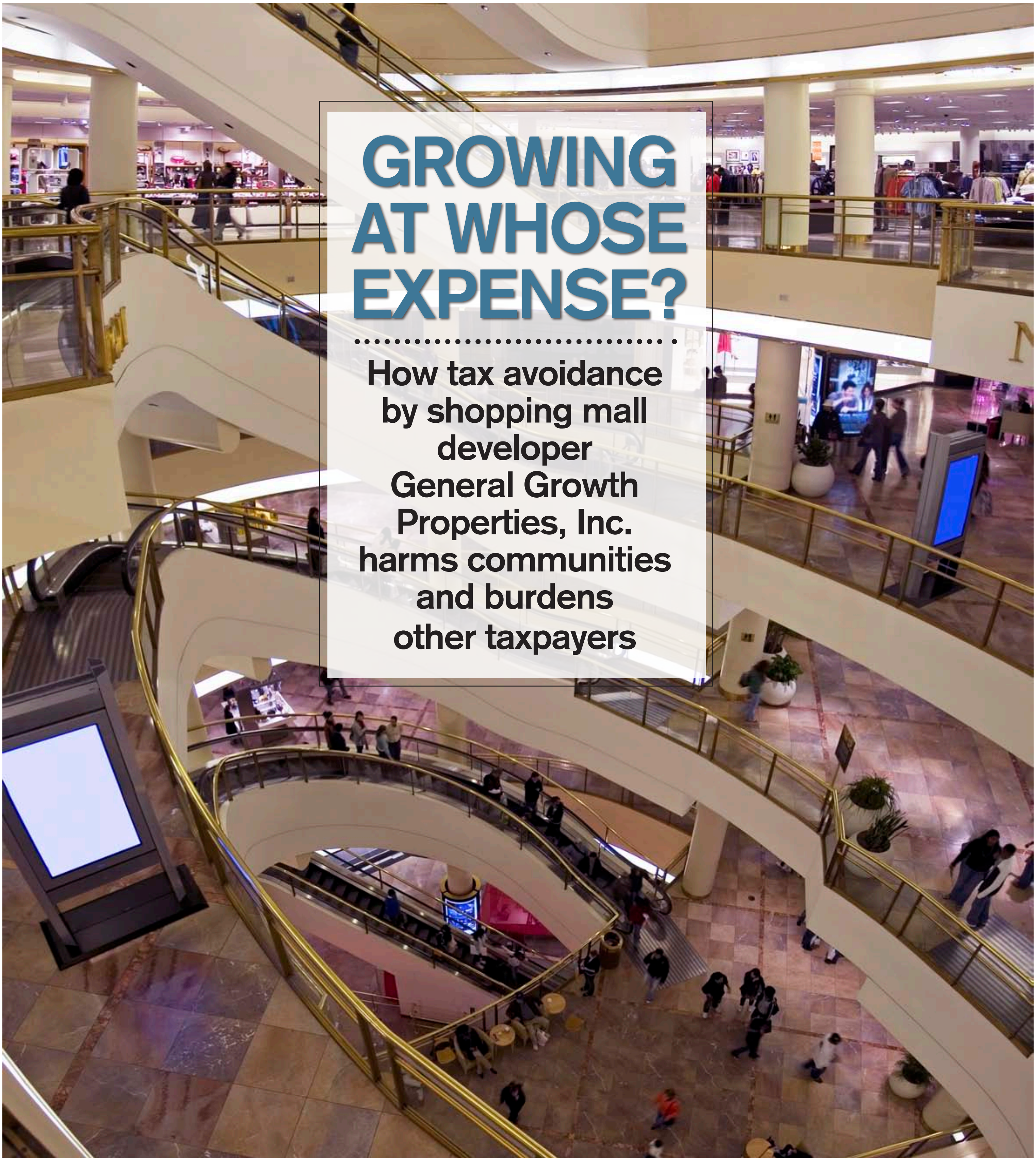
GROWING AT WHOSE EXPENSE?

How tax avoidance by shopping mall developer General Growth Properties, Inc. harms communities and burdens other taxpayers



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EXECUTIVE SUMMARY

General Growth Properties (GGP), the second-largest owner and operator of shopping centers in the United States, has received more than $200 million in economic development subsidies and tax savings from assessment appeals. This is the conclusion of a study of GGP's fiscal impact on local governments conducted by Good Jobs First at the request of the Service Employees International Union (SEIU).

We looked at 50 GGP shopping malls in 23 different states. This sample includes malls owned by GGP as long as a quarter-century and some that are brand new. The malls, which represent about one-quarter of GGP's U.S. properties, received roughly $200 million in subsidies and recouped about $9 million in tax savings as a result of assessment appeals. These amounts probably represent only a fraction of the overall public financial benefits GGP has received for its more than 200 shopping centers, given the frequency with which the company seeks subsidies or challenges its assessments. While no comparative data are available, GGP is, in all likelihood, one of the biggest drains on local government revenues in the United States.

This loss of revenue puts a squeeze on municipal and county governments, which depend on tax payments from property owners such as GGP to finance vital functions such as public education.

We found subsidies at 14 of the 50 malls we examined, or 28 percent. Most of the subsidies involve financial assistance from local governments to defray part of the cost of constructing new malls or renovating older ones. In half a dozen cases, the aid was financed through the diversion of property tax revenues, a process known as tax increment financing (TIF). There are also several instances in which GGP is subsidized by being allowed to keep a portion of the sales tax it collects from customers on behalf of local governments.

This loss of revenue puts a squeeze on municipal and county governments, which depend on tax payments from property owners such as GGP.

The largest subsidy deals we found were the two that the city of Frisco, Texas, has awarded to GGP. In the late 1990s, Frisco, a fast-growing and highly commercialized suburb of Dallas, put together a package worth an estimated $40 million to assist in the construction of GGP's Stonebriar Centre, a 1.6 million-square-foot enclosed mall that features six major department stores. The package included infrastructure assistance and a 10-year rebate of a portion of sales tax collections.

In 2006, when GGP came up with the idea of an 800,000-square-foot open-air "lifestyle center" mall on the outskirts of Frisco, it went back to city officials for more help. Frisco agreed to provide $31.9 million in TIF financing to pay for access roads, utility lines and other infrastructure costs. In addition, the new mall (not yet named) will be granted a one-half of 1 percent sales tax refund until Aug. 1, 2019.

Frisco may be exceedingly generous, but it is not the only locality that has offered millions of dollars in subsidies to GGP. Here are some other examples:

- **Clackamas Town Center** (Portland, Ore.). In 2005 Clackamas County commissioners approved a plan to provide up to $23.9 million toward the cost of infrastructure improvements (including an 850-space parking structure) at this mall. This was in support of a plan by GGP to spend $91 million on renovations and the addition of 250,000 square feet of new retail space.
- **Kenwood Towne Centre** (near Cincinnati). Since GGP acquired this mall in 2002, it has received TIF funding twice from Sycamore Township. In 2002 the township spent $16 million to help pay for modernization of the mall's utility infrastructure, and in 2006 it provided $6 million to help finance a parking structure, part of which GGP leases to a neighboring hospital.
- **Mondawmin Mall** (Baltimore). In late 2006, Baltimore officials agreed to issue $15 million in bonds to reimburse GGP for infrastructure improvement expenses related to the redevelopment of this mall, originally built in 1956. The bonds are to be backed by revenues from a TIF district.
- **Coral Ridge** (Coralville, Iowa). As part of a larger urban renewal project using TIF financing, the city of Coralville, Iowa, issued $5.8 million in bonds to help pay for public road improvements specifically related to this mall in the Iowa City area. An additional $5.1 million came from the Iowa Department of Transportation, and GGP kicked in $2.3 million.

Even more frequent than GGP's subsidy deals are the instances we found in which the company challenged the value put on its property by local government assessors. Over the past decade or so, GGP filed assessment appeals at 27 of the malls in our sample, or 54 percent. At many of these, there were multiple appeals or appeals covering multiple years, resulting in a total of 73 assessment challenges.

GGP often wins these appeals. Nineteen of the malls have carried out successful appeals, with a total of 44 successes that together resulted in some $8.6 million in tax savings. (There are also 10 pending appeals at five malls.) For example:

- **Fallbrook Center** (West Hills, Calif.). GGP challenged the assessment of this suburban Los Angeles mall six times in the period from 1995 to 2001. For each year, it got progressively larger reductions in valuation, ultimately cutting the assessment by more than 11 percent. In total, it managed to reduce its tax bill by about $386,000.
- **Deerbrook Mall** (Humble, Texas). GGP protested

the 2002, 2003, 2004, and 2006 assessments of this suburban Houston mall. For the first two years, the reduction in valuation was modest. Then, in 2004, the decline was more than 25 percent. In 2006 GGP went much further. It persuaded the Harris County Appraisal District to bring the assessment from $129.6 million all the way down to $57 million, a drop of 56 percent. This resulted in tax savings of more than half a million dollars. The total amount GGP shaved off its tax payments over the four years was more than $727,000.

