BOARD OF ASSESSMENT APPEALS, STATE OF COLORADO 1313 Sherman Street, Room 315 Denver, Colorado 80203 Petitioner: **RICHMOND AMERICAN HOMES OF COLORADO INC.,** v. Respondent: **DOUGLAS COUNTY BOARD OF EQUALIZATION.**	**Docket No.: 63821**

ORDER

THIS MATTER was heard by the Board of Assessment Appeals on May 5, 2014, Gregg A. Near and Debra A. Baumbach presiding. Petitioner was represented by Richard G. Olona, Esq. Respondent was represented by Meredith Van Horn, Esq. Petitioner is protesting the 2013 actual value of the subject property.

Subject property is described as follows:

141 Vacant Lots
The Meadows Subdivisions
Castle Rock, CO
Douglas County Schedule Nos. R0461628 + 140

The subject property consists of 141 vacant lots in the Meadows Subdivision of the town of Castle Rock. There are a total of 42 developed single family residential lots in Filing 16; 32 developed single family lots in Filing 18; and 67 developed single family residential lots in Filing 20.

Petitioner is requesting an actual value of $1,915,144 for the subject property for tax year 2013. Respondent assigned a value of $3,438,072 for tax year 2013.

Petitioner presented the following indicators of value:

Market:	$1,915,144
Cost:	N/A

Income: N/A

Petitioner's witness, Mr. Todd J. Stevens of Stevens and Associates Cost Reduction Specialists, Inc., presented a market approach for Filing 16 consisting of eight developed lot sales ranging in sales price from $20,000 to $54,000 and in size from 0.130 to 0.360 acres. After adjustments were made for location, size and differences in characteristics, the sales ranged from $18,000 to $40,500. Mr. Stevens concluded to an average per lot value of $25,000. One of the lots located next to open space was increased by 15% resulting in a value conclusion of $28,750.

Mr. Stevens presented a present worth analysis concluding to an 8-year absorption period. He applied a 13.5% discount rate resulting in a per lot value of $14.743 and $16,954 for the lot located next to open space.

Mr. Stevens presented a market approach for Filing 18 and Filing 20 using the same sales as in Filing 16 analysis. For Filing 18, after adjustments were made for location, size and differences in characteristics, the sales ranged from $18,000 to $43,200. Mr. Stevens concluded to an average per lot value of $31,000. Ten lots located on greenbelts were increased by 15% resulting in a per lot value of $35,650. For Filing 20, after adjustments were made for location, size and differences in characteristics, the sales ranged from $18,000 to $40,500 resulting in a per lot value of $25,000.

Mr. Stevens presented a present worth analysis concluding to an 11-year absorption period for Filing 18 and a 13-year absorption period for Filing 20. He applied a 13.5% discount rate to both filings resulting in a value opinion for Filing 18 of $15,691 per lot; and $18,045 for lots located on greenbelts. For Filing 20, a per-lot value of $11,499 was determined.

Mr. Stevens contended that Respondent incorrectly valued the subject lots by omitting the present worth analysis and by using bulk lot sales that were not indicative of an individual retail selling price of a lot.

Respondent presented the following indicators of value:

Market:	$5,465,000
Cost:	$6,955,665
Income:	$N/A

Respondent's witness, Steven W. Campbell, a Certified Residential Appraiser with Douglas County Assessor's Office, presented a market approach for Filing 16 consisting of two bulk comparable sales. Each sale consisted of 32 lots. The sales ranged in price from $969,600 to $1,306,400 (or $30,300 to $40,825 per lot) and in median size from 0.122 acres to 0.182 acres. Sale One included 14 of the subject lots that sold on April 16, 2012 for $30,300 per lot. Sale Two, with typical lot size of 0.182 acres, was adjusted downward for size difference. Mr. Campbell then applied a $22,200 upward adjustment to each sale reflecting the cost of completion of lot improvements. After adjustments were made, the sales ranged from $52,500 to $52,800. Mr. Campbell concluded to a median value of $52,500 per finished lot. The basis for the $22,200 adjustment was taken from the purchase agreement for the subject property whereby Richmond

American Homes paid the seller Castle Rock Development $22,200 per lot into an escrow account funding the completion of lot improvements. Although lot improvement costs could not be verified for Sale Two, Mr. Campbell assumed the costs of lot improvements completion were similar and applied the same adjustment. Mr. Campbell testified that he considered subdivision sales and the recent sale of some of the subject lots to be indicative of market values.

