

<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>FRANK T. KAPURANIS ET AL,</b></p> <p>v.</p> <p>Respondent:</p> <p><b>ADAMS COUNTY BOARD OF EQUALIZATION.</b></p>	
<p>Attorney or Party Without Attorney for the Petitioner:</p> <p>Name: Frank T. Kapuranis Address: 8691 East Briarwood Boulevard Englewood, Colorado 80112 Phone Number: (303) 770-7221</p>	<p><b>Docket Number: 40809</b></p>
<p style="text-align: center;"><b>ORDER</b></p>	

**THIS MATTER** was heard by the Board of Assessment Appeals on May 27, 2003, Steffen A. Brown and Judee Nuechter presiding. Petitioner appeared pro se. Respondent was represented by Jennifer Wascak Leslie, Esq.

**PROPERTY DESCRIPTION:**

Subject property is described as follows:

**Sub: Washington Heights Desc: Tract K Exc Rd known as 9201 North  
Washington St (Adams County Schedule No. 0171922105005)**

Petitioner is protesting the 2002 actual value of the subject property, the Washington Plaza Shopping Center located at 9201 North Washington Street, Thornton, Colorado.

## **ISSUES:**

### **Petitioner:**

Petitioner contends that the subject property has been overvalued based on actual income and expenses for the shopping center.

### **Respondent:**

Respondent contends that the subject property is a strip mall on approximately three acres in a commercial area with surrounding residences. All three valuation methodologies were used in arriving at an opinion of value, with the income approach relied upon principally.

## **FINDINGS OF FACT:**

1. Mr. Kapuranis, the owner of the shopping center, presented the following indicators of value:

Income:	\$866,250.00
---------	--------------

2. Based on the income approach, Petitioner's witness presented an indicated value of \$866,250.00 for the subject property. The witness testified that Petitioner's Exhibit A was the annual operating data for the shopping center and that he relied primarily on this approach in determining the value. The total operating expenses for the shopping center are \$82,561.00 and net operating income is \$95,227.00. He used an 11 percent capitalization rate, which indicated his value as presented.

3. Mr. Kapuranis testified that the shopping center is about 25 years old and the roof and parking lots will need to be replaced soon. He has a parking lot reserve at \$4,000.00 and a roof reserve at \$5,500.00, which is based on the cost of replacing the asphalt parking lots and the roof, which is then amortized over a 20-year period.

4. The witness indicated that he manages the property and that he has a 50 percent ownership interest in the property.

5. The witness presented one comparable sale for his market approach to value. The sale was the Sunrise Village Shopping Center at 9071 North Washington Street in Thornton, Colorado. The shopping center was built in 1979 and its construction is masonry block, which is comparable to the subject property. There is approximately 103,500 square feet with a major anchor store in this center, the Safeway grocery store. The sale price was \$2,469,860.00 and sold in 2000. This equates to \$24.00 per square foot and was verified by the Adam's County Assessor's Office. No adjustments were made to this sale by the Petitioner.

6. Mr. Kapuranis testified that there are other factors that he feels decrease the value of his shopping center. The subject property abuts Thornton High School and he has problems with the students hanging out in the parking lot, graffiti, and his landscaping being torn up by the students. Additionally, all of the heating and cooling units in the shopping center are electric. He has no gas heating or cooling units with the exception of the building where Hollywood Video is located. The remaining 20 units are electric and he has to lower the rents to give tenants a better deal because their utility bills are high. The parking lot and the roof are over 20 years old and he feels that they need to be replaced. The City of Thornton is constantly citing him for trash, landscaping and broken sprinkler-heads, although he is constantly repairing those items. The witness feels that these deter from getting quality tenants into the shopping center. Over the last few years they have had several burglaries in the center, which also is a deterrent for attracting higher rent tenants.

7. Under cross-examination, Mr. Kapuranis testified that he determined the 11 percent capitalization rate based on information he received from real estate agents regarding the sales of older shopping centers. Usually these are indicated at between 10 and 11 percent for a 20-plus year old center.

8. The witness testified that some of the expenses on his Schedule E report, such as CAM charges, are reimbursed by the tenants. Most of the leases are triple net and he believes approximately 20 percent of the square footage is reimbursable for the CAM. He has included tenant reimbursements as total income on the annual operating data.

9. During cross-examination, the witness indicated that the tenants pay their own electrical bills.

10. Mr. Kapuranis testified that he was aware that his sale of the Sunrise Village Shopping Center occurred in October 2000, which is outside the base period allowed for this hearing.

11. Under cross-examination, the witness testified he is aware that, based on the income approach, his opinion of value for the subject property is actually higher per square foot than the \$24.00 indicated by the sale he presented. He also feels that the Sunrise Village Shopping Center has problems similar to those his center encounters in regard to its location across the street from Thornton High School.

12. Petitioner is requesting a 2002 actual value of \$866,250.00 for the subject property.

13. Respondent's witness, Mr. Terry R. Blake, Registered Appraiser with the Adam's County Assessor's Office, presented the following indicators of value:

Market:	\$2,300,000.00
Cost:	\$2,022,680.00
Income:	\$1,386,000.00

14. The witness testified that he has made a physical inspection of the subject property, which is comprised of three different buildings. There are two L-shaped buildings and a separate building occupied by a video store. The subject property buildings have approximately 33,000 square feet.

15. Respondent's witness used a state-approved cost estimating service to derive a market-adjusted cost value for the subject property of \$2,022,680.00. Mr. Blake indicated that he did not place significant weight on the cost approach.

