

**Madison's Central Business Improvement District (BID)
Assessment Review Subcommittee**

August 26, 2009 meeting minutes

- BID Board Chair Lori Kay called the meeting to order at 10 am.

Attending: John Hutchinson, Lori Kay, Larry Lichte, Traci Miller, Maria Milsted, Stacy Nemeth, Rick Petri

Absent: Dan Cornelius, Brian Mullins

Staff: Mary Carbine

Public registrants: Dan Milsted, Paul Muench (both available to answer questions)

- Co-chairs selected: Brian Mullins, John Hutchinson volunteered as Subcommittee co-chairs (although unable to attend, Mullins indicated interest in advance of meeting). Hutchinson chaired remainder of meeting.

- Review of BID State Statute: Rick Petri reviewed points in statute relevant to Subcommittee work:

(1)(f)(1): *A BID Operating Plan includes a special assessment method applicable to the business improvement district. "Applicability" to district.*

(3)(a) Statute stipulates that *a majority of Board members shall own or occupy real property in the business improvement district.* That is, interests of those who own or occupy real property should be the touchstone for administration of the BID, the annual operating plan, and the assessment method.

(3) (b) *Any change in the assessment method shall be approved by the local legislative body, i.e., that body (City Council) has ultimate authority in approving the assessment method.*

(4) (m) *A municipality shall terminate a business improvement district if the owners of property assessed under the operating plan having a valuation equal to more than 50% of the valuation of all property assessed under the operating plan, using the method of valuation specified in the operating plan, or the owners of property assessed under the operating plan having an assessed valuation equal to more than 50% of the assessed valuation of all property assessed under the operating plan, file a petition with the planning commission requesting termination of the business improvement district, i.e., a clear statement that throws weight behind the interests and proclivities of large property owners of which a BID needs to be mindful.*

(5) (b) *A municipality may terminate a business improvement district at any time, i.e., the city does have the power to terminate the BID at any time.*

- Review of Assessment Method (BID Operating Plan, section IV. Method of Assessment)

Parcels assessed separately (BID assessment applied to each tax parcel).

Must go by frontage measurements on file with city, e.g., for determining division of parcels.

Existing square footage cap is based on primary (finished) area of entire building, regardless of uses of area. Dan Milsted (member of public) pointed out that they have apartments (residential) that would be counted in calculating the square footage cap.

Mary will follow up with assessors office to find out if they have record for mixed use buildings of what portion of total square footage is for what use (e.g., what portions are commercial, which residential, which office, etc.)

Subcommittee discussed that method must be applied consistently to all parcels, and inconsistencies or problems corrected.

- Review history of Assessment Method, how established (Handout, BID Process)

Brian Mullins (unable to attend) provided the following statement [read by Mary Carbine] recapping the rationale for choosing the current BID assessment method, a process in which he was involved:

“A key factor in how the assessment method was chosen was how to get “critical mass” to generate enough assessment revenue to promote the retail areas (primarily State Street, now including King St.). State Street itself (and King St.) by themselves would not generate enough revenue; the BID needs the Capitol Square. Yet, the primary direct benefits of the BID are seen by the retail (i.e., consumer based retail, restaurant, entertainment, service) businesses/property owners. Office owners see secondary benefits. The secondary benefit of enhancements in our friendly, welcoming, beautiful environment (which the BID helps create) is attractive to office tenants, but not sufficient to support major additional costs to be incurred by office building owners. Office building owners are supportive of the BID’s activities as demonstrated by their willingness to pay a significant share of the BID assessment. But it is a fine line. The assessment method of linear frontage was chosen as a way to achieve common ground – to tie the assessment method most closely to properties that benefit directly while achieving buy-in from the office property owners.”

Maria Milsted expressed she disagreed. Hutchinson – may not agree with all parts of it, need to move on to subcommittee workplan.

- Subcommittee Workplan

Discussion - Need to have examples of other methods of assessment in use in other BIDs, to know what options are out there.

Stacy Nemeth – there is no one method, each BID can have its own methods.

Traci Miller – Need to flesh out issues or faults with the current method, how it is being applied, what portions are we having problems with or disagree with, and what kinds of buildings where issues arise.

Maria Milsted – Comes down to square footage (vs. lineal frontage). Also concern – assessment needs to be fair, based on ability to pay. What about smaller property owners. Need to have a happy medium.

Lori Kay – Will be different ideas about what is fair. Need to look at options.

Mary Carbine – Noted that in terms of votes (renewal, BID termination) that lineal frontage method disperses voting power among many property owners including small properties. Currently, no single property owner controls vote for more than 12% of total frontage, and aside from that, the few other largest control less than 3%. By contrast, a square footage method would concentrate majority of vote with very few large property owners. Nemeth pointed out that Fiore/Network 222, one of the largest property owners, represents only 2% of all frontage.

Larry Lichte – Let’s get some different methods on the table, look at them, and talk about what is reasonable, saleable, Look at problem areas such as spoke streets. Suggested looking at sidewalk area in front of buildings.

Nemeth, Hutchinson – Need to be careful not to mix up Mall Maintenance assessment method and BID assessment method. Hutchinson – sidewalk area relates to Mall Maintenance service area; BID assessment is about the parcel.

Petri – research into other BID methods could see whether sidewalk area is use.

Workplan: Staff (Mary) will research and provide summary of other methods of assessment in use in other BIDs (via IDA, etc.) for next meeting.

- Properties under construction:

Carbine reported that the Executive Committee had asked this Subcommittee to consider questions that had arisen in drafting 2010 Operating Plan. Carbine requested clarification of application of Operating Plan/BID assessment for buildings being constructed or renovated, i.e., when a building under construction comes "on line" in terms of BID assessment, and status of buildings under renovation which may not be occupied.

Specific examples:

- Property at 408 W. Gorham, under reconstruction, currently outside the BID, interested in coming into the BID for 2010 (and possibly for remainder of 2009). Plan to be finished, open restaurant in October.
- Property at 31 S. Henry St. Within the BID footprint, was previously classified as exempt. Now property is classified as commercial [non-exempt]. It is under renovation and currently unoccupied.

Points of information:

- From BID Operating Plan, use of property as of January 1 controls for purposes of BID assessment; "those tax exempt properties within the District which are later determined no longer to be exempt from general property taxes . . . shall automatically become subject to assessment under any current operating plan without necessity to undertake any other act."
- For city assessment purposes, the assessment date is "as of the close of January 1" each year. They assess what is in place as of that date.

Nemeth noted that when Network 222 was empty and under renovation, they still paid the BID assessment.

Subcommittee Recommended:

- For new construction within the District, use the city's January 1 date as a basic guide. A building under construction will be subject to the BID assessment in the year it becomes taxable by the city. If a building is finished but not yet taxable within a given year, and wants to participate in District programs, the property can voluntarily agree to be assessed prior to the Jan. 1 date at which they would automatically become subject to the BID assessment.
- If a property under construction and outside the District wishes to become part of the District, it can do so at a mutually-agreed date (when the building is completed, or at the beginning of a new calendar year Operating Plan).
- Properties subject to the BID assessment are subject to the assessment while under renovation and unoccupied.

The Subcommittee asked that this recommendation go before the full Board.

- Next Subcommittee Meeting set:

Wednesday, Sep. 30, 10am
Murphy Desmond offices, 33 East Main St., Suite 500

Meeting adjourned at 11:20am.