On the other hand, GGP doesn't always win. But when GGP loses an appeal it does not necessarily give up. We found a number of instances in which GGP followed an unsuccessful appeal with a new filing in a subsequent year. For example,

- **Vista Ridge Mall** (Lewisville, Texas). GGP failed in its challenges to the 2001, 2002, and 2003 assessments at this suburban Dallas shopping center, but it came back in 2004 and won a 3.5 percent reduction that yielded a tax savings of about $368,000. Then in 2006 it got the valuation lowered again and cut its tax bill by another $185,000.

Remarkably, among the malls where GGP filed assessment appeals were some at which it had received substantial subsidies. The most egregious examples of such double-dipping are Stonebriar Centre, where GGP filed successful appeals after receiving the largest subsidy deal we found in our sample, and Coral Ridge, where GGP filed appeals even while the $5.8 million TIF deal that was helping finance the infrastructure assistance was still in effect.

Taken as a whole, our research on GGP's appeals leads us to these conclusions:

- **GGP asks for a lot. The company does not hesitate to seek major reductions in its assessments and is aggressive in doing so. A lawyer representing a county in Indiana described ongoing negotiations with GGP over an assessment dispute as "a real battle royale."**
- **GGP doesn't give up. When it fails in an effort to have an assessment reduced, it returns in a subsequent year to try again.**
- **GGP is seldom satisfied. Even when it achieves a significant assessment reduction, it later comes back for more.**

Our study did not attempt to assess the merit of the appeals filed by GGP. Yet the frequency of the appeals and the aggressive approach taken by the company suggest that this activity is part of a systematic campaign of tax avoidance, rather than simple disagreements with particular assessments.

In this report we did not seek to document the full fiscal impact of GGP's subsidies and tax savings on the particular communities in which they occurred. But it is safe to say that there are many school systems and other public functions around the country that have been squeezed by GGP's efforts to pay less to—while taking more from—local government.

THE BUSINESS AND FISCAL CONTEXT OF GGP'S TAX AVOIDANCE

Shopping centers are big business. According to the International Council of Shopping Centers, there are about 49,000 of them in the United States containing some 6 billion square feet of retail space. The council estimates that more than $2 trillion a year is spent at shopping centers, which it says is equal to three-quarters of all nonautomotive retail sales.[1]

Among the companies that own and operate the major shopping centers known as malls, one of the largest is General Growth Properties Inc. GGP, whose revenues reached $3.3 billion last year, has some 200 properties in the United States with total retail space of about 76 million square feet. Most of its properties—owned outright or through partnerships and joint ventures—are large regional malls in upscale suburbs. GGP, which is structured as a real estate investment trust, is the nation's second-largest publicly traded real estate company.[2]

Given its size and prominence, GGP is an appropriate case study for examining the impact of malls on local government revenues. Understanding this impact is of vital importance. The taxes paid (or not paid) by large commercial property owner/operators such as GGP can make an enormous difference in the ability of municipal or county bodies to provide crucial public services.

A bit of fiscal background is required here. The operations of local government agencies are highly dependent on taxes they levy based on the value of real estate (land and buildings) and, to a lesser extent, on retail sales.[3] According to the most recent national data from the U.S. Census Bureau, property taxes account for 46 percent of local government revenue (apart from federal and state funding), and sales/gross receipts taxes account for another 10 percent.[4] Property taxes are especially important for public schools, which get 44 percent of their funding from local sources, and two-thirds of that amount comes from property taxes.[5]

GGP, whose revenues reached $3.3 billion last year, has some 200 properties in the United States.

As important as property taxes are, they are not always adequate to fund the growing needs of local governments. One reason is that for the past 30 years—ever since the Proposition 13 tax revolt in California—anti-tax groups have agitated (often successfully) for limits on the amount that governments can collect in property levies. The absolute amount of property tax revenue rises each year—in 2006 the total was about $377 billion[6]—but it now represents a lower portion of national income than in the 1970s or 1990s.[7]

Along with this downward pressure from groups acting on behalf of individual taxpayers, there has been a parallel effort to lower the property tax burden on businesses (beyond the benefits they receive when measures such as property tax caps are enacted for all taxpayers).[8] This effort has been so successful that the business share of property tax payments is declining in at least some states. For example, a report by the Oregon Center for Public Policy showed that in its state, the share of property taxes paid by business declined from about 50 percent in 1989 to 40 percent in 2004.[9]

National data are hard to come by, given that the Census Bureau does not distinguish between household and business property tax payments in its reporting on local government finances. Yet the overall trend is indicated in a study by Ernst & Young. The accounting firm estimated that the share of *total* state and local taxes paid by business slipped from 47 percent to 44 percent from 1980 to 2005.[10]

The decline in property taxes paid by business is not the result only of general tax policy decisions made by state legislators and local officials. Corporations have two other ways of reducing their local fiscal burden:

- economic development subsidies; and
- property tax assessment appeals.

These are the practices that we analyze with relation to GGP. Before presenting those findings, it is necessary to explain how these two processes work.

Subsidizing Development

For all the talk of free-market economics in the United States, government plays a significant role in facilitating business investment. At the state and local level, this takes the form of "economic development," a phrase that to a great extent means the use of subsidies to lure new industrial and commercial development to a particular jurisdiction, or to dissuade an existing business from moving away. It's been estimated that state and local governments spend more than $50 billion a year in this effort.[11]

These subsidies take a variety of forms. The following are the key ones most often given to companies such as GGP:

Free or reduced-price land. Local officials can substantially reduce a company's outlays for a new facility by providing land at no cost or at a reduced price.

Infrastructure assistance. Apart from subsidizing land purchases, taxpayers may end up paying all or part of the costs necessary for making the land usable. This includes construction of access roads, water and sewer lines, and other forms of infrastructure.

Tax increment financing. This is a popular way of subsidizing projects by diverting a portion of the increased property (and/or sales) tax expected to be generated by a new development. The "tax increment" may be transferred to the company as it is collected, or TIF bonds may be issued and then repaid with the revenue flow from the increment. In most cases, TIFs were originally intended to help revitalize blighted areas, but some states now have rules that are so loose that TIFs often end up being used for projects involving shopping centers or big-box stores in newly developing or even prosperous areas.

Property tax breaks. County and local governments may subsidize projects by agreeing to forgo revenues that the company would be required to pay in property taxes. These abatements, which vary in percentages, often last for 10 years or more. Companies are sometimes asked to make payments in lieu of taxes to make up for the portion of the revenue that would have gone to the school district.[12]

Sales tax rebates. Apart from relief a company may get from paying some of its own tax liabilities, this subsidy allows a retailer to retain some of the sales tax revenue it collects from customers on behalf of local government.

What all these approaches have in common is that they reduce government revenues or increase government costs in order to enhance the bottom line of a particular company. The justification for using public resources in these ways is that they are supposed to create new jobs or retain existing jobs in a community. The notion is that subsidies are an investment that will pay off in future economic growth and enhanced tax revenues from that growth.

What sounds good in theory does not always come true in the real world. Here are some of the problems that frequently occur in subsidy situations:

- Local officials end up giving subsidies to companies that do not really need them and that would have done the project without public assistance;
- Companies do not create the number of jobs they promise when seeking the subsidy;
- The jobs created with the help of subsidies are of poor quality in terms of wages, benefits, and opportunities for advancement;
- Tax subsidies to new businesses put existing companies in the area at a competitive disadvantage; and
- The cost to local government of providing the subsidies is so high that it may have to cut back on vital public services.

Subsidies to the retail sector are especially susceptible to these drawbacks. Much of the new retail development these days is led by big-box chains—such as Wal-Mart—and major shopping center developers—such as GGP—that can well afford to expand at their own expense. The jobs they create are usually low-paid and without adequate benefits such as medical coverage. The big retailers undercut local merchants and put many of them out of business. Most of the country is so saturated with retail outlets that new facilities have little net impact on sales tax revenues. Unlike manufacturing, retailing is not an effective engine for stimulating the overall economy of an area.

Nonetheless, as the manufacturing sector continues to decline in the United States, many local economic development officials conclude that big-box stores and shopping centers are the only form of new investment they can hope to attract. Companies such as Wal-Mart and GGP take advantage of this fact and solicit subsidies they don't really need.[13]

Protesting Assessments

Economic development subsidies are financial benefits given to businesses by local governments as a matter of policy. For better or worse, public officials *intend* to lower the tax burden and other costs of the companies involved.

There is another way in which companies seek to lower property taxes that is not sanctioned by government; in fact, it is a direct challenge to the judgment of public officials. These are property tax assessment appeals.

To understand the significance of these appeals, it is necessary to review the way in which property taxes are administered. Originally a levy on wealth of all kinds, the property tax has shrunk into a tax on the value of real estate and, in some jurisdictions, on equipment and vehicles (known as *personal property* even when owned by a business).[14]

Unlike the income tax, in which the taxpayer calculates how much is owed, property tax amounts are determined by public officials. Since the tax is based on value (the levy is thus also known as an *ad valorem* tax), a local government official known as an assessor must estimate what each piece of property is worth. That amount is multiplied by an assessment ratio (100 percent or less) to determine the taxable value, which in turn is multiplied by the tax rate to determine the amount owed.[15] The higher the assessment, the higher will be the tax bill.

Assessors use a variety of methods to determine market value. The main ones are:

- The Sales Comparison Approach, which involves looking at the amount that similar properties have sold for in recent transactions;
- The Cost Approach, which involves looking at what it would cost to construct a similar property; and
- The Income Approach, which involves looking at how much income the property can generate from tenants.

