



AMENDED MINUTES

THURSDAY, JUNE 27, 2019

The scheduled **special** meeting of the Cleveland County Equalization Board was called to order this 27th day of June 2019 at 10:00 a.m., in the conference room of the Cleveland County Office Building, Suite 210 by Chairman Larry Heikkila. Tammy Belinson, County Clerk/Secretary, called roll and those present were:

Larry Heikkila, Chairman
Charles Thompson, Vice-Chairman
Bobby Cleveland, Member
Tammy Belinson, Secretary

Others present were: Assistant District Attorney Jim Robertson, Linda Atkins, Mike Weddle, Donna Morgan, Billijo Ragland, Diana Dye, Douglas Warr and John Roberts.

Those present were: Assistant District Attorney Jim Robertson, Linda Atkins, Billijo Ragland, Douglas Warr, Travis Mauldin, Mike Weddle, Lisa Ward and Harold Haralson.

After the reading of the minutes of the Special Meeting of June 13, 2019 and there being no additions or corrections, Charles Thompson moved that the minutes be approved.

Larry Heikkila seconded the motion.

The vote was: Larry Heikkila, yes; Charles Thompson, yes; Bobby Cleveland, yes.

Motion carried.

(Clerk's Note: Tammy Belinson officiated the signing of affidavits notarized by Lisa Ward.)

A. Business Items:

1. Chairman Heikkila called for discussion, consideration, and/or action on the following Letters of Protest presented by Travis B. Mauldin, % Property Tax Services, Inc, 1183 Joyce Blvd, Suite 2, Fayetteville, AR 72703, Phone No., 479-527-8814:

(a.) Travis Mauldin said that on Item "a"- "My name is Travis Mauldin, I am the tax representative of the owners; I am from Fayetteville Arkansas. I have been doing this for quite a while; I am here to present their evidence before you all for you to make a decision on the evaluation. Usually, what we do on these types of apartments, these are Section 42 to receive tax credits and they are government assistance apartments; we, usually, give three years of their income and expense for you to review. We give a copy of the rent roll as of January 1, 2019 and we submit evidence for our capitalization rate and we use the value of these based on the income approach and cost approach. Really, on an income producing property, it is not as and I understand cost that it is important;

it's more the investment value on an apartment, particularly, these apartments are looked at on their income and through capitalization rate. Based upon that, I will just get into this part here, it was built in 1999, it's got 144 apartment units and I am not sure, they might know how many buildings that are out there, are there six units is there may be twelve or six units per building, anyway there may be twelve buildings out there and their club house and there are twelve units in each building because at 144 that would make sense at twelve. Anyway, I believe there are twelve buildings that set out there. And it is on 8.76 acres, so it's a pretty good complex out there it is pretty typical garden style apartments. The current evaluation that you see there on the packet on that front page of my hand out is \$7,301,561 and the unit of comparison per unit basis and these right now are at \$50,705 a unit by the Assessor's Office. I will go through the income analysis and the ownership as you see the income analysis comes into \$6,001,526 and they have requested before the Board \$6,000,000. Page 2 is the meat and potatoes on this particular property this information was given to the Assessor's office to the informal, I want to say that the Assessor's office does a fantastic job and I rarely had a hearing before you guys from the twenty years I have been doing this. So they do utilize the informal appeal very well, it just happened that the ownership to them didn't agree on this particular one and I understand that happens. If you look though at the second page, I have it length wise there on the page you will see the last three years. It looks like and what I try to zero in on obviously is there vacancy and their collection loss, because that drives up the percentage of the expense and I don't get too hung up on expenses because they are what they are and the electric company is going to charge what they are going to charge. The cable company is going to charge, the maintenance man is going to charge, so I usually zero in on their rent, collections, which is vacancy collection loss, and they do not include real estate tax as an expense, then that bottom line I highlighted is your NOI and you can see those actuals, now they don't include real estate tax as an expense. So that has been pulled out and built in down in the bottom line where you see the overall rate we utilized this information at 7.5 cap rate plus that 1.41 as your tax rate. The reason for that being, we are supposed to be using market expenses over on the left side where I have pro forma, and if the owner thinks that the taxes are not at market then they are disagreeing with the value and everyone that is in this area where this property is pays on the same rate. So the tax rate has been equalized. You can pull the tax rate and just bill that into your rate. That is the reason you pull that real estate tax and being in disagreement of market expense it is the rate that it is right now. Some people don't agree with it and I do that because they are in disagreement with the tax value, but you will see that those three years, I won't really get into all their tax and you guys need to verify our numbers, it would take a long time. But usually, you see I have gone through these and we circle out the taxes, you will see that, you will see some big capital items we try to pull those sometimes and some slip through. This thing is operated pretty consistently, in 2016 it was down and they had a big vacancy collection loss and picked it back up in 2017 and 2018. So on our charts, we don't try to use the best year that we had and try to use the worse. In the property tax game, we have to look back. I know that most appraisers when they look at a property they look forward as to what is going on. We look at the last three years and try to look forward, so anyway that is a little explanation on that. Based upon this information on the last page of my handout, you will see a rent roll and all these income statements from the last three years. We use a national cap rate study and it shows for the fourth

