February 2010

Minnesota Shopping Center Association
Vol 24. No. 2

In this Issue

Rosedale Center ------ Snapshot 1
North Dakota ---------- Hot Spots 3
MSCA Board ------ Committee Chat 4
Punch Pizza ---------- Rising Star 5
Bjelland/Burke ---- Member Profiles 5
Tsunami ---------- Program Recap 6

MSCA℠ Connection

Feature by **JoAnn H. Maloney, Fredrikson & Byron, P.A.**

Above Market Leases Do Not Preclude A Successful Property Tax Appeal

More than ever, prudent retailers are tightening their belts and closely managing their operating expenses. For most, this includes or should include their property taxes. As market values continue to decline, the number of property tax appeals filed in the Minnesota Tax Court has increased dramatically. There was more than a 50% increase in the number of Minnesota property tax cases filed in 2009 compared to the number of Minnesota property tax cases filed in 2008.[1]

The amount of your property tax is based upon the assessor's estimated market value of your property. To determine whether you are paying more than your fair share of property tax, your property's market value must be analyzed for property tax purposes. A market value analysis for property tax purposes differs significantly from a market value analysis for other business purposes, such as financing or acquisitions. When deciding whether to file a property tax appeal and how to negotiate settlement and/or prosecute your appeal, you must understand this crucial difference in valuation methodology.

Appraisal methodology uses three approaches to value: the **cost approach**, the **income approach** and the **sales comparison approach**. The cost approach is especially useful when valuing new or newer improvements. Under the sales comparison approach, sales of properties similar to the subject property are analyzed to develop an indication of market value. With sales of retail properties having slowed tremendously over the last years, an inadequate number of recent arm's-length transactions may be available as market comparables for your retail property to provide a highly reliable indication of market value. This limited supply of market comparables may necessitate greater reliance upon the income approach when valuing retail properties.

Under the income approach, the property's value is determined by capitalizing the anticipated income stream from the property as of a certain date. The proper

Snapshot

Rosedale Center

Location: Roseville, MN
Month/Year Opened: August 1969
Owner: Prime Property Fund
Managing Agent: Jones Lang LaSalle
Center Manager: Rollin Hunsicker
Leasing Agent: Chad Macy, Jones Lang LaSalle (651) 638-3553
GLA: 1,149,487 sf
Current Occupancy: 97%
# of Stores: 160
Anchor Tenants: Macy's, Herberger's, JCPenney, AMC Theatres
Market Area Served: Minneapolis/St. Paul Market
Additional Facts/Narrative: Rosedale provides the perfect combination of shopping, restaurants and entertainment in an enclosed super regional center and also features a recently-developed lifestyle center format. Rosedale features more than 160 stores including Williams-Sonoma, J.Crew, Apple, Brighton Collectibles, Coach, Pandora, Hot Mama, Sephora, White House Black Market; seven full-service restaurants; and a 14-screen AMC Theatre complex, including an IMAX.

Successful Property Tax Appeals - continued

identification of the anticipated income stream and capitalization rate starts with the real property estate that is being valued. Although most financing appraisals and market valuations for acquisitions and sales are on a leased fee basis, this is not the case for property tax purposes.

Minnesota law and the laws of the majority of states require that, for ad valorem tax purposes, real property be valued on a fee simple basis and not on a leased fee basis. A fee simple estate is defined as "absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat."[2] A leased fee estate is defined as "the ownership interest held by the lessor, which includes the right to the contract rent specified in the lease plus the reversionary right when the lease expires."[3] In other words, valuation of the fee simple estate recognizes that the leases are contractual encumbrances upon a property's bundle of rights, but the law values the bundle of rights without consideration of those contractual encumbrances. **Any additional value effect (positive for above market leases or negative for below market leases) that is attributable to the leases of the property should not impact the value of the fee simple estate, because leases are contract rights.**

Accordingly, the appropriate anticipated income stream for a property tax valuation is based upon the market or economic rent that the property is capable of generating as of the assessment date, because only that income values the fee simple estate. On the other hand, the appropriate anticipated income stream for most other business purposes is based upon the contract rent of the property which is a valuation of the leased fee estate, because mortgages and acquisitions relate to the fee simple plus the contract rights. The contract rent is the rent specified by the leases burdening the property, and those contracts are specifically secured or transferred by separate legal instruments in business transactions.