Although assessors are usually diligent in applying these methods to reach a reasonable valuation, assessment is not a completely scientific process. A certain degree of subjectivity inevitably enters into the picture.

Taxpayers have a right to challenge these assessments.[16] This usually begins with an informal discussion with the assessor's office, but unresolved cases can be brought before special assessment review bodies and even the courts. For individual taxpayers, appeals are usually simple proceedings. They make their case and accept the result. Big business taxpayers have much more at stake and have the resources to put on more elaborate challenges. They frequently hire expensive lawyers and consultants to argue the matter, which—as seen in some of GGP's cases discussed below—can turn into protracted legal battles.

Unlike subsidy deals, which often become matters of public debate and receive news coverage, most business assessment appeals have a low profile. The issues are usually technical in nature, and assessment review bodies are obscure entities. Yet what goes on in these proceedings can have a significant impact on local government finances. This report will document some of that impact brought about by GGP's appeals.

II. DOCUMENTING GGP'S SUBSIDIES AND TAX AVOIDANCE

At the request of the Service Employees International Union (SEIU), Good Jobs First examined the track record of GGP regarding economic development subsidies and property tax appeals at its malls in different parts of the country. We focused on a sample consisting of 50 malls in 23 different states.[17] This sample, which represents about one-quarter of GGP's U.S. properties, includes malls owned by GGP as long as a quarter-century and some that are brand new.

Based on information obtained from local economic development and tax officials, we found a number of instances in which GGP received substantial subsidies and a larger number of cases in which it challenged its property assessments and often recouped significant sums of money from the resulting reduction in its tax bills. Among the 14 subsidy deals we found, GGP malls received total financial benefits worth approximately $200.7 million. Nineteen of the malls have carried out successful assessment appeals, resulting in tax savings of about $8.6 million in roughly the past decade. Thus, the total amount subtracted from the coffers of local governments by these malls was about $209 million. Given the systematic way that GGP has approached assessment appeals, in particular, it is likely the company has received many millions more in tax savings and subsidies from its other properties.

Subsidizing GGP

As retailing has come to play an increasingly prominent role in local and regional business activity, economic development officials have put greater emphasis on luring big-box stores and shopping malls to their jurisdiction. This, in turn, means that growing amounts of tax abatements and other subsidies are being offered to retailers.

We found subsidies at 14 of the 50 GGP malls in our sample, or 28 percent. Most of the subsidies involved financial assistance from local governments to defray part of the cost of constructing new malls or renovating older ones. In half a dozen cases, the aid was financed through TIF deals. There were also several instances in which GGP was subsidized by being allowed to keep a portion of the sales tax it collected from customers on behalf of local governments. (See the box on page 14 for a complete list of the subsidies, which are described in greater detail in the appendix.)

Among the 14 subsidy deals we found, GGP malls received total financial benefits worth approximately $200.7 million.

The largest subsidy deals we found were the two that the city of Frisco, Texas, has awarded to GGP. In the late 1990s, Frisco, a fast-growing and highly commercialized suburb of Dallas, put together a package worth an estimated $40 million to assist in the construction of GGP's Stonebriar Centre, a 1.6 million-square-foot enclosed mall that features six major department stores. The package included infrastructure assistance and a 10-year rebate of a portion of the sales tax it collects from customers.[18]

In 2006, when GGP came up with the idea of an 800,000-square-foot open-air "lifestyle center" mall on the outskirts of Frisco, it went back to city officials for more help. Frisco agreed to provide $31.9 million in TIF financing to pay for access roads, utility lines and other infrastructure costs. In addition, the new mall (not yet named) will be granted a one-half of 1 percent sales tax refund until Aug. 1, 2019.[19]

Frisco may be exceedingly generous, but it is not the only locality that has offered millions of dollars to GGP to help pay for the construction of new malls or the renovation of existing ones. Here are some other examples:

- **Clackamas Town Center** (Portland, Ore.). In 2005 Clackamas County commissioners approved a plan to provide up to $23.9 million toward the cost of infrastructure improvements (including an 850-space parking structure) at the mall. This was in support of a plan by GGP to spend $91 million on renovations and the addition of 250,000 square feet of new retail space. About $3.9 million of the county's contribution is going to pay for prevailing wage costs.
- **Kenwood Towne Centre** (near Cincinnati). Since GGP acquired this mall in 2002, it has received TIF funding twice from Sycamore Township. In 2002, the township spent $16 million to help pay for a modernization of the mall's utility infrastructure, and in 2006 it provided $6 million to help finance a parking structure, part of which GGP leases to a neighboring hospital.
- **Mondawmin Mall** (Baltimore). In late 2006, Baltimore agreed to issue $15 million in bonds to reimburse GGP for infrastructure improvement expenses related to the redevelopment of this mall, originally built in 1956. The bonds are to be backed by revenues from a TIF district.
- **Coral Ridge** (Iowa City area). As part of a larger urban renewal project using TIF financing, the city of Coralville, Iowa, issued $5.8 million in bonds to help pay for public road improvements specifically related to this mall. An additional $5.1 million came from the Iowa Department of Transportation, and GGP kicked in $2.3 million.
- **Galleria at Tyler** (Riverside, Calif.). In 2006, the city issued $19.9 million in bonds (in the form of certificates of participation) to pay for "public improvements"—mainly the expansion of a parking structure that is part of the complex—associated with an expansion of the mall being carried out by GGP. Repayment of the bonds will come through property and sales tax increment financing, but GGP is required to pay fees of about $1.2 mil-

lion a year to a community facilities district that will also help service the bonds. The total cost of the bonds over their life will be about $40 million, of which GGP will pay about $30 million and the city $10 million.

- **First Colony Mall** (Sugar Land, Texas). In 2005, the city of Sugar Land awarded GGP a 10-year sales tax rebate worth up to $6.98 million to help defray infrastructure costs associated with the addition of 85,000 square feet of retail and an outdoor component.

Based on our sample, it appears that GGP does not seek subsidies for all its projects. That may reflect the fact that some parts of the country are more resistant to the practice than others, or it may reflect a selective approach on the company's part. In any event, the examples we found show that GGP does not hesitate to accept substantial sums of taxpayer money to underwrite its operations.

The company continues to seek such opportunities. For instance, over the past several years it has been trying to sell the city of Alexandria, Va., on the idea of significant public financial support for the conversion of the Landmark Mall into one of the company's outdoor "lifestyle centers." GGP has floated the possibility of a $60 million public contribution, but the matter has not been resolved.

GGP's Efforts to Lower Its Assessments

All the subsidies discussed above came about with the consent of state and local economic development officials, but GGP has also sought to reduce its tax burden in a way that runs contrary to the judgment of another set of public officials. It has done this by frequently and aggressively challenging the property tax valuation of many of its malls set by local assessors around the country.

Our examination of 50 GGP malls found that the company has filed appeals at 27 of them, or 54 percent, in recent years.[20] At many of these, there were multiple appeals or appeals covering multiple years, resulting in a total of 73 assessment challenges.[21] (See the box below for a complete list of the malls with appeals, which are described in greater detail in the appendix.)

Among the malls where appeals occurred, the company was successful at least one time at 19 of those properties, with a total of 44 successes. These cases in which GGP got its valuation lowered together resulted in about $8.6 million in tax savings. (There are also 10 pending appeals at five malls.) For example:

- **Fallbrook Center** (West Hills, Calif.). GGP challenged the assessment of this suburban Los Angeles mall six times in the period from 1995 to 2001. For each year it got progressively larger reductions in valuation, ultimately cutting the assessment by more than 11 percent. In total, it managed to reduce its tax bill by about $386,000.

- **Deerbrook Mall** (Humble, Texas). GGP protested the 2002, 2003, 2004, and 2006 assessments of this suburban Houston mall. For the first two years the reduction in valuation was modest. Then, in 2004 the decline was more than 25 percent. In 2006 GGP went much further. It persuaded the Harris County Appraisal District to bring the assessment from $129.6 million all the way down to $57 million, a drop of 56 percent. This resulted in tax savings of more than half a million dollars. The total amount GGP shaved off its tax payments over the four years was more than $727,000.

GGP's motivations

The language of this report implies that the motivation for GGP's assessment appeals is to lower its own tax burden. The truth is a bit more complicated. The leases GGP and other large mall owners use typically allow them to "recover" expenses such as real estate taxes from the tenant. In other words, when GGP appeals its assessments, it is actually seeking to reduce the tax burden on its tenants. In doing so, GGP is not simply being a good landlord; it is making it easier for the tenant to pay higher rents that go toward the company's bottom line.

On the other hand, GGP doesn't always win. But when GGP loses an appeal it does not necessarily give up. We found a number of instances in which GGP followed an unsuccessful appeal with a new filing in a subsequent year. For example,

- **Vista Ridge Mall** (Lewisville, Texas). GGP failed in its challenges to the 2001, 2002, and 2003 assessments at this suburban Dallas shopping center, but it came back in 2004 and won a 3.5 percent reduction that yielded a tax savings of about $368,000. Then in 2006 it got the valuation lowered again and cut its tax bill by another $185,000.

