

<p>BOARD OF ASSESSMENT APPEALS, STATE OF COLORADO 1313 Sherman Street, Room 315 Denver, Colorado 80203</p> <hr/> <p>Petitioners:</p> <p>MARY JANE KURLANDER AND WILLIAM G. & BARBARA T. STEELE, JR., TRUSTEES,</p> <p>v.</p> <p>Respondent:</p> <p>LARIMER COUNTY BOARD OF EQUALIZATION.</p>	
<p>Attorney or Party Without Attorney for the Petitioner:</p> <p>Name: William A. McLain, Esq. Address: 3962 S. Olive Street Denver, Colorado 80237-2038 Phone Number: (303) 759-0087 E-mail: wamclain@comcast.net Attorney Reg. No.: 6941</p>	<p>Docket Number: 38416</p>
<p>ORDER</p>	

THIS MATTER was heard by the Board of Assessment Appeals on March 25, 2003, Steffen A. Brown and Karen E. Hart presiding. Petitioner was represented by William A. McLain, Esq. Respondent was represented by Jeannine S. Haag, Esq.

PROPERTY DESCRIPTION:

Subject property is described as follows:

**4412 East Mulberry Street, Fort Collins, CO 80524
Larimer County Schedule No. 87100-00-014, Account R0190179**

Petitioners are protesting the 2001 actual value of the subject property, a 391-space mobile home park with a clubhouse and an office/laundry building, located at 4412 East Mulberry Street in unincorporated Larimer County near Fort Collins, Colorado.

ISSUES:

Petitioners:

Petitioners contend that the subject property is overvalued. Respondent did not adjust the comparable sales to account for purchasers that are integrated operators. Respondent's witness did not properly calculate the Gross Rent Multiplier used in his appraisal. Some of Respondent's sales are mobile home parks that consist wholly of double-wide capable spaces and stick-built clubhouses, whereas the subject property has an area that can only accommodate single-wide mobile homes and has a double-wide mobile home as a clubhouse.

Respondent:

Respondent contends that the subject property was correctly valued using the market approach. Four of Petitioners' sales are the same sales used by Respondent. Petitioners' additional sales are half the size of the subject or are not in comparable locations. There are enough local sales that the use of sales from out of the vicinity is not necessary.

FINDINGS OF FACT:

1. Petitioners' witness, John A. Schwartz, MAI and Certified General Appraiser presented the following indicators of value:

Market:	\$8,800,000.00 via Sales Comparison
	\$8,855,000.00 via Gross Rent Multiplier

2. Mr. Schwartz testified that the subject property is a mobile home park located on the north side of Highway 14, aka Mulberry Street, just east of Interstate 25. North of the subject is a railroad line and there is a creek on the east side of the property. A part of the park is in a flood hazard zone. The park is 61.62 acres in size and is zoned M-1 by Larimer County; it is not located in incorporated Fort Collins. Higher prices are commanded in incorporated cities. There is only one entrance into the park from Highway 14; most parks have more entries.

3. The park was built in 1968, 1999, and 2000. There are 391 spaces; 221 spaces are in the original part of the park and are only large enough to accommodate single-wide mobile homes. The newer spaces can accommodate double-wide mobile homes. The original spaces rent for less than the newer spaces. Petitioners do not own the mobile homes located in the newer phase of the subject. They are owned by manufactured home companies for purposes of selling their homes. There are no vacancies in the park as the manufactured housing companies rent all of the spaces in

the new part of the park. It is more typical for the mobile homes to be owned by the same owner as the park, which also makes it difficult to determine if the rent is a market rate.

4. Mr. Schwartz presented four residential land sales. Sales 1 and 2 are located directly south of the subject property and are the best indicators of value. Sales 3 and 4 are located west and southwest of the subject. He concluded a land value of \$20,000.00 per acre for the subject property. He used the land value to allocate the concluded value between land and improvements.

5. Based on the market approach, Petitioners' witness presented an indicated value of \$8,800,000.00 for the subject property.

6. Petitioners' witness presented nine comparable sales ranging in sales price from \$15,909.09 to \$39,603.96 per space and in size from 66 to 486 spaces. No adjustments were made to the sales, as the analysis was qualitative in nature.

7. Mr. Schwartz testified that he used nine sales of manufactured home communities in locations from Aurora to Fort Collins and Greeley. Affordable Residential Communities (ARC) was the purchaser of comparable sales 1, 3, 4, 5, 6, 7, and 9. According to the ARC web page, they have 40,000 home sites in 25 states. They also sell mobile homes and operate other non-owned parks, sell insurance, and develop mobile home parks; they are a vertically integrated operation. ARC will pay whatever price necessary to meet the needs of their investors. They will buy mobile home parks with cash and do not have to go through a financing process; they set the market.

