

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

1313 Sherman Street, Room 315
Denver, Colorado 80203

Docket No.: 68147

Petitioner:

**RICHMOND AMERICAN HOMES OF COLORADO
INC.,**

v.

Respondent:

DOUGLAS COUNTY BOARD OF EQUALIZATION.

ORDER

THIS MATTER was heard by the Board of Assessment Appeals on October 24, 2016, Debra A. Baumbach and Gregg Near presiding. Petitioner was represented by Richard G. Olona, Esq. Respondent was represented by Meredith P. VanHorn, Esq. Petitioner is protesting the 2015 actual value of the subject property.

The parties agreed to stipulate to the expert witnesses, to Petitioner's Exhibits 1 and 2 and to Respondent's Exhibits A and B.

Subject property is described as follows:

**187 residential building lots
The Villages at Castle Rock 2nd Amendment Liberty Village Portion
Subdivision
Castle Rock, Colorado
Douglas County Schedule Numbers R0468699 + 186**

The subject property contains 187 finished and partially finished vacant residential lots. The lots are marketed as Liberty Village and all are located within the limits of Castle Rock.

Petitioner presented the following indicators of value:

Market: \$6,481,068
Cost: Not applied

Income: Not applied

Petitioner is requesting an actual value of \$6,481,068 for the subject property for tax year 2015. Respondent assigned a value of \$9,247,754 for the subject property for tax year 2015 which is supported by Respondent's appraised value of \$11,498,284.

Petitioner's witness, Mr. Todd Stevens of Stevens & Associates, considered sales of both multiple lots and single lots in developing his market analysis. For his analysis the subject lots were further separated based on average size. The following paragraphs summarize his analysis.

Multi-lot sales—Small Lots

For the smaller lots, averaging 6,741 square feet, Mr. Stevens presented a market approach containing four comparable sales ranging in sale price from \$209,000 to \$2,681,900 and containing from 4 to 46 finished lots. Prior to adjustment the sales ranged from \$40,000 to \$58,302 for lots from 5,628 to 10,453 square feet. After adjustments were made, the sales ranged from \$36,000 to \$52,472 on a per lot basis.

Petitioner's witness adjusted the sales for location, size and characteristics. All the sales were considered superior in location and were adjusted downward. Sale 1 was also adjusted downward due to larger size and Sale 2 received a negative adjustment for characteristics. Mr. Stevens concluded to a unit value of \$45,000 per lot. Eight of the subject lots classified by Petitioner as "small" back to open space and were adjusted upward by 10% to \$49,500 per lot.

Multi-lot sales—Large Lots

For the larger lots, averaging 9,682 square feet, Mr. Stevens presented a market approach utilizing the same comparable sales. After adjustments were made, the sales ranged from \$38,000 to \$55,385 on a per lot basis.

Petitioner's witness adjusted the sales for location, size and characteristics. All the sales were considered superior in location and were adjusted downward. Sales 2 and 3 were adjusted upward due to smaller size and Sale 2 received a negative adjustment for "characteristics" (the witness described factors such as open space, golf course views, cul-de-sac and walkout basement terrain as "characteristics"). Mr. Stevens concluded to a unit value of \$48,000 per lot. 21 of the subject lots classified by Petitioner as "large" back to open space and were adjusted upward by 10% to \$52,800 per lot.

Single lot sales—Small Lots

In a similar manner as above, the witness considered individual lot sales. Five comparable small lot sales were considered. The sales ranged in sale price from \$40,000 to \$66,000 for lots containing from 5,924 to 11,761 square feet. After adjustments were made, the sales ranged from \$32,000 to \$56,100 per lot.

Mr. Stevens adjusted the sales for location, size and characteristics. All the sales were considered superior in location and were adjusted downward. Sales 3, 4 and 5 were adjusted downward due to larger size and all the sales except Sale 4 received a negative adjustment for characteristics. Mr. Stevens concluded to a unit value of \$45,000 per lot. Eight lots that back to open space were adjusted upward by 10% to \$49,500 per lot.

Single lot sales—Large Lots

Five comparable large lot sales were considered, three of which were already presented in the analysis of the small single lot sales. The sales ranged in sale price from \$40,000 to \$85,000 for lots containing from 8,276 to 13,939 square feet. After adjustments were made, the sales ranged from \$34,000 to \$63,750 per lot.