This is not to say that we can totally ignore the actual leases of the subject property. Such leases must be examined to determine whether the contract rents are at, below or above market rent. Other lease terms must be analyzed to determine whether they are typical of the market. Consideration must be given to the creditworthiness or strength of the tenant, the type of lease arrangement, whether operating expenses are at market levels and whether the occupancy rate is consistent with the market.

In a valuation for property tax purposes, all of the factors involved in the income approach should be at market levels as of the assessment date. For example, the Minnesota Tax Court recently relied upon the market vacancy rate of 5% to 10% in an office building case even though the subject property had a 0% vacancy rate for 20 years prior to the assessment date and was subject to a single tenant lease with a term of 10 years after the assessment date. Similarly, the Tax Court has found that fee simple capitalization rates would be higher than those derived from leased fee sales when the capitalization rates were from comparables that had long-term leases in place.

It is possible for the leasehold value to approximate the fee simple value if a property's leases and occupancy level are consistent with the market as of the assessment date. In today's declining retail market, however, this is less likely to occur. It is more likely that your contract rents are above market rents, especially if all or a majority of your leases were negotiated prior to the advent of the recession. If so, your leasehold value may exceed your fee simple market value, and your property taxes may be significantly higher than they should be.

Assume that there is a strip center with several tenants whose leases were entered into at the height of the market, and that the lease terms are above market levels as of the assessment date. Assuming that the other factors (such as vacancy rates, operating expenses and capitalization rates) involved in the valuation analysis are equal, the market value of the strip center on a leased fee basis would be higher than the market value of the strip center on a fee simple basis. Conversely, the leased fee value probably would be less than the fee simple value if the leases were negotiated at a time when the market was down and the economy had been expanding between the lease execution dates and the assessment date at issue.

Market rents can be derived from market rent lease comparables. Unlike the sluggish market for retail property acquisitions, the retail leasing market has been somewhat more active. When retailers such as Linens 'n Things and Circuit City went bankrupt, and other national and regional retailers closed underperforming stores, some retailers and non-traditional retail space tenants leased certain of these formerly dark storefronts and big boxes. Provided that these new leases are arm's-

continued on page 3

2010 Sponsors

ACI Asphalt Contractors, Inc.
American Engineering Testing, Inc.
Aspen Waste Systems, Inc.
Bremer Bank, N.A.
Brookfield Properties
CB Richard Ellis
CSM Corporation
Chuck & Don's Pet Food Outlet
Classic Asphalt & Sealcoating Co. Inc.
Faegre & Benson LLP
Fendler Patterson Construction, Inc.
Fredrikson & Byron, P.A.
Gray Plant Mooty
Great Clips, Inc.
H.J. Development, Inc.
Inland Real Estate Corporation
JE Dunn Construction
Jones Lang LaSalle/Rosedale Center
Kraus-Anderson Companies
Larkin Hoffman Daly & Lindgren Ltd.
Lawn Ranger
Leonard, Street and Deinard
M & I Bank
MFRA, Inc.
Messerli & Kramer P.A.
Mid-America Real Estate - Minnesota LLC
Midwest Maintenance & Mechanical, Inc.
Minneapolis/St. Paul Business Journal
Minnesota Real Estate Journal
NorthMarq
Olsson Associates
Oppidan, Inc.
Opus Northwest, L.L.C.
Paster Enterprises
RJM Construction
RLK Incorporated
RSM McGladrey, Inc.
Reliable Property Services
Reliance Development Company, LLP
Robert Muir Company
Robins, Kaplan, Miller & Ciresi L.L.P.
Ryan Companies US, Inc.
Solomon Real Estate Group Inc.
Stewart Title Guaranty Company
Sunde Land Surveying, LLC
TCF Bank
TCI Architects/Engineers/ Contractor, Inc.
Target Corporation
U.S. Bank
United Properties
Venture Mortgage Corporation
Wells Fargo Bank, N.A.
Welsh Companies
Westwood Professional Services, Inc.
Wipfli LLP

