

Approved February 18, 1991
Date

MINUTES OF THE House COMMITTEE ON Taxation

The meeting was called to order by Joan Wagnon at
Chairperson

9:10 a.m./~~p.m.~~ on Thursday, February 7, 1991 in room 519-S of the Capitol.

All members were present except:
Rep. Ken Grotewiel, excused

Committee staff present:
Tom Severn, Legislative Research
Chris Courtwright, Legislative Research
Don Hayward, Revisor; Bill Edds, Revisor
Doug Johnston
Linda Frey, Committee Secretary
Conferees appearing before the committee:

Chairman Wagnon called the committee to order at 9:10 a.m. for hearings on HCR 5006 and HCR 5007.

Terry Humphrey, Executive Director of the Kansas Manufactured Housing Assn., testified against raising the assessment rate on manufactured/mobile home communities from 12% to 20% (attachment 1).

Rod Taylor, President of South Village, Inc., testified against changing the classification of manufactured/mobile home communities to above 12% (attachment 2).

Pam Hower, a mobile home dweller, testified against changing the classification of manufactured/mobile home communities to above 12% (attachment 3).

Humphrey and Taylor said that in 1986 mobile home real property was not specifically identified in the classification amendment and therefore the Public Valuation Department went through a unnecessarily long process to determine how to deal with mobile home real property. They suggested the bills under discussion no more clearly define the property. SCR 1648 did contain a clarification (attachment 4) they were told by P.V.D. There was further discussion on assessments of nonresidential property within mobile home parks such as offices, private roads and "green space."

The chair requested further information from the Department of Revenue, House Tax Committee staff and P.V.D. on assessment of nonresidential property within mobile home parks. Rep. Adam and Rep. Vancrum were scheduled to testify about classification of

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation,
room 519-S, Statehouse, at 9:10 a.m./~~p.m.~~ on Thursday, February 7, 1991

manufactured/mobile home communities on Tuesday, February 12, 1991.

Ben Spano, member of Olathe Masonic Lodge, spoke against lodge halls of nonprofit fraternal organizations, which have 501(C)10 status, being assessed at a 30% level (attachment 5).

Jack Brand, representing the Lawrence Apartment Assn., spoke against changing the classification on multifamily residential real property to 15% (attachment 6). Brand stated his belief that the state-wide assessment process would work out the too high and too low assessments over about 5 years.

S. Lucky DeFries, representing the Kansas Apartment Legislative Committee, spoke against changing the classification on multifamily residential real property to 15% (attachment 7).

Mary Ellen Conlee, representing the Kansas Assn. for Small Business, testified against returning inventories to the tax rolls and the 15-year straight line depreciation schedule designed to increase the taxable value of machinery and equipment (attachment 8). Rep. Vancrum stated that the 15-year straight line depreciation schedule would not effect items such as copiers, computers and phone systems that currently have a less than 15-year depreciation schedule. Only items that have a more than 15 year schedule would be effected.

Due to time constraints, further testimony was deferred until Tuesday, February 12, 1991.

Written testimony was accepted from the following conferees that were not rescheduled to testify on Tuesday, February 12, 1991.

Janet Stubbs, Executive Director of the Home Builders Assn. of Kansas (attachment 9)

B.J. Beaudoin, Vice President-Finance & Chief Financial Officer for Kansas City Power & Light Company (attachment 10)

Dan Carlson, Chairman of the Board, Kansas Independent Automobile Dealers Assn. (attachment 11)

Kevin L. Allen, Executive Vice-President, and Pam Somerville-Taylor, Governmental Affairs Director of The Kansas Motor Car Dealers Assn. (attachment 12)

Jerry Quick, Manager, Legislation, Peoples Natural Gas (attachment 13)

The committee adjourned at 10:28 a.m.

GUEST LIST

COMMITTEE: _____

Separation

DATE: _____

2/7/91

| NAME (PLEASE PRINT) | ADDRESS | COMPANY/ORGANIZATION |
|-------------------------|---------------|--------------------------------|
| JOHN W. BRAND JR. | LAWRENCE | LAWRENCE APT. ASSOC. |
| Bob Ann | Lawrence | " " " |
| <i>Lucia M. Sidi</i> | <i>Topeka</i> | <i>observer</i> |
| HAROLD PITTS | TOPEKA | AARP-CETF |
| Roger D Kirkwood | Topeka | AARP |
| Sharon Hanson | Topeka | KOMA |
| Lee Libes | Topeka | KLA |
| Whitney Danner | Topeka | McGill's Associates |
| Loon Powers | Topeka | MCI (Morris, Lang) |
| Doug Bach | Kansas City | City of KCK |
| Carl Doughty | Columbus | Empire District Electric |
| Mitch | Topeka | JLB |
| Bee Suller | Manhattan | Kansas Farm Bureau |
| Judy Cron | Topeka | Am Inst of Architect. |
| George Barber | Topeka | Ks Consulting Engne |
| Pam Somerville-Jaylor | TOPEKA | KUCDA |
| Janet Stubbbs | Topeka | HBAK |
| Denny Leonard | Topeka | KG&E |
| W. J. Dennis | MERIDEN | EFFT |
| TREVA POTTER | TOPEKA | PEOPLES NAT. GAS |
| KAREN FRANCE | TOPEKA | KAR |
| Kristy Rosciely | Topeka | Governor's Leg. Affairs Office |
| Janet Taylor | Topeka | KMHA |
| Pam Hower | Topeka | Citizen |
| KEVIN ROBERTSON | TOPEKA | Ks Lodging Assn. |

GUEST LIST

COMMITTEE: _____

Separation

DATE: _____

2/7/91

| NAME (PLEASE PRINT) | ADDRESS | COMPANY/ORGANIZATION |
|-------------------------|----------------------|------------------------------------|
| <i>Art Brown</i> | <i>K.C. mo.</i> | <i>KS. Car Dealers Assn</i> |
| <i>Cindy Gupin</i> | <i>Topeka</i> | <i>Budget Division</i> |
| <i>Jim Ludwice</i> | <i>"</i> | <i>KPL</i> |
| <i>Warren Walker</i> | <i>Manhattan</i> | <i>Ks Farm Bureau</i> |
| <i>LISA GETZ</i> | <i>WICHITA</i> | <i>Ks Asso. for Small Business</i> |
| <i>Tom Whitaker</i> | <i>Topeka</i> | <i>Ks Motor Carriers Assn</i> |
| <i>Red Taylor</i> | <i>Topeka</i> | <i>South Village</i> |
| <i>Frank Thacker</i> | <i>TOPEKA</i> | <i>MOBILE HOME OWNER</i> |
| <i>Jacque Dakes</i> | <i>Topeka</i> | <i>Ks. Ind. Auto Dealers Assn.</i> |
| <i>Dan Carlson</i> | <i>Topeka</i> | <i>KS Ind Auto Dealer Assoc</i> |
| <i>Dan Haas</i> | <i>Overland Park</i> | <i>KCPH</i> |
| <i>GERRY RAY</i> | <i>Olathe</i> | <i>Johnson Co Commission</i> |
| <i>Bernie Koch</i> | <i>Wichita</i> | <i>Wichita Area Chamber</i> |
| <i>Steve Jones</i> | <i>Wichita</i> | <i>Boeing</i> |
| <i>Lucky DeFries</i> | <i>Topeka</i> | <i>Kan. Agt. Leg. Comm</i> |
| <i>AUSTIN NOTHERN</i> | <i>TOPEKA</i> | <i>MARTIN TRACTOR Company</i> |
| <i>ARMIN SAMUELSON</i> | <i>HESSON</i> | <i>SELF</i> |
| <i>Carol Reason</i> | <i>Topeka</i> | <i>KPL</i> |
| <i>JANICE MARCUM</i> | <i>TOPEKA</i> | <i>DOR</i> |
| <i>Kirby L. Stegman</i> | <i>Topeka</i> | <i>DOR</i> |
| <i>Rich Blaine</i> | <i>Wichita</i> | <i>Parkville East</i> |
| <i>Robert Anderson</i> | <i>Ottawa</i> | <i>Mid Cont Oil Co</i> |
| <i>BEN SPANO</i> | <i>OLATHE</i> | <i>MASONIC LODGE #19</i> |

KANSAS MANUFACTURED HOUSING ASSOCIATION

TESTIMONY BEFORE THE
HOUSE OF REPRESENTATIVES
COMMITTEE ON TAXATION

TO: Representative Joan Wagnon, Chairperson and
Members of the Committee

FROM: Terry Humphrey, Executive Director

DATE: February 5, 1991

RE: HCR 5006 an HCR 5007

Madam Chair and members of the committee, I am Terry Humphrey, Executive Director of the Kansas Manufactured Housing Association and I appreciate the opportunity to comment on HCR 5006 an HCR 5007.

The Kansas Manufactured Housing Association represents all facets of the manufactured Housing industry and our associate members the Recreational Vehicle Council.

First I will address the provisions in both bills that affect manufactured housing rental communities in Kansas. Specifically, we oppose the subcommittee's recommendation to raise the assessment rate on manufactured/mobile home communities from 12% to 20%. Under the current provisions of classification, the manufactured housing rental community is taxed as residential property at 12% and I am attaching a memorandum from Terry Hamblin, Director of Property Valuation, January 5, 1989.

Through the years there has been some confusion about how manufactured home parks are assessed because they were not specifically mentioned in the Classification Amendment in 1986. However, at the time the amendment was considered we believed that manufactured home/mobile home rental communities fit into the 12% category like residential property.

Last year when new Constitutional Amendments were being considered, manufactured/mobile home communities were clearly referred to as "residential" and that was done in SCR 1648 and HCR 5052 (attached is SCR 1648).

However, in reading HCR 5006 and HCR 5007 it is once again unclear as to how these communities will be assessed. Moreover, if these communities are assessed under provision (7) "real property used for commercial and industrial purposes" then manufactured home communities will receive a 66.67% increase in property taxes.

HOUSE TAXATION
Attachment #1
02/07/91

Typically manufactured housing serves the low to moderate income families who want to own their own home. Manufactured home owners have their homes in a rental community where they lease the land, out of choice or by necessity because single site placement is unavailable due to discriminatory land use policies on the local level. For these people there are few choices and it is difficult to deal with rent increases. Specifically, it is a major expenses to move their home and there is limited site availability. Likewise, these people are tied to their location because of schools, shopping, and their proximity to work just like any other homeowner.

In recent years, local, state and federal governments have become aware of the affordable housing crises. Recently, Congress passed the National Affordable Housing Act which will require state and local housing strategies to be adopted before federal funds are available for housing programs. One requirement of the Federal Act is that housing strategies consider how public policy including tax policy effect affordable housing.

To say the least a 66.67% increase in property taxes will negatively affect affordable housing. It is my understanding that the recommendation to increase manufactured/mobile home communities from 12% to 20% may have been influenced by the assessment issues on multi-family housing. Apparently, as a result of the 1986 Classification Amendment some multi-family housing received tax breaks at least in Sedgwick and Johnson Counties. However, after polling our manufactured/mobile home community owners, I found that a substantial number of these communities already experienced a significant property tax increase anywhere from 20% to 400%. I have attached the results of my poll.

In summary, KMHA respectfully requests that you treat manufactured homeowners and the property upon which their home sits as other single family homeowners. For these people affordable housing is a necessity.

Next, I would like to address the portion of HCR 5007 that reinstates the inventory tax. Both the manufactured housing industry and the R.V. Council oppose the reinstatement of the inventory tax. Our association still believes that Kansas has a lot of work to do in the area of economic development and that reinstatement of this tax could inhibit that progress. Thank you for your attention to these matters.

February 7, 1991

RE: HRC 5006 & HRC 5007

Madam Chair and Members of the Taxation Committee:

Good morning, I am Frank Thatcher a resident of South Village Mobile Home Park. I am a native Kansan, born, raised and educated in Topeka with further education at Kansas State and Washburn.

I represent my wife, myself and other residents who are retired, as we are, on modest, for the most part fixed incomes. We have all experienced increased personal property taxes on our homes and now face the prospect of significant rent increases for our home spaces, due to the proposed classification changes for mobile home parks from the present 12% to 20% --- an increase of two thirds.

We selected our mobile home because it was affordable, comfortable, efficient and easy for us to maintain. We are homeowners in every sense; except, we rent instead of own the land our home rests on. Most Kansas cities, towns and even many counties, through zoning, preclude mobile homes from all but designated areas -- usually mobile home parks.

At South Village every tenant is a homeowner of a single family dwelling. If it were possible, some would purchase individual residential lots and locate their home there. If that were the case, that land would be classified at the 12% rate and taxed accordingly as single residence property.

It appears that for some reason, mobile home lots are being targeted for discriminatory classification. Mobile homes are single family dwellings and the land they sit on should be classified and taxed as just that.

Part of the rental paid is specifically for the proportionate share of the taxes assessed for the lot site, access streets, common area and facilities of the park. It is apportioned on the basis of single unit dwellings.

Any increase of taxes, or any other overhead item, is of necessity, logically passed on to each tenant as a rent increase.

Last November we voters expressed our concern over property taxes and asked the legislature to correct the inequitable classification system that was a major cause of the problem.

Representing tenants of mobile home parks I ask you to amend the sections of the bills in question to return mobile home parks to their rightful and traditional single resident status.

Failing this; we ask that you reject the inequities of the proposed bills and support mobile homeowners with a vote of No.

Thank you for your consideration.

Attachment 1-3



MOBILE HOME PARK • SALES & SERVICE

4637 SOUTH VILLAGE PARKWAY
TOPEKA, KANSAS 66609

(913) 862-2131

February 7, 1991

Re: HRC 5006 & HRC 5007

Chairwoman Joan Wagnon and members of the House Taxation Committee:

My name is Rod Taylor. As president of South Village, Inc., I am here today to tell you how the 20% classification of manufactured home communities will adversely affect South Village, the homeowners of South Village and most other like communities in Kansas. The following chart shows how reappraisal has affected us so far.

| Year | 1988 | 1989 | 1990 | Presently 1991 @ 12% | Proposed 1991 @ 20% |
|---------------|----------|----------|----------|-------------------------|------------------------|
| Tax Dollars | \$17,834 | \$31,990 | \$33,663 | \$52,418 | \$87,363 |
| % of Increase | | 79.4% | 88.8% | 193.9% | 389.9% |

Now we come to 1991. If you change the classification of communities like ours to 20%, South Village taxes will be \$87,363 for 1991. This is 390% in 3 years, a \$69,529 increase divided among our 332 tenants, or \$17.45 per month per tenant, \$209.40 a year. This kind of increase must be passed through. Community owners can not absorb such massive increases.

Our tenants are the very people who can least afford this. Many manufactured home owners are single parents, lower income families, or retirees. Many do not have the income to afford the conventional housing that will remain at a lower rate. Should you reduce the manufactured homeowners' residence to 11% or give them a \$5,000 dollar exemption on their residence, these home owners will still have an overall increase in tax liability due to the 20% classification of the property.

Ladies and gentlemen, these are the same people who sent you a mandate requesting lower taxes. These people are homeowners like yourselves. They live in single family dwellings that they own. Why should they pay taxes at a 20% classification rate on the property where their homes are placed when higher income homeowners pay at the 12% rate or less? In addition, manufactured housing offers home ownership to many families unable to afford land to place their homes on. They have either been priced out, or zoned out, of the privilege of owning their own property. Is it your wish to add an additional tax burden to these people?

If this proposed classification should pass, these people will be faced with another rent increase. When rent is raised, people leave manufactured home communities, or manufactured housing altogether, at a rate of 6% per rent increase. I say that is the responsibility of all of us here today to maintain affordable housing for these people. Let's not tax them back to rental housing.

HOUSE TAXATION
Attachment #2
02/07/91

SOUTH VILLAGE, INC.

I have included a small list of manufactured home communities and their reappraisal effects. We are compiling a more thorough list but won't have it completed until owners have had time to respond to us. As you can see from this list, the average increase was 184%. Please remember that this increase is being paid by the same homeowners who sent you a mandate requesting property tax relief.

South Village and other like communities are not alone in this dilemma. The 20% classification will also have a far reaching and disastrous effect on the entire manufactured housing industry in Kansas. I ask for your support of a viable Kansas industry and the citizens it serves by voting no on this issue.

Thank you for your time in allowing me to appear before you today.



MOBILE HOME PARK • SALES & SERVICE

4637 SOUTH VILLAGE PARKWAY
TOPEKA, KANSAS 66609

(913) 862-2131

SOUTH VILLAGE, INC.

I AM A HOME

I am a home in Topeka, Kansas.
I am what is called a single family dwelling.
I provide warm shelter for my owners.
I look like a lot of the other homes in my neighborhood.
In fact, I look like a lot of the homes all across town.

But my owners don't own the land we live on, they rent it.
In Topeka, and most Kansas Cities, it's the only property
available to us.
Instead of paying our property taxes with our house payment, we
pay them with our rent.

The legislature is considering reclassifying my real estate at 20%.
Across town, my friend's property is taxed at 12%.
We both are single family dwellings.
We both provide warm shelter for our families.
We both are located in neighborhoods.
Why is there a difference?

You see, I am a manufactured home.
My neighborhood is called a manufactured home community.

