

**BOARD OF ASSESSMENT APPEALS,
STATE OF COLORADO**

1313 Sherman Street, Room 315
Denver, Colorado 80203

**Docket Nos.: 43211 and
44487**

Petitioner:

HUB PROPERTIES TRUST,

v.

Respondent:

**JEFFERSON COUNTY BOARD OF
EQUALIZATION.**

ORDER

THIS MATTER was heard by the Board of Assessment Appeals on August 9, 2005, Karen E. Hart, Lyle Hansen and Steffen A. Brown presiding. Petitioner was represented by Thomas E. Downey, Jr., Esq. Respondent was represented by Martin E. McKinney, Esq. Petitioner is protesting the 2003 and 2004 actual value of the subject property.

PROPERTY DESCRIPTION:

Subject property is described as follows:

**3840 S. Wadsworth Blvd., Lakewood, Colorado
(Jefferson County Schedule No.042525)**

The subject property consists of two connected buildings constructed in 1970 and 1981 that contain approximately 199,418 square feet of net rentable area.

FINDINGS OF FACT:

1. Docket Numbers 43211 and 44487 were consolidated for the purpose of this hearing
2. The parties presented the following indicators of value:

	<u>Petitioner</u>	<u>Respondent</u>
Market:	\$18,944,710.00	\$22,504,400.00
Cost:	N/A	N/A
Income:	\$18,640,000.00	\$21,933,500.00

3. Petitioner presented six comparable sales ranging in sales price from \$4,500,000.00 to \$21,000,000.00, or \$77.40 to \$152.51 per square foot, and in size from 54,600 to 165,000 net rentable square feet.

4. Respondent presented five comparable sales ranging in sales price from \$8,860,000.00 to \$26,375,000.00, or \$77.40 to \$132.43 per square foot, and in size from 96,571 to 199,155 net rentable square feet. After adjustments, Respondent's sales ranged from \$91.75 to \$132.43 per square foot.

5. Respondent argued that the subject is superior to other properties in the area due to extensive renovation and the inclusion of data rooms with elaborate cooling, fire suppression and heavy power systems. Petitioner maintained that the interior finish is of average quality regardless of these inclusions. Petitioner applied qualitative adjustments while Respondent applied quantitative adjustments. Due to the resulting wide range of prices presented, the Board could place little weight on the market approach to value.

6. Both parties relied on the use of direct capitalization and a 10% vacancy and collection loss in the income approach.

7. Petitioner indicated that rental rates decreased during the 18-month base period. Petitioner presented "full-service gross" offer rental rates ranging from \$16.00 to \$20.81 per square foot. Petitioner reconciled to a gross rental rate of \$19.00 per square foot for the subject, which was considered the mid-point during the base period. Petitioner used market expenses of \$5.90, net of taxes, rather than the subject's actual expenses, which were believed to be understated. Petitioner used a 9.5% capitalization rate and the actual tax rate of 2.49%, for an overall rate of 11.99%. Petitioner concluded to an indicated value of \$18,640,000.00 based on the income approach.

8. Respondent maintained that sufficient rental comparables exist to support a rental rate of \$21.13 per square foot. Expenses were estimated at \$4.92 per square foot. Respondent applied a 10% capitalization rate due to the high risk associated with one of the tenant's (Qwest) lower credit rating. Respondent added a tax rate of 2.8% to conclude an overall rate of 12.8%. Respondent concluded to an indicated value of \$22,000,000.00 based on the income approach.

9. Petitioner requested that the actual value of the subject property be reduced to \$18,640,000.00 for the tax years 2003 and 2004. Respondent assigned an actual value of \$23,404,500.00 for tax years 2003 and 2004, but recommended a reduction in value to \$22,000,000.00 for each tax year.

CONCLUSIONS OF LAW:

1. Petitioner presented sufficient probative evidence and testimony to prove that the tax year 2003 and 2004 valuation of the subject property was incorrect.

2. The Board was convinced that rental rates declined during the base period, and finds Petitioner's \$19.00 per square foot rental rate to be reasonable. The Board was not persuaded that Respondent's estimated rental rate was properly supported. The Board agrees with Petitioner's capitalization rate and the use of the actual tax rate. While the subject's actual expenses were low compared to those found in the market and through published journals, the Board was not convinced that sufficient support was made for the expense figures used by either party. The Board determined that the appropriate expense figure is \$5.41 per square foot. The Board recalculated the value of the subject property as follows:

199,155 sq. ft. x \$19.00	\$3,783,945.00
Vacancy & Collection at 10%	- 378,394.00
Effective Gross Income	\$3,405,550.00
Expenses @ \$5.41 per sq. ft.	-\$1,077,429.00
Net Operating Income	\$2,328,121.00
Capitalization Rate	.1199
	\$19,417,189.00

3. The Board concluded that the 2003 and 2004 actual value of the subject property should be reduced to \$19,417,190.00.

ORDER:

Respondent is ordered to reduce the 2003 and 2004 actual value of the subject property to \$19,417,190.00.

The Jefferson County Assessor is directed to change his/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 2nd day of September 2005.

BOARD OF ASSESSMENT APPEALS

Lyle D. Hansen

Lyle Hansen

Karen E. Hart

Karen E. Hart

Steffen A. Brown

Steffen A. Brown

This decision was put on the record

SEP 02 2005

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

