

<p><b>BOARD OF ASSESSMENT APPEALS, STATE OF COLORADO</b> 1313 Sherman Street, Room 315 Denver, Colorado 80203</p> <hr/> <p>Petitioner:</p> <p><b>PALMETTO CLUB ASSOCIATES LLP,</b></p> <p>v.</p> <p>Respondent:</p> <p><b>JEFFERSON COUNTY BOARD OF EQUALIZATION.</b></p>	<p><b>Docket No.: 68275</b></p>
<p><b>ORDER</b></p>	

**THIS MATTER** was heard by the Board of Assessment Appeals on August 25, 2016, Louesa Maricle and MaryKay Kelley presiding. Petitioner was represented by H. Michael Miller, Esq. Respondent was represented by Casie Stokes, Esq. Petitioner is protesting the 2015 actual value of the subject property.

Subject property is described as follows:

**5390 West 80<sup>th</sup> Avenue, Arvada, Colorado  
Jefferson County Schedule No. 13239**

The subject property is an apartment complex with 195 units built in 1986 on a 7.216 acre site. It consists of nine three-story buildings (123 one-bedroom units and 72 two-bedroom units) with 159,271 gross square footage plus a clubhouse/leasing office (primarily the latter, no gathering area for tenants). Each unit has appliances, a wood-burning fireplace, air conditioning, a washer/dryer hook-up, and a covered balcony or patio; each building has a laundry room. Parking is open. Amenities include an outdoor heated swimming pool and spa.

Respondent assigned a value of \$19,510,800 for tax year 2015. Petitioner is requesting a value of \$15,000,000.

Petitioner's witness, William M. James, Certified General Appraiser, presented a Sales Comparison Approach based on price per square foot of the building's 139,719 net rentable square

feet. He presented seven comparable sales ranging in sale price from \$91.20 to \$154.98 per square foot. Adjustments were made for age, condition, parking density, and parking types. Adjusted sale prices ranged from \$94.85 to \$116.24 per square foot. He concluded to a weighted average of \$108.07 per square foot or \$15,100,000, rounded, from which he deducted \$97,500 for personal property (appliances at \$1,000 per unit) with a depreciation factor of 50%. Final value conclusion was \$15,000,000, rounded.

Mr. James applied net square footage of the subject in his analysis, considering it more reliable than gross square footage because it addresses living space. According to Mr. James, the net 139,719 square footage was based on a measurement from a prior appraisal by the Assessor's office staff.

Mr. James discussed age and condition adjustments. Sales Four, Six and Seven were considerably older than the subject (1969-1973) but carried a lower adjustment factor compared to the remaining newer sales, which he attributed to buyer perception and the possibility of interior renovation about which he could not be more specific. Condition adjustments included deferred maintenance, construction quality, amenities, and updating/remodeling. He preferred not to address these items separately.

Three of Petitioner's comparable sales were located in Federal Heights per Respondent's witness. Federal Heights neighborhood was described as being in overall inferior condition with a lower income base and higher crime rate. Mr. James argued that income potential, not location, is the impetus for purchase and that exposure, access, competitiveness, and proximity to services and employment are similar throughout the metropolitan area. He has never been convinced that location affects value and declined to make location adjustments.

Mr. James made 5% adjustments for parking density based on the subject's 1.9 spaces per unit. He made adjustments to Sales One and Three, which had lower densities of 1.6 and 1.5 spaces per unit, respectively; other sales' densities ranged from 1.8 to 2.0 spaces per unit. He also made 5% adjustments to four sales for their covered parking in comparison to the subject's open parking.

Respondent's witness, Steve J. Poland, Certified Residential Appraiser with the Jefferson County Assessor's Office, presented a Sales Comparison Analysis based on price per apartment unit. After removing the value of personal property from the analysis, he presented five comparable sales ranging from \$95,043 to \$108,259 per unit. He made qualitative adjustments for location/access, number of units, average unit size, parking (open versus covered and/or garage), design and construction quality, and condition. Adjusted prices ranged from \$95,000 to \$108,000 per unit. He assigned greatest weight to Sales One and Two, which had no adjustments, and placed greater reliance on Sale One due to its proximity and similar average rents. He concluded to a weighted value of \$102,000 for a conclusion of \$19,890,000.

