

BOARD OF EQUALIZATION, WASHOE COUNTY, NEVADA

MONDAY

9:00 A.M.

FEBRUARY 25, 2013

PRESENT:

James Covert, Chairman
John Krolick, Vice Chairman
James Brown, Member
Philip Horan, Member
Gary Kizziah, Member

Nancy Parent, Chief Deputy Clerk
Peter Simeoni, Deputy District Attorney

The Board of Equalization convened at 9:00 a.m. in the Commission Chambers of the Washoe County Administration Complex, 1001 East Ninth Street, Reno, Nevada. Chairman Covert called the meeting to order, the Chief Deputy Clerk called the roll and the Board conducted the following business:

13-379E PUBLIC COMMENTS

There was no response to the call for public comment.

13-380E WITHDRAWN PETITIONS

The following petitions scheduled on today's agenda had been withdrawn by the Petitioners prior to the hearing:

Assessor's Parcel No.	Petitioner	Hearing No.
400-040-07	TROY CMBS LLC	13-0295

13-381E REQUESTS FOR CONTINUANCE

There were no requests for continuance.

13-382E CONSOLIDATION OF HEARINGS

The Board consolidated items as necessary when they each came up on the agenda.

13-383E PARCEL NO. 076-310-69 – MACDONALD, GARY J & MARVALEE – HEARING NO. 13-0202

A Petition for Review of Assessed Valuation was received protesting the 2013-14 taxable valuation on land and improvements located at 655 Encanto Drive, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Asfalt and concrete bids, 2 pages.

Assessor

Exhibit I: Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 17 pages.

On behalf of the Petitioner, Gary MacDonald was sworn in by Chief Deputy Clerk Nancy Parent.

On behalf of the Assessor and having been previously sworn, Michael Bozman, Appraiser, oriented the Board as to the location of the subject property.

Mr. MacDonald felt *Marshall and Swift's* numbers were high for the subject's asphalt and bromide (stamped concrete). He said the bids he obtained last April were shown in Exhibit A. The bids were from Atlas Contractors at \$1.74 per square foot for the asphalt and from Fernley Custom Concrete, L.L.C. at \$7.50 per square foot for the stamped concrete. He stated both firms were the original contractors. He felt *Marshall and Swift* was off because this was a residential application, but stamped concrete was normally used around casinos and the amount of asphalt used on the subject was generally used for commercial applications. He also felt larger asphalt jobs had higher specifications, were poured thicker, were of higher quality, and were engineered. He further believed commercial jobs were done by people earning a prevailing wage, which would be quite a bit higher and would explain why *Marshall and Swift* was higher.

Chairman Covert asked if the subject had both stamped concrete and asphalt. Mr. MacDonald said the lower driveway was stamped concrete and the upper driveway was asphalt. He said the Assessor's record card had 22,200 square feet for the asphalt (Assessor's Code FWAS) at \$2.70 a square foot and 13,500 square feet for the stamped concrete (Assessor's Code FWBO) at \$16.62 per square foot.

Appraiser Bozman stated he explained to the Petitioner how *Marshall and Swift* calculated the asphalt and the stamped concrete. He said the Petitioner asked if he could make an adjustment based on the current quotes, but he advised the Petitioner the Assessor's Office could not make an adjustment because they had to abide by *Marshall and Swift*. He said he further explained the Petitioner could appeal to the Washoe County Board of Equalization, and the Board could make an adjustment if the Board felt it was warranted.

Chairman Covert asked if the Petitioner was correct in believing that *Marshall and Swift* did not differentiate between commercial and private properties when that much asphalt and stamped concrete was used. Appraiser Bozman said *Marshall and Swift* did not differentiate between commercial and residential applications as far as he knew. He advised *Marshall and Swift* did differentiate by the quantity used, with there

being a downward adjustment in price when more asphalt or stamped concrete was applied. Member Horan said he understood Appraiser Bozman was stating there was no difference between residential and commercial as far as *Marshall and Swift* was concerned. Appraiser Bozman replied he knew of no table showing flatwork concrete commercial versus residential.

In rebuttal, Mr. MacDonald said he asked both contractors if they were prevailing-wage contractors and they indicated they were when the job required it, but not for residential applications.

Member Kizziah asked what the Petitioner was requesting. Mr. MacDonald said he was requesting an adjustment of the FWAS to \$1.74 and the FWBO to \$7.50 based on the contractors' bids in Exhibit A.

Chairman Covert asked what would be the difference. Ron Sauer, Chief Property Appraiser, previously sworn, replied it would be \$81,657.

