

<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>SECURITY CAPITAL INDUSTRIAL,</b></p> <p>v.</p> <p>Respondent:</p> <p><b>DENVER COUNTY BOARD OF EQUALIZATION.</b></p>	<p><b>Docket Nos.: 42759 and 43760</b></p>
<p><b>ORDER</b></p>	

**THIS MATTER** was heard by the Board of Assessment Appeals on November 7, 2005, Karen E. Hart and Sondra W. Mercier presiding. Petitioner was represented by Layne F. Mann, Esq. Respondent was represented by Max Taylor, Esq. Petitioner is protesting the 2003 and 2004 actual value of the subject property.

**PROPERTY DESCRIPTION:**

Subject property is described as follows:

**11175 E. 55<sup>th</sup> Avenue, Denver, Colorado  
(Denver County Schedule No. 01142-03-002-000)**

The subject is a 236,800 square foot distribution warehouse building on a 492,234 square foot site.

**FINDINGS OF FACT:**

1. Petitioner presented the following indicators of value:

Market:	\$9,116,800.00
Income:	\$8,650,000.00

2. Based on the market approach, Petitioner presented an indicated value of \$9,116,800.00 for the subject property.

3. Petitioner presented six comparable sales ranging in sales price from \$31.79 to \$52.50 per square foot and in size from 164,294 to 454,682 square feet. Petitioner's qualitative analysis of the sales resulted in values ranging from \$35.85 to \$41.10 per square foot. The petitioner concluded to a value of \$38.50 per square foot for the subject.

4. Petitioner presented an income approach to derive a value of \$8,650,000.00 for the subject property.

5. Petitioner's witness reported that the subject was 81 percent leased as of January 1, 2003. Market rent for the subject was set at \$4.10, based on the asking rent for the subject as of second quarter 2002 at \$4.33 per square foot net of expenses, less 5 percent to reflect the difference between asking and actual lease rates. This rate was supported by a lease renewal at \$4.11 per square foot that was signed during the base period. An analysis of comparable properties located within a one-mile radius of the subject indicated a rental rate of \$3.95 per square foot net of expenses. Owner's expenses of \$0.21 per square foot and a vacancy of 10 percent were deducted prior to capitalization.

6. Petitioner applied a 9.50 percent capitalization rate based on the median rate shown in Integra Realty Resources Summer 2002 Real Estate Investment Survey. Petitioner deducted \$40,000.00 for income lost during lease-up from the capitalized value, concluding to an indicated value of \$8,650,000.00 using the income approach.

7. Based on a combination of the market and income approaches, the Petitioner is requesting a reduction in value to \$8,880,000.00 for tax years 2003 and 2004.

8. Respondent presented the following indicators of value:

Cost:	\$11,077,700.00
Market:	\$9,455,000.00
Income:	\$9,692,500.00

9. Respondent gave no consideration to the value indicated by the cost approach.

10. Based on the market approach, Respondent presented an indicated value of \$9,455,000.00 for the subject property.

11. Respondent presented four comparable sales ranging in price from \$36.06 to \$52.50 per square foot and in size from 160,837 to 455,850 square feet. After adjustments, the sales ranged from \$36.98 to \$41.54 per square foot. Respondent concluded to a value of \$40.23 per square foot based on the median value of the adjusted comparable sales.

12. Based on the income approach, Respondent concluded to an indicated value of \$9,692,500.00 for the subject property. Respondent's market rent of \$5.25 per square foot was predicated on confidential information collected by the Assessor's office. Respondent deducted 7 percent for vacancy and 13 percent for expenses prior to capitalization. Respondent's 10.30 percent capitalization rate included an effective tax rate.

13. Respondent assigned an actual value of \$9,784,000.00 to the subject property for tax years 2003 and 2004, but is recommending a reduction in value to \$9,692,500.00 based on the site-specific appraisal.

14. The Board was convinced that Petitioner's rental rate of \$4.10 per square foot was reasonable given the subject's actual lease rates during the base period and the range indicated by the market. The Respondent did not provide sufficient detail regarding the confidential information used to determine market rent. Further, the Board was convinced that most comparable industrial properties are leased on a net basis; therefore, the Respondent's inclusion of an effective tax rate in its analysis of overall rates was not substantiated by market information.

15. Petitioner's requested value of \$8,880,000.00 or \$37.50 per square foot is within the range indicated by Petitioner's and Respondent's adjusted comparable sales.

### **CONCLUSIONS OF LAW:**

1. Petitioner presented sufficient probative evidence and testimony to prove that the tax year 2003 and 2004 valuations of the subject property were incorrect.

2. The Board concluded that the 2003 and 2004 actual value of the subject property should be reduced to \$8,880,000.00.

### **ORDER:**

Respondent is ordered to reduce the 2003 and 2004 actual value of the subject property to \$8,880,000.00.

The Denver County Assessor is directed to change his/her 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 18<sup>th</sup> day of November 2005.

BOARD OF ASSESSMENT APPEALS

*Karen E Hart*

Karen E. Hart

*Sondra W. Mercier*

Sondra W. Mercier

This decision was put on the record

NOV 17 2005

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

*Penny S. Lowenthal*  
Penny S. Lowenthal

