value is $247,200,000 and excludes the business part of the income.

Discussion turned to the value of the office buildings. T3-20 illustrates comparable office building sales.

The Bank Tower has an effective gross income of $1,568,731, a NOI of $704,928, or $6.18 per sq. ft. at an assumed rental rate of $19.00 (leases between 2010-12 averaged $19.03/sq. ft.) The vacancy rate is 32.7%. Expenses are $7.58/ sq. ft. The tax load indicates a value of $5,750,000.

T3-26 shows the North Tower data; the vacancy rate is 23.1%. (Mr. Benton used 15%.) That tower has 110,840 sq. ft. Gross income is $2,079,177 or $18.76/sq. ft. The NOI before non-operating expenses is $1,275,416 and give a value of $10,400,000.

T3-30 addresses the Professional Office Building in the midst of the Mall. Square footage is 75,111; $23.00/sq. ft. is the rental rate. A few leases have been done at $23.20/sq. ft. since 2010. The NOI before non-operating expenses $706,593. Indicated value is $5,750,000. The vacancy rate is 44.2% (Mr. Benton used 25%).

In response to a query by Atty. Seibel, Mr. Benton stated that using a sales comp approach is appropriate when one has the data to do it properly. He does not believe there are appropriate comps for this mall, so he used the income (tier 3, Markarian Hierarchy) approach for valuation purposes.

Atty. Seibel questioned Mr. Benton concerning the data on T3-6, the historical operating analysis from 2009-2012. The gross leasable area of 1,119,045 sq. ft. includes the food court, theater, out-parcels, in-line shops, and the anchors. Mr. Benton confirmed that he was aware Boston Store is not included in this appeal; since Boston Store pays $1.99 per sq. ft. (per rent roll information) in cost recovery, it is included in income. Macy's pays $1.12 per sq. ft. They don't pay overage rent. He added that he did not give much consideration to the Nordstrom store in his analysis since it was not established at the Mall as of January 2013.

Ms. Seibel questioned Mr. Benton about the in-line Apple store at the Mall. These stores want to be in productive malls; Ms. Seibel noted that the Mall's in-line sales have increased since 2009 – 12. Mr. Benton stated that GGP would have included Apple's sales when filing its report to the Directory of Major Malls. Ms. Seibel observed that the Mall had $592 sales/sq. ft., putting it close to an A+ mall. Mr. Benton pointed out that it only has two anchors, however; more anchors tend to mean higher in-line sales.

Ms. Seibel queried Mr. Benton in detail about the methods he used to support a 9% cap rate, referring to data on T3-16. In response to her questions, he stated that he had not reviewed refinancing information from March 2013 about the Mall.

Ms. Seibel noted that T3-17, which lists comparable mall sales 2008 – 2012, showed a median cap rate of 7.5%. Mr. Benton stated he reviewed the comparable sales CW used in its appraisal

Ms. Seibel noted that the cap rate on T3-18 (overall capitalization rate summary) is not adjusted for time. The 9.24% figure is bold. Mr. Benton explained that all sales are leased fee. The cap rate has to be adjusted to reflect the fee simple cap rate; to do that, one looks at institutional and non-institutional properties, and one takes out leased fee and gets to fee simple.

Responding to Ms. Seibel, Mr. Benton stated he performed an income approach analysis, rather than the sales comparison approach on the Bank Tower building. Ms. Seibel confirmed with Mr. Benton that when he evaluated the Bank Tower, he did not include income from The Cheesecake Factory (on the same parcel). That real estate income is listed with the Mall. Mr. Benton referenced T3-23 containing data on Bank Tower leases, noting that about eight pay cost recovery/sq. ft., but that is it. Most new office leases are gross. There is no recovery of real estate taxes on the tenants with gross leases. With the North Tower building, just a few leases have cost recovery payments.

Mr. Benton confirmed that he did not deduct any costs for constructing the Nordstrom building or for lease commission because that is usually done after NOI. Those item are deducted below the line for calculating NOI and are not expenses to include in arriving at the NOI.

In discussing the leases in the Professional Office building, Mr. Benton noted most are gross leases; only two have cost recovery payments. It is his belief that GGP provides utilities to the office building and to the North and Bank Towers.

Mr. Millis referred Mr. Benton to GGP T3-16, a chart for Mayfair Mall using the Mortgage Equity Technique which provides information for borrowing money to acquire malls as of January 2013. GGP refinanced the Mall in spring of 2013. Mr. Benton confirmed that if a goal is to see how the market builds cap rates based on interest rates and ratios, this is how one does it.

Atty. Millis reviewed the gross sales history (2009-12) as shown on T3-8, noting that in 2012, sales per square foot were $560 for in-line shops, including the Apple store. This conflicts with the $592/sq. ft. figure appearing in a document from the Assessor. Mr. Benton noted that the Assessor's figure was based on GGP's filing.

Mr. Millis referenced the inclusion of Boston Store income on T 3-1, the Mall's Summary Rent Roll. Tabs 3-6 and 3-7 include payments made by Boston Store to the Mall; the conclusion of Mall value would be lower without it. Mr. Benton concurred.

In response to Mr. Millis' query, Mr. Benton opined that certain comparable mall sales could not be adjusted; two were of multiple or partial malls. As it was hard to determine what was purchased, adjustments were difficult

Mr. Benton confirmed to Atty. Seibel that if Boston Store were removed from Mall income, associated expenses would likewise need to be reduced.

Recessed at 4 p.m. until 9 a.m. on October 24, 2013.

The hearing reconvened at 9 a.m. on Thursday, October 24, 2013.

Ms. Seibel confirmed that she had been retained by the Assessor and would be calling two witnesses. Mark Kenney, an MAI appraiser, has been retained by city as an expert witness and will act as a consultant to the Assessor. Assessor Miner has performed the necessary valuations, and Mr. Kenney provided additional data and specific methodology in assessing this super-regional mall. Mark Kenney will provide some historical information as well. Ms. Seibel indicated Mr. Kenney would address specific attributes, the 20 sales Mr. Miner used in his sales comparison approach, and how Mr. Miner achieved the cap rate.

Mr. Kenney reviewed his credentials as an independent appraiser with 30 years' experience in the business. He started in commercial real estate, but now deals exclusively with malls. He has an MBA with a concentration in accounting, a MAI designation, and other designations that are appraiser-oriented. He just sold the Eden Prairie Mall, another GGP property.

Atty. Seibel asked about the Mall's refinancing in 2013; in 2009-10 GGP was involved in bankruptcy proceedings. The company reorganized and emerged from bankruptcy with a write-up of their asset. What has GGP done to valuing this property on its books?

Mr. Kenney explained that GGP refinanced for $1.5 billion dollars on 16 malls. Mayfair Mall was one of the malls. They had quarterly reporting and in the first quarter the transaction is summarized. A 3.16% weighted interest rate was noted. GGP got $678 million in net proceeds. CW did the appraisal for the refinancing. US Bank had it prepared for them. The appraisal was performed as the Bank needed to know what kind of collateral it was dealing with. USPAP (Uniform Standards of Professional Appraisal Practice) require segregation of other assets if there are any aside from real estate. If CW thought there was business value in what they were appraising, they'd have to pull it out. But it didn't show up.

In response to a query by Ms. Seibel, Mr. Kenney confirmed that an appraiser could be liable for errors in federally related transactions; he was surprised, therefore, that CW missed $20 million dollars in deferred maintenance.

Further responding to Atty. Seibel, Mr. Kenney confirmed that CW prepared a sales comparison approach to appraising the Mall. Every appraisal he sees for a bank has sales comp information included. It is on pp. 105-106 in the CW appraisal.

Mr. Kenney commented on CW's March 29, 2013 appraisal cover letter to the client, wherein property facts, value conclusions (4 of them), and extraordinary assumptions were summarized. The Bank had wanted separate valuations of the Mayfair Professional Building and both Tower buildings. Those

buildings are not on separate parcels. The cover letter noted that "It is therefore an extraordinary assumption of this report that there would be no significant duress, delay, or cost in dividing each shared tax parcel into separate parcels for each subject component. If this should not be the case, our valuation indications would be subject to change."

Mr. Kenney verified that Assessor Minor valued this one economic unit as one parcel, and opined at this time it makes sense. The Cheesecake Factory is on one parcel. But the Cheesecake Factory is valued with the Mall, even though it is on the Bank's parcel. It is run as one economic parcel. Both office buildings are in transition. The Aurora building has already been razed. It is Class 'A' mall now, no question.

Mr. Kenney noted that CW has two different dates for valuation conclusions per p. viii *Summary of Salient Facts and Conclusions* in the appraisal Table of Contents. The Market Value date of March 20, 2013 looks at property as of that date. Clearly, though, something is happening on the property. Values are about futures, not about the present or the past. Taking the baseline number, and considering everything that will happen ten years from now, April 1, 2015 is the date on the chart of Prospective Market Value upon stabilization. This reflects when Nordstrom's is in place at the Mall. It is projected that stabilization will occur on April 1, 2015.

Responding to question by Atty. Seibel, Mr. Kenney confirmed that most malls sell under a leased fee basis when there are leases in place. Mayfair Mall has leases and would sell under a leased fee basis; buyers would assume it with leases in place. Leases are part of the bundle of rights that assessors must take into account, as they sell along with the real property.

