

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

1313 Sherman Street, Room 315
Denver, Colorado 80203

**Docket Nos.: 49333 &
51288**

Petitioner:

**FOOTHILLS BANK and GUARANTY BANK AND
TRUST COMPANY,**

v.

Respondent:

**JEFFERSON COUNTY BOARD OF
EQUALIZATION.**

ORDER

THIS MATTER was heard by the Board of Assessment Appeals on March 3, 2009, Debra A. Baumbach and Karen E. Hart presiding. Petitioners were represented by Kendra L. Cohen, Esq. Respondent was represented by Writer Mott, Esq.

Petitioner Foothills Bank is protesting the 2007 actual value of the subject property. Petitioner Guaranty Bank and Trust Company is protesting the 2008 actual value of the subject property. The Board consolidated Docket Nos. 49333 & 51288.

PROPERTY DESCRIPTION:

Subject property is described as follows:

**5025 Kilpling Street, Arvada, Colorado
(Jefferson County Schedule No. 447474)**

The subject property consists of a two-story bank building built in 2006, located on a 57,064-square-foot site. There are 5,457 square feet located on the first floor and approximately 2,891 square feet located on the second floor.

Petitioners presented the following indicators of value:

Market:	\$1,544,400.00
Cost:	\$1,918,500.00
Income:	\$1,713,500.00

Based on the market approach, Petitioners presented an indicated value of \$1,544,400.00 for the subject property.

Petitioners presented five comparable sales of office buildings ranging in sales price from \$750,000.00 to \$1,640,000.00 and in size from 7,500 to 16,291 square feet. After adjustments were made, the sales ranged from \$135.00 to \$193.77 per square foot.

Petitioners' witness, Mr. Steve R. Letman, CRE, Vice President with Consultus Asset Valuation, Inc. testified Comparable Sales 1 and 4 are considered to be the best comparables. Sale 1 was originally bank space, it sold vacant and was converted into retail space. Subsequently, the space was leased to Walgreens. Sales 2 and 3 are part of an office complex, however there is no street exposure. Sale 4 is located in the same complex as Sales 2 and 3 and occupied by a bank. Sale 5 was sold as an office building and was then modified to be used as a church. The sales price was adjusted for charitable contribution and cash value. There was minimal weight placed on this sale. A concluded value of \$185.00 per square foot or \$1,544,400.00 was derived after adjustments.

Mr. Letman further testified the subject property is set up as a bank on the first floor and office space on the second floor. The office space located on the second floor was leased to a single tenant. The building sits on a pad site located in a shopping center that is anchored by a Super Target retail store. The subject has easy access and visibility.

Petitioners presented the cost approach to derive a market-adjusted cost value for the subject property of \$1,918,500.00.

Mr. Letman testified Marshall Valuation Service was utilized in determining the cost of the improvements. The land value was derived from the actual sale of the subject property and calculated at \$19.96 per square foot for a total value of \$1,139,000.00. The building was classified as an average quality Class-C structure. An improvement cost of \$135.00 per square foot was used for the bank area and the office improvement was based on \$93.00 per square foot for a total improvement cost of \$1,005,558.00. Additional costs were added on; the drive-through canopy was calculated at \$70.00 per square foot and the asphalt at \$5.00 per square foot for a total of \$333,170.00. The total cost of the improvements was \$1,338,728.00. A time adjustment of 1.06 was applied for total replacement cost including land at \$2,558,000.00.

The cost of construction does not always reflect market perceptions. The market and income approaches both represent much lower value ranges. Therefore Petitioners applied an additional adjustment of 25% to address economic obsolescence indicating a final value of \$1,918,500.00 for the cost approach.

Petitioners presented an income approach to derive a value of \$1,713,500.00 for the subject property.

Mr. Letman testified that the subject property is considered to be more of an office complex rather than a bank building. The main separation between the first floor and second floor is the canopy and teller lines. A pro forma income analysis was developed based on market rents for offices as indicated in the Frederick Ross Mid-Year 2006 Office Report and an estimated triple net rental rate was used for the bank area.

Petitioners applied a rental rate of \$25.00 per square foot for the bank area consisting of 5,457 square feet and \$13.00 per square foot for the second floor area consisting of 2,891 square feet. A 10% vacancy allowance was applied and owner expenses were estimated to be 7% which also included 4% for management fees and 3% for tenant improvements. The capitalization rate of 8.5% was based on the Smith Burbach Real Estate Survey.

In Petitioners' reconciliation he concluded to a value of \$1,600,000.00 with the majority of weight placed on the sales comparison and income approaches; no weight was placed on the cost approach.

Petitioners are requesting a 2007 and 2008 actual value of \$1,600,000.00.

Respondent presented the following indicators of value:

Market:	\$2,725,000.00
Cost:	\$2,730,000.00
Income:	Not Applicable

Based on the market approach, Respondent presented an indicated value of \$2,725,000.00 for the subject property.

Respondent presented eight comparable sales ranging in sales price from \$864,500.00 to \$3,333,000.00 and in size from 2,026 to 8,037 square feet. The sales were adjusted based on quantitative analysis. After adjustments were made the sales were then ranked according to their qualitative ranking.

