

GET READY: The Taxes Are Coming...Again!

Once again, the Counties of Colorado will be issuing new Notices of Valuation (“NOV”) to Owners of Record for all of the real property contained in each County by May 1. These NOV indicate the Actual Value of the property as determined by each County. By law, this occurs every two years, specifically on odd numbered years such as 2009, 2011 and this year 2013.

Property Taxes can make up 20% to 30% of total operating costs. They impact how much base rent you can charge when competing with other properties for tenants. Taxes unfortunately don’t automatically decrease when your NOI decreases due to vacancy, reduced effective rent or increased OP Ex. Managing this important cost issue when the opportunity arises, therefore, must be accomplished in an aggressive manner as effectively and efficiently as possible.

Upon receipt of the Notice of Valuation, a property owner can chose to appeal the value if he/she thinks it’s too high. There is a specific form contained in the NOV that can be used. All appeals to the new Notice of Valuations **MUST** be postmarked or received by each County, pursuant to state statute, by June 1. (The County then has 30 days to act on the Appeal.) Because this year, June 1 falls on a Saturday, the date should be extended to Monday June 3. This does NOT, however, apply to the City and County of Denver.

Pursuant to a new state law, as of this year (2013), only the City and County of Denver has the right to extend the NOV appeal deadline to November 15. This extension should allow the Denver County Assessor’s staff the time to thoughtfully review the appeal. There are, however, now certain Appeal contents requirements that must be met. The initial appeal must contain written documentation supporting the value estimate argument. We strongly recommend that the NOV appeal be submitted as quickly as possible so that a decision can be rendered quickly.

Understanding how the Assessor values property will help in structuring the value appeal. Assessors, by law, look at sales and income approach data that occurred between January 1, 2011 and June 30, 2012 to determine the property’s estimated value as of January 1, 2013. Using a CAMA system (Computer Assisted Mass Appraisal), the Assessor files all of the sales data that have occurred in the county. It grades the buildings by condition (if you pulled a construction permit, that info is entered as well) and using statistical regression analysis, compares the various sales to determine a value for each property. It also develops a Cost Approach as well as Income Approach.

How do you fight this?? Easy, you have what they don’t which is *specific knowledge about your particular asset*. You have actual data about occupancy, actual annual income and actual operating expenses which can include TI/LC costs. You also know what Cap Ex projects need to occur. That cost can be used to defray the Assessor’s “Actual Value”.

What Should You Do?

You as the owner/manager (brokers should urge their clients to do this) should **immediately** contact an experienced professional real estate tax consultant who acts as your *advocate* (call 1st Net Real Estate Services, Inc. at 720-962-5750 or go to www.1stnetre.com) to plan an aggressive response to the upcoming assessment notice. The tax consultant will request that you send them

building historical operating data from January 1, 2011 through June 30, 2012 along with actual rent rolls from that time period. (All data is held in strict confidence.) The consultant will determine a value that should accurately reflect your particular building as of January 1, 2013.

Once the May 1 assessment notice has been received, you will know whether there is a call to action. If yes, the energies expended by the consultant on the client's behalf to get the taxes reduced are paid for by a prior-agreed contingency fee ratio agreement based on the amount of actual tax payment cash saved. This fee may include the consultant's use of legal counsel should the decision be made to appeal the county's assessed value to higher level hearings.

A word to the wise about proceeding *pro-se* (on your own) to get the assessed value lowered without use of a professional property tax consultant. The assessment appeal procedure and deadlines are exacting and complicated. The Colorado law is hundreds of pages backed up by hundreds of pages the Assessor Reference Library. Submitting an appeal that meets the exact requirements of the County Assessor is not easy. An experienced property tax professional will be familiar with the various differences in each county's appeal procedures. Moreover, we have developed respectful relationships with many County staff appraisers actually doing the valuation work at the County Assessor offices. These relationships very often are one of the most important aspects of an appeal. GET READY...