

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

X. COMMUNITY INVOLVEMENT - CITY, STATE, AND NATION

D. Examples of Involvement Outside of Madison

3. Correspondence between Graaskamp and Barbara Pauls Regarding the Valuation of Cranberry Bogs, December 14, 1987



B. A. Pauls/Associates

Certified Appraisal Services

Appraisals
Assessments
Consultants

3520 Fourth Street South
Wisconsin Rapids, Wisconsin 54494
Tel. (715) 423-7651

November 11, 1987

Professor Graaskamp
University of Wisconsin
1155 Observatory Drive
Madison, WI 53706

Re: Appraisal-Specialized
Agricultural Crop

Dear Professor Graaskamp:

Enclosed herewith is a copy of the appraisal I did when I established the value for cranberry beds for the 1986 assessment year in the Village of Biron, Wood County, Wisconsin.

The first part of the appraisal is a compilation of information I researched from the sources listed on page 8 of the appraisal. The analogy of the cranberry operations in the Village of Biron was arrived at by personal inspection and research.

I appreciate your assistance with regard to this matter and if you would like additional information, please do not hesitate to contact me.

Over the years I have been associated with assessing and appraising your name has been mentioned with very much respect regarding your knowledge and I am grateful for the time you are taking with regard to this matter for me.

Sincerely,

Barbara A. Pauls
State Certified
Assessor II

Enc.

December 14, 1987

Ms. Barbara A. Pauls
State Certified Assessor II
B. A. Pauls/Associates
3520 Fourth Street South
Wisconsin Rapids, WI 54494

Dear Barbara:

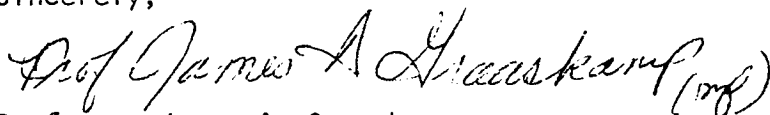
I have read your memo on valuation on cranberry bogs. You are correct to rely on the income approach although the market comparison approach based on sales price per barrel of production will also work.

If the average sales price is \$30,000 and the cost to construct is \$20,000 per acre, then the difference of \$10,000 should be split between the vines and management/marketing. The assessment should never be less than the cost to construct unless there is economic obsolescence because of income approach is less than the cost. Your income approach is weak because you don't indicate gross sales less operating expenses on an accrued accounting basis to define stabilized net income. Cranberry growers should be forced to provide income statements just like apartment owners and office building operators.

Have you seen the enclosed prospectus? Please return this copy.

The Madison Papers seem to be giving the Governor a hard time on the cranberry issue and justifiably so. Good luck on your presentation.

Sincerely,



Professor James A. Graaskamp
Chairman, Real Estate and Urban Land Economics

JAG:mjf

Enclosures

Dear Barbara,

Thank you for your kind note and the very generous supply of cheese. The cranberry issue is getting good press here in Madison and the Governor's taking some heat as he should on this case. Good luck on the outcome.

January 9, 1988

Jim Grasskamp

JAMES A. GRASSKAMP
202-A Breese Terrace
Madison, WI 53705

Barbara A. Pauls
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*ALSO ADMITTED IN NEW YORK

July 21, 1988

Ms. Carla Brizzee
Clerk, Village of Biron
Biron Village Hall
451 North Biron Drive
Wisconsin Rapids, WI 54494

Ms. Barbara Pauls
Pauls Appraisal Service
3520 Fourth Street South
Wisconsin Rapids, WI 54494

Re: Cranberry Growers' Appeal

Dear Carla and Barbara:

The Supreme Court has rejected the appeal of Dempze, Biron and Johnson Cranberry Companies. Consequently, the decision of the Court of Appeals which reversed the decision of Judge Zappen stands. I am attaching for your information a copy of the Supreme Court Order. I am also attaching for your information a copy of the Court of Appeals "Remittitur" directing a reversal of Judge Zappen's decision and ordering judgment affirming the Biron Board of Appeals' determination.

The Supreme Court by rejecting the appeal has in effect placed its stamp of approval upon the decision of the Court of Appeals and has also approved the methods employed by Barbara in arriving at her assessment values.