Respondent's witness, Mr. Jon S. Aasen, MAI with Jefferson County Assessor's office, testified he researched eight comparable sales within the market area. Sale 1 is a Guarantee Bank and Trust located in Longmont and was purchased as a shell with no interior finish. Sale 2 is a Washington Mutual Bank and was purchased by an investor seeking a long-term income stream. Sale 3 is also a Washington Mutual Bank; it was previously a gas station that was renovated into single tenant space. Sale 4 is a Horizon Bank purchased as a shell and for expansion. Sale 5 is a Firstier Bank purchased as a shell with no interior finish. Sale 6 is a Guaranty Bank Building also with no interior finish. Sale 7 is a Key Bank and one of several properties sold to a single real estate investor. The second floor has no interior access and is an architectural feature. Sale 8 is a Commercial Federal Savings building located in Stapleton redevelopment area and was a leaseback situation.

The subject property is situated at the corner of two adjoining streets with a signalized intersection anchored by a Super Target retail store. The location is considered to be superior and access is good.

Respondent applied \$346.00 per square foot to the net rentable area of 7,877 square feet, based on the indicated mid-point value between Sales 1 and 6. The same figure was then applied to the building's gross area for a price per square foot of \$307.93, for a final value indicator of \$2,725,000.00.

Respondent used a state-approved cost estimating service to derive a market-adjusted cost value for the subject property of \$2,730,000.00. The subject property is a pad site located within a Super Target shopping center consisting of approximately 1.310 acres. The location has good access and visibility. The subject's site sold during the base period for \$1,138,700.00 and was considered to be a superior location. In determining the land portion, eleven financial pad site sales were reviewed ranging in sales price from \$655,000.00 to \$1,750,000.00. The aggregate land value was calculated to be \$1,200,000.00.

Respondent relied on Marshall Valuation Service to calculate the base building unit cost of \$144.78 per square foot including local and regional multipliers. There were additional building costs added to the base including interior sprinklers, canopies, elevator, sidewalks and asphalt improvement for a replacement cost new of \$1,436,905.00. Respondent also used available public sources to determine historic construction costs, concluding to a replacement cost new of \$1,650,250.00. Respondent compared these figures to construction comparables ranging from \$260.48 to \$336.37 per square foot.

The subject property was new construction and there was no measurable depreciation noted. The cost approach was considered to be a reliable value methodology. Respondent concluded to a total value indicated by the cost approach of \$2,730,000.00

Respondent did not conclude to a value using the income approach for the subject property as there was only limited data available.

Mr. Aasen concluded to a subject property value of \$2,725,000.00 for tax years 2007 and 2008.

Respondent assigned an actual value of \$2,715,000.00 to the subject property for tax years 2007 and 2008.

Petitioners presented sufficient probative evidence and testimony to prove that the tax year 2007 and 2008 valuation of the subject property was incorrect.

Both parties presented thorough appraisal reports and considered all three approaches to value. After consideration of all the evidence and testimony the Board determined that the market comparison approach is the most reliable method to value the subject property with secondary weight placed on the income approach. Although the subject was constructed during the base period

and the cost approach should be considered, cost does not always equate to value and minimal weight was placed on this methodology. The market perception did not support the value conclusion indicated by the cost analysis.

The Board placed most weight on Respondent's sales. Several of the sales are superior in size and location and there were other factors influencing the sales price. The Board was not convinced that sufficient adjustments were made and concluded that further reduction is warranted.

Petitioners' sales were comprised of office buildings with the exception of Sale 1 that was a converted bank. The Board agrees with Respondent that the subject has a good location with easy access and visibility. The location offers potential buyers a higher utility of the building if they choose to incorporate different types of business.

The Board relied on Petitioners' net rentable area of 8,348 square feet and relied on the actual sale of the subject pad site during the base period. The Board concluded to a value of \$250.00 per square foot for a total value of \$2,087,000.00.

The Board concluded that the 2007 and 2008 actual value of the subject property should be reduced to \$2,087,000.00.

ORDER:

Respondent is ordered to reduce the 2007 and 2008 actual value of the subject property to \$2,087,000.00.

The Jefferson County Assessor is directed to change his/her records accordingly.

APPEAL:

If the decision of the Board is against Petitioner, Petitioner may petition the Court of Appeals for judicial review according to the Colorado appellate rules and the provisions of Section 24-4-106(11), C.R.S. (commenced by the filing of a notice of appeal with the Court of Appeals within forty-five days after the date of the service of the final order entered).

If the decision of the Board is against Respondent, Respondent, upon the recommendation of the Board that it either is a matter of statewide concern or has resulted in a significant decrease in the total valuation of the respondent county, may petition the Court of Appeals for judicial review according to the Colorado appellate rules and the provisions of Section 24-4-106(11), C.R.S. (commenced by the filing of a notice of appeal with the Court of Appeals within forty-five days after the date of the service of the final order entered).

In addition, if the decision of the Board is against Respondent, Respondent may petition the Court of Appeals for judicial review of alleged procedural errors or errors of law within thirty days of such decision when Respondent alleges procedural errors or errors of law by the Board.

If the Board does not recommend its decision to be a matter of statewide concern or to have resulted in a significant decrease in the total valuation of the respondent county, Respondent may petition the Court of Appeals for judicial review of such questions within thirty days of such decision.

Section 39-8-108(2), C.R.S.

DATED and MAILED this 17th day of September 2009.

BOARD OF ASSESSMENT APPEALS

Debra A. Baumbach

Debra A. Baumbach

Karen E. Hart

Karen E. Hart

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

Heather Flannery

Heather Flannery

