

<p>BOARD OF ASSESSMENT APPEALS, STATE OF COLORADO 1313 Sherman Street, Room 315 Denver, Colorado 80203</p> <hr/> <p>Petitioner:</p> <p>SUNRISE REAL ESTATE SERVICES COLORADO LLC,</p> <p>v.</p> <p>Respondent:</p> <p>DOUGLAS COUNTY BOARD OF COMMISSIONERS.</p>	<p>Docket No.: 60616</p>
<p>ORDER</p>	

THIS MATTER was heard by the Board of Assessment Appeals on April 11, 2013, Brooke B. Leer and James R. Meurer presiding. Petitioner was represented by Richard G. Olona, Esq. Respondent was represented by Robert D. Clark, Esq. Petitioner is requesting an abatement/refund of taxes on the subject property for tax years 2009 and 2010.

Subject property is described as follows:

**6208 East County Line Road, Highlands Ranch, Colorado
Douglas County Schedule Number: R0471557**

The subject property is a 14,300 square foot automotive service building originally constructed 1988 as a claims office for State Farm Insurance. The building is a steel and masonry facility with brick exterior walls and ceiling height in the repair area is 14 feet. The exterior office area has fixed storefront windows. Lot size is approximately 2.0 acres and there is no direct access to the property from East County Line Rd. The property is described as 90% repair center and 10% office. In 2005, the current tenant, Sonic-Lone Tree Cadillac, Inc., leased the building as a single tenant, for a 10-year lease. In 2006, the building was retrofitted as a collision repair center for Don Massey Collision Center.

Petitioner presented the following indicators of value:

Cost:	N/A
Market:	\$1,215,500-\$1,258,400
Income:	\$1,153,926

Petitioner is requesting an actual value of \$1,175,000 for the subject property for tax years 2009 and 2010. Respondent assigned a value of \$2,860,000 for the subject property for tax years 2009 and 2010 but is recommending a reduction to \$2,400,000 based on the appraisal submitted as Respondent's Exhibit A.

Given the location and physical characteristics of the subject, Petitioner's witness, Mr. Todd Stevens, presented both retail and industrial comparables to support the indicated range in values via the market (sales comparison) approach. Relative to retail sales, three comparables ranging in sale price from \$89.08 to \$169.72 per square foot were provided. The sales were in close proximity to the subject, but all three required significant downward adjustments for age and economic characteristics. After adjustments were made, the sales ranged from \$58.80 to \$112.02 per square foot. Petitioner reconciled this set of retail sales at \$85.00 per square foot.

Petitioner's witness also presented four warehouse sales ranging in price from \$52.74 to \$116.67 per square foot. Petitioner adjusted these sales for location, age, physical characteristics, excess land and size. After adjustments were made, the sales ranged from \$62.24 to \$110.83 per square foot. Petitioner reconciled this set of industrial sales at \$88.00 per square foot. Based on the two sets of sales, Mr. Stevens concluded to a range of value via the market approach of \$1,215,500 to \$1,258,400.

Petitioner's witness also presented an income approach. The rent comparables used in this approach were both retail and industrial buildings. Based on these comparables, Petitioner's witness concluded to a \$8.00 per square foot NNN market rental rate for the subject resulting in gross income of \$114,400. A 5% vacancy factor, 10% in non-reimbursable expenses, and an 8.5% overall capitalization rate were used to arrive at a concluded value via the income approach of \$1,153,926.

With primary weight on the income approach, Petitioner concluded to a value of \$1,175,000 for the subject property for tax years 2009 and 2010.

Respondent presented the following indicators of value:

Cost:	N/A
Market:	\$2,400,000
Income:	\$2,400,000

Respondent's witness, Mr. Michael J. Fronczak with the Douglas County Assessor's Office, presented a market approach referencing four sales including the sale of the subject to support his opinion of value. The sales ranged in sale price from \$147.61 to \$213.29 with a mean of \$160.64 per square foot prior to adjustment. Significant adjustments to the comparables consisted of access/building size, condition and age, and quality. Subsequent to adjustment, Mr. Fronczak reconciled to a value of \$170.00 per square foot or \$2,400,000 rounded. Significant weight was placed on the sale of the subject in terms of the concluded value via this approach.

Respondent's witness also presented an income approach. The rent comparables used in this approach were all smaller automotive service buildings. The lease executed on the subject in

2005 was also referenced in this analysis. Based on the rent comparables, Petitioner's witness concluded to a market rental rate of \$16.00 per square foot NNN for the subject resulting in gross income of \$228,800. A 10% vacancy factor, 5% in non-reimbursable expenses, and an 8.0% overall rate was used to arrive at a concluded value via the income approach of \$2,400,000.

After consideration of both market and income approaches, Respondent concluded to a value of \$2,400,000 for the subject property for tax years 2009 and 2010.

The primary difference between Petitioner's and Respondent's concluded values resulted from the comparables used and adjustments to those comparables in the market approach and the market rental rates (\$8.00 v. \$16.00 psf) used in the income approach. Petitioner also argued that the sale and leasing of the subject were not a reflection of the market and were inflated due to the restoration and subsequent leasing of the building.

Petitioner presented sufficient probative evidence and testimony to prove that the tax year 2009 and 2010 valuation of the subject property was incorrect.

The Board agrees with the parties and concludes that the greatest reliance should be placed on the income approach. Based on a review of the variables used in Petitioner's and Respondent's income approaches, the Board concludes that an \$11.00 per square foot NNN rental rate, a 5% vacancy factor, 8% in expenses, and a 8.5% overall rate most accurately reflect market conditions for this property for the 2009 and 2010 tax years. Minimal weight is placed on the sale and leasing of the subject. The value is recalculated by the Board as follows:

Gross Income					
	Net Rentable Area	14,300 sf @	\$ 11.00	\$	157,300
Vacancy Factor		5%		\$	7,865
Effective Gross Income				\$	149,435
Management Fee		3%		\$	4,483
Expenses/Reserves		5%		\$	7,472
	Total			\$	11,955
Net Operating Income				\$	137,480
Overall Rate					8.50%
Indicated Value				\$	1,617,414
	per square foot			\$	113.11
	round			\$	1,615,000

After careful consideration of the testimony and exhibits presented in the hearing, the Board concludes that the 2009 and 2010 actual value of the subject property should be reduced to \$1,615,000 which equates to approximately \$113.11 per square foot of building area.

ORDER

Respondent is ordered to reduce the 2009/2010 actual value of the subject property to \$1,615,000.

The Douglas County Assessor is directed to change 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.

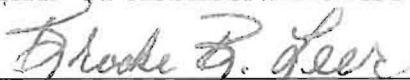
If the Board does not recommend its decision to be a matter of statewide concern or to have resulted in a significant decrease in the total valuation of the respondent county, Respondent may petition the Court of Appeals for judicial review of such questions within thirty days of such decision.

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


DATED and MAILED this 23rd day of April, 2013.



BOARD OF ASSESSMENT APPEALS

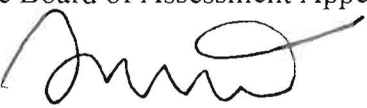


Brooke B. Leer



James R. Meurer

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



Milla Crichton