

Unprecedented gains in Colorado home values preview budget-busting property tax hikes next year

Assessors reveal 33% property value increases in Denver County, 47% spike in Douglas County



A Front Range view from Standley Lake Regional Park on March 25, 2023, in Westminster. (Photo By Kathryn Scott/Special to The Denver Post)

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Homeowners across the state will need to set aside more money to cover their property taxes next year — significantly more money — based on the higher property values that county assessors have calculated and will notify them about early next month.

Nine county assessors along the Front Range on Wednesday revealed the median increases in residential properties, which are valued on a two-year cycle in Colorado. The two-year increases are “historic” and “unprecedented” assessors said, ranging from 33% in Denver County to 47% in Douglas County.

Adams County reported a median residential value gain of 38%, Arapahoe came in at 42%, Boulder was at 35%, Broomfield at 41%, Elbert at 35%, Jefferson at 36.5% and Larimer at 40%. And as robust as those gains were, median increases in the mountain resorts ran in the 40% to 60% range, with a few pockets approaching 70%.

On the whole, the gains are above what state forecasts had predicted and far beyond increases assessors have reported in past cycles. And they will put intense pressure on the Colorado legislature to provide relief, something it has failed to do despite warnings that huge price increases were on the way.

“This is very, very serious. If the state legislators don’t act on this, it will be a crisis,” Douglas County Assessor Toby Damisch warned during a news conference Wednesday morning. Other assessors added they are bracing for angry calls, telling their staff to respond as calmly as possible.

In the past, homeowners could count on the Gallagher Amendment to shift more of the burden for property taxes onto commercial property owners, but that left school districts underfunded and shifted more costs onto the state. Voters repealed Gallagher in 2020, but haven’t received a broader overhaul of the tax system or protection from massive spikes in property taxes that supporters of a repeal promised would happen.

Lower-income households and the elderly on fixed incomes are especially vulnerable to big tax increases, which could accelerate gentrification by forcing long-time residents to sell.

Assessors measured changes in property values from July 1, 2020, to June 30, 2022, a period that closely aligned with the run-up and peak in home and condo prices due to the pandemic and recovery. While some categories like hotels, retail and office buildings initially struggled during that period, home prices shot up.

Gains in property values don’t correlate directly to the gain in property taxes that homeowners will receive next January, assessors emphasized. Yet they are a key part of the formula and provide a rough guide to what is coming, given that most jurisdictions have also voted to “de-Bruce” or eliminate the cap on property tax revenues provided under the Douglas Bruce-authored Taxpayer’s Bill of Rights.

What is coming could be budget-busting for households already stretched by higher food, transportation, utility and property insurance costs — and the impacts could start showing up as soon as this summer.

Most mortgage lenders withhold funds to pay insurance and property taxes in escrow based on estimates of what taxes will be due in April of the following year. Because they underestimated, homeowners may be asked to make up the shortfall, while also being asked for more money going forward next year, Damisch said.

What makes this valuation cycle different

What sets this property valuation cycle apart from earlier ones, more than just how large the increases are, is how widespread they are, both geographically and in terms of property type, from entry-level condos to high-end mansions, said Denver County Assessor Keith Erffmeyer.

The largest gains in the last decade concentrated along the northern Front Range, the most popular region for those relocating to the state. A shortage of homes caused prices to run up, impacting more affordable property types the most, and pushing gains down into Colorado Springs and Pueblo. This time around, pretty much every part of the state is looking at historic increases.

“We really want property owners to take a look at the notice of valuation,” Erffmeyer said. “We don’t know what that property tax calculation will look like downstream, but it is an important step.”

The median gains for any given county only represent the midpoint, meaning half of the homes rose more than that amount and half less than that, and within counties there are variations.

In Denver, Southmoor Park had the biggest jump in values of any city neighborhood at 44.7%. Not far behind in the over-40% club were the Chaffee Park, Fort Logan, Hampden South, Northeast Park Hill, South Park Hill, Virginia Village and Wellshire neighborhoods.

The smallest median increases in Denver, at 16.5%, came in the Civic Center and Union Station neighborhoods, which also happen to be the closest to the Central Business District but aren’t heavily populated. Other close-in neighborhoods like Baker, Capitol Hill, Cheesman Park, City Park and Lincoln Park were on the lower end in terms of increases in the 20% range.

The craziness of the pandemic run-up in home prices is that 20% ranks as relatively tame. In most valuation periods, that would represent a huge jump and closer to a peak increase.

