



LAKEWOOD CITY SCHOOLS

November 10, 2017

Chairman Shaffer, Vice Chair Scherer, Ranking Member Rogers, Members of the House Ways and Means Committee, thank you for giving me the opportunity to provide opponent testimony on H.B. 343.

I am Kent Zeman, Treasurer/CFO of the Lakewood Board of Education. We are a suburban school district adjacent to Cleveland. Lakewood is blessed with a supportive community for our schools.

A challenge faced by Lakewood as with other urban and suburban school districts is the loss of revenue from real property tax complaints. With the Great Recession there was a significant volume of filing of decrease complaints as to residential and commercial property resulting in losses of revenue and overall valuation. Approximately 4,398 residential decrease complaints were filed between 2009 and 2017. During the same period taxpayers filed 729 commercial decrease complaints with 548 complaints requesting a change of value in excess of \$50,000.

As set forth in the table below, approximately 90 commercial decrease complaints a year seeking a value change in excess of \$50,000 were filed between 2009 and 2013, with 139 filed in 2010. The commercial complaints challenged approximately \$6,656,567 million of revenue of the school board. The board of education files increase complaints to make up the loss of revenue from decrease complaints.

Any higher valuations also reduce millage rates on other taxpayers. During and immediately following the Great Recession few increase complaints were filed. With the recent recovery there has been increase of filing of commercial complaints and a reduction in the filing of commercial decrease complaints.

Over an economic cycle, the loss and gain of revenue from commercial decrease and increase complaints offset each other. This allows the school board to provide tax reductions to taxpayers as warranted and make up the loss of revenue from contesting undervalued property.

Jeffrey W. Patterson
Superintendent
(216) 529-4092
(216) 228-8327-Fax

Executive Offices
1470 Warren Road
Lakewood, Ohio
44107-3997

Tax Year	Collection Year (Filing Year)	Taxpayer Residential Decrease Complaints	Taxpayer Commercial Decrease Complaints (Value change > \$50,000)	Potential Loss of Revenue from Taxpayer Initiated Decrease Complaints of Commercial Real Property	School Board Increase Complaints	Potential Gain of Revenue for BOE-initiated Increase Complaints of Commercial Real Property
2008	2009	861	78	\$421,959	10	\$35,361
2009 (Update)	2010	572	139	\$2,636,650	11	\$504,696
2010	2011	650	69	\$753,266	7	\$64,935
2011	2012	767	72	\$443,846	17	\$172,143
2012 (Reappraisal)	2013	500	96	\$1,205,507	35	\$1,200,906
2013	2014	395	28	\$119,992	30	\$739,552
2014	2015	216	21	\$431,707	25	\$101,509
2015 (Update)	2016	311	25	\$464,501	65	\$2,534,063
2016	2017	126	20	\$179,139	50	\$765,086
Total				\$6,656,567		\$5,775,124

Rob Risman, manager of Marine Towers, LLC, testified as to his apartment building on the Gold Coast of Lakewood. Mr. Risman did not mention that from 2004 through 2011 he initiated a number of property tax decrease complaints with the Board of Revision to reduce the value of the apartment building due to the performance and the Great Recession, and the School Board agreed to reductions in the value of the property. The performance of the property and, apartments in the market, significantly improved beginning in 2011. The School Board and Mr. Risman settled the valuation for tax years 2012 through 2014 through a compromise as to valuations of appraisers. At the request of Mr. Risman, the School Board entered into an out-of-court settlement.

For tax years 2015 through 2017, the County Fiscal Officer set the value of the property at \$5,640,200, below the valuation of the prior settlement of \$7,372,500. Mr. Risman and the School Board two weeks prior to his testimony settled the pending litigation again through a compromise of the valuation of two appraisals. Also two weeks prior to his testimony, the school board and Mr. Risman agreed in 2019 to discuss the County's 2018 reappraised value and resolve any disagreement.

The filing of property tax complaints is undertaken by the school board with guidance from myself and counsel. We take an approach to look to amicably resolve matters rather than looking for litigation or establishing new law in the courts. The public is fully aware of the filing of all complaints and progress of matters through the public docket of the County Board of Revision and Board of Tax Appeals.

As introduced, we recommend the following changes to the Bill.

- Replace notice of a tax complaint as to “a parcel” with “a property” to conform the practice to challenge the value of a property which may include one or more parcels. For example, a Lakewood apartment owner has contested the property in a single complaint which contains 116 parcels.
- Provide for approval of the filing of the complaints by resolution without specifying separate approval for each parcel. This would allow urban and suburban districts to approve the filing of complaints with a single resolution and conform with the practice of the board to approve significant issues such as employment (retirement, employment) or construction change orders in a single resolution.
- Eliminate the notice and approval requirements for the filing of a counter-complaint. A board of education filing a property tax complaint is seeking to participate in the proceedings and retain the County’s value. A complainant should be aware of the potential filing of a counter-complaint. Further, notice of approval requirements in the Bill, as introduced, may necessitate to increase the thirty (30) day time period to file a counter-complaint.

Sincerely,

A handwritten signature in black ink, appearing to read "Kent R. Zeman", with a long horizontal flourish extending to the right.

Kent R. Zeman
CFO/Treasurer