



WISCONSIN LEGISLATIVE COUNCIL

MEETING MINUTES

STUDY COMMITTEE ON PROPERTY TAX ASSESSMENT PRACTICES

Room 412 East
State Capitol
Madison, WI

September 6, 2018
9:30 a.m. – 1:00 p.m.

Call to Order and Roll Call

Chair Olsen called the meeting to order. The roll was called, and a quorum was present.

COMMITTEE MEMBERS
PRESENT:

Chair Luther Olsen; Vice Chair Scott Allen; Reps. Dave Considine (via phone) and Rick Gundrum; Sens. Robert Cowles and Janis Ringhand; and Public Members Ed Catani, Jeff Hoffman, Don Millis, Jeff Nooyen, Amy Seibel, and Rocco Vita.

APPEARANCES:

Mark J. Eppli, Director, Graaskamp Center for Real Estate, Wisconsin School of Business, UW-Madison; Rich Meeusen, Chairman, President and CEO, Badger Meter; and Patrick Schloss, Manager of Community Development, City of West Allis; Al Runde, Program Supervisor, and Emma Drilias, Fiscal Analyst, Legislative Fiscal Bureau.

Approval of the Minutes from the August 7, 2018 Meeting

Representative Gundrum moved, seconded by Senator Ringhand, to approve the minutes of the committee's August 7, 2018 meeting. The motion was approved by unanimous consent.

Presentations by Invited Speakers

Mark J. Eppli, Director, Graaskamp Center for Real Estate, Wisconsin School of Business, UW-Madison

Mr. Eppli began his presentation to the committee with an overview of real estate assessment practices, describing valuation concepts and principles such as the bundle of rights, market value, uniformity, highest and best use, and the sales comparison, income, and cost approaches to value. Following his overview, Mr. Eppli offered his opinions regarding the application of these principles to the assessment of leased property, discussing differences between assessment of leased fee interests and fee simple interests, how a “market” should be determined for a particular property, consideration of contract rents, and evaluation of leaseholder creditworthiness.

Following his presentation, Mr. Eppli answered questions from committee members.

Rich Meeusen, Chairman, President and CEO, Badger Meter

Mr. Meeusen described the nature of Badger Meter’s business, as well as the company’s operations within the state of Wisconsin. In particular, he shared his experience with business acquisition, describing the manner in which Badger Meter completed a recent acquisition of another business. In that example, he noted that Badger Meter did not separately value the various assets held by the acquired business, but instead placed a single value on the business as a going concern, including the real property acquired in the transaction. Mr. Meeusen also described advice he had received regarding the potential for increases in property taxes on properties owned by Badger Meter under bills relating to property assessment introduced during the 2017-18 legislative session.

Following his presentation, Mr. Meeusen responded to questions from committee members, including questions on the value of manufacturing facilities and current trends in the leasing of industrial property.

Patrick Schloss, Manager of Community Development, City of West Allis

Mr. Schloss explained the importance of the tax incremental financing (TIF) law as a tool for local economic development, highlighting his experience with TIF law in the City of West Allis. He described the effect of appeals to property tax assessments of property inside a tax incremental district (TID), and explained that such effects may be addressed in negotiations for new TIDs. However, he noted that assessment appeals also affect TIDs created prior to the prevalence of certain appeals practices, and that such effects are likely to result in unanticipated risks to the performance of such TIDs.

Mr. Schloss continued his presentation with examples of properties assessed under the *Walgreen* case and pursuant to comparison to vacant properties. He explained the effect of these assessments on other properties in a taxation district, using numerical examples of changes to the relative share of property tax burden. Following his presentation, Mr. Schloss responded to questions from committee members.

Description of Materials Distributed

Anna Henning, Senior Staff Attorney, Legislative Council staff, summarized the material distributed to committee members, including memoranda prepared by the Legislative Council Staff as well as materials provided to the committee by the Department of Revenue and the Legislative Fiscal Bureau.

Discussion of Committee Assignment

Following Ms. Henning's description of materials distributed, Chair Olsen encouraged the committee members to offer topics for discussion of the committee's assignment. Committee members discussed recent legislation regarding property tax assessment, focused largely on the bills relating to treatment of leased property. Vice Chair Allen inquired whether the committee might pursue issues arising from the timing of the appeals process and the burden the refund of property taxes places on local units of government. The committee discussed the topic of county-wide assessment and whether the assessment process is best operated at the local, county, regional, or state level. Committee members discussed the effects on assessors of using contract rent as an indication of property value, and discussed the statewide system of equalized values.

Al Runde, Program Supervisor, and Emma Drilias, Fiscal Analyst, Legislative Fiscal Bureau, responded to questions from the committee regarding historical data on equalized values and net property tax.

Chair Olsen concluded the discussion of the committee's assignment by instructing committee members to communicate individually with the Legislative Council staff to prepare topics for consideration at the committee's next meeting.

Other Business

There was no other business brought before the committee.

Plans for Future Meetings

Chair Olsen noted the committee's future meeting dates:

- October 9, 2018.
- November 28, 2018. Chair Olsen indicated it is likely that the committee's November meeting date will be revised.

Adjournment

The committee adjourned at 1:00 p.m.

SG:AH:ty