

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

November 18, 2009 meeting minutes

- Subcommittee Co-Chair Brian Mullins called the meeting to order at 10:10 am.

Attending: John Hutchinson, Lori Kay, Larry Lichte, Maria Milsted, Traci Miller, Paul Muench, Brian Mullins, Stacy Nemeth, Rick Petri
Absent: Dan Cornelius, Stacy Nemeth
Staff: Mary Carbine
Public registrants: Dan Milsted

- Approval of October 21 minutes: Lori Kay moved approval, Maria Milsted seconded noting accuracy of minutes. Motion passed.

Public Comment: Dan Milsted stated he was present as an interested observer.

Letter from Harold Langhammer was discussed, and will be taken into account in subcommittee discussions. In general, the request is for participation by owners before the Board makes its report.

Review of various methods of assessment – continued.

Brian Mullins – Recapped that the Subcommittee has reviewed various methods of assessment, all different, and usually specific to the circumstances of each BID. Stacy Nemeth had generated some numbers applying various methods to our BID properties, which allowed for preliminary discussion in last meeting, and for specific discussion in this meeting.

John Hutchinson – asked for clarification of square footage cap, what is building area. The figure used is primary finished area (per assessor's office). Mullins noted this can be difficult to determine.

Rick Petri: Stated that in his own, general, view, BIDs, like real estate, are local. Each particular BID ends up being a unique mixture of equity and reality situations. Formulas meet particular needs at particular time when the BID is created. It behooves us to pay attention. Rick's own view is don't stray too far from our roots, and be mindful of the factors that helped created consensus when our BID was formed.

Maria Milsted: Agrees and always has agreed that no major changes should be made. Ten years is a long time. Things then are not what they are today. The reality is that the BID needs additional funding. It is our duty to find a way to acquire extra revenue without turning the BID upside down.

Larry Lichte: Sorry he missed the previous meeting. He does not like any methods [on the chart] other than the current. Square footage and assessed value hit the big property owners too much. His concern is to find a better balance. He proposes a combination of the current method and assessed value.

Lichte states he pays more BID assessment than large buildings, and it is not in proportion. He has only 4 commercial tenants. He tries to get at equity, and agrees that big building do not benefit. Lichte states his buildings do not benefit and he was opposed to the BID when brought in and is now stuck with it.

Milsted: Where to go from here. Unified in saying we can't do anything now? It will take some time yet. Have to be careful in what we recommend to the Board, and understand feelings of BID members regarding inequities. We have the example of Harold's letter. His 25%/75% suggestion would make a big bump for big properties. We would like to see 100% assessed value, but it's not realistic. What about 75% frontage and 25% assessed value. It would bring in a little more revenue from those who have the ability to pay, who have more tenants to spread out the assessment cost.

Petri: We need to focus on what is the primary mission and who benefits. Mission is to enhance the retail environment. What is retail? A bank- yes. Do its customers benefit? Or is it more office tenant employers. Does, for example, Sunprint benefit specifically? Are you asking to look at different types of retail and types of space, and make some connection between that and assessment level?

Milsted: Is retail just ground floor or up above?

Petri: Based on comments about perceived lack of benefit, I am trying to focus on the rationale for the BID which was to enhance the retail environment, which also includes spas, salons, barbershops, and the fringes of the district. Only a portion of the overall square footage of a high rise building benefits. It's more complex than "ability to pay."

Lichte: US Bank building is more than a bank. It has 10-15 tenants. I have only 4. US Bank building has ability to pay and spread out cost. I have only 4 tenants. The balance is difficult for us.

Mullins: Notes that any substantial changes, alternatives, will cause problems for the BID to handle.

Kay: Supports thoughts on continuing the subcommittee and review. The vacancy rate is pretty low, which indicates perhaps we are close as can be. Agrees that we are not looking a wholesale changes. We can look at strengthening, undergirding method we have. Have to look at why we need to raise funding, and strengthen whole system.

Mullins: Let's begin discussion to find where there are areas of consensus. Is there consensus that we should focus on perceived problems with the existing method and address them, rather than go through pros and cons of each method?

Lichte: Does not see purpose to evaluate each method today.

Milsted: There is more to be said than just the people at the table. We are not enlightened about the real problems out there.

Mullins: Meetings are open to owners. We have an annual meeting with owners.

Milsted: It is our duty to consult with the people who pay the bills.

Hutchinson: Are you proposing a public meeting or forum, to feel out if people feel there is an inequity. Let's run some examples before we take to the public.