**Please vote for equality in residential housing.
Keep manufactured home communities classified as residential property.**

Kansas Manufactured Housing Association
Property Tax Poll

| M.H. Rental Communities | Sites | Tenants | Avg Rent | Tax '88 | Value '88 | Tax '89 | Value '89 | Tax '90 | Value '90 | % of \$ Change |
|--------------------------------|-------|---------|----------|-------------|--------------|-------------|--------------|-----------|--------------|----------------|
| Colonial - Wichita | | | | \$15,794.53 | \$101,460.00 | \$61,965.24 | \$505,422.00 | | | 292.32% |
| Conestogo - Edwardsville | | | | 8,337.47 | 52,170.00 | 40,746.06 | 330,640.00 | | | 388.71% |
| Conestogo - Edwardsville | | | | 8,383.82 | 16,630.00 | 23,581.22 | 131,090.00 | | | 181.27% |
| Countryside - Manhattan | | | | 6,323.00 | 235,475.00 | 10,408.00 | 789,500.00 | | | 64.61% |
| Liberal Mobile Home Park | | | | 689.22 | 5,450.00 | 1,986.82 | 15,612.00 | | | 188.27% |
| Lakeshore - Wichita | | | | 5,676.41 | 37,640.00 | 15,410.82 | 124,884.00 | | | 171.49% |
| Lamplighter - Wichita | | | | 13,765.30 | 11,650.00 | 16,879.66 | 46,740.00 | | | 22.62% |
| Mobile Manor - 2206 - Wichita | | | | 5,195.00 | 115,710.00 | 18,092.00 | 1,229,800.00 | | | 248.26% |
| Mobile Manor - 2014 - Wichita | | | | 1,864.00 | 41,520.00 | 5,440.00 | 369,800.00 | | | 191.85% |
| Mobile Manor - 3850 - Wichita | | | | 2,790.00 | 62,130.00 | 12,859.00 | 874,000.00 | | | 360.90% |
| River Oaks - Wichita | | | | 27,739.74 | 33,650.00 | 134,569.40 | 35,640.00 | | | 385.11% |
| Santa Barbara - Olathe | | | | 67,344.63 | 111,980.00 | 91,856.44 | 368,670.00 | | | 36.40% |
| Sherwood Acres - Wichita | | | | 3,375.17 | 10,290.00 | 5,158.11 | 41,472.00 | | | 52.83% |
| Silver Spur - 1915 - Wichita | 300 | 276 | 111 | 9,657.42 | 215,067.00 | 22,553.68 | 1,533,000.00 | 23,980.11 | 1,533,000.00 | 133.54% |
| Silver Spur - 3825 - Wichita | 94 | 86 | 111 | 3,379.61 | 74,700.00 | 7,137.51 | 482,000.00 | 7,593.87 | 482,000.00 | 111.19% |
| Silver Spur - 3825 O - Wichita | | | | 1,316.55 | 8,730.00 | 3,435.48 | 27,840.00 | | | 160.95% |
| Silver Spur - Goddard | | | | 1,109.06 | | 3,821.87 | 33,336.00 | | | 244.60% |
| South Village Inc - Topeka | 358 | 332 | 147 | 17,834.66 | | 31,990.71 | 1,718,000.00 | 33,663.25 | 1,718,000.00 | 79.37% |
| Gaslight Village - Liberal | 99 | 89 | 92 | | | 2330.44 | 152600 | 2,355.54 | 152600 | |
| 4-U M/H Park - Liberal | 71 | 56 | 92 | 869.22 | 18166 | 1986.82 | 130100 | 2,000.26 | 130,100.00 | 128.58% |
| Countryside Estates #1 - Manha | 159 | 154 | 100 | 3,549.00 | 75,867.00 | 4,902.70 | 311,100.00 | 5,191.79 | 310,983.00 | 38.14% |
| Woodmoor M/H Park - Leavenwort | 106 | 97 | 150 | 3,031.08 | 59,667.00 | 10,294.40 | 646,900.00 | 10,377.38 | 647,030.00 | 239.63% |
| Tally Ho - Salina | | | | 3,226.02 | 66,333.00 | 7,463.10 | 706,700.00 | 5,603.90 | 233,960.00 | 131.34% |
| Sunyside M/H Park - Liberal | 98 | 89 | 72.5 | 1,263.00 | 126,314.00 | 2,400.00 | 240,067.00 | 2,416.00 | 241,620.00 | 90.02% |
| Linwood Acres - Wichita | 25 | | 115 | 684.04 | 15,233.00 | 1,884.62 | 128,100.00 | 1,998.87 | 128,100.00 | 175.51% |
| Cottonwood Court - Abilene | 34 | 21 | 65 | 607.80 | 14,330.00 | 790.80 | 53,400.00 | 825.60 | 53,400.00 | 30.11% |
| Riverside M/H Park - Wichita | 310 | 289 | 125 | 9,721.08 | 214,880.00 | 31,086.69 | 2,099,300.00 | 33,074.30 | 2,099,300.00 | 219.79% |
| | | | | | | | | Average = | | 167.98% |

February 7, 1991

Members of the House Taxation Committee:

I am Pam Hower and I am here to speak to the provision in House Concurrent Resolutions 5006 and 5007 that would increase the appraisal classification of manufactured home communities to 20%.

I am a single parent of 2 children. I am the wage earner for my family. I have been employed for 17 years for the same employer. My children and I live in a single family dwelling manufactured home. I am a home owner. I have lived in a manufactured home for eleven years because it is affordable housing for me. Not only do I pay a monthly house payment each month, I also pay a monthly rent payment for the lot my home is sitting on. If taxes are raised to 20% on manufactured home communities, that increase would be transferred to me through my lot rent. Manufactured housing would no longer be affordable housing for me and my children. I would be forced to sell my home and seek housing from another source. The only other source available to me that would be affordable would be an apartment. I would no longer be a home owner.

My manufactured home community provides me and my children a nice safe neighborhood to live in. The community provides areas for the children to play and ride bikes which apartment living would not be able to provide. I urge you to keep taxes at an affordable level - do not punish the single parent or individual on a fixed income that has seeked manufactured housing as affordable housing. When you raise taxes, you punish the home owner - which is me. I am the one who pays the taxes through my monthly lot rent, not the owner of the manufactured housing community. Don't punish me and my children. Don't force us out of our home.

Thank you for allowing me to appear before you today.

Pam Hower
212 S.E. 46th Street
Topeka, Kansas 66609

HOUSE TAXATION
Attachment #3
02/07/91

1 of this subsection ~~(b)~~ shall not be applicable to the taxation of motor
 2 vehicles, except as otherwise hereinafter specifically provided, min-
 3 eral products, money, mortgages, notes and other evidence of debt
 4 and grain. Property shall be classified into the following classes for
 5 the purpose of assessment and assessed at the percentage of value
 6 prescribed therefor:

7 Class 1 shall consist of real property. Real property shall be further
 8 classified into ~~four~~ ~~eight~~ ~~[nine]~~ subclasses. Such property shall be
 9 defined by law for the purpose of subclassification and assessed uni-
 10 formly as to subclass at the following percentages of value:

| | | |
|----|--|-----------------------|
| 11 | (A) (1) Real property used for residential purposes including | |
| 12 | multi-family residential real property <i>comprised of not more</i> | |
| 13 | <i>than four residential units one of which is owner occupied</i> | |
| 14 | <i>[and real property upon which mobile homes used for resi-</i> | |
| 15 | <i>dential purposes are located]</i> | 12% [11½%] |
| 16 | (2) Multi-family residential real property not included in paragraph | |
| 17 | (1) | 15% |
| 18 | (B) (3) Land devoted to agricultural use which shall be valued | |
| 19 | upon the basis of its agricultural income or agricultural pro- | |
| 20 | ductivity pursuant to section 12 of article 11 of the | |
| 21 | constitution | 30% |
| 22 | <i>[(4) Land devoted to open space which shall be defined by</i> | |
| 23 | <i>law and which shall be valued upon the basis consistent with</i> | |
| 24 | <i>its restrictions and use. The legislature may, if land devoted</i> | |
| 25 | <i>to open space changes from such use, provide for the recoup-</i> | |
| 26 | <i>ment of a part or all of the difference between the amount of</i> | |
| 27 | <i>the ad valorem taxes levied upon such land during a part or</i> | |
| 28 | <i>all of the period in which it was valued in accordance with the</i> | |
| 29 | <i>provisions of this subclassification and the amount of ad va-</i> | |
| 30 | <i>lorem taxes which would have been levied upon such land</i> | |
| 31 | <i>during such period had it not been devoted to open space and</i> | |
| 32 | <i>had it been valued, assessed and taxed as all other urban and</i> | |
| 33 | <i>rural real property not otherwise specifically subclassified</i> | 30%] |
| 34 | (C) (4) [(5)] Vacant lots | 12% |
| 35 | (5) [(6)] Real property used for commercial and industrial purposes | |
| 36 | and buildings and other improvements located upon land de- | |
| 37 | voted to agricultural use which shall be assessed, to the extent | |
| 38 | of \$50,000 of its appraised valuation, at the rate of 20%, and | |
| 39 | to the extent of its appraised valuation exceeding \$50,000, at | |
| 40 | the rate of 25%. | |



KANSAS DEPARTMENT OF REVENUE

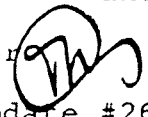
Division of Property Valuation

Robert B. Docking State Office Building
Topeka, Kansas 66612-1585

Phone (913) 296-2365

MEMORANDUM

TO: County Appraisers, Commissioners, Clerks, Treasurers
and Registers of Deeds

FROM: Terry D. Hamblin, Director 

DATE: January 5, 1989

SUBJECT: Director's Reappraisal Update #26

REAPPRAISAL MILESTONES

Following is a revised list of the final, important reappraisal milestones, or dates when we expect certain phases of the project to be complete. Please notice that this listing makes clear the fact that we do not consider the "real" milestone to be January 1st. Instead, it assumes simply that counties will mail their change of value notices by March 1st. If you have any questions about the list, please discuss them with your district appraiser.

- 3/1/89 * All Final Value/All CVN Mailed - Complete
For All Counties
- PVD Certification of Completion - Complete
- * Notice to Property Owners - Complete. K.S.A. 1987
Supp. 79-1460 under H.B. 2702.
- 4/1/89 * Informal Hearings - Complete. K.S.A. 1987 Supp. 79-
1448 under H.B. 2702.
- 4/15/89 Post Values to AA/Value Certification to County Clerk
- 5/15/89 Hearing Panels - Complete. K.S.A. 1987 Supp. 79-1602
under H.B. 2702.
- 6/15/89 County BOE - Complete. K.S.A. 1987 Supp. 79-1602 under
H.B. 2702.
- 7/1/89 County Assessed Value Abstracts to PVD Director
- 11/15/89 County Updated Assessed Value and Tax Abstracts to PVD
Director
- 12/1/89 Informal Hearings for 1989 Tax Bills Paid Under
Protest. K.S.A. 1987 Supp. 79-2005 under H.B. 2702.

Attachment 4-2

Phone (913)296-2365

MOBILE HOME PARKS

" We have received many classification questions about mobile home parks. Real property used for residential purposes, including multi-family real property, should be subclassed as R (residential) and assessed at 12% of market value. Mobile home parks meet this definition and should therefore be considered residential property. Like apartment complexes, however, the income approach may be used for the purpose of valuation."

APPRAISAL OF SUBDIVISION DEVELOPMENTS

We have received several inquiries and requests for clarification of subdivision development appraisal procedures. Although mapping specifications call for the creation of individual parcels when a subdivision plat is filed, the appraisal should actually reflect the aggregate value of the development.

The appraiser must consider the rate at which a project will be completed and the number of vacant lots expected to be sold in the local market each year. This absorption period for typical subdivisions covers several years. To account for the impact of this projection on value, a factor reflecting the discount rate should be estimated by ascertaining the appropriate risk rate in the marketplace. This factor is then applied to the expected net proceeds from lot sales over the completion/absorption period to arrive at the present value of the land. When a newly-platted subdivision has been mapped, an influence factor can be applied to each lot or a unique neighborhood CALP model can be developed to accomplish this adjustment. If, however, the subdivision is in agricultural use, then use value takes precedence for appraisal purposes.

KIOGA

The Kansas Independent Oil & Gas Association, in conjunction with our office, will hold an oil and gas appraisal guide conference in Wichita on January 25th. A similar session was held with great success last year, and this year's conference will likely be of great interest as well. I would encourage anyone interested in oil and gas appraisal to attend. Enclosed to appraisers are complete details on the agenda and registration.

IMPORTANT DATES

| | | |
|-----------|----------------------------|--------------|
| Jan 16 | Martin Luther King Holiday | |
| Jan 18-20 | KAC County Officers School | Topeka |
| Jan 23-24 | Seminar for Non-Appraisers | Manhattan |
| Jan 26-27 | Hearings & Appeals Process | Independence |
| Jan 30-31 | Hearings & Appeals Process | Topeka |
| Feb 2-3 | Hearings & Appeals Process | Dodge City |
| Feb 9-10 | Hearings & Appeals Process | Hays |
| Mar 23-24 | Hearings & Appeals Process | Topeka |
| Apr 13-14 | Hearings & Appeals Process | Topeka |

Kansas Manufactured Housing Association
Property Tax Poll

| M.H. Rental Communities | Sites | Tenants | Avg Rent | Tax '88 | Value '88 | Tax '89 | Value '89 | Tax '90 | Value '90 | % of \$ Change |
|--------------------------------|-------|---------|----------|-------------|--------------|-------------|--------------|-----------|--------------|----------------|
| Colonial - Wichita | | | | \$15,794.53 | \$101,460.00 | \$61,965.24 | \$505,422.00 | | | 292.32% |
| Conestogo - Edwardsville | | | | 8,337.47 | 52,170.00 | 40,746.06 | 330,640.00 | | | 388.71% |
| Conestogo - Edwardsville | | | | 8,383.82 | 16,630.00 | 23,581.22 | 131,090.00 | | | 181.27% |
| Countryside - Manhattan | | | | 6,323.00 | 235,475.00 | 10,408.00 | 789,500.00 | | | 64.61% |
| Liberal Mobile Home Park | | | | 689.22 | 5,450.00 | 1,986.82 | 15,612.00 | | | 188.27% |
| Lakeshore - Wichita | | | | 5,676.41 | 37,640.00 | 15,410.82 | 124,884.00 | | | 171.49% |
| Lamplighter - Wichita | | | | 13,765.30 | 11,650.00 | 16,879.66 | 46,740.00 | | | 22.62% |
| Mobile Manor - 2206 - Wichita | | | | 5,195.00 | 115,710.00 | 18,092.00 | 1,229,800.00 | | | 248.26% |
| Mobile Manor - 2014 - Wichita | | | | 1,864.00 | 41,520.00 | 5,440.00 | 369,800.00 | | | 191.85% |
| Mobile Manor - 3850 - Wichita | | | | 2,790.00 | 62,130.00 | 12,859.00 | 874,000.00 | | | 360.90% |
| River Oaks - Wichita | | | | 27,739.74 | 33,650.00 | 134,569.40 | 35,640.00 | | | 385.11% |
| Santa Barbara - Olathe | | | | 67,344.63 | 111,980.00 | 91,856.44 | 368,670.00 | | | 36.40% |
| Sherwood Acres - Wichita | | | | 3,375.17 | 10,290.00 | 5,158.11 | 41,472.00 | | | 52.83% |
| Silver Spur - 1915 - Wichita | 300 | 276 | 111 | 9,657.42 | 215,067.00 | 22,553.68 | 1,533,000.00 | 23,980.11 | 1,533,000.00 | 133.54% |
| Silver Spur - 3825 - Wichita | 94 | 86 | 111 | 3,379.61 | 74,700.00 | 7,137.51 | 482,000.00 | 7,593.87 | 482,000.00 | 111.19% |
| Silver Spur - 3825 O - Wichita | | | | 1,316.55 | 8,730.00 | 3,435.48 | 27,840.00 | | | 160.95% |
| Silver Spur - Goddard | | | | 1,109.06 | | 3,821.87 | 33,336.00 | | | 244.60% |
| South Village Inc - Topeka | 358 | 332 | 147 | 17,834.66 | | 31,990.71 | 1,718,000.00 | 33,663.25 | 1,718,000.00 | 79.37% |
| Gaslight Village - Liberal | 99 | 89 | 92 | | | 2330.44 | 152600 | 2,355.54 | 152600 | |
| 4-U M/H Park - Liberal | 71 | 56 | 92 | 869.22 | 18166 | 1986.82 | 130100 | 2,000.26 | 130,100.00 | 128.58% |
| Countryside Estates #1 - Manha | 159 | 154 | 100 | 3,549.00 | 75,867.00 | 4,902.70 | 311,100.00 | 5,191.79 | 310,983.00 | 38.14% |
| Woodmoor M/H Park - Leavenwort | 106 | 97 | 150 | 3,031.08 | 59,667.00 | 10,294.40 | 646,900.00 | 10,377.38 | 647,030.00 | 239.63% |
| Tally Ho - Salina | | | | 3,226.02 | 66,333.00 | 7,463.10 | 706,700.00 | 5,603.90 | 233,960.00 | 131.34% |
| Sunyside M/H Park - Liberal | 98 | 89 | 72.5 | 1,263.00 | 126,314.00 | 2,400.00 | 240,067.00 | 2,416.00 | 241,620.00 | 90.02% |
| Linwood Acres - Wichita | 25 | | 115 | 684.04 | 15,233.00 | 1,884.62 | 128,100.00 | 1,998.87 | 128,100.00 | 175.51% |
| Cottonwood Court - Abilene | 34 | 21 | 65 | 607.80 | 14,330.00 | 790.80 | 53,400.00 | 825.60 | 53,400.00 | 30.11% |
| Riverside M/H Park - Wichita | 310 | 289 | 125 | 9,721.08 | 214,880.00 | 31,086.69 | 2,099,300.00 | 33,074.30 | 2,099,300.00 | 219.79% |
| | | | | | | | | Average = | | 167.98% |

Ladies and Gentlemen:

I am appearing before you on behalf of Olathe Lodge No. 19 AF&AM. While the tax problems of our Lodge are, to a certain extent, somewhat more dramatic than those of other lodges or other fraternal and benevolent organizations, the fundamental underlying problem is both widespread and severe. Under a series of decisions by the Kansas Supreme Court, neither our organization nor these other organizations qualify for exemption from taxation under the current language of Article XI, Section 1, of the Kansas Constitution and/or K.S.A. 79-201. Because real estate under the present constitutional provision contains only four classifications, three of which are very specific the fourth one taking into account all other real property, lodge halls have been determined by the taxing authorities to be within Class D and assessed at 30% of value. Our particular lodge hall is situated under a special use permit in residential zoning. It does not appear possible to change the zoning and sell the building to someone who could remodel it for an office or commercial use. It is being assessed as if it were an office or for commercial use, even though it has no current prospective use for these and, hence, no income stream with which to pay the taxes. Our Lodge is in serious danger of losing the property for taxes, as I am sure are many other Masonic lodges and other fraternal organizations such the Odd Fellows, Elks, Moose, Eagles and Knights of Columbus.

Unless there is a separate classification for the real estate of these organizations established by a constitutional amendment and, in fact, until such takes place we foresee a substantial loss of these organizations throughout the state unless a legislative exemption is granted. The Kansas Supreme Court has, on a number of occasions as recently as 1970 and 1971 in Trustees of the United Method Church vs. Cogswell, 205 Kan. 847 and Board of Park Commissioners v. Board of county Commissioners, 206 Kan. 438, stated that the Legislature can grant additional exemptions from property taxation. We believe that our organization and those similarly situated fulfill public purposes and we believe advance the public welfare.

Speaking of our own organizations, we provide to our membership moral, benevolent and charitable education and services, and through our membership we believe that we benefit society in the state of Kansas generally. I would expect that you hear similar statements from other organizations effected. I would point out that veterans organizations have had their real estate specifically exempted from ad valorem taxation and under K.S.A. 79-201 eighth H we believe that a similar specific exemption or a broadened exemption wherein the real estate and personal property of Masonic Lodges and similar organizations would be exempt unless, and then only to the extent that the property was "leased, loaned or otherwise made available in a trade business or commercial enterprise" [language taken from prior enactments of the Legislature which had met Kansas Supreme Court approval].

