

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

October 21, 2009 meeting minutes

- Subcommittee Co-Chair Brian Mullins called the meeting to order at 10:07 am.

Attending: John Hutchinson, Lori Kay, Larry Lichte, Maria Milsted, Paul Muench, Brian Mullins, Stacy Nemeth, Rick Petri

Absent: Dan Cornelius, Larry Lichte, Traci Miller

Staff: Mary Carbine

Public registrants: Dan Milsted

- Approval of August 26 and Sep. 30 minutes: Rick Petri moved approval, John Hutchinson seconded. Motion passed with Maria Milsted abstaining stating she did not see the minutes.
- Public Comment: Registrant Dan Milsted reported he received information from another BID, location undetermined, that they use a TIF policy and eliminate residential, nonprofit, and governmental from building area, but have a church that pays BID fees. Brian Mullins commented this shows the variation in BID methods around the country.
- Clarification of application of current BID assessment method to properties under construction and renovation: Mullins introduced the revised subcommittee policy recommendation, noting that the city attorney's office had reviewed it and was of the opinion that this proposed policy was a clarification of the current assessment method and did not necessitate revision of the 2010 Operating Plan. Mary Carbine noted that for this policy to be effective for the upcoming assessment schedule, it should be approved at the November 5 Board meeting. Lori Kay moved that the Subcommittee approve this policy and forward to the Board with recommended approval. Petri seconded. The motion passed with all voting affirmatively.
- Review various methods of assessment (continued): Mullins introduced work done by Stacy Nemeth to illustrate impact of various methods of assessment applied to Madison Central BID properties. For effective comparison, various methods were applied to achieve the same overall assessment.

Methods included:

Current Method: \$15 per lineal foot of frontage (primary at 100%, secondary at 50%); capped at \$0.30 per SF of building area.

Modified current method: \$15.50 per lineal foot of frontage (primary at 100%, secondary at 50%); capped at \$0.20 per SF of building area.

Assessed Value Method: \$0.527 per \$1,000 assessed value

Square Footage Method: \$0.053 per SF (total primary finished building area). Dan Milsted asked if this was cubic feet. It was clarified this is square footage of each building floor.

Lineal Frontage- Primary Frontage only: \$20 per lineal foot of frontage (primary at 100%, no secondary), capped at \$0.30 per SF of building area.

- Methods not applied included:

Use of property: Is no existing record of various types of uses of properties, or percentages of square footage within a building given to different uses. Carbine inquired with the assessor's office, which said that they may have breakdowns depending on property type, they cannot guarantee that all commercial properties have breakdowns.

Zone: No existing zones to apply.

- Discussion of impacts of application of different methods:

Variation on current method: With current cap of \$0.30 per SF, 11 properties are subject to the cap. When cap is at \$0.20 per SF vs. \$0.30 per SF, 32 additional properties are subject to the cap (43 total of roughly 220). Those capped properties have roughly 1/3 reduction in assessment. Not necessarily flatirons that are subject to cap in this modified method. If this were applied and overall assessment rate was not adjusted to \$15.50 to make up different, this would reduced the overall BID assessment by about \$8,800.

Petri: Has general sympathy for the issue of fairness, also stresses continued integrity of the BID. Every five years there is an election, where those subject to assessment can vote. How would these various methods affect the top 50% by voting strength?

Mullins: With current method, need about 50 properties to make up the 50%. This variation does not have much impact, but for assessed value and square footage, it takes about 9 property owners to make up the 50%.

Carbine: With assessed value, it takes only 6 property owners to make up the top 50%.

Maria Milsted: Is this the intent, to put power in the hands of the big property owners?

Nemeth: No, this is about the impact that changing the assessment method could have.

Petri: To continue the BID, we do need the support of property owners and not to undermine the continued viability of the BID.

Muench: Before getting into discussion of issues, let's continue going through the different methods.

Assessed Value: An assessed value method would concentrate the power to renew or terminate the BID with 6 property owners (as per state statute). Impact also is big changes in assessments to some buildings (goes way up) and others go way down.

Nemeth: This could also lead to a shift of focus of the BID to hotel, financial and office (which make up top properties).

Assessed value changes every property's assessment. When property values go up and down, or when contested, then the BID assessment changes.

Dan Milsted: Asks about calculation of current assessment, stating that their property is \$0.45 per SF compared to 129 State St. which he states is at \$2.30 per SF. The current assessment rolls are checked; 129 State St. is subject to the cap, and is currently assessed at \$0.30 SF.

Nemeth: Both assessed value and square footage method would drastically change the premise on which the BID was formed and that everyone voted on. This is not what people signed up for.

John Hutchinson: Not in best interests of the BID.

Primary Frontage methods: Reduces assessment for large properties (e.g., Capitol Square) and raises assessment for most smaller one, e.g., State St.

Muench: Primary frontage method would reduce assessment for their properties.

Mullins: Current methodology is one of highest for their properties. Most other methods would reduce overall BID assessment for Mullins properties. Having said that, it is more important to

consider what a method does for the BID as whole. We had a referendum this summer with an 80% approval rate. Most people are happy. He does not want to rock the boat, and does not see significant change as healthy for the BID. In 10 years, the BID has make minor modifications. It is not healthy to the BID to make major changes. Minor adjustments may be warranted given close analysis.

