<table>
<tr><td>BOARD OF ASSESSMENT APPEALS,
STATE OF COLORADO
1313 Sherman Street, Room 315
Denver, Colorado 80203
<hr>Petitioner:

PULCO INC.,

v.

Respondent:

ARAPAHOE COUNTY BOARD OF EQUALIZATION.</td><td>▲</td></tr>
<tr><td>Attorney or Party Without Attorney for the Petitioner:

Name: Alan Poe, Esq.
Holland & Hart LLP
Address: 8390 East Crescent Parkway, #400
Greenwood Village, Colorado 80111
Phone Number: (303) 290-1616
E-mail:
Attorney Reg. No.:</td><td>Docket Number: 37439</td></tr>
<tr><td colspan="2" align="center">ORDER</td></tr>
</table>

THIS MATTER was heard by the Board of Assessment Appeals on January 30, 2002, Judee Nuechter and Karen E. Hart presiding. Petitioner was represented by Alan Poe, Esq. Respondent was represented by George Rosenberg, Esq.

PROPERTY DESCRIPTION:

Subject property is described as follows:

LOT 1 BLK 1 INVERNESS SUB 30TH FLG
(Arapahoe County Schedule No. 2075-26-3-22-001)

Petitioner is protesting the 2000 actual value of the subject property, a one-story office building constructed in 1999, consisting of 62,930 gross square feet, located at 7475 South Joliet Street in Englewood, Colorado.

ISSUES:

Petitioner:

Petitioner contends that the subject property is a newly constructed, multi-tenant building, with economic obsolescence due to the lobby entrance design and a required one-hour firewall. The Respondent should not have used the actual subject property lease, which was not in place on the level of value date, and should not have considered lease commissions as an expense.

Respondent:

Respondent contends that the subject property is a single-tenant property. There is no obsolescence, and the subject property actual lease is reflective of market rates. Leasing commissions are necessary to obtain tenants for the building.

FINDINGS OF FACT:

1. Petitioner's witness, Mr. Todd J. Stevens, President of Stevens and Associates Cost Reduction Specialists, Inc., presented the following indicators of value:

Market:	$5,663,700.00
Cost:	$5,944,517.00
Income:	$5,070,146.00

2. Mr. Stevens testified that the subject is located on the outskirts of Inverness Business Park. It is a one-story office building with two separate lobby areas. A portion of the building is below grade. The building was a "build-to-suit" property, and its design has a negative effect on market value. There is more to maintain with respect to two lobby areas, and the lobbies are a distraction for prospective clients.

3. Mr. Stevens testified that the building is a Class B. The interior finish is not a fireproof steel structure, and there are no hardwood or marble floors in the lobby area, as well as no wood wall finish; the lobby finish is average. Class A buildings typically receive higher rental rates than Class B buildings.

4. Mr. Stevens testified that the subject property has no view. Typically office buildings with mountain views receive higher rents. He inspected the property several times, including a walk-through with Respondent's witnesses.

5. Mr. Stevens testified that Pulte Homes is the master tenant with their own separate entrance. Pulte Mortgage is the second tenant and also has a separate entrance. The tenant pays the property taxes and has the right to lodge an appeal.

6. Based on the market approach, Petitioner's witness presented an indicated value of $5,663,700.00 for the subject property.

7. Petitioner's witness presented three comparable sales ranging in sales price from $74.45 to $103.48 per square foot and in size from 44,694 to 80,000 square feet. After adjustments were made, the sales ranged from $69.69 to $95.71 per square foot.

