

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

**Docket No.: 68098**

Petitioner:

**AUTOMOTIVE SERVICES INC.,**

v.

Respondent:

**JEFFERSON COUNTY BOARD OF  
EQUALIZATION.**

**ORDER**

**THIS MATTER** was heard by the Board of Assessment Appeals on June 20, 2016, Debra A. Baumbach and Gregg Near presiding. Petitioner was represented by Richard G. Olona, Esq. Respondent was represented by Casie Stokes, Esq. Petitioner is protesting the 2015 actual value of the subject property.

The parties stipulated to the admission of Petitioner's Exhibit 1. Respondent's Exhibit A and to the qualifications of the expert witnesses. The parties disagreed about the timeliness of Petitioner's Exhibit 2. The Board agreed to the admission of Petitioner's Exhibit 2 giving it the weight it deems appropriate.

Subject property is described as follows:

**15000 W. Colfax Avenue  
Lakewood, CO 80401  
Jefferson County Schedule No. 300183918**

The subject is an auto dealership building containing 87,639 net rentable square feet. The building was constructed in 1985 on a 14.72 acre site. The property is located just west of the Denver Mills development. The general area is north and east of the intersection of West 6<sup>th</sup> Avenue and Interstate 70.

Petitioner presented the following indicators of value:

Market: Not applied  
Cost: \$5,700,000  
Income: Not applied

Petitioner is requesting an actual value of \$5,700,000 for the subject property for tax year 2015. Respondent assigned a value of \$9,963,000 for the subject property for tax year 2015.

Petitioner's witness, Mr. Todd Stevens of Stevens & Associates, Inc., presented a cost approach to derive a market-adjusted cost value for the subject property of \$5,700,000. To determine the land value, Mr. Stevens provided four comparable sales ranging in sale price from \$475,000 to \$4,000,000 and in size from 107,593 to 555,390 square feet (2.5 to 12.75 acres). After adjustments were made for location and land size, the sales ranged from \$2.44 to \$6.54 per square foot of land area. The witness reconciled to a unit value of \$6.50 per square foot and a total value of \$4,166,689.

To determine the contributory value of the improvements, the witness relied upon the Marshall Valuation Service's computerized Calculator Cost Form, concluding to a Replacement Cost New estimate of \$5,141,828 for the building improvements (total of RCN column, page 35 of Petitioner's Exhibit 1) and an RCN of \$1,072,261 for yard items. Total RCN was estimated as \$6,214,089. A depreciation estimate of 54% of cost new was applied to the building improvements. Yard items were depreciated at 80% of RCN. Replacement Cost New less physical depreciation was calculated to be \$1,622,083.

Mr. Stevens concluded to a total value for the subject of \$5,788,772.

Respondent presented the following indicators of value:

Market: Not applied  
Cost: \$9,962,374  
Income: Not applied

Respondent's witness Mr. Michael H. Earley, a Certified General Appraiser, used a state-approved cost estimating service to derive a market-adjusted cost value for the subject property of \$9,962,374.

To determine the land value, Mr. Earley provided a tabulation of 24 land sales selected from the Assessor's database that took place during the base period. Respondent's witness considered 19 of those sales as reliable indicators. The comparable sales ranged in sale price from \$5.77 to \$20.46 per square foot and in size from 21,250 to 193,919 square feet (0.488 to 4.452 acres). The witness concentrated on the six largest properties ranging in price from \$7.48 to \$12.20 per square foot and in size from 2.47 to 4.45 acres. Mr. Earley considered adjustments for site size, exposure, and access. Respondent's witness reconciled to a unit value of \$9.50 per square foot and a total value of \$6,089,776.

To determine the contributory value of the improvements, the witness relied upon the Marshall Valuation Service and Local data, deriving a total Replacement Cost New estimate of

\$13,021,673 total RCN of items noted in Respondent's A, page 35. A depreciation estimate of 57% of cost new was applied to all of the improvements with the exception of the site improvements which were depreciated at 80% of cost new. Replacement Cost New less all forms of depreciation was calculated to be \$3,872,598. After addition of the previously determined land value, the witness estimated a value of \$9,962,374 by the cost approach.

