

<p><b>BOARD OF ASSESSMENT APPEALS, STATE OF COLORADO</b> 1313 Sherman Street, Room 315 Denver, Colorado 80203</p> <hr/> <p>Petitioner:</p> <p><b>BERTIE WETZLER,</b></p> <p>v.</p> <p>Respondent:</p> <p><b>ROUTT COUNTY BOARD OF EQUALIZATION.</b></p>	<p>▲</p>
<p>Attorney or Party Without Attorney for the Petitioner:</p> <p>Name: Bertie Wetzler Address: 4475 Laguna Place #312 Boulder, Colorado 80303 Phone Number: (303) 499-5114 E-mail: Attorney Reg. No.:</p>	<p><b>Docket Number: 39139</b></p>
<p><b>ORDER</b></p>	

**THIS MATTER** was heard by the Board of Assessment Appeals on January 28, 2002, Mark R. Linné and Steffen A. Brown presiding. Petitioner, Ms. Bertie Wetzler, appeared pro se. Respondent was represented by John D. Merrill, Esq.

**PROPERTY DESCRIPTION:**

Subject property is described as follows:

**LOT A SUPER 8 SUBDIVISION  
(Routt County Schedule No. R0325244)**

Petitioner is protesting the 2001 actual value of the subject property, a 60-unit lodging facility known as the Super 8 Motel, with a 22,632 square foot building built in 1978, and located on U.S. Highway 40 in Steamboat Springs, Colorado.

## **ISSUES:**

### **Petitioner:**

Petitioner contends that the property is overvalued due to its deficiencies. The Respondent did not consider the age of the building, which is over 20 years old, or that it was built with the cheapest materials. The lodging industry is overbuilt, and the economy is flat in Steamboat Springs.

### **Respondent:**

Respondent contends that the subject property was correctly valued, and the income approach to value is the most appropriate. The market approach was considered but not weighted due to the lack of current sales. The cost approach was not relied upon due to the subject property's age and the difficulty in determining correct depreciation amounts.

## **FINDINGS OF FACT:**

1. Petitioner, Ms. Bertie Wetzler, presented an indicated value of \$2,000,000.00 based on the market approach to value.
2. Petitioner did not present an income or cost approach to value.
3. Petitioner testified that the highway was widened, resulting in frontage taken away along Highway 40. The site containing the Super 8 Motel was deprived of 26,000 square feet of land area due to this taking.
4. Ms. Wetzler testified that the structure is a wood frame building with original fixtures, and the building is in fair to poor condition. The structure was built in 1984. It has no insulation, low ceilings in the rooms, and no public restrooms. A new roof, siding, and new carpeting were installed in 1994.
5. Ms. Wetzler testified that there is no Yampa River access, that the "pool" house is a maintenance shed, and that guests are truckers and oil crews.
6. Petitioner testified that in 1998 the property was subdivided.
7. The Petitioner testified that the valuation of the subject is compared to far better properties such as the Fairfield Inn owned by the Marriott. The Petitioner testified that the Days Inn was valued less by the assessor than the subject but it is newer, more modern and includes a pool, bar, conference room, lobby, fireplace, and suites.

8. Ms. Wetzler referred to the sales used by the Respondent, and testified that the actual sales price of the Nordic Lodge should have been \$1,195,000.00, due to \$550,000.00 for goodwill and \$150,000.00 for “other” considerations. The sale of the Ironhorse Inn was due to financial difficulties, the occupancy rates were not correct, and the sales price should have been \$1,500,000.00.

9. Ms. Wetzler testified that the Holiday Inn was for sale at \$50,602.00 per unit and has been for sale for some time at \$4,200,000.00.

10. Ms. Wetzler testified that the assessor’s room rates are higher than actual rates because the assessor did not consider Sunday through Thursday discounts and off-season rates where rooms are heavily discounted. The franchise fee is higher than the 2.8% stated by the assessor.