Small Talk

Bookmark

Drive: The Surprising Truth About What Motivates Us
by Daniel H. Pink

Thomas Freidman calls this "my favorite business book" and Dr. Mehmet Oz, co-author of **You: The Owners Manual**, calls this "the rare book that will get you to think and inspires you to act."

In order to assess motivation, one must first determine what we want motivated, says Mr. Pink. Historically, management has thought that money is a motivator. But, according to Pink, money doesn't seem to motivate innovation. If innovation is something we want to motivate, we can't do it by the traditional "reward and punishment" method. According to Pink, "micromanagement tends to extinguish intrinsic motivation and crush creativity as well as encourage unethical behavior and foster short term thinking." Pink goes on to discuss the various elements of positive performance such as autonomy, mastery and purpose.

The reviews of this sparked our interest and made us wonder exactly what motivated us. The paperback version is to be released in January 2010 and we think this one is making it to the top of our "to-do" lists.

Have a reading recommendation? Contact Christopher Max Naumann at **christopher@christophermax.org** or Judy Lawrence at **jlawrence@karealty.com**.

Hot Spots

by **Ross Dahlin, Integra Realty Resources**

North Dakota's Economy Continues to Shine

Even though it's that time of year when Minnesotans' thoughts migrate southward to warmer climates, it is hard to ignore the stream of good news coming from our neighbor to the northwest. The strength of North Dakota's economy has been recently featured in many national news stories. The State has avoided most of the problems caused by the recession, managing to create jobs and grow its economy through 2008 and 2009. Natives will point to the strong work ethic and conservative fiscal values that helped the State escape the recession. Since homeowners and banks in North Dakota avoided "subprime" loans, foreclosures have not been a problem. The presence of abundant natural resources and a favorable business climate have also contributed to North Dakota's success. The following statistics highlight the strength of North Dakota's economy, even during the recession:

- North Dakota was the only State to add jobs between May 2008 and May 2009: creating 5,100 jobs during that time.
- As of June 2009, North Dakota and Montana are the only States to have budget surpluses.[1]
- North Dakota's economy has grown 7% or more in each of the past three years.[2]

Another long-term trend is North Dakota's GDP per capita, which "leapfrogged" from 40th place among States to 20th place from 2001 to 2008. Popular Republican Governor John Hoeven is getting much of the credit for North Dakota's success, as well as various economic development organizations throughout the State. Mr. Hoeven's popularity can also be attributed to the budget surplus and related tax refunds in the State.

The State is home to industries, like energy and agriculture, which benefited from the commodity price boom in 2008. Tapping the large deposits of oil and natural gas is causing a housing shortage in cities such as Dickinson and Williston. According to a recent article in the Dickinson Press, energy company Halliburton announced it was moving 150 individuals and families to the city. They will be forced to live in temporary trailers, because there is no housing currently available in the 16,000-person community. In addition, thousands of new jobs are coming to Williston. The city faces a severe housing shortage and (due to the credit crisis) limited financing for new apartment projects.

The State's larger cities of Fargo, Grand Forks and Bismarck are also thriving, and the condition of these cities' commercial real estate markets will be the topic of another upcoming article. North Dakota may currently be frozen tundra, but the hot economy and all the jobs are creating a warm reception for newcomers.

1 "What's North Dakota's Secret" Forbes.com. June 30th, 2009.
2 Flynn, David T. "Outlook for North Dakota" www.ednd.org Nov. 2, 2009.

