

MMAC Legislative Briefing

March 29, 2017

*Assessment Change Could Mean Big Business Tax
Hike- What You Need to Know*

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Favorable Financing Cases

Assumable Mortgages

Favorable Financing Inflates Value

Cannot Rely on Sale Price



Below Market Rent Cases

Below Market Leases

Encumbrance on Properties

Contract Rent v. Market Rent



Walgreen Co. v. Madison

Sophisticated Financing Arrangements

Use Value

Above Market Rents

Assessment Bundle does not Include
Leases

Income Approach to Value



Walgreen Work Group

Reverse Walgreen Decision

Legislative Route Failed

Court Route Attempted

Sales Approach v. Income Approach

Rejected in Subsequent Walgreen and CVS
Cases



Dark Store Theory

Bonstores v. Wauwatosa

Dark Stores v. Distressed Property



Dark Store Theory

Occupied Rather than Leased

Reliance on

Investment Sales

Portfolio Sales


Sale-Leaseback

Dark Store Myth



Case Study – 1st Sale

COMPARABLE 11 Former Target Store - Kenosha, WI



Price - \$/SF of GBA: \$24.96

Sale Date: November, 2012

Sale Price: \$2,385,000

| | | |
|---------------------------|----------------------------|--------|
| Property: | <i>Former Target Store</i> | |
| Bldg. GBA: | 95,570 | |
| Rentable SF/Eff: | 95,570 | 100.0% |
| Built/Renovated: | 1986 | 2000 |
| Site SF/Acres: | 421,182 | 9.7 |
| L/B Ratio/Stories: | 4.41 | |
| Occupied at Sale: | 0% | |
| Condition: | | |

Case Study – 2nd Sale



Transaction

| | | | |
|----------------|---------------------------|-------------------------|-------------|
| ID | 1 | Date | 12/18/13 |
| Address | 7450 N. Green Bay Road | Price | \$9,200,000 |
| City | Kenosha | GBA Unit Price | \$96.26 |
| State | WI | Transaction Type | Closed |
| Tax ID | 03-122-03-365-001 | Financing | Cash |
| Grantor | Commercial Properties Co. | Property Rights | Fee Simple |
| Grantee | Kenosha Southport, LLC | Days on Market | |

Case Study – Value Loss

Gordmans Stores Files for Bankruptcy With Plan to Liquidate

by **Andrew Dunn**

March 13, 2017, 5:03 AM CDT

Updated on March 13, 2017, 7:27 AM CDT

- Nebraska retailer is latest victim of online shopping boom
- Vendors stopped supplying goods in March as sales plunged

Gordmans Stores Inc. <<https://www.bloomberg.com/quote/GMAN:US>>, the century-old discount department store chain, filed for bankruptcy with plans to liquidate its inventory and assets.

The company, which posted losses in five of the past six quarters, listed total debt of \$131 million in Chapter 11 papers filed Monday in Nebraska federal court. Gordmans said in a statement that it has an agreement with Tiger Capital Group and Great American Group "for the sale in liquidation of the inventory and other assets of Gordmans' retail stores and distribution centers," subject to court approval or a better offer.

Dark Store Myth

Effectively Eliminate Any Sales
Other Than Investment Sales
Include Leases in Assessments



Uniformity Clause

Retailer's Targeted
Manufacturers

Any Property with REIT Financing
Sale Leaseback Transactions



Sticks, Bricks & Mud

Best Method to Value

Stable Tax Base

Avoids Taxing Business Value

Less Intrusive

Questions

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