11. Ms. Wetzler testified that the occupancy rate for the Bunkhouse Lodge, shown on page 22 of the Respondent’s report, is incorrect since it is not open during off-season.

12. Under cross-examination, Ms. Wetzler testified that she owned all the stock in the corporation. Her son is the manager of the Super 8 and the Bunkhouse Lodge, and works 80 hours per week. He is on call 24 hours a day, 7 days a week. He also does maintenance, landscaping, refinishes furniture, maintains equipment, has a home office and is paid a salary of \$105,000.00. This figure did not include his salary for management of the Bunkhouse Lodge, which is also owned by the Petitioner, and the total payment to her son was \$168,000.00 a year.

13. Ms. Wetzler testified that she did not have her books audited by an accountant, but she has all of the records. The original parcel where upon the Super 8 Motel is located was subdivided in 1998. Ms. Wetzler did not provide any information to determine a cost approach. She provided a balance sheet, but a value conclusion for an income approach was not presented.

14. Petitioner is requesting a 2001 actual value of \$2,000,000.00 for the subject property.

15. Respondent's witness, Ms. Amy J. Williams, a Certified General Appraiser and Routt County Assessor, presented the following indicators of value:

Market:	\$2,700,000.00 to \$3,000,000.00
Cost:	\$1,760,700.00
Income:	\$2,700,000.00

16. With primary emphasis on the income capitalization approach, Respondent's witness presented an indicated value of \$2,700,000.00 for the subject property.

17. Respondent’s witness testified that she personally inspected the property, and it was in average condition for its age.

18. Ms. Williams testified to Respondent’s Exhibits 4 and 5, the occupancy report and financial statements were provided by the Petitioner.

19. Ms. Williams testified that the subject is located at the southern edge of the City of Steamboat Springs and is the first lodging property seen upon entering the town. It is located two miles from the ski base area. Market vitality has been good. Three to four lodging properties have come on line in the last few years, and the economy has been good through the end of 2000. She testified that Steamboat Springs has four lodging areas: the west end, with no lodging; the base area, which is not comparable as it is upper end and full service; the downtown area and the Highway 40 corridor area, both of which are comparable to the subject property.

20. Respondent's witness testified that the Steamboat "Grand" Hotel located at the ski base area will have some impact on the market, but it is a high-end, resort-oriented property and not comparable to the subject.

21. Respondent's witness used a state-approved cost estimating service to derive a market-adjusted cost value for the subject property of \$1,760,700.00. Ms. Williams testified that the cost approach was not deemed reliable due to the subject property's age and difficulty in estimating depreciation.

22. Based on the market approach, Respondent's witness presented an indicated value of \$2,700,000.00 to \$3,000,000.00 for the subject property

23. Respondent's witness presented two comparable sales. The Nordic Lodge, with 14,020 square feet, had a sale closing date in May of 1996 and sold for \$1,890,000.00. The Ironhorse Inn, with 22,781 square feet, has a sale closing date in October of 1996 and sold for \$2,550,000.00. No specific adjustments were applied due to limited sales data; instead, qualitative adjustments were employed. No range of adjusted sales price was given, but the location of the subject is superior as it is near the city bike path on the transit route with a bus stop in front of the subject property.

24. Ms. Williams testified that the net realty value of the Nordic Lodge was used to compare with the subject. The sale of the Ironhorse Inn was not considered viable, as the buyer felt she overpaid for the property due to overstated income and occupancy rates, and understated expenses.

25. Ms. Williams testified that the market approach was not given weight due to lack of sales in Routt County.

26. Respondent's witness used the income approach to derive a value of \$2,700,000.00 for the subject property.

27. Ms. Williams testified as to rates, occupancy and expense ratio request forms sent to Routt County lodging properties. She further testified to the use of published trend reports, other fee appraisals, income and expense data, and that ten lodging properties comparable to the subject with relevant data were also available.

