2018 BOARD OF REVIEW
VILLAGE OF PLEASANT PRAIRIE
9915 39th Avenue
Pleasant Prairie, WI
October 30, 2018
9:30 a.m.

A meeting of the Pleasant Prairie Board of Review was held on Tuesday, October 30, 2018 and called to order at 9:30 a.m. Present were Board members Jill Sikorski, William Morris, David Hildreth and Mark Riley. Lena Schlater was excused. Also present were Rocco Vita, Village Assessor, and Jane C. Snell, Village Clerk.

1. CALL TO ORDER.

Jill Sikorski:

The Board of Review of the Village of Pleasant Prairie will convene. Today is October 30, 2018, 9:40 a.m. Call this meeting to order.

2. ROLL CALL.

3. HEARINGS:

9:30 A.M. Lakeview IVIII Venture LLC

Rocco Vita:

This is Rocco Vita, Village Assessor. This should actually be for Lakeview IVIII LLC. This party filed an objection form with the Village. And in the intervening time from the original Board of Review the Board subpoenaed specific information from the property owner, their income and expenses and the lease agreement with their new client, their new tenant. And based on that information the Village has entered into a stipulation with the property owners, and in front of you you may see a copy of that stipulation.

Essentially the stipulation indicates that for the first year because although the property was completely finished on January 1st, they didn't have a tenant until midway through the year. And so there is a slight reduction in the value as of January 1st, '18, but then the property owner agreed to go to the original value supplied by the Village assessor's office beginning January '19 and going forward. So from the Village they would be looking for the Board to look favorably on the stipulation and approve that for the 2018 assessment year.

Jill Sikorski:

Do we need to have a vote then, Jane?

Jane Snell:

Yes.

Jill Sikorski:

All right, we will have a vote to accept the items outlined. Does anyone need to see this document lowering the assessments? All in favor?

Mark Riley:

Can we ask any questions?

Rocco Vita:

Yeah, you make a motion, ask a question, we can go over the numbers. I thought you had the copies, I apologize.

Mark Riley:

I don't know if I understood [inaudible]. So say again, it's being lowered from January 1st to January 28th, did I hear that?

Rocco Vita:

The original value provided by the assessor's office is being reduced to a value of $20 million effective January, 2018 to reflect the fact that although the building was complete the tenant and the tenant's build out wasn't complete, and the tenant didn't occupy the facility and begin paying rent until midway through the year.

Mark Riley:

Oh, okay, midway through the year. I thought I heard January 28th. So then the value for 2018 stays the same at that lowered amount until you hit 2019? Or did you change the value --

Rocco Vita:

The value is being reduced to $20 million effective -- okay, so the value last year -- I don't know what the 2017 value was. But it was agricultural land so it was very inexpensive. So right now the value increased from what it may have been. There might have been a couple of acres that's not farm so there may have been a $200,000 to $300,000 value on this property. For January 1, 2018 we sent an initial notice indicating a value of $21,924,500, and that's being reduced to $20 million.

Mark Riley:

I see what you're doing.

Rocco Vita:

$21,9 -- and then effective '19 it goes to the final value.

Mark Riley:

I understand.

Jill Sikorski:

Do we need a motion or we need a vote?

Jane Snell:

Motion.

Bill Morris:

So I would make the motion to accept the recommendation of the Village Assessor in the adjustment of the value commencing January 1, 2018 and the stipulation that so states that the value will increase come January 1, 2019.

Dave Hildreth:

I'll second the motion.

Jill Sikorski:

Do we need a roll call for that?

Jane Snell:

I don't believe we need a roll call for that.

Rocco Vita:

I would take a roll call. It can't hurt by taking a roll call.

Jane Snell:

Okay. Jill Sikorski?

Jill Sikorski:

Aye.

William Morris:

Aye.

Dave Hildreth:

Aye.

Mark Riley:

Aye.

10:00 a.m. Pleasant Prairie Premium Outlets LLC

Rocco Vita:

Now, the second item on the agenda was for Pleasant Prairie Premium Outlets, LLC. They objected to eight real estate parcels and one personal property parcel. Prior to the beginning of the Board of Review they supplied us with a fully amended personal property return. And we adjusted our value to accurately reflect what they reported to us. So we made that change prior to the Board and that's not an issue.

But what still remained an issue were the eight real estate parcels, and specifically seven of them which had an improvement value. So on January 1, 2018 our office had values described on page 1 of the stipulation. Does everybody see the copy of the stipulation? Did everybody get a copy? Okay. And that sum was a total land for those eight parcels of $16,536,200. The total improvement value for all six parcels was $226,668,100 for a total assessed value for 2018 of $243,204,300.