Mr. Kenney noted that the CW appraisal viewed AMC Theaters as a third, smaller, anchor. It has a draw and covers 90,000 sq. ft. Super-regional malls tend to have features such as (and they are guidelines): 3+ anchors, (AMC is third), size (at 1.1 million sq. ft. Mayfair is within range of regional definition); trade area (Mayfair's suggests this is super-regional mall); quality anchors (and Nordstrom's is being added; they pick you). Nordstrom's will give Mayfair an additional upscale image, resulting in higher quality tenants ('the groupies'). Rental income will flow from that. Between size, anchors, market area, and number of tenants, Mr. Kenney opined Mayfair is a super-regional mall. The CW appraisal likewise identified it as a super-regional mall.

Ms. Seibel noted that the CW appraisal found the Mall's condition to be good. Mr. Kenney stated that he respects Cushman & Wakefield and their high quality of work; he found it curious, then, that there was no mention in the appraisal of the deferred maintenance mentioned previously. If it was severe enough, the Mall's condition would not have been listed as 'good.' The improvement section of the appraisal would reference $20 million dollars' worth of deferred maintenance.

The *Summary of Salient Facts and Conclusions* (p. v, Table of Contents, CW appraisal) containing both the historical overview and current overview of the Mall, was again mentioned. A two-story parking structure will connect Boston Store and Nordstrom's to Mall. Tenants will relocate because of this new corridor. That will involve costs. Mall ownership paid $10 million dollars to Macy's ($6 million) and Boston Store ($4 million) to permit them to do the project. Anchors typically have a say over what other anchors come into a mall because it is competition. Anchors will typically use this money to improve their own stores.

T-16 of the Assessor's exhibits was an excerpt from the 2011 Directory of Major Malls. Page 1823 describes Mayfair Mall as a super-regional center with sales per sq. ft. of $536. An excerpt from the 2013 Directory reports sales of $592 per sq. ft. (not including the two anchors). Mr. Kenney stated information on retail sales would have to come from the mall owner; presumably the figures include the Apple store and the food court. This is a Class A mall.

T-14 (p. 105) of the Assessor's exhibits was an excerpt of the CW appraisal's sales comparison approach. CW identified eight sales of comparable malls. Sale #7 was a joint venture with the Canadian Pension Plan Investment Board and GGP. Sale #3 was a paired sale. Mr. Kenney explained that a paired sale involves the same property (i.e., you purchase your house and two years later you sell without having made changes.) Paired sales provide a measurement of where a market is during those times, and help measure appreciation or depreciation of a property. Sale #3 had significant appreciation between the 2008 and 2012 sales.

T-14 (p. 106) was another excerpt from the CW appraisal where CW compared the eight properties and ranked them inferior/superior to the subject property. Out of the eight, CW found three superior to the subject; the rest were inferior. Mr. Kenney explained that with sales, one wants to bracket with some inferior and some superior properties. CW made adjustments as needed (p. 107).

Atty. Seibel commented that sometimes a partial interest sale occurs where less than an entire mall is sold. Mr. Benton testified to this practice previously and had explained this was why he didn't use the comparable sales approach.

Mr. Kenney agreed that partial interest sales happen frequently; it is way to 'spread money around' and create 50/50 or other percentages of ownership. Consequently, there are partial owners selling. During the recent recession, for example, many owners were looking for money. They had loans coming due and had to get money so they sold part of their interest in a mall. Mr. Kenney added that appraisers use partial sales on a regular basis. The CW appraisal noted that comp sales #2, 5, 6, 8 were more than 50% partial interest sales. Market conditions determine how many comparable sales there are at any given time.

Mr. Kenney then referenced T-14 (p. 165) of the Assessor's exhibits, another excerpt from the CW appraisal illustrating its income capitalization approach for the appraisal using the annual cash flow report. Discounted cash flow is a sophisticated analysis technique.

At Ms. Seibel's request, Mr. Kenney explained a bit about Argus software. Argus is a lease-by-lease analysis program. It is a difficult program to use but after data input, one gets facts about rent, rent stipulations, CPI increases, when lease will expire, etc. Argus can remove months of rental income and insert the next tenant at the expected rent, which is inflated each year, and calculations can be run from there. Argus does the heavy lifting for an analyst.

Atty. Seibel commented that US Bank required CW to supply the electronic file and their work papers on Argus. Mr. Kenney explained that the Bank was concerned about the loan and they could analyze different factors with the requested submission. Banks often have inside appraisers to review outside appraisers. They may have MAI's on staff.

Ms. Seibel returned to the discounted cash flow (DCF) analysis and T-14 (p. 165). Mr. Kenney explained that information above the NOI (net operating income) line are revenue and operating expenses. Below the NOI line is any tenant improvement allowances (cash payment an owner gives to a tenant to help with the cost of outfitting their space). It is separate from rent. The bigger the tenant, the bigger the tenant improvement allowance. Nordstrom's is a perfect example of a tenant that may get a 100% allowance. With renewals, the allowance may not continue. But there may be leasing commissions, another below-the-line expense item. Capital Reserve is money set aside to pay for future capital items (i.e., roof replacement).

Break 10:20 a.m. to 10:35 a.m.

Ms. Seibel then led Mr. Kinney in a discussion of GGP's bankruptcy. T-9 of the Assessor's exhibits is an excerpt of Form 10-K for fiscal year ending December 31, 2010. Mr. Kenney's understanding from what he's read was that GGP filed in April 2009; it was caused by the change in the economy. With the recession, GGP filed for relief under Chapter 11 as it had over-leveraged and needed cash to emerge from bankruptcy. Some other big funds were able to put money together to help GGP emerge from bankruptcy; because of GGP's assets, they were willing to put this together. As result of this action, GGP had to restate its assets on its books to a new basis.

The investor group acquired GGP stock as a result of its $6.3 billion dollar investment. Mr. Kenney added that *Schedule III – Real Estate and Accumulated Depreciation* in T-9 (p. F-81) as of December 31, 2010 shows Mayfair Mall's new book value.

Mr. Kenney confirmed that GGP took this new infusion of money, spun off their non-court malls into Howard Hughes Corporation, and others into Rouse Properties.

Atty. Seibel referenced T-11, Schedule III, of the Assessor's exhibits. Assessor Miner prepared this schedule which indicates a total value of all tangibles as $436,261,017; this is the number reported on GGP's books as it emerged from bankruptcy. The pages that follow under T-11 was information the City received via subpoena from GGP. Schedule III shows how assets are divided among the buildings and land.

T-12 of the Assessor's exhibits contains information provided via subpoena about GGP by its accountant, Deloitte LLP. The information pertains to fair value asset allocations. Mr. Kenney explained that the fair value definition is similar to market value.

Ms. Seibel stated that the testimony will next deal with the sales comparison approach to valuation and the data in T-18 of the Assessor's exhibits

Mr. Kenney reviewed a graph of comparable mall sales (including the subject property) where the adjusted sales prices were divided by the GLA (gross leasable area) sold. He noted that in the case of Mayfair Mall, since Boston Store owns its own store, if the Mall were to sell, it would not be included. One must be careful when comparing unit rates. While Mayfair Mall has 1.1 million total sq. ft. (923,406 sq. ft. of gross leasable area), this may not all sell at one time.

Ms. Seibel noted that the graph indicates a $433/sq. ft. valuation for the Mall. Twenty sales were considered on this graph, including the paired sales of 16A and 16B (Flatiron Crossing) in 2008 and 2012.

A second chart under T-18, *Comparable Mall Sales Adjustment Schedule)*, illustrates 19 mall sales, including eight mall sales used by CW in its appraisal. Mr. Kenney stated he provided several comparable sale data sheets to the Assessor. The difficulty with these sales is that each property is unique, with different anchors, and/or a different number of anchors. Under the "GLA" column on the data sheets is the "sold GLA." (This is an indicator of whether all or part of a mall was sold.) Mr. Kenney added that with more anchors in a mall, the unit rates drop. If anchors are leasing the land and building, they may have long-term leases where they are paying $1/sq. ft. compared to market rent. Investors like Class A malls because better quality creates more demand; interest rates have been low and investors are yield-hungry. When demand goes up, the price to purchase a mall goes up. The sales price reflects the per-square-foot of retail sales. A mall's class is reflected in the cap rate.

In response to a query by Chairman Benz, Mr. Miner stated that McCormick and Schmick owns its restaurant building, but GGP owns the land. The site where the building sits is pretty much the building footprint. Restaurant visitors park either on the northwest parcel or on the land closest to Macy's. It is not part of these figures.

Ms. Seibel observed that Mr. Benton had previously testified that Boston Store pays $1.99/sq. ft. for CAM (common area maintenance) charges. Mr. Kenney stated that that doesn't seem correct. In the CW appraisal, the contribution is lower than that.

Atty. Seibel briefly referenced Assessor exhibit T-29 where a print article from *The Motley Fool* reports that instead of online shopping contributing to the destruction of the mall shopping experience, mall owners are reporting that demand (for mall presence) is at a five-year high, while supply (new malls aren't being built because of the recession) is at a 35-year low. Rental rates have increased at major malls. Time may also demonstrate that competition in the area (i.e., The Mayfair Collection having Nordstrom Rack) may be complementary to Mayfair Mall (having Nordstrom's).

Ms. Seibel reviewed some contents of Assessor exhibit T-14 where GGP's first quarter 2013 results were reported. FFO (Funds From Operations) increased 13.6% and EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) increased 5.7%. The same report listed Operational Highlights for the US Regional Mall Portfolio: Tenant sales increased 6.3% to $558/sq. ft., mall leased percentage was 95.8% at quarter's end, and initial rental rates for leases commencing in 2013 increased 11.1% when compared to expiring leases.

