

<p>BOARD OF ASSESSMENT APPEALS, STATE OF COLORADO 1313 Sherman Street, Room 315 Denver, Colorado 80203</p> <hr/> <p>Petitioners:</p> <p>JOHN AND JODY HOLLAND,</p> <p>v.</p> <p>Respondent:</p> <p>MONTROSE COUNTY BOARD OF EQUALIZATION.</p>	<p>Docket Number: 45146</p>
<p>ORDER</p>	

THIS MATTER was heard by the Board of Assessment Appeals on March 29, 2006, Lyle D. Hansen and Karen E. Hart presiding. Petitioners were represented by Jody Holland. Respondent was represented by Robert Hill, Esq. Petitioners are protesting the 2005 actual value of the subject property.

PROPERTY DESCRIPTION:

Subject property is described as follows:

**1480 South Townsend Avenue, Montrose, Colorado
Montrose County Schedule No. R650920**

The subject property, Affordable Inns of Montrose, is a motel with 51 rentable units (commercial classification) and the owner's unit (residential classification) built in 1984 on a 1.194-acre site. Of the subject's 51 rentable units, one unit (Room 107) is the manager's apartment. Amenities include an indoor pool, laundry room and play area. As of January 1, 2005, six units had kitchens.

FINDINGS OF FACT:

1. Petitioners contracted to buy the subject property on June 24, 2004 for \$1.75 million and closed the purchase in August 2004. The gross sales price of the subject property computes to \$34,314 per unit. Of the total purchase price, \$550,000 was allocated to goodwill, \$100,000 was

allocated to remodeling costs, \$25,000 was allocated to personal property and \$100,000 represented a transaction fee. The resulting net price was \$19,118 per unit.

2. Petitioners presented two comparable sales. The Blue Fox Motel was recently renovated, has 22 units (some with kitchens) and extended stay rooms. It does not have a pool but has excellent access. The property sold on June 1, 2004 for \$575,000 or \$26,136 per unit. The South Gate Inn has 38 units and sold for \$900,000 or \$23,684 per unit. Respondent did not present either of these sales.

3. Petitioners believe the manager occupied unit and the long-stay rooms should be classified as residential. No leases are in place for the long-stay rooms.

4. Petitioners are requesting a 2005 actual value of \$1,150,000 to \$1,200,000 for the subject property.

5. Respondent's witness, Bradley B. Hughes, Certified General Appraiser with the Montrose County Assessor's Office, presented the following indicators of value:

Market:	\$1,700,000
Cost:	\$1,560,000
Income:	\$1,920,000

6. For the market approach, Respondent presented four comparable sales ranging in per unit price from \$34,000 to \$44,388. Respondent concluded to a per unit value of \$35,300 for the subject property and deducted \$50,730 for personal property (using the assessor's declared personal property listing) and \$50,000 for business value (developed using DPT guidelines). Respondent concluded to an indicated value of \$1,700,000 based on the market approach.

7. Minimal reliance was placed on Respondent's market approach, as two of the comparable sales occurred prior to the 5-year extended data-gathering period beginning July 1, 1999, and one sale occurred after the level of value date of June 30, 2004. The remaining comparable (Sale 4) is located in Durango, a different market than the subject property's location in Montrose.

8. Respondent indicated that market values had appreciated; therefore, the value of the subject property would be slightly less than \$1.7 million based on its actual sales price.

9. Respondent used a state-approved cost estimating service to derive a market-adjusted cost value for the subject property of \$1,560,000 (rounded). Four comparable land sales were used to establish the land value of \$478,000 or \$9.20 per square foot. Marshall & Swift Valuation Service was used to compute the improvement value of \$1,077,044. Minimal weight was given to the value indicated by the cost approach. As the subject property produces income, the income approach to value provides the most reliable indication of value.

10. For the income approach, Respondent used an Actual Daily Rate (ADR) of \$60, which was based on reported rates for motels located along the Grand Junction I-70 corridor.

According to Petitioners, the actual ADR is \$40 maximum. Respondent used an occupancy rate of 65%. The subject's actual occupancy ranges from 55% to 60%. Respondent's 65% expense rate includes real estate taxes. Petitioners did not report actual expenses. Respondent's 11% non-tax loaded capitalization rate was based on an Integra Realty Resources report and a summary of known motel sales located in Colorado, Idaho and Utah. Petitioners did not present evidence or testimony regarding an appropriate capitalization rate. Respondent made reductions for business value (\$5,500), return on and of personal property (\$5,580 and \$21,780 respectively), and a franchise fee (\$29,040). Respondent concluded to an indicated value of \$1,920,000 (rounded) based on the income approach. However, given that the subject property had no franchise fee, the value indicated by Respondent's income approach would be somewhat higher.

11. Respondent assigned an actual value of \$1,747,320 to the subject property for tax year 2005.

CONCLUSIONS:

1. Petitioner presented sufficient probative evidence and testimony to prove that the tax year 2005 valuation of the subject property was incorrect.

2. The income approach provides the most reliable indication of value for the subject property. The income approach was recalculated based on an ADR of \$40 for 51 units, occupancy rate of 65%, operating expense rate of 65%, and a capitalization rate of 11%. Management fees of \$5,500 and Return on Personal Property of \$5,580 were deducted. The deduction for Return of Personal Property was reduced to \$14,520, based on a revised effective gross income of \$483,990. The concluded value for the subject property is \$1,424,716, or \$27,936 per unit for tax year 2005.

3. The argument that the long-stay rooms should have residential classification was not convincing. The number of rooms rented for long-stay is flexible and no leases are in place.

4. The manager's unit (Room 107) should be classified residential, as this unit has a long-term tenant.

ORDER:

Respondent is ordered to reduce the 2005 actual value of the subject property to \$1,424,716 and to reclassify the manager's unit as residential.

The Montrose 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

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 June 2006.

BOARD OF ASSESSMENT APPEALS



Lyle D. Hansen

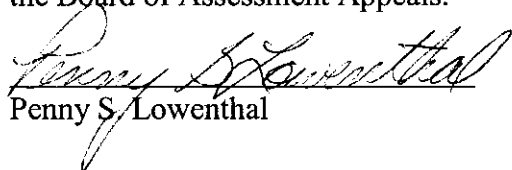


Karen E. Hart

This decision was put on the record

JUN 02 2006

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



Penny S. Lowenthal