

**BOARD OF ASSESSMENT APPEALS,  
STATE OF COLORADO**

1313 Sherman Street, Room 315  
Denver, Colorado 80203

**Docket Nos.: 48632 &  
50773**

Petitioner:

**CARS-DB4 L.P.,**

v.

Respondent:

**ADAMS COUNTY BOARD OF EQUALIZATION.**

**ORDER**

**THIS MATTER** was heard by the Board of Assessment Appeals on March 4, 2009, Karen E. Hart and Lyle D. Hansen presiding. Petitioner was represented by Richard G. Olona, Esq. Respondent was represented by Jennifer M. Wascak, Esq. Petitioner is protesting the 2007 and 2008 actual value of the subject property.

The Board consolidated Docket Numbers 48632 and 50773.

**PROPERTY DESCRIPTION:**

Subject property is described as follows:

**7300 Broadway Street, Denver, Colorado  
Adams County Parcel No. 1719-34-4-07-018**

The subject is a 127,616-square-foot masonry automobile dealership constructed in 1997. The improvements include an automobile showroom, offices, service garage, and a parking garage. The improvements are situated on a 236,618-square-foot site that is improved with surface parking for 400 automobiles.

Petitioner presented the following indicators of value:

Market:	\$0.00
Cost:	\$966,548.00
Income:	\$0.00

Petitioner did not present the market approach.

Petitioner used a state-approved cost estimating service in the cost approach to derive a market-adjusted cost value for the subject property of \$966,548.00.

Petitioner presented no comparable land sales to support the conclusion of land value of \$946,470.00.

Petitioner concluded a replacement cost new estimate for building improvements of \$5,497,183.00 and total obsolescence of \$5,477,105.00. Petitioner concluded a value by the cost approach of \$966,548.00.

Petitioner's appraiser, Mr. Todd J. Stevens, testified that physical obsolescence exists on the subject with flooding on portions of the site. He testified that the flooding occurred as a result of a reconfiguration of the Interstate 25/U.S. Highway 36 interchange in 1998. Petitioner's appraiser concluded physical obsolescence at 75% of the total of land value and replacement cost new. Physical obsolescence totaled \$4,832,740.00.

Mr. Stevens testified that external obsolescence also exists with loss of adequate access and exposure to the site as a result of the reconfiguration of the Interstate 25/U.S. Highway 36 interchange. External obsolescence was concluded at 10% or a total of \$644,365.00. Petitioner's appraiser offered no support for his conclusions for physical obsolescence and external obsolescence.

Petitioner did not present an income approach.

Petitioner is requesting a 2007 and 2008 actual value of \$966,548.00 for the subject property.

Respondent presented the following indicators of value:

Market:	\$6,200,000.00
Cost:	\$7,500,000.00
Income:	\$7,500,000.00

Based on the market approach, Respondent presented an indicated value of \$6,200,000.00 for the subject property.

Respondent presented four comparable sales ranging in sales price from \$1,940,000.00 to \$6,200,000.00 and in size from 26,259 to 52,754 square feet. Respondent did not conclude an adjusted sale price range but concluded an adjusted sale price per square foot of \$85.00.

Respondent used a state-approved cost estimating service to derive a market-adjusted cost value for the subject property of \$7,500,000.00.

Respondent presented no comparable land sales to support the conclusion of land value of \$946,472.00.

Respondent concluded a replacement cost new estimate of \$7,667,891.00, and total accrued depreciation of \$1,150,184.00. Respondent concluded a value by the cost approach of \$7,500,000.00. Respondent's appraiser utilized straight-line depreciation and age-life expectancy analysis to conclude total accrued depreciation. Respondent's appraiser did not recognize the existence of functional or external obsolescence.

Respondent used the income approach to derive a value of \$7,500,000.00 for the subject property.

Respondent concluded a rental rate of \$8.44 per square foot; a vacancy rate of 15%; operating expenses of 10% of effective gross income; and an overall capitalization rate of 11.0%. Respondent concluded a potential gross income of \$1,077,079.00; an effective gross income of \$915,517.00 and a net operating income of \$823,965.47. Respondent concluded a value by the income approach of \$7,500,000.00.

Respondent concluded an actual value of \$7,000,000.00 to the subject property for tax years 2007 and 2008.

Respondent assigned an actual value of \$5,897,000.00 to the subject property for tax years 2007 and 2008.

Petitioner presented sufficient probative evidence and testimony to prove that the tax years 2007 and 2008 valuation of the subject property was incorrect.

The Board concludes that external obsolescence exists because of the reconfiguration of the Interstate 25/U.S. Highway 36 interchange. The Board agrees with Petitioner that loss in value exists because of the obstructed exposure of the automobile dealership to Interstate 25 and to U.S. Highway 36, and from the loss of convenient access to the subject from the two arterials. The Board agrees with Petitioner that loss in value exists because of the potential flooding impact upon the subject as a result of the interchange reconfiguration.

Petitioner's appraiser incorrectly applied his conclusion of physical and external obsolescence. These conclusions were stated as a percentage of the total of replacement cost new plus land value. Depreciation estimates, in appraisal theory and practice, are considered a loss in value attributable to improvement value, and not to land value.

The Board relies upon Respondent's cost approach in deriving a value indication for the subject, but deducts an additional amount for external obsolescence. To derive this deduction, the Board applies the recognized appraisal technique of deriving external obsolescence utilizing market rents, subject rents, land value, and overall capitalization rates. The Board accepts Respondent's conclusions on market rents, subject rents, vacancy rate, operating expenses, and the overall capitalization rate. The Board accepts Petitioner's and Respondent's conclusions of land value at \$946,470.00.00.

Since the subject's lease rate was negotiated before the reconfiguration of the interchange and the flooding, the Board reduces the lease rate by an additional ten percent to recognize the loss in value attributable to external obsolescence. The Board concludes the loss in value to the building improvements for external obsolescence at \$1,971,000.00.

Respondent's appraiser presented no comparable land sales and no adjustments. The Board concludes that a downward adjustment to land value is required to reflect the negative impact upon the subject site resulting from the reconfiguration of the adjacent highway interchange. The reconfiguration resulted in loss in convenient access to the site and the loss in value attributable to the site at \$315,300.00. The Board concludes land value at \$631,172.00.

The Board concludes that the 2007 and 2008 actual value of the subject property should be reduced to \$5,177,900.00.

**ORDER:**

Respondent is ordered to reduce the 2007 and 2008 actual value of the subject property to \$5,177,900.00.

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 CRS § 24-4-106(11) (commenced by the filing of a notice of appeal with the Court of Appeals within forty-five 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 CRS § 24-4-106(11) (commenced by the filing of a notice of appeal with the Court of Appeals within forty-five 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.

CRS § 39-8-108(2) (2008).

**DATED and MAILED** this 28<sup>th</sup> day of April 2009.

**BOARD OF ASSESSMENT APPEALS**

*Karen E Hart*

Karen E. Hart

*Lyle D. Hansen*

Lyle D. Hansen

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

*Heather Flannery*

Heather Flannery