16. Mr. Blake testified that Marshall & Swift replacement cost for a 33,000 square foot building was indicated at \$45.87 a square foot or \$1,513,710 value for cost new. He added 410 square feet of concrete at \$3.71 and 44,000 square feet of paving at \$78,320.00, giving a replacement cost new total of \$1,604,681.00. The property was depreciated by approximately 8 percent or \$115,385.00, indicating a replacement cost new less depreciation of \$1,489,296.00. The addition of the land value was \$533,384.00 indicating a final opinion of value under the cost approach at \$2,022,680.00.

17. Respondent's witness used the income approach to derive a value of \$1,386,000.00 for the subject property.

18. Mr. Blake testified that he used a typical rental rate, vacancy rate, collection loss and expenses to arrive at the income value by sending out questionnaires from the assessor's office and then reviewing those returned for market information and reported incomes. He used a base of 9 percent plus a 3 percent effective tax rate to arrive at a 12 percent overall capitalization rate. Mr. Blake indicated that he used \$7.00 per square foot multiplied by 33,000 square feet of building area to arrive at a potential gross income of \$231,000.00 less a 10 percent vacancy and collection loss. A stabilized net operation income of \$166,320.00 was arrived at using 20 percent expenses and then capitalized at 12 percent to arrive at a value of \$1,386,000.00 or \$42.00 per square foot.

19. The witness testified that he studied four rental properties to determine the rental rate used in his report, and relied most heavily on the income approach in valuing the subject property.

20. Respondent's witness presented his sales comparison approach with four comparable sales. The closing date of one of the comparable sales was prior to the base period. Mr. Blake did not utilize the Sunrise Village Shopping Center that the Petitioner used in his testimony because he felt it was not a good comparable. The Sunrise Village Shopping Center was purchased by a church and is being converted for that use with the knowledge that the Safeway store's lease was nearly expired and they were building a new store north of the subject property. Additionally, this sale took place after the base period allowed by law.

21. Mr. Blake testified that he relied principally on the income approach because they had more information on rentals for this type of property. He also discussed the Korpacz Real Estate Investor Survey that was part of his report and supported the capitalization rate utilized by the Assessor's Office.

22. Under cross-examination, Mr. Blake indicated that, had he used a lower gross income

figure, the overall value of the property might have changed while using the same methodology.

23. The Board questioned Mr. Blake regarding Sale 2 located at 6105 East 72<sup>nd</sup> Avenue noting that it was adjacent to a railroad line and of frame construction. This sale was also indicated by the witness to be the most similar to the subject property with regard to size, age and location. He testified that all of his sales had natural gas heat and that the rent could be affected by that factor when compared to the subject property.

24. Respondent assigned an actual value of \$1,379,400.00 to the subject property for tax year 2002. Mr. Blake believes that the Respondent's value is based on market data, condition, location and size of the subject property. He believes that the methods he used to value the subject property are more reliable than those used by the Petitioner.

## **CONCLUSIONS:**

1. Respondent presented sufficient probative evidence and testimony to prove that the tax year 2002 valuation of the subject property was correct.

2. The Board was convinced that the cost approach and the market approach presented by the Respondent should be given minimal weight as the income approach appears most influential to investment properties that are typically bought and sold on an income basis. The Board also agreed that the comparable sale presented by the Petitioner was not applicable to this hearing since it occurred after the base period.

3. The Board did review the market approach presented by the Respondent and concluded that the sales were reasonable and differences in physical characteristics were taken into account. The Respondent indicated that Sale 2 was the most similar sale to the subject property, the Board agrees. The indicated price per square foot in Respondent's cost approach is similar to that of Sale 2; the Board feels that \$42.00 per square foot is reasonable in this marketplace.

4. Although the Petitioner did provide a copy of Schedule E, income and expense record, for the subject property and an annual property operating data statement, the income and expenses could not be correlated to each other to determine actual annual income and expenses for the base period. The Petitioner indicated the income and expenses were based on calendar year 1998-2000 average. The testimony by the Petitioner appears to indicate that some of the expenses are averaged and that some are actual. The Board has relied upon the Respondent's income approach and feels that the market rent, vacancy and collection rate, and capitalization rate are appropriate based on an investment survey report and questionnaires and that they were properly used in the report.

## **ORDER:**

The petition is denied.

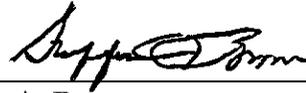
**APPEAL:**

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

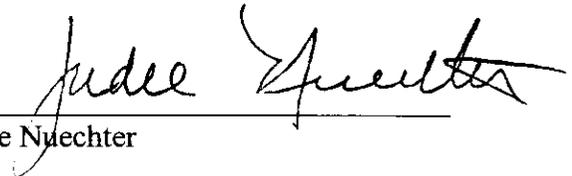
If Respondent alleges procedural errors or errors of law by this Board, Respondent may petition the Court of Appeals for judicial review within 30 days from the date of this decision.

**DATED and MAILED** this 26<sup>th</sup> day of July, 2003.

**BOARD OF ASSESSMENT APPEALS**



Steffen A. Brown

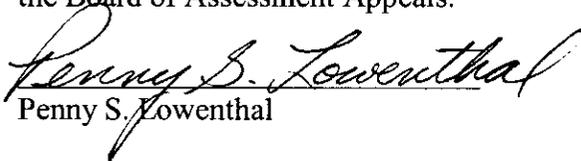


Judee Nuechter

This decision was put on the record

JUL 25 2003

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



Penny S. Lowenthal