Member Horan said even though the Petitioner said he did not have a problem with *Marshall and Swift*, he actually indicated he did because he felt the value was too high. He stated since *Marshall and Swift* was accurate as far as the categorization was concerned, the Board would be hard pressed to adjust the dollar amounts. Chairman Covert said he was having a hard time dealing with the lack of difference between commercial and private applications. He said the Petitioner happened to fall within that crack because he had so much concrete and asphalt, and *Marshall and Swift* did not recognize the difference between residential and commercial applications. He said he suspected the material would cost the same, but the labor was what was being talked about here. Member Horan said he would struggle with the Board taking it upon themselves to try to differentiate the price.

Member Kizziah noted there was already \$69,908 of obsolescence on the subject, and if \$81,657 was applied, would that be the total for obsolescence or an increase of \$11,749. Mr. Sauer replied it would be additional obsolescence. Member Brown asked if the Board was bound to *Marshall and Swift's* valuation. Chairman Covert said the Board had the authority to make a change regarding obsolescence. Pete Simeoni, Legal Counsel, advised the Assessor's Office was bound by *Marshall and Swift*.

With regard to Parcel No. 076-310-69, pursuant to NRS 361.357, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member Brown, seconded by Member Horan, which motion duly carried, it was ordered that the Assessor's taxable values be upheld and find that the Petitioner failed to meet his/her burden to show that the full cash value of the property is less than the taxable value computed for the property in the current assessment year.

**VARIOUS PARCEL NO'S – MONTAGE MARKETING LLC –
HEARING NO'S 13-0224A THROUGH 13-0224Q5**

A Petition for Review of Assessed Valuation was received protesting the 2013-14 taxable valuation on land and improvements located at 255 N. Sierra Street, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Petitioner's Statement in Support of Petition, 38 pages.

Exhibit B: Appraisal, 61 pages.

Assessor

Exhibit I: Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 21 pages.

Exhibit II: List of sales, 1 page.

On behalf of the Petitioner, Rick Hsu and Bill Kimmel were sworn in by Chief Deputy Clerk Nancy Parent.

Mike Churchfield, Appraiser, noted he was a renter in the subject property. Pete Simeoni, Legal Counsel, indicated that did not cause any conflict.

On behalf of the Assessor and having been previously sworn, Appraiser Churchfield oriented the Board as to the location of the subject properties.

Mr. Hsu withdrew the following parcels because they had been sold:

Assessor's Parcel No.	Petitioner	Hearing No.
011-550-04	MONTAGE MARKETING LLC	13-0224T
011-552-05	MONTAGE MARKETING LLC	13-0224N1
011-556-10	MONTAGE MARKETING LLC	13-0224L2

Mr. Hsu said the law appeared complicated and usually was, but it could always be simplified and, in that regard, he provided a brief, Exhibit A. He said the law could be simplified so that all roads led to one conclusion, which was the total taxable value could not exceed full cash value. He stated that provision was under Nevada Revised Statute (NRS) 361.227, Subsection 5. He said Subsection 1 stated the land and improvements had to be appraised, which was not something any other state did. He stated Subsection 2C included the mechanism to do that for subdivisions, but everything still had to go to the final check in Subsection 5 to make sure the total taxable value did not exceed full cash value.

Mr. Hsu said Exhibit A included various pieces of legislative history and Attorney General's (AG) opinions, because this issue was not new and opinions on subdivision valuations and using discounted cash flows had already been rendered. He

stated the AG's opinion indicated taxing the owner of a subdivision on the gross sellout figure would be taxing the owner in contravention to the statute prohibiting taxable value from exceeding full cash value. He said Mr. Johnson, the former Chairman of the State Board, said almost the same thing. Mr. Hus said when looking at a subdivision's unsold lots, which would not be sold for awhile, those unsold lots could not be valued the same as retail and a wholesale price needed to be applied, which Mr. Kimmel was hired to do. He said the owners could rely on Mr. Kimmel's analysis if they decided to sell, because it used a discounted cash flow that looked at a present value analysis to make the proper discount. He said no one looking to buy the Montage condominium project would pay the full gross sellout price, because if they did that they would never make money. He stated the owners of the Montage project were trying to make money, but they were not making money through rents.

Mr. Hsu He said the statute under Subsection 5c allowed doing a discounted cash flow or some other kind of income capitalization approach, because every property was unique. He stated the bottom line was the full cash value of the unsold subdivision or the unsold condominium units could not be exceeded, which was what the Assessor did. He said even if the Assessor did exactly what he was supposed to do by using *Marshall and Swift*, using obsolescence, and applying the regulation on subdivisions; it still did not get to where the total taxable value had to be compared to the full cash value as required in Subsection 5.