8. Mr. Schwartz testified that he adjusted the sales for time, location, size, and age/condition. Sales 1 thru 6 were all superior in location. Sales 1 thru 5 were also superior in age and condition; they are much better parks than the subject. His sales comparison approach concluded to \$22,500.00 per space, with most emphasis on sales 7 and 8. These two parks required no adjustments and were most similar to the subject.

9. Mr. Schwartz testified that he does not necessarily find that smaller parks sell for less per space, though the larger parks did sell for higher prices per pad. He believes this difference in price goes more to the condition of the properties. The difference is based more on rental income and on the condition of the park.

10. Based on the use of a gross rent multiplier, Petitioners' witness presented an indicated value of \$8,855,000.00 for the subject property.

11. Mr. Schwartz testified that the differences in the properties are shown in the rents of the parks. In the analysis of the subject property, he took the 227 older spaces at an average rent of \$228.00 per space and the newer spaces at \$305.00 per space per month. He calculated a potential gross income of \$260.00 per space. The actual rental income from the base period was \$964,429.00, with an average rent of \$250.00 per space. Mr. Schwartz believes the subject property was under rented. He used the potential gross income in his calculation. He relied most on comparable sales 2, 3, 4, 7, and 8, with a gross rent multiplier range from 6.55 to 8.80. The higher gross rent multipliers were for those in better locations. The subject is not in an incorporated area, so he placed emphasis on sales 5, 7, and 8. He used a gross rent multiplier of 7.25 times the potential gross income and

arrived at a value of \$8,855,000.00. He believes the gross rent multiplier is a better indicator of value than a simple sales price per pad.

12. Mr. Schwartz's reconciled final value conclusion is the gross rent multiplier value of \$8,855,000.00.

13. Under cross-examination, Mr. Schwartz testified that he has personally inspected the subject property and each of the sales. He does not know how much of the subject property is located in the flood plain; he did not make a separate adjustment for the flood plain. Comparables 2, 3, 5, 6, 7, and 8 have multiple entrances.

14. Upon questioning from the Board, Mr. Schwartz testified that comparable sales 1, 4, 5, 6, and 7 have a mix of single-wide and double-wide mobile homes. Sale 8 has very few double-wides and they are in the flood plain of the South Platte River. The subject's age, size of spaces in the older portion of the subject, and the clubhouse, which is a double-wide and not stick-built, affect the rent income.

15. Petitioners are requesting a 2001 actual value of \$8,855,000.00 for the subject property.

16. Respondent's witness, Darren C. Dahlgren, a Certified General Appraiser with the Larimer County Assessor's Office, presented the following indicators of value:

Market:	\$10,752,500.00 via Sales Comparison
	\$10,967,550.00 via Gross Rent Multiplier

17. Mr. Dahlgren testified that he has frequently visited the subject property, taking photos and taking inventory of the sites. He spoke with the park manager and got rental information. He appraised the subject as of January 1, 2001, using January 1, 1999 to June 30, 2000 information.

18. Mr. Dahlgren testified that the subject property is an average quality park for Larimer County or Fort Collins and is in good condition for its age. The subject location is an urban area. The park is located in the Fort Collins management area; there is a lot of development going on. Being in the management area means the properties are slated for annexation into Fort Collins.

19. Mr. Dahlgren testified that his land comparable sale 1 is now the Dry Creek Mobile Home Park; the other comparables are land sales that are now single-family developments. His raw land value conclusion for the subject property is \$25,000.00 per acre, or \$1,575,000.00.

20. Based on the market approach, Respondent's witness presented an indicated value of \$10,752,500.00 for the subject property.

21. Respondent's witness presented four comparable sales ranging in sales price from \$33,798.00 to \$38,000.00 per space and in size from 240 to 486 spaces. There were no adjustments made to the sales.

22. Mr. Dahlgren testified that he relied on the market comparison approach, using four sales. The sales occurred prior to the 18-month period, but he did not adjust for time due to a lack of data. He did not make any adjustments to the sales as he felt they were all comparable to the subject and any adjustments would have been purely subjective. He analyzed the four comparables and felt that the sales price per unit did not appear to reflect a difference in price per space. He confirmed the ARC sales with ARC Limited and confirmed that the sales were market transactions. He did not give heavier weight to any of the comparables. His value conclusion is \$10,752,500.00, or \$27,500.00 per unit.

23. Based on the use of a gross rent multiplier, Respondent's witness presented an indicated value of \$10,967,550.00 for the subject property.

24. Mr. Dahlgren testified that he used monthly rents as of June 2000 as supplied by the comparable sales' park managers. For the subject, he used \$275.00 a month rent for all the spaces. Using an 8.5 gross rent multiplier, he concluded to a value of \$10,967,550.00.

