

**BOARD OF ASSESSMENT APPEALS,  
STATE OF COLORADO**  
1313 Sherman Street, Room 315  
Denver, Colorado 80203

**Docket No.: 57973**

Petitioner:

**PENNBRIDGE GUNNISON II LLC dba HOLIDAY  
INN EXPRESS,**

v.

Respondent:

**GUNNISON COUNTY BOARD OF EQUALIZATION.**

**ORDER**

**THIS MATTER** was heard by the Board of Assessment Appeals on March 8, 2012, Diane M. DeVries and Lyle D. Hansen presiding. Petitioner was represented by Layne F. Mann, Esq. Respondent was represented by Mr. Art Trezise, Esq. Petitioner is protesting the 2011 actual value of the subject property.

Petitioner and Respondent stipulated to the admission as evidence of Petitioner's Exhibits One and Two and Respondent's Exhibit A.

Subject property is described as follows:

**910 Tomichi Avenue, Gunnison, Colorado  
Gunnison County Schedule No. R043313**

The subject property is a 107-unit Holiday Inn Express hotel with construction beginning in 2005 and completed in 2006. The gross building area is 67,815 square feet on three levels. There is a 14,516-square foot unfinished basement. The building is situated on a 5.11-acre site.

Petitioner's witness, Mr. Matthew Poling, a Certified Public Accountant with Thomson Reuters, presented the following indicators of value:

Market:	\$0.00
Cost:	\$0.00
Income:	\$5,223,000.00

Petitioner requested an actual value of \$5,249,379.00 for the subject property for tax year 2011 on the Petition and changed the actual value to \$5,223,000.00 at the hearing. Respondent assigned a value of \$7,387,000.00 for the subject property for tax year 2011.

Mr. Poling presented eight comparable sales but did not conclude to a value using this approach.

Mr. Poling did not present a cost approach.

Mr. Poling presented an income approach to derive a value of \$5,223,000.00 for the subject property. Income and expenses were based upon the 18-month period ending June 30, 2010; but Mr. Poling further annualized the income and expense data into a twelve-month period. Mr. Poling's occupancy rate was 54.9% and an overall expense rate of 65% for Departmental and Undistributed expenses. Mr. Poling deducted replacement reserves of 5% and capitalized the net income at 12.29% based upon an overall capitalization rate of 11% plus 1.29% effective tax rate. He deducted the estimated value of personal property of \$88,350.00 to derive an indication of value for the real estate only at \$5,222,757.00, rounded to \$5,223,000.00.

Mr. Poling in his income analysis also presented a scenario of income and expenses from January 1, 2009 to December 31, 2009, the last full 12 calendar months in the base period. In this scenario his occupancy rate was 60.34% and an overall expense rate of 63.0% for Departmental and Undistributed expenses. Mr. Poling deducted replacement reserves of 5% and capitalized the net income at 12.29% based upon an overall capitalization rate of 11.00% plus 1.29% effective tax rate. He deducted the estimated value of personal property of \$88,350.00 to derive an indication of value for the real estate only at \$6,198,717.00.

Respondent's appraiser, Mr. Robert Blackett, a Colorado Certified Residential Appraiser with the Gunnison County Assessor's Office, presented the following indicators of value:

Market:	\$8,939,500.00
Cost:	\$8,905,405.00
Income:	\$9,400,000.00

Mr. Blackett presented four comparable sales ranging in sale price from \$745,000.00 to \$31,000,000.00 and in total rooms from 24 to 252 rooms. After adjustments were made, the sales ranged from \$43,459.00 to \$92,262.00 per room. Mr. Blackett's comparable sale one was the subject property that sold on April 8, 2008 for \$8,939,500.00.

Mr. Blackett used a state-approved cost estimating service to derive a market-adjusted cost value for the subject property of \$8,905,405.00.

