

<p>BOARD OF ASSESSMENT APPEALS, STATE OF COLORADO 1313 Sherman Street, Room 315 Denver, Colorado 80203</p> <hr/> <p>Petitioner:</p> <p>GA HC REIT II ST ANTHONY NORTHDENVER MOB II LLC,</p> <p>v.</p> <p>Respondent:</p> <p>ADAMS COUNTY BOARD OF EQUALIZATION.</p>	<p>Docket No.: 72560</p>
<p>ORDER</p>	

THIS MATTER was heard by the Board of Assessment Appeals on June 29, 2018, Amy J. Williams and Gregg Near presiding. Petitioner was represented by Thomas E. Downey, Esq. Respondent was represented by Meredith Van Horn, Esq. Petitioner is protesting the 2017 actual value of the subject property.

In the course of the hearing, Petitioner’s Exhibit 1 and 2, Respondent’s Exhibit A, B and C as well as the witnesses were admitted by the Board.

Subject property is described as follows:

**8300 North Alcott Street
Westminster, CO
Adams County Schedule No. 01719294240001**

The subject is a multi-tenant medical office building of masonry construction. The structure was built in 1990 and is in average condition. The building has a gross building area of 30,264 square feet with a rentable area of 28,034 square feet. The improvements are situated on an 81,139 square foot site.

Petitioner presented the following indications of value:

Market: \$2,887,502
Cost: Not provided

Income: \$2,822,000

Petitioner is requesting an actual value of \$2,822,000 for the subject property for tax year 2017. Respondent assigned a value of \$4,052,263 for the subject property for tax year 2017 but is recommending a reduction to \$3,768,277.

Evidence Presented Before the Board

Petitioner's witness, Mr. Matthew Poling, presented a market approach utilizing five comparable sales ranging in sale price from \$1,450,000 to \$6,300,000 and in size from 12,480 to 47,509 square feet. After adjustments were made, the sales ranged in unit value from \$73.23 to \$132.08 per square foot of building area.

Mr. Poling presented an income approach to derive a value of \$2,822,000 for the subject property. The witness provided a Rent History developed by CoStar Analytics illustrating available space within the subject building from the second quarter of 2014 through the second quarter of 2016. Mr. Poling developed a pro forma using a base rent of \$13.25 per square foot, vacancy of 25% and expenses of 8% to determine Net Operating Income (NOI) of \$256,301. Application of an 8.5% capitalization rate produced a value of \$3,015,000. This figure was adjusted to reflect rent loss anticipated to reach stabilization and concluded to a value of \$2,822,000.

Mr. Poling considered the indications developed by the market approach and the income approach and gave greatest weight to the income approach to determine a final value opinion of \$2,822,000.

Respondent presented the following indications of value:

Market:	\$4,320,489
Cost:	\$3,752,952
Income:	\$3,771,525

Respondent's witness Valerie Ferguson, a Certified Residential Appraiser for the Adams County Assessor's Office, presented a market approach consisting of five comparable sales ranging in sale price from \$2,259,600 to \$8,975,000 and in size from 10,688 to 47,509 square feet. After adjustments were made, the sales ranged in unit value from \$142.78 to \$255.18 per square foot of building area.

The witness used a cost estimating service to derive a market-adjusted cost value for the subject property of \$3,752,952. The witness concluded to a land value of \$283,987, or \$3.50 per square foot. Using the Marshall and Swift Valuation Service resulted in an adjusted cost of \$3,468,965. Addition of the land value estimate resulted in an indication of value by the cost approach of \$3,752,952.

Respondent used the income approach to derive a value of \$3,771,525 for the subject property.

Ms. Ferguson presented three comparable rentals indicating rents of \$16.25 to \$17.76 per square foot on a full-service basis. After applying qualitative adjustments to the comparable leases, the witness adopted a rate of \$17.50 per square foot that was then applied to the gross size of the subject property to derive a Potential Gross Income (PGI). A vacancy rate of 8.7% was applied to determine an Effective Gross Income (EGI) of \$483,543. After subtracting expenses of 33% to the collected income, Ms. Ferguson developed a NOI of \$323,974. Referencing a local publication, the witness applied an 8.59% capitalization rate, concluding to a value by the income approach of \$3,771,525.

