BOARD OF ASSESSMENT APPEALS, STATE OF COLORADO 1313 Sherman Street, Room 315 Denver, Colorado 80203	Docket No.: 68703
Petitioner: **CHARLES L. & JUANITA L. GALEY,** v. Respondent: **ADAMS COUNTY BOARD OF EQUALIZATION.**	

ORDER

THIS MATTER was heard by the Board of Assessment Appeals on September 1, 2016, Debra A. Baumbach and Louesa Maricle presiding. Mr. Charles Galey appeared for Petitioners and was represented by Mr. James Hill, pro se. Respondent was represented by Douglas K. Edelstein, Esq. Petitioners are protesting the 2015 actual value of the subject property.

Subject property is described as follows:

8990 Federal Boulevard, Federal Heights, Colorado
Adams County Account Nos. R0050176, R0050175, & R0050173

The subject property is the Parkside Mobile Village, a mobile home and recreational vehicle (RV) park for camper trailers, 5th wheel trailers, and other RVs located on the south side of 90th Avenue, east of Federal Boulevard. Despite the Federal Boulevard address, the park does not appear to have frontage on that arterial. The property was developed in three contiguous phases. Phase I (Account R0050176) has 26 leasable RV spaces; Phase II (Account R0050175) has 13 leasable mobile home pads; and Phase III (Account R0050173) has 22 leasable mobile home pads. The property also includes a laundry facility building, a four-unit apartment building (both located on Phase I), and asphalt paved parking. The property does not offer any community amenities such as a clubhouse, pool, or other recreation facilities. Respondent refers to the age of the improvements as 60+ years. Petitioners' estimate that Phase I was developed in the 1940s, Phase II in the 1960s, and Phase III in the 1970s. The combined land area for the property is 5.07 acres.

Petitioners are requesting a combined actual value of $984,698 for the subject property for tax year 2015 broken down as follows: Phase I: $509,500; Phase II: $193,513; and Phase III:

$281,688. Respondent assigned a value of $1,946,097 for the residential portion of the subject property for that tax year.

Mr. Galey, who has difficulty hearing, brought Mr. James Hill to the hearing to help present Petitioners' case. Petitioners did not present a market approach to value the subject property. Instead Mr. Hill witness presented arguments regarding what Petitioners believe are flaws in Respondent's analysis. Petitioners contend that Respondent has incorrectly valued all of the lots at the combined park at the same rate. The Phase I RV lots are zoned C-1, which prohibits the spaces from being occupied by mobile homes; use is restricted to camper trailers, 5th wheel trailers and RV motor homes. Petitioners presented letters from City of Federal Heights officials stating that the R-4 zoning for Phases II and III does not permit those lots to be used for storage of RVs or campers. Therefore, the functional utility of Phase I is different than for Phases II and III. The RV lots are 20-foot by 40-foot pads, which are smaller than mobile home lots and rent for less per month ($260 per month versus $270 and $280 for the mobile home lots on Phases II and III). Also, because of the age of the RV phase, the lots are too small for many newer RVs. Petitioners claim Respondent did not adequately consider the small size of the subject's RV pads and the zoning use restriction relative to the comparables, which have larger mobile home/trailer lots.

Petitioners claim city officials have said the current use of Phases II and III lots for mobile homes/trailers is grandfathered, but once a home is removed from the lot, it cannot be replaced with a similar size trailer home. Zoning now requires minimum setbacks and 2 off-street parking spaces per lot. The existing lots are too small to allow the current setbacks and off-street parking. They also will not accommodate most newer mobile homes, which are larger than was standard when the subject phases were developed. Lot 37 on Phase II is now unusable because of the lot size, setbacks, and off-street parking issues. The Board notes that it is not included as a leasable lot by Respondent. Petitioners claim that other mobile home lots will become unusable for the same reasons as existing mobile homes are eventually removed.

Petitioners' value for the property was derived by taking the 2013 assessed value for each phase and increasing it 20 percent for market appreciation.