Mr. Poland selected comparable sales from an extended base period, which he felt provided better data. He noted that if Sales One and Four (extended base period) were removed from the analysis, a higher value would have been indicated for the subject.

Mr. Poland considered gross square footage to be an appropriate unit of measure. It was derived from the subject's 1986 blueprints and does not include the clubhouse/leasing office so appropriately reflects living area.

Mr. Poland deducted TD-1000-reported personal property from each sale price with the exception of Sales Two and Five (as he was unable to verify whether these two sales included personal property). In addition, Sale Three supported a value that appeared to be an outlier (considerably lower than that of other sales and, thus, questionable). Mr. Poland acknowledged that his conclusion might have been impacted by data that lacked support or was unverifiable.

Three of Mr. Poland's comparable sales were located in Jefferson County and one each in Adams and Arapahoe Counties. He considers location to be an important factor in valuation and found four of his sales to lie in comparable locations. Sale Five was located in a neighborhood of smaller and older detached homes, impacted by crime, thus a positive adjustment was made.

Mr. Poland testified that Sales Two and Three were not a part of a portfolio transaction as argued by Petitioner. Although listed along with other complexes for a potential bulk purchaser, he confirmed with Realtors that each complex sold independently as an arm's length transaction.

Mr. Poland considered unit mix to be an indicator of comparability and displayed this data for each of his comparable sales. Mr. Poland did not consider project amenities to impact marketability and therefore made no adjustments for them.

As a test of reasonableness, Mr. Poland presented a gross rent multiplier analysis concluding to a value of \$98,000 per unit or \$19,110,000, rounded. He noted the 4% difference between this conclusion and that by market sale analysis.

Mr. Poland's value conclusion of \$19,890,000 supports the assigned value of \$19,510,000.

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

The Board notes a discrepancy in average unit size, Petitioner reporting both 718 square feet (page 25 of Exhibit 1) and 817 square feet (page 69 of Exhibit 1) and Respondent reporting 817 square feet. The Board is unclear whether or not the parties' measurements included exterior walls, mid-point of exterior walls (market standard) or "paint to paint" measurements. Petitioner did not convince the Board that Respondent's measurement was incorrect.

The Board finds that a reliable valuation should include both a value per unit and a value per square foot, along with information pertaining to the comparable's unit mix (the relative ratio of one-bedroom apartments to two or three-bedroom apartments, etc.). Communities with more three-bedroom apartments will have a higher price per unit than projects having mostly one-bedroom apartments. The difference in the unit mix is often reflected by the average unit size (the total net rentable area divided by the total number of apartments within a community). Properties with a larger average unit size are expected to have a higher price per unit. Conversely, communities with a

smaller average unit size are expected to have a higher price per square foot. While Petitioner's witness provided the unit mix for the subject, he did not do so for the comparable sales. Failing to include unit mix in valuation affects the reliability of the conclusion.

The Board notes several issues within Petitioner's appraisal that question its reliability: reliance only on per square foot valuation; unsupported "condition" adjustments encompassing a variety of characteristics; insufficient parking detail, resulting in the Board's inability to determine if adjustments are reasonable; unsupported and questionable age adjustments; unconfirmed Sale Four; large total adjustments raising questions about sale selection; highest degree of adjustments for newer sales; and fewest adjustments for the older sales, which questions the witness' decision to use older projects in a strong market with abundant sales activity.

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

### **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 23rd day of September, 2016.

**BOARD OF ASSESSMENT APPEALS**

*MaryKay Kelley*

MaryKay Kelley

*Louesa Maricle*

Louesa Maricle

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

*Milla Lishchuk*

Milla Lishchuk

