

EPISODE 1109

[INTRODUCTION]

[0:00:01.6] ANNOUNCER: Welcome to The Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

[INTERVIEW]

[0:00:33.5] SR: This is your daily Real Estate Syndication Show. I'm your host, Sam Rust. Joining us today is William Ryan. William is the Founder and President of Wayfinder Tax Relief, a property tax relief firm, specializing in large multifamily properties in a variety of states, including Texas, Colorado and Florida and Arizona. His national experience in a wide range of property types allows him to bring additional concepts to the process resulting in better representation and outcomes from multifamily owners. William, thanks for joining us today.

[0:01:08.5] WR: Thanks, Sam, for having me.

[0:01:10.5] SR: So as we dive in here, William, first off, for folks maybe who aren't used to reviewing T-12s as we do underwriting, oftentimes the property taxes comprise the single biggest line item of any properties expense, especially if we're talking in Texas and the Southeast, our property portfolio Life Bridge Capital tends to be in some of the Rocky Mountain states where tax rates are a little bit lower, but just in a broad sense, so what does Wayfinder Tax Relief do and how do you guys come alongside property owners to help them control those costs, because at least maybe a year ago or so, I'm thinking I'm not sure there's a whole lot we can do to control these cost?

[0:01:45.1] WR: That's a great question. A lot of owners have felt that way, they say, Hey, I'm buried under this property tax, I'm overwhelmed at a huge expense, like you said, and there's not much I can do about it, the assessor just keeps yoyoing my value. And that's where we come in, our specialty is multifamily properties and really getting to know how the income impacts the valuation as well as other properties around them, and the way we do that is we visit the properties and every year, kind of like you wouldn't buy a property, unless you had seen it or knew first-hand knowledge as an agent, you really can't get the best reduction unless you go see it and know the

property, so that's one of the things we guarantee that we do. And in doing so, we also visit the equities around there, the other multifamily properties, and so by specializing a multifamily, we've given ourselves the ability to really go in-depth and not just spread super thin, a mile wide and inch deep, but instead we go really deep on each one of our properties, and in that process, we've reduced values sometimes over 60%, and if you can imagine that that really impacts your tax bill.

[0:02:59.4] SR: Yeah, that would be a substantial reduction no matter how lenient your state is, so how does that process work? And I know some of it is dependent on a state-by-state basis, but maybe if we talk about Texas for a moment as an example, 'cause I know property taxes are a really big issue there, I think a lot of folks are under the impression that when you get the assessors now, especially for single family home, so it is what it is, you gotta pay this tax, what does the process often look like, what are the rights of the property owner to potentially dispute a value.

[0:03:28.4] WR: So, each state is different. Texas values every single year, they re-value Colorados every other year, it's every odd year, like you experienced most states or an annual basis, but there are some on the East Coast for six years. So, once you know how that state values, you can then look at their appeal process, Texas is great, 'cause it's taxpayer-friendly, so they actually have set up their system for taxpayers to be successful, and that really comes in when you protest, the assessors not presumed correct.

[0:04:01.5] WR: The tax Panera, the burden of proof that the assessment approved their value is right. Most every other state, the assessor is presumed. Correct, even in Colorado. And so you have to have overwhelming evidence, so it's always great to know the rules of the game where you're playing and what market you're in, and also the time frames, so in Texas, it goes really fast from the bad people to usually the end of the summer, you're pretty much done with the administrative process, but in California, it's about two years before you get a hearing.

[0:04:35.5] SR: There's slightly different efficiency levels in those state governments, that one. So, we're talking about property tax appeal, that's really interesting that the consumer, at least in Texas, has that ability, rents have gone nuts over the last five years, and particularly since covid, and so depending on your state, sometimes they will value different ways and they're taking income into an account and some jurisdictions, does that potentially negatively impact an owner's chance of being successful in a protest with all the rent increases that we've seen?

[0:05:08.5] WR: It definitely can, but it doesn't have to... That's where having that knowledge really matters in Colorado, for example, they actually won't value your apartments on income because it's residential, so they wanna look at market sales in Texas, they really care about it, but you can always push for market rent instead of actual rent or vice versa, that's only one part of the puzzle, though.

[0:05:33.7] WR: In Texas, you can also just look at how other properties are valued and try to be equal unfair with them, so even if your rent has gone through the roof, you can still get a reduction if the other properties haven't gone up as much as yours has.

