

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

1313 Sherman Street, Room 315
Denver, Colorado 80203

Docket No.: 61637

Petitioner:

STEPHEN MUNRO CLAN LLC,

v.

Respondent:

JEFFERSON COUNTY BOARD OF EQUALIZATION.

ORDER

THIS MATTER was heard by the Board of Assessment Appeals on September 25, 2013. Debra A. Baumbach and James R. Meurer presiding. Petitioner was represented by Richard G. Olona, Esq. Respondent was represented by Writer Mott, Esq. Petitioner is protesting the 2012 actual value of the subject property.

Subject property is described as follows:

**32175 Castle Court, Evergreen, CO
Jefferson County Schedule No. 426063**

The property consists of a owner-occupied veterinary hospital located west of the Denver Metropolitan area in the Town of Evergreen. The building is one story plus mezzanine areas and was constructed in 2006. The main floor of the structure contains 10,056 square feet and the mezzanine areas contain 2,685 square feet. The interior of the building includes a waiting area with retail sales, six exam rooms, two surgical rooms, a grieving waiting room, laboratory, pharmacy, doctor's offices, radiology, treatment area, cremator, ICU room, laundry, food prep area, employee lounge, and restrooms. Site size is 56,192 square feet or 1.29 acres. The property does conform to the existing zoning, and all public utilities are available. The subject is reported to be in overall excellent condition.

Petitioner is requesting a value of \$975,000 for tax year 2012. Respondent provided an appraisal reflecting a value of \$2,800,000; however is deferring to the Board of Equalization's (BOE) assigned value of \$2,244,000 for tax year 2012.

Petitioner presented the following indications of value:

Cost:	Not Developed
Market	\$981,090
Income:	\$972,683

Based on the market and income approaches, Petitioner concluded to an indicated value of \$975,000 for the subject property.

Petitioner's witness, Mr. Todd Stevens with Stevens & Associates Cost Reduction Specialists, presented a market (sales comparison) approach that included five comparable sales of veterinary facilities ranging in sales price from \$496,300 to \$2,100,100 and in size from 3,907 square feet to 23,573 square feet. After adjustments were made, the sales ranged from \$67.72 to \$110.17 on a per square foot basis. The major adjustments to the comparable sales consisted of financing, location, age, economic and physical characteristics, excess land, and building square footage. Petitioner's witness reconciled the adjusted sales at \$90.00 per square foot resulting in an indicated value of \$981,090 for the subject via the market approach.

Petitioner's witness also presented an income approach to derive a value of \$972,683 for the subject property. A direct capitalization model was used and consisted of income based on a \$13.00 per square foot triple net (NNN) rental rate. A long term vacancy and collection loss was estimated at 15% and non-reimbursable expenses including management were estimated at 20% of effective gross income or \$23,188. The net operating income of \$97,268 was then capitalized at a 10.00% overall rate resulting in the indicated value of \$972,683 via the income approach. Petitioner's witness indicated that the market and income approaches received similar consideration in his final opinion of value.

Mr. Stevens also provided an equalization analysis to further support his opinion that Respondent's value was excessive.

Respondent presented the following indicator of value:

Cost:	\$2,800,000
Market	Not Developed
Income:	Not Developed

Relying solely on the cost approach, Respondent concluded to an indicated value of \$2,800,000 for the subject property.

Respondent's witness, Ms. Darla K. Jaramillo of the Jefferson County Assessor's Office, presented a cost approach based on data derived from Marshall Valuation Service reflecting a depreciated replacement cost (RCNLD) for the subject of \$2,468,463. Ms. Jaramillo estimated physical depreciation at 4% of cost new for the vertical improvements and 22% for the yard improvements based on age/life calculation. Respondent's witness testified that she could not support, and did not deduct any functional or economic obsolescence. The depreciated cost was then added to land value of \$421,440 (\$7.50 per square foot) to reflect a value via the cost

approach of \$2,889,903, which Ms. Jaramillo rounded to \$2,800,000. Included in Respondent's exhibits was documentation reflecting an actual project cost new for the subject of \$3,425,032.

The primary area of disagreement between Petitioner and Respondent consisted of which approach (cost, market, or income) best supported a reasonable conclusion of market value given the special purpose and owner-occupancy of the subject. Further, Petitioner's witness argued that Respondent's appraisal significantly inflated the costs, including entrepreneurial profit, associated with the subject, and that functional and economic obsolescence should be charged to the subject reflecting the issues surrounding the HVAC system, ceiling height, grade level, design, and finish. Respondent's witness argued that Petitioner's sale and rent comparables were suspect and not similar to the subject property, and using them reduced the value of the property to an unsupportable and unrealistic level. It was further argued that Petitioner's sales may have included assets (business/personal property) other than real estate.

After careful consideration and considering the physical characteristics including the age and use of the subject, the Board concurs with Respondent that the cost approach is the most appropriate methodology in supporting a final opinion of value, and that Respondent's cost estimates are reasonable for the type of special use facility. The cost estimate is further supported by the exhibit reflecting the cost new of the project. However, the board is convinced that some functional obsolescence should be charged to the building given the inutility associated with the items referenced above. Based on testimony, this functional obsolescence is estimated at 10% of depreciated replacement cost. The Board recalculates the value as follows:

RCNLD	\$2,468,463
Functional Obsolescence @ 10%	\$246,846
RCNLD minus Function Obsolescence	\$2,221,617
Land Value	\$421,440
Indicated Value	\$2,643,058
Indicated Value Rounded	\$2,645,000
Per Square Foot ~ Main Level	\$263.03

Based on the above, the Board concludes to a value of \$2,645,000 for tax year 2012 which exceeds the Board of Equalization's assigned value of \$2,244,000. The Board does not have jurisdiction to increase the values set by the Board of Equalization.

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 3rd day of October, 2013.

BOARD OF ASSESSMENT APPEALS

Debra A. Baumbach

Debra A. Baumbach

[Signature]

James R. Meurer

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

[Signature]
Milla Lishchak