In Jefferson County, where 218,900 parcels were appraised, the median increase for residential properties was 36.5%, with Evergreen seeing the biggest jump at 41.1%, followed by Edgewater and unincorporated areas, both up 39.9%. The smallest gains were in Morrison, up 27%.

“Few people will see the value of their property rise exactly 36.5%,” said county assessor Scot Kersgaard. “Every area and every type of property has its own sales trends.”

The ability to work remotely, combined with a desire for more space, combined with record low mortgage rates, combined with a desire to get off the fence and achieve life goals like owning a home, explains why home and condo values rose so much, and why the suburbs outpaced Denver and why resort and rural areas generally outpaced the Front Range.

And the pre-determined period that assessors used to look at property values, from mid-2020 to mid-2022, happened to overlap almost precisely with the biggest run-up in home values, which peaked in many places from April to June of last year before starting to move lower.

How can homeowners protest their property valuations?

So what can someone do if they disagree with the property valuation they receive before the deadline to protest, which is June 8?

The strongest challenges are based on a mistake in the physical characteristics of the property.

If a property is listed at 1,800 square feet in county records, but only has 1,600 square feet, that would create a strong case for a reduction in value. Same if the public record lists four bedrooms and there are only three.

The condition of a property can also be used to mount a challenge, although it is a more subjective one.

A 1960s home with the original plastic pink tiles in the bathroom and vintage shag carpet might merit a lower value, especially if it can be shown the homes used for price comparison were all upgraded. Most assessors can't lay eyes on how outdated a home is when they do their calculations.

Another way to protest is to provide comparable sales to the assessor that show a more favorable price. But any comps used must be from sales before June 30, 2022. What the valuation notices state is no longer what most homes in Colorado can sell for anymore, but that doesn't matter.

And remember, automated valuations pulled from the internet, like Zillow or Redfin, don't count as comparables.

Pressure on lawmakers to provide relief

Property value increases and future property tax hikes don't correlate one-for-one, given all the moving parts involved, something the [Bell Policy Center breaks out in a brief](#). Of the \$11.37 billion in property taxes collected in Colorado in 2020, about a third went to fund school districts, followed by local governments and special districts at almost a fifth, and then county governments, almost a fifth as well.

Although not precise, the change in property values can provide a guide on what is coming in terms of tax increases absent intervention or caps on increases that some jurisdictions have in place, like Denver County.

Most consumers can expect to face property tax increases, which have already risen sharply in the past decade, larger than any they have seen before. And even renters are not immune, given that landlords will likely pass those on in higher rents.

Colorado has some of the lowest property tax burdens in the country, but also some of the highest home prices outside coastal states. Still, the size of the increases will likely create political pressure on legislators to provide relief, something they have had more power to do since the repeal of [the Gallagher Amendment in 2020](#).

For residential, that residential ratio was reduced temporarily from 6.95% to 6.765% and another \$15,000 was temporarily trimmed from property values, said JoAnn Groff, Colorado's property tax administrator. But those breaks don't come anywhere close to the percentage gains seen in property values.

"I expect to see some adjustment and relief in 2023," Groff said, acknowledging there were only 10 days left in the legislative session to get something done.

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Sen. Steve Fenberg, president of the state Senate, said Tuesday that he still expects some kind of legislative proposal about property tax. But leaders were waiting to see the severity of the hikes before committing to a path forward. He expects something to be introduced later this week.

"We obviously don't have that much time left," Fenberg, a Boulder Democrat, said. "We also want to be cognizant that we don't know the entire scope of the problem or the issue."

Lawmakers are weighing both short- and long-term solutions, Fenberg said, adding a long-term solution would likely require a ballot measure. But submitting a measure to voters in November doesn't leave local governments much maneuvering room before property tax bills go out in January 2024.

"It is doable. It would be a very big challenge," Erffmeyer said.

The state budget, passed by lawmakers but not yet signed by Gov. Jared Polis, set aside some \$221 million for housing-related legislation, including anything related to property tax relief.

"We're hoping with the \$200 million the governor has set aside, we'll carry a tax relief bill that will backfill local government," said Sen. Rachel Zenzinger, D-Arvada, and chair of the Joint Budget Committee.

But Damisch, the Douglas County assessor, said that attitude is part of the problem, and so is the delay in addressing an issue that has been emerging for more than a year.

"A lot of the discussion has been centered on what is good for the taxing entities, and less on what is good for the people," he said. "We are making this harder than it needs to be."

Another route for property owners looking to cushion the blow will be to get more involved in the budget deliberations of their counties, school districts and special districts. Local

governments will determine their budgets and mill levies in the coming months and that offers another point for taxpayers to get involved and seek relief.