Respondent presented Ms. Cynthia K. South as witness. Ms. South is a Licensed Appraiser in Colorado and is employed by the Adams County Assessor's office. The witness valued the property using the sales comparison approach, with support from the gross rent multiplier (GRM) approach to value. The three phases of the subject property operate as a single business, so the witness valued the phases as a combined property. The witness testified that the Phase I RV lots are connected to permanent city services, so they are viewed as full time residences and she considered them comparable to the mobile home lots on Phases II and III. Ms. South testified that the assessments for mobile home parks had not been changed for many years prior to the 2015 reassessment. The Board notes that the statutory 18-month base period for sales used for the 2015 assessment was January 2013 through June 2014. The witness testified there were only 11 qualified sales of mobile home parks in Adams County during the 2010 to 2014 extended base period, including nine sales within the metropolitan area. The witness relied on the nine metropolitan area sales to determine an adjustment for changing market conditions (time), and assigned values per lot based on her determination of quality levels.

Ms. South presented three comparable sales of mobile home parks ranging in price from $850,000 to $4,290,000 and in size from 32 to 64 lots. The comparable sales used occurred between March 2010 and December 2012, within the extended base period. After deducting personal property, and applying positive time adjustments for improving market conditions since the sales occurred, the adjusted sale prices ranged from $1,069,040 to $4,348,773. The witness testified that a quality adjustment was calculated based on comparison of an assigned value per lot of $42,000 for an average quality property, $30,000 for fair quality, and $21,000 for low quality. The witness classified the subject property and Sale 1 as fair quality, Sale 2 sale as average quality, and Sale 3 as low quality. The final adjustments made were to deduct assigned values for additional buildings from Sales 2 and 3. The final adjusted sale prices were equivalent to $41,867 to $67,950 per lot. The witness concluded to a value of $45,000 per lot for the subject property, which resulted in a combined value of the lots for the three phases by this method of $2,880,000. To that figure, she added a value of $102,000 for the 4-unit apartment building on Phase I for a total value of the subject property of $2,902,500.

The witness also estimated value using the gross rent multiplier (GRM) method. The GRM for each comparable sale was estimated based on the rent per lot per month at each property, which was used to calculate a potential gross rent per year. The witness testified that the GRMs for the three sales ranged from 9.27 to 14.16 and she applied a multiplier of 9.0 to the potential gross rent for the subject. Using that method, the witness concluded to a total value of the lots of $2,049,600, then added $102,500 for the estimated value of the apartments for a total value for the subject property of $2,152,100.

Respondent's witness concluded that her appraisal analysis supported the assigned value of the property of $1,946,097.

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

The Board finds that Petitioners presented no appraisal or market analysis based on acceptable appraisal practices. Only the sales comparison approach, also known as the market approach, may be used to value residential property, which includes mobile home and RV park properties. Sales within the statutory 18-month base period prior to the assessment date, or the 5-year extended base period must be used. The subject property value may not be established by trending prior assessed values. Therefore, the Board does not accept Petitioners' requested value as valid.

Respondent's witness provided two articles that addressed large investor interest in mobile home park/trailer park properties to support the claim that values have increased significantly in the last several years. The Board finds that the first article addressed a 135-property national portfolio to be purchased by a national investor. However, it was dated May 2016, beyond the base period being considered for the 2015 assessment. The second article was about a national investor purchasing 2 properties in Florida; the advantages of lower cost manufactured housing versus typical housing; and the increase in investor demand is pushing up prices of individual lots. However, the Board finds that the article does not address the market in Colorado, does not give any information about the ages and community sizes of the properties referred to in the article, and does not address investor interest in

older, small communities such as the subject property. The Board concludes that the second article does not provide adequate support for large increases in value for the subject and similar properties in the subject market. Respondent's witness also referenced an Adams County mobile home park property annual rent survey as support for her opinion that monthly rents have consistently increased over the last 10 years. The witness also used the survey in determining reappraisal values and quality delineation. The Board finds that the survey provided in Respondent's document does not specify the age of the properties surveyed, and the properties included are all much larger communities than the subject and the comparable sales. The survey is dated February 18, 2015, after the base period for tax year 2015. The Board concludes that the survey is not relevant to the valuation of the subject property.

