

**BOARD OF ASSESSMENT APPEALS,
STATE OF COLORADO**
1313 Sherman Street, Room 315
Denver, Colorado 80203

**Docket Nos: 68274 &
69193**

Petitioner:

**ALBION COURT HOLDINGS LIMITED
PARTNERSHIP,**

v.

Respondent:

DENVER COUNTY BOARD OF EQUALIZATION.

ORDER

THIS MATTER was heard by the Board of Assessment Appeals on October 11, 2016, Diane M. DeVries and James R. Meurer presiding. Petitioner was represented by Tom Downey, Esq. Respondent was represented by Noah Cecil, Esq. Petitioner is protesting the 2015 and 2016 actual value of the subject property.

The subject property is described as follows:

**1175 Albion St., Denver, CO
Denver County Schedule No. 06062-25-014-000**

Docket Nos. 68274 and 69193 were consolidated for purposes of this hearing.

Petitioner and Respondent stipulated to admission of Ms. Laurel Barsa, MAI and Mr. Greg Feese as expert witnesses, and further stipulated to admission of Petitioner's Exhibits 1 through 13, and Respondent's Exhibits A, B, C and D.

The property consists of a four-story multi-family apartment building containing a total of 96 units, and located east of Colorado Blvd. and south of E. Colfax Ave. in the Hale neighborhood of the City and County of Denver. There are two levels of garage space containing 140 spaces located below the units. Unit mix consists of 64 one-bedroom units with an average size of 619 square feet, and 24 one-bedroom plus loft units with an average size of 767 square feet. The building is sprinklered, has controlled access, and 82 of the units contain fireplaces. Heating is via hot water baseboard, and cooling is via a wall-mounted AC units. The units are serviced by elevators. Year of construction was 1986, and although the building has not been

renovated, the subject is reported to be in overall good condition. There are no on-site amenities (e.g. pool, exercise room, etc.) in the building. Lot size is 35,400 square feet and zoning is G-MU-12 through Denver. Occupancy was reported to be 93.8% as of the date of value.

Petitioner is requesting an actual value of \$8,000,000 for the subject property for tax years 2015 and 2016. Respondent provided an appraisal reflecting a value of \$12,785,000; however, is deferring to the assigned value of \$11,354,100 for tax years 2015 and 2016.

Petitioner presented the following indicators of value:

Approach	Value
Cost	Not Developed
Market/GRM	\$8,000,000
Income	Not Developed

Petitioner testified that per statute, only the market approach could be developed in the analysis.

Petitioner's witness, Ms. Laurel Barsa, MAI of Integra Realty Resources, developed a market (sales comparison) approach that included four comparables sales ranging in sale price from \$6,597,938 to \$9,313,000. The per-unit prices ranged from \$64,894 to \$92,208; and all of the sales were multi-family projects located in Denver ranging from 86 to 141 units. The major adjustments to the sales consisted of market conditions (time), location, unit mix, amenities, appeal, and age and condition. After adjustments were made, the sales ranged from \$78,359 to \$102,063 per unit. With emphasis on Comparables Nos. 1, 2, and 3 due to their location, Ms. Barsa concluded to a final value of \$85,000 per unit, or \$8,160,000 via the market approach. Ms. Barsa also developed a gross rent multiplier (GRM) approach based on contract rents. A multiplier of 8.75 derived from comparable sales was used resulting in a value of \$7,478,520. The exhibit indicates that only secondary weight was given to this GRM analysis. Petitioner concluded to a market value of \$8,000,000 via the market approach.

Petitioner argued that the subject was dated, and that the comparables used by the Respondent were dissimilar to the subject in that they were renovated properties in superior locations. Petitioner further argued that Respondent used two comparables outside the statutory 18 month base period without justification; that the comparables and adjustments to those comparables lacked the necessary detail to support a credible conclusion; and that the HUD rental rate study used by Respondent was misleading.