Mr. Kenney discussed exhibit T-18, comparable properties, as this is the national market that the subject property trades in. Issues such as land size, year of construction, when renovated, quality of the trade area, and customer income all figure in the discussion. Malls are capital-intensive and require spending money to make money. The threat of competition is constant. Other super-regional malls are identified, and then similar features are noted. Some are better, some are inferior to the subject property. Bracketing helps. Mr. Kenney opined that assessors should look outside for help with these kinds of properties because they don't have the national data. Malls are always leased fee situations. They all have leases in place. Sometimes there is a partial sale of a mall; partial sales need to be used as comparables to the extent possible. Otherwise many comps will be discounted in a market where there aren't many to begin with. Partial sales give appraisers some kind of information. It is real property value.

Ms. Seibel referred to T3-19 of GGP's exhibits, Mr. Benton's Reconstructed Operating Statement, where he arrived at a Mall value of $247,200,000. She again noted that he had backed out some non-realty items. Mr. Kenney explained that one entry under 'Recoveries Revenue' on the statement is for common area maintenance (CAM) and insurance; an administrative fee may also be charged. That is all income. The 'Corresponding Expense' column on the chart is $5,053,000 in the third column. So the tenants are paying a CAM surcharge and Mr. Benton feels it is a non-realty item, it is profit; it could be sold or detached and it is business, and therefore should not be taxed. Mr. Benton translates that into the fifth column on the statement, 'Income and Expenses Total Excluding Non-Realty Items.' The difference between the $5,053,000 figure and the 'Non-Realty Items' of $3,299,134 is $1,754,000. Mr. Kenney opined that Mr. Benton is short $1,754,000. A buyer will expect to earn $8,350,000.

Mr. Kenney disagreed that an administrative fee should be backed out because it is real estate income. Additionally, Mr. Benton excluded the $3,299,134 in the fourth and includes it in the fifth column. In summarizing the chart, Mr. Kenney stated he disagrees with this sheet and Mr. Benton's opinion.

Mr. Kenney explained that 'Specialty Leasing' on the Reconstructed Operating Statement includes tiny kiosks and carts within the Mall. They are personal property and the owner buys them for the tenants; it is OK to exclude them. But how they are pulled out is based on rent being paid. Tenants pay more for being in the Mall (location) and less rent for the cart. A cart in the parking lot is not worth what is in the Mall. Some of that is attributable to the cart and should be excluded; Mr. Kenney indicated he just isn't sure what the proper figure is. Rental revenue should be included because tenants are paying it to be there.

Ms. Seibel noted that the courts have held it is real estate income for property tax purposes.

Ms. Seibel noted that Mr. Benton used a 9% cap rate and applied a tax rate of 2.271% in his Reconstructed Operating Statement. Market data, however, suggests another figure for a capitalization rate. One-half percent makes a difference in the ultimate conclusion of value. Mr. Kenney concurred, stating that the $33,000,000 net operating income (on the Reconstructed Operating Statement) with a 9% cap rate vs. an 8.5% cap rate yields a value of $367,000,000 (9%) vs. $388,000,000 (8.5%). One-half point means a $21 million dollar difference in value.

Atty. Seibel continued the discussion of appropriate cap rates, referring to T-21, Capitalization Rate Summary, of the Assessor's exhibits. Mr. Kenney explained that cap rates are calculated when a sale is being considered; you are looking at net operating income, the line, divided by the sale price. Existing sales are already leased.

The 'Cap Rates from Sales' chart in T-21 shows cap rates from 20 actual sales (2008-2013) and the dates of sales. The average cap rates for those years are listed. Mr. Kenney explained that the higher cap rates in four of the five 2010 sales were due to market activity. The sales may have included outlet malls - even though super-regional - but outlet-oriented which featured Saks Off Fifth, Nordstrom Rack (not Saks Fifth Avenue, not Nordstrom). The 2010 sales still showed some effect from the real estate recession in 2009 through cap rate compression.

Information behind T-21 also has a page titled 'Cap Rate from Band of Investment Method' which illustrates another method the Assessor used to determine an appropriate cap rate for the subject property.

It contains the actual borrowing rate on a March 2013 loan for the subject property. Two components, debt and equity, factor into the use of this technique. Ms. Seibel noted that in her discussion the previous day with Mr. Benton about analyzing market data to determine cap rate, Mr. Benton indicated that he had not considered actual debt information associated with refinance action.

Replying to Ms. Seibel's question about how this band of investment takes terms into account, Mr. Kenney asked that if one is not looking at what is going on in the market, what *is* being considered. All the Mall owners are in the same league. They approach lenders, ask about rates, and lenders give them the lowest rate; and if GGP gets this rate, Simon Property Group can do better. But *that* range is the range to analyze, not in another marketplace. If you use the wrong interest rate you'll have the wrong cap rate.

Ms. Seibel confirmed with Mr. Kenney that the 6.1% cap rate shown on the aforementioned sheet is based on actual information from the March 2013 loan for the subject property. Mr. Kenney added that these are the rates he is seeing 'from other players.' This represents the typical market indicator for mortgage interest rates.

Behind Assessor exhibit T-21 is p. 23 from the *National Regional Mall Market* publication containing information about overall cap rate ranges. Ms. Seibel noted that Mr. Benton looked to investor surveys, and chose non-institutional rates rather than institutional rates when analyzing the subject property. What is difference between the two?

Mr. Kenney responded to Atty. Seibel's question, explaining that buyers can be thought of as institutions. REIT's are institutions, as are pension plans; they have big money and want good investment products – a nice returns for their pensions. The non- institutional are everyone else (private investors, LLC, 1031 exchange investors, local developers). Mr. Kenney confirmed that the rates for these groups are different; with less risks for institutional property, lower cap rates result. The *National Regional Mall Market* page is from a Price-Waterhouse Cooper real estate investor survey; this is for consideration of institutional type properties. If one is not dealing with institutional properties, cap rates may be higher.

Ms. Seibel pointed out that the overall average cap rate of 6.27% for a Class 'A' mall, according to the *National Regional Mall Market* excerpt, is far from the 9% rate suggested by Mr. Benton. Mr. Kenney added that the rate was 6.92% for all the malls (includes B, C D class malls).

Ms. Seibel referred to GGP's Q2 Earning Call Transcript (behind T-21) where GGP executives respond to analyst questions. Mr. Kenney stated this is one source to use to track activity in this industry and can provide a lot of information with limits. There may be cap rate discussions. Assessor's exhibit T-21, page 3 refers to Mayfair Mall specifically and it is referred to as an 'A' mall. And cap rates are discussed in this particular article; GGP CEO Sandeep Lakhmi Mathrani observes that recent interest rate increases has not put pressure on cap rates for the type of assets GGP would look to acquire. Mr. Mathrani is referring to demand for these properties keeping interest rates low.

In other portions of the Earning Call Transcript, Mr. Mathrani talks about Class 'A' malls having attractive cap rates and how they haven't seen luxury (of the type offered by Class 'A' malls) fall off yet.

During that same Earning Call Transcript, Mr. Mathrani also discusses a $1.5 billion dollar loan where GGP had the opportunity to refinance most of its assets and they think there will be a big pick up in income. Mr. Kenney interjected that GGP is investing in its assets with $70 million; GGP expects a return or they wouldn't do it. Atty. Seibel also pointed out that Michael Berman, CFO, discusses partial interest sales in the Earning Call Transcript and observes that partial interest sales do not seem to have an impact on pricing.

Recess at noon until 12:45 p.m.

Atty. Seibel continued the cap rates discussion; the base rate is the first piece and second piece is the property tax component. This part is added when there is a change in value; and since taxes are based on value, the question then becomes 'what will taxes be?' Value will determine taxes. So the cap rate is loaded with a tax load factor or the effective tax rate. This is the assessment ratio times the tax rate. It is a percent.

Ms. Seibel noted that Mr. Benton added 100% of the tax rate to his cap rate but did not allow for a deduction in property taxes (per GGP T3-19) Mr. Kenney concurred, summarizing Mr. Benton's 9% base cap rate and effective 2.271 % tax rate, and 100% of that. Ms. Seibel commented that this assumes the landlord will not collect any more in taxes. Mr. Kenney concurred, reiterating that he removed the entire tax expense, but the recoveries were not.

Ms. Seibel asked if an appraiser is not comfortable that a landlord will not recover more property tax, what an alternate way to figure tax load would be. Mr. Kenney explained that taxes and recoveries are eliminated from the appraisal statement. Then the effective tax rate is multiplied by what the owner share would be. Deduct from the income what the owner will pay because tenants will pay the rest.

Atty. Seibel asked about the Capitalization Rate Summary sheet in Assessor exhibit T-21. Mr. Kenney stated the chart at bottom show 2010-11-12 actual recoveries and taxes paid. Then ratio of recoveries to taxes is listed. So in 2010, tenants paid 93% of taxes. The 7% difference is the owner share. The same was shown for 2011 (tenants, 75%) and 2012 (tenants, 74%). These amounts are fluid.

Ms. Seibel then reviewed two columns at the bottom of the page listed as "Estimated 2013" and "Worst Case Estimated 2013." The first scenario shows tenants paying 52% of the taxes; the worst case indicates only 36% being paid by tenants. Again, amounts can be fluid.

