

**STATE and LOCAL  
FISCAL IMPACT**

**Drafting Number:** LLS 14-0012  
**Prime Sponsor(s):** Rep. Saine  
 Sen. Hodge

**Date:** January 29, 2014  
**Bill Status:** House Local Government  
**Fiscal Analyst:** Marc Carey (303-866-4102)

**SHORT TITLE:** RESIDENTIAL STORAGE CONDO UNIT AS REAL PROPERTY

<b>Fiscal Impact Summary*</b>	<b>FY 2014-2015</b>	<b>FY 2015-2016</b>	<b>FY 2016-2017</b>
<b>State Revenue</b>			
General Fund		\$10,600	\$21,600
<b>State Expenditures</b>			
General Fund		\$174,000	\$348,200
<b>FTE Position Change</b>			
<b>Appropriation Required:</b> None			

\* This summary shows changes from current law under the bill for each fiscal year.

**Summary of Legislation**

This bill establishes that a residential storage condominium unit is a residential improvement. As a result, the unit will be assessed as residential real property at 7.96 percent of actual value instead of as nonresidential property at 29 percent of actual value.

The bill defines a residential storage condominium unit as a building that is:

- a unit under the "Colorado Common Interest Ownership Act;"
- used by its owner or a lessee with a lease term of at least a year to store items from or related to the owner's or lessee's residence; and
- not used for storage related to a business.

For a building unit to qualify as a residential storage condominium unit, the owner of the building unit must submit an affidavit stating that the building unit meets the definition of a residential storage condominium unit. The owner of the unit is also responsible for notifying the county assessor if the unit no longer qualifies as a residential storage condominium unit.

**Background**

Based on data from industry representatives, there are currently 26 storage condominium and large format storage facilities across 12 counties that would qualify for reclassification under this bill. Currently, these facilities include about 1,600 units, with another 250 units currently planned for build out. It is estimated that on average, each of these units is 1,200 square feet, and have a market value of \$85,000. Of the current units, slightly over 1,000 are owned with an estimated market value is estimated to be \$98.7 million. Roughly 25 percent of these units are used for business storage, and thus would not qualify for the reclassification.

It should be noted that large numbers of multi-unit storage facilities currently exist throughout the state that are rented by facility owners and have not been converted to condominiums. Thus, these storage facilities are unaffected by this bill.

### **State Revenue**

This bill will increase state income tax revenue by \$10,600 in FY 2015-16 and \$21,600 in FY 2016-17. Because the bill reduces local property taxes and the available property tax deduction for taxpayers with sufficient income tax liability, the bill will increase state income tax collections. The impact in FY 2015-16 is a half-year impact.

### **State Expenditures**

This bill will increase state expenditures by \$174,000 in FY 2015-16 and \$348,200 in FY 2016-17 as described below.

***School Finance Impact.*** Based on average school operating mill levies for each county, the reduction in property taxes for school finance will require additional state aid of \$174,000 in FY 2015-16 and \$348,200 in FY 2016-17. This impact results from reclassifying residential storage condominium units as residential property. At current build out levels, a estimated total of \$20.8 million in assessed value for residential storage condominiums in 12 counties would be lost through this reclassification.

***Department of Local Affairs, Division of Property Taxation.*** The division will incur nominal expenses from creating an affidavit form for ownership qualifications and updating various manuals, publications, and training materials. These tasks can be accomplished with existing appropriations.

### **Local Government Impact**

Beginning in property tax year 2015, the bill decreases property tax revenue by reclassifying residential storage condominium units as residential property, instead of nonresidential property. Residential property is assessed at 7.96 percent while nonresidential property classes are assessed at 29 percent. This is expected to reduce total property tax revenue by \$690,000 in FY 2015-16 and \$1.4 million in FY 2016-17.

Local non-school property taxes are estimated to decline by up to \$520,000 in FY 2015-16 and \$1.1 million in FY 2016-17. This reduction will impact cities, counties, special districts, and school districts, and is not backfilled by state aid. However, property taxpayers in affected jurisdictions may experience an increase in mill levies to pay for any outstanding bonded debt or school district property tax overrides that were previously approved by voters.

To the extent that the reclassification contained in this bill spurs investment in residential storage condominium properties that would not have otherwise occurred, in the short term, local governments may receive additional property tax revenue that partially offsets the losses described above.

**County Assessors.** County assessor offices will incur nominal expenses from staff training and vendor system adjustments monitoring residential storage condominium accounts.

### **School District Impact**

This bill is estimated to reduce the local share of funding for public schools by up to \$174,000 in FY 2015-16 and \$348,200 in FY 2016-17. This reduction will be replaced by state aid.

Pursuant to Section 22-32-143, C.R.S., as specified by House Bill 11-1277, school districts and Boards of Cooperative Educational Services (BOCES) may submit estimates of fiscal impacts within seven days of a bill's introduction. As of the date of this fiscal note, no summaries of fiscal impacts were submitted by districts or BOCES for this bill. If summaries of fiscal impacts are submitted by districts or BOCES in the future, they will be noted in subsequent revisions to the fiscal note and posted at this address: <http://www.colorado.gov/lcs>

### **Effective Date**

The bill takes effect August 6, 2014, if the General Assembly adjourns on May 7, 2014, as scheduled, and no referendum petition is filed. The act applies to the classification of a residential storage unit for all property tax years beginning on or after January 1, 2015.

### **State and Local Government Contacts**

Division of Property Taxation