Respondent presented the following indicators of value:

Approach	Value
Cost	Not Developed
Market/GRM	\$12,785,000
Income	Not Developed

Respondent's witness, Mr. Greg Feese, a certified general appraiser with the Denver Assessor's Office developed a market approach that included five comparables sales ranging in

price from \$7,800,000 to \$17,300,000. Effective sales prices after non-realty deductions ranged from \$123,021 to \$160,323 per unit, and all of the sales were multi-family projects ranging from 49 to 141 units that were located in the subject neighborhood, or west of the subject in the east Denver submarkets. The major adjustments to the sales consisted of market conditions (time), traffic, age, condition, unit size, amenities, and parking. After adjustments were made, the sales ranged from \$116,472 to \$163,856 on a per unit basis. With emphasis on Comparable No. 3 due to its proximity to the subject, Mr. Feese concluded to a final value of \$137,292 per unit, or \$13,180,000 via the sales comparison approach. Similar to Petitioner, Mr. Feese also developed a gross rent multiplier (GRM) approach based on market rather than contract rents stating that existing rents for the subject were below market. A multiplier derived from the comparable sales was used resulting in a value of \$12,760,000. Mr. Feese gave equal weight to both the sales comparison and the GRM analysis, and arrived to a final value estimate of \$12,970,000. After subtracting \$185,000 for the cost of post effective date improvements (i.e. deferred maintenance), Mr. Feese concluded to a final value conclusion of \$12,785,000 from the market approach.

Mr. Feese argued that Petitioner's comparables were not in the same neighborhood as the subject, were older properties (1962 to 1975) in inferior condition, and commanded lower rents. Mr. Feese further argued that the current rents for the subject were below market and not indicative of the neighborhood, and that the redevelopment of the University of Colorado campus to the south of the subject should have a positive impact on the overall neighborhood. In addition to the above, Petitioner argued that the percentage increase from the subject's prior year's actual value is unreasonable. However, given that this is a *de novo* hearing, prior year assessments are not relevant to this proceeding.

Petitioner presented sufficient probative evidence and testimony to prove that the tax year 2015 and 2016 valuation of the subject property was incorrect.

After careful consideration of the testimony and exhibits presented in the hearing, the Board determines the following:

1. Both parties developed a sales comparison analysis using the price per unit as the benchmark, as well as a GRM analysis. However, Petitioner placed secondary weight on the GRM analysis and Respondent placed equal weight on both the price per unit analysis and the GRM analysis. Based on a review of the exhibits and testimony, and considering the lack of supportable data relative to the appropriate market rental rates for the subject in the GRM analysis, the Board concludes that the price per unit analysis is the most applicable and supportable methodology to employ in determining a market value for the subject property.
2. After a review of the exhibits including the nine sale comparables provided by both parties, the Board agrees that the subject is unique relative to age, remodel, and location resulting in a paucity of similar sales to use for comparative purposes. However, the Board is most persuaded by Respondent's comparables with emphasis on No. 1 with an adjusted value of \$163,856 per unit, No. 3 with an adjusted value of \$124,136 per unit and closest in terms of location, and No. 5 with an adjusted value of \$146,153 per unit.

The Board further notes that Petitioner's four comparable sales are located in the Highlands and Glendale submarkets, which are both considered to be dissimilar to the subject neighborhood, and concur with Respondent that these sales should be given minimal weight for comparative purposes.

3. The adjusted average of the three sales referenced above on a per unit basis is \$144,715; however, Respondent concludes to a value of \$137,292 per unit placing slightly more weight on Comparable No. 3 given its proximity to the subject and date of sale. The Board concurs with Respondent's *preliminary* conclusion of \$137,292 per unit.
4. In addition to the above, the Board finds that the concluded value of \$137,292 per unit does not reflect (see Respondent's sales grid) sufficient adjustment to account for the lack of remodel, as well as the lack of amenities in the subject property, when compared to the comparable sales. Using Comparable No. 3 for a benchmark, the exhibits and testimony indicate that approximately \$27,000 per unit or \$3,800,000 was spent on the remodel of this sale, which would appear to be a reasonable remodel cost for a multi-family property. This would equate to a negative ±20% adjustment to compare it to the average condition of the subject, rather than the negative 5% used by Respondent. In addition, the Board concludes that the 1.0% adjustment for amenities (i.e. pool and clubhouse) is insufficient, and based on a review of the sales as well as testimony, the Board will use an additional 4% to properly compare it to the subject. Given the concluded value of \$137,292 referenced above and further adjusting an additional negative 15% for remodel and an additional negative 4% for the amenities (total of an additional negative 19% adjustment), results in a concluded value for the subject of \$111,207 per unit, reflecting a market value of \$10,675,000 rounded. Acknowledging Respondent's deduction of \$185,000 for the cost of post effective date improvements (i.e. deferred maintenance), the concluded final value with this deduction is \$10,490,000.

ORDER:

Respondent is ordered to reduce the 2015 and 2016 actual value of the subject property to \$10,490,000.

The Denver County Assessor is directed 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-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 28th day of October, 2016.

BOARD OF ASSESSMENT APPEALS

Diane M. DeVries

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.

ML
Milla Lishchuk