Referring to Assessor's Exhibit T-20, Ms. Seibel asked about the NOI 3% management fee listed on the Operating Statements for 2010-11-12. Mr. Kenney said this is generally accepted. Some owners don't include management fees, but this is a complex property needing lots of management. Investor surveys conducted by Price-Waterhouse Cooper about management expenses indicate that they range from 2-4%. In this instances, the Operating Statements for 2010-11-12 indicate that leasing commissions were included in the management fee.

Mr. Kenney explained that the entry 'Replacement Reserve' under NOI refers to a fund used to replace short-lived items in the future. Some common area reserves are reimbursed by tenants in their CAM. Surveys asked investors what reserve requirements they are inserting into their statements and the range is either per sq. ft., or per room for hotels, or per unit for apartments. It can be 15 – 50 cents per sq. ft.

In response to a query by Atty. Millis, Mr. Kenney confirmed that he does appraisal work in ad valorem tax matters, did not prepare an appraisal on Mayfair Mall, and does not have an opinion of value for the Mall or for the office buildings in question. He only provided material, consulted with, and advised Mr. Miner.

Mr. Millis inquired about the source of some of the background materials Mr. Kenney provided to Mr. Miner concerning mall sales as noted behind GGP's T-6, pages 6-61 through 6-71. These pages provide improved sale comparable data on various malls as prepared by CW. Mr. Kenney confirmed that he had not prepared the aforementioned sheets, whereupon Mr. Millis questioned the reliability of the information since the exact source author (a research analyst?) is unknown.

Mr. Kenney verified that he gave Mr. Miner pages 6-73 through 6-85 behind GGP's T-6. Mr. Kenney stated he did not provide data on small regional centers or on dead malls.

Mr. Millis then questioned Mr. Kenney about the Argus reports (behind Tab 1, GGP exhibits, beginning on page 1-291) and methodology used when appraising malls.

Atty. Millis turned to p. 165 of the CW appraisal (behind Assessor's exhibit T-14) where the income capitalization approach was used and the NOI (net operating income) was capitalized. He then referenced GGP exhibit T-1, pages1-196 of the CW appraisal. Mr. Kenney observed that the appraisal indicated the Mall's prospective stabilized value of $537,000,000 upon a stabilization date of April 2015.

Mr. Millis commented that Mr. Kenney had stated that no one (mall owners) spends $70 million dollars (on a project) without the expectation they will recover that. Mr. Millis contended, however, that he has shown that GGP's $70 million dollar investment may yield a $20 million dollar return. In response to a query by Mr. Millis about information Mr. Kenny may have on GGP's anticipated return for the Nordstrom project, Mr. Kenny stated his remarks are based on experience and how a mall owner runs the business; such a project doesn't make sense otherwise.

Mr. Millis referred to Assessor's exhibit T-18 and sales information provided for the Sales Comparison Approach to Valuation. Under Assessor's exhibit T9, Schedule 3, Form 10-K has number with values about the mall as of December 31, 2010. Have they changed since 2010? Mr. Millis noted that the value has been above $400 million dollars since 2010. The summary (T-18) of the Mall's value shows 923,406 gross leasable sq. ft. at $433/sq. ft. yields a value of $400,000,000. Macy's is part of the gross leasable square feet, but Boston Store isn't. Macy's is worth about $23 million dollars. If Macy's square footage is subtracted, the mall size is 634,810 sq. ft. (288,596 sq. ft. subtracted from 923,406 sq. ft.) . The City valued Macys at $25 million 2010. If that hasn't changed, then rest of mall is worth $375,000,000. That figure, divided by 634,810 sq. ft., yields a value of $590/sq. ft. Is the rest of mall worth that?

Mr. Kenney responded that this is possible. Mr. Millis opined that if Macy's is worth $25 million dollars, and is one-third of the mall area, the rest of the Mall has to be worth $375,000,000. In response to Atty. Millis' question, Mr. Kenney stated that CW does very good appraisal work in general and the Mall appraisal is likely reliable. He clarified, however, that he has not performed an appraisal review, though he did read Messrs. Bakken's and Benton's information. He did not check CW's comparables.

Responding to Mr. Millis, Mr. Kenney stated that if a mall sale occurs and the net adjustments exceed 100%, that would indicate less comparability among properties; however, these properties are unique and curious adjustments sometimes occur. Mr. Millis summarized that fewer adjustments may indicate more similarities among properties. Mr. Kenney opined that it is better to look at gross (rather than net) adjustments.

Referring to Assessor's exhibit T-18, which contains the Assessor's mall sales adjustment schedule on 19 malls, Mr. Millis highlighted certain comparable sales on the schedule.

Mr. Kenney confirmed he provided information on Green Acres, a super-regional mall (CW comparable #1), to Assessor Miner. CW comparable #2 was Woodfield Mall, where no real estate purchase involved; it was an ownership interest purchase and the assumption is that the $505 million dollar value for a 50% represents the sale price of mall were it to be sold .

Mr. Millis asked why CW cared, with the Woodfield Mall, whether the Apple Store is included or not. Mr. Kenney noted the point was that comparisons should be done the same way. Mr. Millis pointed out that Apple's lease at Mayfair is a base rent lease; Mayfair gets $38/sq. ft. from Apple. If Apple has $10,000/sq. ft. sales or $5/sq. ft. sale, they pay same rent. Mr. Millis observed the NOI for Woodfield is $59.04/sq. ft.

Mr. Millis consulted Assessor exhibit T-20, p. 1, where the NOI (gross rent minus expenses) for the subject property is $33.87/sq. ft. The higher the NOI figure, the better the mall. He reiterated that the Woodfield Mall NOI is at $59.04/sq. ft. Mr. Miner made an adjustment of only 19% on the Woodfield Mall (*Comparable Mall Sales Adjustment Schedule*). Mayfair's NOI is only 55% of Woodfield's, but Mr. Miner only adjusted by 19% and it is a superior quality mall.

In reply to Mr. Millis' question, Mr. Kenney confirmed that he'd provided Mr. Miner with information about CW's third comparable property, Chicago Ridge. He further stated that he did not investigate whether the allocation is correct, as properties often sell in portfolios and there may or may not be an allocation. Mr. Kenney explained that the sale price s for a particular piece of the sale is not always known; many transfers occur this way.

Mr. Millis reviewed comparable sale #4 (Yorktown Center). The sale included assumption of an $81 million dollar loan and other fees. Mr. Kenny added that $500,000 was subtracted from the $196 million dollar purchase price for favorable financing. This is an adjustment. Mr. Kenney confirmed that he had relied on CW's analysis.

Comp #5 (Westfield Southcenter) was a 45% investment in ten malls and two development sites. Mr. Kenney confirmed that he did not investigate the sale price reflecting the real estate involved. Mr. Millis expressed concern that interest in a company – not properties – was being purchased, yet the value for one of those ten malls is being used as comparison. Mr. Kenney explained that the buyer provided an allocated price. It is a difficult comparable; however, the purchaser is not going to pay more than they need to; they are buying interest in an entity.

Mr. Millis explained that 'leased fee' is called a partial interest in property. Fee simple is the fullest estate. So this is a partial purchase of leased fee interest. It is a partial purchase of partial interest.

Mr. Kenney stated that he had provided Mr. Miner with data on Comparables #5 and #6 (West County Mall). Mr. Millis pointed out that Comparable #6 was a portfolio transaction where the purchaser is getting 50% joint venture interest in three enclosed malls. Again, this was not the purchase of real estate.

Mr. Millis stated that Comparable #7, Plaza Fontenac, was the sale of super-regional mall.

Comparable #8, Westfield Montgomery Mall, was the sale of a 50% interest in a Class 'A' mall. It was JP Morgan selling partial interest, and not the purchase of real estate. Mr. Kenney provided Mr. Miner with data on Comparables #7 and #8.

Comparable sale #9, Houston Galleria, is a Class A+ fortress mall. Mr. Millis observed this sale was a 40% interest in the mall, and not real estate. He further noted NOI per sq. ft. is $62, almost twice the NOI concluded by Mr. Miner for Mayfair. Mr. Kenney explained that this is bracketing, high and low. Mr. Millis noted that Mr. Miner's adjustment is that Houston Galleria is 45% superior to the subject, even though the income is almost twice. Mr. Kenney stated that was the net adjustment the Assessor made.

Atty. Millis commented that comparable sale DM #10, Opry Mills, is not sale of real estate; it is a 51% investment by Simon Property Group. Mr. Kenney explained it is a purchase of the entity owning the real estate. The asset transferred is the real estate. Mr. Millis added that Simon was a minority owner until this purchase, presumably a minority interest in a closely held entity

Mr. Millis observed that Comparable #11, Great Mall of Bay Area, was also a sale where Simon had been a minority owner and had purchased 51%.

Mr. Millis stated that Comparables #12, Lloyd Center, #13, Westshore Plaza, and #14, Chandler Fashion Center, were all situations where the entity owning the real estate was partially purchased. Mr. Kenney opined that this strategy was used where investors needed to raise capital.

Mr. Millis also confirmed that the sale of Comparables #15, Freehold Raceway Mall and #14 were part of same transaction. The purchaser bought a minority interest (49.9%) in the entity owning Freehold.