Successful Property Tax Appeals - continued from p. 2

length and comparable to your retail property, they may provide reliable indications of market rents that can be used in the income approach to value.

In all likelihood, the number of property tax cases that will be filed in the Minnesota Tax Court in 2010 will be even higher than the number of cases filed in 2009. When deciding whether to file a property tax petition for your retail property this year, remember that it is the market rent, market vacancy and other market factors as of the assessment date, January 2, 2009, that are central to the valuation of the your fee simple estate. Your actual leases must be analyzed, but are not necessarily the decisive factor in the property tax valuation analysis. To appeal the 2009 market value of our property for property taxes payable in 2010, you must file a petition with the Minnesota Tax Court on or before April 30, 2010. Can you afford not to carefully consider, with professional help if necessary, whether your taxes are too high?

1 Finance & Commerce, November 27, 2009
2 The Appraisal of Real Estate (13th ed. 2008), p. 114
3 As Above

MARKET

Events

Mar 3 **Investment/Finance**

Mar 10 **Business Day at the Capitol**
7:30 am - 1:30 pm

Apr 7 **Development/ Redevelopment**

May 5 **Shopping Centers**

Jun 2 **Transportation**

For program times and more info, please log on to
www.msca-online.com

2010 Leadership

OFFICERS
President
Stephen Eggert, Target Corporation
1st Vice President
Peter Berrie, Faegre & Benson LLP
2nd Vice President
Paula Mueller, Northtown Mall/Glimcher Properties
Treasurer
Eric Bjelland, NorthMarq
Secretary
Deb Carlson, Cushman & Wakefield of Minnesota, Inc.

DIRECTORS
Dana Andresen, Chuck & Don's Pet Food Outlet
John Dietrich, RLK Incorporated
Steve Johnson, Solomon Real Estate Group Inc.
Andy McDermott, Shea, Inc.
Tricia Pitchford, NorthMarq
Ronn Thomas, NorthMarq
Jeff Wurst
Immediate Past President (as Director):
Cindy MacDonald, Kraus-Anderson Companies

COMMITTEE CHAIRS
Program
Barry Brottlund, InSite Commercial Real Estate, Inc.
Tom Goodrum, MFRA, Inc.
Membership
Brad Kaplan, NorthMarq
Matt Parten, Doran Construction
Newsletter
Christopher Naumann, Christopher Max Design & Development LLC
Stephanie Cadmus, Mod & Company, LLC
Awards
Steve Young, Arbor Commercial Group
Tony Barranco, Ryan Companies US, Inc.
Legislative
Howard Paster, Paster Enterprises
Jack Amdal, KKE Architects, Inc.
Retail Report
Janet Goossens, Kraus-Anderson Companies
Jim Mayland, Colliers Turley Martin Tucker
Technology
Tom Madsen, Benson-Orth Associates, Inc.
Jase Stumph, RJ Marco Construction Inc.
Golf
Rick Schroeder, Robert Muir Company
Ryan Burke, Kraus-Anderson Companies
Sponsorship
Janele Taveggia, LEO A DALY
Ned Rukavina, NorthMarq
MSCA Cares
Stefanie Meyer, NorthMarq
Jesseka Doherty, Mid-America Real Estate – Minnesota LLC

STAFF
Executive Director
Karla Keller Torp
(P) 952-888-3490 (C) 952-292-2414 (F) 952-888-0000
ktorp@msca-online.com
Associate Director
Stacey Bonine
(P) 952-888-3491 (C) 952-292-2416 (F) 952-888-0000
sbonine@msca-online.com
Executive Assistant
Danielle Pelton
(P) 952-345-0452 (F) 952-888-0000
dpelton@msca-online.com

