

<p>BOARD OF ASSESSMENT APPEALS, STATE OF COLORADO 1313 Sherman Street, Room 315 Denver, Colorado 80203</p> <hr/> <p>Petitioner:</p> <p>THE RYLAND GROUP, INC., v.</p> <p>Respondent:</p> <p>DOUGLAS COUNTY BOARD OF EQUALIZATION.</p>	<p>Docket No.: 63885</p>
<p><i>AMENDED ORDER</i></p>	

THIS MATTER was heard by the Board of Assessment Appeals on August 19, 2014, Diane M. DeVries and James R. Meurer presiding. Petitioner was represented by Richard G. Olona, Esq. Respondent was represented by Meredith P. Van Horn, Esq. Petitioner is protesting the 2013 property tax valuation of the subject residential lots.

Subject property is described as follows:

**Heckendorf Ranch Filing No. 2
Castle Rock, Douglas County, Colorado
Douglas County Account Nos. R0466284+86**

The parties stipulated to the admission of Mr. Todd Stevens and Mr. Steven W. Campbell as experts, as well as stipulated to the admission of Petitioner's Exhibits 1 and 2, and Respondent's Exhibits A and B.

The testimony by Mr. Stevens and Mr. Campbell from Docket No. 63881 heard on August 19, 2014 was incorporated into this hearing.

The subject property consists of 87 vacant residential lots located within the Heckendorf No. 2 Subdivision in Castle Rock, Colorado. The lots range in size from 0.133 acres to 0.359 acres with a median size of 0.176 acres, or approximately 7,667 square feet. According to testimony, 49 lots are fully developed and ready for residential construction, and 38 are in need of dry utilities. Ten of the 49 fully finished lots back to greenbelts.

Petitioner is requesting an actual value of \$1,411,019 for the subject property for tax year 2013. Respondent provided an appraisal reflecting a value of \$4,215,000 for tax year 2013; however, Respondent is deferring to the Board of Equalization's (BOE) assigned value for tax year 2013 of \$2,179,825.

Petitioner presented the following indicators of value:

Cost:	Not Developed
Market	\$1,411,019
Income:	Not Developed

Relative to the comparables used for valuation in Petitioner's market approach, Mr. Stevens presented seven multi-lot (bulk) sales and four single-lot sales. The multi-lot sales ranged in price from \$33,333 per lot to \$55,000 per lot prior to adjustment, and from \$34,000 to \$44,000 subsequent to adjustment. Major adjustments to the multi-lot comparables consisted of location, size, and physical characteristics (e.g. walk-out capability, greenbelt influence, etc.). All of the sales were finished lots. After adjustment, Mr. Stevens reconciled to an individual base lot value of \$35,000, prior to any warranted calculation for a present worth deduction for the base lots, and \$40,250 for the greenbelt lots. The four single-lot sales offered by Mr. Stevens ranged in sale price from \$25,000 to \$52,500 prior to adjustment, and \$21,250 to \$43,000 subsequent to adjustment. Major adjustments to the single-lot comparables also consisted of location, size, and physical characteristics. After adjustment, Mr. Stevens reconciled to an individual base lot value of \$35,000 prior to any calculation for a present worth deduction. Based on data provided by Douglas County, Mr. Stevens applied a 15% premium for greenbelt influence to the base lot values resulting in the following concluded lot values, prior to any present worth deduction.

Comparables	Concluded Base Lot Value	Concluded Greenbelt Lot Value
Single & Multi-Lot Comparables	\$35,000	\$40,250

After developing the above, Mr. Stevens testified that the concluded values were undiscounted retail lot values, and eligible under statute and ARL guidelines for present worth discounting. In order to discount, Mr. Stevens used a seven year absorption period and a 13.5% discount rate and testified that these were the variables used by Douglas County. Subsequent to discounting, Mr. Stevens concluded to the following values.

Comparables	Discounted Concluded Base Lot Value	Discounted Concluded Greenbelt Lot Value
Single & Multi-Lot Comparables	\$21,773	\$25,039

Given the above, the concluded value for the finished lots was \$1,099,544. This equates to \$21,773 per lot for the 39 base lots, and \$25,039 per lot for the 10 greenbelt lots. With emphasis on the purchase of the subject lots during the extended base period, Mr. Stevens valued

the 38 remaining unfinished lots at \$311,475 or \$8,197 per lot, and reconciled to a total value for the 87 lots of \$1,411,019.

