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City of Milwaukee Testimony on SB 291  
Senate Committee on Revenue, Financial Institutions, and Rural Issues  
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The City of Milwaukee supports SB 291 because it will provide the much-needed clarity that assessors need to accurately assess leased property. The bill will codify the best practice language that currently exists in the Wisconsin Property Assessment Manual.

The Wisconsin Supreme Court based its decision in *Walgreen Company v. City of Madison* on the assumption that Walgreens was paying above-market rents. In reality, there is market segmentation rather than “above” market rent and these retail stores are paying market rent within their segmentation; e.g. pharmacies, fast foods, and most leased properties. The fact these rents are continually paid is proof the market is working and current rents are typical of the market segment.

According to the Wisconsin Property Assessment Manual, Wisconsin assessors are required to rely on actual sales when setting assessments but the Walgreens decision dictates otherwise. As one example, in 2015 a Walgreens in Milwaukee sold for \$4.3 million but is currently assessed at \$2.5 million. In addition, the owner is currently seeking a further reduction to \$1.5 million for what would be a total reduction of 66% below the sale price. Additional sales of similar stores show sale prices ranging from \$4.2 million to \$8.95 million. In these cases the owners are seeking assessments of \$1.3 million to \$2.2 million. Taken together they are seeking an average of 70% reduction in value from their actual sales. These entities are emboldened by the court decision and seek reductions year after year on the same properties.

Occupant	Address	Sale Month	Sale Year	Sale Price	2017 Assessed Value	Owner's 2017 Opinion of Value	% Below Sale Price
Walgreens	6442 N 76 <sup>th</sup>	3	2015	\$ 4,375,000	\$ 2,543,000	\$ 1,500,000	-66%
Walgreens	5201 N 91 <sup>st</sup>	12	2014	\$ 5,696,255	\$ 1,733,000	\$ 1,300,000	-77%
Walgreens	2222 W CAPITOL	12	2016	\$ 4,203,206	\$ 2,443,000	\$ 1,500,000	-64%
Walgreens	2625 W NATIONAL	6	2015	\$ 8,950,000	\$ 2,740,000	\$ 2,200,000	-75%
Walgreens	6030 W OKLAHOMA	12	2014	\$ 6,193,986	\$ 2,329,000	\$ 2,100,000	-66%
Walgreens	4730 S 27 <sup>th</sup>	4	2015	\$ 5,958,507	\$ 2,248,000	\$ 1,900,000	-68%
				<b>\$ 35,376,954</b>	<b>\$ 14,036,000</b>	<b>\$ 10,500,000</b>	<b>-70%</b>

Homeowners pay taxes based on the values derived from actual or comparable sales and do not receive a 70% reduction in their assessments. If homeowners have to pay taxes on the values derived from sale prices, why shouldn't the pharmacies, fast food restaurants and other leased properties also pay taxes based on values derived from their sale prices? It is clear that **the current process is not equitable** as it relates to these leased properties.

The City of Milwaukee has already reduced values for these properties by nearly \$130 million dollars which has resulted in an approximate \$2.5 million annual property tax shift from these property owners to residential and other property owners. Additionally, as the result of settlement agreements, we have had to refund over \$6 million in property taxes to these properties which again is borne by all other property taxpayers.

The lack of clarity between the Supreme Court decision and the Wisconsin Property Assessment Manual as to how to assess these properties causes recurring appeals throughout the state. The owners of most of these properties appeal the assessments every year which further increases the municipality's costs to manage the assessment process.

I encourage you to support SB 291 to remedy the inconsistency between case law and the Wisconsin Property Assessment Manual. These leased properties' values should be based on actual sales to provide equity for all taxpayers.

Thank you for your consideration.

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