Comparables #16A and #16B, Flatiron Crossing, are considered paired sales, where the sale of same property occurs twice in close proximity to each other. A paired sale can also be the sales of very similar properties with very few differences. Mr. Kenney stated that that is considered the ideal of paired data analysis, as one can examine the contribution to value that those variables added.

Atty. Millis noted that Flatiron Crossing's sales occurred in 2009 and in 2012, and both included the sale of 75% interest in ownership entity. The price was about $100 million dollars more in the second sale than in the first. The party that bought it was the one that sold it. Why sell low and buy high? What went on?

With Comparable #17, Queens Center, Mr. Millis noted that the buyer acquired a 49% interest in the property for cash, and assumed 49% of the Center's debt. Mr. Kenney concurred, and added that many of these minority investors are looking for yields. Replying to Mr. Millis, Mr. Kenney also confirmed that in these instances the owners want to maintain control; the mall owner is cashing out part of its interest, is receiving cash, is maintaining control of the mall, and is still able to pay itself and keep a share of the

income. Mr. Millis opined that such a sale, however, may not reflect the actual value of the property, were it put up for sale.

In reviewing Comparable #18, Sunrise Mall, Mr. Millis stated that it looks like it was a 50% interest sale. Mr. Kenney responded that he was not sure.

Mr. Millis pointed out that Comparable #19, Westfield North Bridge, has a very desirable NOI of $51.94/sq. ft. Mr. Kenney noted this property is superior to Mayfair Mall.

Recess 2:40 p.m. - 2:50 p.m.

Turning to Mayfair Mall, Mr. Millis asked whether the AMC Theaters is an anchor. Mr. Kenney replied can be considered one, since visitors may come to theater and then shop. Mr. Millis opined that, unlike theaters, department store anchors tend to attract persons with similar demographics.

Mr. Millis questioned Mr. Kenney briefly on the issue of the subject's property excess land. Aside from the former Aurora parcel, Mr. Kenney explained there may be garages and the property on which the Nordstrom store will be located. The CW appraisal did not reference much excess land.

In response to Mr. Millis' observation that Mr. Bakken feels there is $20 million in deferred maintenance, Mr. Kenney explained that while he does not have evidence to disprove Mr. Bakken, he found it curious that CW did not mention that in its appraisal nor make a deduction for it. Mr. Millis noted that if CW is incorrect about the deferred maintenance, their value conclusion is likely also incorrect.

Discussion turned to the cost approach method of assessing. Mr. Millis referred to T-12, page 7-31 of the GGP exhibit binder where the *Wisconsin Property Assessment Manual* addresses that particular valuation method.

Referring to the GGP exhibits, T1-10, Mr. Millis noted CW lists the Mall's insurable value at $212,000,000 to rebuild. Mr. Kenney concurred, but added that a reader doesn't necessarily know what that reflects. An insurable value is not the same as the cost approach of assessing.

Mr. Millis then referred to GGP exhibit T-4, Notice of Assessment. He opined that if the insurance value is $212,000,000, then land value shouldn't be more than the cost to replace it. In many of these comparable sales, what is being bought is income stream. Mr. Kenney clarified that the purchase is an investment in real estate; the quality of the investment is important as it does affect the income stream.

Mr. Millis referenced Form 10K Schedule III (T-9, Assessor's exhibit), noting it was made using the acquisition method of accounting. The value of Mayfair Mall on the Schedule is more than $400,000,000, but it is not clear whether that reflects fair market value. Most of the properties sold from the Schedule sold for less than the value. If Schedule III is 'gospel,' the Mall should be assessed at that value every year. Mr. Kenney concurred that it is not 100% clear whether fair market value is reflected.

Discussion turned to the occupancy cost ratio. Mr. Benton had testified previously that he is concerned when levels rise above 13.5 – 14.5%. Mr. Millis suggested that a figure above 15% is a cause for concern for a mall owner. Mr. Kenney countered that anything above 20% is of concern. Mr. Kenney added that Mr. Benton has listed more tenants (about 50) over 14% than under, so an owner should be concerned. It is not ideal. These tenants have been in place for some time, and are paying occupancy

costs of 20%. Clearly for some reason this mall has a higher range. Maybe it is because there is no competition yet. If a 14% range were a concern, more tenants would be leaving; that is not the case. Mr. Kenney noted that The Mayfair Collection may post some competition when it opens, however.

Mr. Millis again referred to GGP Exhibit T-3-19 and how Mr. Benton handled taxes on his reconstructed operating statement. He removed all real estate taxes from the Property Expenses category, but left in real estate taxes under Recoveries Revenue. So he is assuming that whomever is responsible for taxes will continue to be. But he is adding an effective tax rate of 2.271% to the cap 9% rate.

Mr. Millis reviewed Assessor Exhibit T-21, Capitalization Rate Summary, noting that Mr. Miner also assumed in a 'worst case' scenario that (tax payment) 2013 recoveries will be the same as 2012, but he hasn't taken out taxes paid as an expense. Mr. Benton assumed the same recovery figure, but removed taxes paid as an expense, and added them to the tax rate. Mr. Kenney opined that Mr. Benton's method might be less precise than adding the owner's share of taxes to the cap rate.

Atty. Millis noted that if the assessment is increased, the onus to pay additional resulting taxes will fall on the owner because tenants are at or exceed what might be applied to them. If the Mall is assessed at, say, $278,000,000, and it increases to $400,000,000, the increase that won't be covered by growth factors. Mr. Kenney agreed, noting that that is what is being shown in T-21.

Mr. Millis next referenced the Earnings Call Transcript (Assessor's T-21), pointing out that GGP CFO and Executive Vice President Michael Berman's remarks assume a 30% loan-to-value. Messrs. Kenney and Miner, however, assumed 70%. And on page 10 of that same Transcript, GGPLP CEO Sandeep Lakhmi Mathrani comments about a 10% code of returns on capital, on cash, and on cash and cost returns. Mr. Kenney concurred with the statement on development projects, but that is different than this project.

Mr. Millis briefly questioned Mr. Kinney about the data on the third page of Assessor's Exhibit T-21, Cap Rate from Band of Investment Method, regarding stated ratios on the chart.

Atty. Millis stated that his client had previously (as late as 2012) received separate Notices of Assessment for the subject properties. For 2013, however, the Assessor put all the value on one parcel for purposes of assessment. These separate parcels still exist. In reply to Mr. Millis' question, Mr. Kenney stated it is possible to assess the parcels separately; it is extremely complicated, however. The CW appraisal did so with extraordinary assumptions.

In summary, Mr. Millis stated that GGP owns many malls with a range of classes. In a GGP press release of Quarter 1 2013 sales results, it was reported that its tenant sales increased to $558/sq. ft. At $592/sq. ft. sales, Mayfair's rate is not that much higher; but while being just slightly above average, it has the fourth highest assessment in the GGP portfolio of properties.

Atty. Seibel, referring to Assessor's Exhibit T-18, noted that the Macy's store (288,596 sq. ft.) is listed separately in a list of the Mall's gross leasable square feet (923,406). Mr. Kenney confirmed that pulling Macy's square footage and multiplying it by the $433/sq. ft. unit rate yields a $125 million dollar deduction. Mr. Kenney explained that anchors tend to bring down the sq. ft. unit rate because they typically pay less per sq. ft. Macy's pays $1/sq. ft. Including Macy's 288,596 sq. ft. at $1/sq. ft. brings down the NOI.

Ms. Seibel reviewed the Comparable Mall Sales Adjustment Schedule (Assessor's Exhibit T-18) and noted that with sales #2 and #8, no anchors were sold; sale #13 included just the in-line stores and the theater. So the $433 figure is a blended rate with Macy's and the Theater.

In response to a query by Ms. Seibel, Mr. Kenney explained that partial interest sales sometimes occur via warranty deed. Typically each mall has its own LLC or corporation. If partial interest in an LLC is sold, real estate is a major (but not only) asset. Partial interest sales are fairly common and the reasons therefor can vary. Owners may need to raise money and have loans coming due; they look for joint venture partners.

Atty. Millis observed that mall sales sometimes don't include the sale of anchor stores. The owner of the subject property does have an anchor it owns, and it is getting $1 or so per sq. ft. for rent. He further noted that Mr. Miner's comparable mall sale adjustment schedule included some malls where there is no blended rate. The Houston Galleria Mall sale, for example is just in-line stores in the mall; Mr. Miner applied it to a situation with a blended rate. Mr. Kenney agreed, but noted that is only one example. Mr. Millis pointed out that anchors pay less per sq. ft. than do in-line stores. Since one-third of the Mall pays so low a rent rate, adjustments should be made to the sale price.

Mr. Miner began his presentation with a review of his credentials and by verifying that his valuations are guided by case law, by Chapter 70.32 of the Wisconsin Statutes, and by the *Wisconsin Property Assessment Manual*. The City's assessment ratio is at 100% for 2013. The subject property is mixed use - retail, restaurant, office, with some vacancies. It is in transition inasmuch as Nordstrom's and other retail operations are coming within the next two years. The highest and best use of the property is as a super-regional mall.

The assessment is based upon the best information obtained. Because of the timeline of when assessments are established, staff sought information from the owner for long period of time; it was very difficult to obtain relevant information for valuation conclusions. Ultimately, only with subpoenas by the Board was staff able to get the information being presented at this hearing. August 9, 2013 was the date assessment notices were mailed; however staff didn't send out initial notice to this property owner for another 10-14 days pending more information. While staff had some data (and ultimately received more information) indicating value should be higher, it opted to validate the $400,000,000 figure used on the Notice of Assessment. All parcels were combined under one tax key number.

