

Kansas Testimony on Senate Bill 274 March, 3, 2023

- Speaker Backgrounds
 - Larry Goldman, President of Kansas Self Storage Association, Managing Partner of Shamrock Self Storage, Kansas City, KS
 - Frank Meade, owner of 5 Facilities in Topeka and Lawrence
 - Eric Hughes, President of Strickland Construction, Affiliated companies has been owners, operators and buildings of numerous facilities in Kansas, Missouri and Oklahoma for over the past 40 years.

- Provide background on industry - mostly individuals, particularly those in transition; also lots of small businesses. Customers are often lower income as they live in small houses and apartments, as well as small businesses that do not need a dedicated building for their businesses that can be run virtually.

- Explain the purpose of the bill – **to ensure that self storage is taxed only on the land and improvements**, not the value of the business; business income is taxed through the income tax system; the purpose is not to get a tax cut but rather to ensure fairness and consistency

- When self storage is taxed unfairly, consumers suffer in the form of higher rents.

- Taxes are often the single biggest expense for a storage operator. Because of this, unlike some other businesses, we can't absorb unfair tax increases. We have to pass on the cost to customers.

- In my 25 years of storage facility brokerage, I have seen property tax volatility in Kansas that greatly exceed standards in peer states, that are competing for investment in our communities, thus reducing facility values:
 - Local and national investors will factor a risk premium to Kansas facilities as property taxes are unpredictable, as business value is so subjective. Facilities often sell for values based on capitalized combined values of the real estate and business value.

The business value component is very subjective, as;
 - Operating expenses vary greatly from owner managed to institutionally managed properties.
 - We are seeing more and more automated facilities, that impact payroll costs
 - There is a wide variance in payroll costs
 - I am not aware of any other property type that pays real estate taxes on business value in addition to the value of the underlying real estate taxes.

- We are committed to working with other interested parties to make this a bill that addresses their concerns.