8. Mr. Stevens testified that his Comparable Sale 1 is a single-tenant property that had a subtenant at the time of sale. It is multi-story, is a nice architectural structure, has nice mountain views, and has direct exposure to Interstate 25 (I-25); it is located at the corner of I-25 and Dry Creek Road. The seller leased back a portion of the property. The purchasers received a lesser rental rate per square foot than they believed they would receive at the time of sale; $16.00 per square foot versus $22.00 per square foot. He made upward adjustments to the comparable for time and land size, and negative adjustments for location and physical characteristics. The land-to-building ratio was less than the subject. His “physical” adjustments include the comparable being a multi-story building with views and better land utilization than the subject. The land is similar in size to the subject but has superior access, given its location at I-25 and Dry Creek Road. Overall, the comparable was better than the subject and adjusted to a price per square foot of $90.38.

9. Comparable Sale 2 is a multi-story building, which was renovated prior to the sale with upgrades including new hallways and new HVAC, for $1.5 million. It has panoramic mountain views. Mr. Stevens made upward adjustments for time, age, and excess land, and negative adjustments for location and physical characteristics. It has a superior location just outside Park Meadows, which is a very desirable office park area. The overall adjustments were negative, with an adjusted price per square foot of $95.71.

10. Comparable Sale 3 is a multi-story building fronting I-25 just off Orchard Road in the Denver Tech Center, the strongest commercial market in the state. It has a superior interior lobby and hallway finish, mountain views, and direct I-25 exposure. Mr. Stevens made positive adjustments for time, age, and excess land, and negative adjustments for location and physical characteristics. The adjusted sales price was $69.69 per square foot.

11. The adjusted price per square foot range for the 3 sales was $69.69 to $95.71 per square foot. Mr. Stevens testified that he chose $90.00 per square foot for the subject property, for a total value of $5,663,700.00 via the sales comparison approach. He gave this approach much consideration, as all of the sales were located in the immediate area of the subject. He confirmed the sales with Comps Inc., as well as by contacting owners, brokers, listing agents, et cetera.

12. Petitioner's witness presented a cost approach to derive a market-adjusted cost value for the subject property of $5,944,517.00.

13. Mr. Stevens testified that the first step in the cost approach is to determine a land value. He looked at two comparable vacant land sales that occurred in the base year period from January 1, 1997 to June 30, 1998; one comparable fronts Arapahoe Road and is larger than the subject, and the second comparable sale is smaller than the subject. He adjusted the sales for time, location and size, and concluded a value of $3.50 per square foot for the subject property. The total land value conclusion was $1,000,381.00.

14. Mr. Stevens testified that he next looked at the Marshall & Swift Valuation Service for an appropriate cost value for the buildings. Exhibit B is the actual cost to construct the subject property, according to the development firm that built the building. He included all cost elements except leasing commissions. Leasing commissions are not considered a part of the construction costs; they are ongoing expenses and are a cost of doing business.

15. Mr. Stevens testified that he spoke with Ed Martinez from Marshall & Swift as to how to discount the cost of construction to get to a June 30, 1998 level of value. There is typically a contingency fund included in the builder's contract. Therefore, he took the cost from the completion of the construction of the building in August of 1999, and factored it back to the appropriate time period.

16. Mr. Stevens testified that he applied an age-life method of depreciation using a one-year age and calculated a 2% depreciation rate. He also applied a cost multiplier to convert the actual construction costs to the June 30, 1998 base year date. He took the July 1999 multiplier, divided by July 1998 multiplier, for a factor of .964912. He applied this factor to the total depreciated costs excluding land of $6,404,906.00, and concluded a trended-back value of $6,180,170.00, to which he then added the land value, for a total replacement cost new less depreciation (RCNLD) of $7,180,551.00.

17. Mr. Stevens testified that he also looked at functional and economic obsolescence. There was a one-hour rated firewall located between the two entities in the subject property, which was required by the county building department at a cost of $100,000.00 to $125,000.00. There was also an additional cost of $125,000.00 to $150,000.00 cost for the second lobby. He considered both of these features to be functional obsolescence.

18. Mr. Stevens testified that he determined an economic obsolescence by comparing the market and income approach values to the depreciated cost value. The market would not support the construction costs of the new property. Therefore, he took the difference of the cost of the building versus the market and income approach values and applied the difference as economic obsolescence. This equated to 15% or $927,026.00. He concluded to a cost value of $5,944,517.00, based on actual construction costs.