Mr. Blackett used the income approach to derive a value of \$9,400,000.00 for the subject property. He concluded a daily room rate of \$100 for the 107 rooms over 365 days; a vacancy and collection loss of 40.0% reflecting an occupancy rate of 60.0%; miscellaneous income of \$64,866.00; expenses at 60.0%, but no deduction for replacement for reserves. Mr. Blackett

capitalized the net income at 10.15% based upon an overall capitalization rate of 9.0% plus 1.15% effective tax rate. He also deducted an estimated value of personal property of \$88,350.00 to derive an indication of value for the real estate only at \$9,401,955.00 rounded to \$9,400,000.00.

Respondent assigned an actual value of \$7,387,000.00 to the subject property for tax year 2011.

The Board concluded that the income approach provided the best indication of value for the subject because of the income-producing nature of the property. Both Petitioner and Respondent placed primary emphasis upon the income approach as the most reliable approach to value for the subject. Both parties used similar daily room rates, occupancy rates, expense ratios, and the value of personal property.

In concluding his overall capitalization rate, Mr. Poling utilized information from multiple investor surveys and hotel-related studies. The overall capitalization rates from those studies had a range from 7.0% to 15.0% with the average overall capitalization rate clustering around 11.2%. In concluding his overall capitalization rate, Mr. Blackett utilized information from the Korpacz Real Estate Investor Survey and from information gathered from County Assessor Offices in Eagle, Pitkin, Routt, and, San Miguel Counties. The overall capitalization rates from those resources had a range from 7.5% to 10.2% with the average overall capitalization rate clustering around 9.03%. Mr. Blackett also indicated that the subject sold in April of 2008 for \$8,939,500.00. He reported a net operating income for the subject at time of sale of \$794,347.00 indicating an overall capitalization rate of 8.89%.

Respondent provided sufficient probative evidence and testimony to prove that the tax year 2011 valuation of the subject property was correct.

In reviewing Mr. Poling's income approach, the Board placed greater reliability upon his 12-month income approach scenario rather than the 18-month scenario. This approach included management and replacement reserves. The Board concluded that Respondent's capitalization rate of 10.15% was more appropriate in reflecting the risk elements of property location, condition and appeal, and a reflection of the market trends during the base period. By utilizing Mr. Poling's income and expense analysis for the 12-month period and Mr. Blackett's capitalization rate, the value indication was \$7,521,758.00.

The Board utilized Mr. Blackett's income and expense analysis but added amounts for management and replacement reserves. Using his capitalization rate of 10.15%, the value indication was \$7,503,896.00.

From these two scenarios, the Board concluded a value for the subject of \$7,513,000.00.

**ORDER:**

The petition is denied.

**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).

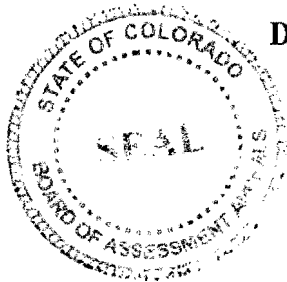
If the decision of the Board is against Respondent, Respondent, upon the recommendation of the Board that it either is a matter of statewide concern or has resulted in a significant decrease in the total valuation of the respondent county, may petition the Court of Appeals for judicial review according 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.

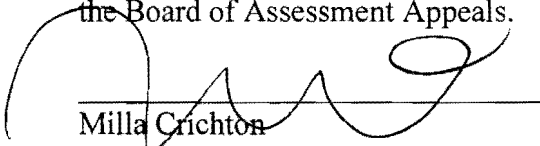
If the Board does not recommend its decision to be a matter of statewide concern or to have resulted in a significant decrease in the total valuation of the respondent county, Respondent may petition the Court of Appeals for judicial review of such questions within thirty days of such decision.

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

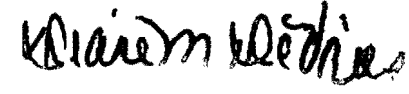
**DATED and MAILED** this 23rd day of March, 2012.




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

  
Milla Crichton

**BOARD OF ASSESSMENT APPEALS**

  
Diane M. DeVries

  
Lyle D. Hansen