

A Building Recovery

For the first time since 2008, most counties in the state have reached a key threshold for new construction rates. In a sign of economic recovery, new state figures show a majority of counties experienced new construction of 1.25% or more in 2018. However, development and property values have not returned to pre-recession levels in the northern parts of the state.

The Great Recession led to a collapse of property values and construction rates across Wisconsin. Since then, many parts of the state have recovered and property values now exceed pre-recession levels in most counties. New data show construction rates recovering as well.

In the March edition of *The Wisconsin Taxpayer*, we examined new construction rates by county and classified those averaging more than 1.25% annual growth to be developing faster than typical. This issue of *Focus* updates that analysis using the latest figures from the state Department of Revenue (DOR). The new figures show for the first time since 2008, most counties in the state have crossed that threshold. The numbers, however, show new construction has yet to return to pre-recession levels in much of northern Wisconsin. The analysis also looks at the latest data on property values and finds a similar trend.

Development on the Rise

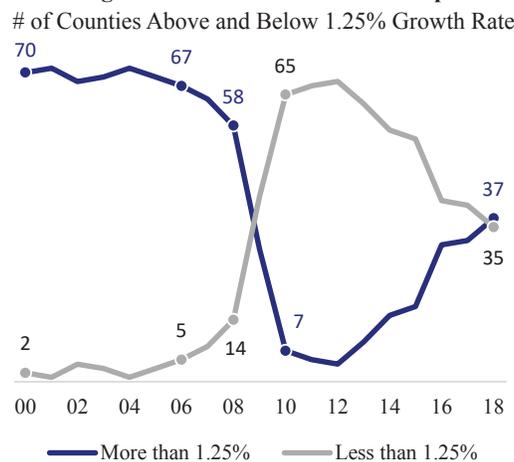
New construction in a community is both a good indicator of economic growth and a key to municipal and county property tax collections. Under state law, with a few exceptions, increases in the local tax levy are limited to the rate of new construction. Without development, municipalities may find it difficult to fund new programs and services or pay for cost increases in existing ones.

Prior to the implementation of state levy limits in 2006, property values from development in the vast majority of the state's 72 counties were increasing at more than 1.25% a year. (See Figure 1.) The number of counties growing more than 1.25% declined slightly from 2006

to 2008, then sharply in the following two years. From 2010 to 2012, only a handful of counties saw that rate of new construction growth.

Since 2012, a growing share of counties have experienced growth of 1.25% or more from new development. In 2018, for the first time since before 2009, the number of counties (37) with 1.25% growth or greater outnumbered those with less than that percentage (35). This is a notable milestone on the lengthy road to recovery, though nearly half of the state's counties have yet to achieve this level of growth.

Fig. 1 New Construction Catches up



Property Values Also Up

DOR calculates equalized assessed values to ensure different municipalities within a larger school district, technical college, or county each pay a fair share of the tax levy. Like new construction, growth in equalized values reflects the economic health of a community as well as the capacity of businesses and homeowners to pay for government services through the property tax.

In 2018, statewide values increased 4.5%, to \$549.5 billion. This increase includes net changes due to properties appreciating and depreciating in value as well as changes from construction and demolition. Again, growth rates varied throughout the state. The DOR data indicate property values increased less than 2% in 18 counties, mostly in the north. Of the 30 counties where equalized values increased at least 4%, 26 were located in western or southern Wisconsin or near the Fox Valley.

Prior to the recession, counties with moderate to high growth in property values were spread throughout Wisconsin. Statewide equalized values peaked in 2008 at \$514.4 billion before dropping to \$467.5 billion in 2013. Following the recession, Wisconsin has seen a 17.6% increase in overall property values, but growth has been more geographically limited to the same areas that have seen the most new construction growth.

From the pre-recession peak in 2008 to the latest figures, total statewide values have increased 6.8%. Here the geographic distribution is similar but even more restricted. Nearly a third of all counties have not yet surpassed their 2008 property values, with the majority of these counties found in the north, along with five counties in central Wisconsin and three in the southeast, including Milwaukee County. (For more on Milwaukee's values, see *Focus* #15.) Meanwhile, values in seven counties in the western, southern, and Fox Valley regions of the state grew by more than 20%. (See Figure 2 on the next page.)

Inconsistent Growth

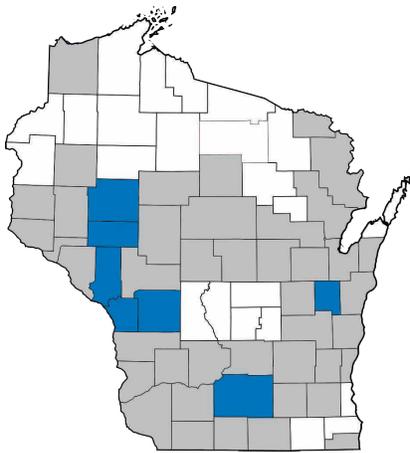
Wisconsin's property values experienced a relatively strong recovery,

but with marked differences by region. As discussed in the March *Wisconsin Taxpayer*, a number of factors may help explain the difference, including industry mix and population growth, the presence of large public employers, proximity to major highways, and infrastructure such as high-speed internet.

For instance, all but two of the counties where the 13 four-year University of Wisconsin campuses are located have grown between 10 to 30%. A stronger correlation to growth is the proximity of major highways, with the largest increases in property values and new construction happening along Interstates and U.S. Highway 151.

Another factor to consider is a county's change in population. Of the 23

Fig. 2: Prop. Value Recovery is Regional
2008-18 Property Value Growth by County



White:<0%, Gray: 0-20%, Blue:+20%

counties that have not yet surpassed their 2008 equalized values, 21 have had a net population loss. Dane County, which has consistently seen some of the strongest growth both in terms of equalized value and new construction, had a 12.5% increase in population, and is home to the state Capitol, the flagship UW-Madison campus, and the I-90/94 junction.

These regional differences demonstrate again the unevenness of Wisconsin's recovery from the Great Recession. For further analysis, stay tuned for our full report on annual trends in property values and taxes. Our report, which will be published in the coming weeks, analyzes statewide patterns with a strong focus on southeastern Wisconsin. □

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Policy notes

■ *Boosted by better than expected growth, the website Airbnb has collected more than three times as much sales tax revenue as expected for the state of Wisconsin.*

The online accommodations site started collecting sales taxes here on July 1, 2017 as part of an agreement reached with the state. The Wisconsin Department of Revenue had expected the deal to bring in \$700,000

over twelve months but instead the site collected \$2.5 million for the state.

■ *The state is also receiving \$46.9 million more than projected in federal money for roads and infrastructure this year.*

The state expected to get \$43.9 million from the Federal Highway Administration through a program known as redistribution. The Milwaukee Journal

Sentinel reports the state has been told it will receive \$90.8 million.

■ *Taxpayers received \$94.2 million through a \$100 per child sales tax rebate, the governor announced. That was \$28 million less than expected.*

Nearly 558,000 families filed for the rebate earlier this summer for more than 942,300 children. The one-time rebate was approved by lawmakers and signed by the governor in April.