BOARD OF ASSESSMENT APPEALS, STATE OF COLORADO 1313 Sherman Street, Room 315 Denver, Colorado 80203 Petitioner: **CAMPBELL HOLDINGS,** v. Respondent: **DENVER COUNTY BOARD OF EQUALIZATION.**	
Attorney or Party Without Attorney for the Petitioner: Name: Peter J. McLaughlin, Agent Property Assessment Services Inc Address: 10255 North 32nd Avenue Suite J4 Phoenix, Arizona 85028 Phone Number: (602) 867-2917 E-mail: Attorney Reg. No.:	**Docket Number: 39543**

ORDER

THIS MATTER was heard by the Board of Assessment Appeals on April 25, 2002, Karen E. Hart and Mark R. Linné presiding. Petitioner was represented by Peter McLaughlin, Agent. Respondent was represented by Maria Kayser, Esq.

PROPERTY DESCRIPTION:

Subject property is described as follows:

6890 Tower Road
(Denver County Schedule No. 00031-03-001-000)

Petitioner is protesting the 2001 actual value of the subject property, a four-story, limited service motel that contains a total of 123 rooms. The property was constructed in 1998, and comprises an improved area of 60,021 gross square feet. The improvements are situated on a site that comprises 81,031 square feet, or 1.8602 acres. The property amenities include a meeting room, indoor pool, hot tub and guest laundry.

ISSUES:

Petitioner:

Petitioner contends that the actual income for the subject property is the most relevant indicator of value and should be given the greatest weighting.

Respondent:

Respondent contends that all three approaches to value should be considered, and that the assigned value is well supported by the available market data.

FINDINGS OF FACT:

1. Petitioner's witness, Mr. Peter McLaughlin, presented the following indicators of value:

Market:	Not Presented
Cost:	Not Presented
Income:	$2,320,827.00

2. Petitioner's witness presented an income approach to derive a value of $2,320,827.00 for the subject property.

3. The witness testified that the subject property is a 123 room Red Roof Inn located near Denver International Airport (DIA). The property was constructed in 1998, and opened in 1999. The property is a lodging property only, and has no restaurant component.

4. Mr. McLaughlin testified that he took national statistics into consideration, and used an Average Daily Rate (ADR) of $45.00 and an occupancy rate of 70%. He determined potential room revenue of $1,414,193.00 and other income (including telephone revenue) of $28,161.00.

5. The witness testified that he considered percentage of revenue to net income and used HOST Travel Report statistics in determining appropriate income parameters for the subject. In analyzing the data, he used limited service facilities. After considering the national indices, he concluded a 27% Net Income Ratio.

6. Petitioner is requesting a 2001 actual value of $2,320,827.00 for the subject property.

7. Respondent's witness, Mr. David L. Norman, Real Property Appraiser Specialist with the Assessment Division of the City and County of Denver, and a Certified General Appraiser, presented the following indicators of value:

Market:	$3,690,000.00
Cost:	$3,838,900.00
Income:	$2,845,500.00

8. The witness testified that the subject is best described as a four story building, containing a total of 60,021 square feet on a site that is zoned Airport Gateway. Property amenities include meeting rooms, indoor swimming pool, and a hot tub.

9. The property is located east of Pena Boulevard and fronts on Tower Road, in an area of other lodging properties in proximity to DIA. The property is fairly typical for the market and is in average condition.

10. Based on the market approach, Respondent's witness presented an indicated value of $3,690,000.00 for the subject property.

11. In describing the cost approach analysis, the witness testified that he applied a depreciated cost of $3,838,900.00 to the property. The cost approach sets the upper end of the value continuum. The witness noted that the Petitioner did not prepare a cost approach analysis.

12. With respect to the Direct Sales Comparison Approach, the witness testified that he considered comparable sales that are closest in physical comparison to the subject property. Sale #1 is located in Jefferson County. It sold in January 1999. It is identified as a limited service property of 122 rooms and sold on a per unit basis of $33,197.00 per room. Sale #2 is a Super 8 Motel. The property was built in 1982 rooms and contain a total of 146 rooms. The property sold for an indicated price of $29,932.00 per room. Sale #3 is a Comfort Inn in Castle Rock that sold in January 1999. It has a total of 68 rooms, and sold for an indicated per unit price of $31,765.00 per room. The property sold as a Comfort Inn and was subsequently re-flagged. Sale #4 was a Candlewood Suites property, constructed in 1996. The property has a total of 135 rooms, and is described as an extended-stay property. The property sold for an indicated unit price of $31,853.00 per room.