Mr. Campbell testified he considered applying present worth analysis for Filing 16, 18 and 20. However, based on the comparable sales used in his analysis, he considered the market absorption rate to have been inherent in the sales prices. According to Respondent, the total per lot purchase prices of the vacant lots represented actual market present worth values.

Further, Respondent's witness testified that the subject lots did not qualify for present worth discounting because the discounted land values must never drop below the actual value of raw land. Mr. Campbell contended that based on his raw land analysis resulting in a value conclusion of $40,737 per lot, Petitioner's discounted land values fell below actual raw land values and therefore were invalid.

Mr. Campbell presented a cost approach for Filing 16 to derive a market-adjusted cost value for the subject property of $59,936 per finished lot. Four sales of vacant, paper platted entitled lots were considered. The sales ranged in price from $30,000 to $62,750 per lot and in size from 0.111 acres to 0.147 acres. All the sales were located in Parker, closer to the Denver Metro area and therefore a 10% location adjustment was applied to the median sale price of $40,737 resulting in a concluded value of $36,663 per lot. Infrastructure costs were derived from the Marshall and Swift Residential Cost Handbook. The cost to complete street improvements was calculated at $425.00 per linear foot. The total linear street footage was approximately 2,300 feet resulting in an estimate of $977,500 which, when divided by the 42 lots in Filing 16, represented a value of $23,273 per lot. Addition of the infrastructure costs to the median adjusted lot price resulted in a value of $59,936 per finished lot by the cost approach.

Mr. Campbell gave most weight to the market approach and concluded to a unit value of $52,500 for the 41 lots in Filing 16 and a value opinion of $2,205,000.

Mr. Campbell presented a market approach for Filing 18 using two of the same sales as he used for Filing 16 analysis and one additional sale. All transactions were in bulk including 32 lots for Sale One; 32 lots for Sale Two and 39 finished lots for Sale Three. The sales ranged in price from $969,600 to $2,086,500 (or $30,300 to $53,500 per lot) and in size from 0.122 acres to 0.182 acres. Lots in Filing 18 ranged in size from 0.137 to 0.295 acres with a median size of 0.188 acres. Sale One was adjusted upward 25% for size for an indicated value of $37,875; Sale Two was not adjusted and Sale Three was adjusted upward 10% for an indicated value of $58,850. Sales One and Two were adjusted by $22,200 for the completion of lot improvements. After adjustments were made, the sales ranged from $58,850 to $63,025 per lot. Mr. Campbell concluded to a median value of $60,000 per lot.

Mr. Campbell presented a cost approach for Filing 18 to derive a market-adjusted cost value for the subject property of $68,627 per lot. The same four sales were considered as in Filing 16. The subject lots in Filing 18 were larger in size and inferior in location. The adjustment made to account for location was offset by the adjustment for differences in lot size resulting in a value of $40,737 per lot. Mr. Campbell applied the same infrastructure costs. The total linear street footage was approximately 2,100 feet resulting in a value estimate of $892,500 which was divided by 32 lots in Filing 18 representing $27,890 per lot. Addition of the infrastructure costs to the median adjusted lot price resulted in a value of $68,627 per finished lot by the cost approach.

Mr. Campbell gave most weight to the market approach and concluded to a unit value of $60,000 for the 32 lots in Filing 18 and a value opinion of $1,920,000.