Thank you for your time and attention. If we may give you at this time or at any future time any supplement information or details, we will be happy to provide it for you.

Trustees and Members
Olathe Lodge No. 19
AF&AM, Olathe, Kansas

HOUSE TAXATION
Attachment #5
02/07/91

OLATHE LODGE NO.19

I am representing Olathe Masonic Lodge # 19, of Olathe, Kansas. We have been in existence for 132 years; before Kansas became a state. Our present taxes are driving us out of existence. Prior to the reappraisal our property was appraised at \$47,100 with an assessed value of \$11310. and taxes amounting to \$2286.81.

Reappraisal brought us the following:

| | APPRAISED VALUE | ASSESSED VALUE | TAX BILL |
|--------------|-----------------|----------------|-----------|
| 1989 | 298,700 | 89,610 | |
| Protest 5/19 | | | |
| 6/8/89 | 275,800 | 82,740 | 10,946.85 |
| BTA | | | |
| 1/3/90 | 193,150 | 57,950 | 7,667.06 |
| 1991 | 193,150 | 57,945 | 8,448.02 |

The first figure was lowered \$23,000 when we pointed out a few discrepancies in the original meeting with the assessor, i.e. we did not have concrete driveways, a patio, a canopy and the rear section of our property was not being used at all. This figure was further reduced to the present appraised value after a hearing with the Board of Tax Appeals, but not enough.

Our property is in a residential area zoned for single family. We have a special use permit, for our Lodge building, which may not be transferred to a buyer. We have used all of our Reserve Fund to pay our taxes last year and for this year. We will not be able to pay next years taxes unless we are granted immediate substantial relief or we will be forced to sell.

Our building has limited use such as a meeting place or a church. We requested the City of Olathe to rezone the property for commercial use but this is not possible according to the Olathe Planning Commission Director, A.D. Chambers.

The fact that our property is in the 30% classification hurts. We are not commercial property but the assessor values our property as though it was commercial -- not residential. This is a double hurt.

We are between a rock and hard place, we can not afford to pay our taxes at the present level and our property will be difficult if not impossible to sell under these conditions. We are fighting for our Lodges Life, and hope that you will give extremely serious consideration to our predicament.
PLEASE HELP US SAVE THE MASONIC LODGE OF OLATHE!

Benedict T. Spano
Trustee and Master of
Olathe Lodge # 19

My name is Jack Brand and I am appearing on behalf of the Lawrence Apartment Association. We strongly oppose that portion of the proposed Constitutional Amendment that would raise the classification percentage on multi-family residential real property to 15%.

The proposed change for multi-family residential is premised on four false conclusions.

The first is that classification has brought about lower apartment real property taxes. The Fisher report, while noting that collecting data proved "unusually difficult" concluded that taxes on apartments in Johnson and Sedgwick Counties had declined substantially. On April 30, 1990, the Douglas County Assessor's office suggested that many appraisals of apartment complexes in the five largest counties were too low because of "clerical errors" resulting from computer software problems and the lack of adequate information. He suggested that correction of these errors would raise Douglas County apartment appraisals by 54%. A copy of this report is marked Appendix A. Thus, the Fisher conclusion may well be based on clerical and computer errors.

Second, the proposed change is premised on the false conclusion that 1988 taxes on apartments must have been about right. Appendix B shows the percent nationally that real estate taxes, on the average, bear to gross possible total income. That figure is 7.8%, for 1988. Nationally, real estate taxes comprise 17.2% of total expenses. Appendix C shows these figures for Topeka, Kansas. The figure is 12.8% in Topeka. In Topeka apartment real estate taxes comprise 25.9% of total expenses; compared to the national average of 17.2%. Appendix D shows the rankings of American cities based on the percent of real estate taxes to gross possible total income. Out of 116 American cities shown by the Institute of Real Estate Management in 1988, Topeka had the twelfth highest apartment real estate taxes. Only in the states of Minnesota, Wisconsin, Michigan, Iowa, Oregon, New York and New Hampshire were apartment real property taxes higher. These conclusions are clearly supported by the Fisher report which found, wherever it looked, that in 1988 in Kansas, multi-family was assessed higher, and in many places appreciably higher, than single family. Thus, in 1989, apartment taxes may have gone down because the 1988 taxes were too high. The

object of reappraisal was fairer appraisals. There is ample evidence that the 1988 appraisals on apartments were too high. Raising multi-family's classification figure says lets get back to 1988 figures, even if they were wrong.

The third false conclusion is that apartment owners in the long run pay real estate taxes and apartment renters do not pay such taxes. Nothing could be farther from the truth. The expenses in operating multi-family housing directly determine the rents that are charged for such housing. Real estate taxes are a significant part of these expenses--in Kansas more than elsewhere. Expenses determine rents. I have attached as Appendix E a trend analysis from the 1988 Manual of the Institute of Real Estate Management. It shows the relationship between rents and expenses in the United States from 1973 to 1987. As you can see from the chart when expenses go up then rents go up. When expenses go down, rents go down. Small expense increases dictated small rent increases. Large expense increases dictated large rent increases. Ask someone in the apartment industry if expenses determine rents. And if you don't accept their word, study this chart.

Finally, implicit in all of this is the premise that by raising apartments there will be money to lower the rate on commercial property. Apartments account for only 0.67% of Kansas' assessed valuation. Raising the multi-family number would be only window dressing.

Classification was studied by and recommended to the legislature by the Kansas Tax Review Committee in June of 1984. This committee held some six hearings statewide. They thoroughly considered the matter. They recommended that apartments and single family be taxed under the same classification. They rejected the concept that there should be two classes of residency in Kansas and that residents of apartments should bear a proportionately heavier real estate tax burden.

There are many thousands of citizens who live in Kansas multi-family rental properties. They range from young students to the elderly. Using a different classification percentage for multi-family residents designates them as second class citizens paying a disproportionate share of real property taxes because of their place of residency. Tenants in Kansas should not be second class citizens. All Kansans should be treated and taxed alike.

| <u>City</u> | <u>Real Estate Taxes as a Percent of Gross Possible Taxable Income (GPTI)</u> | <u>Rank based on Est. Taxes as a percent of GPTI</u> |
|-----------------------|---|--|
| Manchester, NH | 13.9 | 9 |
| Memphis, TN | 7.1 | 78 |
| Miami, FL | 10.5 | 29 |
| Milwaukee, WI | 14.9 | 15 |
| Minneapolis-S Pl, MN | 16.7 | 4 |
| Mobile, AL | 5.3 | 98 |
| Montgomery, AL | 4.2 | 112 |
| Nashville, TN | 6.9 | 80 |
| New Orleans, LA | 5.4 | 96 |
| Newark, NJ | 10.9 | 23 |
| Newport News, VA | 5.5 | 93 |
| Norfolk, VA | 5.7 | 91 |
| Oakland, CA | 7.2 | 76 |
| Odessa-Midland, TX | 10.1 | 32 |
| Oklahoma City, OK | 4.6 | 107 |
| Omaha, NE | 10.4 | 31 |
| Orange County, CA | 3.4 | 115 |
| Orlando, FL | 8.7 | 50 |
| Oxnard-Ventura, CA | 6.6 | 82 |
| Peoria, IL | 10.9 | 23 |
| Philadelphia, PA | 8.0 | 61 |
| Phoenix, AZ | 8.0 | 61 |
| Pittsburgh, PA | 9.4 | 45 |
| Portland, OR | 14.8 | 6 |
| Providence, RI | 10.0 | 36 |
| Raleigh-Durham, NC | 6.5 | 86 |
| Reno, NV | 4.3 | 111 |
| Richmond, VA | 5.8 | 89 |
| Roanoke, VA | 6.7 | 82 |
| Rochester, NY | 14.5 | 7 |
| Sacramento, CA | 7.7 | 66 |
| St. Cloud, MN | 17.9 | 2 |
| St. Louis, MO | 9.6 | 41 |
| Salt Lake City, UT | 5.7 | 91 |
| San Antonio, TX | 8.9 | 49 |
| Saginaw, MI | 9.9 | 38 |
| San Bernardino, CA | 8.1 | 60 |
| San Diego, CA | 5.3 | 98 |
| San Francisco, CA | 4.6 | 105 |
| San Jose, CA | 3.4 | 116 |
| Santa Barbara, CA | 4.4 | 110 |
| Seattle, WA | 7.7 | 66 |
| Savannah, GA | 8.6 | 51 |
| Sioux City, IA | 12.6 | 13 |
| S. Berd/Ft. Wayne, IN | 7.5 | 68 |
| State College, PA | 5.5 | 93 |
| Stockton, CA | 7.2 | 76 |
| Tacoma, WA | 8.3 | 56 |
| Tampa-St. Peter, FL | 10.6 | 26 |
| Topeka, KS | 12.8 | 12 |
| Trenton, NJ | 11.5 | 17 |
| Tucson, AZ | 9.9 | 38 |
| Tulsa, OK | 4.8 | 104 |
| Washington, DC | 4.6 | 104 |

AMERICAN CITIES COMPARISON OF
REAL ESTATE TAXES ON APARTMENTS

| <u>City</u> | <u>Real Estate Taxes as a Percent of Gross Possible Taxable Income (GPTI)</u> | <u>Rank based on Real Est. Taxes as a percent of GPTI</u> |
|----------------------|---|---|
| Abilene, TX | 9.2 | 46 |
| Akron, OH | 10.5 | 29 |
| Albany-Troy, NY | 12.0 | 15 |
| Albuquerque, NM | 5.2 | 100 |
| Allentown-Beth, PA | 8.2 | 54 |
| Ashville, NC | 7.3 | 72 |
| Atlanta, GA | 6.6 | 82 |
| Augusta, GA | 4.1 | 113 |
| Austin, TX | 9.6 | 41 |
| Baltimore, MD | 7.4 | 70 |
| Birmingham, AL | 4.5 | 109 |
| Boston, MA | 8.4 | 54 |
| Buffalo, NY | 12.3 | 14 |
| Cedar Rapids, IA | 16.9 | 3 |
| Charleston, SC | 7.5 | 68 |
| Charleston, WV | 7.9 | 64 |
| Chattanooga, TN | 11.3 | 19 |
| Chicago, IL | 10.5 | 29 |
| Charlotte, NC | 6.8 | 81 |
| Cincinnati, OH | 5.9 | 88 |
| Cleveland, OH | 7.3 | 72 |
| Colorado Springs, CO | 7.3 | 72 |
| Columbia, SC | 6.3 | 87 |
| Columbus, OH | 6.6 | 82 |
| Dallas, TX | 8.5 | 52 |
| Dayton, OH | 5.5 | 93 |
| Daytona Beach, FL | 10.1 | 32 |
| Denver, CO | 8.2 | 57 |
| Des Moines, IA | 14.2 | 8 |
| Detroit, MI | 10.6 | 26 |
| El Paso, TX | 8.4 | 54 |
| Eugene, OR | 18.0 | 1 |
| Evansville, IN | 11.1 | 21 |
| Fayetteville, NC | 9.6 | 41 |
| Flint, MI | 10.0 | 36 |
| Ft. Worth, TX | 9.2 | 46 |
| Fresno, CA | 7.3 | 72 |
| Gainesville, FL | 10.0 | 36 |
| Gary-Hammond, IN | 9.6 | 41 |
| Grand Rapids, MI | 10.1 | 33 |
| Greensboro-H Pt, NC | 5.8 | 89 |
| Greenville, SC | 7.4 | 70 |
| Green Bay, WI | 11.8 | 16 |
| Hamilton, OH | 3.8 | 114 |
| Harrisburg, PA | 7.2 | 76 |
| Hartford, CT | 8.0 | 61 |
| Houston, TX | 9.0 | 48 |
| Huntsville, AL | 5.7 | 91 |
| Indianapolis, IN | 7.9 | 64 |
| Jackson, MS | 11.4 | 18 |
| Jacksonville, FL | 9.8 | 40 |
| Kalamazoo, MI | 10.6 | 26 |
| Kansas City, MO | 8.5 | 52 |
| Knoxville, TN | 10.7 | 25 |
| Lancaster, PA | 8.2 | 57 |
| Lansing, MI | 13.7 | 11 |
| Las Vegas, NV | 4.9 | 101 |
| Lexington, KY | 4.9 | 101 |
| Little Rock, AR | 4.9 | 101 |
| Los Angeles, CA | 4.6 | 107 |
| Louisville, KY | 5.4 | 96 |
| Lincoln, NE | 11.3 | 19 |
| Macon, GA | 6.6 | 82 |
| Madison, WI | 13.9 | 9 |

REPORT ON
THE VALUATION OF
LARGE SCALE
MULTI-FAMILY RESIDENTIAL PROPERTY
FOR THE
1989 TAX YEAR

PREPARED BY
DONALD GORDON CKA
DOUGLAS COUNTY APPRAISER

OVERVIEW

This paper addresses the methodology used in the generation of Market Value¹ estimates for the 1989 tax year. It will show not only the problems caused by the software used for the valuation run, but the problems caused by the information provided to the office of the appraiser for valuation purposes. The conclusion will show why the Market Value estimate for 1989 should be adjusted to insure an equity in the appraisal of real property in Douglas County.

Computer Software problems:

As part of the Statewide reappraisal, Douglas County contracted with Cole Layer Trumble (CLT) to purchase a package of computer programs to aid the Appraiser in the mass appraisal of real property in Douglas County as required by State Statute. As part of the package, a set of programs were included to calculate the Income Approach to Value². The counties which did not already have an in house data processing system were provided help in the purchase of an IBM System 36 processor and the version of the mass appraisal software by CLT. The state also has a System 36 and is able to test the programs and advise the smaller counties of problems. The five largest counties in Kansas, which had an existing computer system, were sold custom versions of the programs. This was a major problem since errors were not reported to each of the major counties when discovered by the State and the programs themselves are different between the small system 36 and the larger IBM 4381 such as in Douglas County. It is this lack of communication, along with insufficient operating documentation, that led to the errors that caused many large scale multi-family apartments to be inaccurately valued. The problems in the programming, distribution of software fixes and lack of reports on errors have plagued all five of the large counties. Listed below are the findings after a review of the software programs, hearing files, and other documentation on the appraisal of multi-family properties.

1) The age of the complex was not being taken into account in calculating the expenses. This resulted in an inaccurate valuation of all apartments using the income approach. It only stands to reason that as a project ages its operating expense increased. Because of an error in the set up of the program, apartment age was not considered. This was often pointed out by owners and tax reps during the informal hearings in the spring of 1989. Because the cause of this problem was not known during the informal hearings, adjustments were made to many apartments using manual methods.

Some owners who pointed out this error in the expense calculation received benefit of the adjustment. This problem was fixed last month by CLT.

2) Calculation of the total number of rental units in a complex. The original design of the software program did not match the instructions provided in the training program or manuals. The original software program was designed to obtain the total number of apartments from the first data collection card. In the courses taught by the Department of Revenue, Property Valuation Division, it was explained that each card should reflect only the units described on that card, that the software program would total these up. This was fixed last month after calling CLT. Because of the confusion, some parcels, which could have been valued using the income approach were valued only using a cost value since income was far below a reasonable estimate.

3) A problem was discovered concerning the entry of data on efficiency units³ into the system. Because the system was set by CLT not to allow an entry of a "0" bedroom unit, all efficiency units were entered as 1 bedroom units by the input staff. This was done without approval of supervisors. One can only surmise the input operator did this to keep up production. This caused the projected income to be higher than actual. In some cases the reviewing appraiser was forced to use cost value since the income value was out of a reasonable range. Once again only someone appealing the value would get the relief of a manual adjustment.

Problems with information submitted by owners:

1) Some owners and management companies submitted information on income and expenses. Mastercraft, Meadowbrook and other properties owned or managed by them refused to give any information on rents, unit counts, or expenses. Apartment owners associations advised their members not to provide any income or expense information. Other owners submitted information which was not representative of the true operation of the property. This caused errors in the preliminary valuation run and forced some estimation to be made with no basis in fact. Through the hearing process and throughout the summer of 89, additional data has been obtained and analyzed.

Conclusion:

Attachment 1 lists the major apartment complexes in Douglas County, The Market Value used for the generation of the 1989 tax billing, the corrected 1989 market value, and the % change in value after corrections were made. It is the Appraisers opinion that the values listed under the heading "CORRECTED 1989 VALUE" should be implemented for the 1989 tax year.

Owners of the affected parcels should be sent an adjusted tax bill. It is the opinion of the county counselor that this is possible under KSA 79-1701(a) and KSA 79-1701(h). The office of the Appraiser has taken steps to insure that an open line of communication is maintained between other Counties, the State, and CLT regarding errors or changes in the software. Progress is being made towards getting the cooperation of the owners in submission of income and expense information needed for the annual valuation run.

END NOTES

1. Property Assessment Valuation; International Association of Assessing Officers. "Market Value is the most probable price expressed in terms of money that a property would bring in terms of money that a property would bring if exposed for sale in the open market in an arm's-length transaction between a willing seller and a willing buyer, both of whom are knowledgeable concerning all uses to which it is capable of being used."

2. Real Estate Investment/ Stephen A. Pyhrr; John Wiley & Sons, 1988. "A method by which the present value of a future income stream may be expressed in present day dollars." It is based on using existing operations and management of many similar projects to project the operation and hence the income stream property of the property under study.

3. Efficiency units are defined as a living unit in which the sleeping area is not in a separate room. It may have a half wall separating the sleeping area from the living/kitchen area. Often they will rent for \$75 to \$100 less than a one bedroom apartment in the same complex.