The Board's Findings

After careful analysis of the testimony and exhibits presented, the Board finds the primary areas of disagreement to be:

1. Adjustment, or a lack thereof, for vacancy that exceeds market equalization.
2. Consideration of market conditions leading to an adjustment for time.
3. The influence of closure of Saint Anthony's North Hospital during the base period.
4. Use of the sale of the subject property prior to the base period.
5. The use of and the influence of post base period information.

Relative to item No. 1, the Board finds agreement with Petitioner's contention regarding vacancy. Using data from CoStar Analytics it is evident that vacancy within the base period increased from 16,370 to 20,689 square feet. Data from the extended base period indicated vacancy increased from 12.7% to 73.8%. Respondent failed to consider this significant vacancy in Respondent's analysis.

Regarding item No. 2, the Board found Respondent to have correctly considered market conditions during the base period by relying upon audited data during the base period. Petitioner made no adjustment for market conditions.

For item No. 3, Petitioner contends the closure of Saint Anthony's North Hospital was the proximate cause of the subject's increasing vacancy. Petitioner asserts medical buildings like the subject are reliant upon proximity to a hospital as doctors prefer office space located nearby for convenience of serving patients. Nearby buildings allow doctors to perform their rounds without long commutes from other locations. Analysis of the "micro market" by Petitioner was found to be persuasive. The Board determines Respondent's research of a wider market without consideration of proximity to a hospital is flawed.

Petitioner, for item No. 4, objects to Respondent's use of the sale of the subject property within the extended base period. Respondent counters that even though the sale occurred outside the base period, use of the transaction is appropriate. The Board agrees with Respondent's position. A sale of the subject, without considerable alternation during the study period enables the appraiser to adjust only for time, without the need for further adjustments which might otherwise be argumentative.

Both parties presented post-base period evidence in their exhibits. Both parties also asserted that, although this information was reported, it had no influence upon the value opinions. The Board found no specific evidence of intentional misuse and, therefore, accepts the statements; no consideration was given to post-base period evidence in valuation of the subject.

Based upon the above, the Board finds the value opinions of both parties require further adjustment. Petitioner did not consider a time adjustment. Respondent testified to a 0.09% per month adjustment for time. As only qualitative adjustments were applied by Petitioner, the Board considered the sale dates of the comparables and determined the average period among the sales was 11.2 months from sale date to the required valuation date. The bulk adjustment for time would therefore be 10%. Application of this figure to Petitioner's market approach results in a new value estimate of \$3,176,252. Petitioner relied almost equally on both approaches. Giving equal weight to the income approach and the sales comparison approach, results in an adjusted value opinion of \$2,999,126.

Respondent failed to consider the subject's significant vacancy. The Board found Petitioner's analysis of an adjustment for lease-up to be appropriate. The lease-up costs were estimated to be \$192,773. Respondent determined a value by the income approach of \$3,771,525 but inexplicably reported a figure of \$3,651,133 on page A35. Adopting the value of \$3,771,525 as presented in the reconciliation, less \$192,773 produces an adjusted value of \$3,578,752.

The Board has determined adjusted values for both parties. The adjusted range is from \$2,999,126 to \$3,578,752. Placing reliance upon both indications, a mid-range value of \$3,288,939, rounded to \$3,300,000, is considered reasonable and adopted as appropriate.

Petitioner presented sufficient probative evidence and testimony to prove that the tax year 2017 valuation of the subject property was incorrect.

ORDER:

Respondent is ordered to reduce the 2017 actual value of the subject property to \$3,300,000.

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).

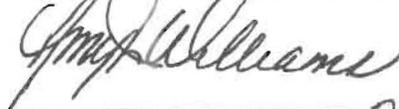
In addition, if the decision of the Board is against Respondent, Respondent may petition the Court of Appeals for judicial review of alleged procedural errors or errors of law within thirty days of such decision when Respondent alleges procedural errors or errors of law by the Board.

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.

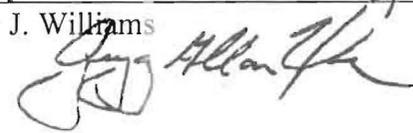
Section 39-8-108(2), C.R.S.

DATED and MAILED this 15th day of August, 2018.

BOARD OF ASSESSMENT APPEALS

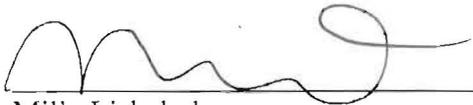


Amy J. Williams



Gregg Near

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



Milla Lishchuk

