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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 morning revealed the median increases in residential properties, which are valued on a two-year cycle in Colorado. The two-year increases are unprecedented, 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, increases were even higher in several resort areas of the state, in the 40% to 60% range.

On the whole, the gains are above what forecasters advising the Colorado legislature had predicted.

Those gains were measured 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.

Gains in property values don't correlate directly to the gain in property taxes that property owners will receive next January, assessors emphasized. Yet they are a key part of the formula and provide a rough guide to what is coming. And what is coming could be budget-busting for households already stretched by higher food, transportation, utility and property insurance costs.

"We are accustomed to consistent population growth and intense demand for real estate. In this reappraisal period, however, Douglas County experienced the largest increase in the residential property market since it has been tracked," said Douglas County Assessor Toby Damisch in a news release. "The situation underscores the need for a policy change at the state level that protects Colorado homeowners and businesses."

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 tended to concentrate along the northern Front Range, because that is where most people were moving to. A shortage of homes caused prices to run up, impacting the affordable property types the most. 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 Denver 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.

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.

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 is no longer what most homes in Colorado can sell for anymore, but that doesn't matter.

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. But the change in value offers a rough guide to what is coming. Consumers can expect to face property tax increases, which have already risen sharply in the past decade, unlike any they have ever seen.

Although Colorado has some of the lowest property tax rates in the country, the big increases will likely create political pressure on legislators to provide relief. When voters agreed to [remove the Gallagher Amendment in 2020](#), which limited the share of property tax increases belonging to residential by shifting it to commercial via a formula, they also handed control back to the legislature to adjust what is known as the assessment ratio, or the share of a property's value that is taxable.

Sen. Steve Fenberg, president of the state Senate, said Tuesday morning that he still expects some kind of legislative proposal about property tax in the final two weeks of the legislative session. But leaders are 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.

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.

Denver Post reporter Nick Coltrain contributed to this report.

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