19. Mr. Stevens testified that he considered the cost approach as being the upper tier of value. Under the principal of substitution, a potential buyer would look more to the market approach. The cost approach was weighted less heavily than the market and income approaches.

20. Petitioner's witness presented an income approach to derive a value of $5,070,146.00 for the subject property.

21. Mr. Stevens testified that he looked for leases in the immediate area for similar quality and grade finish, Class B properties. All of the leases were entered into during the time frame of January 1, 1997 and June 30, 1998, and Leases 1 through 6 are located in the immediate area of the subject. He confirmed the leases with brokers, et cetera. Lease 1 is just around the corner from the subject and is also Comparable Sale 1. It is an overall very nice building; rent is $16.00 per square foot, and it has a low expense rate. Lease 2 is in the Inverness Building Park, not as nice as the subject or Lease 1, has no view, and is located next to a health club. Lease 3 is

in Inverness, offers some mountain views, and is overall a similar to slightly similar building to the subject; rent is $16.00 per square foot. Lease 4 is also Comparable Sale 2, has panoramic views of the mountains, and has very nice interior finish: rent is $18.00 per square foot. Lease 5 has a high class atrium with a running brook, some mountain views, and is an overall good quality B building; rents are $15.50 to $16.00. Lease 6 is a Key Bank building, has nice interior finish, offices on the upper floors, and some mountain views; the rent is $16.00 per square foot. Lease 7 is a new building located in Highland Ranch Business Park at Broadway and C470, offering mountain views and new interiors; the rents are $15.50 to $17.00 per square foot. He used Lease 7 because it is a new building, similar to the subject, even though it located outside the subject property's immediate area. He concluded to a lease rate of $17.00 per square foot.

22. Mr. Stevens used a 5% vacancy and collection loss, and 3% for management expenses. He used an operating expense rate of $4.50 per square foot, which was determined from the lease comparables. He used a 3% reserve for replacements, given that the subject is a new property. He added a 2.96% tax rate to the capitalization rate. The base capitalization rate was 10%, which was determined from market sales occurring during the base period. This rate fell within the 7-12% range indicated for suburban low-rise office buildings as reported in the Scott, Stahl, and Burbach report. The total tax loaded cap rate was 12.96%. The indicated value via the income approach was $5,070,146.00, or $82.53 per square foot. He gave substantial weight to this approach, as this is what investors would be looking at.

23. Mr. Stevens concluded to a value for the subject property of $5,250,000.00.

24. Under cross-examination, Mr. Stevens testified that the Petitioner is Pulco Inc. He contends that Pulco Inc. is a tenant that pays property tax, and as such has the right to pursue appeals. He is a consultant for Pulte Homes, as the tenant of the property. Respondent's Exhibit 1, Tab A, is a complete copy of the lease for the subject property. There is a direct connection between the two Pulte corporations. The lease is long term at 10 years. The lessor, Opus Northwest LLC, subsequently transferred the property to Pulco Inc.

25. Construction took place and was completed during 1999; the subject building was 4 months old on the assessment date. It was a build-to-suit lease; built the way the tenant wants. Mr. Stevens does not consider the subject to be a single-tenant building. He would consider it to have two tenants based on the two lobby areas. The subject lease was not in effect during the base period. No other buildings have two lobbies or the one-hour firewall, which is something that is not normally found in this type of building. The building is valued according to its actual current use on the assessment date. He used June 30, 1998 for the base year. The only data used after the level of value date was the actual construction costs. The lease would tie into the construction costs and was after June 30, 1998, but he did not consider it. For the intervening year, data must be utilized that is derived from the base year and applied to the subject property as it existed on the assessment date. The lease is triple net. The lease has tiers in it that later tier up to support the cost of the building.

