

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

1313 Sherman Street, Room 315  
Denver, Colorado 80203

**Docket No.: 68475**

Petitioner:

**GLENDALE PROPERTIES II LLC,**

v.

Respondent:

**DENVER COUNTY BOARD OF EQUALIZATION.**

**ORDER**

**THIS MATTER** was heard by the Board of Assessment Appeals on July 28, 2016, Diane M. DeVries and Gregg Near presiding. Petitioner was represented by Thomas E. Downey, Jr., Esq. Respondent was represented by Noah Cecil, Esq. Petitioner is protesting the 2015 actual value of the subject property.

The parties stipulated to the qualifications of the witnesses, Petitioner's Exhibits 1 and 2 and to Respondent's Exhibit A.

Subject property is described as follows:

**1225 S Bellaire Street  
Denver, CO 80246  
Denver County Schedule No. 06192-00-020-000**

The subject property, known as Britannia Heights, is an apartment complex containing five buildings of five and six stories with a total of 340 units and a separate building serving as the clubhouse and leasing office. The property was constructed in 1970 on a 6.24 acre site. The complex amenities include a pool, game room, community room, kitchen, sauna, spa and balconies. There are 77 covered parking spaces and an additional 433 open spaces off-street.

Petitioner presented the following indicators of value:

Market: \$24,480,000  
Cost: Not applied

Income: Not applied

Petitioner is requesting an actual value of \$24,480,000 for the subject property for tax year 2015. Respondent provided an appraisal reflecting a value of \$29,160,000 that supports the assigned value of \$27,975,800 for tax year 2015.

Petitioner's witness, Mr. Matt Poling of Ryan Property Tax Services, presented a Sales Comparison Approach consisting of five comparable sales ranging in sale price from \$9,150,000 to \$55,000,000 containing from 141 to 573 units ranging in average unit size from 715 to 815 square feet per unit. After adjustments were made, the sales ranged from \$52,537 to \$77,825 per unit.

Mr. Poling made adjustments for a number of factors such as average unit size, net average rent per square foot and sale date. Considering Sale 5 to be the least reliable of the transactions, the witness reconciled to a unit value of \$72,000 for a total value of \$24,480,000.

The witness also provided a Gross Rent Multiplier (GRM) analysis concluding to an indication of \$24,369,940. The final estimate of value using the two methods of analysis was \$24,480,000 of which \$65,758 is attributable to personal property.

Respondent presented the following indicators of value:

Market:	\$29,160,000
Cost:	Not Applied
Income:	Not Applied

Respondent's witness, Mr. Greg A. Feese, a Certified General Appraiser, presented a Sales Comparison Approach consisting of four comparable sales ranging in sale price from \$6,597,938 to \$9,150,000 containing from 74 to 141 units ranging in average unit size from 702 to 801 square feet per unit. After adjustments were made, the sales ranged from \$79,110 to \$98,819 per unit.

Mr. Feese made adjustments for factors such as market conditions (time), personal property, physical condition, average unit size and parking. All four sales were weighted equally resulting in an average of \$87,726 per unit and a value opinion of \$29,826,725.

The witness also provided a GRM analysis concluding to a median indication of \$27,159,450. Giving 75% of the weight to the Sales Comparison Approach and 25% to the GRM approach, Mr. Feese concluded to a value per unit of \$85,765 and a final estimate of value of \$29,160,000.

Petitioner contends Respondent has incorrectly considered the subject's "net rentable" area resulting in overvaluation. Respondent has also ignored a necessary adjustment for economic factors whereas Petitioner's witness has illustrated a direct relationship between unit size and the correct rent. Petitioner claims the comparable sales used by Respondent are too small and not representative of the market for the subject. Petitioner also questions the adjustments used by Respondent's witness resulting in an inflated value opinion.

Respondent contends Petitioner's witness has been inaccurate and the argument over net rentable and gross building area makes no difference in the final value as both parties relied upon third party data sources such as CoStar and Apartment Insights. According to Petitioner, Respondent asserts Petitioner's use of "direct math" is not an appraisal and the use of this process resulted in inappropriate adjustments. Respondent also maintains Petitioner's witness has incorrectly determined the value opinion by the use of the GRM in applying current market rents to historic sale prices.