Douglas County Apartments
Appraised Value and Corrections

| Project No. | 1989 Market Used For Taxes | Corrected 1989 Value | Percent Change |
|-------------|-------------------------------|-------------------------|-------------------|
| 1 | 659,300 | 817,700 | 24% |
| 2 | 319,100 | 407,500 | 28% |
| 3 | 308,900 | 599,100 | 94% |
| 4 | 195,100 | 375,400 | 92% |
| 5 | 85,900 | 111,600 | 30% |
| 6 | 2,290,300 | 1,875,600 | -18% |
| 7 | 1,622,600 | 1,338,700 | -17% |
| 8 | 138,700 | 233,100 | 68% |
| 9 | 126,700 | 229,500 | 81% |
| 10 | 212,500 | 289,600 | 36% |
| 11 | 1,585,500 | 2,475,000 | 56% |
| 12 | 1,802,700 | 3,321,300 | 84% |
| 13 | 168,800 | 420,000 | 149% |
| 14 | 63,000 | 95,500 | 52% |
| 15 | 172,000 | 199,400 | 16% |
| 16 | 123,700 | 144,800 | 17% |
| 17 | 323,100 | 400,000 | 24% |
| 18 | 190,000 | 150,100 | -21% |
| 19 | 724,700 | 1,446,700 | 100% |
| 20 | 915,100 | 2,291,600 | 150% |
| 21 | 968,700 | 1,452,100 | 50% |
| 22 | 262,900 | 745,700 | 184% |
| 23 | 268,000 | 435,000 | 62% |
| 24 | 434,300 | 756,900 | 74% |
| 25 | 727,500 | 1,928,900 | 165% |
| 26 | 662,700 | 808,500 | 22% |
| 27 | 332,100 | 409,600 | 23% |
| 28 | 274,200 | 338,200 | 23% |
| 29 | 271,300 | 315,300 | 16% |
| 30 | 67,900 | 78,200 | 15% |
| 31 | 739,300 | 517,900 | -30% |
| 32 | 76,480 | 96,300 | 26% |
| 33 | 116,600 | 129,200 | 11% |
| 34 | 192,900 | 270,100 | 40% |
| 35 | 127,500 | 101,600 | -20% |
| 36 | 80,100 | 101,800 | 27% |
| 37 | 88,700 | 116,500 | 31% |
| 38 | 285,800 | 204,400 | -28% |
| 39 | 127,500 | 176,800 | 39% |
| 40 | 172,700 | 151,500 | -12% |
| 41 | 142,500 | 161,100 | 13% |
| 42 | 125,000 | 174,900 | 40% |
| 43 | 113,800 | 101,200 | -11% |
| 44 | 155,800 | 177,500 | 14% |
| 45 | 404,900 | 1,072,500 | 165% |
| 46 | 443,700 | 491,800 | 11% |
| 47 | 250,000 | 279,500 | 12% |
| 48 | 85,300 | 74,400 | -13% |
| 49 | 113,200 | 160,900 | 42% |

| | | | |
|--------|------------|------------|-------|
| 50 | 291,900 | 233,400 | -20% |
| 51 | 568,800 | 1,110,800 | 95% |
| 52 | 684,500 | 1,062,400 | 55% |
| 53 | 656,100 | 486,100 | -26% |
| 54 | 138,700 | 233,100 | 68% |
| 55 | 60,200 | 79,700 | 32% |
| 56 | 120,300 | 159,300 | 32% |
| 57 | 3,061,700 | 7,101,000 | 132% |
| 58 | 977,800 | 1,424,300 | 46% |
| 59 | 162,000 | 212,100 | 31% |
| 60 | 103,400 | 116,800 | 13% |
| 61 | 236,600 | 362,100 | 53% |
| 62 | 244,600 | 344,900 | 41% |
| 63 | 125,400 | 183,200 | 46% |
| 64 | 811,300 | 1,122,400 | 38% |
| 65 | 212,000 | 634,100 | 199% |
| 66 | 67,153 | 276,000 | 311% |
| 67 | 66,938 | 276,000 | 312% |
| 68 | 269,000 | 381,700 | 42% |
| 69 | 202,500 | 341,200 | 68% |
| 70 | 321,200 | 546,300 | 70% |
| 71 | 1,693,900 | 2,052,200 | 21% |
| 72 | 135,400 | 122,100 | -10% |
| 73 | 46,500 | 55,300 | 19% |
| 74 | 107,400 | 160,600 | 50% |
| 75 | 138,700 | 233,100 | 68% |
| 76 | 138,700 | 233,100 | 68% |
| 77 | 212,000 | 634,100 | 199% |
| | ----- | ----- | |
| Totals | 31,993,771 | 49,227,900 | 54% |
| | ===== | ===== | ===== |

INSTITUTE OF REAL ESTATE MANAGEMENT
1988 FIGURES

GARDEN TYPE BUILDINGS

APPENDIX C

GARDEN TYPE BUILDINGS UNFURNISHED MEDIAN INCOME AND OPERATING COSTS SELECTED METROPOLITAN AREAS U.S.A.

| | TAMPA-ST PETER., FL | | | | | | | TOPEKA, KS | | | TRENTON, NJ | | |
|--|---------------------|-----------|-----|------|-----------|-----|------|------------|--------|---------|-------------|--------|---------|
| | BLDGS. | % OF GPTI | | | \$/SQ.FT. | | | BLDGS. | % GPTI | \$/SQFT | BLDGS. | % GPTI | \$/SQFT |
| | | MED | LOW | HIGH | MED | LOW | HIGH | | | | | | |

| | 47 BLDGS. 7,478,516 | 9,630 APTS. RENTABLE | SQ. FEET | | 10 BLDGS. | 1,119 APTS. 918,221 | SQ.FT. | | 5 BLDGS. | 1,398 APTS. 1,029,797 | SQ.FT. | | |
|------------------------|------------------------|-------------------------|----------|--------|-----------|------------------------|--------|-------|----------|--------------------------|--------|--------|------|
| INCOME | | | | | | | | | | | | | |
| RENTS-APARTMENTS | (46) | 96.1% | 95.5% | 97.2% | 5.63 | 4.77 | 7.25 | (10) | 96.6% | 4.84 | (5) | 99.3% | 7.01 |
| RENTS-GARAGE/PARKING | () | | | | | | | (4) | .7 | .04 | () | | |
| RENTS-STORES/OFFICES | () | | | | | | | () | | | (1) | .7 | .06 |
| GROSS POSSIBLE RENTS | (46) | 96.1% | 95.5% | 97.2% | 5.60 | 4.77 | 6.83 | (10) | 96.6% | 4.87 | (5) | 100.0% | 7.01 |
| VACANCIES/RENT LOSS | (46) | 8.8 | 6.8 | 12.2 | .55 | .31 | .84 | (10) | 11.3 | .60 | (5) | 3.8 | .23 |
| TOTAL RENTS COLLECTED | (46) | 87.4 | 83.6 | 90.7 | 4.98 | 4.16 | 6.51 | (10) | 85.4 | 4.74 | (5) | 96.1 | 6.17 |
| OTHER INCOME | (46) | 3.9 | 2.8 | 4.5 | .23 | .15 | .31 | (10) | 3.6 | .16 | (2) | 1.7 | .12 |
| GROSS POSSIBLE INCOME | (46) | 100.0% | 100.0% | 100.0% | 5.94 | 4.99 | 7.33 | (10) | 100.0% | 4.93 | (5) | 100.0% | 7.13 |
| TOTAL COLLECTIONS | (46) | 91.4 | 88.0 | 93.2 | 5.28 | 4.43 | 6.66 | (10) | 88.9 | 4.79 | (5) | 96.2 | 6.29 |
| EXPENSES | | | | | | | | | | | | | |
| MANAGEMENT FEE | (46) | 4.6 | 4.4 | 4.8 | .31 | .23 | .36 | (10) | 4.4 | .23 | (5) | 4.9 | .35 |
| OTHER ADMINISTRATIVE** | (46) | 6.6 | 5.6 | 8.0 | .42 | .30 | .58 | (10) | 7.8 | .38 | (3) | 5.6 | .35 |
| SUBTOTAL ADMINIST. | (46) | 11.3% | 10.2% | 13.7% | .72 | .56 | .96 | (10) | 12.6% | .58 | (5) | 8.8% | .70 |
| SUPPLIES | (44) | .3 | .2 | .5 | .02 | .01 | .03 | (9) | .2 | .01 | (4) | 1.1 | .04 |
| HEATING FUEL-CA ONLY* | (11) | .3 | .2 | .5 | .01 | | | (6) | .7 | .03 | (1) | 3.3 | .24 |
| CA & APTS.* | () | | | | .18 | | | (1) | .2 | .01 | (2) | 9.2 | .56 |
| ELECTRICITY--CA ONLY* | (41) | 2.2 | 1.8 | 2.4 | .13 | .10 | .16 | (6) | 2.5 | .11 | (5) | 1.8 | .13 |
| CA & APTS.* | (4) | 2.7 | | | .12 | | | (4) | 2.7 | .15 | () | | |
| WATER/SEWER--CA ONLY* | (3) | .3 | | | .03 | | | () | | | (1) | 4.1 | .29 |
| CA & APTS.* | (43) | 3.4 | 2.5 | 4.2 | .22 | .18 | .27 | (10) | 2.4 | .12 | (4) | 5.5 | .38 |
| GAS-----CA ONLY* | (32) | .4 | .2 | .4 | .02 | .01 | .03 | (2) | 2.5 | .14 | (1) | 2.5 | .18 |
| CA & APTS.* | (5) | .3 | | | .02 | | | (1) | 2.0 | .10 | (1) | 1.6 | .10 |
| BUILDING SERVICES | (24) | 1.9 | 1.3 | 2.5 | .10 | .07 | .13 | (10) | 1.3 | .05 | (3) | 2.0 | .18 |
| OTHER OPERATING | (25) | 3.4 | 2.5 | 3.8 | .23 | .14 | .28 | (6) | 1.0 | .06 | (1) | 2.5 | .22 |
| SUBTOTAL OPERATING | (46) | 9.0% | 7.7% | 10.7% | .50 | .45 | .69 | (10) | 9.8% | .47 | (5) | 11.8% | 1.18 |
| SECURITY** | (29) | .6 | .4 | .9 | .04 | .03 | .05 | (2) | .2 | .01 | () | | |
| GROUPS MAINTENANCE** | (45) | 3.1 | 2.1 | 3.4 | .19 | .14 | .25 | (10) | 1.4 | .07 | (4) | 2.6 | .14 |
| MAINTENANCE-REPAIRS | (46) | 2.5 | 1.8 | 3.5 | .17 | .10 | .23 | (10) | 4.3 | .21 | (5) | 11.2 | .92 |
| PAINTING/DECORATING** | (44) | 2.0 | 1.2 | 2.4 | .13 | .08 | .15 | (10) | 2.0 | .10 | (5) | 1.4 | .17 |
| SUBTOTAL MAINTENANCE | (46) | 8.3% | 6.1% | 9.6% | .50 | .37 | .63 | (10) | 7.7% | .39 | (5) | 16.6% | 1.15 |
| REAL ESTATE TAXES | (46) | 10.6 | 8.7 | 11.0 | .60 | .47 | .77 | (10) | 12.8 | .65 | (5) | 11.5 | .79 |
| OTHER TAX/FEE/PERMIT | (37) | .2 | .2 | .3 | .02 | .01 | .02 | (6) | .3 | .01 | (3) | .5 | .03 |
| INSURANCE | (46) | 3.3 | 1.9 | 3.9 | .18 | .12 | .24 | (10) | 2.1 | .10 | (4) | 3.7 | .15 |
| SUBTOTAL TAX-INSURANCE | (46) | 13.4% | 11.4% | 15.1% | .82 | .58 | 1.02 | (10) | 14.2% | .76 | (5) | 15.7% | 1.03 |
| RECREATHL/AMENITIES** | (12) | .4 | .3 | .5 | .02 | .02 | .04 | (8) | .4 | .02 | (3) | .6 | .05 |
| OTHER PAYROLL** | (41) | 4.7 | 4.1 | 6.3 | .32 | .25 | .35 | (10) | 5.3 | .27 | (4) | 5.6 | .47 |
| TOTAL ALL EXPENSES | (46) | 47.8% | 44.8% | 51.3% | 2.77 | 2.37 | 3.50 | (10) | 49.5% | 2.48 | (5) | 58.5% | 3.89 |
| NET OPERATING INCOME | (46) | 42.2% | 37.1% | 47.1% | 2.58 | 1.72 | 3.22 | (10) | 40.5% | 2.35 | (5) | 38.2% | 2.46 |
| PAYROLL RECAP** | (46) | 9.5 | 8.6 | 11.6 | .62 | .52 | .68 | (10) | 8.6 | .47 | (3) | 7.1 | .56 |

FOOTNOTE: For a description of Utility Expense (*) and Payroll Cost (**) reporting, and an explanation of the report layouts and method of data analysis, refer to the sections entitled *Guidelines for the Use of this Data and Interpretation of a Page of Data*. For definitions of the income and expense categories, refer to the Appendix. Copyright © 1988, Institute of Real Estate Management.

ECONOMY

ECONOMY

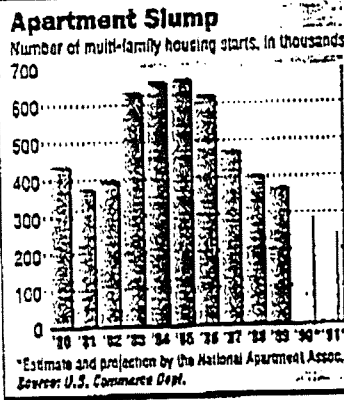
Developers Of Apartments Face Adversity

By JIM CARLTON

PHOENIX, Ariz. — C. Preston Butcher, president of Lincoln Property West, a major apartment developer, apprises the industry in the wake of Congress's Tax Reform Act of 1986 and declares "our industry has just been shut down. It's as close to zero as you can get."

Mr. Butcher's bleak assessment came at the annual conference of the National Multi Housing Council, a trade group of apartment builders and owners. The conference took place here last week. It was not an upbeat affair. The National Apartment Association, another industry group, estimates that 1990 starts on multifamily units stood at 290,000, down from the 1980s peak of 669,000, reached in 1985. The NAA forecast an additional 14% drop this year to 250,000 starts, a depressed level that builders believe will continue for the next three years. They may be too optimistic—October starts dropped to an annual rate of 177,000, the lowest level since data gathering started 31 years ago. Moreover, a November recovery in the figures is considered an aberration.

Industry officials feel their business has been hammered by Congress, which



first fostered a huge construction glut by offering investors tax breaks in 1982, then initiated a bust by eliminating the breaks retroactively in 1986. Investing in apartments has crashed, but the glut still persists, depressing rents in many parts of the country. To compound the problem, growth in household formations is shrinking, recession is generating layoffs among renters nationwide, and banks are now cutting down on apartment lending for either new units or refinancing of existing projects. That tightening of credit is made even more acute because many owners

ects. That tightening of credit is made even more acute because many owners need to refinance five-year to seven-year mortgage loans, and can't meet the banks' demands for 30% to 40% equity to back refinanced loans.

"Right now, I think, is the darkest hour in [multi-family] real estate that I have seen in my life," said Thomas W. Lewis, Southwest regional partner of Trammell Crow Residential, an Atlanta-based developer loosely affiliated with Dallas-based Trammell Crow Co.

Boon for Renters

Of course, the glut and other trends are a short-term boon for renters. In some of the most depressed markets, such as Phoenix and Denver, rents have dropped as much as 15%. In many other national markets, said Deborah L. Brett, senior vice president of the Real Estate Research Corp. in Chicago, rent increases have slowed to about 4% annually from the 6% to 7% increases landlords were enjoying in the mid-1980s. Generally speaking, industry officials said, landlords need at least

6% to break even, but only for a year or two, because the basic response of big developers has been to slash construction of apartments, and small developers have just gone out of business.

"If you had 100 [competitors] in 1985, you will see 70 guys in 1995," said Kelley A. Bergstrom, president of Chicago-based JMB Properties Co., and chairman of the Multi Housing Council.

"I think you've got a lot of people who just want to survive the next three years," said William H. Elliott, chairman and chief executive officer of Angeles Corp. in Los Angeles. "The problem is a lot of them are being taken right to the brink because the finances are killing them."

Ronald A. Ratner, president of Forest City Development in Cleveland, said his firm will build 2,500 apartments this year and as few as 300 in 1992, compared with an annual average of 3,000 to 4,000 units for the past six years.

Trammell Crow Residential, which has started more new units than any other developer in each of the past five years, according to Builder magazine, is planning to start no more than 4,000 units this year, said J. Ronald Terwilliger, managing partner of the concern. That compares with 12,000-plus new units in each of the last two years and a peak of 15,000 new units in 1986. The company has also fired 200 of its 550 employees in development and construction, and Mr. Terwilliger won't rule out further personnel cuts.

Mr. Terwilliger said the cutbacks are attributable to a shortage of credit, which he said isn't all bad in view of overbuilding. "From 1984 to 1989, the banks just opened their checkbooks," he said. "I think it's very positive for our industry that the credit crunch has occurred."

Lincoln Property West, based in Foster City, Calif., is curbing its investment in both multifamily and warehouses to only \$60 million this year after investing \$100 million in 1990, \$200 million in 1989, and \$500 million in 1986, said Mr. Butcher, its president. Mr. Butcher said his company also began retrenching for the slowdown two years ago, laying off 25% of its work force. Although Lincoln Property West has backed away from the development end of its business, Mr. Butcher said it is re-emphasizing management of existing assets.

As if there weren't enough problems, many large apartment owners and

builders have to deal with the credit crunch. Owners are faced with paying off low-interest, short-term construction and development loans that they took out five to seven years ago and that are now coming due.

The problem is that it has become difficult to obtain refinancing, even if a company maintains a relatively low loan-to-value ratio, says Mr. Bergstrom of JMB. In many cases, adds Duncan L. Matteson, president of Matteson Investment Corp. in Menlo Park, Calif., lending institutions are requiring 30% to 40% equity before they will give out any money, compared with 10% to 15% before.

Lenders have been taking heavy losses on apartment loans in states with depressed markets, including Arizona and the Northeast states. Under pressure from federal regulators to reduce their real estate portfolios, banks and thrifts—traditional lending sources for multifamily housing—have reduced lending drastically. Commercial banks, for example, increased their lending in multifamily housing by only 0.65% from the first to second quarters of 1990, compared with a full-year rise of 9.08% from mid-1989 to mid-1990, according to a report by the Roulac Group of Deloitte & Touche. In addition, the Federal Home Loan Mortgage Corp. recently withdrew from part of the market, as a result of unexpected loan losses.

As bad as things are, the industry still fares better than some other real estate sectors, and the basic law of supply and demand offers hope for a recovery.

The value of apartment property rose 3.3% during the 12 months preceding November. Although trailing the inflation rate, it was still far better than 0.8% for office buildings, 0.6% for warehouse and 0.3% for retail, according to the Liquidity Fund, a publication of the National Real Estate Index in Emeryville, Calif.

The far-worse glut in office buildings and other commercial markets is leading some well-heeled investors back into the apartment market, which analysts say is positioned to recover fully within the next five years as a diminishing supply of new housing stock pushes vacancies down and rents up.

In California, where the oversupply is quickly being consumed by an annual influx of more than 500,000 new state residents, rents should increase 20% by 1994, or about 7% a year beginning this fall, compared with the current annual increase of 2% to 3%, said Mr. Matteson, of Matteson Investment. In weaker markets, such as Arizona and the Northeast, though, rents are not likely to increase significantly for some time.