28. Ms. Williams testified that the total projected room revenue per market rental comparables was \$967,000.00. The projected income based on Steamboat Springs Super 8 published rack rates was \$878,100.00. Other income was projected between 2% and 5%. An expense ratio was projected between 60% and 65%, resulting in a projected net operating income of \$313,482.00. Ms. Williams considered the actual payroll expense of 43% for the subject to be out of line, based on trend reports, and she used the highest payroll rate found of 29%. A capitalization rate could not be extracted from sales, but the overall capitalization rate for typical lodging properties in the comparable area, as well as other commercial properties including investment survey publications was 12%. Rates published by Integra Joseph Farber and Company ranged from 10% to 14%. Rates from Steamboat Springs' commercial real estate ranged from 8% to 10.5%, but property taxes were not included as an expense; therefore, 1.6% is loaded into the capitalization rate, resulting in a range from 9.5% to 12%. Using this data, the assessor concluded a 12% capitalization rate.

29. Ms. Williams testified that the income approach best reflects the market forces that influence value.

30. Respondent assigned an actual value of \$2,719,300.00 to the subject property for tax year 2001.

31. In rebuttal testimony, the Petitioner disputed that her motel was the first lodging property coming into Steamboat Springs on Route 40. She did not feel that the Respondent considered the financial distress of the Grand Hotel and questioned the vitality of Steamboat Springs. She did not think Respondent's labor costs of 23 to 24% were accurate.

## **CONCLUSIONS:**

1. Sufficient probative evidence and testimony was presented to prove that the subject property was incorrectly valued for tax year 2001.

2. While the Petitioner commented on the valuation of two lodging facilities, pointing out their differences, and also presented two facilities that are for sale, no specific adjustments were applied. The Board gave consideration to the market data; however, due to the age of the sales, the Board determined that the market approach would be the least reliable value approach for the subject property.

3. Even though the Petitioner testified to the quality and superior facilities of these sales and listings, the Board agreed that while the facilities may be superior, the income generated may reflect the amenities and quality of these properties.

4. The Petitioner testified that the subject property was of fair to poor quality and had deferred maintenance, but presented no value conclusion via the cost approach.

5. The Board agrees with the Petitioner that the structure may be in fair to poor condition; however, the Board believes the condition of the subject property is likely to be reflected in the income generated from the day-to-day operation of a lodging facility.

6. The Board concluded that since there was no evidence presented to the contrary, the highway widening would have little to no impact on motel's ability to attract guests or its day to day operation as a motel.

7. The Petitioner included actual income and expenses from the operation of the property, which the Board reviewed, but she did not present a value conclusion by the income approach, which the Board believes to be most important approach to value for lodging facilities.

8. The Board has carefully considered all admitted evidence and testimony and agrees with the Respondent that the income approach is the most reliable approach in valuing the subject, as it is an income-producing property. Purchasers are more likely to rely upon this approach, and there was sufficient data to support the Respondent's estimated income and expenses. The Board finds the Respondent's evidence most credible and affirms Ms. Williams' appraised value of \$2,700,000, which the Board notes is lower than the assigned value of \$2,719,300.00.

### **ORDER:**

Respondent is ordered to reduce the 2001 actual value of the subject property to \$2,700,000.00.

The Routt County Assessor is directed to change her records accordingly.

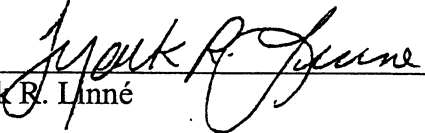
### **APPEAL:**


Petitioner 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 17<sup>th</sup> day of April, 2002.

**BOARD OF ASSESSMENT APPEALS**

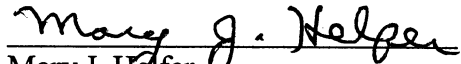
  
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Mark R. Linné

  
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Steffen A. Brown

This decision was put on the record

APR 16 2002

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

  
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Mary J. Helfer

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