



MINNESOTA SHOPPING CENTERS: A POSITIVE IMPACT ON OUR ECONOMY



MINNESOTA SHOPPING
CENTER ASSOCIATION

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Our goal is to promote a market in which businesses choose to start and expand here, creating jobs and growing the local economy while maintaining the strong fundamentals that give our state a solid foundation.

The Minnesota Shopping Center Association (MSCA) has been an active industry advocate for 29 years. Founded in 1988, MSCA members represent a broad spectrum of industry participants, including owners, retailers, developers, property managers, appraisers and vendors.

THERE ARE 102 MILLION SQUARE FEET OF RETAIL IN MINNESOTA.

Minnesota Shopping Center Sales Tax Collection in 2015: \$2,500,000,000



Total Minnesota Sales Tax Collection in 2015: \$5,385,412,000

Shopping centers are a vital industry in Minnesota as they provide \$2.5 billion in sales taxes, or 46% of the sales tax collected in our state.

SHOPPING CENTERS: CREATING JOBS & OPPORTUNITY

- Shopping centers employ an estimated **239,880 people** in Minnesota.
- The retail industry provides employment and benefits to **hundreds of thousands** of Minnesota families every year.
- Employment at shopping centers offers growth and development for our citizens at many levels: entry level, managerial, sales, distribution, executive level, etc.

As shopping centers serve the entire public, the interests of the people of Minnesota are tied to the success of the shopping center industry. This is why MSCA works hard to advocate for legislation that enhances business opportunities, allows companies to expand sales, and increases Minnesota's employment base.

The information published in this report relies on the most recent available data for 2015.

LEGISLATIVE PRIORITIES

Below are the top priority legislative issues for the Minnesota Shopping Center Association.

PROPERTY TAXES

► **MSCA supports decreases in property taxes.**

- Shopping center owners and retailers pay a large and increasing amount in property taxes, sales tax, and personal income tax every year.
- Higher property taxes deter new development and investment.
- Increasing property taxes forces retailers to charge higher prices to Minnesota consumers or cut jobs.
- Many national providers of retail goods and services choose to locate in states with lower taxes and do not come to Minnesota.

TRANSPORTATION

► **MSCA supports an effective plan for transportation funding.**

- It is critical that Minnesota has an effective funding plan for roads, bridges and transit for the entire state to ensure the continued quality and future growth of our communities.
- Transportation is a key component to the success of commercial real estate, especially shopping centers.
- Improvements to urban, suburban and regional mobility for goods, services and people will greatly benefit residents and business throughout the State.

MUNICIPAL STREET IMPROVEMENT DISTRICTS

► **MSCA opposes ambiguous municipal street improvement districts.**

- Municipal street improvement districts would be imposed on properties without voter approval, a cap, a benefits test, or other protections currently offered to property owners in the special assessment law.
- Minnesota shopping centers already bear the burdens of high sales taxes, property taxes and income taxes.
- Municipalities already have the special assessment law to cover costs for specific projects.

The vast contribution of retail and the shopping center industry to Minnesota's economy and its success means vibrant communities, access to a variety of goods and services which increase quality of life as well as a platform for job creation from retailers to third party services to development. This is why costs matter. Retail is an active, crucial component of our economy.

HEAR WHAT RETAIL PROFESSIONALS ARE SAYING...

GGP has over 120 properties in 40 states, and Minnesota tax rates on commercial properties are some of the highest. Contrary to many media reports, “the mall” is not dead, but rather is thriving when it adapts to meet ever-changing consumer demands. It’s not only the small to mid-sized retailers that are hurt by the burden of the high tax rates, but it is also a factor for many successful regional and national retailers when considering doing business in the state. Retail businesses need help to relieve this burden that affects the ability to compete on the national level and with internet-based retailers.”

Joan Suko
Senior General Manager
General Growth Properties, Inc./Ridgedale Center

Without a doubt, our number one concern is uncompetitively high commercial real estate taxes. For years, we battled the country’s vision of Minnesota as “The Flyover” state. With national retailers, this has nothing to do with our weather climate, and everything to do with our business climate and the cost of doing business in our state. We continue to hear demands for the entrance into our market by some of the favorite national retailers, yet they’re nowhere to be found in Minnesota. Retailers simply can’t charge more in Minneapolis than in Milwaukee to make up the difference. So they will continue to “fly over” until this issue is resolved.”

Doug Sailor and Mike Sims
Principals
Mid-America Real Estate-MN, LLC

As retail property owners we strive to provide a tenant mix in our centers that positively serves the demographic profile of the specific trade area. It is very expensive, given the high costs of turnover, leasing, build-out and maintenance. The rental rates we charge are further impacted by common area maintenance, insurance and property taxes, all of which are pass-through expenses. Property taxes, in particular, are continuing to negatively influence the rental costs for tenants in our centers and the tenants we are able to put in our centers. Minnesota ranks among the highest in property tax charges to commercial/industrial properties. We must find ways to control and reduce commercial real estate taxes so that our retail centers can attract and retain a healthy mix of local, regional and national tenants.”

Rick Plessner
IRC Retail Centers
2017 MSCA President
Minnesota Shopping Center Association

ABOUT MSCA

The Minnesota Shopping Center Association (MSCA) is a nonprofit trade association that was initiated in 1988. MSCA is the largest statewide organization devoted solely to the retail real estate industry. With over 300 companies and 600 members, the association represents developers, shopping center owners, brokers, property managers, retailers, attorneys, architects, appraisers, contractors and all professionals serving the Minnesota real estate industry. Together, the members of MSCA own, operate and manage over **50 million square feet** of shopping centers in our trade area. MSCA offers its members excellent educational and networking opportunities, market research and trends, as well as participation in governmental affairs.

Sources: International Council of Shopping Centers (ICSC), CoStar Realty Information, Inc.; U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; U.S. Census Bureau; The Sales Tax Clearinghouse; ICSC Research; and Minnesota Department of Revenue.