Mr. Stevens adjusted the sales for location, size and characteristics. All the sales were considered superior in location and were adjusted downward. Sales 1, 2 and 5 were adjusted downward due to larger size and all the sales except Sale 4 received a negative adjustment for characteristics. Mr. Stevens concluded to a unit value of \$48,000 per lot. Eight lots back to open space and were adjusted upward by 10% to \$52,800 per lot.

Petitioner’s witness adopted Respondent’s absorption analysis and performed present worth calculations on the above conclusions. The following summary represents this analysis:

LOT TYPE	Small Lot	Small Lot	Large Lot	Large Lot
SALE TYPE	Multi-Lot	Single Lot	Multi-Lot	Single-Lot
BASE SALE	\$45,000	\$45,000	\$48,000	\$48,000
OPEN SPACE	\$49,500	\$49,500	\$52,800	\$52,800
ABSORPTION	3 Years	3 Years	3 Years	3 Years
DISCOUNT RATE	14%	14%	14%	14%
PW* BASE SALE	\$34,824	\$34,824	\$37,146	\$37,146
PW OPEN SPACE	\$38,307	\$38,307	\$40,861	\$40,861

*Present Worth

Petitioner’s witness indicated 15 of the lots were only 50% finished. The average size of these lots was similar to the “large lot” category. To derive a present worth of these lots the witness performed the following calculations.

LOT TYPE	Large Lot
SALE TYPE	Single-Lot
BASE SALE	\$48,000
50% VALUE	\$24,000
ABSORPTION	3 Years
DISCOUNT RATE	14%
PRESENT WORTH	\$37,146
50% VALUE	\$18,573

Mr. Stevens gave equal weight to his Multi-Lot Sales Approach and Single Lot Sales Approach as they resulted in the same value. The witness concluded to a total value of \$6,481,068.

Respondent presented the following indicators of value:

Market: \$11,498,284
 Cost: Not applied
 Income: Not applied

Respondent’s witness Mr. Steven W. Campbell, a Certified Residential Appraiser, presented a market approach consisting of seven comparable sales of multiple lots from developers to builders. The sales ranged in price from \$3,413,200 to \$7,462,000 and contained from 45 to 153 finished and partially finished vacant residential lots. Prior to adjustment the sales ranged from \$41,176 to \$91,000 per lot. After adjustments were made, the sales ranged from \$74,200 to \$86,450 per lot.

Respondent’s witness adjusted the sales for development cost where appropriate, as well as for size and location. Sales 4, 6 and 7 were adjusted for remaining development costs. Sales 3 and 4 were adjusted upward for smaller median lot sizes; Sale 5 was adjusted downward as the median size lot in this transaction is larger than the subject. Sale 3 was adjusted downward for location due to closer proximity to services in Parker. Sales 4, 6 and 7 were adjusted downward a greater amount due to proximity to services in Castle Rock. Mr. Campbell adopted the median indication of the adjusted sales, \$80,192, as the base lot value.

The witness provided a present worth analysis using the same absorption period and discount rate. The following is a summary of this analysis:

LOT TYPE	Base Lot
SALE TYPE	Multi-Lot
BASE SALE	\$80,192
ABSORPTION	3 Years
DISCOUNT RATE	14%
PRESENT WORTH	\$62,065

Respondent’s witness indicated 41 of the lots were finished with the exception of remaining infrastructure costs of \$3,400 per lot (asphalt paving). To derive a present worth of these lots the witness performed the following calculations:

LOT TYPE	Base Lot
SALE TYPE	Multi-Lot
BASE SALE	\$76,800
ABSORPTION	3 Years
DISCOUNT RATE	14%
PRESENT WORTH	\$59,434

Mr. Campbell determined a value of \$9,061,490 for 146 finished lots and \$2,436,794 for 41 partially finished lots for a total of \$11,498,284.

Respondent presented a site-specific valuation of the subject and determined a value of \$11,498,284 but is deferring to the assigned value of \$9,247,754 for the subject property for tax year 2015.

Petitioner contends Respondent has incorrectly approached the unfinished subject lots as there are 15 lots which are only 50% finished. According to Petitioner, Respondent has determined an incorrect number of lots and an incorrect level of finish by reliance upon information provided by other members of the Assessors' Office and by viewing overhead photos. Petitioner argues that the lots within Liberty Village are not proximate to services in either Castle Rock or Parker and Petitioner asserts the subject location is inferior. Petitioner also disagrees with Respondent's comparable sales as they are from areas with more "wooded" terrain. Petitioner's witness contends that he provided a more reliable analysis by considering both single-lot and multi-lot sales. Petitioner also disputes Respondent's use of sales with large number of lots as these transactions are more typical of larger builders and not truly representative of the market.

