

COLORADO PROPERTY TAX IMPACTS ON BUSINESS

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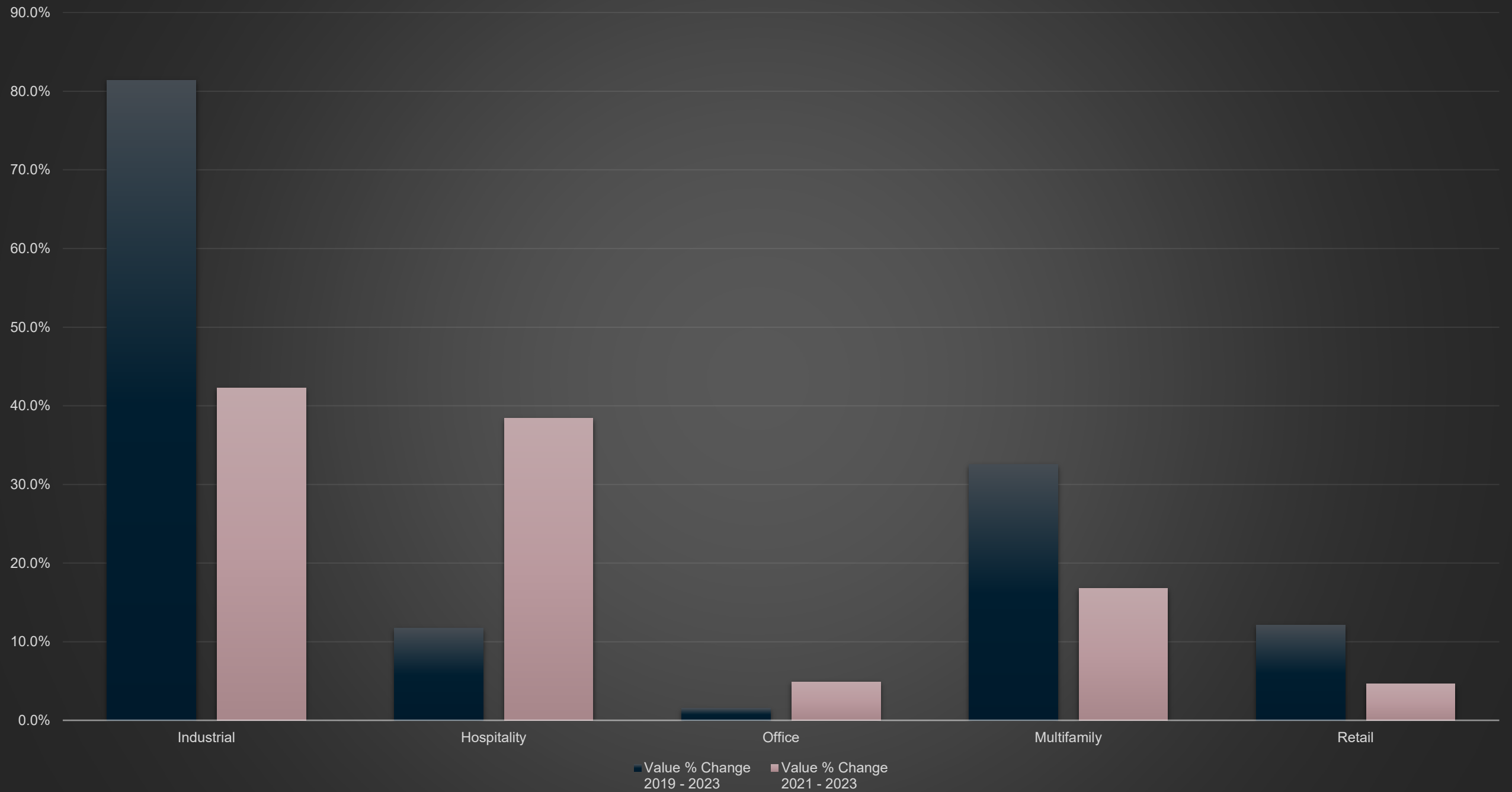
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COLORADO TAX TRENDS

Asset Type	Value % Change 2019 - 2023	Value % Change 2021 - 2023
Industrial	81.4%	42.2%
Hospitality	11.7%	38.4%
Office	1.6%	4.9%
Multifamily	32.5%	16.8%
Retail	12.1%	4.7%

Colorado Value Trends



DISCUSSION ON VALUES, RATES AND TAXES

Representing BOMA – Building Owners and Managers Association – Denver

Clients – Institutional Investors to Small Business Owners

- Owners – charge higher rent to account for increase in costs (taxes)
- Tenants – pass through on NNN leases (includes renters and hotel guests)
- Cost of Good Sold – Increases due to increased corporate costs
- Consumers – Increase product costs no matter if it's a good or a service

IMPACTS ON BUSINESS WITH CURRENT TAX SYSTEM

Timing – Date of Value 20 months prior to payment of first half taxes in first year of two-year cycle (32 months prior to payment of first half taxes for second year)

- Pay high taxes in down times and lower taxes when the market is rebounding
- Example – FED increased interest rates in May and June of 2022, however, the impact wasn't felt in market until August 2022.
- Covid – was able to adjust value in 2021, but taxes still paid almost 2 years past the start of the pandemic
- Great Recession – Lehman Bros issues in September 2008, couldn't be accounted for until 2011 reassessment (post base period for 2009)

Since Repeal of Gallagher Amendment – System has been inconsistent and unpredictable, whatever is done must be predictable so buyers and sellers can understand ROI

PROS & CONS OF CAPS – FROM BUSINESS OWNER PERSPECTIVE

Cap on Values – ineffective in controlling taxes – generally undermines the appeal process and greatly distorts uniformity

Cap on Tax Rates – can either be the mill levy or the assessment ratio – ineffective in controlling taxes but drives allocation of tax burden among different property classes

Cap on Revenues or Collections – most effective in controlling taxes but we are at a “high water mark” right now

Equal & Uniform Assessments – spirit of “ad valorem” taxation...should this be a fourth method of value? Levels the playing field among competitive properties

QUESTIONS?