Mullins: A public meeting without definition does not lead anywhere. We need to consider to what extent the Board exercises leadership and presents a recommendation to the owners, so that a meeting would be productive. We have had a public hearing, and a referendum that resulted in majority approval, which says to me that our system isn't broken. We will always have debate and need compromise, because we do not have a homogeneous set of properties. What I have heard is that we need more time, need to look at some additional blended methods, and consider if we have a public meeting and if so to what degree would it be productive.

Lichte: Let's look to a meeting next year, and come up with 2 or 3 more methods. More weight on assessed value. Run the numbers and then call a meeting. Anyone can come to a subcommittee meeting if they want.

Hutchinson: The Annual Meeting is an opportune time to present another option if we think there is another option. Assessed value is a big sticking point.

Petri: Look back at the history and statutes. I keep hearing assessed value. Conceptually, property taxes are based on the fair market (assessed) value of a parcel of real estate. This depends upon professional appraisal values. Assessed value is conceptually separate from the BID assessment, and

has no relation to the purpose of the BID. I'm not saying its irrelevant in people's minds, but ask those who are disgruntled to go back to the state statute, and use that to analyze the methodology.

Muench: All of the buildings on the Capitol Square except for 33 East Main St. existed when the BID was created. Their value existed at that time. If at the beginning of the BID, if the assessment was going to be related to assessed value, we would have had a different viewpoint on the BID.

Lichte: My location was put into the BID at the last minute. I had no input. Not all the owners acquiesced.

Mullins: Would an appropriate result be to remove the Capitol Square? To what degree do office buildings benefit? There are two (if not more) distinct areas within the BID. Should we look at an entire restructure to eliminate the Capitol Square?

Milsted: Ten years ago, there were lots of vacancies.

Mullins & Muench: No. There are lots of vacancies now. Rental market was healthier 10 years ago.

Mullins: When the BID was formed, there was a sense that State Street alone did not provide sufficient critical mass for funding. It needed to bring in the Capitol Square. However, the expectation was not that the Capitol Square area would pay 40% of the total BID assessment as it does now.

Milsted: If we do assessed value, some will go up, but we and Larry can go down.

Mullins: With assessed value method, when an area has a problem, the assessments may go down. But when an area has a problem, that's when it needs a BID and when a BID needs to step up its activity. We need to consider this.

Kay: There is more to look at. I agree with John, we should look towards the annual meeting next year.

Mullins: A BID assessment based on the State Street area alone is not a viable option. The BID does an excellent job of keeping costs down. There is a limit to what we can expect from the Capitol Square. We have a system that has been accepted and in place for ten years. There are concerns about making significant change.

Muench: We should be sure every property owner has a way to express concern about the accuracy of their BID assessment. I propose we recommend that if a property owner believes their BID assessment is inaccurate, they can contact us and it can be addressed.

Milsted: What about the flatirons.

Muench: Did we come to consensus about whether we recommend wholesale change or a considered recalibration?

Kay: There is reason to look a little further.

Hutchinson: The subcommittee is the place to look over these options; these are public meetings and if other owners want, they can come to these meetings.

Mullins: Let's review points and see where we can come to consensus.

After discussion, the Subcommittee agreed on the following points of consensus:

- Everyone would like to pay less
- To date, we have not identified a better system.
- Any inaccuracy in BID assessment computation should be corrected, and BID needs to have mechanism for correction.
- We should continue review of whether small adjustments should be made rather than wholesale change.
- Before involving all owners (e.g., a public meeting), the BID Board should have specific recommendations (including changes, if any).
- Consensus that pure assessed value, pure square footage, and primary frontage only are not appropriate methods.
- Focus should be continued review of:
 - Current method
 - Variation on current method (as run on Stacy's spreadsheet of 10/21 meeting)
 - Blended method (blend of assessed value and lineal frontage) – Stacy will run options
- Hope next meeting is last meeting. To bring closure, need to come to recommendations and procedure of how to involve all owners.

Mullins: In next meeting, which we hope is our last, how do we get to the point where we have a report for the Board. After discussion, Subcommittee agreed to review last calculations of options, and make recommendations on options or changes (if any), how/when to involve all owners, and timing of any potential change to assessment method.

Lichte: Yes, in the next meeting we should get to specifics, and review problem areas.

Muench: I want to confirm, when we run numbers on various mixes, the total amount will remain consistent.

Carbine: Yes, there is a consistent target amount. May not be exactly the same total, but in consistent range.

Meeting adjourned at 11:40 am.