[0:05:49.7] SR: Very interesting, it sounds like you can change the argument depending on which specific case you're arguing, is that putting it too bluntly,

[0:05:54.0] WR: That'd be right on, I can focus on market, I can focus on income, we can do a lot of different things, we can also add obsolescence if we can find it, your right, markets have gone up, but it also is important to know what market you're dealing with, the Permian Basin in Texas, for example, actually went down dramatically during covid because as you know, they're based on oil and when all the travel was shut down, nobody needed the oil anymore, so people actually lost her job and a lot of people left the Permian Basin, so that was a market that went down, so of Hawaii in a lot of those places. Whereas Phoenix, Arizona. It just shot through the roof. That's very interesting.

[0:06:34.9] SR: It's something that I struggled with often when we're underwriting properties as future tax increases, I know that we're talking about property tax relief and looking into the future and forecasting is a fool's errand, but do you have any strategies or tips for folks who are trying to underwrite expenses, three, four, five years out. On property taxes, again, I'm sure it depends on jurisdiction, but any tips you would have for our audience on that front, William?

Yeah. Forecasting is always the big question. The big unknown, and I don't have a crystal ball and you don't have a crystal ball, and so past performance is not indicative of future success, we can look at it, we can kinda read trends, how the market's going and maybe build up a little bit of value or see how the tax streets have changed over time. But it's hard to predict. Next year's tax bill. And it gets even harder. We do it, but there's a lot of caveats. Gotta keep looking at it and tweaking it the closer you get, but five years out is a real tough projection on property tax.

We've seen that in Colorado, where a lot of our properties are located, the values have been all over the board, and thankfully, we were pretty conservative when we went in, and so we haven't been caught in a pinch, so to speak, but still it's something that can really quickly blow your value out of the water or put all in your business plan.

[0:07:57.6] SR: Is there any negative repercussions? Let's say that somebody engages your services and it ends up that there's not a reduction that comes through other than the time and the effort that you guys need to be compensated for, does anything go on your record, how is that treated at the county or state level?

[0:08:15.0] WR: I love that question, it doesn't come up enough, the people ask, but the reality is most states have provisions in their law that they can't retaliate against you because you filed the protest, so we file a protest on you this year, we didn't get a reduction, but not only do we not get a reduction, but they can't in the process, seek to raise your value. Now, I say most states are, there are some, you be careful of those, but in Texas, for example, they can't do that, Colorado, Arizona, they can't penalize you because you protest to that. That's important to know. And then the other part of your question, you rushed over briefly, and that is, when you get the right tax agent, that's not gonna cost you anything because we do most of our work, almost all of us don't like contingency. So, if we don't save you anything, you don't pay anything. So, that alleviates a lot of the stress. We take that risk on us because we know the quality of the work we can do. And by offering that to you, you don't have to worry about it, you're just gonna see results.

[0:09:15.0] SR: So, I can hear some investors in my mind saying, Well, surely this process can't be that hard. I'm gonna go do this on my own. I can figure out the arcane websites and everything, but what do people gain when they engage with somebody like WayFinder?

[0:09:28.0] WR: We have that discussion quite a lot, there are a lot of mom and pop shops who wanna do it by themselves. The problem that they run into is they don't have the costar, they don't have a time or the resources to really dig in and know what we know about the valuation process. When you're running this business, you gotta worry about getting tenants in the door, you gotta worry about maintenance and everything else that goes into running a property successfully. And property tax, although it's one of the biggest expenses, oftentimes ends up on the backburner because people are worried about income tax or sales tax, or the next tenant moving out, and so we're able to focus 100% of our time on the valuation issues for your property, and that really gives them peace of mind.

[0:10:16.5] WR: Our whole goal is that we wanna be a trusted advisor to our clients and where they can have that peace that it's handled. So, this year was a great example, I had one of my clients take his family to Hawaii for a week during the appeal season, and he said, "This is the first time in many years that I've been able to take off and go on a family vacation and it's because I know you guys have it handled and I don't have to worry about it."

[0:10:41.0] SR: That's fantastic, that peace of mind is huge, especially when you're growing a business, trying to do multiple hats worth multiple hats at the same time, there's always a few things to do in the multi-family world. How do you guys pick the states that you operate in? I'm curious, it seems like there's a lot of southern states, Arizona, Texas, Florida. What informs your strategy? And have you guys grown your business to this point?

[0:11:03.0] WR: Yeah, we focus actually mainly right now in Texas. Texas, because property taxes are a big deal to our multifamily clients, since there is no income tax in Texas, they have to load property tax, so it's really high there.

