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| <p>BOARD OF ASSESSMENT APPEALS, STATE OF COLORADO 1313 Sherman Street, Room 315 Denver, Colorado 80203</p> <hr/> <p>Petitioner:</p> <p>SMOKY HILL SELF STORAGE, LLC,</p> <p>v.</p> <p>Respondent:</p> <p>ARAPAHOE COUNTY BOARD OF EQUALIZATION.</p> | <p>Docket No.52740</p> |
| <p>ORDER</p> | |

THIS MATTER was heard by the Board of Assessment Appeals on July 26, 2011, Diane M. DeVries and Gregg Near presiding. Petitioner was represented by Robert R. Graft, Esq. Respondent was represented by George Rosenberg. Petitioner is protesting the 2009 actual value of the subject property.

Subject property is described as follows:

**20210 E Smoky Hill Road
Arapahoe County Schedule No. 2073-14-3-30-003**

The subject is a 73,180 square foot self-storage facility within 22 buildings. Two buildings are garden level design with rental units on the lower level. There is a 2,120 square foot onsite sales office. The improvements were constructed in 1999 on a site containing 4.56 acres. The facility is situated at the southeast corner of the intersection of East Orchard Road and Smoky Hill Road.

Petitioner presented the following indicators of value:

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|---------|----------------|
| Market: | n/a |
| Cost: | \$3,273,000.00 |
| Income: | \$2,916,890.00 |

Petitioner is requesting an actual value of \$3,000,000.00 for the subject property for tax year 2009. Respondent assigned a value of \$4,000,000.00 for the subject property for tax year 2009.

Petitioner presented Francis Gay as a witness regarding construction and operation of self-storage facilities. Mr. Gay considered Respondent's comparable land sale and concluded developers would likely pay \$3.50 per square foot for a site like the subject. Construction cost would run from \$28.00 to \$32.00, with an additional construction and management fee ranging from \$4.50 to \$6.00 per square foot. Mr. Gay concluded to a land value of \$694,550.00 and a cost new of the improvements to be \$2,569,284.00 for a total cost new of \$3,273,000.00.

Mr. Gay discussed the comparable sales within the Respondent's appraisal report and indicated familiarity with Sale 1 and that he was the seller for Sale 3. He indicated comparable sales 4 and 5 were purchased by investment trusts eager to enter the market. Mr. Gay presented three comparable sales, one of which was Respondent's Sale 1. The additional comparables, 9591 E 22nd Avenue and 7271 & 7273 Kearney Street were both older structures with gross sale prices of \$37.84 per square foot and \$46.69 per square foot respectively.

Mr. Gay indicated a 10% capitalization rate would be appropriate for the subject at the time. This would produce a value estimate by the income approach of \$2,916,890.00 (rounded).

Mr. Gay also presented a sales comparison approach value of \$2,917,843.00 which he stated was derived by use of a capitalization rate.

Petitioner presented an exhibit illustrating the rental rates for the storage units as of June 5, 2008. Occupancy for the facility was indicated to be 70.38 percent.

Respondent presented the following indicators of value:

| | |
|---------|----------------|
| Market: | \$5,121,000.00 |
| Cost: | \$4,000,000.00 |
| Income: | \$4,038,000.00 |

Respondent's appraiser, Michael Williams, a Certified Residential Appraiser with the Arapahoe County Assessor's Office, presented five comparable sales ranging in sale price from \$2,870,000.00 to \$7,250,000.00 and in size from 76,550 to 48,585 square feet. After adjustments were made, the sales ranged from more than \$54.13 to less than \$99.85 per square foot of building area.

Mr. Williams reconciled to a value of \$70.00 per square foot and a market approach value of \$5,121,000.00 (rounded).

Respondent used a state-approved cost estimating service to derive a market-adjusted cost approach value for the subject property of \$4,004,424.00, rounded to a value of \$4,000,000.00.

Mr. Williams presented five comparable land sales ranging in price from \$422,600.00 to \$4,045,900.00 and in size from 1.14 to 11.51 acres. The land sales ranged from \$3.35 to \$9.15 per

square foot of land area. Respondent placed most weight on his Sale 1, 2 and 3 and reconciled to a unit value of \$5.50 per square foot and a land value of \$1,091,437.00.

The improvements, constructed in 1999, were determined to have an effective age of eight years and the Marshall Swift Cost Service figures were discounted by \$189,478.00 for physical depreciation. Addition of the depreciated improvement value to the land value estimate produced a total value by the cost approach of \$4,000,000.00.

Respondent used the income approach to derive a value of \$4,038,000.00 for the subject property.

Mr. Williams indicated he was not provided any income, expenses or occupancy information from the Petitioner. He estimated an occupancy rate of 85% for the property based upon published information from national and local data services.

Gross income was estimated for eleven different unit sizes to be \$740,397.00 annually. Expenses of \$220,943.00 were determined by use of the Self Storage Almanac. The net operating income for the property was estimated to be \$415,798.00.

Mr. Williams capitalized the resulting income with a market capitalization rate of 7.6 percent derived from research of six comparable sales and five different data sources. The market rate was then adjusted upward by the effective tax rate of 2.685 percent for a combined capitalization rate of 10.29 percent.

Application of the above capitalization rate to the net operating income produced an estimated value by the income approach of \$4,038,000.00.

Mr. Williams reconciled to a final value of \$4,000,000.00.

Mr. Williams testified he gave greatest weight to the income and cost approaches. He also indicated higher vacancy for the Petitioner's property would bring a lower value.

Petitioner presented sufficient probative evidence and testimony to prove that the tax year 2009 valuation of the subject property was incorrect.

Petitioner's exhibit indicates the actual vacancy of the subject property was 29.63 percent. Petitioner's witness also testified a portion of the property is designed with second floor space that is more difficult to lease.

Both parties building expenses and capitalization rates were virtually the same. Application of a 30 percent vacancy rate to the Respondent's income estimate produces an effective gross income of \$518,278.00. Reduction of expenses of \$220,943.00 results in a net operating income of \$297,335.00. At capitalization rates of 10% to 10.29% the indicated value by the income approach ranges from \$2,973,350.00 to \$2,889,553.00.

The Board concludes that the 2009 actual value of the subject property should be reduced to \$3,000,000.00.

ORDER:

Respondent is ordered to reduce the 2009 actual value of the subject property to \$3,000,000.00.

The Arapahoe 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).

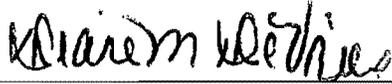
In addition, if the decision of the Board is against Respondent, Respondent may petition the Court of Appeals for judicial review of alleged procedural errors or errors of law within thirty days of such decision when Respondent alleges procedural errors or errors of law by the Board.

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.

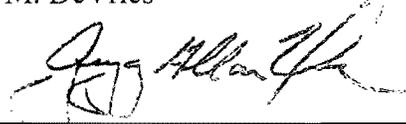
Section 39-8-108(2), C.R.S.

DATED and MAILED this 22nd day of August, 2011.

BOARD OF ASSESSMENT APPEALS

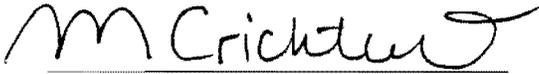


Diane M. DeVries



Gregg Near

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



Milla Crichton