In some cases GGP wins an assessment appeal and later comes back for more. For example:

- **Oak View Mall** (Omaha, Neb.). GGP has appealed every increase in its assessments since acquiring the property in 1999. In 2000, GGP appealed first to the county and, when that resulted in no change, to the state, which agreed to lower the valuation by more than 24 percent. The next year, when the two largest parcels comprising the mall were again valued at their previous 2000 figures, GGP appealed to the county and then to the state, winning a 17 percent drop in value. It did the same in 2002. The appeals yielded a total tax savings of more than $1 million. Moreover, the assessed value of the mall is now down to $99 million, well below the $112 million GGP paid for it eight years ago, so the savings will continue.

- **Westroads Mall** (Omaha, Neb.). GGP has also sought to cut its tax payments at another mall it owns in Omaha. GGP appealed its 2000 assessment on Westroads and won a substantial decrease. The $30.3 million reduction brought with it some $600,000 in tax savings. In 2006, GGP appealed again but was not successful.

- **Coral Ridge Mall** (Coralville, Iowa). In 2005, Johnson County revalued this mall for the first time since it was built in 1998, and GGP has refused to accept the results. It sought a reduction of more than $35 million in the new $102 million assessment. GGP initially brought its appeal over 2005 and 2006 to the county Board of Review, which decreased the assessment by $7.4 million for each of those two years, saving GGP $514,264 in taxes. Not satisfied, GGP has filed an appeal in District Court looking to further decrease its assessment and tax bills to the amount it originally requested. According to Johnson County assessor Bill Greazel, it is in the taxpayer interest to try to settle with GGP to reduce court costs but, "there is a limit as to how low the county can go." Greazel stressed that if the court finds in favor of GGP, the county, city and school board could jointly have to reimburse GGP almost $2 million.

- **Southlake Mall** (Morrow, Ga.). GGP acquired this mall in suburban Atlanta in 1997 and has since challenged its assessments with almost every increase. GGP won a valuation reduction of nearly $10 million in 1999, but when the assessment was raised in 2000, it again appealed and won a reduction. It did so again when the assessment was increased in 2003. It has an appeal pending for 2006.

GGP is so determined to reduce its property tax obliga-

Complete List of Malls in Our Sample that Received Subsidies

MALL	CITY	STATE	VALUE OF SUBSIDIES
ALA MOANA CENTER	Honolulu	HI	$2,600,000
CLACKAMAS TOWN CENTER	Portland	OR	$23,900,000
CORAL RIDGE MALL	Coralville	IA	$10,900,000
FIRST COLONY MALL	Sugar Land	TX	$6,980,000
GALLERIA AT TYLER	Riverside	CA	$10,000,000
KENWOOD TOWNE CENTRE	Cincinnati	OH	$22,000,000
LYNNHAVEN MALL	Virginia Beach	VA	$15,000,000
MONDAWMIN MALL	Baltimore	MD	$15,000,000
STONEBRIAR CENTRE	Frisco	TX	$40,000,000
THE PARKS AT ARLINGTON	Arlington	TX	$3,640,000
THE SHOPS AT FALLEN TIMBERS	Maumee	OH	$7,780,500
TOWN EAST MALL	Mesquite	TX	$3,000,000
unnamed new development	Frisco	TX	$31,900,000
WEST VALLEY MALL	Tracy	CA	$8,000,000

Complete List of Malls in Our Sample with Assessment Appeals

MALL	CITY	STATE	TAX SAVINGS
ALA MOANA CENTER	Honolulu	HI	$1,339,102
BAYBROOK MALL	Friendswood	TX	$251,878
CAROLINA PLACE	Pineville	NC	$22,193
CHAPEL HILLS MALL	Colorado Springs	CO	None
CORAL RIDGE MALL	Coralville	IA	$514,264
CUMBERLAND MALL	Atlanta	GA	None
DEERBROOK MALL	Humble	TX	$727,424
FALLBROOK CENTER	West Hills	CA	$386,749
GALLERIA AT TYLER	Riverside	CA	$74,009
GLENBROOK SQUARE MALL	Fort Wayne	IN	None
GLENDALE GALLERIA	Glendale	CA	Pending
KENWOOD TOWNE CENTRE	Cincinnati	OH	None
LANDMARK MALL	Alexandria	VA	$217,899
LYNNHAVEN MALL	Virginia Beach	VA	$90,203
NORTH STAR MALL	San Antonio	TX	$284,161
NORTHRIDGE FASHION CENTER	Northridge	CA	$294,340
OAK VIEW MALL	Omaha	NE	$1,025,459
PARAMUS PARK SHOPPING CENTER	Paramus	NJ	Pending
SOUTHLAKE MALL	Morrow	GA	$187,116
SOUTHWEST PLAZA	Littleton	CO	$160,944
STATEN ISLAND MALL	Staten Island	NY	None
STONEBRIAR CENTRE	Frisco	TX	$933,205
THE SHOPS AT LA CANTERA	San Antonio	TX	$478,164
TOWN EAST MALL	Mesquite	TX	$436,959
TYSONS GALLERIA	McLean	VA	None
VISTA RIDGE MALL	Lewisville	TX	$554,160
WESTROADS MALL	Omaha	NE	$600,618

tions that it sometimes begins appealing its assessments even before the mall is open for business. For example:

- **The Shops at La Cantera** (San Antonio, Texas). This "lifestyle center" opened in 2005, but GGP had started filing appraisal protests when the mall was still a vacant lot. It won the appeals for the years 2004–2006 and managed to reduce its tax bill by almost $480,000.

Taken as a whole, these results suggest the following conclusions:

- **GGP asks for a lot. The company does not hesitate to seek major reductions in its assessments and is aggressive in doing so. Mark Giaquinta, a lawyer representing the assessor in Allen County, Ind., described ongoing negotiations with GGP over the valuation of Glenbrook Square mall as "a real battle royale."[22]**
- **GPP doesn't give up. When it fails in an effort to have an assessment reduced, it returns in a subsequent year to try again.**
- **GGP is seldom satisfied. Even when it achieves a significant assessment reduction, it later comes back for more.**

GGP's persistence raises the question as to whether its appeals are frivolous or serious. Evaluating the technical merits of the dozens of appeals we discovered is beyond the scope of this study. Yet the fact that GGP has embarked on so many of these proceedings strongly suggests an effort at systematic tax avoidance rather than simple disagreements with the opinions of assessors. In fact, GGP's chief financial officer, Bernard Freibaum told Wall Street analysts on a conference call earlier this year "we always are challenging dozens of tax assessments on our portfolio throughout the year."[23]

GGP is not the only large property owner and manager to engage in frequent assessment appeals. In the conversations Good Jobs First had with local assessors, we were told that shopping center owners, in particular, have a proclivity for this practice.

Yet GGP's efforts in this regard stand out—both because of its systematic approach and simply because of the company's size. GGP's malls exist in more communities than all but one other shopping center company, and many of its facilities are the largest or one of the largest taxpayers in their jurisdiction. In short, GGP probably represents one of the country's largest sources of property tax revenue loss.

GGP filed appeals against tax assessment for malls where it received substantial subsidies.

Conclusion

GGP's financial statements show that it currently pays about $218 million a year in real estate taxes. The company seems determined to lower that amount as much as possible, even though it can recover these tax costs from its tenants.

As we have documented in this report, GGP aggressively challenges tax assessments at many of its properties. At the same time, the company negotiates numerous subsidy deals in which it gets financial benefits such as infrastructure assistance and sales-tax-sharing arrangements with local governments.

Remarkably, among the malls where GGP filed assessment appeals are some at which it had already received substantial subsidies. The most egregious examples of such double-dipping are Stonebriar Centre, where GGP filed successful appeals after receiving the largest subsidy deal we found in our sample, and Coral Ridge, where GGP filed appeals even while the $5.8 million TIF deal that was helping finance the infrastructure assistance was still in effect.

This report has documented some $209 million in subsidies and tax savings from appeals with regard to a sample that contains about one-quarter of the company's total U.S. properties. While some of the properties in our sample may be unusual in the size of the subsidies they have received and tax savings they have achieved, it is likely that our $209 million tally is only a small part of the total financial benefits that GGP has extracted from the types of activities discussed in this report. In fact, GGP is likely one of the largest corporate drains on local government tax revenues in the United States.

In this report we did not seek to document the full fiscal impact of GGP's subsidies and tax savings on the particular communities in which they occurred. But it is safe to say there are many school systems and other public functions around the country that have been squeezed by GGP's efforts to pay less to—while taking more from—local government.

Endnotes

1. International Council of Shopping Centers, Scope U.S. 2006; available online at http://www.icsc.org/srch/rsrch/scope/current/UnitedStates06.pdf

2. The malls are operated by GGP affiliates and subsidiaries.

3. Some states also tax business personal property, i.e. vehicles and equipment.

4. Percentages calculated from Census Bureau data on state and local governments available online at http://www.census.gov/govs/estimate/0400ussl_1.html

5. U.S. Census Bureau. *Public Education Finances: 2004*, March 2006. pp. ix and 4; available online at http://ftp2.census.gov/govs/school/04f33pub.pdf

6. Calculated from U.S. Census Bureau quarterly data on state and local tax revenue available online at http://ftp2.census.gov/govs/qtax/table1.pdf

7. David H. Bradley, *Property Taxes in Perspective*, Center on Budget and Policy Priorities, March 17, 2005; http://www.cbpp.org/3-17-05sfp.htm

8. See Joomi Kim, Andrew Phillips and Robert Cline, "Property Taxes on Business Capital: A Large and Growing Share of State and Local Business Taxes," *State Tax Notes*, March 27, 2006, p.949.