Respondent presented the following indicators of value:

Cost:	Not Developed
Market	\$4,215,000
Income:	Not Developed

In terms of the comparables used for valuation in Respondent’s market approach, Mr. Campbell presented three multi-lot subdivision sales. The prices per lot ranged from \$52,500 to \$65,825 prior to adjustment, and from \$49,875 to \$59,243 subsequent to adjustment. The adjustments to the comparables consisted of size and location. After adjustment, Mr. Campbell reconciled to an individual base lot value of \$55,000 for both the finished base and finished greenbelt lots. Mr. Campbell used three comparables to value the partially finished lots, and after additional adjustment, concluded to a value of \$40,000 per lot for the partially finished lots.

As a test of reasonableness, Mr. Campbell analyzed three retail (end-user) sales and discounted those sales for seven years at a 13.5% yield rate. However, he placed minimal weight on these present worth discounting values, indicating in his exhibit that the bulk sales were a better indication of market value.

Given the above, the concluded value for the finished lots was \$4,215,000. This equates to \$55,000 per lot for the 49 lots. With emphasis on the additional adjustments within the market approach, Mr. Campbell valued the 38 remaining unfinished lots at \$1,520,000 or \$40,000 per lot, and concluded to a total value for the 87 lots of \$4,215,000.

A comparison of the concluded lot values by the parties is as follows:

	Petitioner	Respondent
Base Lot Retail	\$35,000	\$55,000
Greenbelt Lot Retail	\$40,250	Same as Base
Base Lot Discounted	\$21,773	N/A
Greenbelt Lot Discounted	\$25,039	N/A
Partially Finished Lot	\$8,197	\$40,000

The significant differences between Petitioner’s and Respondent’s opinions of value lie in the sales used in their respective market approaches, the adjustments to the sales specifically in terms of the location, and the determination if additional present worth discounting is necessary or if this discount has already been included in the prices of the sales. Petitioner argues that their comparables (both multi-lot and single-lot) are most similar to the subject and the adjustments to those comparables are supportable within the market. Petitioner further argues that the sales prices of these comparables represent retail values and pursuant to statutory and the ARL guidelines, additional discounting must be employed. Respondent argues that its three subdivision sales accurately reflect the value for the subject lots, and that the prices

reflected in these sales represent discounted versus retail values resulting in no additional present worth deduction.

Given the above, the Board determines the following:

- o The Board concludes, based on the examination and cross-examination of the witnesses and review of the exhibits, that the adjusted values offered by the parties represent retail values, rather than discounted bulk values and warrant present worth discounting.
- o Based on the testimony and exhibits, the Board concludes that the comparable sales provided by Petitioner and Respondent have both merits and limitations. After a review of the data provided, the Board concludes that the retail undiscounted and bulk discounted values for the lots are as follows. These lot values were concluded after review of the seven bulk retail sales and four single lot retail sales provided by Petitioner, as well as the six sales provided by Respondent. The partially finished lot value was based on data provided by Respondent at $\pm 50\%$ of base lot value. Note that neither party attempted to discount the partially finished lots.

Base Lot Retail (Petitioner & Respondent)	\$42,500
Greenbelt Lot Retail @ 15% Premium	\$48,875
Base Lot Discounted @ 13.5%/7 Years	\$26,439
Greenbelt Lot Discounted @ 13.5%/7 Years	\$30,405
Partially Finished Lot @ $\pm 50\%$ Finish	\$21,250

The discounting referenced above reflects the present value of \$1 per period pursuant to ARL guidelines. For example, the base lot retail value of \$42,500 is divided by the seven year absorption period which equals \$6,071.42. This adjusted value of \$6,071.42 is then multiplied by the PV factor of 4.354630 (7 years at 13.5%), resulting in a discounted value of \$26,439 rounded.

Given the above, and after careful consideration of the testimony and exhibits presented in the hearing, the Board concludes that Petitioner presented sufficient probative evidence and testimony to prove that the tax year 2013 valuation of the subject property was incorrect. As noted, the Board places equal weight on Petitioner's and Respondent's comparables and adjustments to those comparables, and concurs with Petitioner that additional present worth discounting is warranted pursuant to statutory and the ARL guidelines. The Board defers to the CBOE's values of the Partially Finished Lots. The indicated value is calculated as follows:

Lot Type	No. of Lots	Value Per Lot	Totals
Base Lot	39	\$26,439	\$1,031,121
Greenbelt Lot	10	\$30,405	\$304,050
Partially Finished Lot	38	\$20,160	\$766,080
Totals	87		\$2,101,251
Round			\$2,101,000

ORDER:

Respondent is ordered to reduce the 2013 actual value of the subject property to \$2,101,000.

The Douglas 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-nine 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-nine 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 16th day of September, 2014.

BOARD OF ASSESSMENT APPEALS

Diane M. DeVries

Diane M. DeVries

[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 Lishchuk