26. Under cross-examination, Mr. Stevens testified that it is difficult to measure functional and economic obsolescence. He would compare office to office building, not necessarily single tenant to single tenant; it would depend on the comparables. His economic factor was 15%. He is using Exhibit B as his cost approach. Comparable Sale 1 had a single tenant and a sub-tenant; the other sales were multi-tenant. He does not know the age of the properties in his cap rate sales, but he does not believe the age of a building makes much

difference in the income approach for investor expected cap rates. The cap rates on page 30 of Exhibit A came from COMPS, Inc. sales and he also reviewed the Scott, Stahl, and Burbach survey with cap rates from numerous locations.

27. In redirect, Mr. Stevens testified that even though the subject property is a new building, there can still be economic obsolescence. Many times, the market does not support the cost to build; cost is not necessarily the market value. He placed weight on the cost approach for the upper tier value, but it was not heavily weighed in the reconciliation.

28. Upon questioning from the Board, Mr. Stevens testified that he considers the subject property to be a multi-tenant building. His grid on page 27 of Exhibit A does not show the math of the adjustments. He does not know the term of the lease for Comparable Sale 1.

29. Petitioner is requesting a 2000 actual value of $5,250,000.00 for the subject property.

30. Respondent's witness, Mr. Corbin Sakdol, a Certified General Appraiser and Senior Commercial Appraiser with the Arapahoe County Assessor's Office, presented the following indicators of value:

Market:	$7,900,000.00
Cost:	$7,700,000.00
Income:	$7,850,000.00

31. Mr. Sakdol testified that he and Mr. Gary Mycock prepared the appraisal report, Respondent’s Exhibit 1. He did not rely upon page 18 in the report, which is the subject sales history, for his opinion of value.

32. Mr. Sakdol testified that the subject property is classified as a single tenant commercial office property. He has toured the facility. Both Pulte Mortgage and Pulte Homes are obligated under the lease. There are separate entrances that go to the same reception area and shared restrooms. Pulte Mortgage has their national headquarters located in the subject property. To access the restroom facilities, you must go to the mortgage side of the property. There is a small cafeteria in the mortgage side. It was constructed and leased as a single tenant building. The Pulte Homes’ side is primarily individual private offices; the mortgage side is mostly cubicle offices. As of June 30, 1998, the real estate market was still in good condition; the subject’s southeast suburban area location had the lowest vacancy rate and the highest rental rates in the Denver area.

33. Mr. Sakdol testified that the 2000 tax year was an intervening year. On January 1, 2000, the property was a single tenant improved property. Normally the base year would be January 1, 1997 to June 30, 1998. He used the actual costs and the lease information which are beyond the base year, based on the unusual condition statute. The building was issued a Certificate of Occupancy (CO) in August of 1999. The value conclusion is $7,800,000.00.

34. Based on the market approach, Respondent's witness presented an indicated value of $7,900,000.00 for the subject property.

35. Respondent's witness presented five comparable sales ranging in sales price from $7,029,000.00 to $18,060,000.00 and in size from 50,860 to 144,766 square feet. After adjustments were made, the sales ranged from $116.37 to $138.20 per square foot.

36. Mr. Sakdol testified that his comparable sales are for single-tenant properties that were constructed in 1990 or later, and are of limited size.

37. Mr. Sakdol testified that Comparable Sale 1 is located nearest to the subject; it is owned by Nextel Communications. It is a single-tenant property that was built in 1998 and sold June 15, 1998. Opus Northwest, the same builder as the subject property also built Comparable Sale 1. It is a two-story building with similar area amenities as the subject. Comparable Sale 2 is occupied by MCI. It is a single-tenant, one-story building with similar highway access as the subject. It is not located in an office park. It was originally a shopping center. Comparable Sale 3 is occupied by Sun Microsystems, is located in the Interlocken Office Park north of Denver, and has similar amenities as the subject. It has bay doors on the backside, which gives the appearance of an office warehouse. Its location is in an area that is not as strong a market as the subject area. Comparable Sale 4 is a single-tenant property that was built in 1996 and is located near Comparable Sale 3. Comparable Sale 5 is located in north Denver, is a single-tenant property, and has good access to Interstate 25, which is similar access to subject.