Mr. Kimmel said the Montage dropped the sales price to \$127 per square foot in 2007-08 to expedite sales. He stated since then, the Montage had been increasing the base price per square foot. He said the Montage averaged approximately 40 sales per year during the first two years, there were 47 sales in 2010, 64 sales in 2011, and 85 sales in 2012 with an average sales price of \$153 per square foot. He stated he estimated it would take 2.5 years to sell the remaining 145 units if there were 67 to 70 sales per year. He said he took an average square footage of 1,100 and, as shown on page 45 of Exhibit B, it would take 2.5 years to sell out the project at an average of \$153 per square foot and with a 20 percent discount for the risk factor, which arrived at a value as of January 1, 2013 of \$13,558,000 for the unsold units. He said the discount was fairly conservative and took into account a buyer's risk and the carrying costs on any unsold units.

Chairman Covert stated the statutory date was July 1, 2012, but the Board could deal with evidence through December 31, 2012. Mr. Kimmel said he did both computations. He said when looking at July 1, 2012, there would be three years remaining with a value of \$28,100,000 for the unsold units. Mr. Hsu said the difference between the July 1, 2012 and January 1, 2013 values was there were 50 units sold between those two dates. He stated since he did not have the ability to appeal those units, the January 1, 2013 date was being used.

Appraiser Churchfield said Exhibit II showed 34 sales from January 1, 2012 to July 1, 2012 and, in all cases, the total taxable was slightly under the sale price, which was typically where the total taxable value should be. He stated the Montage was individually parceled and the Assessor's Office had to look at each parcel separately. He

noted per Nevada Administrative Code (NAC) 361.1295, there was a 20 percent subdivision discount on the land held by Montage, which was removed when the land was sold. He stated as of July 1, 2012, the Montage held 197 units, which were selling at approximately 4.57 units per month and equated to an absorption period of 3.5 years. He said the Assessor's Office did what it was constrained to do under the law and the parcels were valued based on their selling prices. He stated he understood discount cash flow, but since the Montage was individually parceled and the sales data was not being exceeded, he did not have the power to do anything.

Chairman Covert asked what the total value of the property was. Appraiser Churchfield said he did not generate a total because the number of units was always changing, and he was looking at the value as of July 1, 2012 for the individual parcels.

Chairman Covert asked what the Board would be upholding if the Board decided to uphold. He asked if the the individual parcel's assessed values were shown on pages 7 through 17 of Exhibit I. Appraiser Churchfield said that showed the values for each unit in comparison with the private owners to show there was a difference between the private units versus those individually held by the Montage and showed the Montage was being given a subdivision discount. He stated the bottom of page 17 of Exhibit I provided a comparison between the private versus the Montage held units. Chairman Covert asked what the Montage's total number of units was. Mr. Hsu replied there was a total of 376 units.

Member Kizziah asked if there was a total for the sales of the last 34 units. Appraiser Churchfield said the sales were looked at individually and the taxable values were less than their market values. He noted *Marshall and Swift* came up with the cost of the improvements, and obsolescence was applied to all of the units to ensure they were below their market values. He reiterated he did not see any reason to add up all of the values because they were valued as individual parcels. Chairman Covert asked what the difference in the sizes of the units was. Appraiser Churchfield replied they ranged from 600 square foot studios to 2,500 square foot penthouses. He said there were also two bedroom, one bedroom, and one bedroom plus den units.

In rebuttal, Mr. Hsu said Exhibit II was insightful because there was an acknowledgement that there should be a discount for owning multiple units, but his point was the discount was not enough. He said page 4 of Exhibit A quoted the Clark County Assessor from 1999, Mark Schofield, as saying the income capitalization approach, or in this case the discounted cash flow, should be used to test whether or not the taxable value of a property exceeded its full cash value. He said the Montage's taxable value exceeded its full cash value because the discount was not enough due to the regulations only allowed applying a discount to the land and not the improvements. He said the Board could look at the whole project and make that adjustment if they felt the discount was not enough. He stated based on the July 1 numbers, Mr. Kimmel's appraisal was \$28.8 million and was based on 197 unsold units, which was now down to 144 unsold units. He said using the \$28.8 million and dividing it by 197 units resulted in a value of \$146,000. He stated the reason for doing that was because there was no way of knowing whether a

more expensive or less expensive unit would be sold first. He stated using January 1st numbers, the taxable value would be \$93,500 per unit and using July 1, the value would be \$146,000 per unit.

Mr. Hsu said it went back to Subsection 5 and looking at the discounted cash flow to test whether or not taxable value exceeded the market value, which in this case it did.