Mr. Miner reviewed the Markarian Hierarchy of tiers to valuation (T-1, page 8, Assessor exhibit). He clarified that the term 'full value' means 'fair market value.' The CW appraisal placed the Mayfair Mall valuation at $450,000,000. The Mall data submitted by the property owner to the Securities and Exchange Commission (SEC) on Form 10K Schedule III reflects a value over $425,000,000. The income approach to valuation was done. Tier 3 information provided was the CW appraisal. Mr. Miner stated no impairment studies - anything that causes value to be less – have been filed with the SEC.

Mr. Miner noted that T-1, page 89 of Assessor's exhibit lists the individual 2012 assessments for the subject parcel that, prior to 2013, had been assessed separately. He also pointed out that the individual objection forms submitted for the parcels all indicate that no appraisal of the property had been conducted within the last five years. The CW appraisal, however, was performed in 2013.

Mr. Miner reviewed T-3 of the Assessor's Exhibits, excerpts from the Wisconsin Statutes pertaining to the duties of assessors. He assessed Mayfair Mall and the related out-lots in accordance with Wisconsin Statutes 70.23 (2) since they are "….so improved or occupied with buildings as to be practically incapable of separate valuation." The Mall is one economic unit. Mr. Miner also cited Wisconsin Statutes 70.28 to support his single valuation, as well as page 5-48 of the *Wisconsin Property Assessment Manual.*

Assessor Exhibit T-4 is an aerial shot of the southwest parcel; it contains more than one building. Existing roads serve all the parcels and Boston Store (parcel is under separate ownership). The Cheesecake Factory parking is located on the Boston Store lot to the north and east. People accessing the 2300 tower building park in the structure that covers three parcels. Clearly the parcels all work together. The Cheesecake Factory lease shows up on the Mall parcel. The lots cannot be assessed separately without extraordinary assumptions; it isn't practical.

The southeast parcel had an office building that has been razed. The parking structure is also partially on the same parcel. Two Mall entrances are located on the Boston Store lot. To assume part will be sold off is not logical.

Mr. Miner noted that the parking structure was formerly assessed by the previous assessor as personal property; he has made it real property.

Assessor's Exhibit T-6, is an aerial photo of the northwest parcel. It houses the Tower building and parking for the McCormick and Schmick restaurant, which doesn't have its own parking.

Assessor's Exhibit T-7 is an aerial photo of the Mall parcel, which includes Macy's. The new Nordstrom's structure will cross property lines and will be located on the south towards Boston Store. Future buildings will also cross lot lines. Shared parking by all parcels exists. It is for these many reasons why accurate assessments can't be determined for each separate parcel. The City has been involved in litigation about the properties because of the division of the property lines related to Macy's. He indicated that the separate assessments were done at the request of the property owner, but it does not necessarily need to continue.

Behind tab T-17 of the Assessor's exhibit is a 2013 Commercial Summary Sheet of the shopping center parcels with Tier 1-2-3 information. The Sheet summarizes Mr. Miner's efforts to value the subject property using different approaches.

Tab T-11 is a Schedule III summary Mr. Miner compiled after reviewing subpoenaed data obtained from the property owner. The Total of all Tangibles (retail, Aurora building, Bank tower, North tower, professional building) listed on this Schedule III is $436,261,017.

Ms. Seibel confirmed that the value of the leases in the Mall are not included therein. Behind T-11 on the page identified as 000506 is information that the lease-in-place value is in excess of $18,000,000.

Mr. Millis opined that this document (Allocation of Fair Value) is a CW document, not data provided by GGP.

Mr. Miner pointed out that this same sheet shows the auditor's post adjustment value at $417,775,831.

Mr. Miner added that the property owner relies on CW in many capacities, as do other REITs that own these kinds of properties, investors, too. It indicates that CW is a reliable vendor for this type of material.

Mr. Miner then referred to Assessor exhibit T-17, the Sales Comparison Approach. Mr. Kenney had provided information to him over the past months. Mr. Miner stated that Mr. Kenney also helped him perform sales analyses. Assessors can't always personally perform all analyses on all comparable sales and must rely on assessors, brokers and other professionals whose job it is to analyze this data. The CW appraisal looked at pertinent mall sales and likely used them for other valuation assignments as well. Mr. Miner used applicable data, adjusted it to the subject property, and summarized it.

Mr. Miner explained his use of the terms 'superior/inferior' on his spreadsheet (T-18), explaining that if the net adjustment was a positive, the comparable mall sold was inferior to Mayfair Mall; if it was a negative adjustment, the comparable mall sold was superior to Mayfair Mall. In each case he looked at anchors, tenants, locations, and performed adjustments after discussions with Mr. Kenney. Mr. Miner indicated that he was personally familiar with some of the malls; if he wasn't, he relied on data sheets from CW and on Mr. Kenney. Mr. Miner confirmed that he believes CW analyzes property data appropriately; they wouldn't release this information if they hadn't validated the information. Each sheet has comments about verification done by CW.

Hearing recessed at 5 p.m. until 8:30 a.m. on November 11, 2013.

The hearing resumed on November 11, 2013 at 8:30 a.m. Board members Messrs. Benz, Van Bibber and Walsh were present. Also present, Mr. Kesner, City Attorney; Mr. Miner, Assessor; Ms. Seibel, Assessor's Counsel; Atty. Millis, Counsel for the Petitioner.

Atty. Seibel submitted a revised "2013 Commercial Summary Sheet" for insertion in the Assessor exhibits behind Tab 17. The revised Summary reflects different calculations prepared for the subject property.

Mr. Miner stated even though his final value is $400,000,000 on the subject property, all tiers of information indicate the property's value is in excess of that number. The timing of obtaining needed GGP information is a factor in the discussion. Staff began to seek information over one year ago; in 2012 and 2013 staff attempted to get relevant information to value the property. Accurate data assists in setting proper value. In this instance, however, Mr. Miner had to request a subpoena be issued from the Board to obtain this data. The $400,000,000 figure was set before staff had much information. Since then, more has been supplied via subpoena. Each piece of information obtained supported a higher value than $400,000,000.

Mr. Miner stated six subpoenas went out about September 18, 2013. They primarily sought data on valuation efforts performed by other parties and by GGP (General Growth Properties) so staff could have more to rely on. Ten items were subpoenaed from GGP; RBC Capital Markets is a bank that provided funding for refinance of the Mall; it was served with a subpoena, as was US Bank. Staff was seeking the refinance appraisal; information was requested from Cushman and Wakefield (CW) who did the appraisal and assisted in valuation prior to bankruptcy.

Mr. Miner stated that financial information was sought from Deloitte and Touche to validate what was on GGP's books and to obtain information relating to appraisals and when GGP came out of bankruptcy.

Atty. Seibel stated that a meeting was held on July 17, 2013 with GGP representatives and city staff to discuss the assessment. The refinancing appraisal and Schedule 3 (*Real Estate and Accumulated Depreciation*) were requested at that time in person.

Mr. Miner noted that the response to the appraisal request was GGP did not have it; he was further advised that Schedule III would not be submitted through verbal requests. GGP's CFO was at that meeting and declined Mr. Miner's request to tape record this meeting for purposes of accuracy. Mr. Miner further noted that at the meeting he requested income and expense (I/E) information; lacking actual I/E information, he'd have to estimate. Mr. Miner had indicated that he would use all three valuation approaches; Mr. Swinkle (GGP's Manager of Tax Services) felt the cost approach was most appropriate.

Mr. Miner stated that after the meeting he followed up with a letter repeating the request for specific information. (Assessor's exhibit, Tab 8)

At the end of July, the property owner supplied rent roll and other information. The Assessor's office mailed Notices of Assessment for all owners, except for the subject property, on August 9, 2013. The property owner asked staff to send it as soon as they (GGP) submitted requested information. That notice was mailed on September 3, 2013 (Assessor's exhibit, T-1).

Mr. Miner reviewed the Parcel Summary, 2012 valuations and Parcel Summary, 2013 valuations spreadsheets (behind Assessor T-1). In 2013, three out-parcels were included for valuation purposes with the Mall parcel. Both valuation sheets show just GGP property assessments, and assessments including the separate Boston store parcel.

Mr. Miner explained the rationale behind his decision to combine parcels, referencing Assessor exhibit T-3 (70.23(2), Wisconsin Statutes). Wisconsin Statutes give an assessor the ability to combine those parcels that should be combined for assessment purposes. The history of these parcels led Mr. Miner to believe it preferable not to have separate parcels; this is one parcel for economic purposes. There is shared parking, easements, snow plowing, and maintenance. The properties contain buildings that cross lot lines, and this will continue.

Mr. Miner stated that the summary sheet (T-17) lists all valuation efforts staff used. This property is in transition now; a building was taken down; there is potential new development and a new anchor. It is also logical to consider that the two office buildings may be in transition. Transition in a property is good if it means that the highest and best use of that property occurs.

Referencing pictures behind Assessor's exhibit T-4, Mr. Miner pointed out that the Mall's shared utility distribution center serves the two Tower buildings. The parking structure was built on more than one parcel. The Cheesecake Factory restaurant was built partly on Boston Store's site; it has no access except through other parcels. Mayfair Mall allocates taxes for The Cheesecake Factory based on retail mall parcel. Even GGP does not treat this campus as separate parcels.

