

—YOUR PENNIES AT WORK—

the amazing POWER OF A PENNY

“SMALL CHANGE” CONTINUING TO DELIVER BIG RESULTS FOR BUSINESS PROPERTY TAXPAYERS

Because of collected pennies through the Penny Per Square Foot Fund, NAIOP has delivered millions and millions of dollars in property tax savings over the years for our tenants, owners and investors. The effective rate (property taxes payable as a percentage of building value) has gone from a statewide average high of 5.94% in 1994 to 2.87% for taxes payable in 2009.

As in the past, NAIOP was, again, the first line of defense for our tenants and all business property taxpayers statewide. With the support of our PPSF contributors and committed NAIOP member companies such as yours, we were able to mount a vigorous, aggressive and strategic campaign to successfully defend against business property tax increases in the 2009 legislative session.

Because of high job losses in Minnesota, our message that now is not the time to increase fixed costs on Minnesota's employers resonated with a number of legislators. That was particularly true in the House as there was no proposed business property tax increase in their omnibus tax bill. The House Tax Committee Chair emphatically stated that any increase in business property taxes would ultimately be paid by employees—through reduced job opportunities and cuts in employee benefits or by the consumer through higher prices.

The Senate, however, remained committed to using the statewide property tax to raise revenue for the general fund. To be specific, the Senate proposal would have increased business property taxes by \$525 million by the 2012-13 biennium, 34% above the current biennium. A number of Senators used the argument that businesses aren't paying “their fair share” of property taxes and that they “got too good of a deal in 2001.” Many legislators also implied that those “rich developers and owners of those big buildings” can afford to pay higher property taxes. So our ongoing challenge is to make sure policy makers understand that it's the tenants in those buildings, businesses large and small, Minnesota's job creators, who pay the property tax bill.

In the last hours of the session, the House position prevailed as the tax conference committee omnibus tax bill did not include an increase in business property taxes. However, the battle to prevent increases in the statewide property tax has not gone away. It is merely on hold until the 2010 legislative session. With a projected \$5+ billion deficit for the next biennium, there will be continuing pressure to increase business property taxes.

To give you a sense of the extensive strategies and tactics NAIOP used leading up to and during the 2009 legislative session, I have enclosed *Your Pennies at Work, Influencing the Process*. Also enclosed is *A 2009 Legislative Situation Report*, which connects the dots between issues of importance to the commercial real estate industry and what we need to prepare for now as we look ahead to the next few years. Additional copies of these reports are available to you. Just call and we will mail immediately.

Rest assured we will remain vigilant, will continue to aggressively defend the business property taxpayer and will continue to spend your pennies wisely.

I welcome any comments or thoughts.