

<p>BOARD OF ASSESSMENT APPEALS, STATE OF COLORADO 1313 Sherman Street, Room 315 Denver, Colorado 80203</p> <hr/> <p>Petitioner:</p> <p>FSP 390 INTERLOCKEN CORP.,</p> <p>v.</p> <p>Respondent:</p> <p>BROOMFIELD COUNTY BOARD OF EQUALIZATION.</p>	<p>Docket No.: 56338</p>
<p>ORDER</p>	

THIS MATTER was heard by the Board of Assessment Appeals on November 3, 2011, Louesa Maricle and Lyle D. Hansen presiding. Petitioner was represented by Ronald Loser, Esq. Respondent was represented by Tami Yellico, Esq. Petitioner is protesting the 2010 actual value of the subject property.

Subject property is described as follows:

**390 Interlocken Crescent, Broomfield, CO
Broomfield County Schedule No. 157533119002/R1143879**

The subject is a ten-story, Class A commercial office building built in 2004. The building contains a total 254,473 square feet of gross building area with a total net rental area of 241,516 square feet. The building is situated on a 584,420 square foot commercial site. There is on-site paved and striped automobile parking. The property is in close proximity to the Omni Interlocken Hotel and a 27-hole championship golf course.

Petitioner presented the following indicators of value:

Market:	\$40,000,000.00
Cost:	Not accomplished
Income:	\$40,913,987.00

Petitioner is requesting an actual value of \$41,000,000.00 for the subject property for tax year 2010. Respondent assigned a value of \$45,121,230.00 for the subject property for tax year 2010 but is recommending a reduction to \$44,600,000.00.

Petitioner's representative, Mr. Joseph D. Monzon, a tax consultant with Marvin F. Poer and Company, presented seven comparable sales ranging in sale price from \$23,162,000.00 to \$47,800,000.00 and in size from 97,735 to 258,000 square feet. No adjustments were accomplished.

Mr. Monzon testified that the subject sold in December of 2006 for \$46,800,000.00 and that he included the subject as one of his comparable sales. He testified that the property at 380 Interlocken was considered to be a "sister" property to the subject and sold in 2003 for \$38,000,000.00. Mr. Monzon testified that his sale at 370 Interlocken sold in 2006 for \$23,162,000.00. He testified that four of his comparable sales at Mountain View 1, 2, 3, and, 4 were part of a multi-property sale. He indicated the sale price on three properties at \$47,800,000.00 and the fourth sale price at \$23,700,000.00. Mr. Monzon accomplished no adjustments for date of sale, property location, building size, year of construction, land-to-building ratio, construction quality or financing on his comparable sales. He testified that he derived a mean sale price per square foot of \$153.50 based upon his seven comparable sales and concluded a value by the market approach of \$40,000,000.00.

Petitioner presented no cost approach.

Petitioner presented an income approach to derive a value of \$40,913,987.00 for the subject property. Mr. Monzon concluded a rental rate of \$23.77 per square foot resulting in gross revenues of \$5,949,727.00; operating expenses of \$2,881,178.00, resulting in a net operating income of \$3,068,549.00. He applied a capitalization rate of 7.50% to derive a value indication by the income approach of \$40,913,987.00.

Mr. Monzon testified that he used the actual rental income and operating expenses from the subject property to derive a value indication by the income approach. He testified that he considered the subject's rental income and operating expenses to be representative of market rents and expenses. He provided no comparable rentals and no market studies of office vacancy and operating expenses to support his conclusions. Mr. Monzon provided a market study to support his capitalization rate conclusion of 7.50%.

Respondent presented the following indicators of value:

Market:	\$48,350,000.00
Cost:	\$48,073,240.00
Income:	\$40,900,000.00

Respondent's representative, Mr. John Storb III, the Broomfield County Assessor and a Colorado Certified General Appraiser, presented three comparable sales ranging in sale price from \$27,250,000.00 to \$46,800,000.00 and in size from 180,810 to 254,500 square feet. After

adjustments were made, the sales ranged from \$43,091,940.00 to \$49,138,860.00 or \$169.32 to \$193.08 per square foot.