Mr. Campbell presented a market approach for Filing 20 using the same sales as in the Filing 18 analysis. All the transactions were in bulk including 32 unfinished lots for Sale One; 90 finished lots for Sale Two and 39 finished lots for Sale Three. The sales ranged in price from $969,600 to $2,086,500 (or $20,000 to $53,500 per lot) and in size from 0.122 acres to 0.145 acres. All three sales were adjusted for location and Sale One was adjusted $22,200 for the completion of lot improvements. After adjustments were made, the sales ranged from $20,000 to $37,350 per lot. Mr. Campbell concluded to a value of $20,000 per lot.

Mr. Campbell presented a cost approach for Filing 20 to derive a market-adjusted cost value for the subject property of $33,467 per lot. The same four sales were considered as in the Filing 16 and 18 analyses, and a 60% location adjustment was applied resulting in a median value of $16,295 per lot. Mr. Campbell estimated $390.00 per linear foot for street improvements because the lots werenot entirely contiguous. The total linear street footage was approximately 2,950 feet resulting in an estimate of $1,150,500 which was divided by the 67 lots in Filing 20 representing $17,172 per lot. Addition of the infrastructure costs to the median adjusted lot price resulted in a value of $33,467 per finished lot by the cost approach.

Mr. Campbell gave most weight to the market approach and concluded to a unit value of $20,000 for the 67 lots in Filing 20 and a value opinion of $1,340,000.

For the 141 lots under consideration, Mr. Campbell determined a total value of $5,465,000.

The burden of proof is on Petitioner to show that Respondent's valuation is incorrect. *Bd. Of Assessment Appeals v. Sampson,* 105 P.3d 198 (Colo. 2005). After careful consideration of the testimony and evidence presented at the hearing, the Board reviewed the sales presented by both parties and determined that Respondent's bulk lot sales were more appropriate comparisons in valuing the subject lots. The Board was persuaded by Respondent's argument that the present worth discounting was inherent within the sales price of the bulk comparable sales and that no additional discounting was warranted. Although the Board does not generally favor the use of the bulk sales in developing a value analysis, the Board found that Respondent's bulk sales were more reliable than Petitioner's methodology consisting of non-bulk sales.

The Board was not convinced Petitioner's sales were representative of market value. Petitioner's Sales 2, 3, and 5 were identified as real estate owned properties (REOs). The Board considered these transactions and rejected them as not representative of actual value. Petitioner's

Sale 6 is located one block from Sale 1 and is otherwise quite similar except for an unsupported $30,000 difference in sale price. Petitioner presented no evidence this was an arm's length transaction and, given the wide discrepancy in lot values, the Board has also rejected Petitioner's Sale 6. The remaining transactions, Sale 1, 4, 7 and 8 sold between $48,000 and $54,000 per lot. The average price of the four sales is $51,125. To reach the value conclusion requested by Petitioner would require adjusting each of the sales downward an average of nearly 75%. In that respect the Board is not convinced the sales are reasonably comparable to the subject. The Board concluded Petitioner erred by failing to consider bulk lot sales within the subject subdivision that occurred during the valuation period. The Board finds that April 16, 2012 sale of the subject's 32 unfinished lots at $30,300 per lot should have been considered in the analysis. In addition, the sale from Castle Rock Development Company to Richmond American Homes, on May 22, 2010 involving 90 lots at $20,000 per lot should also have been considered.

Petitioner presented insufficient probative evidence and testimony to prove that the tax year 2013 valuation of the subject property was incorrect.

ORDER:

The petition is denied.

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-nine 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-nine 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 9th day of July, 2014.

BOARD OF ASSESSMENT APPEALS

____
Gregg A. Near

Debra A. Baumbach
____
Debra A. Baumbach

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

____
Milla Lishchuk

STATE OF COLORADO
SEAL
BOARD OF ASSESSMENT APPEALS