



EL PASO COUNTY, COLORADO
Office of the County Assessor
Mark Lowderman



January 23, 2008
Colorado State Representative Marsha Looper

Representative Looper,

Per our conversations, I have assembled data, and completed some probable fiscal impacts related to the properties in El Paso County that are located within the “toll road” corridor. As we have discussed, those properties have been impacted by documents that were recorded to make the implications of the proposed toll road a part of the public record. While the recording of these notices may have been well intentioned, the ramifications have been decidedly negative. The notices are being referred to as *lis pendens*, Latin for “suit pending.” Although the recorded notices may not outline a possible suit, they certainly do affect the marketability of those properties.

The concerns that we share are the negative impacts that these notices are having on property values and marketability. It’s the charge of the Assessor to value, and bi-annually re-value all property within his jurisdiction. The cornerstone of those value estimates is the ability to defend them, based on market sale data. In my opinion, those recorded notices are creating a stigma that is reducing both market value and salability. If a buyer has the option of purchasing a 40 acre parcel that has this “blot” on its title, or another 40 acres without, I think the choice is obvious. The recourse for the “blotted” title owner is to discount the asking price accordingly.

Based on the above, I’ve considered the possible impact to revenues. Currently there are about 1,500 parcels within the corridor – all with notices recorded by the Wells concern. For fiscal purposes, I have not included the vacant land Agricultural properties, as their assessed values are far below market value, per statute. Likewise, the tax exempt parcels were not included. Therefore, for the purposes of estimating fiscal impact, we’re dealing with about 1,255 parcels. The major type of property is single family residential with 988 parcels. There are 237 vacant land parcels and 30 commercial uses.

For 2008, the total *assessed* value for the effected properties is \$17,080,890. Keep in mind that this is not the estimated *market* value. The assessed value is the taxable portion of the market value, calculated using the applicable assessment rate – either 29% or 7.96%, depending on the property use.

For the purpose of estimating possible fiscal impacts to El Paso County, I’ve considered information from property owners in the corridor, and the opinions of local real estate brokers and appraisers that specialize in this rural area

This type of issue that creates a reduction in value is a form of *Economic Obsolescence*. An economic obsolescence is an impairment of desirability and/or useful life, arising from factors that are external to the property itself. Economic obsolescence is distinguished from physical deterioration and functional obsolescence, both of which are inherent within the property.

Estimating economic obsolescence can be a fairly straightforward process, given the availability of market sales data. However, in a “catch 22” fashion, the presence of an economic obsolescence can, and often does, create a lack of sales activity and hence, minimal actual market data. Such appears to be the case here. During my office’s 2007 appeal period, both I and my appraisal staff talked with numerous property owners in the corridor. The common thread of their valuation appeals was that they could not sell their property for what they felt was market value; and in many cases had reduced their list price to a level below that of the assessor. This would be a case of the *lack* of sales data, is in fact *data*. This type of appeal activity can be the precursor to an assessor addressing the problem of an economic obsolescence on a mass basis.

My office has estimated value reductions on a multi-parcel basis in the past - most recently in 2006. At that time, I reduced the estimated values of about 1,200 older mobile homes, due to a change to our local building codes that in effect, rendered them un-marketable – at any price.

Considering the value reductions to corridor properties that my office has estimated through appeal, and conversations with other property owners, real estate brokers and appraisers, it appears reasonable that a 20% to 25% mass adjustment could be warranted. I am very aware of the fallout from this type of mass value reduction and I certainly respect the effects that such an action can cause to property owners.

Assuming that my office does reduce the corridor values by 20%, we can estimate the fiscal impact to the County. The current assessed value of all the corridor properties, as explained previously, is \$17,080,890. A 20% reduction calculates to a value loss of \$3,416,180. Using the current El Paso County mill levy of 7.514, the revenue loss would be about \$25,700. The impact to other taxing entities affected by the corridor would be greater. The various rural school districts have considerably higher mil rates than the County. The levies for those school districts range from 26 to 38 mils, with revenue losses from \$89,000 to \$130,000 annually.

I hope that this information is helpful to you. As we’ve discussed, please count me as being in full support of your efforts to remove these recorded “notices” from the affected tiles and public record. While I’ve attempted to estimate the fiscal impacts that could result from these notices, the greater ramification is to the property owner whose property rights have been diminished and in the end can’t sell his property.

Respectfully,

Mark Lowderman
El Paso County Assessor