Further substantiating his decision to value these parcels as one parcel, Mr. Miner referenced Tab 5, the former 10400 building, and where it had been located. The parcel has two access points off of North Avenue; part of the existing parking structure is constructed on this vacant lot. A visitor cannot get to the Mall from North Avenue without going through Boston Store property. To value the parcels separately,

he would have had to allocate part of the value of the parking structure to each parcel, a very difficult task.

Discussion moved to the north Tower building (Assessor's exhibit T-6). Mr. Miner pointed out that the McCormick and Schmick restaurant use the north Tower parcel for parking. The northeast part of the parking lot on the north Tower parcel is also used by Mall shoppers during busy times. The campus has shared parking among all users. This is possible via reciprocal operating agreements and there is no designated parking.

Tab 7 shows the combined parcel – Mayfair Mall, (excluding the Boston Store property), including Macy's. Previously Macy's was separate, but GGP combined it into the main parcel a few years ago. Mr. Miner noted that the new Nordstrom store will cross property lines; it will be located at the southeast corner of the map and will be connected to the Mall. It will be attached to the parking structure and will be connected to Boston Store. Even Boston Store pays CAM (common area maintenance) charges to the Mall for services such as snow plowing and security.

Atty. Seibel opined that the State Legislature made Wisconsin Statutes 70.23 firmer via 70.28 and that Mr. Miner's assessment of this combined parcel is valid. The *Wisconsin Property Assessment Manual* (page 5-48, T-3) also talks about Combining Descriptions, where it is convenient for the assessor to combine descriptions of parcels in certain instances; it specifically refers to 70.23 and 70.28, Wisconsin Statutes.

Behind Assessor's exhibit T- 9 is the Securities and Exchange Commission (SEC) Form 10-K filed by GGP for the fiscal year ended December 31, 2010; it is public information. Mr. Miner noted that the bankruptcy reorganization is reflected, as is the value placed on the subject property at that time. Tab 11 reflects the analysis Mr. Miner performed after getting information on how the valuation was reached. The allocation value developed by Cushman Wakefield (CW) was adopted by GGP. Mr. Miner also noted that the Commercial Summary Sheet (T-17) lists the 2010 value per the 10-K form, both excluding value of in-place leases ($436,818,000), and then including leases in place ($469,929,732).

Mr. Miner pointed out that the total value figure on Schedule III of $469,929,732 is the figure GGP used on its books. This is the same as Tier 1 (Markarian Hierarchy) information. The company was revalued coming out of bankruptcy and published information through the 10-K report.

Mr. Miner then reviewed his sales comparison approach used to determine value. Tab 18's spreadsheet shows his sales adjustment schedule. The conclusion for retail value was $400,000,000. Another $25,000,000 was added for the other parcels. Mr. Miner noted that adjustments point to a value of $552,500,000. Mr. Miner stated that the Cushman & Wakefield appraisal came up with $450,000,000; using the same sales (as CW) and his own adjustments gave him a value of $434,000,000. So he feels his adjustments are valid. He followed *Wisconsin Property Assessment Manual* methodology.

Ms. Seibel stated that GGP's Schedule III (December 31, 2012, T-31) lists an acquisition fair value of $426,000,000. Mr. Miner added that the current report for GGP (Schedule III, December 31, 2012, T-31) describes the acquisition value and backing out the building that was torn town.

Information behind Assessor's exhibit T-20 discusses the income approach using actual 2012 data. Mr. Miner explained that to a base cap rate of 6.1%, he added the owner's share of the effective tax rate

(1.09%, estimated 2013). Tab 21 illustrates effective tax rate calculations showing the estimated 2013 rate, and a 'worst case' estimated 2013 rate (6.5% plus 1.45%). These adjustments account for taxes paid for by tenants. 7.19% is an appropriate cap rate to use. The 7.55% figure would reflect a situation where tenants don't' pay more in taxes. Mr. Miner opined it is unrealistic to think that they won't pay any more in tax recoveries.

Mr. Miner stated the income approach to value yielded a figure of $434,000,000 after $1 million dollars was removed for tenant improvement allowances

Tab 32 contains an excerpt from the *Wisconsin Property Assessment Manual* and discusses whether assessors should include the value of leases. Mr. Miner noted that the *Manual* talks about real property rights conveyed and how income-producing properties are often sold subject to existing leases. So the actual rents on the property are being used when assessing.

The assessor concluded his testimony.

Upon conclusion of the Assessor's presentation, Atty. Millis took the floor and submitted a Location Adjustment Analysis (GGP exhibit T-21) and map (GGP exhibit T-20).

In referring to the (T-20) map, an aerial view of the subject properties, Atty. Millis noted that Mr. Miner indicated assessments can't be invalid if several are assessed together (per State Statutes 70.28); Mr. Millis pointed out, however, that only two of the subject properties that were assessed together are contiguous. The Bank tower parcel and excess land parcel don't touch any of the others, yet all are assessed together. Mr. Millis further observed that heretofore, Mr. Miner had assessed them separately over the years, as did his predecessor. What changed since 2012 that made separate valuations impossible?

Mr. Miner explained that this is the first time he'd performed a revaluation of the city; he took a fresh look at the parcels and determined that the situation isn't what it was some years ago. The property is in transition; a building was torn down and there will be multiple changes over the next few years. It no longer made sense to treat it as it used to be. Mr. Miner added that the City has had legal issues with Macy's and the Mall's theater over a similar issues. The reality is that in the last several years the Assessor's office has been asked to be a middle-man between GGP and its tenants and setting values. It is not his job to set valuation for tax purposes. That history, along with developments coming, makes it impractical to continue separate valuations.

Mr. Millis opined that the parcels may not be as interconnected as suggested, noting that the Bank tower's only utility connection is reliance on chilled water.

Messrs. Millis and Miner exchanged remarks about the timeliness of the requested data being submitted; Mr. Millis made the point that Mr. Miner did not ask the Board to deny a hearing for GGP because of late submission as he did for others.

Mr. Millis referenced GGP exhibit T-21 and quoted from the CW appraisal regarding location: "An adjustment for location is required when the locational characteristics of a comparable property differ from those of the subject property. As previously discussed, investors look for properties that are dominant in the market, have dense population bases and where income levels are commensurate with or

exceed national average." Mr. Miner agreed that this is a fair statement when using valuation adjustment.

In response to a query, Mr. Miner stated that he had valued malls before Mayfair, though no Class 'A' malls. They were smaller centers, Class 'C' malls or larger strip centers over 100,000 sq. ft. For that reason he sought expert consultation for this valuation. He and Mr. Kenny had many conversations throughout the process.

Turning again to GGP exhibit T-21, Mr. Millis noted that pages 2-3 are tables from the Assessor's *Comparable Mall Sales Adjustment Schedule.* Mr. Millis explained that he (Millis) arrayed these properties using only the location adjustment Best to Worst. Mr. Miner's notation of Superior/Inferior only references total adjustments made in relation to the subject property. Mr. Millis noted the revised grid (Assessor's revised exhibit T-18) submitted at this hearing has some new information, but doesn't change Mayfair's relative position or place.

Mr. Millis explained that he consulted the Directory of Major Malls for each comparable mall. Mr. Kenny used this as well. Page 6 of GGP T-21 is the report on Mayfair; Mr. Millis focused on location of the nearest mall, population, and household income. Mayfair is three miles from competition; most distances are further for other malls. In terms of population, Mayfair is the third from the bottom for size of the primary market. When comparing household income, Mayfair is at the bottom of primary market area. There are malls on this list with the Assessor's 'Inferior' notation that had more favorable demographics.

Mr. Miner agreed that his adjustments may not match the more narrow analysis Mr. Millis did. He stated that he revisited this information in light of previous testimony in an effort to make more informed adjustments.

Mr. Millis noted that he wanted to test the quality of adjustments made. He found that for many of the 'Superior' malls, in terms of demographics, none of the analysis changed. None of the malls considered 'Inferior' to Mayfair continue to be inferior when examining the distance to the nearest competing mall, the primary market population, and the household average income.

Mr. Miner questioned the validity of the data supplied by the Directory of Major Malls, stating he was unsure of the source. None of the appraisers spoke to the source. The GGP CFO in the July 17, 2013 meeting gave information that did not line up with Directory information. Hence his reason for questioning it as a source of data for everyone. Presumably the data comes from all operators.

Mr. Minter stated that thorough, firsthand knowledge and information from Mr. Kenney and from the Cushman & Wakefield appraisal comprised the basis for his adjustments; he added that he has lived in St. Louis and Chicago, and has had occasion to visit some of the comparable malls (Woodfield, West County, Frontenac). He confirmed that he counted as a 'sale' those situations where just the ownership entity changed; that is typical and CW did the same.

Atty. Millis referred to GGP exhibit T-22 titled *Income Approach Review.* In it, he deducted from the 2012 total NOI (per Miner, $31,273,476) the value of the Nordstrom investment (10-year amortization), deducted capital expenditures (10-year amortization), deducted annual expenses for tenant improvements,

and reached a modified NOI of $21,273,476. If he used Mr. Miner's cap rate of 7.19% or 7.55%, he arrived at a value of $295,875,883 or $281,767,894 for the Mall.

The testimony was closed and summary comments were made.

Mr. Millis thanked the Board. He noted that the City spent time talking about separate versus combined assessments. There is ample information available to conduct individual assessments. It is in City's interest not to do so; Mr. Millis believes it is contrary to law, however. Not all the parcels in question are contiguous. The Board can rebut the presumption of correctness. If this case goes to court, he will advocate against a single assessment.