Respondent's witness testified that she used sales ratio trend analysis to determine the time adjustments that were applied to the comparable sales. There were nine qualified sales of mobile home parks in Adams County and within the metropolitan area that occurred during the extended base period. Those nine sales were used by the witness for the analysis to estimate a monthly appreciation rate that was applied to the sales. The witness testified that the nine sales included four that she classified as "good" quality, two that were "average", two that were "fair", and one that was "low" quality. The Assessor's Reference Library (ARL) recommends that at least 30 sales are needed for reliable sales ratio trend statistical analyses. *ARL Vol. 3, p. 2.28.* The Board is aware that large numbers of sales are not always available to the county, as in this instance. However, the fact that there were only nine sales between 2010 and 2014 that were considered appropriate to use, and only five of those were classified as "low", "fair", or "average" quality, indicates that the time adjustments applied to the sales are not strongly supported. In particular, the 28.8% upward time adjustment applied to Sale 3 does not appear reasonable considering there was only one sale of a "low" quality park within the five year extended base period and only two more that were classified as "fair" quality. The Board is not persuaded that the rate of appreciation is the same for parks of all quality levels. The Board concludes that the time adjustment statistical analysis produces a less reliable indication of the degree of improving market conditions during the base period because of the small number of sales available. The Board was also unable to calculate the time adjustments used by Respondent's witness using the information provided.

The Board finds that Respondent did not provide sufficient information to support the values per lot that Respondent assigned to the different property quality levels used to calculate the quality adjustments made to the sales. The Board was unable to calculate the quality adjustments used by Respondent's witness using the information provided. There is insufficient information provided to persuade the Board that the quality adjustments made to the sales are credible.

The Board finds that the final adjusted price per lot for Respondent's Sale 1, a "fair" quality property is approximately 40% higher than the adjusted price for Sale 2, a superior "average" quality property, and it is more than 62% higher than for Sale 3, a "low" quality property. Sale 2 is rated as two quality levels above Sale 3 by the witness, but the adjusted lot price is only approximately 16% above Sale 3. The Board concludes that these disparities in the adjusted price comparisons among these different quality properties further reduces the Board's confidence in the reliability of the analysis.

The Board agrees with Petitioners that there is some functional utility difference between the smaller Phase I RV lots and the mobile home lots at Phases II and III. The Board takes notice of the different zoning for Phase I compared to Phases II and III, and the use restrictions. No sales of RV lot properties were presented by either party. The Board finds that the rent quoted by Petitioners for the RV spaces is $10 to $20 per lot per month lower than quoted for the mobile home lots, so there does appear to be some difference. The Board also agrees with Petitioners that there is likely some functional obsolescence that should apply to the RV and mobile home lots because of the ages of the phases and larger RVs and mobile homes that have become more standard since the subject property was developed. In addition, the current zoning requirements include minimum setbacks and off-street parking requirements that further limit the size of mobile homes and trailers that can legally be placed on the lots. Neither party provided analysis to prove or disprove that potential impact on value.

The Board concludes that the most reasonable way to consider the functional utility and obsolescence factors within the information provided is to consider the subject property to be similar to the "low" quality level reported for Sale 3. The age of Sale 1 was not provided and even after the adjustments made by Respondent's witness, it appears out of pattern with her other two adjusted sales. Sale 2 is an older property, but is classified as a superior "average" quality property. Sale 3 has an adjusted value of $830,000 after Respondent's witness deducted personal property. The Board has concluded there is insufficient statistical data used by Respondent to support the 28.8% upward time adjustment applied. Deducting the $50,000 used by Respondent's witness for additional building improvements at that property, reduces the value to $780,000. Because the Board adopts a "fair" quality classification for both the Subject and Sale 3, no adjustment for quality is necessary and the final adjusted value of Sale 3 is $780,000, which is equivalent to $24,375 per lot. Applying that value to the 61 combined lots at the subject property results in a value of $1,486,875. There was no discussion at the hearing about a value dispute for the four apartments on Phase I, so adding Respondent's $102,500 value of the apartments to the value of the lots results in a total value for the subject property of $1,589,375.

The Board concludes that the 2015 actual value of the subject property should be reduced to $1,589,375.

ORDER:

Respondent is ordered to reduce the 2015 actual value of the subject property to $1,589,375.

The Adams 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 5th day of October 2016.

BOARD OF ASSESSMENT APPEALS

Debra A. Baumbach

Debra A. Baumbach

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

STATE OF COLORADO SEAL BOARD OF ASSESSMENT APPEALS

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