38. Mr. Sakdol testified that he used qualitative adjustments, as it was difficult to use percentage adjustments. Even though the overall market was going up, he did not find support for a market adjustment for single-tenant properties. He relied upon the Ross Report for a location adjustment. He did not find good market information to calculate a gross area adjustment for a single-tenant office building. All of the comparables have mountain views, which are classified under "Visibility." All the comparables were similar to the subject in age, quality, and condition, with the exception of Comparable Sale 5, which is slightly superior in design and construction quality. The land-to-building ratio indicates if an excess land adjustment is necessary; Comparable Sale 5 needed an adjustment. He also reviewed the rents of the comparables.

39. Mr. Sakdol testified that overall, Sales 1 and 2 were slightly inferior and Sale 3 was superior to the subject property. The indicated value range for the subject property was $116.37 to $138.20 per square foot. He chose $126.00 per square foot for the subject property.

40. Mr. Sakdol testified that he completely disagrees with Petitioner's comparable sales. Petitioner used multi-tenant property sales versus Mr. Sakdol's single-tenant sale properties. Petitioner's Comparable Sale 1 was sold without intent for a single user.

41. Respondent's witness used a state-approved cost estimating service to derive a market-adjusted cost value for the subject property of $7,700,000.00.

42. Mr. Sakdol testified that both he and Petitioner relied on the same land value and the same cost information as supplied from the builder, Opus Northwest. He included leasing commissions as part of the indirect costs included in the cost approach. He is using the date of construction as being the date of the first permit that was issued. Petitioner is using the date of the Certificate of Occupancy (CO). Even so, his cost multiplier is similar to Petitioner's.

43. Mr. Sakdol testified that the biggest difference in the cost values is the depreciation. The subject property is new construction. The building was constructed for Pulte and functions as a single-tenant property. He does not believe there is any functional obsolescence. He testified that cost in not always the highest value. This was not a down market; plenty of buildings are built and realize a profit when sold.

44. Respondent's witness used the income approach to derive a value of $7,850,000.00 for the subject property.

45. Mr. Sakdol testified that he began his income approach with the actual subject property rental rate of $12.21 per square foot. All the comparable leases were triple net and newer construction leases, ranging from $11.00 to $14.90 per square foot. He believes the subject property actual rents reflect market rates. He used a 3% vacancy and a 3% rate for operating expenses, as the majority of the expenses are paid by the tenant.

46. Mr. Sakdol testified that he reviewed both published surveys and market sales to derive a capitalization rate. The sold properties' capitalization rates ranged from 8.92% to 10.40%. Pulte Homes is a strong tenant, which he considered when choosing a market extracted capitalization rate of 9%. He placed the most weight on the market extracted cap rates. He did not put a property tax rate in the cap rate or as an expense; the owner does not pay the property taxes.

47. Mr. Sakdol testified that he relied on all three approaches to value. He considered the actual cost information to be good. He arrived at a value of $7,800,000.00 for the subject property.

48. Mr. Sakdol testified that his Marshall & Swift indexes are slightly different numbers than those used by Petitioner. Mr. Sakdol's indexes are from a January 2000 update versus the Petitioner's indexes being from January 2001.

49. Under cross-examination, Mr. Sakdol testified that market value is value in exchange, not value in use. He must use the actual use of the property. His appraisal is as of June 30, 1998, and all of the sale and rent comparables are prior to that date. He assigned $1 million to the land in the cost approach, which is similar to the Petitioner's value and less than the CBOE land value. Real estate commissions are tenant costs for Pulte to secure tenants, not to build the building. His factor was used to take the costs back to the date of the first permit, not the end of the project date. He did not allow any obsolescence. The building was in use as of January 1, 2000, but the cost was as of June 30, 1998.

