

since 1988



enhancing our industry

# Comparative Retail Property Tax Study for the Year 2001

Minnesota Shopping Center Association

# Defend Property Tax Reform

Despite the reduction in the CI rate, retailers in Minnesota still continue to pay on average **102% to 335% more** in property taxes in 2001 than in other comparable markets. Reform adopted in 2001 will have a positive impact for taxes payable in 2002. For all commercial properties, including shopping centers, 2002 taxes are projected to decline by 6 - 7% according to Minnesota Department of Revenue projections. Defending this property tax reform is MSCA's top priority.

This is the third annual Minnesota Shopping Center Association's (MSCA) Property Tax Comparison Study. The purpose of this study is to analyze how Minnesota retail property tax, 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 Kansas City, 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 2002 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.**

---

***"We must begin to think of commercial property taxes in the context of what they really are -- a hidden pass-through tax to consumers."***

Kathy Anderson, *President*  
Minnesota Shopping Center Association

**Hear what retail professionals are saying...**

***"Our competitors in Wisconsin enjoy lower operating costs which they in turn pass on to their customers as lower prices or increased services and more jobs."***

Lauri Youngquist, *CFO*,  
Knowlan's Super Markets, Inc.

***"Even with the recent property tax reductions, Minnesota remains significantly higher than other Midwest states in which we operate, putting all Minnesota retailers at a competitive disadvantage."***

Alan M. Bloom, *Director of Real Estate*,  
Nash Finch Company

**about property taxes  
in Minnesota.**

***"Comparable centers, with similar assessed values in the 25 states we operate, have 20% - 50% lower taxes per square foot than Ridgedale."***

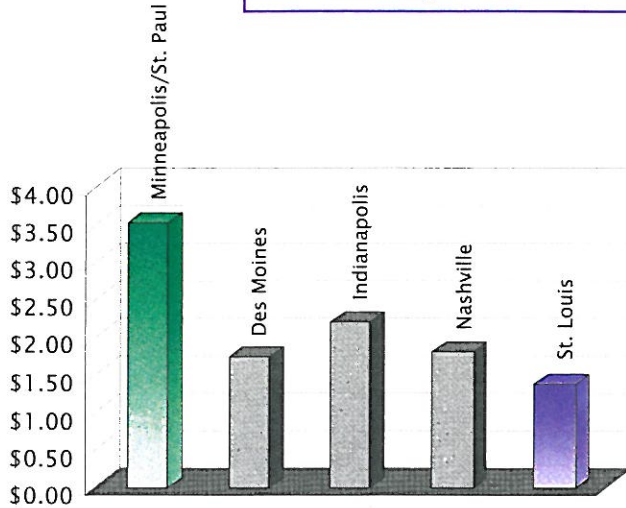
Jill Noack, *Vice President/General Manager*  
Rouse Ridgedale Management Company, LLC



## Community Shopping Center Retailer 25,000 - 40,000 Sq. Ft. Tenant

Retailers in this category include:  
Barnes & Noble, Borders Books, Circuit City, CompUSA,  
Marshalls, Office Max, PetSmart, TJ Maxx

**Property taxes in Minneapolis/St. Paul are on average 257% more than in St. Louis.**



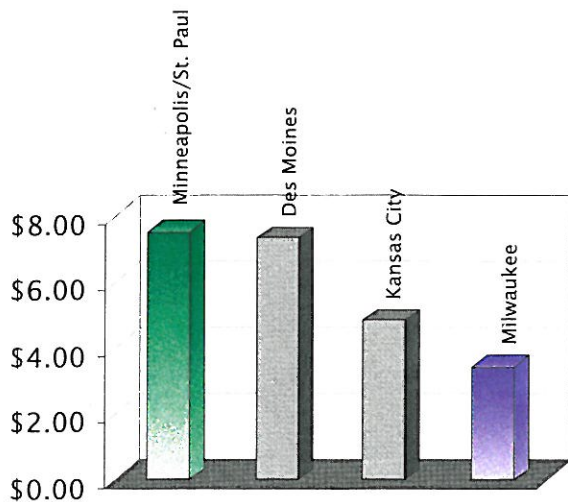
### Tax cost per building square foot

	High	Low	Average
<b>Minneapolis/St. Paul</b> Sample of 6 stores	\$4.85	\$2.98	\$3.52
<b>Des Moines</b> Sample of 2 stores	\$2.35	\$1.10	\$1.73
<b>Indianapolis</b> Sample of 5 stores	\$2.27	\$2.08	\$2.19
<b>Nashville</b> Sample of 3 stores	\$2.26	\$1.15	\$1.80
<b>St. Louis</b> Sample of 10 stores	\$1.59	\$1.07	\$1.37

## Freestanding Quick Service Restaurant Retailer 4,000 - 6,000 Sq. Ft. Tenant

Retailers in this category include:  
Arby's, McDonald's, Burger King, Kentucky Fried Chicken

**Property taxes in Minneapolis/St. Paul are on average 219% more than in Milwaukee.**



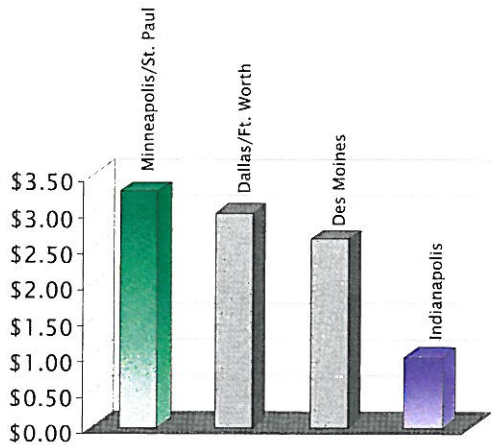
### Tax cost per building square foot

	High	Low	Average
<b>Minneapolis/St. Paul</b> Sample of 15 stores	\$9.98	\$4.42	\$7.50
<b>Des Moines</b> Sample of 3 stores	\$8.37	\$6.27	\$7.32
<b>Kansas City</b> Sample of 3 stores	\$6.19	\$3.57	\$4.84
<b>Milwaukee</b> Sample of 3 stores	\$4.14	\$2.57	\$3.43

## Freestanding Retailer 5,000 - 15,000 Sq. Ft. Tenant

Retailers in this category include:  
Blockbuster Video, Movie Gallery, Walgreen's,  
Hollywood Video, Pier 1 Imports

**Property taxes in Minneapolis/St. Paul are on average 335% more than in Indianapolis.**



### Tax cost per building square foot

	High	Low	Average
<b>Minneapolis/St. Paul</b> Sample of 21 stores	\$6.55	\$1.17	\$3.28
<b>Dallas/Fort Worth</b> Sample of 2 stores	\$3.18	\$2.80	\$2.99
<b>Des Moines</b> Sample of 4 stores	\$3.00	\$2.22	\$2.62
<b>Indianapolis</b> Sample of 3 stores	\$1.41	\$0.68	\$0.98

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.

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 240 companies and 520 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.