25. For his value conclusion, Mr. Dahlgren testified that he gave the most weight to the market approach.

26. Regarding Petitioners' comparable sales, sale 5 is located in Henderson and sale 6 is located in Aurora. Mr. Dahlgren did not feel these locations were comparable to the subject and would require a location adjustment. Sale 7 is not comparable in size, sale 8 is half the size of the subject and is not a comparable location, and sale 9 is extremely small and a Commerce City location, which is not comparable to Fort Collins or Greeley. He does not believe Petitioners' GRM is correct; the parks are much smaller than the subject and are not comparable; the same reasons he did not rely on them in the sale comparison analysis.

27. Mr. Dahlgren testified that, based on his analysis of numerous front-range sales of smaller mobile home parks, smaller parks sell for less per unit than larger parks.

28. Under cross-examination, Mr. Dahlgren testified that his comparable sales 2, 3, and 4 are located in the City of Fort Collins. Regarding Petitioners' land sales, comparable sale 3 involved a school, and comparable sale 1 was a questionable sale. Comparable sale 2 is most similar to the subject in that the front trailers are single-wides on smaller sites and the northern three streets can have double-wides. He admitted that comparables 1, 3, and 4 have stick-built clubhouses, not a mobile home like the subject's clubhouse. He did not adjust for whether the park was located in an incorporated area – he felt the age, condition and location for the four comparables were very similar to the subject. He did not adjust for the purchaser being a fully integrated operator – they were the best sales available.

29. Regarding the gross rent multiplier, Mr. Dahlgren used rents as of June 2000. He did not use rents as of the sale date.

30. Upon questioning by the Board, Mr. Dahlgren testified that he believes the sales price per pad reflects the type of clubhouse in the value.

31. Respondent assigned an actual value of \$10,752,500.00 to the subject property for tax year 2001, which equates to \$27,500.00 per unit.

32. In rebuttal, Mr. Schwartz testified that the proper calculation of the gross rent multiplier is to use the sales price divided by the actual income at the time of sale. He does not believe it is appropriate to use unadjusted sales for the sales comparison approach.

CONCLUSIONS:

1. Respondent presented sufficient probative evidence and testimony to prove that the tax year 2001 valuation of the subject property was correct.

2. Both parties used the same four comparable sales, with Respondent adding five additional sales. The Board was convinced by the testimony and evidence presented that four of Petitioners' additional sales were not truly comparable to the subject, based on their locations and/or their number of spaces. The Board determined that some adjustments should be made to the remaining sales, as applicable, for their location, amenities and double-wide capabilities. The Board used Petitioners' sales grid and adjusted all of the comparables for superior clubhouses and other amenities, adjusted comparable 6 for a superior Aurora location, and adjusted comparables 2 and 3 for a superior allowance for all double-wide capabilities. The value range after adjustments was \$26,657.00 to \$34,200.00 per space. Respondent's assigned value of \$27,500.00 per space falls solidly within the range of adjusted sales prices.

3. Regarding the Gross Rent Multiplier, Respondent's witness incorrectly calculated the GRM. The correct calculation is to divide the sales price by the actual income of the sold properties at the time of sale. Petitioners' GRM approach was correctly calculated. However, the Board gave no weight to the GRMs extracted from Petitioners' comparables sales 7, 8, and 9, as the parks were much smaller than the subject, and the Board was convinced that the size of the mobile home parks was an important factor to comparison and value. The Board also determined that Petitioners' sale 5 was not comparable to the subject due to its location and low GRM as compared to the remaining five sales. The remaining five comparables have a GRM range of 8.41 to 11.84. The Board considered the testimony of both witnesses regarding the location and physical characteristics of the comparable properties and determined that a GRM from the low end of the range would be appropriate, choosing a GRM of 9.0. Using Petitioners' potential gross income figure of \$1,221,312.00 times a GRM of 9.0 calculates to a value of \$10,991,808.00, which lends support to the sales comparison approach value conclusion of \$10,752,500.00.

4. After careful consideration of all the testimony and evidence presented, the Board affirms Respondent's assigned value of \$10,752,500.00.

ORDER:

The petition is denied.

APPEAL:

Petitioners may petition the Court of Appeals for judicial review within 45 days from the date of this decision.

If Respondent alleges procedural errors or errors of law by this Board, Respondent may petition the Court of Appeals for judicial review within 30 days from the date of this decision.

DATED and MAILED this 21st day of May, 2003.

BOARD OF ASSESSMENT APPEALS

Karen E Hart

Karen E. Hart

Steffen A. Brown

Steffen A. Brown

This decision was put on the record

MAY 21 2003

I hereby certify that this is a true and correct copy of the decision of the Board of Assessment Appeals.

Penny S. Lowenthal
Penny S. Lowenthal

