

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

1313 Sherman Street, Room 315
Denver, Colorado 80203

Docket No.: 66187

Petitioner:

DB SKI FEE LLC,

v.

Respondent:

ROUTT COUNTY BOARD OF EQUALIZATION.

ORDER

THIS MATTER was heard by the Board of Assessment Appeals on April 12, 2016, James R. Meurer and Sondra W. Mercier presiding. Petitioner was represented by Thomas E. Downey, Jr., Esq. Respondent was represented by Lynaia South, Esq. Petitioner is protesting the 2015 actual value of the subject property.

Dockets 66187 and 66188 were consolidated for purposes of the hearing. The parties stipulated to a value of \$346,360 for the improvements, which include an underground parking garage and a vacant retail building. The value of the site is the only issue before the Board.

Subject property is described as follows:

**Tract of Land SW4SW4 SEC 22-6-84, Tracts C & H
1850 Ski Time Square Drive, Steamboat Springs, Colorado
Routt County Account Nos. R0042518 and R3254399**

The subject includes two parcels with a total size of 4.659 acres. Tract C is a 4.079-acre, irregular shaped parcel that is currently improved with a 23,883 square foot underground parking garage and a 5,281 square foot vacant retail building. This property does not have slope-side access, but is a short walk to the base of the ski area. As of the date of value, the subject had a development plan (#DP-09-03) in place that allowed construction of five condominium buildings with 200 residential units, seven commercial/retail units, interior amenities, and parking and circulation area for a total of 207 units. Subsequent to the base period, that plan was allowed to expire in February 2016. The subject parking garage is encumbered with a long term lease for the subterranean parking area.

Tract H is a vacant parcel of land and the smaller of the two parcels measuring .58 acres. The tract is mostly rectangular in shape and consists of approximately 275 linear feet of frontage along Burguess Creek Road to the north. The tract is a narrow and steep hillside lot.

Petitioner is requesting an actual value of \$8,625,000 for the land portion of the subject property for tax year 2015. Respondent assigned a value of \$14,719,370, including \$346,360 for the improvements and \$14,373,010 for the land for tax year 2015. Although both parties considered all three approaches to value the subject, only the sales comparison approach was applied. Both parties indicated that it was difficult to identify base period sales of properties comparable to the subject for base area location and size.

Mr. Garrett Simon, with Meriwether Companies, testified on behalf of Petitioner. Mr. Simon participated in a partnership as lead developer and asset manager of the subject at the time of purchase in 2007. Most of the buildings were demolished subsequent to the purchase, making way for new construction on the subject and adjacent Thunder Fee property. He reported that the adjacent Ski Times Square Condos retained a lease for the subterranean parking area built on the subject. The lease has 70 years remaining and offers no income. Mr. Simon testified that permit activity and dollar volume of new residential construction and sales remained below levels reported in 2007 and 2008 at the height of the market. At the same time, construction costs have remained high.

Petitioner's witness, Kevin Chandler, Certified General Appraiser with Chandler Consulting, presented a sales comparative approach consisting of five comparable sales ranging in sale price from \$300,000 to \$5,825,000 and in size from 7,000 to 748,884 square feet representing a range in value for the land of \$7.78 to \$72.22 per square foot. Two of the sales were located in the Town of Steamboat Springs; the remaining three sales were located at the ski area. Sale 3 was analyzed as one transaction although it was sold under two separate deeds.

Qualitative adjustments were applied for conditions of sale, location, physical characteristics, property size, and zoning/land use. After adjustments were made, the sales indicated a value of approximately \$42.00 to \$43.00 per square foot. Mr. Chandler concluded to a land value of \$42.50 per square foot or \$8,625,000, rounded.

Respondent utilized the market approach to conclude to a land value of \$15,916,700.

Respondent's witness, Mr. Kevin Krause, Certified Residential Appraiser, presented a market approach consisting of six comparable sales ranging in sale price from \$300,000 to \$15,000,000 and in size from 5,663 to 107,480 square feet representing a range of \$21.73 to \$143.48 per square foot. Sales 1 and 2 were base area sites at other Colorado ski areas including Breckenridge and Aspen. Sales 3, 4 and 5 were sales of sites located in Steamboat Springs. Sale 6 was the only land sale from the ski area, and included a portion of Petitioner's Sale 3.

