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enhancing our industry

**Annual  
Retail  
Property Tax  
Study  
for the Year  
2003**

**Minnesota Shopping Center Association**

# Defend Property Tax Reform

Despite the reduction in the CI rate, retailers in Minnesota still continue to pay on average **68% to 170% more** in property taxes in 2003 than in other comparable markets. Reform adopted in 2001 will have a positive impact for taxes payable in 2004. For all commercial industrial properties, including shopping centers, 2003 taxes increased 3.1% according to Minnesota House Research. Defending this property tax reform is MSCA's top priority.

This is the fifth annual Minnesota Shopping Center Association's (MSCA) Property Tax Study. The purpose of this study is to analyze how Minnesota retail property taxes, on a per square foot basis, compares to similar markets across the country. Minnesota's high taxes continue to place the state at a competitive disadvantage to other states in attracting retail business and in providing retail goods and services to residents.

Minnesota's high taxes make Minnesota a less desirable destination for retailers when they decide where to locate their stores. Why operate in Minneapolis/St. Paul when Denver, Houston or Milwaukee offers lower real estate taxes and therefore lower operating expenses? High taxes in Minnesota result in fewer jobs, less selection, and ultimately higher costs to consumers, since retailers adjust their prices in any given market to pass through those taxes to consumers. In the current economic climate, raising commercial real estate and business taxes will not spur economic growth in the retail industry and will only hurt consumers in this state.

**Our proposal for the 2004 Legislative Session is for the Legislature to maintain the current CI Rates and not impose any further taxes on consumers, retailers and shopping center owners. The Legislature should look for ways to grow business in Minnesota as a means to expand the tax base rather than increasing the already high tax burden on businesses and consumers.**

## Enclosed Regional Mall Retailer 2,000 - 5,000 Square Foot Tenant

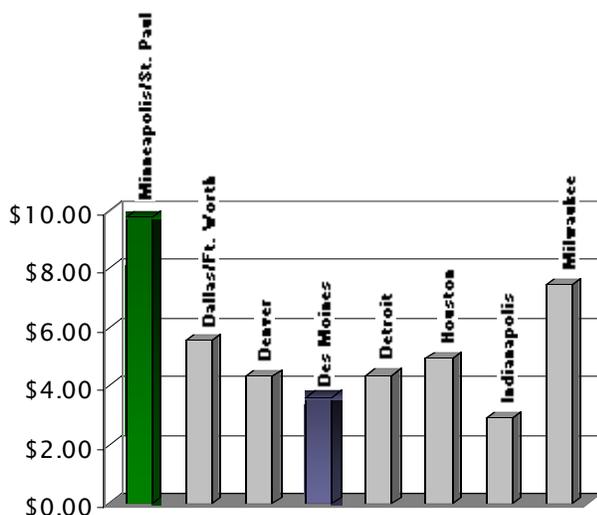
*Examples of such retailers are:*

Bath & Body Works, The Gap, The Limited, Musicland, Sam Goody, Victoria's Secret

*Examples of such centers are:*

Eden Prairie Center, Knollwood Mall, Ridgedale Center, Rosedale Center, Southdale Center

**Property taxes in Minneapolis/St. Paul are on average 170% more than in Des Moines.**



### TAX COST PER BUILDING SQUARE FOOT

	High	Low	Average
<b>Minneapolis/St. Paul</b> Sample of 11 stores	\$16.33	\$4.84	\$9.80
<b>Dallas/Ft. Worth</b> Sample of 14 stores	\$9.69	\$1.60	\$5.58
<b>Denver</b> Sample of 10 stores	\$7.51	\$1.58	\$4.37
<b>Des Moines</b> Sample of 8 stores	\$8.80	\$1.71	\$3.63
<b>Detroit</b> Sample of 2 stores	\$6.16	\$2.65	\$4.40
<b>Houston</b> Sample of 7 stores	\$9.76	\$0.59	\$4.97
<b>Indianapolis</b> Sample of 5 stores	\$3.74	\$2.04	\$2.94
<b>Milwaukee</b> Sample of 6 stores	\$10.69	\$1.07	\$7.49