9. Michael Leachman, *The Great Corporate Tax Shift: Undercutting Oregon's Economy and Quality of Life, Oregon Center for Public Policy*, April 2006, p.6; online at: http://www.ocpp.org/cgi-bin/display.cgi?page=es060414taxshift

10. Robert Cline, Tom Neubig and Andrew Phillips, "Total State and Local Business Taxes: Nationally 1980-2005, by State 2002-2005 and by Industry 2005," an Ernst & Young report reprinted in *State Tax Notes*, May 1, 2006, p.376. The percentages take into account all forms of state and local business taxes, including corporate income taxes. Note: the same authors published a revised study in the March 26, 2007 issue of *State Tax Notes* that revised the 2005 figure to 45.1 percent but did not include estimates for the period prior to 1990.

11. See Kenneth Thomas, *Competing for Capital: Europe and North America in a Global Era*. Georgetown University Press, 2000 as well as Peter Fisher and Alan Peters, "The Failures of Economic Development Incentives," *Journal of the American Planning Association*, winter 2004. For a critical overview of subsidy practices, see Greg LeRoy, *The Great American Jobs Scam: Corporate Tax Dodging and the Myth of Job Creation*. Berrett-Koehler Publishers, 2005.

12. In some states, public education is shielded from the effects of business property tax abatements and tax increment financing. See *Protecting Public Education from Giveaways to Corporations*, a 2003 report commissioned by the National Education Association from Good Jobs First; available online at http://www.goodjobsfirst.org/pdf/edu.pdf

13. For more on subsidies to Wal-Mart and a discussion of the drawbacks of retail subsidies in general, see Philip Mattera and Anna Purinton, *Shopping for Subsidies: How Wal-Mart Uses Taxpayer Money to Finance Its Never-Ending Growth*, Good Jobs First, May 2004; online at http://www.goodjobsfirst.org/pdf/wmtstudy.pdf

14. Some states tax *intangible* personal property such as stocks and bonds.

15. The taxable value may be reduced by an exemption, which may be granted to businesses for economic development purposes or to individuals as a matter of public policy. The same goes for abatements, which usually reduce the tax rate. Some states tax different classes of property at different rates.

16. Some jurisdictions conduct new assessments every year, while others do it less frequently.

17. Arkansas, California, Colorado, Delaware, Florida, Georgia, Hawaii, Indiana, Iowa, Maryland, Massachusetts, Nebraska, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Texas, Virginia, Washington, and Wisconsin.

18. Local officials provided us with the development agreement for Stonebriar but declined to be interviewed about the deal. Since the agreement did not include an estimate of the dollar value, we took the $40 million figure from the following newspaper article: "Stonebriar Centre Lands Frisco in the Big Leagues," *Dallas Morning News*, March 31, 2003, p.1A.

19. Local officials provided us with the development agreement for the project but declined to be interviewed about the deal. Since the agreement did not include an estimate of the dollar value, we took the $31.9 million figure from the following newspaper article: Jake Batsell, "Frisco Plans Millions for Commercial Tract," Dallas Morning News, Dec. 6, 2006, p.1B.

20. Because of the difficulty of obtaining information on older assessment appeals, in most cases we were able to get data going back only five to 10 years. So the total tax savings won by GGP during the entire lifetime of our sample malls—some of which were built decades ago—is undoubtedly much higher. Where GGP acquired malls built by other companies, we did not include appeals filed by the previous owners. We also did not include appeals filed by owners of anchor stores, which, unlike smaller tenants, are often responsible for paying property taxes on their portion of malls.

21. Many of the malls are divided into different parcels, which are assessed separately and thus must be appealed separately. We treated challenges to the valuation of different parcels at a given mall in any year as a single appeal.

22. Quoted in Cindy Larson, "County Council Reinstates Assessors Budgets," The News-Sentinel (Fort Wayne, Ind.), Aug. 16, 2006.

23 . "Q4 2006 General Growth Properties Inc. Earnings Conference Call-Final," FD (Fair Disclosure Wire, Feb. 13, 2007.

APPENDIX: ALL MALLS IN SAMPLE WITH DATA ON SUBSIDIES AND TAX APPEALS FOR EACH

ALA MOANA CENTER

Honolulu, Hawaii
Opened 1959; acquired by GGP in 1999
100 percent owned by GGP

SUBSIDIES

The main parcel has a seven-year $31.5 million exemption for new construction, which translates into a tax savings of about $2.6 million over the life of the exemption.

APPEALS

GGP filed assessment appeals covering tax years 2000 and 2001 on three parcels.

Parcel ID	Tax Year	Original assessment	New assessment sought	New assessment determined	Reduction in assessment	Tax savings
1-2-3-038-001	2000	685,802,500	535,424,666	621,118,600	64,683,900	598,327
1-2-3-039-001	2000	37,363,491	29,150,091	29,663,491	7,700,000	71,225
1-2-3-038-006	2000	767,500	550,300	767,500	0	0
1-2-3-038-001	2001	710,040,900	535,424,666	645,357,100	64,683,800	598,325
1-2-3-039-001	2001	36,884,400	28,670,920	29,184,400	7,700,000	71,225
1-2-3-038-006	2001	767,600	550,300	767,600	0	0
TOTAL						1,339,102

Note: Assessment amounts for parcel 1-2-3-039-001 are net of exemptions given because of nonprofit tenants.

ALDERWOOD MALL

Lynnwood, Washington
Opened 1979; became part of GGP/Homart joint venture in 1999
50 percent owned by GGP

SUBSIDIES

None

APPEALS

None

BAYBROOK MALL

Friendswood, Texas
Opened 1978; acquired by GGP in 1999
100 percent owned by GGP

SUBSIDIES

None

BAYBROOK MALL (cont.)

APPEALS

GGP filed appeals for five years and was successful on three of them.

Parcel ID	Tax Year	Original assessment	New assessment sought	New assessment determined	Reduction in assessment	Tax savings
1128020000005	2000	110,568,040	Not available	99,228,040	11,340,000	147,760
1128020000005	2003	101,717,900	Not available	98,752,980	2,964,920	38,574
1128020000005	2004	107,867,630	Not available	107,867,630	0	0
1128020000005	2005	109,999,900	Not available	109,999,900	0	0
1128020000005	2006	125,576,990	Not available	120,499,990	5,077,000	65,544
TOTAL						251,878

BEACHWOOD PLACE

Beachwood, Ohio
Opened 1978; acquired by GGP in 2004 through purchase of The Rouse Company
100 percent owned by GGP

SUBSIDIES

None

APPEALS

None

CAROLINA PLACE

Pineville, North Carolina
Opened 1991; became part of GGP/Homart joint venture in 1999
50 percent owned by GGP

SUBSIDIES

None

APPEALS

GGP filed a successful appeal for 2003.

Parcel ID	Tax Year	Original assessment	New assessment sought	New assessment determined	Reduction in assessment	Tax savings
221-141-05	2003	96,109,300	Not available	93,967,900	2,141,400	22,193.47

CHAPEL HILLS MALL

Colorado Springs, Colorado
Opened 1982
100 percent owned by GGP

SUBSIDIES

None

APPEALS

GGP filed a property tax appeal in 2002, but was unsuccessful in getting the valuation lowered.

Parcel ID	Tax Year	Original appraisal	New appraisal sought	New appraisal determined	Reduction in appraisal	Tax savings
6305401030	2002	35,960,032	Not available	35,960,032	0	0

CHRISTIANA MALL

Newark, Delaware
Opened 1978; interest acquired by GGP in 2004 through purchase of The Rouse Company
50 percent owned by GGP

SUBSIDIES

None

APPEALS

None

CLACKAMAS TOWN CENTER

Portland, Oregon
Opened 1981; GGP interest acquired through formation of GGP/Teachers joint venture in 2002
50 percent owned by GGP

SUBSIDIES

In 2005, Clackamas County commissioners approved a plan to provide up to $23.9 million toward the cost of infrastructure improvements (including an 850-space parking structure) at the mall. This was in support of a plan by GGP to spend $91 million to renovate the mall and add 250,000 square feet of retail space. About $3.9 million of the county's contribution is going to pay for prevailing wage costs.

APPEALS

None

COASTLAND CENTER

Naples, Florida
Opened 1977; acquired by GGP in 1998
100 percent owned by GGP

SUBSIDIES

None

APPEALS

None

COLONY SQUARE MALL

Zanesville, Ohio
Opened 1981
100 percent owned by GGP

SUBSIDIES

None

APPEALS

None

CORAL RIDGE MALL

Coralville, Iowa
Opened 1998
100 percent owned by GGP

SUBSIDIES

As part of a larger urban renewal project using TIF financing, the city of Coralville, Iowa, issued $5.8 million in bonds to help pay for public road improvements specifically related to this mall in the Iowa City area. An additional $5.1 million came from the Iowa Department of Transportation, and GGP kicked in $2.3 million.