Based upon the exhibits and testimony provided the Board has determined the primary area of contention is unit size and the appropriate method of adjustment for perceived differences. Petitioner's witness, as stated in Exhibit 1 page 13, indicates the following about the adjustment for rent per square foot: "The adjustment that I calculated were {sic} mathematical in nature and simple {sic} adjust the comparable gross monthly rent per square foot as a percentage of the subject's gross monthly rent per square foot." In the following paragraph the adjustment for average unit size was described as follows: "The adjustment that I calculated were {sic} mathematical in nature and simple {sic} adjust the comparable average unit size as a percentage of the subject's unit size." When questioned by the Board regarding the possibility of a double adjustment, Petitioner's witness stated his process was in conformity with the 14<sup>th</sup> edition of *The Appraisal of Real Estate* published by the Appraisal Institute.

In review of the textbook cited by the witness, the Board was unable to find support for the adjustment process applied. The Board did note the following instruction which it found to be compelling:

Appraisers should consider all appropriate elements of comparison and avoid double-counting adjustments for the same difference reflected in multiple elements of comparison. This requires an awareness of situations in which the influence of differences in one element of comparison may have an effect on an adjustment derived for a different element of comparison. For example, an adjustment made to the sale of a comparable residential property for the number of bedrooms in the house might be related to or be duplicative of an adjustment that has already been made for the size of the house. The size difference may be reflected in both elements of comparison—a classic multicollinearity problem.

*See The Appraisal of Real Estate, 14th Edition, Page 405 (emphasis added).*

Petitioner's position is further weakened by the statement on Page 11 of Exhibit 1 where the witness states: "The comparables and the subject property have short-term leases near market levels". The witness also stated adjustment was required for the economic condition of units of the same size with different rents. The Board finds that any economic advantage or disadvantage suffered by the subject would have to be limited since, by Petitioner's own comment, any disparity in income is "short term" given leases near market levels.

The Board finds Petitioner's market approach, as presented within the witness's report, to be unpersuasive. The Board noted on Pages 16 and 17 of Petitioner's Exhibit 1 that the very last adjustment applied prior to determining the value per unit is an adjustment for sale date (time/market conditions). According to the 14<sup>th</sup> Edition of The Appraisal of Real Estate, valuation theory requires that certain adjustments are to be applied in a pre-established order. The Board finds that Petitioner's order of adjustments, specifically, accounting for the market conditions (time) last, was inappropriately applied. As the adjustment for time was significant, ranging up to more than 17% of the total value, the Board finds no confidence in this value conclusion.

Regarding Respondent's contention that Petitioner's GRM was incorrect, the Board was unable to replicate Petitioner's calculations to determine a GRM. Page 16 of Exhibit 1 indicates a value by the GRM of \$24,369,940. Based upon the \$799.00 gross rent per unit displayed within that column, the indicated GRM for the above value is 7.48. This GRM is not supported by the average of 6.46 reported on pages 16 and 17 of Exhibit 1. As there was no adequate explanation of the derivation and support for Petitioner's GRM the Board has not been persuaded by this analysis.

### **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-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).

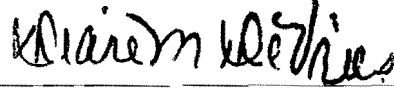
In addition, if the decision of the Board is against Respondent, Respondent may petition the Court of Appeals for judicial review of alleged procedural errors or errors of law within thirty days of such decision when Respondent alleges procedural errors or errors of law by the Board.

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.

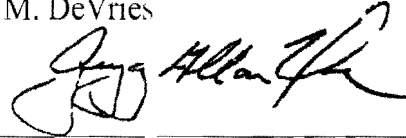
Section 39-8-108(2), C.R.S.

**DATED and MAILED** this 25th day of August, 2016.

**BOARD OF ASSESSMENT APPEALS**

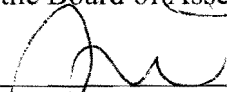


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Diane M. DeVries



\_\_\_\_\_  
Gregg Near

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



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Milla Lishchuk