## Community Shopping Center Retailer

25,000 - 40,000 Square Foot Tenant

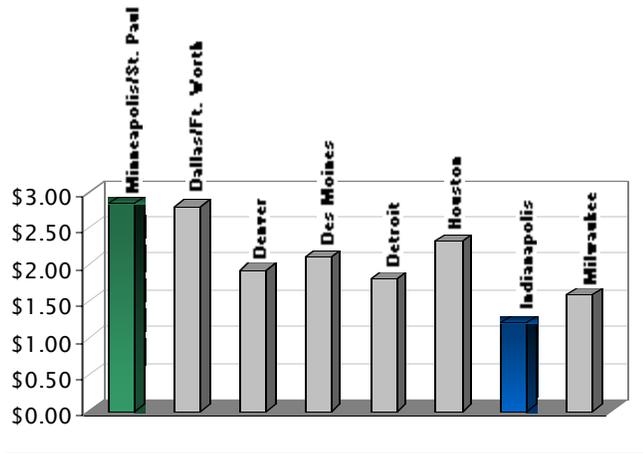
Examples of such retailers are:

Barnes & Noble, Borders Books, Circuit City, CompUSA, Marshalls, Office Max, PetSmart, TJ Maxx

Examples of such centers are:

Arbor Lakes, Riverdale Village, Southtown Center, Sun Ray Center, Tamarack Village

**Property taxes in Minneapolis/St. Paul are on average 135% more than in Indianapolis.**



### TAX COST PER BUILDING SQUARE FOOT

	High	Low	Average
<b>Minneapolis/St. Paul</b> Sample of 18 stores	\$4.60	\$1.57	<b>\$2.85</b>
<b>Dallas/Ft. Worth</b> Sample of 27 stores	\$3.65	\$1.67	\$2.81
<b>Denver</b> Sample of 18 stores	\$2.73	\$ .91	\$1.94
<b>Des Moines</b> Sample of 4 stores	\$2.60	\$1.70	\$2.11
<b>Detroit</b> Sample of 26 stores	\$3.03	\$ .95	\$1.82
<b>Houston</b> Sample of 36 stores	\$4.72	\$ .77	\$2.33
<b>Indianapolis</b> Sample of 13 stores	\$1.90	\$ .69	<b>\$1.21</b>
<b>Milwaukee</b> Sample of 10 stores	\$2.38	\$1.00	\$1.60

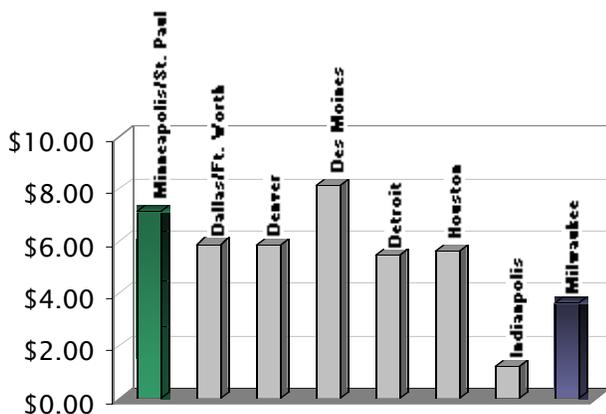
## Freestanding Quick Service Restaurant Retailer

4,000 - 6,000 Square Foot Tenant

Examples of such retailers are:

Arby's, Burger King, Kentucky Fried Chicken, McDonald's,

**Property taxes in Minneapolis/St. Paul are on average 95% more than in Milwaukee.**



### TAX COST PER BUILDING SQUARE FOOT

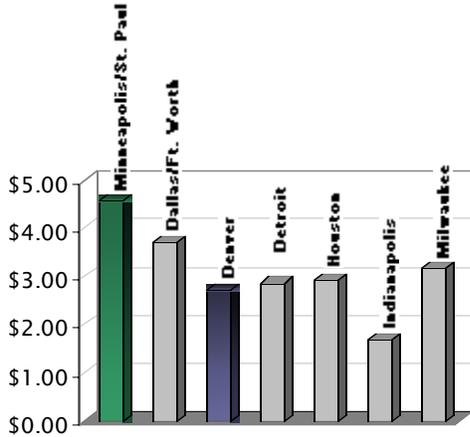
	High	Low	Average
<b>Minneapolis/St. Paul</b> Sample of 24 stores	\$9.59	\$5.34	<b>\$7.18</b>
<b>Dallas/Ft. Worth</b> Sample of 5 stores	\$9.85	\$2.56	\$5.91
<b>Denver</b> Sample of 5 stores	\$12.10	\$3.78	\$5.87
<b>Des Moines</b> Sample of 8 stores	\$9.60	\$7.12	\$8.07
<b>Detroit</b> Sample of 5 stores	\$8.37	\$3.55	\$5.50
<b>Houston</b> Sample of 5 stores	\$10.65	\$3.63	\$5.64
<b>Indianapolis</b> Sample of 6 stores	\$2.02	\$ .60	\$1.25
<b>Milwaukee</b> Sample of 10	\$4.62	\$2.21	<b>\$3.69</b>

## Small Shop Retailer 1,000 - 5,000 Square Foot Tenant

*Examples of such retailers are:*

Caribou Coffee, Chipotle Mexcian Grill, Coldstone Creamery, Great Clips, Noodles & Company, Pilgrim Dry Cleaners, Starbucks

**Property taxes in Minneapolis/St. Paul are on average 68% more than in Denver.**



### TAX COST PER BUILDING SQUARE FOOT

	High	Low	Average
<b>Minneapolis/St. Paul</b> Sample of 45 stores	\$14.31	\$1.99	\$4.60
<b>Dallas/Ft. Worth</b> Sample of 49 stores	\$10.51	\$1.01	\$3.72
<b>Denver</b> Sample of 67 stores	\$6.23	\$.16	\$2.74
<b>Detroit</b> Sample of 34 stores	\$6.11	\$1.55	\$2.87
<b>Houston</b> Sample of 106 stores	\$10.83	\$.65	\$2.95
<b>Indianapolis</b> Sample of 16 stores	\$4.01	\$.90	\$1.68
<b>Milwaukee</b> Sample of 21 stores	\$9.03	\$1.20	\$3.17

Data compiled by the Legislative Committee of the Minnesota Shopping Center Association.

**NOTE:** Figures based on actual retailer's cost per square foot for these markets as reported. This document is intended to convey information regarding retail property in 2003. The properties used by the MSCA for this study may vary from year to year and therefore, comparisons with other MSCA Retail Property Tax studies may not be valid.

## Hear what retail professionals are saying...about property taxes in Minnesota

*“The progress we have made in reducing the CI tax rate has lessened the burden on retailers trying to make the case for expansion in Minnesota. As an organization, we need to continue to further reduce this tax burden.”*

Mike Sims, *President*  
Minnesota Shopping Center Association

*“Our franchisees make decisions about where to locate based on the bottom line. Minnesota's high property taxes can be the decisive factor in their decision to locate here or elsewhere.”*

Dean Wieber, *Sr. Vice President Real Estate*  
Great Clips, Inc.

*“Our company operates shopping centers in 22 states and despite recent property tax reductions, Minnesota continues to be significantly higher than other states, which burdens our tenants with higher operating costs.”*

Laurie Paquette, *Vice President/General Manager*  
The Rouse Company - Ridgedale Center



The Minnesota Shopping Center Association (MSCA) is a non-profit trade association that was initiated in 1988. MSCA is the largest statewide organization devoted solely to the retail real estate industry. With over 270 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.

**8120 Penn Avenue South, Suite 555, Bloomington, MN 55431**  
**Phone: (952) 888-3491 Fax: (952) 888-0000 Website: [www.msca-online.com](http://www.msca-online.com)**