

<p>BOARD OF ASSESSMENT APPEALS, STATE OF COLORADO 1313 Sherman Street, Room 315 Denver, Colorado 80203</p> <hr/> <p>Petitioner:</p> <p>SHERATON FLEX VACATIONS, LLC,</p> <p>v.</p> <p>Respondent:</p> <p>ROUTT COUNTY BOARD OF EQUALIZATION.</p>	<p>Docket No.: 70572</p>
<p>ORDER</p>	

THIS MATTER was heard by the Board of Assessment Appeals on February 6, 2018, Debra A. Baumbach and Gregg Near presiding. Petitioner was represented by Gregory Gordon, Esq. Respondent was represented by Lynaia South, Esq. Petitioner is protesting the 2017 actual value of the subject property.

Subject property is described as follows:

**Steamboat East Tower Condominiums
Units 201 through 214, 301 through 314, 401 through 414 and 501
through 514.
2200 Village Inn Court
Steamboat Springs, Colorado
Routt County Schedule Nos. R8179606 through R8179661**

Respondent assigned a value of \$16,152,890. Petitioner is requesting a value of \$13,988,125.

PROPERTY DESCRIPTION

The subject is comprised of floors 2 through 5 of the Sheraton Hotel complex, identified as the Steamboat East Tower Condominiums within the original Sheraton Hotel constructed in 1972. In 2015 floors 2 through 5 were renovated and converted to 56 time share condominiums from the original 80 hotel units. The exterior of the structure was not modified. The Steamboat East Tower Condominiums are flanked by two newer buildings, the Steamboat Villas and the West Tower. The 56 condominiums developed in the 2015 renovation comprise three different configurations: 24

Studio units, 24 1-Bedrooms and 8 Hotel units. Each of the units received new carpeting and tile flooring, wood faced countertops, stainless steel appliances, painted trim, gas fireplaces with slate tile surround, ceramic tile bath surround and floors, knockdown wall texture and stacked washer/dryer units.

LOCATION

The subject is located at the base of the ski area which is considered a “ski-in/ski-out” location. The Sheraton Complex is along the Promenade, providing services and entertainment. Amenities specifically for the subject consist of secured access, parking garage, restaurants, coffee shop, outdoor pool, hot tubs, exercise rooms, shuttle services and other services such as on-site check in.

PETITIONER’S CASE

Petitioner called Ms. Robyn David, a Certified Residential Appraiser for the Routt County Assessor’s Office as a witness. The witness testified regarding valuations for the subject in 2016 and 2017. Ms. David indicated that the level of renovation observed during her site visit to view the subject in 2017 persuaded her that re-appraisal of the subject using new set of comparables was necessary. Petitioner questioned the adjustments applied to the comparable sales used by the witness and the reliance upon Effective Age of the comparable sales instead of the year of construction, or, actual age.

Petitioner called Ms. Lori M. Elliott, an MAI and ARA appraiser, as the next witness. Ms. Elliott indicated she adopted an Extraordinary Assumption in her appraisal to value an “average” unit. The average unit was assumed to be bracketed by features such as floor location, views, and so on.

The witness first approached valuation of the studio units, presenting three comparable sales from competing buildings stating that the subject had no studio units sold within the base period. Ms. Elliott adopted the Assessor’s time adjusted sale prices and adjusted the sales for age, location, amenities and interior finish. After adjustments the sales ranged from \$440.00 to \$472.00 per square foot with an average indication of \$456.00 per square foot. The witness concluded to a reconciled final unit value of \$455.00 per square foot.

To value the one-bedroom units the witness presented nine sales from six different buildings. Two of the sales were from Steamboat Village Inn. These two sales were from floors 6 and 7 and were not a part of the subject property. Three sales from Steamboat Village Plaza, a building in close proximity to the subject, were also presented. The sales were adjusted for amenities and interior finish/design. After adjustments the sales ranged from \$392.00 to \$642.00 per square foot and the witness adopted an average indication of \$487.00 per square foot. The witness then reconciled to a final unit value of \$485.00 per square foot.

To value the hotel units, the witness applied a downward adjustment of \$10,000, or \$25.00 per square foot for the 369 to 386 square foot hotel units compared to the value of the similarly sized

studio units. According to Ms. Elliott, the \$10,000 adjustment is considered equivalent to a “cost to cure” the functional obsolescence. She concluded to a final unit value of \$430.00 per square foot for the hotel units.

