

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

1313 Sherman Street, Room 315
Denver, Colorado 80203

Docket No.: 61611

Petitioner:

AUTOMOTIVE SERVICES, INC,

v.

Respondent:

JEFFERSON COUNTY BOARD OF EQUALIZATION.

ORDER

THIS MATTER was heard by the Board of Assessment Appeals on May 28, 2013, Diane M. DeVries and James R. Meurer presiding. Petitioner was represented by Richard G. Olona, Esq. Respondent was represented by Rebecca Klymkowsky, Esq. Petitioner is protesting the 2012 actual value of the subject property.

Subject property is described as follows:

**801 Denver West CO Mills Blvd., Lakewood, CO
Jefferson County Schedule No. 407069**

The property consists of a full service, automobile sales and service dealership located along the West Colfax Ave. Corridor in Lakewood, Colorado. The building is two story and was constructed in 1989 as a Lexus dealership. The structure contains approximately 40,325 square feet including sales and service areas, a parts department, detail shop, and storage areas. In addition, there are external "pads" to the east of the building used for parking and sales of the automobiles. Site size is 215,753 square feet or 4.95 acres. The property is zoned for commercial use, and all public utilities are available. The subject is reported to be in overall average to good condition.

Petitioner is requesting a value of \$2,500,000 for tax year 2012. Respondent provided an appraisal reflecting a value of \$6,503,611; however is deferring to the Board of Equalization's (BOE) assigned value of \$3,489,000 for tax year 2012.

Petitioner presented the following indicator of value:

Cost:	\$2,507,234
Market	Not Developed
Income:	Not Developed

Relying solely on the cost approach, Petitioner concluded to an indicated value of \$2,500,000 for the subject property.

Petitioner's witness, Mr. Todd Stevens with Stevens & Associates Cost Reduction Specialists, presented his cost approach based on data derived from the Marshall Valuation Service (Marshall) and reflecting a depreciated replacement cost for the subject of \$932,237. Mr. Stevens estimated physical depreciation at 33% to 58% of cost new depending on the space classification based on the Marshall Depreciation Tables. Functional obsolescence for the improvements was estimated at 15% based on lack of operational capacity, and economic obsolescence was estimated at 15% of depreciated replacement cost based on historical economic data. The depreciated cost was then added to land value of \$1,574,997 (\$7.30 per square foot) to reflect a total depreciated cost of \$2,507,234.

Respondent presented the following indicator of value:

Cost:	\$6,503,611
Market	Not Developed
Income:	Not Developed

Relying solely on the cost approach, Respondent concluded to an indicated value of \$6,503,611 for the subject property.

Respondent's witness, Ms. Darla K. Jaramillo of the Jefferson County Assessor's Office, also presented a cost approach based on data derived from Marshall reflecting a depreciated replacement cost for the subject of \$3,094,714. Ms. Jaramillo estimated physical depreciation at 13% of cost new for the vertical improvements and 66% to 75% for the yard improvements based on age/life calculation. Respondent did not deduct functional or economic obsolescence. The depreciated cost was then added to land value of \$3,408,897 (\$15.80 per square foot) to reflect the total depreciated cost of \$6,503,611.

Areas of primary disagreement between Petitioner and Respondent consisted of the classification of the space within the building and its resulting replacement cost, the inclusion of entrepreneurial profit in the cost approach, the amount and methodology of the physical depreciation, the existence of functional and economic obsolescence, and the value of the land. The differences between the parties' variables are compared in the following table:

	Petitioner		Respondent	
Space Classification SF				
Showroom	18,421	sf	17,620	sf
Service Garage	11,144	sf	N/A	
Service Shed	5,487			
Mezzanine	5,273	sf	N/A	
Auto Service Center	N/A		22,685	sf
	<u>40,325</u>		<u>40,305</u>	
Space Replacement Cost PSF				
Showroom	\$88.40	psf	\$92.22	psf
Service Garage	\$49.89	psf	N/A	
Service Shed	\$22.06			
Mezzanine	\$19.12	psf	N/A	
Auto Service Center	N/A		\$68.99	psf
Entrepreneurial Profit	0.00%		10.00%	
Physical Depreciation	33%-58%		13.00%	
Functional Obsolescence	15.00%		0.00%	
Economic Obsolescence	15.00%		0.00%	
Land Value	\$7.30	psf	\$15.80	psf
Indicated Value	\$2,507,234		\$6,503,611	
Indicated Value	\$62.18	psf	\$161.36	psf

Again note that Respondent is deferring to the Board of Equalization's assigned value of \$3,489,000 or \$86.56 per square foot for tax year 2012.

After careful consideration, the Board concurs with the parties that the cost approach is appropriate in supporting a final opinion of value. Based on testimony and a review of the exhibits, the Board concludes the following:

- Petitioner's classification and breakdown of the space in the building is most supportable given the descriptions and square foot costs provided by Marshall. However, the Board concludes that the "service shed" space should be classified as "service garage" space.
- Respondent's estimate of entrepreneurial profit is supportable. This profit incentive is not included in Marshall's base costs, and needs to be added to Petitioner's analysis for replacement cost purposes.
- Petitioner estimates physical depreciation at 33% to 58% based on the Marshall Tables and Respondent estimates this depreciation at 13% based on an age/life calculation. The Board concludes that these depreciation numbers reflect the high and low end of a supportable range and conclude physical depreciation to be 40% of replacement cost new, based on the testimony of the parties.
- The Board finds that there is no support for economic obsolescence, however, is convinced that the 15% functional obsolescence for the lack of utility of the building is supportable.

- Relative to land value, the Board finds that the comparable sales used by Respondent are most persuasive. However, the Board concludes that additional adjustments to the sales are necessary for the differences in square footage, utility, and corner influence. The Board concludes to a land value of \$9.00 per square foot or \$1,941,777.

A recalculated replacement cost reflecting these variables is found in the following table:

Showroom Space	\$88.40	x	18,421	sf =	\$1,628,416
Service Garage	\$49.89	x	16,631	sf =	\$829,721
Mezzanine	\$19.12	x	5,273	sf =	\$100,820
			40,325		\$2,558,957
Site Improvements					\$186,804
Total					\$2,745,761
Entrepreneurial Profit		@	10.00%		\$274,576
Estimated Replacement Cost New					\$3,020,337
Physical		@	40.00%		\$1,208,135
Functional		@	15.00%		\$453,051
External		@	0.00%		\$0
Total Depreciation					\$1,661,185
Estimated Replacement Cost New Minus Depreciation					\$1,359,152
Estimated Site Value	\$9.00	x	215,753	=	\$1,941,777
Estimated Value by Cost Approach					\$3,300,929
(round)					\$3,300,000
(per square foot)					\$81.86

Based on the above, the Board concludes to a value of \$3,300,000 for tax year 2012.

ORDER:

Respondent is ordered to reduce the 2012 actual value of the subject property to \$3,300,000.

The Jefferson County Assessor is ordered to change his 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).

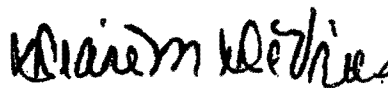
In addition, if the decision of the Board is against Respondent, Respondent may petition the Court of Appeals for judicial review of alleged procedural errors or errors of law within thirty days of such decision when Respondent alleges procedural errors or errors of law by the Board.

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.

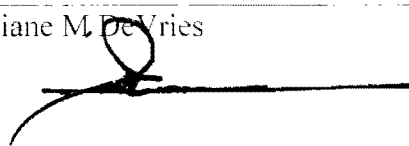
Section 39-8-108(2), C.R.S.

DATED and MAILED 28th day of June, 2013.

BOARD OF ASSESSMENT APPEALS



Diane M. DeVries



James R. Meurer

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



Milla Lishchuk