Again, we subpoenaed a number of parties, the Board of Review actually subpoenaed a number of parties for information. We subpoenaed Wells Fargo, we subpoenaed City Bank and we subpoenaed Simon themselves, and they provided us a great deal of information subsequent to those Board of Review subpoenas. And using the information provided we determined an alternative or an updated value for 2018 based on actual information that wasn't provided to us prior to determining that value.

And, secondly, we had a discussion with the property owner about the best way to present the values on the assessment roll. Statute 70.23 provides the assessor the ability to combine parcels for a valuation purpose if they're economically tied together, okay, if they can be valued economic. Now, here I did not bring an aerial photo, but if you look at Prime Outlets there are like very long exterior outdoor entrance malls. Those buildings actually cross property lines. In fact, the newest addition created two buildings on two parcels, but not one building on one parcel. The parcel line runs east/west and the buildings run north and south. So there's half of one building and half of another building on one parcel, and there's half of again each of those buildings on a second parcel.

So to simplify the valuation of an entire property which entails just northwards of 400,000 square feet and as one economic unit, we have the ability to not necessarily combine, physically legally combine all the parcels together, but for valuation purposes we'll treat them as one parcel and reflect that on the assessment roll. And I will quickly share with you what that would look like on the assessment roll.

You see here, you can just pass this down, the numbers they're on different pages. The numbers are on different pages through the roll. But we choose one parcel number to contain the value. The other seven parcel numbers will denote assessed with the final parcel number in the valuation space. Then when you get to the final parcel number on the last page it has a value of $220 million. So it's not a legal combination forcing them to combine the real estate parcels. But for valuation purposes it's combining the parcels into one economic unit to make it simpler for everybody to work with. And that is how this stipulation was drafted then. It also makes it easier if the property owner would like to go forward with a court proceeding to value the property as a whole instead of trying to value each individual property with its proportional share of the buildings. It gets confusing for the judge, and it gets confusing for the whole process. So this is in everybody's interest to do this this way.

So looking at that information, reviewing that information, researching, again, the best methods to incorporate that information the Village Assessor's office had determined that a total value of $220 million is appropriate for that property. The property owner continues to object. They say that the value is $138 million as in item number 4 of the stipulation. But the stipulation says for this purpose this will continue, that the Board of Review will have done its work by adjusting the value from $243,204,300 to $220 million. The property owner still objects.

The stipulation further states that neither Pleasant Prairie and Premium Outlets nor the assessor shall be required to appear before the Board. Upon accepting the stipulation the Board of Review is deemed to have changed the original assessments to the $220 million. And upon acceptance of the stipulation the Board shall be deemed to have approved the parties' joint request to waive any hearing directly to Circuit Court as provided by Chapter 70.47 (8m). So it's similar to someone appealing before the Board and we're not hearing the case and waiving it. Here we have a stipulation the Board changes the value and you allow them to file a claim for excessive assessment 60 days hence.

Item 10 is that for all purposes Pleasant Prairie Premium Outlets' ability to pursue a claim in court action will be deemed to have fully and timely complied with all procedures. And Pleasant Premium Outlets has until December 28, 2018 to commence an action regarding the 2018 assessments under Wisconsin Statutes 74.37 (3d) which claim for excessive assessment. So it's signed by Counsel for the Village and signed by Counsel for the property owner. And it's looking for signature and approval from the Village Board of Review. Any questions on that?

So the salient facts is we had requested twice through certified mail income and expense information from the property owner. We did not hear from them at any time. The first time we heard from them was seven days before Board of Review we received an objection for the property, objection to hear it at the Board of Review. And they sent us a one page income and expense work up that had been published for us. We thought that wasn't enough, so then we approached the Board, the Board subpoenaed a number of documents, more specific documents from their accounting books which they did provide us as well as information from City Bank and Wells Fargo. And with all that information we determined that it was appropriate for all parties to change the value from $243 million to $220 million.

Mark Riley:

A question. What was missing in their income statement that you weren't able to determine?

Rocco Vita:

> Detail. It was simply -- I don't have it in front of me, but it was a one page item listing income, expense. It didn't indicate the total common area maintenance. It didn't indicate all the detailed expenses. It didn't indicate the detailed management expense. It didn't have any detail at all. It didn't have all the income we found out later. So that just about everything that was reported initially turned out to be different upon the subpoenaed information.

Mark Riley:

> Is that private company or a public?

Rocco Vita:

> It's a public company.

Mark Riley:

> There's no way to get that information out of a public company?

Rocco Vita:

> Not from their accounting books. And Ed did ascertain a number of pieces of information under public filings with the FCC. But how specifically accurate they are to this facility and for out purpose I guess could be a question. It's that information -- we did receive some income information from the personal property forms. When municipalities ask tenants to provide us their personal property information, there's a space for them to give us their lease information. But it doesn't really give us all of the expenses that the landlord has. So it's with that limited information that we determined the value of $243 million.