[0:11:20.1] WR: And you have to be licensed in Texas. So, we're licensed there, there are other states you have to be licensed in or be an attorney to do this work, and so we avoid attorney states 'cause I'm not an attorney in those states, and we really have chosen Texas to be our focus because if you were to look at the bigger picture, if somebody's doing income tax, well, there's a federal law and then their state law... Well, when you do property tax, they're state law and then there's county rules, and in Texas, over 200 counties, all of them can be different and run differently, and how can you really be an expert in all 8500 plus jurisdictions in the country? At the same time, so we chose to specialize in Texas in multi-family to really give our clients the best representation.

[0:12:13.0] SR: William, as we look to the future, everybody's worried about tax policy changing, I think the headliners or capital gains rates and income tax and all of that, property tax maybe doesn't get quite the publicity 'cause it's usually always a state issue, if not a municipality/county issue. Is there anything on the horizon though, that we should be aware of that you guys are monitoring from a property tax standpoint as we move towards the end of 21 and into 2022.

[0:12:36.9] WR: Now, we're always watching the curious things that are happening, this CDC

moratorium, while it didn't directly impact property taxes, still was a big hit to properties because you couldn't evict a tenant for not paying rent, and yet you had to pay the property taxes and all the maintenance. And so that was a big impact. We're members of local organizations in the states that are constantly fighting bad policy and bad tax laws on the property tax side, and we give our money there to support that, because we wanna make sure that the property taxes stay fair. But where you also have a voice. I wanna found this too hard, but Arizona is a difficult state because unknowingly taxpayers gave up their rights, and I'm still fighting that battle. The constitutionally voted to get taxed on one number, but you can't appeal that number anymore, so until the constitution and there is only gets fixed, you really can find yourself in a world of hurt. One client reached out to us, they bought a property, and the former owner consolidated the parcels right before the sale, which caused it to be re-assessed in Arizona and their tax bill tripled, and they didn't know that until they had income to paper. And at that point they said, we would have done this deal, we have no more gain in this property, but that's how Arizona work and you couldn't appeal it.

[0:14:04.0] SR: Wow, it's so important, I think in real estate in general, to work with people like yourself, William, expert in these various fields, there's so many little details, whether it's due diligence on your fire hydrants or property tax nuances that can really mess with a business plan. It's just... You have to pay attention to every little detail. (Definitely.) Awesome, well, that's only William that you've grown your business, that maybe we could apply into the real estate world as well?

[0:14:34.0] WR: The principles we follow in growing our business is set that, we try to go not too wide, too fast. I think more businesses fail from growing too fast, and growing too slow. Now we wanna grow and we wanna go to get better, not just to get bigger. But you have to be aware that you can bite off more than you can chew really easily in this industry and spread yourself too thin. And so, part of my biggest issue that I always have to have my team helped me with this, I wanna do everything, and they have to be holding me back a little bit, because we can't do everything at the level of excellence that we wanna give our clients. And so, we limit our growth based on our ability to provide excellence on behalf of our clients. And unfortunately, that means sometimes we will actually put a client on a wait list, and nobody likes to hear that. But I'm not gonna take all my other clients to give them past service, to bring on somebody else. So, we're always practically looking to be ready for expansion.

[0:15:31.8] SR: Fantastic, William is we bring our show to a close here today. If folks are

interested or wanna learn more about Wayfinder and you and what you guys offer, working folks find out more information?

[0:10:45.0] WR: They can go to wayfindertaxrelief.com, and they can find us on LinkedIn or on Facebook, but if they'll go there, they can put in a form, tell us about their properties, we would be at contact with them and see what we can do to help them reduce their property taxes and make an impact in communities, that is something we haven't been able to discuss, but we really exist because we know that when we reduce your property taxes, you can make an impact at your property and in the greater community. And we take that to heart, and we give back to these communities on behalf of our clients. Unless you were able to give back \$20,000 to almost shelters or youth programs, because our clients wanted to support that cause. So, it's a great thing to do.

[0:16:40.1] SR: Oh, that's fantastic, I appreciate you sharing that. William, thank you for joining us. Thank you to our audience for joining us on today's episode of the Real Estate Syndication Show. Have a great afternoon.

[0:16:41.5] ANNOUNCER: Thank you for listening to The Real Estate Syndication Show, brought to you by Life Bridge Capital. Life Bridge Capital works with investors nationwide to invest in real estate while also donating 50% of its profits to assist parents who are committing to adoption, Life Bridge Capital, making a difference one investor and one child at a time. Connect online at www.lifebridgecapital.com for free material and videos to further your success.

[END]