quarter for 2018 and this is a national 8.38 as a capitalization rate. That does not include the tax rate. That is just an overall rate right there. That is why when you see that on my sheet down there, I use a 7.5 which is below the national average. Because Norman is a student, you've got the university and you've got, built in market for people of housing. The only problem with this type is the incomes qualify. So a lot of times on these types of properties, you may see a little bit of vacancy going on because you couldn't get people qualified to get in it or there are a lot of these units. I think there are a lot of these units and they try to fight for the tenant. Other than that, it is a nice looking property. It's just based on its financial information, the ownership wanted this brought before you and based upon the evidence that has been presented to you, I would ask that you look at this and we are asking the Board for an evaluation of \$6.0 million dollars."

Chairman Heikkila said, "Thank you, sir. Is there any questions from the Board?"

Bobby Cleveland asked, "Where is this located at?"

Travis Mauldin said, "This is on Renaissance Drive."

Bobby Cleveland said, "Well, that didn't help me."

Mike Weddle said, "It's off Highway 77, just south of Highway 9."

Larry Heikkila asked, "South of McDonalds there?"

Mike Weddle appeared to speak for the Assessor's Office and said,

"I made a couple of packets for you guys. Feel free to rip off the staples and look through it. I appreciate what Travis Mauldin said about us. We have always had a pretty good relationship with him and sometimes we don't see eye to eye, but one of the main things is that we are looking at on Chapel Ridge is, if you go to the third page this gives you a brief run down. It shows the account number and where it is located, the year it was built and the number of units and the value we have on it. The value we have on per unit is \$50,705.00, at \$52.21 per square foot. Next page, we are looking at the market value and what they would bring on the market if they wanted to sell them and we do look at the actual income and look at that. At the end of the day, what is it worth? So you are looking at the sells to see what properties in Norman that sold and we have the number of units and the sale price and the price per square foot. I made the decision for that \$50,000.00 based on what I was seeing \$50,705.00 per unit. It is pretty good, as far as equity, with what has sold in the apartment complex. The ones at the bottom is a little different deal and student housing typically rent per bedroom instead of per unit. The one on 2500 West Brooks is on the other side of town. On the last page is a map, account numbers and where they set versus where the subject is in the last one, where the Renaissance is and the other sets right across the street and they are a little bigger, but it sold for \$105,000.00 per unit. So, that is, basically, my thought process when looking at this. Are there any questions?"

Bobby Cleveland asked, "Mr. Mauldin, after looking at his figures here, what do you have a problem with?"

Travis Mauldin said, "I would just ask that you look at the sales of an apartment complex that same thing a conventional complex is on the market and get their own rents. Might sell for different prices, it is constricted rents. This particular property, I just made sure that these sales are all government housing or subsidized housing and if they are, then I understand that their approach would be to look at the sales. I would just

say that we got to be real careful looking at conventional versus subsidized housing and make sure that you don't compare the two."

Bobby Cleveland asked how the Assessor is doing in that area.

Mike Weddle said, "I don't know if any of these are in fact, I know the student housing..."

Bobby Cleveland asked, "You don't take into consideration what he just said?"

Mike Weddle said, "Well, you know, the rents that he uses are not the market rents."

Bobby Cleveland asked, "It's the government that tells you what your rent is, right?"

Travis Mauldin said, "Yes."

Bobby Cleveland said, "So, it is not apples to apples, right?"

Mike Weddle said, "If you are restricted by the rents now, is it not?"

Douglas Warr said some are restricted rents and some rents are market. He didn't know, specifically, he didn't know how the rents are broken down on this property.

Sometimes, they have units that are not restricted.

Bobby Cleveland asked, "On his apartment complex, do we not have another apartment complex like that?"

Douglas Warr said, "I am not sure if there is one specifically that matches this apartment property, as far as Tax credit property. Cleveland County really doesn't have many tax credit properties. You find more of these in smaller communities; they go in and do a development, small towns so they give some type of relief to someone with income issues. They build these all over in Oklahoma and Mr. Mauldin represents a lot of these in Oklahoma and Arkansas. I am not sure what other states. When they build those in smaller communities, they invest quite a few dollars and you would think the rent would be up here. But in these smaller communities with really low income levels, the rents are right here. When you get into larger metropolitan areas like in Norman, Oklahoma City and Moore, a lot of times, when they build one of these, they don't do quite as many because for whatever market rents, when they build them at different income levels are higher to qualify and they are closer to true market."

