COLORADO PROPERTY TAX IMPACTS ON BUSINESS

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# Colorado Tax Trends

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Value % Change 2019 - 2023</th>
<th>Value % Change 2021 - 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial</td>
<td>81.4%</td>
<td>42.2%</td>
</tr>
<tr>
<td>Hospitality</td>
<td>11.7%</td>
<td>38.4%</td>
</tr>
<tr>
<td>Office</td>
<td>1.6%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Multifamily</td>
<td>32.5%</td>
<td>16.8%</td>
</tr>
<tr>
<td>Retail</td>
<td>12.1%</td>
<td>4.7%</td>
</tr>
</tbody>
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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?