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## Property taxes: Be vigilant about your 2011 property valuation

This is a reassessment year in Colorado. On May 1, Notices of Value will be mailed to property owners. For most property types, real estate values have declined since the last reassessment two years ago. In spite of continued declines, a fair and equitable assessment is critical to managing property tax expenses. To ensure that your property value is assessed fairly, you must be vigilant about your property value and, if necessary, file an appeal.

Commercial real estate trends in the marketplace since the last revaluation of June 30, 2008, indicate higher vacancy rates, lower market rents, more rent concessions and relatively stable operating expenses. On balance, these trends equate to lower net operating income for the new valuation date of June 30, 2010. Lower NOI, lower loan-to-value ratios and higher capitalization rates all point to a decline in real estate value for the upcoming 2011 reassessment. However, a decline in property value will not necessarily be commensurate with a decline in property taxes. In fact, it is possible that property values will go down while taxes continue to rise.

In December, the mill levy will be set for 2011 taxes payable in 2012. Due to the



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mill levy for debt repayment floats based on value increases and decreases. Inevitably, the mill levy will increase to compensate for the revenue shortfalls from the decline in property values.

Assessments largely are based upon the valuation premise of "fee-simple interest," which indicates market-based rather than contract-based (leased fee) rents, occupancy levels, expenses and capitalization

decline in property values, the mill levy likely will increase at a greater rate than historical increases and amounts otherwise limited by the Taxpayer Bill of Rights. This is because the amount of revenue required to provide county services is relatively fixed. Tax revenues will continue to increase due to inflation, while the portion of the

rates. It is critical that property owners are cognizant of market versus contract rents, declines in market occupancy and other market forces that impact NOI. In addition, reviewing and understanding market transactions is critical to being fairly and equitably assessed as most properties transact based on leased fee values. Be warned that you will pay more in property taxes for the next two years if your property value is overassessed for 2011 (even if the value has declined).

If the owner believes he has not been fairly assessed, it is the property owner's or his agent's responsibility to file an appeal by June 1. If the assessor's response is unsatisfactory, it is the owner's responsibility to file an appeal to the County Board of Equalization. If the owner is unsatisfied with the results at the CBOE level of appeal, an appeal must be filed to the Board of Assessment Appeals within 30 days of the CBOE's decision. Once the appeal process is started, only filing the prescribed statutory appeals in a timely manner can protect appeal rights.

On May 1, when the new assessments come out, be vigilant about your 2011 property value and, if appropriate, exercise your appeal rights.▲