50. Under cross-examination, Mr. Sakdol testified that he believes the subject property is a single-tenant building, as there is not a bathroom in both areas. Building permits would need to be obtained to make it a multi-tenant building. It was built as a single-tenant structure. There is not common area access to the bathroom and no shared corridors. He believes a potential purchaser would look at the building as a single-tenant property. He has not analyzed whether the market would recognize the additional firewall expense. He does not feel the two entrances are any different than other entrances to buildings. He does not know if the

market would recognize the associated costs with the dual entrances. Cost does not necessarily establish the upper limit of value in this market. One must consider entrepreneurial profit.

51. Under cross-examination, Mr. Sakdol testified that the value must be for the fee simple interest. The leased fee interest is an encumbrance of actual leases, not necessarily market leases. All of the comparables Mr. Sakdol utilizied were encumbered by long-term leases. The lease fee could equal fee simple. He did not analyze the comparables on a Class basis (A, B, et cetera.). Comparable Sales 1 and 2 were 1041 up-leg exchanges. Sale 3 was part of a portfolio sale. All of the comparables have mountain views to varying degrees, which is more desirable in a multi-tenant situation. The subject rent was not in place on the level of value date; however, the subject property rents fell within the range of market rents from the base period. The subject property should be valued using market rates. The median rent rate in the Ross report is $17.00. The lease was not entered into during the base period, and the lease costs occurred after the base period. All the sales used for the market extracted cap rate were single tenant. He admitted that the three sales he used for his market extracted cap rate were the highest cap rates; however, the cap rates listed on page 45 of Exhibit 1 has only one property at a cap rate below 9%.

52. In redirect, Mr. Sakdol testified that the building must be considered as if vacant and that it can be leased using market rents, expenses, and cap rates. The subject building had a triple net lease with an insurance policy paid by the tenant that protects the owner from any rent loss. This causes less risk and would lower the capitalization rate.

53. In recross, Mr. Sakdol admitted that the insurance policy is a part of the lease, not the building.

54. Upon questioning by the Board, Mr. Sakdol testified that he does not believe that he is required to add the tax rate to the capitalization rate for ad valorem purposes. Typically taxes are paid by the tenant in a triple net lease. If he added taxes to the cap rate, the tax reimbursement by the tenant must be added as income.

55. Respondent assigned an actual value of $8,000,000.00 to the subject property for tax year 2000, but is recommending a reduction in value to $7,800,000.00.

56. In rebuttal, Mr. Stevens testified that the primary difference in the cost approach values is that he did not include the leasing cost in the approach; leases apply when executed, not when the property is constructed. Using the lease cost as an expense skews the results. Leasing commissions are costs of acquiring the lease, not the building cost. The other difference is the Marshall & Swift conversion factor. Ed Martinez of Marshall & Swift indicated to Mr. Stevens that he should calculate the factor from the Certificate of Occupancy date, as the costs were rising over the term of the construction period, which is also why there is a contingency fund. The assessor is assuming there is a lease in place that supports the construction of the building, but there was no lease in place; the difference is the economic obsolescence.

57. Regarding Respondent's market comparables, Mr. Stevens testified that Comparable Sale 1 is a secured building with a slate floor, security guard and lobby attendant, two-tier construction, and is superior to the subject. Comparable Sale 2 backs to C-470 and is a secured building, with a lobby guard, video cameras, and some mountain views. Comparable

Sale 3 is located in Interlocken Business Center, the hottest market during the time period. Comparable Sales 3 and 4 are high-tech properties with associated security and good mountain views. Comparable Sale 4 has a superior lobby area. Comparable Sale 5 is slightly superior to the subject; it has slate floors in the lobby and corridor, a land bridge connecting the two buildings, and a good mountain view. Overall, he considers Respondent's Comparable Sale 3 to be most comparable, according to interior finish; all of the other sales had superior finish when compared to the subject.