Mark Riley:

> Do you know the length of the lease?

Rocco Vita:

> I don't offhand.

Mark Riley:

> But you have that data? They gave you that data on the [inaudible].

Rocco Vita:

> I don't know exactly if they gave us the length of the leases.

Mark Riley:

Because that has a pretty big bearing on the value of the property. And I guess the first part --

Rocco Vita:

Well, I don't think the leases were exceedingly long. But the risk of the property as a whole considering that there are 100 and some tenants would be captured in that capitalization rate. The greater the risk the higher rate the lower the value.

Mark Riley:

Right. We watched it happen in the other outlet mall. It went down so fast. When a few major tenants started moving out they ended up tearing it down. That's what it was worth, nothing. The taxes were more expensive than the value of the property on that other outlet mall. They bulldozed it under. The value went to zero. They tore it down just to stop paying the tax. When you start losing major tenants, and short-term leases tend to reduce value of income property pretty dramatically. The longer the lease the more value you have.

Rocco Vita:

In the calculation we took into consideration that there would be a rather significant increase in the property tax, and they may not be able to collect that all in one year. So Ed took that into account in the capitalization rate and essentially did a cash -- he did a discounted cash flow analysis to phase that in over a five year period. And then tried to work that into his capitalization rate.

Mark Riley:

What was it worth the previous year?

Rocco Vita:

The prior assessment was something in the middle of $134 or $136 million.

Mark Riley:

So this took a jump of $90 million in one year.

Rocco Vita:

It was actually over a four year period.

Jill Sikorski:

Any further questions?

Rocco Vita:

It is probably likely the old assessment of $135 was probably low considering that ever since Simon acquired this from Prime, now it didn't acquire the property [inaudible], it acquired all the business. So in acquiring the business they also acquired the real estate, but there's no separate document itemizing how much they paid for the real estate. Perhaps there's an allocation somewhere. But for all the time that they've owned we've continually asked for income and expense information. And their policy is simply not to provide it. So we're left to value it with the best information we have. And in this instance here they decided to go Board of Review, and we requested that through a Board subpoena.

David Hildreth:

Rocco, what would be the reason in your estimation that would jump that much in a four year period, $130 and something to $200?

Rocco Vita:

I think getting a better indication of what the actual rents for this property are, and Ed had taking a close look at the published capitalization rate for the property he determined it had a value of $243 million. Some of the rents -- I don't know what all of them are in total, and I was not involved in the valuation process, but some of the rents out there are exceedingly high. Small spaces have high rent, large spaces low rent.

David Hildreth:

Anybody on the freeway that has signage access is going to be a lot more rent than anybody in the back. I understand the position you guys are in, you don't have all the data to make a true assessment, and they won't give it to you so what do you do. I guess the only thing you can do is try to collect it from someone else. I get it.

Jill Sikorski:

Any other questions? We have a motion to accept the Village of Pleasant Prairie's Assessor's assessment as indicated in illustrated in paragraph 3.

Rocco Vita:

Actually I'd like to just make a correction that this is a stipulated agreement between the Village of Pleasant Prairie and the Board of Review and the property owner. Although I will say we did work up a separate value of $220 million based on the new information we had after the Board of Review had initially begun. So we're not impeaching our value, but we received a great deal of information after the fact.

[inaudible]:

Just for clarification [inaudible] the stipulation presented actually contains two items. The first is a reduction in the value of the noted parcels to $220 million. But also a stipulation among the parties to waive any further proceeding before the Board so that the parties can [inaudible] Circuit Court under 70.47 (8m).

Rocco Vita:

Correct.

[inaudible]:

So just a suggestion to the Board I would suggest that the motion be made to approve the stipulation which is before the Board in total. I don't think it's necessary to [inaudible] the various factors which are memorialized in the stipulation. I would simply -- if there is a motion, it would be a motion to accept the stipulation as currently drafted and agreed by the assessor and the taxpayer, and the stipulation would then become part of the record.

Jill Sikorski:

Do I have a motion to accept the stipulation as presented?

Mark Riley:

I will so move.

David Hildreth:

Second.

Jill Sikorski:

And I think we need a roll call.

Jane Snell:

Mark Riley?

Mark Riley:

Yes.

Dave Hildreth:

Yes.

William Morris:

Aye.

Jill Sikorski:

Yes. Do we have any further business today?

Jane Snell:

No further business.

4. ADJOURNMENT.

Jane Snell:

We need a motion to adjourn.

David Hildreth:

I’ll so move to adjourn.

Jill Sikorski:

Do I have a second to adjourn?

Rocco Vita:

Maybe just mention that this is the end of the 2018 Board of Review. You’re adjourning for the assessment year.

David Hildreth:

Motion to adjourn for the rest of the year.

William Morris:

I’ll second.