Respondent questions the classification of 15 lots as 50% finished. Petitioner's witness stated he had not visited the sites; the information was provided by the client. Respondent also claims Petitioner's witness has provided low end transactions and used in-fill sales from older neighborhoods not similar to the subject. The value concluded by the witness is less than raw land value. Regarding Petitioner's witness Respondent pointed to an inconsistent adjustment process with no supporting documentation. Respondent also rejects several of Petitioner's comparable sales as unsuitable for determination of the Unadjusted Selling Prices because the transactions were from lenders or investors rather than competing developers or subdividers.

There are several issues at play in this valuation. The first issue is the actual state of finish as of the Effective Date of Value. The Board finds Respondent's position to be the most supportable as Petitioner's witness stated he simply repeated information provided to him by his client. Respondent's witness testified to viewing overhead photos confirming amount of finish to the lots.

Respondent raised the issue of the adjustment process employed by Petitioner's witness. The witness testified that he had been valuing multiple types of properties over a 20-year period and made over 200 appearances before the Board of Assessment Appeals and that the adjustments were based on his experience. Respondent's witness provided compelling support (Respondent's Exhibit B-52 and B-68) for significant adjustments applied within Respondent's analysis. Inclusion of this supporting documentation lends more credibility to Respondent's value conclusion.

Another issue apparent to the Board is the witness's choice of comparable sales for the valuation. Respondent provided seven comparable multi-lot transactions containing from 46 to 153 lots. Petitioner's witness provided five single lot sales for small lots; five single lot sales for large lots; four sales of small multiple lots and four sales of large multiple lots. Insufficient evidence was provided that these comparable sales, in these configurations, were reflective of the actual market. For the small and large single lot sales Petitioner's witness used three of the same sales in both

adjustment grids. For the small and large multi-lot sales Petitioner's witness used the same sales in both adjustment grids. By blending the comparable sales within classifications it is clear to the Board that the market does not segregate vacant lots in the manner the witness has described. By viewing the subdivision map presented on Respondent's Exhibit A, page A-20 it is also evident that there is no reasonable division within the subject lots that would allow for separate marketing of a cohesive collection of larger (or smaller) home sites.

Based upon the information provided, the Board finds Respondent's contention that Petitioner provided inappropriate comparable sales has merit. Specifically, in regard to Petitioner's Sale 2, used in both multi-lot sales for small and large lots, Respondent's Exhibits B-12 through B-15 clearly illustrate the seller (Starwood) to be an investor in distressed property. The purchase by Tri-point was between related parties. *See* Respondent's Exhibit B-14. The witness chose to report Sale 2 as an arm's length transaction yet did not report either Respondent's Sale 1, of 46 lots or Sale 5, of 82 lots from this same land owner (Starwood) to unrelated builders (Lennar Colorado, Inc. and Century at Terrain LLC, Exhibit A-8). The sale used by Petitioner's witness resulted in a price of \$58,302 per lot. Respondent's Sale 1 at \$74,200 per lot and Sale 5 at \$91,000 per lot involve the same seller but the buyers are not related. No evidence was provided that might sway the Board to believe Petitioner's Sale 2 represents market value.

Petitioner presented insufficient probative evidence and testimony to prove that the subject property was incorrectly valued for tax year 2015.

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).

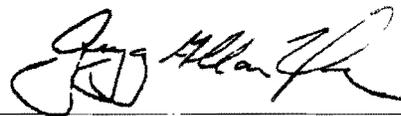
In addition, if the decision of the Board is against Respondent, Respondent may petition the Court of Appeals for judicial review of alleged procedural errors or errors of law within thirty days of such decision when Respondent alleges procedural errors or errors of law by the Board.

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 10th day of November, 2016.

BOARD OF ASSESSMENT APPEALS

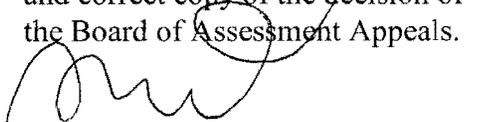


Gregg Near



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

