

**Proponent Testimony of the Ohio Apartment Association
On House Bill 75**

**House Ways and Means Committee
March 19, 2019**

Good afternoon, my name is Oksana Lukjanenko and I am the Vice President of Denizen Management, LLC in Cincinnati. Today, we manage 23 apartment communities throughout Ohio, along with multiple properties in Indiana and Nebraska. Our portfolio of apartment communities consists of a total of approximately 5,000 apartment units. We are members of the Ohio Apartment Association and I also serve on the Board of Directors of Greater Cincinnati Northern Kentucky Apartment Association, where I am also a member of Legislative Committee. OAA is a federation of nine local apartment associations. OAA members own or manage about 500,000 rental units across the state of Ohio. Thank you for the opportunity to provide feedback on House Bill 75 on behalf of the Ohio Apartment Association.

As significant property owners and operators in our communities, property taxes are one of the largest costs of business that Denizen Management and other OAA members face. In years past, we have been able to plan for increases – in line with improvements to the property and the statutory assessment periods. State law requires counties to revalue all real estate property every six years with an update at the three-year midpoint. The only changes to a property's value outside of the three-year cycle should be due to physical changes to the property (improvements such as the addition of a porch, patio or deck) or the demolition of an existing structure. But, Ohio is one of a minority of states (including Pennsylvania and New Jersey) that allows for a change in value based on a complaint and not just a complaint filed by the property owner. Unfortunately, increasingly our properties have been the target of complaints by certain local governments that are designed to increase the assessment on the property that is out-of-line with the normal periods or reasons for which we would expect an increase in valuation. This practice not only increases property taxes at unexpected times and beyond the normal inflationary increases we have budgeted for, it also means that we must spend valuable time and money defending against these complaints. We find that other local governments that are not represented by certain law firms that take this aggressive posture have taken a much more fair and reasonable approach regarding a property's value.

For instance, in some areas, every time a nearby property sells, we can expect a complaint to be filed challenging the current assessment even though there was no change to our property and/or that our property is fundamentally different from the property that was sold. The fact is buyers today are paying unheard of prices for multi-family apartment properties, much of which is driven by historically low interest rates and the inability of investors to find yield on their money elsewhere. This fact should have no effect on a property that has not been transferred and was originally underwritten and purchased or developed under very different market conditions.

This isn't even the whole story because unbeknown to the county treasurers and other local government entities, due to private pay agreements to settle these tax complaints, we end up paying more in taxes to the complaining entity without any of those dollars flowing to taxing entities in the rest of the county. These so-called private pay agreements perhaps more than anything else,

highlight the unfairness of the current way things are being done.

And it is not just inflated sales prices that drive these complaints. We've also seen complaints based on mortgages, which may include financing for things, other than the property, like future improvements or purchasing business interests, and complaints based on the value of properties in other communities, even in other counties. These are not appropriate bases for property tax assessment complaints. Even if we ultimately succeed in defending the complaint, we have spent precious time and money that could have been reinvested in our properties.

House Bill 75 will not end the types of complaints that I have just described made against apartment communities. This is particularly true as apartment communities, which although they are residential in nature and whose tenants are likely impacted by property tax increases in the form of higher housing costs, are not considered residential property in this state. While House Bill 75 is a step in the right direction by requiring more accountability by the local government filing these complaints, we believe limiting the timing of when complaints could be filed to only those years in which the county auditor has provided a evaluated the property's assessment value (following the 3-year and 6-year valuations) is a better form of relief.

Our system of property tax assessment is supposed to guarantee at least some stability of the assessment where there have been no improvements to the property. You need to take action to return that stability to the system, because as I have outlined above, for some property owners the system is currently off-balance. I appreciate that local governments are facing tough fiscal times. But it is fundamentally unfair that we and our fellow OAA members are being targeted, in some cases on an annual basis, for re-assessment. We are constantly being put in the position of defending against these complaints – marshalling legal and market expertise at our own great expense - when these resources and funds could be much better spent improving the real estate.