MN Marketplace

- **Posh Bridal Couture** is now open in Minneapolis on the second floor of Semple Mansion at 100 W. Franklin Avenue (intersection of Franklin & LaSalle/Blaisdell). The shop features over-sized, lavish fitting rooms and bridal accessories.
- Now open at the Galleria in Edina is **Hammer Made** menswear. Hammer Made is the first retail location for local menswear designer Jason Hammerberg. The shop focuses on men's shirts ranging from $75-$125 and offers a handful of coats and accessories as well.
- **Shoppe Local** is the newest retail concept by local boutique owners Rick Haase and Christine Ward of Patina fame. The new shop offers products from Minnesota businesses with 200 local labels including Caldrea, Illume and Russell + Hazel. Most items are by artisans who previously sold strictly at craft fairs or online. Shoppe Local is located at 50th & Bryant in Minneapolis in the old Stems & Vine space between the Blackbird Café and the Malt Shop.
- The Minneapolis-St. Paul airport opened four new stores including: **In Season**, which sells college and professional sports team logo wear, giftware and toys on a seasonal basis; **Neat**, offering its unique line of scanning and software solutions and databases; **Sterling Works**, featuring handcrafted sterling silver and 18-karat gold jewelry with precious and semi-precious gemstones created by local and regional artists; and **Tech & Trek**, which offers the latest mobile phone and iPod merchandise, as well as a variety of travel accessories.
- The City Center space left vacant by Goodfellows restaurant in 2005 is headed back to the future with **Forum**, the latest concept from Jim and Stefanie Ringo of Ringo Restaurants, Inc.
- Fridley-based **Home Valu Interiors** is closing nine stores in the Midwest, including outlets in Fridley, Bloomington, Minnetonka and Inver Grove Heights. The chain was started 46 years ago as Plywood Minnesota by businessman and former U.S. Senator Rudy Boschwitz.

Committee Feature

by **Stephen Eggert, Target Corporation**

MSCA Board

This coming year will be a challenging year for our businesses. MSCA reflects that challenge as well. Our organization and leadership will need to be more flexible and open-minded during this time when our industry is in a downturn.

The tasks of the Board are to guide the organization, give direction and make strategic decisions. The Board works with and supports its committees in obtaining their goals to ultimately strengthen the organization.

The goal of the Board is to facilitate and encourage our leadership at all levels. We will encourage member participation, communication, and on behalf of the organization, make necessary decisions to enhance the future of MSCA.

MSCA is a dynamic organization in an ever-changing retail industry. With your commitment to MSCA you will get back much more than you give. "Together We Ride."

WATCH

Member Profiles

Eric Bjelland
NorthMarq Investment Services

Primary Career Focus: Representing owners in the acquisition, disposition and strategic planning of retail investment real estate
Education: BA – DePauw University, 1988
Family: My wife, Joan, and our five kids
Hobbies: Golfing, fishing, hunting
Dream Job: I have it
Secret Talent: Cleaning
Favorite Food: Rib Eye steak
Favorite Book: Bible
Favorite Movie: *Caddyshack*
Mentors: Dad, Dave Goehle, John Breitinger, Pete Rand
Favorite Place Traveled: USA via car trips
MSCA Involvement: MSCA Treasurer, Research Committee & Legislative Committee Liaison

Ryan Burke
Kraus-Anderson Companies

Primary Career Focus: To learn all parts of commercial real estate; management, investment, leasing, construction and development
Hometown: Sioux Falls, SD
Education: University of St. Thomas
Family: Wife of 10 years, Sarah, and two sons, Ayden and Weston
Hobbies: Golf, softball, basketball and snowboarding
Dream Job: To call plays for the Vikings during the final seconds of their NFC Championship game. I would call a run play followed by a field goal.
Favorite Food: Chicken Picatta from Carmelo's in St. Paul
Favorite Book: *Millionaire Next Door*
Favorite Movie: *Sherlock Holmes*
Favorite Place Traveled: Philippine's and St. John's, Virgin Islands
MSCA Involvement: Co-Chair of Golf Committee

New Members

Bill Jundt
RJM Construction

Chad Wiech
ADYME, LLC

Bonnie Wiech
ADYME, LLC

Nancy Warnen
NorthMarq

Kip Dunkelberger
Venture Mortgage Corporation

Brad Tabke
Quercus, Inc.