Mr. Millis noted that the I/E information was provided to the City; GGP was not responsible for it being delayed. GGP received the CW appraisal two days before the City did. Mr. Millis stressed that he told everyone who received a subpoena to comply.

Mr. Millis opined that the Assessor did not provide methodology testimony about the sales approach. The investment of $6.8 billion dollars coming out of bankruptcy was not a sale and was not Tier 1 information. It was not a real estate transfer. There was no testimony provided for over 17 Assessor exhibits. When analyzing the demographic data about comparable sales, all the malls characterized as 'Inferior' by Mr. Miner had better demographics than did the Mall. Mr. Millis stated he tried to rebut, but the Assessor really submitted nothing, in terms of testimony, on the sales approach. Most of the other properties cited were investments and not real estate transfers. Many were percentage sales of multiple properties. They were not valid as comparables because they were not sales.

Mr. Millis explained that he tried to array the Assessor's comparables based on his original *2013 Commercial Summary Sheet* behind Assessor's exhibit T-17. Atty. Millis opined that Mr. Miner did not account for the Nordstrom sale; he did not account for some allowances. He did not deal with deferred maintenance. However, if these are accounted for (GGP Exhibit T-22), instead of a (Mall retail) NOI of $33.87/sq. ft., it is $23.04/sq. ft. and Mayfair is lower by one-third. The problem is that properties ranked above the subject property have a 'Superior' rating (per Mr. Miner), but a lower NOI. Mr. Millis reiterated that he doesn't believe the comparables are valid. If one assumes the average value per sq. ft. of $234.07, that is $313 million dollars. That is a huge difference. If you make NOI adjustments (CW made two) you have a lower value.

GGP Exhibit T- 22 is the Petitioner's review of the income approach; it arrives at a lower Mall value, between $295,875,883 and $281,767,894, using Mr. Miner's cap rates of 7.19% and 7.55% respectively.

Mr. Millis referred to the Cushman & Wakefield (CW) appraisal, stating that a value of $469,000,000 was determined. GGP recognizes the value has gone up on these properties. Paul Bakken had opined in his testimony that with the CW appraisal and, for the two towers, the cap rate was off by a little. So he made adjustments and the resulting value was less than the CW appraisal: $3.55 million dollars (from $4 million dollars) for the South tower and $6.75 million dollars (from $7.6 million) for the North tower. Likewise, he adjusted the professional building ($5.4 million dollars/$4.8 million dollars) and the Mall ($450 million dollars/$290 million dollars). He deducted for capital expenditures. There is $20 million dollars in deferred maintenance. He arrived at a value of a total (Mall, both towers, professional building and vacant land) value of $308 million dollars.

In his testimony, Mr. Benton had two opinions of value, with and without business value. With business value he had a higher value for the bank towers. He did not address the former Aurora parcel. The difference, the profit GGP makes on CAM's not being included, resulted in a value of $298 million dollars for the Mall and professional building. If one looks at another point, that is around $300 million dollars. The CW appraisal had a $212 million dollar replacement value for the Mall. If one adds Mr. Miner's value of land of $84,400,000, one arrives at a value around $300 million dollars. Mr. Benton valued the remaining buildings, the Bank tower at $5.7 million dollars, and the North tower at $10.4 million dollars. So there are several different opinions. Mr. Millis stated he is requesting an opinion in line with respect to the four parcels.

Atty. Seibel submitted a November 11, 2013 letter summarizing the various arguments made by the city in this matter, and citing a number of relevant cases. Mr. Millis talked about combining assessments and the fact that the properties involved are non-contiguous parcels. Chapter 70.23 of the Wisconsin Statutes does not refer to properties having to be contiguous because it is not required. Chapter 70.23 notes that a decision to combine parcels for assessment purposes lies with the Assessor and no one else. Furthermore, 70.28 of the State Statutes says since an Assessor makes that determination, court cannot overturn it.

An assessment is entitled to statutory presumption of correctness and the objection must provide sufficient evidence to overcome that. The petitioner did not provide a sales comparable approach. Mr. Millis is aware of Markarian Hierarchy and his presentation should not proceed to Tier 3 methodology if sales comp methodology is available. The presentation should move to Tier 3 methods only if one doesn't have the other two. Mr. Benton went to Tier 3 in his assessment analysis. This violated WI law and they have not overcome the presumption of correctness. Ms. Seibel reiterated that Tier 3 information was provided by GGP. The State Supreme Court has said if you are in Tier 3 you must have more than one valuation approach when in Tier 3. The income approach alone is not sufficient. The petitioner violated law and has not overcome the presumption of correctness afforded by the Statutes.

Ms. Seibel pointed out that Assessor's exhibit T-17 has a variety of Tier 3 information; it was used to support the Tier 2 information. Tier 3 supports sales comp approach. The *Wisconsin Property Assessment Manual* suggests using all approaches to validate a valuation. The financing appraisal performed for the taxpayer was from March 2013 and constitutes Tier 3 info. Additionally, more Tier 3 information provided is book value data (Assessor's exhibit T-31), the Schedule III 10-K information that GGP reports to the SEC and to shareholders. The Assessor's office performed the income approach, which is also Tier 3 info. All support his sales comp approach.

Atty. Seibel opined that Atty. Millis is asking the Board to rely on Mr. Bakken. Since the first two days of hearing, however, the transcript from those days' hearings have been provided and an excerpt is included in p. 12 of her summary letter. The excerpt illustrates that Mr. Bakken does not have an opinion of fair market value of those properties.

Atty. Seibel further reminded the Board that Mr. Bakken testified that he made adjustments to the CW appraisal as part of his review. Mayfair Mall is a real estate income-producing property and leases are a source of income. Mr. Bakken told the Board that most tenants are paying above market rents, and so he reduced those to the market rate as part of his analysis. However, if any tenants were paying below

market rates, he did not raise them to the market rate. Mr. Bakken adjusted the CW appraisal by over $40 million dollars.

Furthermore, Mr. Bakken took an over $60 million dollar deduction for property tax reimbursement. He assumed no more in reimbursements over the 2012 rate. But the tenants *did* pay more in 2010 and in 2011. Finally, regarding the $20 million deferred maintenance figure Mr. Bakken took, Ms. Seibel questioned that if it were that significant why wasn't it mentioned in the appraisal? Atty. Seibel stressed again that Mr. Bakken came up with non-opinion of value, but adjusted the CW appraisal over $160 million dollars.

Ms. Seibel opined in her summary letter on pp. 15-16 that Mr. Bakken's appraisal adjustments from leased fee to fee simple are contrary to *The Wisconsin Property Assessment Manual*.

While Mr. Benton did a series of worksheets, he did not perform sales comp approach analysis. This is a violation of Wisconsin law to not do if there are sales of comparable properties. The Assessor's office found many recent sales to use in its analysis. She cited on p. 18 of her summary letter a recent court case in support of this contention.

Atty. Seibel further asserted that Mr. Benton, in performing his income approach analysis, excluded items that are not real estate income. She contended on pp. 19-21 of her summary letter that this exclusion is also in violation of law. All income earned at a mall is income for property tax purposes.

Ms. Seibel observed that Atty. Millis did not feel Mr. Miner's approach to the income methodology is correct. There are two kinds of income approaches. GGP's exhibit T-22 takes elements of a discounted cash flow analysis and tries to say this is what is done with the direct capitalization approach. However, these are two different cash flow analyses. It appears Mr. Millis may have mixed them up when determining his value.

Mr. Millis countered that Wisconsin Statutes 70.23 cannot give an assessor unfettered discretion, because 70.28 says when one can and cannot question. Chapter 70.28 talks about contiguity. These are not contiguous parcels.

He further stressed that Tier 2 methodology trumps Tier 3 if there is a valid sales analysis. There isn't one in this instance. SM didn't testify about the comparable sales.

Summary comments concluded.

> It was moved by Mr. Walsh, seconded by Mr. Van Bibber to accept the remaining exhibits and add them to those previously submitted. -3

Mr. Kesner noted complete transcripts from the first two days of hearings have already been received from the court reporter

> It was moved by Mr. Walsh, seconded by Mr. Van Bibber to uphold the Assessor's valuation as correct and to deny the property owner's objection. -3

Stipulations. Mr. Miner stated the following business was closed in 2012:

		From	To	Change
069962	Machinery	0	0	0
	Furniture & fixtures	0	0	0
	Other	108,300	0	(108,300)
	Total	108,300	0	(108,300)

The following is a revised, omitted assessment situation. Information was originally reported to the City of Milwaukee; however, the property is in Wauwatosa, so the amounts are being added to assessment roll as omitted:

023784	Machinery	0	0	0
	Furniture & fixtures	0	0	0
	Other	0	102,320	102,320
	Total	0	102,320	102,320
023785	Machinery	0	0	0
	Furniture & fixtures	0	0	0
	Other	0	23,200	23,200
	Total	0	23,200	23,200
023786	Machinery	0	1,800	1,800
	Furniture & fixtures	0	0	0
	Other	0	47,450	47,450
	Total	0	49,250	49,250

It was moved by Mr. Walsh, seconded by Mr. Van Bibber
To accept the foregoing stipulations. -3

The hearing adjourned at 10:32 a.m. and the 2013 Board of Review adjourned sine die.

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Carla A. Ledesma, Board Secretary

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