INSTITUTE OF REAL ESTATE MANAGEMENT
1988 FIGURES

GARDEN TYPE BUILDINGS

GARDEN TYPE BUILDINGS
UNFURNISHED

MEDIAN INCOME AND OPERATING COSTS

SELECTED REGIONS
U.S.A. AND CANADA

| | TOTAL U.S.A. | | | | | | CANADA | | | | | | |
|-------------------------------|---|-----------|--------|--------------------|-----------|------|---|--------|-----------|-------------------|------|-----------|------|
| | 3,016 BUILDINGS 438,530,508 RENTABLE SQUARE FEET | | | 531,752 APARTMENTS | | | 79 BUILDINGS 11,060,041 RENTABLE SQUARE FEET | | | 12,564 APARTMENTS | | | |
| | BLDGS. | % OF GPTI | | | \$/SQ.FT. | | | BLDGS. | % OF GPTI | | | \$/SQ.FT. | |
| | MED | LOW | HIGH | MED | LOW | HIGH | | MED | LOW | HIGH | MED | LOW | HIGH |
| INCOME | | | | | | | | | | | | | |
| RENTS-APARTMENTS (3014) | 97.5% | 96.3% | 98.5% | 5.59 | 4.71 | 6.63 | (79) | 97.7% | 96.1% | 98.6% | 6.02 | 5.49 | 6.94 |
| RENTS-GARAGE/PARKING (335) | 1.4 | .6 | 2.6 | .08 | .04 | .16 | (28) | 2.1 | .5 | 4.5 | .15 | .04 | .30 |
| RENTS-STORES/OFFICES (30) | 1.1 | .6 | 2.1 | .07 | .04 | .12 | (1) | 1.4 | | | .09 | | |
| GROSS POSSIBLE RENTS (3013) | 97.7% | 96.6% | 98.6% | 5.60 | 4.71 | 6.67 | (79) | 98.3% | 97.4% | 99.1% | 6.02 | 5.49 | 7.08 |
| VACANCIES/RENT LOSS (3015) | 9.1 | 5.0 | 14.7 | .54 | .29 | .87 | (79) | 5.4 | .9 | 13.4 | .37 | .07 | .74 |
| TOTAL RENTS COLLECTED (3014) | 88.1 | 81.9 | 92.7 | 4.91 | 4.08 | 5.96 | (79) | 92.2 | 83.8 | 97.9 | 5.60 | 4.76 | 6.67 |
| OTHER INCOME (2804) | 2.5 | 1.6 | 3.6 | .14 | .09 | .21 | (71) | 1.8 | 1.1 | 2.7 | .11 | .07 | .18 |
| GROSS POSSIBLE INCOME (3015) | 100.0% | 100.0% | 100.0% | 5.77 | 4.85 | 6.89 | (79) | 100.0% | 100.0% | 100.0% | 6.17 | 5.70 | 7.26 |
| TOTAL COLLECTIONS (3014) | 90.9 | 85.3 | 95.0 | 5.08 | 4.23 | 6.17 | (79) | 94.6 | 86.4 | 99.1 | 5.72 | 4.86 | 6.74 |
| EXPENSES | | | | | | | | | | | | | |
| MANAGEMENT FEE (2900) | 4.5 | 3.9 | 4.9 | .26 | .21 | .32 | (71) | 4.4 | 3.8 | 4.7 | .27 | .23 | .31 |
| OTHER ADMINISTRATIVE** (2931) | 6.6 | 3.9 | 9.4 | .39 | .23 | .55 | (73) | 5.4 | 2.3 | 7.5 | .35 | .12 | .51 |
| SUBTOTAL ADMINIST. (3005) | 11.1% | 8.2% | 13.9% | .65 | .48 | .82 | (79) | 8.6% | 5.4% | 11.5% | .53 | .35 | .69 |
| SUPPLIES (2707) | .4 | .2 | .8 | .02 | .01 | .05 | (70) | .3 | .2 | .5 | .02 | .01 | .03 |
| HEATING FUEL-CA ONLY* (1364) | .7 | .3 | 1.4 | .04 | .02 | .08 | (25) | .7 | .4 | 1.2 | .04 | .02 | .07 |
| CA & APTS.* (637) | 3.9 | 2.9 | 5.6 | .26 | .17 | .37 | (22) | 3.6 | 2.5 | 6.1 | .30 | .18 | .36 |
| ELECTRICITY--CA ONLY* (2635) | 1.8 | 1.2 | 2.5 | .10 | .07 | .14 | (59) | 1.6 | .8 | 2.1 | .09 | .05 | .13 |
| CA & APTS.* (331) | 2.6 | 1.5 | 5.9 | .13 | .08 | .40 | (19) | 1.8 | 1.3 | 5.4 | .11 | .08 | .43 |
| WATER/SEWER--CA ONLY* (136) | 1.0 | .5 | 2.0 | .06 | .02 | .13 | (11) | .4 | .3 | .6 | .03 | .01 | .04 |
| CA & APTS.* (2860) | 2.8 | 1.9 | 4.0 | .16 | .12 | .23 | (65) | 2.9 | 1.7 | 4.4 | .17 | .11 | .27 |
| GAS-----CA ONLY* (1015) | .5 | .2 | 1.3 | .03 | .01 | .10 | (21) | .6 | .5 | 2.1 | .05 | .03 | .14 |
| CA & APTS.* (781) | 1.6 | .9 | 2.3 | .10 | .06 | .15 | (15) | 1.9 | .9 | 2.3 | .12 | .05 | .15 |
| BUILDING SERVICES (2533) | 1.1 | .7 | 1.7 | .06 | .04 | .10 | (49) | 1.4 | .8 | 1.9 | .08 | .05 | .12 |
| OTHER OPERATING (1288) | .6 | .2 | 1.8 | .04 | .01 | .10 | (35) | .5 | .1 | 1.3 | .03 | .00 | .09 |
| SUBTOTAL OPERATING (3015) | 9.0% | 6.6% | 11.9% | .51 | .38 | .70 | (78) | 8.6% | 5.6% | 11.5% | .54 | .29 | .77 |
| SECURITY** (1225) | .4 | .2 | .7 | .02 | .01 | .04 | (22) | .3 | .2 | .5 | .02 | .01 | .04 |
| GROUNDS MAINTENANCE** (2919) | 2.1 | 1.4 | 3.0 | .12 | .08 | .18 | (76) | 1.8 | 1.2 | 2.5 | .11 | .07 | .15 |
| MAINTENANCE-REPAIRS (2986) | 3.4 | 1.8 | 5.7 | .19 | .10 | .32 | (78) | 4.7 | 3.1 | 7.5 | .28 | .21 | .45 |
| PAINTING/DECORATING** (2942) | 2.2 | 1.3 | 3.5 | .13 | .08 | .21 | (78) | 1.9 | 1.3 | 2.7 | .12 | .08 | .19 |
| SUBTOTAL MAINTENANCE (3015) | 8.4% | 6.0% | 11.6% | .49 | .35 | .68 | (79) | 8.7% | 7.2% | 12.0% | .53 | .41 | .77 |
| REAL ESTATE TAXES (3002) | 7.8 | 5.7 | 10.1 | .45 | .31 | .61 | (79) | 8.8 | 5.8 | 11.7 | .55 | .36 | .86 |
| OTHER TAX/FEE/PERMIT (1639) | .1 | .1 | .4 | .01 | .00 | .02 | (40) | .2 | .1 | .6 | .01 | .00 | .04 |
| INSURANCE (3000) | 2.4 | 1.7 | 3.2 | .13 | .10 | .19 | (77) | 1.4 | .8 | 2.7 | .09 | .06 | .16 |
| SUBTOTAL TAX-INSURANCE (3011) | 10.6% | 8.4% | 13.3% | .61 | .47 | .78 | (79) | 11.4% | 8.3% | 16.1% | .71 | .55 | 1.03 |
| RECREATHL/AMENITIES** (1750) | .4 | .2 | .8 | .02 | .01 | .05 | (40) | .9 | .4 | 1.6 | .07 | .02 | .09 |
| OTHER PAYROLL** (2375) | 4.9 | 3.1 | 6.9 | .28 | .18 | .39 | (61) | 3.6 | 2.1 | 6.1 | .22 | .14 | .36 |
| TOTAL ALL EXPENSES (3013) | 45.2% | 39.1% | 52.1% | 2.62 | 2.19 | 3.13 | (79) | 43.3% | 37.9% | 50.3% | 2.73 | 2.33 | 3.32 |
| NET OPERATING INCOME (3015) | 44.1% | 35.2% | 52.4% | 2.47 | 1.77 | 3.34 | (79) | 47.4% | 39.9% | 55.8% | 2.89 | 2.29 | 3.74 |
| PAYROLL RECAP** (2667) | 9.2 | 6.9 | 11.5 | .53 | .41 | .67 | (69) | 7.1 | 4.5 | 10.5 | .45 | .29 | .62 |

FOOTNOTE: For a description of Utility Expense (*) and Payroll Cost (**) reporting, and an explanation of the report layouts and method of data analysis, refer to the sections entitled *Guidelines for the Use of this Data and Interpretation of a Page of Data*. For definitions of the income and expense categories, refer to the Appendix. Copyright © 1988, Institute of Real Estate Management.

Historical Overview of Operating Experience

The four tables on this page provide a brief overview of the variations in operating experience over the past fifteen years. The data are grouped by building type for all unfurnished buildings in the U.S. sample.

Five columns of data appear for each building type (left to

right): Gross Possible Apartment Rents (Rents); Gross Possible Total Income (GPTI); Total Actual Collections (TAC); Total All Expenses (TAE); and Net Operating Income (NOI).

All figures are reported in Dollars per Square Foot of Rentable Area. All figures from 1973 to 1976 are averages. All figures from 1977 to 1987 are medians.

Table 17: ELEVATOR BUILDINGS

| Year | Rents | GPTI | TAC | TAE | NOI |
|------|--------|------|------|--------|------|
| 1973 | 3.66 ↓ | 3.97 | 3.85 | 2.04 ↓ | 1.81 |
| 1974 | 3.30 ↓ | 3.57 | 3.42 | 1.89 ↓ | 1.53 |
| 1975 | 3.55 | 3.80 | 3.64 | 2.03 | 1.62 |
| 1976 | 3.75 ↓ | 4.04 | 3.87 | 2.15 | 1.59 |
| 1977 | 3.63 ↓ | 3.85 | 3.71 | 2.14 | 1.53 |
| 1978 | 3.94 | 4.13 | 4.04 | 2.24 | 1.69 |
| 1979 | 4.20 | 4.49 | 4.32 | 2.34 | 1.96 |
| 1980 | 4.58 | 4.82 | 4.65 | 2.53 | 1.99 |
| 1981 | 5.31 | 5.59 | 5.37 | 2.89 | 2.48 |
| 1982 | 6.04 | 6.29 | 6.12 | 3.10 | 2.96 |
| 1983 | 6.68 | 7.02 | 6.73 | 3.31 | 3.31 |
| 1984 | 7.24 ↓ | 7.64 | 7.40 | 3.53 → | 3.74 |
| 1985 | 6.91 ↓ | 7.26 | 6.75 | 3.55 → | 3.33 |
| 1986 | 7.27 | 7.57 | 7.10 | 3.58 | 3.48 |
| 1987 | 7.51 | 7.80 | 7.36 | 3.95 | 3.41 |

Table 19: LOW-RISE 25+ UNITS

| Year | Rents | GPTI | TAC | TAE | NOI |
|------|--------|------|------|--------|------|
| 1973 | 2.41 | 2.48 | 2.34 | 1.16 | 1.18 |
| 1974 | 2.54 | 2.63 | 2.48 | 1.26 | 1.23 |
| 1975 | 2.71 | 2.80 | 2.61 | 1.39 | 1.22 |
| 1976 | 2.85 | 2.94 | 2.78 | 1.45 | 1.33 |
| 1977 | 3.18 | 3.29 | 3.09 | 1.61 | 1.51 |
| 1978 | 3.30 | 3.41 | 3.24 | 1.64 | 1.57 |
| 1979 | 3.72 | 3.83 | 3.58 | 1.75 | 1.79 |
| 1980 | 4.02 | 4.12 | 3.88 | 1.95 | 1.93 |
| 1981 | 4.52 | 4.65 | 4.45 | 2.13 | 2.19 |
| 1982 | 4.96 | 5.10 | 4.83 | 2.32 | 2.37 |
| 1983 | 5.25 | 5.43 | 5.05 | 2.40 | 2.64 |
| 1984 | 5.73 | 5.94 | 5.57 | 2.62 | 2.93 |
| 1985 | 5.90 ↓ | 6.11 | 5.55 | 2.68 | 2.85 |
| 1986 | 5.82 ↓ | 6.00 | 5.48 | 2.73 ↓ | 2.79 |
| 1987 | 5.93 | 5.96 | 5.46 | 2.72 ↓ | 2.73 |

Table 18: LOW-RISE, 12-24 UNITS

| Year | Rents | GPTI | TAC | TAE | NOI |
|------|-------|------|------|------|------|
| 1973 | 2.32 | 2.38 | 2.27 | 1.18 | 1.09 |
| 1974 | 2.38 | 2.45 | 2.33 | 1.18 | 1.14 |
| 1975 | 2.50 | 2.58 | 2.47 | 1.26 | 1.21 |
| 1976 | 2.63 | 2.69 | 2.57 | 1.36 | 1.21 |
| 1977 | 3.09 | 3.17 | 3.03 | 1.54 | 1.42 |
| 1978 | 3.32 | 3.37 | 3.28 | 1.61 | 1.59 |
| 1979 | 3.62 | 3.73 | 3.52 | 1.74 | 1.73 |
| 1980 | 3.96 | 4.03 | 3.84 | 1.86 | 1.90 |
| 1981 | 4.43 | 4.48 | 4.24 | 2.06 | 2.18 |
| 1982 | 4.86 | 4.94 | 4.68 | 2.26 | 2.34 |
| 1983 | 5.22 | 5.33 | 5.03 | 2.31 | 2.70 |
| 1984 | 5.53 | 5.62 | 5.37 | 2.36 | 2.84 |
| 1985 | 5.73 | 5.86 | 5.60 | 2.52 | 2.94 |
| 1986 | 6.04 | 6.21 | 5.64 | 2.72 | 2.98 |
| 1987 | 6.21 | 6.21 | 5.95 | 2.77 | 3.16 |

Table 20: GARDEN TYPE BUILDINGS

| Year | Rents | GPTI | TAC | TAE | NOI |
|------|-------|------|------|------|------|
| 1973 | 2.31 | 2.38 | 2.23 | 1.10 | 1.13 |
| 1974 | 2.49 | 2.58 | 2.38 | 1.22 | 1.16 |
| 1975 | 2.65 | 2.73 | 2.52 | 1.31 | 1.21 |
| 1976 | 2.78 | 2.87 | 2.67 | 1.40 | 1.27 |
| 1977 | 2.96 | 3.04 | 2.86 | 1.47 | 1.41 |
| 1978 | 3.14 | 3.23 | 3.04 | 1.51 | 1.52 |
| 1979 | 3.42 | 3.54 | 3.32 | 1.62 | 1.66 |
| 1980 | 3.74 | 3.86 | 3.60 | 1.73 | 1.81 |
| 1981 | 4.12 | 4.24 | 4.00 | 1.93 | 2.00 |
| 1982 | 4.53 | 4.67 | 4.37 | 2.07 | 2.24 |
| 1983 | 4.79 | 4.94 | 4.58 | 2.18 | 2.33 |
| 1984 | 5.06 | 5.21 | 4.80 | 2.31 | 2.44 |
| 1985 | 5.26 | 5.43 | 4.91 | 2.45 | 2.44 |
| 1986 | 5.44 | 5.61 | 5.03 | 2.51 | 2.48 |
| 1987 | 5.59 | 5.77 | 5.08 | 2.62 | 2.47 |

To: House Committee on Assessment and Taxation

From: S. Lucky DeFries on behalf of the
Kansas Apartment Legislative Committee

My name is Lucky DeFries, and I am appearing on behalf of the Kansas Apartment Legislative Committee. We strongly oppose any attempt to raise the classification percentage on multi-family residential real property above the existing 12% level. The changes that some would propose for multi-family residential property is premised on at least three false conclusions. The first is that under classification in 1989, apartment real property taxes went down. While this may have been true for some properties within some counties, it was by no means a consistent trend throughout the state. Attached you will find Chart A which shows that in Lawrence, some apartments' taxes went up, some stayed about the same, and some went down. Obviously, a further increase for those that already have experienced higher taxes would have a devastating impact on those particular apartments.

The second false conclusion is that apartment owners are the ones who pay the taxes, as opposed to apartment renters. Nothing could be further from the truth. The expenses incurred in operating multi-family housing has a direct impact on the rents that are charged for such housing. Real estate taxes are a significant part of these expenses, especially in Kansas. Ultimately, expenses determine rents. Attached you will find Chart B which represents a trend analysis from the 1988 Manual of

HOUSE TAXATION
Attachment #7
02/07/91

the Institute of Real Estate Management. This chart details the relationship between rents and expenses in the United States from 1973 to 1987. As one can readily see from the chart, when expenses go up, then rents go up. When expenses go down, rents go down. Small expense increases dictated small rent increases. Large expense increases dictated large rent increases.

Finally, the proposed change is premised on the false conclusion that 1988 taxes on apartments were at an appropriate level. When some apartments' taxes went down in 1989, it was because their 1988 assessments were unrealistically high. Attached you will find Charts C and D from the Institute of Real Estate Management providing nationwide 1988 figures. They reflect that in 1988, the ratio of apartment real estate taxes to total potential gross rents nationwide was 7.8%. That ratio in Topeka, Kansas, was 12.8%, or 64% above the national average. Of 116 American cities, Topeka, Kansas, ranked as the 12th highest in real estate taxes.

Most apartment complexes in Kansas were experiencing negative cash flow in 1988, such that any reduction in taxes only served to reduce the amount of negative cash flow that they were experiencing. Very few apartment complexes actually went from a negative to a positive position.

Chart E attached to these remarks reflects that even at the end of 1989, apartments in Kansas were still being taxed well above the national averages. You will note that while the national average was 6.3%, Kansas City, Missouri, was at 9.7%, and Topeka at 11%. Thus, even though the classification amendment has occasioned some relief for some apartment complexes in Kansas, the apartment industry continues to be taxed in Kansas at a level much higher than the national average.

In conclusion, we would suggest that good tax policy would mandate that a residence be considered a residence, regardless of whether you are considering a typical single-family residence, an apartment, a nursing home complex, or a mobile home park. Many who have studied this issue over the years have reached this conclusion, and we believe it represents a common sense approach to this issue.