RESPONDENT’S CASE

Respondent’s witness, Ms. Robin David, was recalled to the stand. The witness first approached the valuation of the studio units by presenting comparable sales from six competing buildings. The witness also found no studio or 1-bedroom sales within the subject property during the 24-month base period. Ms. David presented multiple sales from three of the comparables, Rockies Condo; the West Condo and Storm Meadows. The multiple sales were averaged and analyzed as a single, representative, unit. All the sales were first adjusted for time. Additional adjustments were then applied for age, location, amenities and interior finish. After adjustments the sales ranged from \$502.00 to \$616.00 per square foot with a median indication of \$556.00 per square foot and an average of \$558.00.

To value the one-bedroom units the witness presented sales from six different buildings. One of the sales was from Steamboat Village Inn. This sale was from floor 6. The witness presented multiple sales from five of the comparables; First Tracks; Emerald Lodge; Rockies Condo; JVT Condo and Storm Meadows. The multiple sales were averaged and presented as a single, representative, unit. Ms. David applied the Assessor’s time adjustment to all of the transactions. The sales were then adjusted for age, amenities, location and interior finish/design. After adjustments the sales ranged from \$426.00 to \$674.00 per square foot with a median indication of \$502.00 per square foot and an average of \$518.00.

In contrast to Petitioner, Ms. David applied a 10% negative adjustment off studio units to value the hotel units.

CONCLUSION

The Board acknowledges the unique valuation task presented by the nature of the subject property. Although there are a number of issues the Board noted with regard to both parties’ reports the main issues were as follows:

1. Appraiser experience in the type of property and the quantity and quality in the choice of comparable sales
2. Analysis of the comparable sales
3. Adjustment of the comparable sales
4. The nature of quantitative and qualitative adjustments and their application

The Board found the testimony by Petitioner’s witness as to her 10-year residential appraiser experience persuasive. In that light, testimony regarding conversations with local realtors and other appraisers does not rise to a level of competency in the specific property type in question. In consideration of the comparable sales chosen by both parties the Board found there to be overlap in the choice of some comparables but in both cases there are questions of reliability. Petitioner’s witness chose only three sales to value the studio units and chose to include a 1-bedroom property in

the studio valuation analysis. This contrasts with Respondent's witness presenting both studio sales relied upon by Petitioner plus an additional five studio sales within the extended base period. Among Respondent's comparable sales, three of the additional five were aggregated figures averaging multiple sales. The Board found this technique to be inferior to presenting individual sales, adjusted for specific property features.

In the analysis of the comparable sales the Board was dissatisfied by the practice whereby both witnesses chose to produce different value opinions based upon generally imperceptible market differences. For example, in the case of the hotel units, the property sizes were listed at 369 to 388 square feet, a difference of only 19 square feet. This size difference would be imperceptible to the typical buyer, yet Petitioner presented values ranging from \$158,670 to \$166,840 based solely on these modest differences in size. In a similar manner, the studio units, with a size difference of only 12 square feet and the 1-bedroom units with a size difference of only 1 square foot, were each given a separate value. This is not reasonable and the Board does not believe that such minor differences in size would result in different sale price.

Both appraisal witnesses applied adjustments to the comparable sales based upon a percentage of the price obtained. In the case of Petitioner these percentage adjustments ranged from 0% to 40%. In the case of Respondent the adjustments ranged from 5% to 90% of the total price of the property. Particularly in the case of Respondent's adjustments the Board is not convinced that any property requiring an adjustment of 40% or more of the sale price is in any way a reasonable indicator. In the case of adjustment for amenities, Petitioner's witness concluded 7 of the 9 comparable properties in the analysis were essentially equal in amenities to the subject. The Board found this conclusion to be unsupportable. The Board noted the significant differences in amenities illustrated in Exhibit A, pages 56 to 58.

In another circumstance, Petitioner's witness approached the valuation of the hotel units by deriving a figure of \$10,000 as functional obsolescence representing a lack of a kitchen. The appropriate adjustment for curable functional obsolescence is to determine a cost to cure. Prior to determining the appropriate cost to cure Petitioner's witness valued the hotel units as similar to the studio units with a range of \$177,905 to \$183,365. Inexplicably this \$10,000 cost was transformed to a \$25.00 per square foot adjustment to the previously determined unit value of \$455.00 per square foot. This is explained by a need to adjust for the size difference of the studio units of 391-403 square feet to the 369-388 square foot hotel units. Again, the size differences reported are so insignificant as to be imperceptible to the typical purchaser.

Regarding the appropriate units of comparison the Board contests the lack of consideration given to the actual size of the comparable sales in relation to the unit being valued. In illustration of this fact the Board points to Petitioner's Exhibit Q, page 60. In Table 2 on this page three sales (out of total 9 sales presented) ranging in size from 980 to 1,156 square feet are utilized to value 1-bedroom units averaging 716.5 square feet. The subject units are from 27% to 38% smaller than these comparables yet no adjustment for size is attributed. The Board does not believe that size differences of this amount are not perceptible to the market and this analysis directly contradicts with the witness's methodology in assigning different values to the subject units based on as little as one square foot difference in size.