Hutchinson: Echoes Mullins' point. With assessed value or square footage methods, it throws the power to the big property owners, who deserve it if they have to pay more. I don't see much difference between the two other variations and the current method, and it's not worth changing everyone's assessment for the other methods.

Subcommittee members discussed the charge of the subcommittee: Is it to lay out options for the Board to consider vs. making a recommendation to the Board.

Petri: I have no qualms about making a recommendation. The Board looks to subcommittees to make a recommendation based on their work. The Board could reject our recommendation. I think we should support a methodology that supports our core values and the history of the BID should continue to be honored.

Maria Milsted: We should no be voting on a recommendation. I have not had time to review all the materials, and Larry Lichte is not here.

Hutchinson: We are commenting, not voting.

Muench: I thought that the subcommittee was going to lay out options. If this group will include the flexibility to change the method due to unintended consequences, it should be tied to the 5 year vote. My vote would be against any change, even if it would lower ULI's BID dollars, because we and the other property owners have entered into a contract. If this BID is known to waffle on the assessment method and change it, this will be the last BID in Madison.

Maria Milsted: So the assessment method will stay the same for another 5 years? This is not what we promised. I promised people we would change it. Then I misled people. I made people think we would change it.

Kay: We made no promise of change. We said we would look at it.

Maria Milsted: It's all about the big property owners? What about the little guys?

Hutchinson: I am a small property owner.

Maria Milsted: The big guys have the power and now it will be another five years?

Muench and Mullins: With current method we don't control.

Hutchinson: What Paul Muench is saying is about the timing of a change, when any change should be considered.

Kay: I am happy to have people look at all these different methods. It illustrates the work and that we have taken care to have a system that is as fair as can be. We agreed to do a study, based on objections to the method from the Milsteds, Larry Lichte and Harold Langhammer.

Mullins: There is common ground between Paul Muench and Maria Milsted. Paul did not want the renewal vote taken before there was confirmation of the assessment method, but there was no flexibility in the schedule when the objections were raised. If Paul had his way, we would not have had the vote without the analysis. When decisions are made, people should know what the method is. Maria, you also say the method should be known.

Muench: I recommend that this subcommittee recommend that any change in the method be made in advance of the vote.

Maria Milsted: We do agree. But where we disagree is that you feel the properties on the Square pay their fair share, and I do not. I am in the minority.

Mullins: You hit the nail on the head. The gist of the assessment method is compromise. Everyone will not agree that the same methodology is the best one.

Kay: This is about the future. The current BID budget is paltry, not extravagant. We have the opposite problem in that we are not collecting enough.

Mullins: That is also a compromise made at the formation of the BID. The Capitol Square went along with formation of a BID and came in based on the fact that a BID that included State St. alone would not raise enough assessment. It was a compromise for both. Lineal frontage also has the advantage that it is transparent. Anyone can walk the frontage, see it and measure it.

Dan Milsted: The BID is the reason the office occupancy is so high in the BID. It makes it desirable so there is demand for office rental. Compare the 41,000 SF office properties to a little 6,000 SF property. The total income relates to the income being produced. It should be based on ability to pay.

Hutchinson: When you change the method to assessed value or square footage, it concentrates all the power with the big guys. You have to think this out.

Nemeth: Every methodology has its pros and cons. We have issues because the properties in the BID are not homogeneous. We have small two-story buildings and large office buildings.

Petri: Those two buildings would not be in the same market. They are not competing for the same tenants.

Carbine: From staff perspective, we do not provide services to office tenants. The services we provide such as marketing, listing the map, etc., are for retail, restaurant, entertainment and service businesses. For example, office tenants do not participate in the Downtown Family Trick or Treat.

Maria Milsted: People want the fairest method. This is a mindset that does not bode well for the little person.

Hutchinson: I am one of the little guys.

Mullins: The Capitol Square properties do not see increased revenue from the BID. We think it is helpful to have a strong State St. and King St. We see potential for the Capitol Square. If we talk to all the members, they would all have some objections. The commercial property owners on the Square now pay 40% of the total BID assessment. This is not what we anticipated, covering that much of the assessment.

Petri: Murphy Desmond is not here because of the BID. We are here because the location is convenient for our business. There is no direct benefit to us as an office tenant from the BID.

Dan Milsted: In downtown DeMoines when we were there, there is not retail. There might have been a total of 10 people there, and they were maintenance workers. It would be a shame to have that in this setting.

Mullins: Everything we said about direct value does not mean anything negative about the BID. A more welcoming and attractive environment is good for all and helps the Square. We all have a mutual interest in a better downtown. We have to keep our eye on the ball and move forward.

Maria Milsted: We are never going to get off the ball unless it is based on the ability to pay. The little guys on King St. and State St. need more help.

Kay: What is frustrating is that it is not cut and dried. There are many complications. As best I can tell, our current method is about as reasonable a way as there is. Does it mean it is perfect? No. The Board's challenge is to find the best method. I can't see that the current arrangement is skewed. It is about as fair a method as there is.

Petri: The big office buildings derive no direct benefit from the BID. The BID is more likely to benefit those renting and leasing smaller spaces. They already benefit from the larger owners.

Mullins: This sets the stage for our next meeting. The fact that we are having this dialogue means that we care.

Next Meeting set:

Wednesday, Nov. 18, 10 to 11:30 am
Murphy Desmond offices, 33 East Main St., Suite 500

Meeting adjourned at 11:30 am.