

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

1313 Sherman Street, Room 315  
Denver, Colorado 80203

**Docket No.: 45533**

Petitioner:

**LAKESHORE BROOMFIELD REALTY LLC ET AL,**

v.

Respondent:

**BROOMFIELD COUNTY BOARD OF  
EQUALIZATION.**

**ORDER**

**THIS MATTER** was heard by the Board of Assessment Appeals on November 20, 2006, Sondra W. Mercier and Diane M. DeVries presiding. Petitioner was represented by Ronald S. Loser, Esq. Respondent was represented by Tami Yellico, Esq. Petitioner is protesting the 2005 actual value of the subject property.

**PROPERTY DESCRIPTION:**

Subject property is described as follows:

**300 Summit Boulevard, Broomfield, Colorado  
(Broomfield County Schedule No. R1149017)**

The subject is a full-service athletic club consisting of 84,317 square feet located on a 6.75-acre site. In addition to typical athletic club facilities, amenities of the subject property include an indoor lap pool, an outdoor water park, three roof-top tennis courts, and a climbing wall. The athletic club opened in November 2003, and was not operating at a stabilized level as of the June 30, 2004 date of value.

Respondent assigned an actual value of \$13,916,520.00 to the subject property for tax year 2005. Petitioner is requesting a reduction in value to \$9,500,000.00.

Petitioner presented an indicated value of \$9,500,000.00 based solely on the income approach. Petitioner analyzed the value of the subject using both direct capitalization and discounted

cash flow. In both cases, the petitioner calculated a stabilized value estimate and then deducted the estimated value of the business enterprise and furniture, fixtures and equipment (FF&E).

Using direct capitalization, the petitioner calculated the stabilized value of the going concern based on stabilized earnings before interest, taxes, depreciation, and amortization (EBITDA) after reserves of \$1,701,772.00. This amount was multiplied by 8.0 to arrive at a stabilized market value estimate of \$13,614,176.00. The stabilized market value estimate was reduced by \$2,001,600.00 to account for lost revenues, resulting in an “as is” going concern value of \$11,600,000.00, rounded.

Using the discounted cash flow analysis, petitioner presented a six year forecast of income and expenses. A discount rate of 14.5% was applied to both the operating cash flow as well as the residual value. The residual value was calculated using the net operating income of year six capitalized at 12.5%, less 2.0% for brokerage and legal fees. The resulting “as is” going concern value is \$12,200,000.00, rounded.

Petitioner reconciled the two “as is” going concern values to \$12,000,000.00, which was reduced by \$2,500,000.00 to account for business and FF&E value, to conclude to an indicated value of \$9,500,000.00.

The Respondent presented the following indicators of value:

Cost: \$14,550,000.00  
Income: \$14,230,000.00

Respondent’s cost approach was based on *Marshall Swift* cost tables indexed to the Broomfield market which resulted in an estimated improvement value of \$13,746,430.00. The value of the land was estimated at \$3,174,580.00 based on comparable sales. Respondent applied economic obsolescence of 14% based on the difference between actual memberships sold versus membership goals as of the end of 2004.

In the income approach, Respondent utilized a rental rate of \$20.00 per square foot, a vacancy and collection loss of 10%, expenses at 6% to arrive at a net operating income of \$1,422,752.00. The net operating income was capitalized at 10% to conclude to an indicated value of \$14,227,520.00.

Petitioner contends that the property suffers from significant economic (external) obsolescence due to competition from other facilities located proximate to the subject, resulting in a value significantly lower than the original cost of construction.

External obsolescence is defined as, “An element of accrued depreciation; a defect, usually incurable, caused by negative influences outside a site and generally incurable on the part of the owner, landlord, or tenant.” *The Dictionary of Real Estate Appraisal*, fourth edition.

In Petitioner’s analysis, the stabilized value of the subject is calculated using EBITDA as an estimate of income, with deductions taken for lost revenue, business value and FF&E. It is the opinion of the Board that this method understates the value of the real estate by overstating economic obsolescence in several ways. At the time of valuation, the subject’s revenues could have been affected by competition from other facilities, which would fit the definition of external

affected by competition from other facilities, which would fit the definition of external obsolescence. However, the revenues of the subject property were just as likely to have been affected by the relatively short period of time the facility had been opened, whereby stabilized operation could not be expected.

Respondent's cost approach adequately accounts for the subject's economic obsolescence. The tight range of values presented in Respondent's cost approach (\$14,550,000.00) and market approach (\$14,230,000.00) substantiates the actual value assigned to the subject property for tax year 2005.

**ORDER:**

The appeal is denied.

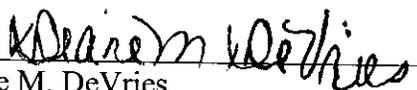
**APPEAL:**

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 18<sup>th</sup> day of January 2007.

**BOARD OF ASSESSMENT APPEALS**

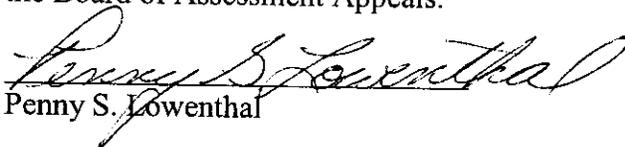
  
\_\_\_\_\_  
Diane M. DeVries

  
\_\_\_\_\_  
Sondra W. Mercier

This decision was put on the record

**JAN 18 2007**

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

  
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Penny S. Lowenthal

