

January 19, 2015

Mr. Marvin Kleeb, Chairman
House Standing Committee on Taxation
Via E-Mail

Dear Mr. Kleeb:

It is my understanding your Committee will be hearing testimony on the property tax appraisal system from several real estate professionals this week. Since I am unable to be there, I would like to submit for your consideration a few brief thoughts as someone who has been dealing with this situation for 50 years now in Kansas, having owned a large number of properties over that time span.

First, it is quite obvious to those of us in the business of developing properties that the Classification System instituted in the mid 1980's has had a disastrous impact on new development in Kansas. Classification has resulted in property taxes for commercial properties being higher, by a multiple of several times, than what they are in adjoining states due to valuations well in excess of two times that for residential properties.

One study our firm did a few years ago revealed that like properties in Oklahoma City had only roughly 25% to one third the property tax burden that we have in Kansas. Attached is a brief example with photos of two newer, single story, comparable Class A office buildings – one in Northwest Oklahoma City and the other here in Wichita. You can readily see the property taxes are significantly higher here in Kansas, by a multiple of several times.

This onerous property tax expense in Kansas has resulted in lower yields on capital for property owners, creating a reluctance to develop new product. On the consumer side, it has been a detriment to new businesses from outside of Kansas expanding or relocating here. You might also take note that property tax abatements have become commonplace due to the high tax burden. Property owners who are not fortunate enough to have tax forgiveness – most of us - are now paying even larger tax bills.

Probably the most egregious situation in Kansas is the glaring lack of competence in the assessor's office to provide fair and equitable valuations.

Their general unwillingness to accept market facts, unless they are to their benefit, is well known. Since they essentially have little or no accountability, and know it, the property owner is forced to fight assessments by hiring property tax consultants, appraisers and attorneys causing substantial expense and inconvenience with no hope of recovery, other than the goal of achieving fair and equitable treatment in the end.

This has resulted in a system in which assessment officials simply stonewall the taxpayer until the eleventh hour, after significant expenses have been incurred by the taxpayer, at which time an agreed settlement between the property owner and the taxing authority can sometimes be achieved. This of course is after the taxpayer has suffered considerable expense. The system is not only severely dysfunctional in this regard but egregiously abusive to property owners and needs to be changed.

Over the years we have owned properties in over 25 states, and therefore have some knowledge of the property tax statutes in those states. Many of them include accountability measures such as annual caps on how much assessments can be increased in any one year, guarantees that new assessments cannot be changed for 2 or more years, etc. There may be no "perfect" system, but major changes, and preferably an entirely new property tax assessment procedure – mass appraisal systems have not worked and have exacerbated the inequities – need to be instituted.

I have not focused on solutions in this brief communication, primarily because they are too numerous, but there are many possible options that would significantly improve the fairness of the system for taxpayers. My hope is you will come to an understanding of this and take corrective action.

Cordially,



Steve Clark

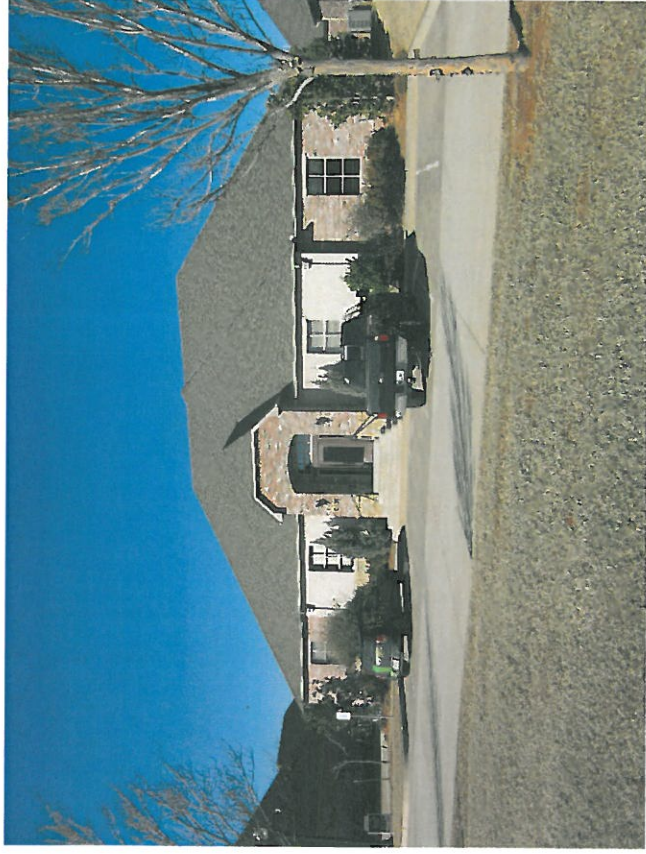
Cc: House Standing Committee Members on Taxation

Attachment

OKLAHOMA vs. KANSAS

COMPARABLE PROPERTY TAX SAMPLE

2905 N.W. 156th STREET
EDMOND, OKLAHOMA



Size 4,300 S.F.
General Taxes \$8,414.64

Tax Per Sq. Foot \$1.96

1717 N. WATERFRONT PKWY
WICHITA, KANSAS



Size 5,500 S. F.
General Taxes \$34,296.40

Tax Per Sq. Ft. \$6.34