Member Kizziah asked what discount the Petitioner was asking for. Mr. Hsu said the Petitioner was requesting a taxable value of \$146,000 per unit for the 144 remaining units.

Chairman Covert brought the discussion back to the Board.

Member Horan said the Petitioner made a case for how he would like to interpret the regulations and valuations. He believed the Assessor was very clear on the taxable value not exceeding full cash value, and he did not think the Board wanted to change the regulations. Chairman Covert stated the units sold between July and December 2012 upheld the Assessor's value.

With regard to to the list of parcels below, pursuant to NRS 361.357, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member Horan, seconded by Member Brown, which motion duly carried, it was ordered that the Assessor's taxable values be upheld and find that the Petitioner failed to meet his/her burden to show that the full cash value of the property is less than the taxable value computed for the property in the current assessment year.

Assessor's Parcel No.	Petitioner	Hearing No.
011-544-12	MONTAGE MARKETING LLC	13-0224A
011-544-13	MONTAGE MARKETING LLC	13-0224B
011-544-15	MONTAGE MARKETING LLC	13-0224C
011-544-16	MONTAGE MARKETING LLC	13-0224D
011-544-17	MONTAGE MARKETING LLC	13-0224E
011-544-18	MONTAGE MARKETING LLC	13-0224F
011-546-06	MONTAGE MARKETING LLC	13-0224G
011-546-07	MONTAGE MARKETING LLC	13-0224H
011-546-08	MONTAGE MARKETING LLC	13-0224I
011-546-09	MONTAGE MARKETING LLC	13-0224J
011-546-10	MONTAGE MARKETING LLC	13-0224K
011-546-11	MONTAGE MARKETING LLC	13-0224L
011-546-12	MONTAGE MARKETING LLC	13-0224M
011-546-15	MONTAGE MARKETING LLC	13-0224N
011-546-16	MONTAGE MARKETING LLC	13-0224O
011-546-19	MONTAGE MARKETING LLC	13-0224P
011-546-20	MONTAGE MARKETING LLC	13-0224Q
011-550-02	MONTAGE MARKETING LLC	13-0224R

Assessor's Parcel No.	Petitioner	Hearing No.
011-550-03	MONTAGE MARKETING LLC	13-0224S
011-550-05	MONTAGE MARKETING LLC	13-0224U
011-550-06	MONTAGE MARKETING LLC	13-0224V
011-550-08	MONTAGE MARKETING LLC	13-0224W
011-550-10	MONTAGE MARKETING LLC	13-0224X
011-550-13	MONTAGE MARKETING LLC	13-0224Y
011-550-14	MONTAGE MARKETING LLC	13-0224Z
011-550-15	MONTAGE MARKETING LLC	13-0224A1
011-550-16	MONTAGE MARKETING LLC	13-0224B1
011-550-17	MONTAGE MARKETING LLC	13-0224C1
011-550-19	MONTAGE MARKETING LLC	13-0224D1
011-551-05	MONTAGE MARKETING LLC	13-0224E1
011-551-07	MONTAGE MARKETING LLC	13-0224F1
011-551-09	MONTAGE MARKETING LLC	13-0224G1
011-551-10	MONTAGE MARKETING LLC	13-0224H1
011-551-11	MONTAGE MARKETING LLC	13-0224I1
011-551-14	MONTAGE MARKETING LLC	13-0224J1
011-551-16	MONTAGE MARKETING LLC	13-0224K1
011-551-17	MONTAGE MARKETING LLC	13-0224L1
011-551-18	MONTAGE MARKETING LLC	13-0224M1
011-552-06	MONTAGE MARKETING LLC	13-0224O1
011-552-08	MONTAGE MARKETING LLC	13-0224P1
011-552-10	MONTAGE MARKETING LLC	13-0224Q1
011-552-16	MONTAGE MARKETING LLC	13-0224R1
011-552-17	MONTAGE MARKETING LLC	13-0224S1
011-553-03	MONTAGE MARKETING LLC	13-0224T1
011-553-10	MONTAGE MARKETING LLC	13-0224U1
011-553-11	MONTAGE MARKETING LLC	13-0224V1
011-553-12	MONTAGE MARKETING LLC	13-0224W1
011-553-15	MONTAGE MARKETING LLC	13-0224X1
011-554-06	MONTAGE MARKETING LLC	13-0224Y1
011-554-08	MONTAGE MARKETING LLC	13-0224Z1
011-554-09	MONTAGE MARKETING LLC	13-0224A2
011-554-10	MONTAGE MARKETING LLC	13-0224B2
011-554-15	MONTAGE MARKETING LLC	13-0224C2
011-554-16	MONTAGE MARKETING LLC	13-0224D2
011-555-06	MONTAGE MARKETING LLC	13-0224E2
011-555-10	MONTAGE MARKETING LLC	13-0224F2
011-555-13	MONTAGE MARKETING LLC	13-0224G2
011-555-14	MONTAGE MARKETING LLC	13-0224H2
011-555-15	MONTAGE MARKETING LLC	13-0224I2
011-556-03	MONTAGE MARKETING LLC	13-0224J2
011-556-08	MONTAGE MARKETING LLC	13-0224K2
011-556-13	MONTAGE MARKETING LLC	13-0224M2
011-556-14	MONTAGE MARKETING LLC	13-0224N2
011-556-15	MONTAGE MARKETING LLC	13-0224O2
011-556-17	MONTAGE MARKETING LLC	13-0224P2

