

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

1313 Sherman Street, Room 315
Denver, Colorado 80203

Docket No.: 66475

Petitioner:

SUPERIOR ONE LLC,

v.

Respondent:

**MONTROSE COUNTY BOARD OF
EQUALIZATION.**

ORDER

THIS MATTER was heard by the Board of Assessment Appeals on August 16, 2016, Debra A. Baumbach and Sondra W. Mercier presiding. Petitioner was represented by Michael J. Russell, Esq. Respondent was represented by Carolyn Clawson, Esq. Petitioner is protesting the 2015 actual value of the subject property.

Subject property is described as follows:

**16450 South Townsend Avenue, Montrose, Colorado
Montrose County Schedule No. R0060044**

The subject is a three-bay, automotive quick lube facility that includes 2,032 square feet of easy lube space on the main level and a 1,552-square foot service pit. The 3,584-square foot building was completed in 1996 and is situated on a 12,936-square foot site.

Petitioner is requesting an actual value of \$285,000 for the subject property for tax year 2015. Respondent assigned a value of \$377,100 for the subject property for tax year 2015 but is recommending a reduction to \$360,000.

Petitioner presented the following indicators of value:

Market:	\$285,000
Cost:	Not applied
Income:	Not applied

Petitioner's witness, Mr. Arnold Butler, Colorado Certified General Appraiser with Arnie Butler & Company, presented a market approach consisting of four comparable sales and one listing ranging in sale price from \$215,000 to \$322,000, to indicate a range in price of \$64.50 to \$176.89 per square foot of total building area including service pit. The sales transacted between March 2013 and June 2014. Mr. Butler testified that this property type typically includes the transfer of furniture, fixtures and equipment (FF&E) and that it was important to consider a deduction for this item. After adjustments were made for FF&E, the sales (excluding the Delta, Colorado listing) ranged from \$64.50 to \$97.29 per square foot.

Mr. Butler considered the sale of 2769 B ½ Road in Grand Junction to be the best and only true comparable sale. The property was operating as a going-concern at the time of sale, and Mr. Butler deducted the value of the business and FF&E based on his confirmation of the sale with the broker. He reported that the sale involved seller financing with only 10% down payment, below the requirements of a commercial bank. Mr. Butler identified qualitative adjustments to the sales to narrow the range to \$64.50 to \$97.29 per square foot of total building area. A midpoint of \$80.00 was concluded for the subject to arrive to a value of \$285,000.

Petitioner's witness discussed the income approach and reported that it was difficult to find lease information for similar Colorado properties. Use of the cost approach was rejected because of the actual age of the property, at 18 years.

Respondent presented the following indicators of value:

Market:	\$362,000
Cost:	\$357,000
Income:	\$356,000

Respondent's witness, Brook Moyer, Certified Residential Appraiser with the Montrose County Assessor's Office, presented a market approach consisting of five comparable sales ranging in sale price from \$265,000 to \$1,125,000 and in size from 1,400 to 3,415 square feet. Adjustments were made for market conditions, to produce a range of \$265,000 to \$818,985 equal to \$157.95 to \$239.82 per square foot. The sales were then adjusted for size, land-to-building area, visibility, year built, type of building, and quality. After adjustments were made, the sales ranged from \$173.51 to \$181.64 per square foot. Mr. Moyer reconciled to a value of \$178.00 per square foot or \$362,000 within the market approach.

Respondent used a state-approved cost estimating service to derive a market-adjusted cost value for the subject property of \$357,000. Mr. Moyer considered and analyzed four vacant land sales to conclude to a land value of \$8.50 per square foot for the subject site, or \$110,000, rounded. Replacement cost new was estimated at \$291,737 for the building and an additional \$15,836 for the parking improvements. Depreciation of 25.7% was deducted based on an effective age of 9 years for the subject building. Replacement cost new less depreciation was shown as \$225,429. Entrepreneurial incentive of 10% was added along with land value to conclude to a value of \$357,000 using the cost approach.

Respondent used the income approach to derive a value of \$356,000 for the subject property. Nine quick lube leases and one listing (Longmont) were identified from a multi-state geographic area to conclude to rent of \$16.00 per square foot, producing potential gross income of \$32,512. Vacancy of 5% and non-reimbursed expenses of 5% were then deducted to conclude to net operating income of \$29,342. A capitalization rate of 8.25% was applied to indicate a value of \$356,000, rounded, using the income approach.

Primary consideration was given to the sales and income approaches to conclude to a value of \$360,000 for the subject. Mr. Moyer contends that there was no reason to consider going concern value for Sale 1, as no value was indicated by the buyer's TD-1000 property disclosure at the time of purchase. Mr. Moyer testified that because there was only one other lube center in Montrose, there would be high demand for the subject should it be placed on the market.

After consideration of all three approaches to value, the Board concludes that the sales comparison (or market) approach provides the best indication of value for the subject. With the lack of local lease information, the income approach is deemed to be an unreliable way to value the subject. Because of Respondent's subjective use of an effective age of 9 years and inclusion of entrepreneurial incentive for a property that is typically owner occupied, the Board finds the cost approach to be unreliable as an indicator of value.

Both parties produced and relied on the market (sales comparison) approach. Due to a lack of similar sales of easy lube properties, both parties relied on sales of properties located at a significant distance from the subject, or of buildings that were auto related, but not found comparable by the Board (i.e. three car wash sales, three sales from Colorado's Front Range). Both parties included the sale of 2769 B ½ in Grand Junction (Sale 1 in both reports) as part of their analysis and agreed that it was the best comparable available. The parties varied as to the amount of adjustment required for personal property, owner financing, and land-to-building ratio. After adjustment, Petitioner's analysis indicated a value of \$97.29 per square foot for the total building size of 3,584 square feet, or \$348,687. Respondent's indicated value of \$179.54 was applied to main floor area of 2,032 square feet for a value of \$364,825. The values represent a difference of less than 5%.

Petitioner presented sufficient probative evidence and testimony to prove that the tax year 2015 valuation of the subject property was incorrect, which was generally supported by Respondent's analysis and concluded value. The Board concludes that the actual value of the subject property should be reduced to \$349,000.

ORDER:

Respondent is ordered to reduce the 2015 actual value of the subject property to \$349,000.

The Montrose 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).

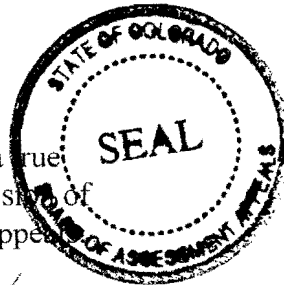
In addition, if the decision of the Board is against Respondent. Respondent may petition the Court of Appeals for judicial review of alleged procedural errors or errors of law within thirty days of such decision when Respondent alleges procedural errors or errors of law by the Board.

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.

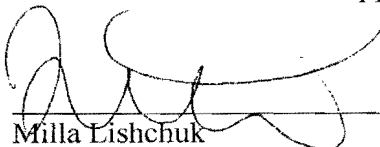
Section 39-8-108(2), C.R.S.


DATED and MAILED this 19th day of September, 2016.


BOARD OF ASSESSMENT APPEALS



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


Milla Lishchuk


Debra A. Baumbach


Sondra W. Mercier