

**CORRECTIONS TO BE MADE TO
MARCH 14, 2017, JEFFERSON COUNTY BOARD MEETING MINUTES**

Page 217:

Line 18, Column 2 – Delete Vacant and insert Spaanem

Line 21, Column 1 – Delete Timothy Smith and insert Vacant

Page 220:

Line 7, Columns 4 thru 6– Delete 55.00, 0.00, and 55.00 and insert as follows:

Column 5 55.00

Column 6 0.00

Column 7 55.00

Page 221:

Line 17, Column 1 – Delete the J so it reads FOELKER, MATTHEW

(Deleting the J so that it doesn't run into the 12)

Page 224:

Line 19, Column 1 – Delete the L so it reads PATRICK, GREGGORY

(Deleting the L so that it doesn't run into the 13)

Page 226:

Bottom of Page – Delete the following:

5 BOARD OF HEALTH

Line 27, Column 1 – Delete the R. so it reads SCHULTZ, RICHARD

(Deleting the R. so that it doesn't run into the 13)

Page 227:

Line 1, Column 2 thru 7 – Columns 2 thru 7 should be as follows:

5 BOARD OF HEALTH 275.00 37.80 312.80

Line 17, Column 5 – Delete 386.00 and insert 385.00

Line 25, Column 1 – Insert **Co. Bd. Totals**

Page 228:

Line 1, Column 3 – Delete **Members' Totals**

Line 14, Column 8 – Delete 65.08 and insert 65.80

Page 231:

Line 2 – Insert a line to show that Salary, Meeting Fees, Other Expenses and Total are Costs

Lines 4 thru 9, Column 3 – Align the figures

Page 233:

Lines 30 and 31 – Line 31 should follow Line 30

Page 235:

Table: Line 10, Columns 1 and 2 – Delete Proprietary funds in Column 1 and insert Grand Total in Column 2

Line 11, Column 1 – Delete Proprietary funds in Column 1

Page 242:

Line 13 – Indent for paragraph

Table: Lines 10 and 13 – Insert a double underling under the these figures

Page 249:

Lines 14 and 15 – Line 15 should follow Line 14

Memo

To: Jefferson County Board
From: City Manager, Steven Wilke
CC: Lake Mills City Council, City Clerk and Jefferson County Administrator
Date: March 16, 2017
Re: Walgreens Assessment Strategy

INTRODUCTION

The purpose of this memorandum is to describe orchestrated lawsuits against the City of Lake Mills by Walgreens. The actions of this thriving national chain are shifting taxes to residents and small businesses in the community who have no idea why their taxes are increasing faster than the net new construction rate. The historic factors in the tax burden shift were law changes that removed certain properties from the tax rolls or reduced their value for property tax purposes (Manufacturing Machinery and equipment, Ag Land Values, etc).

This discussion relates to the courts interference in the assessment process. The first key ruling came in 2008, when the state Supreme Court found Madison used Walgreen's "above market rent" inappropriately in calculating the assessments of its stores. The decision sent assessors around the state scrambling to find another way to accurately value Walgreen properties.

Since the Supreme Court had tossed out a Madison assessment that largely used the income approach to assessment, the assessors decided to use the sales of Walgreens and properties. Properties like Walgreen sell periodically on investment exchanges to real estate investment trusts, which are a vehicle for investors to park money for a period of time as an investment. In Oshkosh, assessors used these sales in part to calculate values for two Walgreens stores there. Walgreen sued Oshkosh, contending assessors incorrectly valued the property based on its leases. The circuit court again found for Walgreens.

The Madison decision shifted \$800,000 to other property owner's in Madison alone. Many other cities have now become targets of Don Millis working on behalf of Walgreens. To date, this has cost Lake Mills taxpayers \$200,000 and millions of dollars to communities around the State.

BACKGROUND

Property is located at 812 N. Main Street. This property is at the intersection of State Highway 89 and County Highway V. This is one of the most valuable commercial properties in the City of Lake Mills. The City created Tax Increment District number #4 to assist Walgreens with the redevelopment of the vacant Union 76 Station that was located on the lot. The City invested over \$800,000 in annexation, zoning, TID development, infrastructure, environmental remediation and site planning cost to assist with the redevelopment. The expectation was that the new tax base would provide funds to reimburse the City's investment.

The City used a "pay as you go" agreement with the developers to insure the assessed valuation was generated to support the investment by the City. The developers encouraged the City to over assess the property as the agreement would not release the bond until the assessment reached a certain level. Again, the City was cautious and used standard assessment practices to determine the value. Eventually it was determined that the assessed value met the agreed upon level and the bond was released. Walgreens is currently in a TID and if the TID's total value drops below the TID baseline, the residents of the community will have to pay for debt that the original developers agreed to pay as part of the TID agreement.

The State Supreme Court decision in Walgreen vs Madison changed the assessment landscape for communities and has allowed Walgreens to shift significant tax dollars to other taxpayers in the community. Walgreens has filed a current complaint to reduce their assessment to less than half the original assessment agreed to by the parties.

The City had previously entered into mediation with Walgreens on two separate occasions to resolve assessment claims with Walgreens and refunded almost two hundred thousand dollars (\$200,000) to Walgreens. The City had adjusted the assessment to the agreed amount and then two years later revalued the property from the lease basis to the sales basis which was the adjustment made to the State Assessment Manual. Walgreens original argument was that the property wasn't any more valuable than the old vacant Union 76 station that was on the property before Walgreens located there.

The City has not adjusted their assessment since the last agreement and they have again filed for an overassessment. The current claim is based on the value of leases. The City has decided to fight this in court rather than go to mediation in hopes of forcing another ridiculous court decision and getting the legislature to finally deal with the issue.

ISSUES

Walgreens currently uses a different dark store strategy than other stores, they argue that the assessed value of their properties should be less than half of actual sale prices on the open market. They have already sued more than 100 Wisconsin communities, claiming the rent they pay for their newly-constructed, highly-visible corner locations don't accurately reflect its market value. These properties are developed to the retailer's specifications and leased to them with no landlord responsibility other than collecting rent. More than 80% of Walgreen stores operate under a lease arrangement. This arrangement is so desirable that drugstores have become the most popular single-tenant properties in the national real estate investment market. But attorneys for Walgreen argue that their actual sale prices don't represent market value and the underlying leases are the wrong tool for determining the property's value for

'property tax purposes.' Instead, they say, the assessments should hinge on the amount the landlord could get if the drugstore moved out and a different retailer moved in.

These court created tax loopholes allow a small segment of the of the taxpaying public to shift a disproportionate amount of taxes to local taxpayers who generally do not have the where with all to pay the additional tax burden.

CONCLUSION

The Wisconsin Legislature needs to pass legislation closing off these tax strategies and stopping the tax shift to home owners. Pass legislation clarifying that leases are appropriately factored into the valuation of properties and prohibiting assessors from valuing thriving big box stores the same as abandoned buildings in a different market segment.

The City of Lake Mills has passed and sent a Resolution to our representatives and we encourage the County Board to take similar action.