Travis Schlemme
U.S. Bank

Gregg Gehrke
U.S. Bank

Want to maximize your membership?
Join a committee!

For more information, call MSCA at (952) 345-0452.

Rising Star
by **Stephanie Cadmus, Mod&Co**

Punch Pizza

John Soranno and John Puckett are at it again – and thankfully so. The co-owners of Punch Pizza opened their seventh restaurant location in Stadium Village on the University of Minnesota campus. They have taken over the former Manhattan's space (for those that go back a bit further, the former Campus Pizza location) next door to Chipotle on Washington Avenue. The Stadium Village location opened on December 14 with a fundraiser offering guests free pizza, beer and wine that raised a reported $5,000 for the Children's Cancer Fund.

Soranno opened the first Punch Pizza location on Cleveland Avenue in the Highland neighborhood of St. Paul in 1996. Puckett, co-founder of Caribou Coffee, became Soranno's partner in 2001 and they've been expanding ever since. Soranno and Puckett seem committed to a slow and steady wins the race growth plan. To date, they don't seem in a hurry to grow any faster; their sixth location opened on Grand Avenue in October 2008.

Offering authentic Neapolitan Pizza for over 13 years, Punch is ahead of what may be the next pizza concept on the brink of rapid expansion within the pizza industry. Punch's pizzas are baked in wood-burning, 800-degree ovens to authentically char crusts and use only flour, water, yeast and salt to make dough. Punch offers many pies with the indigenous Italian mozzarella di bufala and San Marzano tomatoes, which are sanctified by the Vera Pizza Napoletana, the organization verifying Neapolitan pizzerias' true authenticity. Punch is one of a few pizzerias outside of Naples, Italy, to be a member of Vera Pizza Napoletana.

We'll keep an eye on Punch Pizza one enjoyable slice at a time. For locations and to see the Punch Pizza menu visit **www.PunchPizza.com**.

Program Recap

by **Richard Jahnke, Paster Enterprises**

Where's the Tsunami?

January program presenters left to right:
Robert B. Pounds, SCSM, NAI Welsh
Kim A. Culp, The Excelsior Group, LLC
Robert Bayer, Coldwell Banker Commercial Griffin Companies
Jeff Wurst (moderator)

The arrival of 2010 is still marked with frozen credit markets and very few property transactions. At January's monthly program, MSCA members were hungry to hear what the experts would predict when declining rents clash with mortgage maturity dates and properties are "underwater." Moderator Jeff Wurst walked us through the current scenario with a potential to create a tsunami of foreclosures. By the year 2014, $1.4 trillion in loans that were underwritten in the last 5 years will mature. Many were highly leveraged, or interest-only loans issued in the days of easy money. What happens when the net operating income (NOI) is no longer capable of servicing the debt? Eventually the property values will have to be written down.

Robert Pounds, Welsh Companies

Pounds presented his perspective of the loan crisis utilizing his investment sales background. He predicts more loan defaults such as Woodbury Lakes, which is now owned by the lender. Woodbury Lakes got into trouble when tenants like Linens 'n Things closed, triggering co-tenancy clauses, which allowed other tenants to reduce rent or close. Pounds cited the re-tenanting costs of tenant improvements and leasing commissions to attract new tenants as reasons the landlords may want to prevent a 30,000 sf box from vacating. Midsize boxes are not moving, and there's no guarantee that the new tenant will make it in the space. Improvements in rents and vacancy rates will not alleviate the problem anytime soon. Pounds estimates $2 trillion in commercial loans issued by banks, life companies and CMBS will mature through 2013 and 64% to 72% will not qualify for a loan large enough to retire the existing debt.

