

# Colorado Board of Assessment Appeals (BAA) Confirms Rental Management Program as Intangible Asset

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The Colorado Board of Assessment Appeals (BAA) returned an order last week lowering the 2017 real estate value of the Lodge at Vail. The Lodge at Vail is a lodging property located at the base of the ski mountain in Vail Village. The property features 80 hotel guestrooms and a reported 74 residential condominium units that are individually owned. Eagle County, the taxing authority, was seeking an assigned value of \$41,104,470, while the petitioner was seeking a value of \$23 million. The largest reason for the difference in values between the two

parties was due to the income and expenses associated with the rental of the third-party-owned residential condominiums. When not being occupied by their owners, the condominiums may be placed into a rental program. The owners of the units can choose from many different rental programs, such as Airbnb, VRBO, VailonSale.com, or local property management groups. One option, which is preferred by most owners, is to include the unit in a rental management program (RMP) owned by an affiliate of the hotel operator. Revenues generated by the rental unit are split between the condominium owner and the managing agent based on the terms of the RMP agreement.



Eagle County argued that any of the revenue generated by the rental management agreement that was managed by a hotel affiliate RMP entity was in fact attributed to the real estate of the hotel. The petitioner argued that the income associated with the operation of the management of the rental programs was an intangible asset. The petitioner's counsel engaged HVS to perform an appraisal of the hotel real estate component of the Lodge at Vail. Within this appraisal, HVS isolated and removed income and expenses associated with all intangible assets, including the revenue and expenses associated with the RMP received or incurred by the hotel.

HVS took the position and the BAA concurred in its ruling that RMP has no ownership rights associated with the condominium, and the RMP income to the managing agent is created through a contractual agreement with the condominium owner. HVS has consistently taken the position in its appraisals that income generated by RMPs at lodging facilities should be valued as an intangible asset, which must be excluded when valuing the real property

## Summary

This ruling by the Colorado Board of Assessment Appeals confirms our theory on the valuation of hotels that manage third-party-owned condominiums through their rental management programs.

7 Comments

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- Hotel Investments & Ownership
- Hotel Operations
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- Resorts
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- Vail
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component of the associated hotel.

The Board was convinced and ruled that the \$3.6 million in income generated by the RMP constituted an intangible asset. The Board stated that while this income may be considered in valuation of the property outside of taxation, it did not reflect additional value to the subject hotel's real estate. According to Steve Rushmore, President and Founder of HVS, *"This ruling by the Colorado Board of Assessment Appeals confirms our theory on the valuation of hotels that manage third-party-owned condominiums through their rental management programs. The real property rights of the condominium belong to the condominium owner, and any income generated through management of the units pursuant to a rental management program agreement must be identified as a non-taxable intangible asset."*

#### About **Brett E. Russell**



A Senior Vice President with HVS Denver and HVS Director of Business Development, Brett Russell's 15-year career in hospitality encompasses hotel operations, management, development, and consulting. Brett has overseen hundreds of appraisals, market studies, and feasibility studies for hotels, lodges, and resorts throughout the Americas, with a focus on Colorado full-service hotels and resorts. Contact Brett at 720-877-1376 or [\[email protected\]](#).