Lawrence, Kansas Apartment Projects

| Project | Number Of Units | 1988 Assessed Value | 1988 Assessed Per Unit | 1988 Taxes | 1989 Assessed Value | 1989 Assessed Per Unit | 1989 Taxes | 1989 Appraised | 1989 Appraised Per Unit | % Change 1988 to 1989 |
|--------------------------------|--------------------|---------------------------|------------------------------|---------------|---------------------------|------------------------------|---------------|-------------------|-------------------------------|--------------------------|
| Aspen West | 72 | 121,300 | 1,682 | 20,565 | 222,960 | 3,097 | 28,048 | 1,858,000 | 25,806 | 36.4 |
| Boardwalk | 230 | 322,620 | 1,403 | 54,774 | 976,900 | 4,247 | 122,894 | 8,140,833 | 35,395 | 124.4 |
| Graystone | 86 | 52,140 | 606 | 8,852 | 93,695 | 1,089 | 11,787 | 780,792 | 9,079 | 33.2 |
| Malls Olde English Village | 144 | 293,220 | 2,036 | 49,783 | 439,260 | 3,050 | 55,259 | 3,660,500 | 25,420 | 11.0 |
| Naismith Place | 48 | 102,500 | 2,135 | 17,402 | 154,835 | 3,226 | 19,478 | 1,290,292 | 26,881 | 11.9 |
| 1224 Ohio | 4 | 9,740 | 2,435 | 1,654 | 16,355 | 4,089 | 2,057 | 136,292 | 34,073 | 24.4 |
| Parkway Terrace | 67 | 46,340 | 692 | 7,868 | 70,205 | 1,048 | 8,832 | 585,042 | 8,732 | 12.2 |
| Shannon Plaza Townhomes | 18 | 46,840 | 2,602 | 7,952 | 131,425 | 7,301 | 16,533 | 1,095,208 | 60,845 | 107.9 |
| Trailridge | 168 | 359,300 | 2,139 | 61,002 | 527,750 | 3,131 | 66,391 | 4,397,917 | 26,178 | 8.8 |
| Apple Lane | 75 | 97,260 | 1,297 | 16,513 | 117,170 | 1,562 | 14,740 | 976,417 | 13,019 | -10.7 |
| Berkeley Flats | 96 | 159,530 | 1,662 | 27,085 | 200,700 | 2,091 | 25,248 | 1,672,500 | 17,422 | -6.8 |
| Campus Place | 21 | 59,760 | 2,846 | 10,146 | 79,525 | 3,787 | 10,004 | 662,708 | 31,558 | -1.4 |
| Emery Place | 29 | 40,590 | 1,400 | 6,891 | 53,245 | 1,836 | 6,698 | 443,708 | 15,300 | -2.8 |
| Kentucky Place | 18 | 59,840 | 3,324 | 10,160 | 69,950 | 3,886 | 8,800 | 582,917 | 32,384 | -13.4 |
| Prairie Ridge Place | 101 | 205,460 | 2,034 | 34,883 | 268,765 | 2,661 | 33,811 | 2,239,708 | 22,175 | -3.1 |
| Shannon Plaza Club | 64 | 132,290 | 2,067 | 22,460 | 169,200 | 2,644 | 21,285 | 1,410,000 | 22,031 | -5.2 |
| South Pointe | 108 | 200,180 | 1,854 | 33,987 | 231,480 | 2,143 | 29,120 | 1,929,000 | 17,861 | -14.3 |
| University Terrace | 72 | 129,390 | 1,797 | 21,968 | 156,395 | 2,172 | 19,674 | 1,303,292 | 18,101 | -10.4 |
| Birchwood Gardens | 92 | 192,920 | 2,097 | 32,754 | 210,580 | 2,289 | 26,491 | 1,754,833 | 19,074 | -19.1 |
| Clinton Place | 58 | 130,710 | 2,254 | 22,192 | 137,930 | 2,378 | 17,352 | 1,149,417 | 19,818 | -21.8 |
| Grandview Terrace Quadruplexes | 44 | 104,010 | 2,364 | 17,659 | 115,880 | 2,634 | 14,578 | 965,667 | 21,947 | -17.4 |
| Heatherwood Valley | 72 | 331,450 | 4,603 | 56,274 | 348,910 | 4,846 | 43,893 | 2,907,583 | 40,383 | -22.0 |
| Oaks | 72 | 107,660 | 1,495 | 18,279 | 97,355 | 1,352 | 12,247 | 811,292 | 11,268 | -33.0 |
| Park Plaza South | 102 | 152,250 | 1,493 | 25,849 | 160,360 | 1,572 | 20,173 | 1,336,333 | 13,101 | -21.9 |
| Parkway 4000 | 55 | 345,100 | 6,275 | 58,591 | 344,495 | 6,264 | 43,337 | 2,870,792 | 52,196 | -26.0 |
| Peppertree | 80 | 205,810 | 2,573 | 34,942 | 202,485 | 2,531 | 25,473 | 1,687,375 | 21,092 | -27.1 |
| Princeton Place | 48 | 204,010 | 4,250 | 34,637 | 198,635 | 4,138 | 24,988 | 1,665,292 | 34,485 | -27.9 |
| Quail Creek | 95 | 275,080 | 2,896 | 46,703 | 278,620 | 2,933 | 35,050 | 2,321,833 | 24,440 | -24.9 |
| Summit House | 18 | 31,100 | 1,728 | 5,280 | 32,905 | 1,828 | 4,139 | 274,208 | 15,234 | -21.6 |
| Sunrise Place | 68 | 177,690 | 2,613 | 30,168 | 207,315 | 3,049 | 26,080 | 1,727,625 | 25,406 | -13.6 |

a complete list of Lawrence projects.

TRENDS ANALYSIS

APPENDIX B

Historical Overview of Operating Experience

The four tables on this page provide a brief overview of the variations in operating experience over the past fifteen years. The data are grouped by building type for all unfurnished buildings in the U.S. sample.

Five columns of data appear for each building type (left to

right): Gross Possible Apartment Rents (Rents); Gross Possible Total Income (GPTI); Total Actual Collections (TAC); Total All Expenses (TAE); and Net Operating Income (NOI).

All figures are reported in Dollars per Square Foot of Rentable Area. All figures from 1973 to 1976 are averages. All figures from 1977 to 1987 are medians.

Table 17: ELEVATOR BUILDINGS

| Year | Rents | GPTI | TAC | TAE | NOI |
|------|-------|------|------|------|------|
| 1973 | 3.66 | 3.97 | 3.85 | 2.04 | 1.81 |
| 1974 | 3.30 | 3.57 | 3.42 | 1.89 | 1.53 |
| 1975 | 3.55 | 3.80 | 3.64 | 2.03 | 1.62 |
| 1976 | 3.75 | 4.04 | 3.87 | 2.15 | 1.59 |
| 1977 | 3.63 | 3.85 | 3.71 | 2.14 | 1.53 |
| 1978 | 3.94 | 4.13 | 4.04 | 2.24 | 1.69 |
| 1979 | 4.20 | 4.49 | 4.32 | 2.34 | 1.96 |
| 1980 | 4.58 | 4.82 | 4.65 | 2.53 | 1.99 |
| 1981 | 5.31 | 5.59 | 5.37 | 2.89 | 2.48 |
| 1982 | 6.04 | 6.29 | 6.12 | 3.10 | 2.96 |
| 1983 | 6.68 | 7.02 | 6.73 | 3.31 | 3.31 |
| 1984 | 7.24 | 7.64 | 7.40 | 3.53 | 3.74 |
| 1985 | 6.91 | 7.26 | 6.75 | 3.55 | 3.33 |
| 1986 | 7.27 | 7.57 | 7.10 | 3.58 | 3.48 |
| 1987 | 7.51 | 7.80 | 7.36 | 3.95 | 3.41 |

Table 19: LOW-RISE 25+ UNITS

| Year | Rents | GPTI | TAC | TAE | NOI |
|------|-------|------|------|------|------|
| 1973 | 2.41 | 2.48 | 2.34 | 1.16 | 1.18 |
| 1974 | 2.54 | 2.63 | 2.48 | 1.26 | 1.23 |
| 1975 | 2.71 | 2.80 | 2.61 | 1.39 | 1.22 |
| 1976 | 2.85 | 2.94 | 2.78 | 1.45 | 1.33 |
| 1977 | 3.18 | 3.29 | 3.09 | 1.61 | 1.51 |
| 1978 | 3.30 | 3.41 | 3.24 | 1.64 | 1.57 |
| 1979 | 3.72 | 3.83 | 3.58 | 1.75 | 1.79 |
| 1980 | 4.02 | 4.12 | 3.88 | 1.95 | 1.93 |
| 1981 | 4.52 | 4.65 | 4.45 | 2.13 | 2.19 |
| 1982 | 4.96 | 5.10 | 4.83 | 2.32 | 2.37 |
| 1983 | 5.25 | 5.43 | 5.05 | 2.40 | 2.64 |
| 1984 | 5.73 | 5.94 | 5.57 | 2.62 | 2.93 |
| 1985 | 5.90 | 6.11 | 5.55 | 2.68 | 2.85 |
| 1986 | 5.82 | 6.00 | 5.48 | 2.73 | 2.79 |
| 1987 | 5.93 | 5.96 | 5.46 | 2.72 | 2.73 |

Table 18: LOW-RISE, 12-24 UNITS

| Year | Rents | GPTI | TAC | TAE | NOI |
|------|-------|------|------|------|------|
| 1973 | 2.32 | 2.38 | 2.27 | 1.18 | 1.09 |
| 1974 | 2.38 | 2.45 | 2.33 | 1.18 | 1.14 |
| 1975 | 2.50 | 2.58 | 2.47 | 1.26 | 1.21 |
| 1976 | 2.63 | 2.69 | 2.57 | 1.36 | 1.21 |
| 1977 | 3.09 | 3.17 | 3.03 | 1.54 | 1.42 |
| 1978 | 3.32 | 3.37 | 3.28 | 1.61 | 1.59 |
| 1979 | 3.62 | 3.73 | 3.52 | 1.74 | 1.73 |
| 1980 | 3.96 | 4.03 | 3.84 | 1.86 | 1.90 |
| 1981 | 4.43 | 4.48 | 4.24 | 2.06 | 2.18 |
| 1982 | 4.86 | 4.94 | 4.68 | 2.26 | 2.34 |
| 1983 | 5.22 | 5.33 | 5.03 | 2.31 | 2.70 |
| 1984 | 5.53 | 5.62 | 5.37 | 2.36 | 2.84 |
| 1985 | 5.73 | 5.86 | 5.60 | 2.52 | 2.94 |
| 1986 | 6.04 | 6.21 | 5.64 | 2.72 | 2.98 |
| 1987 | 6.21 | 6.21 | 5.95 | 2.77 | 3.16 |

Table 20: GARDEN TYPE BUILDINGS

| Year | Rents | GPTI | TAC | TAE | NOI |
|------|-------|------|------|------|------|
| 1973 | 2.31 | 2.38 | 2.23 | 1.10 | 1.13 |
| 1974 | 2.49 | 2.58 | 2.38 | 1.22 | 1.18 |
| 1975 | 2.65 | 2.73 | 2.52 | 1.31 | 1.21 |
| 1976 | 2.78 | 2.87 | 2.67 | 1.40 | 1.27 |
| 1977 | 2.96 | 3.04 | 2.86 | 1.47 | 1.41 |
| 1978 | 3.14 | 3.23 | 3.04 | 1.51 | 1.52 |
| 1979 | 3.42 | 3.54 | 3.32 | 1.62 | 1.66 |
| 1980 | 3.74 | 3.86 | 3.60 | 1.73 | 1.81 |
| 1981 | 4.12 | 4.24 | 4.00 | 1.93 | 2.00 |
| 1982 | 4.53 | 4.67 | 4.37 | 2.07 | 2.24 |
| 1983 | 4.79 | 4.94 | 4.58 | 2.18 | 2.33 |
| 1984 | 5.06 | 5.21 | 4.80 | 2.31 | 2.44 |
| 1985 | 5.26 | 5.43 | 4.91 | 2.45 | 2.44 |
| 1986 | 5.44 | 5.61 | 5.03 | 2.51 | 2.48 |
| 1987 | 5.59 | 5.77 | 5.08 | 2.62 | 2.47 |

**GARDEN TYPE BUILDINGS
UNFURNISHED**

MEDIAN INCOME AND OPERATING COSTS

**SELECTED REGIONS
U.S.A. AND CANADA**

GARDEN TYPE BUILDINGS

APPENDIX C

| | TOTAL U.S.A. | | | | | | | CANADA | | | | | | |
|-------------------------------|----------------------------------|---------------------|--------|--------------------|----------------------|------|------|--------------|---------------------|--------|-------------------|----------------------|------|------|
| | 3,016 BUILDINGS | | | 531,752 APARTMENTS | | | | 79 BUILDINGS | | | 12,564 APARTMENTS | | | |
| | 438,530,508 RENTABLE SQUARE FEET | | | | | | | | | | | | | |
| | BLDGS. | -----% OF GPTI----- | | | -----\$/SQ. FT.----- | | | BLDGS. | -----% OF GPTI----- | | | -----\$/SQ. FT.----- | | |
| | | MED | LOW | HIGH | MED | LOW | HIGH | | MED | LOW | HIGH | MED | LOW | HIGH |
| INCOME | | | | | | | | | | | | | | |
| RENTS-APARTMENTS (3014) | | 97.5% | 96.3% | 98.5% | 5.59 | 4.71 | 6.63 | (79) | 97.7% | 96.1% | 98.6% | 6.02 | 5.49 | 6.94 |
| RENTS-GARAGE/PARKING (335) | | 1.4 | .6 | 2.6 | .08 | .04 | .16 | (28) | 2.1 | .5 | 4.5 | .15 | .04 | .30 |
| RENTS-STORES/OFFICES (30) | | 1.1 | .6 | 2.1 | .07 | .04 | .12 | (1) | 1.4 | | | .09 | | |
| GROSS POSSIBLE RENTS (3013) | | 97.7% | 96.6% | 98.6% | 5.60 | 4.71 | 6.67 | (79) | 98.3% | 97.4% | 99.1% | 6.02 | 5.49 | 7.08 |
| VACANCIES/RENT LOSS (3015) | | 9.1 | 5.0 | 14.7 | .54 | .29 | .87 | (79) | 5.4 | .9 | 13.4 | .37 | .07 | .74 |
| TOTAL RENTS COLLECTED (3014) | | 88.1 | 81.9 | 92.7 | 4.91 | 4.08 | 5.96 | (79) | 92.2 | 83.8 | 97.9 | 5.60 | 4.76 | 6.67 |
| OTHER INCOME (2804) | | 2.5 | 1.6 | 3.6 | .14 | .09 | .21 | (71) | 1.8 | 1.1 | 2.7 | .11 | .07 | .18 |
| GROSS POSSIBLE INCOME (3015) | | 100.0% | 100.0% | 100.0% | 5.77 | 4.85 | 6.89 | (79) | 100.0% | 100.0% | 100.0% | 6.17 | 5.70 | 7.26 |
| TOTAL COLLECTIONS (3014) | | 90.9 | 85.3 | 95.0 | 5.08 | 4.23 | 6.17 | (79) | 94.6 | 86.4 | 99.1 | 5.72 | 4.86 | 6.74 |
| EXPENSES | | | | | | | | | | | | | | |
| MANAGEMENT FEE (2900) | | 4.5 | 3.9 | 4.9 | .26 | .21 | .32 | (71) | 4.4 | 3.8 | 4.7 | .27 | .23 | .31 |
| OTHER ADMINISTRATIVE** (2931) | | 6.6 | 3.9 | 9.4 | .39 | .23 | .55 | (73) | 5.4 | 2.3 | 7.5 | .35 | .12 | .51 |
| SUBTOTAL ADMINIST. (3005) | | 11.1% | 8.2% | 13.9% | .65 | .48 | .82 | (79) | 8.6% | 5.4% | 11.5% | .53 | .35 | .69 |
| SUPPLIES (2707) | | .4 | .2 | .8 | .02 | .01 | .05 | (70) | .3 | .2 | .5 | .02 | .01 | .03 |
| HEATING FUEL-CA ONLY* (1364) | | .7 | .3 | 1.4 | .04 | .02 | .08 | (25) | .7 | .4 | 1.2 | .04 | .02 | .07 |
| CA & APTS.* (637) | | 3.9 | 2.9 | 5.6 | .26 | .17 | .37 | (22) | 3.6 | 2.5 | 6.1 | .30 | .18 | .36 |
| ELECTRICITY--CA ONLY* (2635) | | 1.8 | 1.2 | 2.5 | .10 | .07 | .14 | (59) | 1.6 | .8 | 2.1 | .09 | .05 | .13 |
| CA & APTS.* (331) | | 2.6 | 1.5 | 5.9 | .13 | .08 | .40 | (19) | 1.8 | 1.3 | 5.4 | .11 | .08 | .43 |
| WATER/SEWER--CA ONLY* (136) | | 1.0 | .5 | 2.0 | .06 | .02 | .13 | (11) | .4 | .3 | .6 | .03 | .01 | .04 |
| CA & APTS.* (2860) | | 2.8 | 1.9 | 4.0 | .16 | .12 | .23 | (65) | 2.9 | 1.7 | 4.4 | .17 | .11 | .27 |
| GAS-----CA ONLY* (1015) | | .5 | .2 | 1.3 | .03 | .01 | .10 | (21) | .6 | .5 | 2.1 | .05 | .03 | .14 |
| CA & APTS.* (781) | | 1.6 | .9 | 2.3 | .10 | .06 | .15 | (15) | 1.9 | .9 | 2.3 | .12 | .05 | .15 |
| BUILDING SERVICES (2533) | | 1.1 | .7 | 1.7 | .06 | .04 | .10 | (49) | 1.4 | .8 | 1.9 | .08 | .05 | .12 |
| OTHER OPERATING (1288) | | .6 | .2 | 1.8 | .04 | .01 | .10 | (35) | .5 | .1 | 1.3 | .03 | .00 | .09 |
| SUBTOTAL OPERATING (3015) | | 9.0% | 6.6% | 11.9% | .51 | .38 | .70 | (78) | 8.6% | 5.6% | 11.5% | .54 | .29 | .77 |
| SECURITY** (1225) | | .4 | .2 | .7 | .02 | .01 | .04 | (22) | .3 | .2 | .5 | .02 | .01 | .04 |
| GROUNDS MAINTENANCE** (2919) | | 2.1 | 1.4 | 3.0 | .12 | .08 | .18 | (76) | 1.8 | 1.2 | 2.5 | .11 | .07 | .15 |
| MAINTENANCE-REPAIRS (2986) | | 3.4 | 1.8 | 5.7 | .19 | .10 | .32 | (78) | 4.7 | 3.1 | 7.5 | .28 | .21 | .45 |
| PAINTING/DECORATING** (2942) | | 2.2 | 1.3 | 3.5 | .13 | .08 | .21 | (78) | 1.9 | 1.3 | 2.7 | .12 | .08 | .19 |
| SUBTOTAL MAINTENANCE (3015) | | 8.4% | 6.0% | 11.6% | .49 | .35 | .68 | (79) | 8.7% | 7.2% | 12.0% | .53 | .41 | .77 |
| REAL ESTATE TAXES (3002) | | 7.8 | 5.7 | 10.1 | .45 | .31 | .61 | (79) | 8.8 | 5.8 | 11.7 | .55 | .36 | .86 |
| OTHER TAX/FEE/PERMIT (1639) | | .1 | .1 | .4 | .01 | .00 | .02 | (40) | .2 | .1 | .6 | .01 | .00 | .04 |
| INSURANCE (3000) | | 2.4 | 1.7 | 3.2 | .13 | .10 | .19 | (77) | 1.4 | .8 | 2.7 | .09 | .06 | .16 |
| SUBTOTAL TAX-INSURANCE (3011) | | 10.6% | 8.4% | 13.3% | .61 | .47 | .78 | (79) | 11.4% | 8.3% | 16.1% | .71 | .55 | 1.03 |
| RECREATNL/AMENITIES** (1750) | | .4 | .2 | .8 | .02 | .01 | .05 | (40) | .9 | .4 | 1.6 | .07 | .02 | .09 |
| OTHER PAYROLL** (2375) | | 4.9 | 3.1 | 6.9 | .28 | .18 | .39 | (61) | 3.6 | 2.1 | 6.1 | .22 | .14 | .36 |
| TOTAL ALL EXPENSES (3013) | | 45.2% | 39.1% | 52.1% | 2.62 | 2.19 | 3.13 | (79) | 43.3% | 37.9% | 50.3% | 2.73 | 2.33 | 3.32 |
| NET OPERATING INCOME (3015) | | 44.1% | 35.2% | 52.4% | 2.47 | 1.77 | 3.34 | (79) | 47.4% | 39.9% | 55.8% | 2.89 | 2.29 | 3.74 |
| PATROLL RECAP** (2667) | | 9.2 | 6.9 | 11.5 | .53 | .41 | .67 | (69) | 7.1 | 4.5 | 10.5 | .45 | .29 | .62 |