APPEALS

In 2005, Johnson County revalued this mall for the first time since it was built in 1998, and GGP has refused to accept the results. It sought a reduction of more than $35 million in the new $102 million assessment. GGP initially brought its appeal over 2005 and 2006 to the county Board of Review, which decreased the assessment by $7.4 million in each year, saving GGP a total of $514,264 in taxes. Not satisfied, GGP has filed an appeal in District Court looking to further decrease its assessment and tax bills to the amount it originally requested. According to Johnson County assessor Bill Greazel, it is in the taxpayer interest to try to settle with GGP to reduce court costs but, "there is a limit as to how low the county can go." Greazel stressed that if the court finds in favor of GGP, the county, city, and school board could jointly have to reimburse GGP almost $2 million.

Parcel ID	Tax Year	Original assessment	New assessment sought	New assessment determined	Reduction in assessment	Tax savings
0636426003	2005	36,960,000	24,300,000	34,460,000	2,500,000	90,333
0636402001	2005	59,040,000	38,700,000	56,540,000	2,500,000	85,102
0636494001	2005	6,000,000	3,500,000	3,600,000	2,400,000	81,697
0636426003	2006	36,960,000	24,300,000	34,460,000	2,500,000	90,333
0636402001	2006	59,040,000	38,700,000	56,540,000	2,500,000	85,102
0636494001	2006	6,000,000	3,500,000	3,600,000	2,400,000	81,697
TOTAL						514,264

CUMBERLAND MALL

Atlanta, Georgia
Opened 1973; acquired by GGP in 1998
100 percent owned by GGP

SUBSIDIES

None

APPEALS

GGP filed an unsuccessful appeal for 2002.

Parcel ID	Tax Year	Original assessment	New assessment sought	New assessment determined	Reduction in assessment	Tax savings
17-0913-0-001-0	2002	64,219,861	NA	64,219,861	0	0

DEERBROOK MALL

Humble, Texas
Opened 1984; share acquired through formation of GGP/Homart joint venture in 1995
100 percent owned by GGP following its buyout of joint venture partner in July 2007.

SUBSIDIES

None

APPEALS

GGP successfully appealed valuations for four different years.

Parcel ID	Tax Year	Original assessment	New assessment sought	New assessment determined	Reduction in assessment	Tax savings
1159180010001	2002	45,291,970	40,837,432	40,836,000	4,455,970	33,509
1159180010001	2003	40,836,000	39,240,300	39,606,900	1,229,100	9,353
1159180010001	2004	65,753,480	Not available	48,619,080	17,134,400	130,393
1159180010001	2006	129,630,326	Not available	57,000,000	72,630,326	554,169
TOTAL						727,424

EASTRIDGE

San Jose, California
Opened 1971; 50 percent acquired by GGP in 1999, remainder in 2001
100 percent owned by GGP

SUBSIDIES

None

APPEALS

None

FALLBROOK CENTER

West Hills, California
Opened 1966; acquired by GGP in 1984
100 percent owned by GGP

SUBSIDIES

None

APPEALS

GGP successfully appealed valuations for six different years.

FALLBROOK CENTER (cont.)

Parcel ID	Tax Year	Original assessment	New assessment sought	New assessment determined	Reduction in assessment	Tax savings
14 parcels, the largest of which is 2038-040-014	1995	82,770,019	52,494,034	79,789,536	2,980,483	29,804
14 parcels, the largest of which is 2038-040-014	1996	84,093,485	52,494,034	80,114,587	3,978,898	39,789
14 parcels, the largest of which is 2038-040-014	1998	88,123,254	Not available	82,724,000	5,399,254	53,992
14 parcels, the largest of which is 2038-040-014	1999	89,450,613	Not available	82,750,000	6,700,613	67,006
15 parcels, the largest of which is 2038-040-014	2000	92,958,379	Not available	84,080,000	8,878,379	88,783
15 parcels, the largest of which is 2038-040-014	2001	94,817,531	Not available	84,080,000	10,737,531	107,375
TOTAL						386,749

Note: GGP originally appealed only 4 parcels for 1995/96, but the Assessment Appeals Board decided to review all 14. Savings are estimated.

FASHION SHOW

Las Vegas, Nevada
Opened 1981; acquired by GGP in 2004 through purchase of The Rouse Company
100 percent owned by GGP

SUBSIDIES

None

APPEALS

None

FIRST COLONY MALL

Sugar Land, Texas
Opened 1996; became part of GGP/Homart joint venture in 2002
50 percent owned by GGP

SUBSIDIES

In 2005, the city of Sugar Land awarded GGP a 10-year sales tax rebate worth up to $6.98 million to help defray infrastructure costs associated with the addition of 85,000 square feet of retail and an outdoor component.

APPEALS

None

GALLERIA AT TYLER

Riverside, California
Opened 1970; GGP interest acquired through formation of GGP/Teachers joint venture in 2002
50 percent owned by GGP

SUBSIDIES

In 2006, the city issued $19.9 million in bonds (in the form of certificates of participation) to pay for "public improvements"—mainly the expansion of a parking structure that is part of the complex—associated with an expansion of the mall being carried out by GGP. Repayment of the bonds will come through property and sales tax increment financing, but GGP is required to pay fees of about $1.2 million a year to a community facilities district that will also help service the bonds. The total cost of the bonds over their life will be about $40 million, of which GGP will pay about $30 million and the city $10 million.

APPEALS

GGP appealed the assessments for 2002 and 2005 but the latter was withdrawn.

Parcel ID	Tax Year	Original assessment	New assessment sought	New assessment determined	Reduction in assessment	Tax savings
234-020-023	2002	130,524,991	Not available	123,521,189	7,003,802	74,009

GLENBROOK SQUARE

Fort Wayne, Indiana
Opened 1966; acquired by GGP in 2003
100 percent owned by GGP

SUBSIDIES

None

APPEALS

GGP filed a property tax appeal for each year from 2002 to 2005. In 2002, the market value of Glenbrook Square increased from $31.6 million to $114.7 million. This dramatic increase was part of a statewide change in reassessment methods to better reflect market values based on an Indiana Supreme Court decision. Settlement discussions between Allen County and GGP have been futile. For this reason, both parties agreed to forgo the local appeal process, instead proceeding directly to the state Board of Appeals. Because of the on-going court proceeding, local officials were hesitant to answer our information requests; they did, however, confirm the preceding figures. A hearing is scheduled for summer 2007. The Allen County attorney, Mark GiaQuinta, has described the ongoing negotiations as "a real battle royale" (*Fort Wayne News-Sentinel,* Aug. 16, 2006).

GLENDALE GALLERIA

Glendale, California
Opened 1976; became part of GGP/Homart joint venture in 2002
50 percent owned by GGP

SUBSIDIES

None

APPEALS

GGP appealed its assessments for 2004 and 2005; the matters are pending.

Parcel ID	Tax Year	Original assessment	New assessment sought	New assessment determined	Reduction in assessment	Tax savings
7 parcels, the largest of which is 5695-005-046	2004	374,580,000	95,340,000	Pending	Pending	Pending
8 parcels, the largest of which is 5695-005-046	2005	391,593,009	204,200,000	Pending	Pending	Pending

KENWOOD TOWNE CENTRE

Sycamore Township, Ohio
Opened 1956; GGP interest acquired through formation of GGP/Teachers joint venture in 2002
50 percent owned by GGP

SUBSIDIES

Since GGP acquired this mall in 2002, it has received TIF funding twice from Sycamore Township. In 2002, the township spent $16 million to help pay for modernization of the mall's utility infrastructure, and in 2006 it provided $6 million to help finance a parking structure, part of which GGP leases to a neighboring hospital.

APPEALS

GGP filed an assessment appeal with Hamilton County for 2002 and subsequently rolled years 2003 and 2004 into the same dispute. GGP sought to have the appraised value reduced from $225.8 million to $200 million, even though it purchased the mall for more than $218 million in 2002. This would have meant an annual tax saving of approximately $400,000. While the local board of appeals supported the Hamilton County Assessor's valuation, GGP appealed the decision to the Ohio Board of Tax Appeals, which also affirmed the valuation.

Parcel ID	Tax Year	Original appraisal	New appraisal sought	New appraisal determined	Reduction in appraisal	Tax savings
A group of parcels, the largest of which was 600-0080-0285-90	2002	225,804,900	200,000,000	225,804,900	0	0

LANDMARK MALL

Alexandria, Virginia
Opened 1965; GGP interest originally acquired through GGP Ivanhoe III joint venture in 1998
100 percent owned by GGP

SUBSIDIES

Three years ago, GGP approached the city of Alexandria with the idea of redeveloping this enclosed mall into an outdoor "lifestyle center." In community meetings, GGP floated the idea of a $900 million project that would include a contribution of $60 million by the city.[1] Since then, ownership of the two anchor tenants has changed, slowing any progress on the mall conversion. GGP and Alexandria, however, are apparently still discussing the use of incentives.

APPEALS

GGP has systematically filed assessment appeals for all but one year since 2002. In 2003, the year in which it did not fill a protest, GGP bought out its minority partner, Ivanhoe Cambridge. Through methodical appeals, GGP has been able to lower the malls appraised value by more than $12 million, allowing GGP a total tax savings of about $218,000.