Kim Culp, Excelsior Group, LLC

Culp gave us a crash course in "Banking 101." The reason for government regulation of the banking industry is the highly-leveraged positions of the banks. They may have as little as 5% to 10% of total equity in their loan portfolios. "It's not good for banks to go broke." The government will need to find big banks to take over small banks. The taxpayer will fund the expense of repairing the banking system.

Robert Bayer, Coldwell Banker Commercial-Griffin Companies

How will owners and lenders strategize to handle distressed properties? According to Bayer, the industry will need expertise in the areas of loan workouts, foreclosures and managing REO portfolios. Banks will be under pressure to work with owners to extend terms. New FDIC guidelines will allow loan terms that were previously non-conforming. Lenders may renew loans at market rates even with non-conforming loan-to-value ratios, if the borrower is not in default and the major tenants have long-term leases and positive cash flows. This will prevent write-offs in the billions of dollars.

Opportunities for Members

Opportunities will emerge rapidly when the market starts to turn. New transactions will create a lot of work. Midsize boxes will be subdivided and re-leased to new tenants. Expertise will be sought to manage REO properties, because bank personnel will not have all the management and leasing skills to deal with retail properties.

January Professional Showcase

SPS Infrastructure, Inc. is one of the nation's leading repair and restoration contractors. Their knowledgeable staff leads the industry in providing you with solutions for your concrete restoration and waterproofing projects.

- Concrete Repair, Restoration
- Waterproofing
- Moisture Mitigation
- Strengthening

Small Talk

Your MSCA Web Site Tip: Shopping Cart

Registering for the next program just got easier with the online Shopping Cart function. We're always striving to make our site better, which means convenience for members. So here's another time saver.

Easy Program Registration:

> Go to the Web site and click on the ***Register Now*** link in the middle right of the home page.
> Select ***Add a Member*** to start filling your virtual shopping cart.
> Enter your ***Member ID and Password*** and your information will come up on the page.
> Simply add a program registration from the drop-down menu.
> Select ***Checkout***, which is just above your name, complete the ***Billing Information*** page to complete your sign up.

Receive a confirmation e-mail for your records and get ready to do some retail power networking at the program!

Legislative Session Preview

by **Sonnie Elliot, Faegre & Benson, LLP**

The 2010 legislative session will be short and action-packed; beginning on February 4 and adjourning by May 17. Early in the session, the Legislature and Governor will be concerned with adopting the capital investment bill and other ways to stimulate Minnesota's struggling economy.

In addition to a capital investment bill, the state faces a projected $1.2 billion operations deficit in the current biennium even after significant budget reductions in the 2009 session. A projected shortfall of $5.4 billion looms for the 2012-13 biennium. Some of the reductions made last session were ruled unconstitutional and may need to be added to this year's budget woes. The next state forecast occurs in February when updated revenue projections will be calculated for the 2010-11 biennium.

These are the specific issues on the 2010 Legislative Agenda for MSCA:

Statewide Property Tax. Lawmakers may increase the statewide property tax levy to help solve the budget problems;

Business tax loopholes. Business tax breaks and incentives—whether they take the form of exemptions, credits or deductions—could be eliminated to increase state revenues;

Sales tax expansion. Expansion of the state's sales tax base has already been discussed as a way to increase revenue collections, including clothing, services, tax preparation, advertising and legal services; and

Transportation utility fee and other impact fees. Proposals to allow local units of government to impose fees could be seen as a way to mitigate other cuts to local governments.

Small Talk

Web Sites: Tax Policies

Interested in learning more about Minnesota or Federal Tax policies? Check out these links for more information!

www.taxes.state.mn.us
www.taxfoundation.org
www.irs.gov

MSCA SM

MINNESOTA SHOPPING CENTER ASSOCIATION

8120 Penn Avenue South, Suite 464, Bloomington, MN 55431

FIRST-CLASS MAIL
U.S. POSTAGE
PAID
MINNEAPOLIS, MN
PERMIT NO. 27334