FOOTNOTE: For a description of Utility Expense (*) and Payroll Cost (**) reporting, and an explanation of the report layouts and method of data analysis, refer to the sections entitled Guidelines for the Use of this Data and Interpretation of a Page of Data. For definitions of the income and expense categories, refer to the Appendix. Copyright © 1988, Institute of Real Estate Management.

GARDEN TYPE BUILDINGS

GARDEN TYPE BUILDINGS UNFURNISHED MEDIAN INCOME AND OPERATING COSTS SELECTED METROPOLITAN AREAS U.S.A.

| | TAMPA-ST PETER., FL | | | | | | | | | TOPEKA, KS | | | TRENTON, NJ | | | | | | | | | | | |
|------------------------|---------------------|-----------|--------|-------------|-----------|------|--------------------------------|--------|--------|------------|--------|--------|-------------|--|--|----------|--|--|-------------|--|--|------------------|--|--|
| | 47 BLDGS. | | | 9,630 APTS. | | | 7,478,516 RENTABLE SQUARE FEET | | | 10 BLDGS. | | | 1,119 APTS. | | | 5 BLDGS. | | | 1,398 APTS. | | | 1,029,797 SQ.FT. | | |
| | BLDGS. | % OF GPTI | | | \$/SQ.FT. | | | BLDGS. | % GPTI | \$/SQFT | BLDGS. | % GPTI | \$/SQFT | | | | | | | | | | | |
| | MED | LOW | HIGH | MED | LOW | HIGH | | MED | | | MED | | | | | | | | | | | | | |
| INCOME | | | | | | | | | | | | | | | | | | | | | | | | |
| RENTS-APARTMENTS | (46) | 96.1% | 95.5% | 97.2% | 5.63 | 4.77 | 7.25 | (10) | 96.6% | 4.84 | (5) | 99.3% | 7.01 | | | | | | | | | | | |
| RENTS-GARAGE/PARKING | () | | | | | | | (4) | .7 | .04 | () | | | | | | | | | | | | | |
| RENTS-STORES/OFFICES | () | | | | | | | () | | | (1) | .7 | .06 | | | | | | | | | | | |
| GROSS POSSIBLE RENTS | (46) | 96.1% | 95.5% | 97.2% | 5.60 | 4.77 | 6.83 | (10) | 96.6% | 4.87 | (5) | 100.0% | 7.01 | | | | | | | | | | | |
| VACANCIES/RENT LOSS | (46) | 8.8 | 6.8 | 12.2 | .55 | .31 | .84 | (10) | 11.3 | .60 | (5) | 3.8 | .23 | | | | | | | | | | | |
| TOTAL RENTS COLLECTED | (46) | 87.4 | 83.6 | 90.7 | 4.98 | 4.16 | 6.51 | (10) | 85.4 | 4.74 | (5) | 96.1 | 6.17 | | | | | | | | | | | |
| OTHER INCOME | (46) | 3.9 | 2.8 | 4.5 | .23 | .15 | .31 | (10) | 3.6 | .16 | (2) | 1.7 | .12 | | | | | | | | | | | |
| GROSS POSSIBLE INCOME | (46) | 100.0% | 100.0% | 100.0% | 5.94 | 4.99 | 7.33 | (10) | 100.0% | 4.93 | (5) | 100.0% | 7.13 | | | | | | | | | | | |
| TOTAL COLLEC-TIONS | (46) | 91.4 | 88.0 | 93.2 | 5.28 | 4.43 | 6.66 | (10) | 88.9 | 4.79 | (5) | 96.2 | 6.29 | | | | | | | | | | | |
| EXPENSES | | | | | | | | | | | | | | | | | | | | | | | | |
| MANAGEMENT FEE | (46) | 4.6 | 4.4 | 4.8 | .31 | .23 | .36 | (10) | 4.4 | .23 | (5) | 4.9 | .35 | | | | | | | | | | | |
| OTHER ADMINISITRVE.** | (46) | 6.6 | 5.6 | 8.0 | .42 | .30 | .58 | (10) | 7.8 | .38 | (3) | 5.6 | .35 | | | | | | | | | | | |
| SUBTOTAL ADMINISITR. | (46) | 11.3% | 10.2% | 13.7% | .72 | .56 | .96 | (10) | 12.6% | .58 | (5) | 8.8% | .70 | | | | | | | | | | | |
| SUPPLIES | (44) | .3 | .2 | .5 | .02 | .01 | .03 | (9) | .2 | .01 | (4) | 1.1 | .04 | | | | | | | | | | | |
| HEATING FUEL-CA ONLY* | (11) | .3 | .2 | .5 | .01 | | | (6) | .7 | .03 | (1) | 3.3 | .24 | | | | | | | | | | | |
| CA & APTS.* | () | | | | .18 | | | (1) | .2 | .01 | (2) | 9.2 | .56 | | | | | | | | | | | |
| ELECTRICITY--CA ONLY* | (41) | 2.2 | 1.8 | 2.4 | .13 | .10 | .16 | (6) | 2.5 | .11 | (5) | 1.8 | .13 | | | | | | | | | | | |
| CA & APTS.* | (4) | 2.7 | | | .12 | | | (4) | 2.7 | .15 | () | | | | | | | | | | | | | |
| WATER/SEWER--CA ONLY* | (3) | .3 | | | .03 | | | () | | | (1) | 4.1 | .29 | | | | | | | | | | | |
| CA & APTS.* | (43) | 3.4 | 2.5 | 4.2 | .22 | .18 | .27 | (10) | 2.4 | .12 | (4) | 5.5 | .38 | | | | | | | | | | | |
| GAS-----CA ONLY* | (32) | .4 | .2 | .4 | .02 | .01 | .03 | (2) | 2.5 | .14 | (1) | 2.5 | .18 | | | | | | | | | | | |
| CA & APTS.* | (5) | .3 | | | .02 | | | (1) | 2.0 | .10 | (1) | 1.6 | .10 | | | | | | | | | | | |
| BUILDING SERVICES | (24) | 1.9 | 1.3 | 2.5 | .10 | .07 | .13 | (10) | 1.3 | .05 | (3) | 2.0 | .18 | | | | | | | | | | | |
| OTHER OPERATING | (25) | 3.4 | 2.5 | 3.8 | .23 | .14 | .28 | (6) | 1.0 | .06 | (1) | 2.5 | .22 | | | | | | | | | | | |
| SUBTOTAL OPERATING | (46) | 9.0% | 7.7% | 10.7% | .50 | .45 | .69 | (10) | 9.8% | .47 | (5) | 11.8% | 1.18 | | | | | | | | | | | |
| SECURITY** | (29) | .6 | .4 | .9 | .04 | .03 | .05 | (2) | .2 | .01 | () | | | | | | | | | | | | | |
| GROUPS MAINTENANCE** | (45) | 3.1 | 2.1 | 3.4 | .19 | .14 | .25 | (10) | 1.4 | .07 | (4) | 2.6 | .14 | | | | | | | | | | | |
| MAINTENANCE-REPAIRS | (46) | 2.5 | 1.8 | 3.5 | .17 | .10 | .23 | (10) | 4.3 | .21 | (5) | 11.2 | .92 | | | | | | | | | | | |
| PAINTING/DECORATING** | (44) | 2.0 | 1.2 | 2.4 | .13 | .08 | .15 | (10) | 2.0 | .10 | (5) | 1.4 | .17 | | | | | | | | | | | |
| SUBTOTAL MAINTENANCE | (46) | 8.3% | 6.1% | 9.6% | .50 | .37 | .63 | (10) | 7.7% | .39 | (5) | 16.6% | 1.15 | | | | | | | | | | | |
| REAL ESTATE TAXES | (46) | 10.6 | 8.7 | 11.0 | .60 | .47 | .77 | (10) | 12.8 | .65 | (5) | 11.5 | .79 | | | | | | | | | | | |
| OTHER TAX/FEE/PERMIT | (37) | .2 | .2 | .3 | .02 | .01 | .02 | (6) | .3 | .01 | (3) | .5 | .03 | | | | | | | | | | | |
| INSURANCE | (46) | 3.3 | 1.9 | 3.9 | .18 | .12 | .24 | (10) | 2.1 | .10 | (4) | 3.7 | .15 | | | | | | | | | | | |
| SUBTOTAL TAX-INSURANCE | (46) | 13.4% | 11.4% | 15.1% | .82 | .58 | 1.02 | (10) | 14.2% | .76 | (5) | 15.7% | 1.03 | | | | | | | | | | | |
| RECREATML/AMENITIES** | (12) | .4 | .3 | .5 | .02 | .02 | .04 | (8) | .4 | .02 | (3) | .6 | .05 | | | | | | | | | | | |
| OTHER PATROLL** | (41) | 4.7 | 4.1 | 6.3 | .32 | .25 | .35 | (10) | 5.3 | .27 | (4) | 5.6 | .47 | | | | | | | | | | | |
| TOTAL ALL EXPENSES | (46) | 47.8% | 44.8% | 51.3% | 2.77 | 2.37 | 3.50 | (10) | 49.5% | 2.48 | (5) | 58.5% | 3.89 | | | | | | | | | | | |
| NET OPERATING INCOME | (46) | 42.2% | 37.1% | 47.1% | 2.58 | 1.72 | 3.22 | (10) | 40.5% | 2.35 | (5) | 38.2% | 2.46 | | | | | | | | | | | |
| PAYROLL RECAP** | (46) | 9.5 | 8.6 | 11.6 | .62 | .52 | .68 | (10) | 8.6 | .47 | (3) | 7.1 | .56 | | | | | | | | | | | |

FOOTNOTE: For a description of Utility Expense (*) and Payroll Cost (**) reporting, and an explanation of the report layouts and method of data analysis, refer to the sections entitled Guidelines for the Use of this Data and Interpretation of a Page of Data. For definitions of the income and expense categories, refer to the Appendix. Copyright © 1988, Institute of Real Estate Management.

SELECTED METROPOLITAN AREA

NAME AND OPERATING COSTS

BY BUILDING TYPE

NAME AND OPERATING COSTS

OM 1989
IPEM
REPORT

TOPEKA, KS 1989
GARDEN TYPE BUILDINGS

TOTAL U.S.A. 1989
GARDEN TYPE BUILDINGS

KANSAS CITY, MO 1989
GARDEN TYPE BUILDINGS

| | 15 BUILDINGS 1,490 APARTMENTS 1,190,642 RENTABLE SQUARE FEET | | | | | | 55 BUILDINGS 8,118 APARTMENTS 5,531,518 RENTABLE SQUARE FEET | | | | | | 29 BUILDINGS 3,418 APARTMENTS 2,969,416 RENTABLE SQUARE FEET | | | | | | | | | |
|-------------------------|--|--------|--------|-----------------|------|------|--|----------------|--------|--------|-----------------|------|--|----------------|--------|--------|-----------------|------|------|-----|------|--|
| | ---X OF GPI--- | | | ---\$/SQ.FT.--- | | | BLDGS. | ---X OF GPI--- | | | ---\$/SQ.FT.--- | | | ---X OF GPI--- | | | ---\$/SQ.FT.--- | | | | | |
| | MED | LOW | HIGH | MED | LOW | HIGH | | | MED | LOW | HIGH | MED | LOW | HIGH | MED | LOW | HIGH | | MED | LOW | HIGH | |
| INCOME | | | | | | | | | | | | | | | | | | | | | | |
| NTS-APARTMENTS | 97.2X | 95.4X | 97.5X | 5.14 | 4.57 | 6.04 | (55) | 96.5X | 94.6X | 97.6X | 6.93 | 6.14 | 8.03 | 97.6X | 96.9X | 98.2X | 5.09 | 4.20 | 5.42 | | | |
| NTS-GARAGE/PARKING | .8 | | | .04 | | | (5) | .5 | | | .05 | | | .4 | | | .03 | | | | | |
| NTS-STORES/OFFICES | | | | | | | () | | | | | | | | | | | | | | | |
| LOSS POSSIBLE RENTS | 97.2X | 95.4X | 97.6X | 5.14 | 4.60 | 6.04 | (55) | 96.7X | 94.6X | 97.6X | 6.93 | 6.15 | 8.03 | 97.6X | 96.9X | 98.6X | 5.12 | 4.20 | 5.42 | | | |
| VACANCIES/RENT LOSS | 4.6 | .0 | 6.4 | .32 | .00 | .35 | (55) | 9.3 | 4.9 | 15.2 | .71 | .34 | 1.07 | 10.1 | .0 | 16.2 | .53 | .00 | .8 | | | |
| TOTAL RENTS COLLECTED | 92.9 | 88.7 | 95.4 | 4.97 | 4.25 | 5.86 | (55) | 86.1 | 78.7 | 91.6 | 6.19 | 5.26 | 7.10 | 88.5 | 81.0 | 95.8 | 4.42 | 4.06 | 4.9 | | | |
| OTHER INCOME | 2.8 | 2.4 | 4.0 | .18 | .12 | .27 | (54) | 3.5 | 2.4 | 5.4 | .24 | .15 | .34 | 2.4 | 1.4 | 3.1 | .11 | .07 | .16 | | | |
| LOSS POSSIBLE INCOME | 100.0X | 100.0X | 100.0X | 5.29 | 4.72 | 6.31 | (55) | 100.0X | 100.0X | 100.0X | 7.15 | 6.38 | 8.32 | 100.0X | 100.0X | 100.0X | 5.26 | 4.40 | 5.62 | | | |
| TOTAL COLLECTIONS | 95.4 | 92.5 | 100.0 | 5.05 | 4.35 | 6.04 | (55) | 90.7 | 84.7 | 95.1 | 6.33 | 5.62 | 7.60 | 89.9 | 83.8 | 100.0 | 4.51 | 4.18 | 5.07 | | | |
| EXPENSES | | | | | | | | | | | | | | | | | | | | | | |
| MANAGEMENT FEE | 4.8 | 4.5 | 4.9 | .25 | .22 | .29 | (53) | 4.3 | 3.8 | 4.7 | .32 | .27 | .36 | 4.2 | 3.8 | 4.5 | .23 | .17 | .24 | | | |
| OTHER ADMINISTRATIVE** | 7.2 | 5.2 | 8.8 | .34 | .26 | .51 | (55) | 6.1 | 2.3 | 8.5 | .45 | .17 | .62 | 8.7 | 6.6 | 11.5 | .43 | .33 | .59 | | | |
| SUBTOTAL ADMINISTRATIVE | 12.6X | 9.7X | 14.2X | .59 | .48 | .86 | (55) | 10.4X | 6.4X | 12.3X | .76 | .46 | .89 | 12.8X | 11.0X | 15.8X | .67 | .48 | .80 | | | |
| SUPPLIES | .9 | .2 | 1.4 | .03 | .01 | .06 | (47) | .3 | .2 | .7 | .02 | .01 | .05 | .5 | .3 | 1.5 | .03 | .02 | .06 | | | |
| HEATING FUEL--CA ONLY* | .7 | | | .03 | | | (9) | .4 | | | .04 | | | 2.2 | .8 | 2.6 | .12 | .05 | .13 | | | |
| CA & APTS.** | 2.9 | | | .18 | | | (22) | 2.4 | 1.1 | 4.3 | .17 | .08 | .32 | 3.7 | | | .21 | | | | | |
| ELECTRICITY--CA ONLY* | 2.2 | 1.8 | 4.9 | .12 | | | (35) | 1.8 | 1.0 | 2.6 | .13 | .07 | .18 | 3.3 | 2.8 | 3.6 | .16 | .14 | .19 | | | |
| CA & APTS.** | 7.5 | | | .35 | | | (19) | 4.7 | 2.4 | 9.0 | .45 | .15 | .68 | 2.7 | | | .17 | | | | | |
| WATER/SEWER--CA ONLY* | | | | | | | (3) | 5.5 | | | .39 | | | | | | | | | | | |
| CA & APTS.** | 2.8 | 2.6 | 3.3 | .14 | .13 | .18 | (52) | 2.7 | 2.0 | 3.1 | .19 | .15 | .25 | 2.1 | 1.7 | 3.0 | .10 | .09 | .16 | | | |
| GAS-----CA ONLY* | 1.4 | | | .08 | | | (15) | .3 | .2 | .8 | .03 | .02 | .07 | 2.3 | | | .10 | | | | | |
| CA & APTS.** | 1.2 | | | | | | (18) | 1.6 | 1.2 | 2.1 | .12 | .08 | .18 | 1.1 | | | .05 | | | | | |
| BUILDING SERVICES | 1.1 | .9 | 1.5 | .05 | .05 | .07 | (49) | 1.0 | .7 | 1.4 | .07 | .05 | .14 | 1.0 | .6 | 1.4 | .05 | .04 | .07 | | | |
| OTHER OPERATING | .1 | | | .00 | | | (30) | 1.1 | .2 | 1.7 | .08 | .01 | .12 | .4 | .1 | .7 | .02 | .01 | .03 | | | |
| SUBTOTAL OPERATING | 10.1X | 6.6X | 13.6X | .42 | .35 | .68 | (55) | 9.3X | 6.8X | 12.4X | .64 | .51 | .89 | 10.6X | 8.4X | 14.5X | .54 | .45 | .66 | | | |
| SECURITY** | .4 | | | .02 | | | (19) | .3 | .1 | .8 | .05 | .01 | .07 | .6 | .4 | 1.1 | .03 | .02 | .06 | | | |
| GROUNDS MAINTENANCE** | 1.1 | 1.1 | 1.8 | .07 | .05 | .11 | (55) | 1.7 | 1.1 | 2.4 | .11 | .07 | .18 | 2.6 | 1.4 | 4.7 | .15 | .06 | .17 | | | |
| MAINTENANCE-REPAIRS | 3.4 | 2.9 | 4.2 | .19 | .16 | .27 | (55) | 2.7 | 1.8 | 4.5 | .18 | .13 | .33 | 4.7 | 3.6 | 8.5 | .25 | .15 | .41 | | | |
| PAINTING/DECORATING** | 1.9 | 1.6 | 2.7 | .09 | .08 | .13 | (51) | 2.4 | 1.4 | 3.5 | .17 | .11 | .28 | 2.2 | 1.4 | 3.7 | .11 | .07 | .18 | | | |
| SUBTOTAL MAINTENANCE | 7.2X | 6.3X | 8.9X | .37 | .32 | .52 | (55) | 8.6X | 5.1X | 11.8X | .56 | .40 | .82 | 12.3X | 8.3X | 16.1X | .54 | .44 | .74 | | | |
| REAL ESTATE TAXES | 11.0 | 8.5 | 12.6 | .54 | .46 | .65 | (53) | 6.3 | 4.0 | 8.5 | .48 | .27 | .59 | 9.7 | 7.9 | 11.3 | .43 | .36 | .55 | | | |
| OTHER TAX/FEE/PERMITS | .2 | | | .01 | | | (40) | .2 | .1 | .3 | .01 | .01 | .02 | .1 | .0 | .2 | .01 | .00 | .01 | | | |
| INSURANCE | 2.1 | 1.8 | 2.4 | .11 | .10 | .12 | (54) | 1.5 | 1.2 | 2.0 | .12 | .08 | .14 | 2.5 | 1.7 | 2.9 | .11 | .09 | .15 | | | |
| SUBTOTAL TAX-INSURANCE | 11.2X | 10.3X | 13.9X | .65 | .59 | .72 | (55) | 8.3X | 5.8X | 10.0X | .63 | .41 | .77 | 12.1X | 10.4X | 14.4X | .60 | .45 | .74 | | | |
| RECREATNL/AMENITIES** | .3 | .2 | .3 | .01 | .01 | .02 | (35) | .5 | .2 | .7 | .03 | .02 | .05 | .5 | .2 | 1.9 | .03 | .01 | .05 | | | |
| OTHER PAYROLL** | 6.4 | 5.5 | 7.7 | .33 | .27 | .40 | (43) | 4.6 | 2.9 | 6.9 | .32 | .20 | .53 | 7.2 | 5.1 | 9.5 | .35 | .27 | .45 | | | |
| TOTAL ALL EXPENSES | 48.4X | 44.9X | 59.4X | 2.43 | 2.16 | 3.07 | (55) | 42.7X | 38.3X | 48.6X | 2.92 | 2.56 | 3.70 | 55.6X | 46.7X | 61.7X | 2.74 | 2.33 | 3.19 | | | |
| NET OPERATING INCOME | 46.6X | 38.2X | 49.2X | 2.32 | 2.22 | 2.56 | (55) | 46.4X | 40.0X | 55.0X | 3.23 | 2.59 | 4.34 | 32.9X | 26.6X | 42.6X | 1.67 | 1.36 | 2.26 | | | |
| PAYROLL RECAP** | 9.7 | 8.2 | 11.2 | .42 | | | (50) | 8.4 | 5.9 | 11.0 | .65 | .44 | .82 | 10.6 | 8.1 | 13.7 | .59 | .43 | .68 | | | |