Mr. Storb accomplished adjustments for date of sale, land-to-building ratio, basement square footage, and year of construction. Mr. Storb included the subject sale in December of 2006 at \$46,800,000.00 and considered that sale to be his best comparable sale. He derived a mean sale price per square foot of \$183.45 and a median sale price per square foot of \$187.96. Mr. Storb concluded market value for the subject property at \$190.00 per square foot resulting in a value indication by the market approach of \$48,350,000.00.

Mr. Storb used a state-approved cost estimating service to derive a market-adjusted cost value for the subject property of \$48,073,240.00. Mr. Storb utilized two comparable land sales that sold from \$5,750,000.00 to \$11,552,400.00 or \$11.09 to \$14.00 per square foot and in size from 518,712 to 825,169 square feet. After adjustments were made, the two sales ranged from \$11.09 to \$14.14 per square foot. He concluded a land value per square foot of \$12.50 resulting in a land value indication of \$7,305,250.00.

Mr. Storb derived an improvement value of \$40,768,240.00. This amount added to the land value resulted in a value indication by the cost approach of \$48,073,240.00.

Mr. Storb used the income approach to derive a value of \$40,900,000.00 for the subject property.

Mr. Storb concluded a net rental rate of \$15.75 per square foot, an income rate for recoveries of \$11.53 per square foot, a 13% vacancy rate, operating expenses at \$6.60 per square foot, a 1% reserve for replacement, and, a capitalization rate of 9.98%. His capitalization rate included a market-derived capitalization rate of 6.7% and an effective real estate tax rate of 3.28%. He concluded a value by the income approach of \$40,900,000.00.

Respondent assigned an actual value of \$45,121,230.00 to the subject property for tax year 2010.

Sufficient probative evidence and testimony was presented to prove that the subject property should be reduced to Respondent's recommended value of \$44,600,000.00.

The Board concurred with Respondent's recommended value of \$44,600,000.00. The Board gave greater weight to Mr. Storb's market approach because he included adjustments to the sale prices for differences between the subject and the comparable sales. Mr. Storb derived a mean sale price per square foot of \$183.45, a median sale price per square foot of \$187.96 and concluded his value at \$190.00 per square foot. The Board concluded the value by the market approach based upon the mean sale price per square foot of \$183.45 resulting in a value indication of \$46,700,000.00.

The Board utilized information provided by Mr. Storb on market studies for Class A office buildings in Denver for economic rental rates, office vacancy, office operating expenses and overall capitalization rates. The Board accomplished an income approach under the concept of fee simple

interest utilizing those market studies. The Board concluded a gross economic rental rate of \$26.35 per square foot and an expense ratio of \$6.50 per square foot. The indicated market vacancy rate for Class A office buildings at mid-year 2008 was 12.8%. The Board gave consideration to the subject vacancy at that same time of 3.5% and concluded a market vacancy rate of 10%. The Board applied an overall capitalization rate of 9.98% to derive a value indication by the income approach of \$41,700,000.00.

Respondent's recommended value of \$44,600,000.00 is bracketed by the Board's income approach value of \$41,700,000.00 and Respondent's revised market approach value of \$46,700,000.00.

The Board concludes that the 2010 actual value of the subject property should be reduced to \$44,600,000.00.

ORDER:

Respondent is ordered to reduce the 2010 actual value of the subject property to \$44,600,000.00.

The Broomfield 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-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 Section 24-4-106(11), C.R.S. (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.

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

DATED and MAILED this 15th day of November, 2011.



BOARD OF ASSESSMENT APPEALS

A handwritten signature in black ink, appearing to read "Louesa Maricle".

Louesa Maricle

A handwritten signature in black ink, appearing to read "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.

A handwritten signature in black ink, appearing to read "Milla Crichton".

Milla Crichton