Best regards.

Very truly yours,

Richard J. Weber

RJW/ji

Enclosures

State ex rel. Collins v. Brown, 225 Wis. 593, 275 NW 455 (1937) "Evidence of the sale of property for less than the assessed value must be accompanied by evidence showing that the price paid was ordinary market value, otherwise the presumption of the correctness of the assessment is not rebutted."

State ex rel. Hein v. City of Barron, 3 Wis. 2d 127, 87 NW 2d 785 (1958) Property recently purchased for \$15,000 was assessed at \$28,850 and affirmed by the board since the owner failed to prove that the purchase was made under normal and usual circumstances. This was the owner's burden. The court held, "The fact that the property was purchased by the taxpayer at a figure less than that at which it was assessed for property taxes, does not demonstrate the assessment's inaccuracy in the absence of evidence establishing that the sale was made under normal circumstances."

OCEAN SPRAY CRANBERRY GROWER
BARBARA PAULS
Dempze Cranberry Co. v. Biron Review Bd, 143 Wis. 2d 879 (1988) This case concerns the fair market value of the taxpayer's cranberry beds, exclusive of the vines exempted under s. 70.11(30) and 70.111(4), Stats. The assessor used six relatively contemporaneous sales of marshes reasonably comparable to the taxpayers' marshes to determine the fair market value of the beds and vines. However, she did not accept the allocation by the parties of the sales price between the beds (taxable) and the vines (exempt).

The assessor testified that her investigation established values for vines which were considerably less than the values allocated by the parties to the sale. The assessor determined the value of the vines through the income, cost, and sales approaches. She deducted that value from the sales prices to determine the value of the beds in each comparable sale.

The taxpayers contend that because the sales are comparable, arms-length transactions, the assessor and the Board of Review must accept the allocations of the purchase prices made by the parties to these sales.

The court said that the general comparability rule does not require the fair market value of the assessable part of the property to be set by the allocation by the parties to the sales. Internal comparability may be destroyed by a factor or factors which allocate too much of the purchase price to one part of the sale and too little to another part. The court decided that the assessor reasonably concluded that the allocations were influenced by considerations which made their use questionable in determining the fair market value of the elements of the sale. This did not require the assessor to completely reject the comparables. It was proper to accept the sales as they represented reasonable comparability but to determine the

market value of the exempt and taxable parts of the sale by other methods.

State ex rel. N/S Associates by JMB Group Trust IV v. Greendale Board of Review, 164 Wis. 2d 31, 473 NW 2d 554 (1991). The appeal related to the assessor's valuation of a shopping mall based on the sale of the mall. N/S Associates raised several issues in an attempt to show that the sales price did not represent market value.

N/S Associates contended that the sale was simultaneous with, and contingent on, its purchase of additional property from the same seller. Thus, it was not a stand-alone market sale. The court ruled that the evidence before the Board was mixed and N/S Associates failed to prove how, if at all, the sales price was affected by the combined ownership.

N/S Associates argued that the sales price was affected by its "extensive relationships" with the parties to the sale. The court ruled that there was no evidence in the record to show that the extensive relationships affected the sales price.

N/S Associates argued that the mall was not sufficiently exposed to the market prior to sale. The court ruled that the requirement that the property be exposed in the open market for a time typical of the turnover time for the type of property involved is intended to insure that the property is sold for as high a price as possible. The court ruled that it is "dead-end logic" to rely on this provision to argue that the property would have sold for less if it had been exposed to the market for a longer period of time.

N/S Associates argued that the sales price should have been adjusted to reflect an assumed mortgage. The court ruled that the mortgage was for a small portion of the sales price and no evidence was introduced to show the affect of the mortgage on the sales price.

N/S Associates argued that the investors were purchasing a syndicated deal and the total consideration exceeded the value of the real estate. The court ruled that no evidence was introduced to justify this argument.

N/S Associates argued that the sales price included the mall's intangible value as a growing concern, or "business value," because the replacement cost less depreciation was less than the sales price. According to the court, assessable real property includes not only the land itself but all buildings and improvements thereon and all fixtures, rights, and privileged appertaining thereto. The key is whether the value in question is part of the property and thus transferable with the property or whether it