

Order of the Thurston County Board of Equalization

Property Owner: MACY'S WEST STORES LLC (LEASEE) FOR OLYMPIA MALL CO. (OWNER)

Parcel Number(s): 12816430304

Assessment Year: 2018

Petition Number: 18-0153

Having considered the evidence presented by the parties in this appeal, the Board hereby:

☐ sustains ☒ overrules the determination of the assessor.

Assessor's True and Fair Value Determination

<input checked="" type="checkbox"/> Land	\$ 4,690,000
<input checked="" type="checkbox"/> Improvements	\$ 7,522,100
<input type="checkbox"/> Minerals	\$
<input type="checkbox"/> Personal Property	\$
TOTAL:	\$ 12,212,100

BOE True and Fair Value Determination

<input checked="" type="checkbox"/> Land	\$ 4,690,000
<input checked="" type="checkbox"/> Improvements	\$ 3,210,000
<input type="checkbox"/> Minerals	\$
<input type="checkbox"/> Personal Property	\$
TOTAL:	\$ 7,900,000

This decision is based on our finding that: The Board adopts the Petitioner's revised value based on the testimony and evidence presented. The Board relies, in a measure, on its previous review of the subject property.

The Petitioner was represented by Michael Clary, Manager of Real Property Tax for Macy's, Michelle DeLappe of Garvey Schubert Barer, and Andrew T. Robinson, MAI, of Kidder Mathews. At the hearing, the Petitioner's Representative requested a revised value, accepting the Assessor's land value of \$4,690,000 and requesting a revised improvement value of \$3,210,000, for a total revised value of \$7,900,000.

Mr. Clary testified about sales at the subject store declining 7.3 percent during the period 2014 to 2015, 8.5 percent during the period 2015 to 2016, and 7.1 percent during the period 2016 to 2017. Mr. Clary testified that this decline is similar to the performance of other Macy's stores, and brick and mortar retail stores generally, noting that stores are larger than what is needed in the current environment.

Mr. Robinson testified that since the recession, there has been a slow and steady move towards stabilization in retail with improvement during the period of 2012 to 2017. He stated that Thurston County followed this trend with only 4 to 5 percent combined retail vacancy for a few years prior to the assessed value date. Mr. Robinson contended that: the Assessor's comparable sales are not mall-attached department stores; the Assessor used the wrong square footage and different rental rates in their income approach; the Petitioner's comparable sales used only mall-attached stores; the Petitioner's capitalization rate is based on leased-fee with credit tenants, since these are the sales that are available; market participants do not care about the cost approach; and there are no mall land sales. Mr. Robinson further testified that: Macy's is one of three anchor tenants in Capital Mall with an average parking ratio of 5.33 stalls per 1,000 square feet of rentable space; the Covenants, Conditions, and Restrictions restrict what can be done with the mall space; the actual square footage of the subject property is 113,072 square feet of rentable space, and 2,620 square feet of storage mezzanine for a total of 115,692 square feet, which differs from the Assessor's figure of 116,968 square. Mr. Robinson explained that there are three groups of malls: A quality, such as Bellevue Square, which can replace failed stores; B quality, such as Capital Mall, which has a lower performance and is difficult to replace anchor department stores; and C quality, with massive closure of anchor stores, and failing department stores. He testified that when Mervyn's left Capital Mall, their former space had to be demised for junior anchors, and the second level was left largely unfilled.

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Mr. Robinson further testified that the Department of Revenue reports that the department stores sales tax declined 1 to 2.5%, and that department store sales declined as average of 1.14 percent per year, which goes against the 2 percent population growth and inflation.

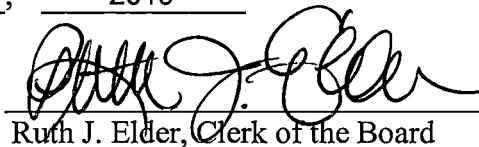
Ms. DeLappe testified that: there is no support provided for the Assessor's trending as shown in the Assessor's Response on pages R-7 and R-8; the Petitioner's comparable sales are mall-attached department stores; and there are no long-term lease encumbrances on the Petitioner's comparable sales.

The Assessor's Representative did not attend the hearing, but provided a written Response including a market-adjusted cost approach, a sales comparison approach, and an income approach in support of the current assessed value.

The Board finds the Petitioner's arguments to be persuasive. The Board concludes that the Petitioner's Representatives provided clear, cogent, and convincing evidence sufficient to overcome the Assessor's presumption of correctness and to warrant a reduction in the valuation.

Dated this 29th day of May, 2019


John L. Morrison, Chairman


Ruth J. Elder, Clerk of the Board

NOTICE

This order can be appealed to the State Board of Tax Appeals by filing a formal or informal appeal with them at PO Box 40915, Olympia, WA 98504-0915 or at their website at bta.state.wa.us/appeal/forms.htm within thirty days of the date of mailing of this order. The appeal forms are available from either your county assessor or the State Board of Tax Appeals.

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REV 64 0058 (5/25/2017)

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