Attachment 7-8

FOOTNOTE: For a description of Utility Bill of the report layouts and method of data analysis, refer to the sections entitled Guidelines Appendix. Copyright© 1990, Institute of Real Estate Management.



HOUSE TAX COMMITTEE

REAPPRAISAL AND CLASSIFICATION TESTIMONY

February 7, 1991

Madam Chair, members of the committee, I am Mary Ellen Conlee, representing the Kansas Association for Small Business, an association of small manufacturers. There are two issues that concern the members of the Kansas Association for Small Business in the proposed constitutional amendments that are before you. One is the issue of taxing inventories, the other is the appraisal and classification of manufacturing machinery and equipment.

Inventories:

Taxing of inventories strained the competitiveness of Kansas manufacturers for years. As state after state exempted inventories, Kansas businesses fell behind in the national marketplace. Finally, as a result of the removal of inventories taxes in 1989, our manufacturers have been able to bid and win new national and international contracts.

Please remember that the manufacturer's inventory tax taxes the value of raw materials and parts purchased for the manufacturing process, the work-in-progress and the finished goods awaiting delivery. Small manufacturing businesses are particularly hurt by the inventories tax. If a company buys raw materials in bulk to save money, it is penalized by increasing inventory. A good business practice may become a losing proposition. Greater production results in increased taxable inventories. If a customer determines a need to control its own inventory a supplier is asked to hold finished goods. Thresholds as suggested in HCR 5007 may protect some companies some of the time. The number of employees or the profitability of the company does not reflect the value of inventories.

HOUSE TAXATION
Attachment #8
02/07/91

Page two
House Tax Committee
February 7, 1991

Machinery and Equipment:

Both proposals before you increase the personal property classification from 20% to 30%. Additionally, HCR 5006 includes a 15-year straight line depreciation schedule designed to increase the taxable value of machinery and equipment. The 50% increase in the appraised value of personal property means new taxes for the small businesses I represent. Any small business that reports the value of its personal property / desks, chairs, copiers, telephone systems, computers, machinery, etc. will find a 50% increase on its next statement. The trade-off is a 30% decrease in commercial and industrial property.

For the Kansas Association for Small Business companies which on average have 25% real estate and 75% personal property--this proposal is "no deal". As Bob Winkler, President of Mid-Central Manufacturing and President of our organization said, "My personal property taxes would increase by \$25,000 and my real estate would decrease by \$3,000." Obviously, this proposal is not designed to help his small business which employs less than 50 people.

For the small business that rents commercial space the proposal means higher personal property taxes and no guarantee of lower real estate taxes. Only the small businesses which own their own buildings will benefit from this property tax shift.

During the debate last year, 7-year straight line depreciation was often referred to as accelerated depreciation. The implication was that there was a tax break for manufacturers. One of my members, Rex Knepp, President of Aero Machine Company, Inc., visited Japan in conjunction with purchasing a CNC Machining Center. He learned that Japanese national policy mandates replacing manufacturing equipment every 5 years. Additionally, the IRS code allows 5-year depreciation for computerized manufacturing equipment.

We are told that Toyota is about to enter the aircraft manufacturing field. Clearly, in an international economic system we should not identify a 7-year straight line depreciation with a 20% residual value as accelerated depreciation. Kansas must compete with an international policy that recognizes rapidly changing technology through a mandate to replace manufacturing equipment every 5 years.

The 15-year straight line depreciation proposal is clearly unacceptable for modern manufacturing machinery and equipment. It may be acceptable for the office coat rack but not for the copier, the telephone system or the computer.

Page three
House Tax Committee
February 7, 1991

From another perspective, appraisal methodology is not as significant as effective tax rates. The much quoted Pat Oslund, University of Kansas study identifies the following effective tax rates for machinery and equipment in our region.

| <u>STATE</u> | <u>EFFECTIVE PROPERTY RATES MACHINERY AND EQUIPMENT</u> |
|--------------|---|
| Colorado | 2.00% |
| Iowa | 0.77% |
| Kansas | 2.23% |
| Missouri | 1.57% |
| Nebraska | 2.49% |
| Oklahoma | 0.90% |

The effective tax rate on machinery and equipment is second highest in the region. Such data provides compelling evidence that Kansas has not undervalued machinery and equipment.

In Conclusion:

The Kansas Association for Small Business opposes the 50%, or more, increase in the value of personal property as the trade-off for lower commercial property taxes. Increasing the value of personal property by extending its taxable life is not valid for a significant percentage of high tech office and manufacturing machinery and equipment. If the goal of tax reform is to help small businesses, I can assure you the small businesses I represent will be hurt and not helped.

HOUSE
TAXATION COMMITTEE
CLASSIFICATION PROPOSALS

February 7, 1991

MADAM CHAIR AND MEMBERS OF THE COMMITTEE:

My name is Janet Stubbs, Executive Director of the Home Builders Association of Kansas.

The Home Builders Association of Kansas presents testimony during hearings on these proposals only for the purpose of going on record in support of any action which will prevent an increase of the rate of assessment for residential taxpayers. We are uncomfortable in going on record in support of any specific proposal at this point, when we observe discussion between Legislators, Staff and Department of Revenue staff regarding the accuracy of projections which are currently available.

Included in our definition of residential taxpayers are those individuals who reside in rental property either by choice or necessity. It is the position of this Association that these individuals should not be required to pay a greater amount of living expense due to taxes than those who own their own home. Those who are concerned about whether the apartment owner has reduced rental fees of units which received a tax reduction due to the classification amendment must remember that in most areas the rental market is "soft" and the market will not bear unreasonable rental rates. In addition, we do not believe these property owners should be expected to continue to operate without a return on investment due to tax changes at the federal level.

We share the concern regarding the taxes of commercial property owners and the effect on economic development. However, we believe many of these problems stem from over valuation of property during the reappraisal process which has yet to be corrected. Vacant lots, as an example, have not been appraised with the recognized appraisal methodology in most metropolitan areas and continues to be a dispute which will be heard before the Board of Tax Appeals later this year.

Our builder-developer members do not have their "inventory" recognized as such currently. Vacant lots and unsold, unoccupied new homes, which are not utilizing the public services, are our inventory and we believe this property should be exempted just as it has been in Missouri.

HBAK does not support re-enacting the inventory tax due to the adverse impact on the economic development in Kansas. We were among the groups who supported reappraisal prior to passage of a classification amendment, and we believe now that the reappraisal problems should be resolved prior to requesting the voters to "trust us" again on a plan to make everything "right again".

HOUSE TAXATION
Attachment #9
02/07/91

Most Kansas taxpayers were upset over the taxes based upon increased values on their property due to reappraisal and the narrowing of the tax base. At this time, we are not convinced that increasing the assessment rate on multi-family and utility properties will affect taxes on property throughout the state. Further data on the effect of these proposals is needed before support can be given.

Again, I request that during your deliberation on this issue that our request for exemption of the inventory of our builder-developer members be considered to keep us in accord with the Missouri action of last session.

Thank you for your consideration.

KANSAS CITY POWER & LIGHT COMPANY

1330 BALTIMORE AVENUE

P. O. BOX 418679

KANSAS CITY, MISSOURI 64141-9679

B. J. BEAUDOIN
VICE PRESIDENT-FINANCE
&
CHIEF FINANCIAL OFFICER

February 6, 1991

Representative Joan Wagnon
Chairperson, Committee on Taxation
Kansas House of Representatives
State Capitol
Topeka, KS 66601

Dear Madam Chairman:

I would like to express Kansas City Power & Light Company's opposition to HCR 5006 and HCR 5007. Both bills propose to increase utility real and tangible property assessment by 16% from the current 30% to 35%.

Since 1985, KCPL's annual Kansas property taxes have gone from \$15.2 million to \$19.4 million. Reappraisal had little impact upon our Kansas property taxes. In 1988, the year before reappraisal, KCPL paid \$19.6 million. In 1990, after reappraisal, KCPL's property tax bill was \$19.4 million. We estimate either HCR 5006 or HCR 5007 will add \$3.26 million to our Kansas property taxes for a total of \$22.66 million.

In addition, KCPL's Kansas electric rates are based on 1985 property taxes. While we have endeavored to hold the line to avoid requesting a rate increase which would impact our 160,000 Kansas customers, mounting property taxes are a real concern. A continuing increase in property taxes will eventually be born by our ratepayers.

Sincerely,

B. J. Beaudoin / by jmh

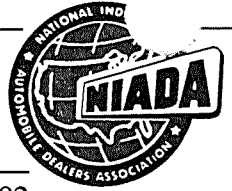
/jmh

c: Members of the House Committee on Taxation

HOUSE TAXATION
Attachment #10
02/07/91



KANSAS INDEPENDENT AUTOMOBILE DEALERS ASSOCIATION



Citizens Bank & Trust Building • 6th & Humboldt • Manhattan, Kansas 66502
Phone: 913-776-0044 FAX: 913-776-7085

February 7, 1991

TO: HOUSE COMMITTEE ON TAXATION

SUBJECT: HOUSE BILL 5007

Madam Chair and Members of the Committee:

I am Dan Carlson, Chairman of the Board, of the Independent Automobile Dealers Association representing 264 used car dealers in the state of Kansas.

We appear in opposition to Senate Bill 5007 which could place motor vehicle dealers' inventories back into classification.

We are small businesses who are struggling at this time to stay in business. An inventory tax or an in-lieu-of tax would certainly be a major hardship on many small used car dealers and as a result, they may simply go out of business.

We realize that you are looking at property tax rollback. We believe that you might relieve the small business person, but we also believe that by restoring inventory tax you will be hurting them much more than property tax relief would help.

Please consider very seriously this delicate balance before you place motor vehicles back into classification or legislate an in-lieu-of tax.

Thank you for your time.

HOUSE TAXATION
Attachment #11
02/07/91

Individually we struggle to be heard—Collectively we cannot be ignored.



KANSAS MOTOR CAR DEALERS ASSOCIATION

800 Jackson, Suite 808 • Topeka, Kansas 66612 • (913) 233-6456 • (800) 825-0169 (KS only) • FAX (913) 233-1462



MEMORANDUM

TO: The Honorable Joan Wagnon, Chair
House Committee on Taxation

RE: HCR 5006 and HCR 5007

FROM: The Kansas Motor Car Dealers Association
Kevin L. Allen, Executive Vice-President
Pam Somerville-Taylor, Governmental Affairs Director

Date: February 6, 1991

Madam Chair and members of the committee. Our trade association represents over 320 franchised new car and truck dealers in Kansas.

We do not oppose the concept of property tax relief but instead, oppose an inventory tax to fund the relief. We believe the concept contained in HCR 5006 and HCR 5007 are targeted only to address one specific group of individuals. We are sympathetic to the commercial and small business owners who are service oriented with little or no inventories; however, we do not believe the answer is to tax those individuals who do have large inventories.

You have heard many times from many different people about the inequities of inventory taxes, and our members agree! Inventories maintained by car dealers - vehicles, parts, paint, and the like are enormous, most of which is financed.

HOUSE TAXATION
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House Taxation Committee
February 6, 1991
Page Two

The magnitude of repealing the exemption on merchants inventory on the new car dealers of Kansas would be staggering. We do not feel that those businesses, who, by their very nature must maintain inventories, should bear more of the tax burden than those businesses who are less inventory oriented.

Kansas car dealers are, for the first time in many years, in a competitive posture with car dealers in surrounding states. Missouri, Colorado, Nebraska and Oklahoma no longer tax motor vehicle inventories. In addition, our members pay their share of the property tax burden - most of their dealerships are in prime real estate locations thus raising their property tax rates! The Kansas Motor Car Dealers fully appreciate the magnitude of the property tax dilemma and our Board of Directors voted to support a broader based tax, but are adamantly opposed to reinstating the inventory tax.

In closing, we appreciate the critical problem the legislature is facing, and request continued examination of the proposal at hand. Thank you for the opportunity to present our position.

PEOPLES NATURAL GAS
WRITTEN REMARKS
FOR
THE HOUSE TAXATION COMMITTEE
AND
THE SENATE ASSESSMENT AND TAXATION COMMITTEE
ON
PROPOSED CONSTITUTIONAL AMENDMENTS HCR 5006,
HCR 5007, SCR 1606 AND SCR 1611

The proposed increase in the level of apportionment for public utility properties while raising additional revenue for the state of Kansas could put a much greater burden on Kansas Rate Payers who are responsible for the tax, and at the same time remove the accountability of the local government units for the amount of taxes collected from the rate payer.

All publicly held utilities pass property taxes to the rate payers as part of the cost of service. The current utility rates reflect property taxes at the current lower level of assessment. An increase in the level of assessment could easily require the utilities and the state to incur the additional cost of filing new rate cases to cover the increased property taxes. The citizens of Kansas would then be faced with paying not only the original increase in property taxes, but in addition the company's and state's additional costs of new rate cases, as well as the additional clerical costs of implementing the new rates that would reflect the increase in property taxes.

The conduct of local government units is more readily ascertainable when the taxes associated with their spending is readily identifiable to the citizens that they serve through their property tax bills. While many citizens may not have the time to attend all the budget meetings of the local units, the action of those units is brought right into the citizen's home when they receive their property tax bill.

Peoples Natural Gas is a responsible corporate citizen, and as such desires to pay their fair share of the cost of local government and education. But we strongly believe that the solution to the government budget crisis is in more effective spending by local government units, and education, and not through increased "hidden taxes" that would be collected through the public utilities that serve the citizens of Kansas. We feel that increasing the tax burden on public utilities will not accomplish the objective of relieving the property tax crisis, but would increase the cost to the citizens of Kansas while leaving the problem untouched. For that reason we oppose any increase in the level of assessment of public utilities.

If the legislature decides that it would be necessary to increase the level of assessment, we feel that the public utilities should be allowed to adjust their rates without filing a rate case, and disclose to the rate payers the portion of the increase, and the total rate that reflects the cost of local government and education.

Jerry Quick
Manager, Legislation
Peoples Natural Gas
1815 Capitol Avenue
Omaha, Nebraska 68102