Bobby Cleveland asked, "When you are appraising, do you not have to take into consideration the rent?"

Following a brief discussion about subsidized housing, Mike Weddle said, "I know there's not an apartment complex of this size that looks like a traditional complex that is section 42. I am pretty confident in saying that."

Larry Heikkila said there is one somewhere in Moore.

Charles Thompson said, "You know, we have had people here protesting and they would give \$400 gift certificates, so it is hard to get a handle on really what..."

Mike Weddle agreed with that statement.

Charles Thompson said, "It is a soft market from what I understand."

Mike Weddle said that on student housing, they use lots of incentives with gift cards.

Charles Thompson said that they will do whatever it takes to keep them rented and now they won't give them a scholarship unless they stay in a University House. That is pulling a vacuum on these people that have apartments.

Mike Weddle stated that the apartment market in Norman is definitely saturated and over saturated. But, be that as it may, he feels good about the appraised value of \$50,000 per unit on these. He thought they were in line with what they were seeing as far as sales. He said some of these properties have external and internal obsolescence factors. On West Brooks, it sets off the main road and has less visibility. It took three

years to remodel. It was built in 1971 and was hit by a tornado that came through Norman. However, it was built back. A number of factors make it comparable to Chapel Ridge.

Charles Thompson said, “Well, you have been able to look each one of these; it makes a world of difference. We are kind of...”

Mike Weddle said, “I have been to all these properties, each one has its own little quirks.”

Bobby Cleveland said, “Do you or don’t you take into consideration on how much they rent for?”

Mike Weddle said the Assessor’s Office is interested in finding true market value.

Bobby Cleveland said, “If you look at how much they rent for versus how much his rent for, what is the difference?”

Mike Weddle said, “I know Renaissance, they rent for quite a bit more. You know, in some cases two to three hundred dollars month more. In some issues, the ones on West Brooks, last time I was there, I could not get any information from the guy; he would not give any information on that one. The one on Hal Muldrow, it has been a few years since I’ve been there, but I would feel confident in saying \$600 to \$700 a unit with two bedrooms.”

Bobby Cleveland asked, “Do you agree that his rent and his units are less than these other units?”

Mike Weddle said, “Yeah, I would but...”

Bobby Cleveland asked, “Did you take that into consideration?”

Mike Weddle said, “Yeah, I did take that into consideration.”

Bobby Cleveland asked, “Was that in your figures when you came up with your \$7 million dollars?”

Mike Weddle said, “Yes and considering the fact that you know that it sold back in 2015 for \$6.9 million. You have to take that into consideration too.”

Charles Thompson said, “One of the protestors that came in a while back, they came in and they really didn’t know, they have a special group in that office and they are trying to get occupancy, and they have a specialist that will rent for whatever it takes to get that person in that space and rent it so they don’t really know what it takes; but they have professionals that do that. But if they’ve got to go cut it down they will make exceptions and I don’t know how they get away with that when you move and the guy next door is paying less, but they do whatever they got to do to get people in there and it looks like it is successful. People want to live there.”

Larry Heikkila said that he did get his occupancy rate up. They were down, that is 1.2% that is reasonable. There is an argument about being rent controlled versus not being rent controlled and the numbers were made to come up with \$6.0 million even.

Charles Thompson said the market is like Mike Weddle said and it is probably as bad as he has ever seen it. Norman is over built, but that isn’t their fault and isn’t the county’s fault. He said there was a guy in here one time before who said they messed up big time.

Douglas Warr said, “I still have a problem with what he said as being correct though. He was a 100% full.”

Charles Thompson said, “Well according to him, what it took to get it that way. Surely, he wouldn’t have been blowing smoke. That’s a joke.”

Bobby Cleveland said, “I have a problem, because it looks like to me that in your appraisal, it is pretty much if he is only one of a kind and he has a set amount of money that he can charge rent for and these other can charge whatever.”

Mike Weddle said, “Yeah, I mean they are obviously whatever they charge way over market. I get it if it is rent control, they tell me they are rent control, but when you look at it is only a certain percentage the units are rent controlled. According to the medium family income I don’t know exactly on this particular one.”

Travis Mauldin said, “Hang on just a second and I will see if this rent roll is done right. Usually, they set aside because these guys couldn’t survive only on a small rent, so they do allow 60% maybe subsidized and 40 % market and 70% -30% there’s different plans. On that back page of the back is the rent roll, you will see out to the side the unit type. That first page, I guess it is a market rent. If you look at the second page it starts at 60% so that means that basically they’ve got about 40 units out of 144 that would be 30% maybe 35%; 65-35%, so 65 % is subsidized and 35% is charged a different rent.”