Parcel ID	Tax Year	Original assessment	New assessment sought	New assessment determined	Reduction in assessment	Tax savings
50583800	2002	62,476,000	Not Available	53,500,000	8,976,000	96,941
50583800	2004*	53,500,000	Not Available	47,011,000	6,489,000	64,566
50583800	2005	47,011,000	Not Available	47,011,000	0	0
50583800	2006	57,570,475	Not Available	50,651,100	6,919,375	56,393
TOTAL						217,899

* No original assessment data is available for 2004. Instead, we are using the 2003 appraisal of $53,500,000 as an estimate.

LYNNHAVEN MALL

Virginia Beach, Virginia
Opened 1981; acquired by GGP in 2003
100 percent owned by GGP

SUBSIDIES

In 1998, when former owner, Simon Properties, renovated the Lynnhaven Mall, it obtained an $18.25 million property tax increment financing agreement with Virginia Beach to fund the construction of structured parking. The pay-as-you-go TIF agreement is paying out over 20 years. GGP purchased Lynnhaven Mall from Simon in 2003. We estimate that GGP will receive approximately $15 million of the TIF revenues.

APPEALS

GGP filed a successful assessment appeal for tax year 2004.

Parcel ID	Tax Year	Original assessment	New assessment sought	New assessment determined	Reduction in assessment	Tax savings
Total assessment (Largest Parcel: 1496-35-8830)	2004	246,700,000	Not available	239,306,277	7,393,723	90,203

1. Annie Gowen, "Developer Unveils Plan for New Landmark Mall," *The Washington Post*, Feb. 3, 2005.

MAYFAIR MALL

Wauwatosa, Wisconsin
Opened 1958; GGP interest originally acquired through GGP Ivanhoe III joint venture in 1998
100 percent owned by GGP

SUBSIDIES

None

APPEALS

None

MONDAWMIN MALL

Baltimore, Maryland
Opened 1956; acquired by GGP in 2004 through purchase of The Rouse Company
100 percent owned by GGP

SUBSIDIES

Baltimore has issued $15 million in bonds to reimburse GGP for infrastructure improvement expenses related to the redevelopment of this mall, originally built in 1956. The bonds are backed by revenues from a TIF district.

APPEALS

None

MONTCLAIR PLAZA

Montclair, California
Opened 1968; became part of GGP/Homart joint venture in 1999
50 percent owned by GGP

SUBSIDIES

None

APPEALS

None

NATICK COLLECTION

Natick, Massachusetts
Opened 1966; acquired by GGP in 1995
50 percent owned by GGP

SUBSIDIES

None

APPEALS

None

NORTH STAR MALL

San Antonio, Texas
Opened 1960; acquired by GGP in 2004 through purchase of The Rouse Company
100 percent owned by GGP

SUBSIDIES

None

APPEALS

GGP filed assessment appeals covering tax years 2005 and 2006 on three parcels. The results were mixed, but it ended up with a tax savings of about $284,000.

Parcel ID	Tax Year	Original assessment	New assessment sought	New assessment determined	Reduction in assessment	Tax savings
12025-000-1110	2005	78,978,759	Not available	70,892,896	8,085,863	248,317
12025-000-1150	2005	13,750,880	Not available	13,750,880	0	0
12025-000-1050	2005	21,237,650	Not available	21,237,650	0	0
12025-000-1110	2006	70,892,896	Not available	70,892,896	0	0
12025-000-1050*	2006	16,613,180	Not available	16,848,181	(235,001)	(6,983)
12025-000-1150	2006	22,678,970	Not available	21,237,650	1,441,320	42,827
TOTAL						284,161

* The 2006 assessment on this parcel was raised rather than lowered as a result of the appeal.

NORTHRIDGE FASHION CENTER

Northridge, California
Opened 1971; acquired by GGP in 1998
100 percent owned by GGP

SUBSIDIES

None

APPEALS

GGP successfully appealed the 2002 assessments on three parcels.

Parcel ID	Tax Year	Original assessment	New assessment sought	New assessment determined	Reduction in assessment	Tax savings
2761-037-001	2002	6,994,000	Not available	6,569,000	425,000	4,250
2761-037-016	2002	1,556,000	Not available	1,400,000	156,000	1,560
2761-037-017	2002	151,084,000	134,016,023	122,231,000	28,853,000	288,530
TOTAL						294,340

Savings are estimated.

OAK VIEW MALL

Omaha, Nebraska
Opened 1991; acquired by GGP in 1999
100 percent owned by GGP

SUBSIDIES

None

APPEALS

GGP has appealed every increase in its assessments since acquiring the property in 1999. In 2000, GGP appealed first to the county and, when that resulted in no change, to the state, which agreed to lower the valuation by more than 24 percent. The next year, when the two largest parcels comprising the mall were again valued at their original 2000 figures, GGP appealed to the county and then to the state, winning a 17 percent drop in value. It did the same in 2002. The appeals yielded a total tax savings of more than $1 million. Moreover, the assessed value of the mall is now down to $99 million, well below the $112 million GGP paid for it eight years ago, so the savings will continue.

Parcel ID	Tax Year	Original assessment	New assessment sought	New assessment determined	Reduction in assessment	Tax savings
0387414119	2000	95,297,800	Not available	74,059,700	21,238,100	430,579
0387412419	2000	11,987,200	Not available	7,316,900	4,670,300	94,685
0387500219	2000	1,440,300	Not available	1,423,200	17,100	334
0387414119	2001	95,297,800	Not available	81,559,700	13,738,100	288,420
0387412419	2001	11,987,200	Not available	7,316,900	4,670,300	98,049
0387414119	2002	95,297,800	Not available	90,000,000	5,297,800	113,390
0387412419	2002	7,914,200	Not available	No Change	None	None
0387500219	2002	1,423,800	Not available	No Change	None	None
TOTAL						1,025,459

PARAMUS PARK SHOPPING CENTER

Paramus, New Jersey
Opened 1974; acquired by GGP in 2004 through purchase of The Rouse Company
100 percent owned by GGP

SUBSIDIES

None

APPEALS

The appeals listed below are pending in the Tax Court of New Jersey.

Parcel ID	Tax Year	Original assessment	New assessment sought	New assessment determined	Reduction in assessment	Tax savings
5203 -02	2005	112,330,000	Not available	Pending	Pending	Pending
5203-03	2005	3,510,000	Not available	Pending	Pending	Pending
5203-04	2005	7,572,200	Not available	Pending	Pending	Pending
5004-06	2005	9,210,000	Not available	Pending	Pending	Pending
5204-01	2005	9,963,400	Not available	Pending	Pending	Pending
5203 -02	2006	112,330,000	Not available	Pending	Pending	Pending
5203-03	2006	3,510,000	Not available	Pending	Pending	Pending
5203-04	2006	7,572,200	Not available	Pending	Pending	Pending
5004-06	2006	9,210,000	Not available	Pending	Pending	Pending
5204-01	2006	9,963,400	Not available	Pending	Pending	Pending

PARK CITY CENTER

Lancaster, Pennsylvania
Opened 1971; GGP interest originally acquired through GGP Ivanhoe III joint venture in 1998
100 percent owned by GGP

SUBSIDIES

None

APPEALS

None

SOUTHLAKE MALL

Morrow, Georgia
Opened 1976; acquired by GGP in 1997
100 percent owned by GGP

SUBSIDIES

None

APPEALS

GGP acquired this mall in suburban Atlanta in 1997 and has since challenged its assessments with almost every increase. GGP won a valuation reduction of nearly $10 million in 1999, but when the assessment was raised in 2000, it again appealed and won a reduction. This pattern repeated with a valuation increase in 2003. It has an appeal pending for 2006.

Parcel ID	Tax Year	Original assessment	New assessment sought	New assessment determined	Reduction in assessment	Tax savings
12112A A001	1999	67,000,000	Not available	57,135,800	9,864,200	89,567
12112A A001	2000	66,172,226	Not available	60,735,800	5,436,462	48,012
12112A A001	2003	74,254,340	Not available	69,500,000	4,754,340	49,536
12112A A001	2006	73,107,804	Not available	Pending	Pending	Pending
TOTAL						187,116

SOUTHWEST PLAZA

Littleton, Colorado
Opened 1983; acquired by GGP in 1998
100 percent owned by GGP

SUBSIDIES

None

APPEALS

GGP filed a successful appeal on the 2001 assessment.

Parcel ID	Tax Year	Original assessment	New assessment sought	New assessment determined	Reduction in assessment	Tax savings
59-154-02-013	2001	76,334,700	Not available	70,882,200	5,452,500	160,944

STATEN ISLAND MALL

Staten Island, New York
Opened 1973; acquired by GGP in 2004 through purchase of The Rouse Company
100 percent owned by GGP

SUBSIDIES

None.

APPEALS

Appeals were filed in 2005 and 2006, but they were unsuccessful in reducing the valuation.