Mr. Krause made quantitative adjustments for expenditures made after sale, size, topography, economic considerations, and use/zoning. After adjustments were made, the sales ranged from \$47.80 to \$93.26 per square foot. Mr. Krause concluded to a value of \$81.28 per square foot for land value or \$16,500,000 prior to a deduction for demolition of the improvements. Demolition and

reclamation costs were estimated at \$583,300 and were then deducted to indicate a land value of \$15,916,700.

Respondent assigned a land value of \$14,373,010 to the subject property for tax year 2015.

Both parties presented an analysis of the real estate market for the base area that indicated improvement, but a depressed market for new construction of all property types. This was indicated by the limited number of residential building permits issued in 2013 and 2014 compared to the robust years of 2005 through 2009. Average residential sales prices ranged from \$394,164 in 2013 to \$439,989 in 2014, down 30% to 40% compared to 2007 and 2008. Both parties considered sales of bank owned (REO) properties located at the ski hill that occurred during the extended base period (2012).

The Board has carefully reviewed the sales presented by both parties. The greatest reliance should be placed on the sales of properties located at (or nearest to) the ski base area. Petitioner presented five comparable sales; two of the sales were located in the Town of Steamboat Springs; the remaining three sales were located at the ski area. Petitioner's Sale 4 was adjusted as equal to the subject, indicating a value of \$42.73 per square foot. Petitioner's Sales 3 and 5 indicated significant upward adjustment, above \$7.78 and \$8.98 per square foot after adjustment. Respondent's Sale 6 included just a portion of Petitioner's Sale 3, and indicated an adjusted value of \$47.80 per square foot.

The Board finds that some consideration can also be given to sales of sites located at the base of other ski areas; however, those sales need to be used with caution and adjusted carefully. The Board was convinced that Respondent understated adjustments for location of Sales 1 and 2 based on sales prices for improved properties extracted from a broad geographical area. For example, Sale 1 was adjusted downward 15% based on the difference in condo sales prices in Routt and Summit Counties; however, Petitioner presented data to suggest a downward adjustment of closer to 240%. The same held true for Respondent's adjustment to Sale 2, a property located at the base of Aspen Ski area.

Finally, both parties presented sales of sites located in the town of Steamboat Springs. This includes Petitioner's Sales 1 and 2 along with Respondent's Sales 3, 4 and 5. These sales indicated a broad range of \$42.86 to \$82.56 per square foot. Petitioner concluded to the lower end of the range, considering Sale 2 to be generally equal to the subject; while Respondent applied gross upward adjustments ranging from 95% to 175%.

Petitioner presented sufficient probative evidence and testimony to prove that the tax year 2015 valuation of the subject property was incorrect. After consideration is given to all three approaches to value, the Board agrees with the parties in their use of the market approach.

After careful consideration of testimony and exhibits presented, the Board concludes that Petitioner met its burden of proof, presenting a more compelling market approach. This determination is further supported by the lack of sales at the base area coupled with depressed market indicators for residential sales. The 2015 actual value is reduced to a value of \$8,625,000 for the

subject land, indicating a reduced value of \$8,971,360 after adding the stipulated value of \$346,360 for the subject improvements.

ORDER:

Respondent is ordered to reduce the 2015 actual value of the subject property to \$8,971,360, with a value of \$8,625,000 attributed to the subject land and the stipulated value of \$346,360 given to the improvements.

The Routt 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-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).

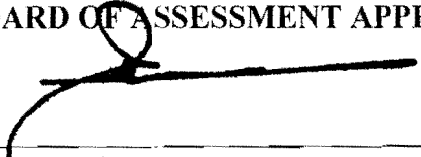
In addition, if the decision of the Board is against Respondent, Respondent may petition the Court of Appeals for judicial review of alleged procedural errors or errors of law within thirty days of such decision when Respondent alleges procedural errors or errors of law by the Board.

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 2nd day of June, 2016.

BOARD OF ASSESSMENT APPEALS

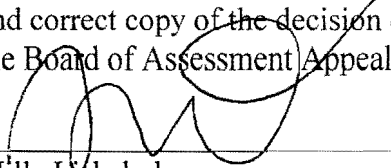


James R. Meurer

Sondra W. Mercier

Sondra W. Mercier

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



Milla Lishchuk

