



DUEY STROEBEL

STATE SENATOR • 20TH DISTRICT

I want to thank you, Senator LeMahieu, for holding a public hearing on Senate Bill 203. SB 203 addresses Business Improvement Districts, or “BID”s, and makes a simple change to put all forms of development on an even playing field. SB 203 simply states that when there is mixed-use property within a BID, the local assessor will decide what percentage of the property value is business and subject to assessment and what is residential or tax-exempt and therefore not subject to assessment. This small revision should remove a disincentive for job creators to develop mixed-use properties in communities throughout Wisconsin. To fully explain the need for SB 203, a brief history and explanation of BID law is needed.

BIDs were first created in Wisconsin law in 1984. The primary purpose was to have a collection of businesses in a geographic area pool resources to make expenditures that benefit the business climate in that area. The idea is to have collective action for expenditures too expensive or unappealing for a single property owner to undertake. The statutes do not specify any particular expenditure but an example you may be familiar with from cities in your district would be landscaping, seasonal street decorations or business marketing campaigns for a main street area.

Once a BID is formed, through a petition process, businesses in the area select a board who imposes special assessments on all business property within the BID’s borders. That special assessment revenue is then spent on whatever activities the BID board deems appropriate. The idea is that these funds are expended for the purposes of benefiting all businesses within the BID, thus improving the business climate for everyone.

Since these funds are directed by the businesses in the community, and make expenditures on behalf of businesses, purely residential properties were always exempt from the special assessment. In 2002 tax-exempt properties were brought within BID boundaries but given a clear exemption from the special assessment, codifying the practice of tax-exempt entities not paying BID assessments.

The current exemptions for residential and tax-exempt property only apply to property that is *exclusively* used for those purposes. This means that mixed-use properties, no matter how much of the property is residential or tax-exempt, is fully assessed. Businesses should and will pay their fair share of BID assessments under SB 203, but they should not pay out of proportion. Stakeholders and developers will come testify how this has affected their businesses and business decisions, but it is clear this policy encourages single-use development and discourages mixed-use development. Thank you.

August 31, 2015

Members of the State Assembly and Senate
Wisconsin State Capitol
2 E. Main St.
Madison, WI 53703

RE: Support for SB 203

Dear Legislators,

We are writing in support of SB 203, which would change the assessment method for Business Improvement Districts (BIDs) in Wisconsin.

We are developers, real-estate owners and business owners from across Wisconsin who are focused on creating jobs, employing people and helping build up our neighborhoods – literally and figuratively.

BIDs assess fees, based on the tax value of properties within their districts, which are used to promote businesses within their districts. Only commercial properties benefit from the BID's services, which is why state law exempts exclusively residential properties from paying the BID assessment fee (State Statute 66.608 (5) (a)).

However, in practice, some BIDs assess fees based on the entire value of mixed-use properties that contain both commercial and residential spaces. This puts an unfair burden on residential owners within the mixed-use developments who are not entitled to the BIDs' business-only benefits, but are forced to fund BIDs' operation.

As a result of these assessment fees, BIDs have created a *disincentive* for mixed-use development and ownership. In addition, it needlessly penalizes the residents and tenants of mixed-used buildings, as the fees are likely passed on to them in the form of increased rent.

We support SB 203 because it would allow BIDs to assess only the value of commercial space in mixed-use developments. There is precedence for this policy – Milwaukee's East North Avenue BID already requires mixed-use property owners to pay BID fees only based on the value of their commercial space. Quite simply, we feel this is common sense legislation that ensures equity among neighborhoods.

We urge you to vote in support of this legislation, which is vital to creating a fair environment for both commercial and residential property owners within Business Improvement Districts.

Sincerely,

Rick Barrett
Barrett Visionary Development

Ken Bieck
Bieck Property Management

Ben Crichton
Shoreline Real Estate Co.

Patrick Gallagher
Siegel-Gallagher Inc.

Tim Gohkman
New Land Enterprises

Tyler Hawley
HKS Holdings

Robert Joseph
Joseph Property Development

Daniel Katz
Katz Properties, Inc.

Barry Mandel
Mandel Group

Ted Matkom
Gorman & Company, Inc.

Peter Ogden
Ogden & Company

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To: Senate Committee on Elections and Local Government
From: Curt Witynski, Assistant Director, League of Wisconsin Municipalities
Date: September 23, 2015
Re: **SB 203, Exempting the Residential Component of Mixed Use Buildings from Business Improvement District Special Assessments**

The League of Wisconsin Municipalities has not yet formulated a position on SB 203. Our Legislative Committee and Board meet in four weeks and will determine our position at that time. In the meantime, I offer the following comments and concerns that our members have articulated about this bill for information purposes only:

1. **Apartment buildings with four or more apartments are classified as commercial property for property tax purposes.** The bill attempts to exempt the “residential” part of a mixed use building from a BID special assessment. The argument being that an apartment building standing alone without commercial businesses on the ground floor would be exempt from BID assessments. However it is not entirely clear that is the case. The term “residential” is not defined in the BID law or the bill. Clarification is provided by the Wisconsin Property Assessment Manual published by DOR to guide assessors in the assessment of property for property tax purposes. Chapter 9 of the manual provides that apartment buildings of four or more units are classified as commercial not residential. The manual explains that “Apartment houses of less than four units are classified as residential since they are not normally purchased as an investment.”
2. **The Residential Components of Mixed Use Buildings Receive the Benefits of the BID and Should Contribute to the Cost of the BID.** BIDs improve the quality of life, not just for businesses but, perhaps even more, for residents. BIDs promote clean and safe environments that benefit everyone. Improved cleanliness and safety and attractive streetscapes increase property values for all types of properties. BIDs also sponsor events that primarily benefit residents. Special events enhance the quality of life for all – but are more heavily attended by residents than businesses. The benefits of a BID make apartments and condominiums within the district more attractive and more likely to be filled.
3. **BIDs already have the Flexibility to Adjust Assessments.** BIDs often currently employ some type of alternate assessment strategy to take into account the relative amount of services received by different properties based on use, location or size. Currently, governing boards of BIDs can set minimums and maximums and levies according to the size, frontage or other property characteristics. This bill would replace the flexibility in current law with a state imposed uniform rule that ignores unique local considerations. Recall that BID operating plans are able to be developed for the

particular needs of the BID district. The plans are almost always the result of negotiations between the municipality and the owners in the district and can be amended each year. Consequently, the bill is unnecessary.

4. **A mixed use property owner within a BID can initiate a petition to terminate the BID.** A mixed use property owner frustrated by paying the BID assessment on the residential component of his or her property can under current law start a process to terminate the BID. The owner need only convince the owners of 50% of the total assessed valuation within the BID to sign a petition terminating the BID.

Thank you for considering our comments and concerns about SB 203.