58. Regarding Respondent's rent comparables, Mr. Stevens testified that they included the five sale properties and others. Lease 2 is church related with office mezzanine and "god pods," which are offices in the middle of the area, also an elevator and stairs. Lease 8 was a high-risk tenant. Lease 9 is a hot building, has different stones in the lobby, high security, very nice interior finish, and mountain views. Overall, he believes the lease comparables are far superior to the subject property.

59. Under cross-examination, Mr. Stevens testified that he inspected the rent comparable properties on January 24, 2002.

CONCLUSIONS:

1. Petitioner presented sufficient probative evidence and testimony to prove that the subject property was incorrectly valued for tax year 2000.

2. Respondent originally objected to the petition as being filed by an incorrect Petitioner, but later withdrew the objection. The Board accepts jurisdiction to hear this appeal.

3. Both parties presented well-organized and supported appraisal reports. Each party was able to successfully point out deficiencies in each other's report. The Board will attempt to address each concern individually.

4. Petitioner's witness contended that even though the subject property was new construction, economic and functional obsolescence existed. The Board has carefully examined all of the testimony and evidence regarding the obsolescence issues. The Board recognizes that obsolescence may exist in newly constructed buildings, especially when properties are built-to-suit. However, the Board was not convinced that obsolescence existed to the degree established by Petitioner's witness. The Board determined that only a minor amount of functional obsolescence might exist, and no economic obsolescence existed.

5. The Board was not convinced that leasing commissions should be included in the cost approach calculated by Respondent's witness. The Board does not believe that leasing commissions are a cost of the real estate construction. The Board concluded that the value of the subject property via the cost approach should be $7,000,000.00 rounded.

6. Regarding the market approach, the Board was presented with two sets of comparables, one based on single-tenant occupancy and the other based on multi-tenant occupancy. The Board was more convinced that the subject property, while unique in its lobby design, is better classified as a single-tenant property. However, due to the uniqueness of the subject property,

the Board believes that the value should come from the lower end of the indicated sales price range. The Board determined that the subject property value via the market approach should be $116.00 per square foot, or $7,300,000.00 rounded.

7. Regarding the income approach, the Board concluded that the use of actual income and expense information regarding the subject property is appropriate so long as the actual information falls within the market norms. The actual subject property rental rate appears to fall within the rent comparable range presented by Respondent. The Board accepts Mr. Sakdol's vacancy and operating expense ratios. However, the Board believes an additional 3% annual expense as calculated by Petitioner's witness should be allotted for reserves for replacements. The subject property is newly constructed and will surely experience needed capital repairs prior to the end of the building's economic life; the Board believes these expenses will be the responsibility of the property owner. The Board reviewed all testimony and evidence regarding capitalization rates and determined that a cap rate of 9.5% would be most appropriate for the subject property. The Board concluded that the subject property value via the income approach would be $7,200,000.00 rounded.

8. After careful consideration of all the evidence and testimony presented, the Board concluded that the 2000 actual value of the subject property should be reduced to $7,200,000.00.

ORDER:

Respondent is ordered to reduce the 2000 actual value of the subject property to $7,200,000.00.

The Arapahoe County Assessor is directed to change his records accordingly.

APPEAL:

Petitioner may petition the Court of Appeals for judicial review within 45 days from the date of this decision.

If Respondent alleges procedural errors or errors of law by this Board, Respondent may petition the Court of Appeals for judicial review within 30 days from the date of this decision.

DATED and MAILED this 3rd day of May, 2002.

BOARD OF ASSESSMENT APPEALS

Judee Nuechter

Judee Nuechter

Karen E. Hart

Karen E. Hart

This decision was put on the record

MAY 0 3 2002.

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

Diane Von Dollen

Diane Von Dollen

STATE OF COLORADO
SEAL
BOARD OF ASSESSMENT APPEALS

37439.02