Mr. Earley testified there were no sale comparables available of this size. As the typical properties of this type are owner occupied, the income approach would require very speculative estimates of income and expenses and would be unreliable. As a result, both the income and market (sales comparison) approaches were disregarded.

Respondent assigned an actual value of \$9,963,000 to the subject property for tax year 2015.

Petitioner contends Respondent has chosen inappropriate land sales and incorrectly classified numerous components of an automobile dealership which resulted in overvaluation of the subject.

Respondent has taken the position that the sales used by Petitioner are inappropriate. Respondent considers Petitioner's adjustments to be questionable. Respondent points out that a 2013 remodel expense of \$1.295 million has been ignored whereas Respondent's witness correctly considered this expense by reducing the effective age of the subject. Respondent disputes the validity of Petitioner's classification of the components used in the cost approach and argues Petitioner's witness has inappropriately applied inferior quality characteristics to produce an unsupported value.

In determining the correct classification of the various components of an automobile dealership, the Board considered the information and testimony of both parties. The Board was persuaded by Petitioner's claim that Respondent had inappropriately classified portions of the subject improvements as Auto Service Center rather than as Service Garage. In arriving to this conclusion, the Board relied on the following statement by the Marshall Valuation Service (Petitioner's Exhibit 1, page 66) within the summary of illustrations: "A complete dealership can be priced as a single facility or broken down into showroom and service garage for pricing purposes."

The Board was unable to replicate the cost figures applied by Respondent for either the auto showroom or auto service center portions. Respondent states the data was obtained from "Marshall Valuation Service and Local data" but provides no supporting documentation.

Petitioner's cost figures are obscure as well as incorrectly applied. The unit costs presented for the various components of the building improvement on pages 31 to 34 of Petitioner's Exhibit 1 do not match the summary presented on page 35. Further limiting the reliability of Petitioner's cost approach were significant errors in calculation. Returning to page 31, the Board finds the auto showroom portion, containing 25,686 square feet as described by Petitioner, to have a replacement cost new of \$2,489,270 or a unit cost of \$96.91 per square foot. The summary on page 35 results in a replacement cost new of \$2,383,220.

Respondent, claiming an auto showroom area of 33,609 square feet, applied a unit cost of \$107.00 per square foot. Both parties, having used the same data source and having somehow modified that data, came up with a range of replacement costs from \$92.78 to \$107.00 per square foot of improvement. The Board, faced with this conflicting information, has chosen to adopt the most clearly developed overall cost for auto showroom space of \$96.91 per square foot.

The parties disagree by a significant amount regarding the area of the auto showroom. Petitioner, having provided a detailed breakdown of the various components of the dealership (Petitioner’s Exhibit 1, page 30), has persuaded the Board to adopt an opinion of 25,686 square feet as appropriate for the showroom portions of the improvement.

The Board agrees with Petitioner that Respondent has inappropriately applied the “Auto Service Center” classification to the dealership. Based on the cost figures presented on line 29, page 32 of Petitioner’s Exhibit 1, the average unit price for 45,908 square feet of service garage is \$59.01 per square foot. This figure is adopted by the Board.

The Board did not accept either party’s estimate of physical depreciation. Petitioner applied a 54% rate of depreciation derived from the Marshall Valuation Service tables which would represent a property that is physically 29 years in age that exhibits normal maintenance. Respondent, noting the significant upgrades to the property, determined an effective age of 25 years. Inexplicably, Respondent applied a 57% estimate for depreciation when, to be consistent with the estimated effective age, the percentage should have been 43%. The Board finds the 43% depreciation estimate for total depreciation to be appropriate.

Petitioner claimed a reduction in the value of the improvements due to functional inutility. No comparable information was presented and Petitioner’s witness made no adjustment to represent this factor in the cost approach. The Board was not swayed by Petitioner’s argument noting the subject had been recently updated. The Board also notes that Petitioner submitted a cost approach based upon replacement rather than reproduction cost. Application of a functional adjustment to replacement cost fails to recognize that use of replacement cost would anticipate cure of existing functional problems.