Parcel ID	Tax Year	Original assessment	New assessment sought	New assessment determined	Reduction in assessment	Tax savings
2400-180	2005	72,719,100	36,360,000	72,719,100	0	0
2400-220	2005	19,800,000	9,900,000	19,800,000	0	0
2400-180	2006	85,050,000	42,525,000	85,050,000	0	0
2400-220	2006	20,385,000	10,192,000	20,385,000	0	0

STONEBRIAR CENTRE

Frisco, Texas
Opened 2000
50 percent owned by GGP

SUBSIDIES

In 1996, Frisco, a fast-growing and highly commercialized suburb of Dallas, put together a package worth an estimated $40 million to assist in the construction of GGP's Stonebriar Centre, a 1.6 million-square-foot enclosed mall that features six major department stores. The package included infrastructure assistance and a 10-year rebate of a portion of the sales tax it collects from customers.[2]

APPEALS

GGP filed appraisal appeals for tax years 2003 through 2005; those for 2003 and 2004 ended up in Collin County District Court. Every year, GGP was able to reduce its assessment by at least $10 million; in 2004 the valuation was reduced by almost $17 million. The appraisal reductions accounted for a tax savings of more than $930,000.

Parcel ID	Tax Year	Original assessment	New assessment sought	New assessment determined	Reduction in assessment	Tax savings
R-4230-00A-0010-1	2003	175,695,874	Not available	165,000,000	10,695,874	245,089
R-4230-00A-0010-1	2004	189,794,926	Not available	173,000,000	16,794,926	389,828
R-4230-00A-0010-1	2005	192,355,000	Not available	180,000,000	12,355,000	298,289
TOTAL						933,205

2. Local officials provided us with the development agreement for Stonebriar but declined to be interviewed about the deal. Since the agreement did not include an estimate of the dollar value, we took the $40 million figure from the following newspaper article: "Stonebriar Centre Lands Frisco in the Big Leagues," *Dallas Morning News*, March 31, 2003, p.1A.

THE GRAND CANAL SHOPPES AT THE VENETIAN

Las Vegas, Nevada
Opened 1999; acquired by GGP in 2004
100 percent owned by GGP

SUBSIDIES

None

APPEALS

None

THE MALL IN COLUMBIA

Columbia, Maryland
Opened 1971; acquired by GGP in 2004 through purchase of The Rouse Company
100 percent owned by GGP

SUBSIDIES

None

APPEALS

None

THE PARKS AT ARLINGTON

Arlington, Texas
Opened 1988; share acquired through formation of GGP/Homart joint venture in 1995
100 percent owned by GGP following its buyout of joint venture partner in July 2007

SUBSIDIES

In 2000, GGP carried out a $70 million expansion of this mall. The city of Arlington provided a 15-year sales tax rebate (equal to 55 percent of the 1 percent municipal tax on the expansion site) to defray costs of a parking structure. However, the expansion site must maintain at least $127 million in annual sales and 75 percent occupancy in order to receive the payments. GGP was receiving a quarterly rebate of about $70,000. However, from 2004 to 2005, the expansion fell below the required benchmarks when it lost anchor tenant, The Great Indoors. If the mall does not again fall below performance requirements, we estimate the total subsidy to be worth $3.64 million.

APPEALS

None

THE PINES

Pine Bluff, Arkansas
Opened 1986
100 percent owned by GGP

SUBSIDIES

None

APPEALS

None

THE SHOPS AT FALLEN TIMBERS

Maumee, Ohio
Not yet open
100 percent owned by GGP

SUBSIDIES

This "lifestyle center" is scheduled to open later this 2007. The city of Maumee is providing approximately $12 million in tax increment financing to fund 70 percent of the on-site infrastructure costs associated with construction of the mall. GGP is developing the site in conjunction with Isaac Land Investments, Ltd. Based on land area, we estimate that GGP will receive $7.78 million from the TIF district.

APPEALS

None. In the development agreement, GGP is prohibited from appealing future property tax appraisals unless the "true value" of the property exceeds $88.8 million.

THE SHOPS AT LA CANTERA

San Antonio, Texas
Opened in 2005
GGP holds majority position in joint venture

SUBSIDIES

None

APPEALS

This "lifestyle center" opened in 2005, but GGP had started filing appraisal protests when the mall was still a vacant lot. It won the appeals for the years 2004–2006 and managed to reduce its tax bill by almost $480,000.

Parcel ID	Tax Year	Original assessment	New assessment sought	New assessment determined	Reduction in assessment	Tax savings
18339-009-0040	2004	8,447,800	Not available	7,158,000	1,289,800	38,694
18339-009-0040	2005	45,012,020	Not available	41,098,152	3,913,868	118,962
18339-009-0040	2006	135,901,590	Not available	125,400,000	10,501,590	320,509
TOTAL						478,165

TOWN EAST MALL

Mesquite, Texas
Opened 1971; 50 percent acquired by GGP in 1997, the remainder in 2004
100 percent owned by GGP

SUBSIDIES

As part of a major renovation of the mall, the city of Mesquite is financing a $3 million replacement of the water lines through TIF.

APPEALS

GGP filed tax assessment appeals in the last four consecutive years (2003 to 2006). However, in 2005 the firm withdrew its protest before it reached the appeals board. GGP was successful in the 2003 and 2006 appraisal appeals, saving a total of about $437,000 on its tax bills.

Parcel ID	Tax Year	Original assessment	New assessment sought	New assessment determined	Reduction in assessment	Tax savings
65-10950-961-001-0000	2003	105,504,960	Not available	96,166,160	9,338,800	257,064
65-10950-961-001-0000	2004	96,166,160	Not available	96,166,160	0	0
65-10950-961-001-0000	2005	96,166,160	Not available	96,166,160	0	0
65-10950-961-001-0000	2006	135,724,800	Not available	129,394,780	6,330,020	179,895
TOTAL						436,959

TYSONS GALLERIA

McLean, Virginia
Opened 1988; share acquired through formation of GGP/Homart joint venture in 1995
100 percent owned by GGP following its buyout of joint venture partner in July 2007

SUBSIDIES

None

APPEALS

Parcel ID	Tax Year	Original assessment	New assessment sought	New assessment determined	Reduction in assessment	Tax savings
0294100001C1	2005	$132,802,660	Not available	Unsuccessful	None	None

UNNAMED NEW DEVELOPMENT – US HIGHWAY 380

Frisco, Texas
Not yet open
100 percent owned by GGP

SUBSIDIES

In April 2006, GGP signed a development agreement with the Frisco Economic Development Corp. to construct an 800,000-square-foot "lifestyle center" on the outskirts of town. The city will use TIF to finance infrastructure improvements including new access roads, traffic signals, drainage and all on-site utilities. According to the *Dallas Morning News* (Dec. 6, 2006) this will cost approximately $31.9 million. In addition, the new mall will be granted a one-half of 1 percent sales tax refund until Aug. 1, 2019.[3]

APPEALS

None

VISTA RIDGE MALL

Lewisville, Texas
Opened 1989; share acquired through formation of GGP/Homart joint venture in 1995
100 percent owned by GGP following its buyout of joint venture partner in July 2007

SUBSIDIES

None

APPEALS

GGP was successful in two out of five appeals relating to this mall.

Parcel ID	Tax Year	Original assessment	New assessment sought	New assessment determined	Reduction in assessment	Tax savings
R0175967	2001	47,628,518	Not available	47,628,518	0	0
R0175967	2002	44,113,658	Not available	44,113,658	0	0
R0175967	2003	44,781,355	Not available	44,781,355	0	0
R0175967	2004	47,876,237	Not available	46,141,205	1,735,032	368,849
R0175967	2006	54,435,497	Not available	52,027,104	2,408,393	185,311
TOTAL						554,160

WEST VALLEY MALL

Tracy, California
Opened 1995
100 percent owned by GGP

SUBSIDIES

In 1994, the city issued $10.2 million in certificates of participation to fund about $8 million in infrastructure improvements around the mall.

APPEALS

None

$31.9 million figure from the following newspaper article: Jake Batsell, "Frisco Plans Millions for Commercial Tract," Dallas Morning News, Dec. 6, 2006, p.1B.

3. Local officials provided us with the development agreement for the project but declined to be interviewed about the deal. Since the agreement did not include an estimate of the dollar value, we took the $31.9 million figure from the following newspaper article: Jake Batsell, "Frisco Plans Millions for Commercial Tract," *Dallas Morning News*, Dec. 6, 2006, p.1B.

WESTROADS MALL

Omaha, Nebraska
Opened 1968; GGP interest acquired in 1997 through GGP/Ivanhoe Inc. joint venture.
51 percent owned by GGP

SUBSIDIES

None

APPEALS

GGP appealed its 2000 assessment and won a $30.3 million reduction that brought with it $600,618 in tax savings. GGP again appealed in 2006, but was not successful.

Parcel ID	Tax Year	Original assessment	New assessment sought	New assessment determined	Reduction in assessment	Tax savings
3122312225	2000	100,779,100	Not available	70,500,000	30,279,100	600,618
3122312625	2006	74,869,800	Not available	No Change	None	None
3122677525	2006	5,954,500	Not available	No Change	None	None
TOTAL						600,618

WILLOWBROOK MALL

Wayne, New Jersey
Opened 1969; acquired by GGP in 2004 through purchase of The Rouse Company
100 percent owned by GGP

APPEALS

None

SUBSIDIES

None

WOODBRIDGE CENTER

Woodbridge, New Jersey
Opened 1971; acquired by GGP in 2004 through purchase of The Rouse Company
100 percent owned by GGP

SUBSIDIES

None

APPEALS

None

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