13. The witness concluded a value indication of $3,690,000.00 or $30,000.00 per room. The witness testified that the Petitioner did not prepare a Direct Sales Comparison analysis for the subject.

14. In describing the Income Approach, the witness testified that in considering the actual income of the subject of $1,519,644.00, he used an Average Daily Rate and an occupancy rate that approximates the actual performance of the property. The pro-forma utilized expenses of 65% of gross revenue; replacement reserves of 4% and return of personal property of $1,092,860.00. The net operating income attributable to the property is $426,820.00.

15. The witness testified that he applied a value of $2,845,500.00 to the subject property. This amount differs from what is assigned by $100 due to rounding.

16. The property was originally valued at $3,703,300.00. Based on the submitted income data from the Petitioner, the value was adjusted. The current assigned value is $2,845,400.00.

17. The witness testified with respect to the Petitioner's submitted data, and notes that the pro-forma submitted to the Board differs from the actual income data previously submitted. The witness noted that there was no indication that the pro-forma data was an audited statement.

18. The witness testified that the subject property is a newer property, and he examined the 2000 income data, giving it the greatest weighting. He did not give much weight to the 1999 income data, given that the property opened in January of that year, and he did not have a full year's worth of data to examine. The expense ratio applied by the Respondent was similar to the rate applied by the Petitioner, though it is marginally lower.

19. Mr. Norman noted that the area is somewhat newer, with most properties having been constructed in the 1990's.

20. The witness testified that all three approaches to value were appropriate and were considered in the valuation of the subject property.

21. Under cross-examination, the witness testified that income and expense data is obtained through surveys of comparable properties.

22. The witness testified that expenses are variable, and would change proportionately to changes in income. There is always a range for expense ratios. The witness considered a typical expense ratio for the subject.

23. The witness testified that he had considered economic obsolescence in his application of depreciation for the subject property.

24. Mr. Norman testified that he made significant adjustments to accommodate differentials between the subject and the comparable sales.

25. In response to questions from the Board, the witness noted that the actual construction cost for the subject, including land, was $2,775,000.00. This figure was likely a base cost did not include subsequent expenditures. Additionally, the cost figures did not include any entrepreneurial incentive, a component of the cost approach.

26. The witness testified that he considered both 1999 and 2000 income data. The fact that the subject only opened on January 26, 1999, caused him to give lesser weighting to the 1999 data. He felt it was important to consider stabilized income, and the income and expense data from the subject is below what would be expected for a stabilized property.

27. The witness felt that the cost and direct sales comparison value conclusions were more reflective of the true market value of the subject. The current value is lower than what he would have concluded, but he felt he was bound by the County Board of Equalization valuation.

28. Respondent assigned an actual value of $2,845,400.00 to the subject property for tax year 2001.

CONCLUSIONS:

1. Respondent presented sufficient probative evidence and testimony to prove that the subject property was correctly valued for tax year 2001.

2. The Board notes that while the Petitioner presented income information relevant to the base-year for the subject property, no information was presented to relate this information to other comparable and competitive properties during the base year. Additionally, the Board believes that the income of a lodging property must represent a stabilized operating environment, not the income of a property that is in the initial stages of operation.

3. Conversely, the Respondent presented information relating to cost, market and income approaches to value. Each approach was thoroughly analyzed and applied in determining a valuation for the subject.

4. The Board concludes that the income approach should be given the greatest weighting, but should not be applied in a vacuum; each of the three approaches to value provides relevant information that must be applied in the valuation of a lodging property. While the income approach is clearly the valuation methodology of choice, each of the approaches has a place in the final valuation applied.

5. The analysis of the Respondent is determined to more thoroughly consider all of the relevant physical and economic characteristics of the subject, and is ultimately more persuasive in providing a valuation for the subject.

ORDER:

The petition is denied.

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 30th day of May, 2002.

BOARD OF ASSESSMENT APPEALS

Karen E. Hart

Karen E. Hart

Mark R. Linné

Mark R. Linné

This decision was put on the record

MAY 29 2002

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

Penny S. Bunnell

Penny S. Bunnell

STATE OF COLORADO SEAL BOARD OF ASSESSMENT APPEALS

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