



MINNESOTA SHOPPING CENTERS: A POSITIVE IMPACT ON OUR ECONOMY



MINNESOTA SHOPPING
CENTER ASSOCIATION

PUBLISHED FEBRUARY 2016

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 28 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 2014:
\$2,500,000,000



Total Minnesota Sales Tax Collection in 2014:
\$5,273,327,000

Shopping centers are a vital industry in Minnesota as they provide \$2.5 billion in sales taxes, or **47% of the sales tax collected in our state.**

SHOPPING CENTERS: CREATING JOBS & OPPORTUNITY

- Shopping centers employ an estimated **238,590 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 2014.

LEGISLATIVE PRIORITIES

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

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.

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.

GOVERNMENT BUDGETING

► MSCA **supports** Transparency in Government Budgeting.

Transparency in Government Budgeting is an initiative to shift the focus from what government services cost, to understanding why they cost what they do, along with an explanation of the why behind the trend lines. This is accomplished by looking at budgets by expenditure type aggregated across the budget in major spending areas in addition to the current reporting by function.

Transparency in Government Budgeting:

- Will help change the conversation around budgeting and property taxes, as it gives citizens a more complete picture of what property taxes are buying.
- Citizens would have a new and accurate understanding of local government cost structures, along with spending and revenue trends.
- Enables taxpayers to better evaluate local spending efficiency and effectiveness, and aids in maintaining government spending at sustainable levels.

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...

“CBL is one of the largest mall REITs in the United States and owns, holds interests in or manages more than 140 properties in 30 states across the country. Minnesota’s property tax rate is among the highest in our portfolio. In CBL’s portfolio, approximately 90% of the property taxes are 1-2% of the value established by the taxing authorities. For Burnsville Center, the property taxes were 3.8% for the taxes paid in 2015 and have been as high as 4% of the value. As shopping centers continue to adapt, adjust and reinvent themselves in a rapidly changing retail environment, we strongly encourage the State of Minnesota to support industry growth by alleviating the tax burden.”

Megan Lawrence
General Manager

CBL & Associates
Properties, Inc./
Burnsville Center

“Rising commercial/industrial property taxes are an ongoing impediment to our ability to attract and retain cutting edge retail and restaurant uses in Minnesota. The burden of the high occupancy costs are hindering our ability to compete with the internet-based retailers, many of whom pay no commercial/industrial property tax or contribute in any philanthropic manner to the local communities as our “brick and mortar” retailers so often do. Our industry is committed to maintaining our shopping centers in a class A manner and attracting the types of retailers the consumers want—we need your assistance to not unnecessarily burden our retailers and restaurants with high occupancy costs and to return the commercial/industrial property taxes to a competitive level with our neighboring states.”

Bob Pounds
2016 MSCA President

Minnesota Shopping Center
Association

“The current \$1.9 billion MN state budget surplus presents an excellent opportunity to relieve businesses, particularly small business owners, from some of the significant burden of property taxes now, and to lay the groundwork for the future. There persists a belief that high property taxes target the deep pockets of property owners, when in fact it is straining many small businesses to the brink of failure. Landlords pass taxes on to their tenants, building the expense into the lease structure. As a longtime property owner and a landlord to numerous small business and immigrant-owned enterprises, we know property taxes comprise a major component of costs. In addition to the hardship on small businesses, high property taxes discourage development, and encourage major companies to relocate outside the state—both well documented occurrences in Minnesota. We urge the legislature to allot a portion of the surplus toward helping retain our business, and small business base, through tax relief.”

Daniel Engelsma
President

Michael Korsh
Vice President

Kraus-Anderson Realty
Company

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.