Both parties submitted estimated costs for yard items citing the Marshall Valuation Service as the source. Petitioner’s estimate of RCN for these items was \$1,072,261. Respondent’s estimate was \$810,595. Given that both parties are considering the same items and using the same data, the Board has chosen to use a figure of \$941,428, the mid-range of the two estimates. Both parties considered these items to be 80% depreciated.

On the basis of the above, the Board has reconstructed the cost approach in regard to the improvements and concluded to the following:

Replacement Cost New: Auto Showroom 25,686 sf (times) \$96.91	\$2,489,230
Replacement Cost New: Service Garage 45,908 sf (times) \$59.01	\$2,709,031

Yard Improvements:	\$941,428
Less: 43% Physical Depreciation (improvements)	(\$2,235,252)
Less: 80% Physical Depreciation (yard items)	(\$ 753,142)
Less: Functional Obsolescence	(0)
Replacement Cost New Less Depreciation	\$3,151,295

The Board next considered the land value estimates derived by both parties.

The Board did not find persuasive Petitioner's land Sales 1, 2 and 3. The Board agreed with Respondent that Petitioner's land Sale 1 has little similarity to the subject as it consists of two separate parcels, each with different zoning; is situated in a location with limited visibility and has less nearby traffic. Petitioner's land Sale 2, more than twice the size of the subject, is situated across Indiana Street from the subject and is a redeveloped restaurant and a strip retail parcel within Colorado Mills. Sale 3 is also located in Colorado Mills and its location was described by Petitioner as within a "better" restaurant area.

Moreover, the Board found the adjustment process presented by Petitioner's witness to be inconsistent. Petitioner's land Sale 2 was adjusted for a significant size difference but proportionally equal size differences for Sales 1 and 3 were ignored. Little justification was provided for significant adjustments to Sale 2 and Sale 3 due to inclusion within Colorado Mills. Reliance upon these comparables may actually represent sales with a different highest and best use.

Turning to Respondent's land sales, the Board was provided a list of 19 comparable sales drawn from the County's data base used in the mass valuation to determine the current assigned value. From these 19 sales, Respondent's witness focused on the two sales most similar to the subject in size, Sale 7 and Sale 22. The witness applied qualitative adjustments to the transactions for size and location/access. The witness also stated classification problems within the Assessor's office resulted in the exclusion of two nearby sales supportive of his opinion at \$9.50 per square foot.

Respondent rejected Sale 7 because it is not a comparable location and dismissed Sale 22 because of proximity to a planned commuter rail station. The Board agrees that Sale 7 is not a comparable location as the exhibits clearly illustrate no similar retail or commercial development nearby. The sale also requires demolition of existing improvements. Both factors require upward adjustment to that sale suggesting a value "greater than" \$9.45 per square foot. The Board questions Petitioner's contention that Sale 22 should be rejected due to a better location. The Board was actually swayed by this sale. Petitioner's maximum adjustment for superior location was 25%, which the Board finds persuasive. Application of a 25% reduction to the unit price of Sale 2 leaves an indication of \$9.15 per square foot. On this basis, the Board finds Respondent's estimate of land value at \$9.50 per square foot, or, \$6,089,776 to be supportable.

Addition of the depreciated improvement cost of \$3,151,295 to the land value of \$6,089,776 provides an indication of the market value of \$9,241,071.

Petitioner presented sufficient probative evidence and testimony to prove that the tax year 2015 valuation of the subject property was incorrect.

The Board concludes that the 2015 actual value of the subject property should be reduced to \$9,241,071.

**ORDER:**

Respondent is ordered to reduce the 2015 actual value of the subject property to \$9,241,071.

The Jefferson 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.

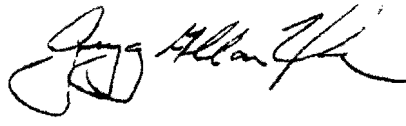
If the Board does not recommend its decision to be a matter of statewide concern or to have resulted in a significant decrease in the total valuation of the respondent county, Respondent may petition the Court of Appeals for judicial review of such questions within thirty days of such decision.

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

**DATED and MAILED** this 17th day of August, 2016.

**BOARD OF ASSESSMENT APPEALS**

  
Debra A. Baumbach



Gregg Near

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



Milla Lishchuk