Douglas Warr said that it is hard to find comparable property even on a typical house, one must do the best one can. Adjustments are made as to what is fair, but being honest they are not perfect.

Chairman Heikkila asked, “Any other questions?”

Charles Thompson said, “I wouldn’t have a problem going like \$6.3 million, then this next year 5% and you go up five percent a year and if things are looking better occupancy is better and rent is better.”

Mike Weddle said, “If you see the need to go to \$6.3...”

Larry Heikkila said that he came up with \$6.5 million and it’s a split between the two.

Charles Thompson moved that it be set at \$6.5 million dollars. Larry Heikkila seconded the motion.

The vote was: Larry Heikkila, yes; Charles Thompson, yes; Bobby Cleveland, yes.
Motion carried.

(b.) Travis Mauldin presented on Item “b”: Account # R0128537, PVP Bluffton LLC & PVP Silver Lake LLC, % CVS CareMart, 3651 W. Robinson, Norman, OK.

He said that this is in litigation from a prior year, and is here to protect another year for 2019 to add it to the law suit. He asked for a “no change”.

Douglas Warr said that he was just going to touch on that and this has been selling for more and said that the Board needs to make a ruling since it is a formal appeal too.

Larry Heikkila moved, seconded by Charles Thompson, that there be no change and stay at \$3,734,688.

The vote was: Larry Heikkila, yes; Charles Thompson, yes; Bobby Cleveland, yes.
Motion carried.

(c.) Travis Mauldin present on Item “c”: Account # R0047464, DFW Broadway Colorado, LLC, 1111 Oak Tree Avenue, Norman, OK. He said he has information on the next one, the Commons DFW Broadway Colorado, LLC, Oak Tree Apartments in Norman. He does not have a lot of income on this one. The property, basically, they filed and it looked as if they bought this thing for \$17 million dollars and the Assessor’s

Office, according to how they treat sales in the State of Oklahoma, the following January 1, it goes to the sales price. But, he pulled the Doc Stamps, and doesn't have the amount it appraised for and was told that it was appraised for \$14,654,730. That was what it was last year and then it went up to \$17.0 million dollars this year based upon the sale. He had an Informal Hearing and they came to an agreement that it was not an arm's length transaction, but the Assessor wanted more information on that. So he is presenting that information to the Board and it is some new information.

Charles Thompson asked if he wanted to go back to \$14 million dollars.

Travis Mauldin said, "Yes, sir. I have the income too that I was going to give you because they wanted that. This is the purchase statement for \$17 million and here is the seller statement and it is signed by the same guy. They wanted some evidence and I know that I wanted to present this and I don't know if and it's none of my business what these people are doing. My business is to make sure that whatever it is that they did is an arm's length deal. This is not an arm's length deal. I also have, here's the purchase and the sales agreement on the whole thing. I believe back there on the last page, you will see that it is the same guy. So they just recapitalized this within their own firm. But they had to file a Deed in Cleveland County transferring the name; I guess when they did that they filed Doc Stamps and I don't know why. I guess that is the only way that you can transfer property."

Douglas Warr said that usually they are not required to purchase Doc Stamps, unless, it is in the family. They have not seen this information until just now.

Travis Mauldin said, "I have been trying to get that for them, here's the reason for the request, but I think that you've got this."

Bobby Cleveland said, "Do we need to table this until you have time to look at this, would that be fair?"

Douglas Warr said, "Yes, that would be fair."

Mike Weddle said that he is statutorily limited; he has a time limit when they have an informal protest and he explained this to Travis, that he can't ask for information if he can't get it in a timely manner then he has to respond with something.

Bobby Cleveland moved, seconded by Charles Thompson, to **table** this item until a later date.

The vote was: Larry Heikkila, yes; Charles Thompson, yes; Bobby Cleveland, yes.
Motion carried.

B. No Board Members discussion.

C. No Public Comments at this time.

D. There being no further business to come before the Board, Bobby Cleveland moved, Larry Heikkila seconded the motion. Meeting adjourned at 10:36 am.

The vote was: Larry Heikkila, yes; Charles Thompson, yes; Bobby Cleveland, yes.
Motion carried.


(Clerk's Note: Agenda was posted on June 19, 2019 @ 10:21 AM.)

**CLEVELAND COUNTY EQUALIZATION BOARD
CLEVELAND COUNTY, OKLAHOMA**




Larry Heikkila, Chairman

ATTEST:



Tammy Belinson, County Clerk and Secretary to the Board

Minutes Prepared by:


Deputy County Clerk