Both witnesses applied quantitative adjustments to the comparable sales despite both stating there was inadequate sales data available to derive paired sale adjustments. By simply presenting percentage adjustments with no reasonable basis in fact and by ignoring significant property features the indicated values are, at best, misleading. Simple qualitative adjustments would have provided more defensible opinions.

The Board relied upon the information presented in the exhibits and testimony to produce the following.

Studio Adjustment Grid

Sale No.		1		2		3	
Unit No.	Studio	Unit 202		Unit 4108		Unstated	
Address	Steamboat Village Inn	Snowflower		Trailhead Lodge		First Tracks	
Sale Date		12/14		12/15		Not stated	
SF	397	476		420		436	
TASP/SF		\$351		\$472		\$390	
Type	Studio	Studio		Studio		Studio	
Eff. Age	1981/2008	1985	(+)	2008		2009	
Access	Ski-in/Ski-out	Walk	(+)	Shuttle or Gondola	(+)	Drive or Gondola	(+)
Amenities	Good	Average	(+)	Good		Average	(+)
Int. Finish	Good	Good		Good		Average	(+)
Adj. \$/SF		>\$351		>\$472		>\$390	

Comments on Sales and Adjustments:

Only individual unit sales were considered. Multiple sales present averaged figures and ignore individual transactions that might clarify significant adjustments for date of sale (most current as most reliable), construction date, individual features and differences in living area among otherwise similar units; no adjustment for time of sale as TASP were applied by both parties. All comparable sales were within 100 square feet of the subject; significant value differences are not likely.

Reconciliation

The indicated range of the comparable sales is from greater than \$351.00 per square foot to greater than \$472.00 per square foot. Sale No. 2 required the least adjustment and is considered the most reliable. On a qualitative basis, Sales No.1 and No.3 would require upward adjustment to at least the value of Sale No. 2. Though not adjusted, the size difference between the comparables and the subject ranges from only 23 square feet to 79 square feet. As the highest indication represents the lowest size difference any adjustment to Sale No.1 or Sale No. 3 would only narrow the spread. Estimated \$/SF value for Studio unit: \$472.00 (times) 397 SF (equals) \$187,384 per unit. 24 units

(times) \$187,394 (equals) \$4,497,216. Gross value for 24 units at \$472.00 per square foot is therefore: \$4,497,216.

Valuation of 1-Bedroom Units

Upon review of all of the data presented by the parties, the Board is not persuaded that the value of the 1-bedroom units should be reduced below that set by Respondent. In making that determination, the Board took in consideration that the Steamboat Village comparable (Respondent's Sale No. 1 and Petitioner's Sale No. 5) is substantially larger compared to a typical subject 1-bedroom unit and was reported by Petitioner as a 2-bedroom unit. Petitioner's Sale No. 1 (Unit 208, Scandinavian Lodge) is significantly inferior to the subject and suggests a substantial upward adjustment. Similarly, Petitioner's Sales Nos. 2 and 3 (Unit 206, Torian Plum and Unit 207, Bear Claw, respectively) should be adjusted upward. The Board considers Petitioner's Sale No. 3 to be most comparable and requiring the least amount of adjustments. With greatest weight placed on Petitioner's Sale No. 3 and No. 5, the Board finds that the values presented by Respondent, ranging from \$510.00 to \$561.00 per square foot (representing per-unit value ranges of \$365,160 to \$402,240) represent the absolute minimum values for the subject 1-bedroom units. Therefore, the Board adopts Respondent's valuation of 1-bedroom parcels at \$9,094,200.

Hotel Units

The units were valued as equal to the studio layouts whereby the studio unit value was decreased approximately \$10,000 per unit for the lack of a kitchen. Based on the above, the indicated value of a studio unit would be illustrated as follows:

Value of a studio unit:	\$187,384
Less \$10,000 kitchen adjustment:	(\$10,000)
Indicated value of a hotel unit:	\$177,384
Gross value for 8 units is therefore:	\$1,419,072

Total of Gross Value Opinions

1-Bedroom Units	\$9,094,200
Studio Units	\$4,497,216
Hotel Units	\$1,419,072
TOTAL:	\$15,010,488

ORDER:

Respondent is ordered to reduce the 2017 actual value of the subject property to \$15,010,488.

The Routt County Assessor is directed to change their 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 April, 2018.

BOARD OF ASSESSMENT APPEALS

Debra A. Baumbach

Debra A. Baumbach

Gregg Near

Gregg Near

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

Milla Lishchuk

Milla Lishchuk