Assessor's Parcel No.	Petitioner	Hearing No.
011-557-03	MONTAGE MARKETING LLC	13-0224Q2
011-557-06	MONTAGE MARKETING LLC	13-0224R2
011-557-15	MONTAGE MARKETING LLC	13-0224S2
011-557-16	MONTAGE MARKETING LLC	13-0224T2
011-558-04	MONTAGE MARKETING LLC	13-0224U2
011-558-14	MONTAGE MARKETING LLC	13-0224V2
011-558-16	MONTAGE MARKETING LLC	13-0224W2
011-558-17	MONTAGE MARKETING LLC	13-0224X2
011-558-18	MONTAGE MARKETING LLC	13-0224Y2
011-559-07	MONTAGE MARKETING LLC	13-0224Z2
011-559-09	MONTAGE MARKETING LLC	13-0224A3
011-559-14	MONTAGE MARKETING LLC	13-0224B3
011-559-16	MONTAGE MARKETING LLC	13-0224C3
011-560-06	MONTAGE MARKETING LLC	13-0224D3
011-560-07	MONTAGE MARKETING LLC	13-0224E3
011-560-14	MONTAGE MARKETING LLC	13-0224F3
011-560-20	MONTAGE MARKETING LLC	13-0224G3
011-561-06	MONTAGE MARKETING LLC	13-0224H3
011-561-09	MONTAGE MARKETING LLC	13-0224I3
011-561-14	MONTAGE MARKETING LLC	13-0224J3
011-561-15	MONTAGE MARKETING LLC	13-0224K3
011-561-16	MONTAGE MARKETING LLC	13-0224L3
011-562-10	MONTAGE MARKETING LLC	13-0224M3
011-562-15	MONTAGE MARKETING LLC	13-0224N3
011-562-17	MONTAGE MARKETING LLC	13-0224O3
011-563-06	MONTAGE MARKETING LLC	13-0224P3
011-563-11	MONTAGE MARKETING LLC	13-0224Q3
011-563-14	MONTAGE MARKETING LLC	13-0224R3
011-563-16	MONTAGE MARKETING LLC	13-0224S3
011-563-17	MONTAGE MARKETING LLC	13-0224T3
011-563-20	MONTAGE MARKETING LLC	13-0224U3
011-564-07	MONTAGE MARKETING LLC	13-0224V3
011-564-13	MONTAGE MARKETING LLC	13-0224W3
011-564-14	MONTAGE MARKETING LLC	13-0224X3
011-564-15	MONTAGE MARKETING LLC	13-0224Y3
011-565-05	MONTAGE MARKETING LLC	13-0224Z3
011-565-06	MONTAGE MARKETING LLC	13-0224A4
011-565-08	MONTAGE MARKETING LLC	13-0224B4
011-565-09	MONTAGE MARKETING LLC	13-0224C4
011-565-10	MONTAGE MARKETING LLC	13-0224D4
011-565-11	MONTAGE MARKETING LLC	13-0224E4
011-565-12	MONTAGE MARKETING LLC	13-0224F4
011-565-13	MONTAGE MARKETING LLC	13-0224G4
011-565-14	MONTAGE MARKETING LLC	13-0224H4
011-565-15	MONTAGE MARKETING LLC	13-0224I4
011-590-01	MONTAGE MARKETING LLC	13-0224J4
011-590-02	MONTAGE MARKETING LLC	13-0224K4

Assessor's Parcel No.	Petitioner	Hearing No.
011-590-03	MONTAGE MARKETING LLC	13-0224L4
011-590-04	MONTAGE MARKETING LLC	13-0224M4
011-590-06	MONTAGE MARKETING LLC	13-0224N4
011-590-07	MONTAGE MARKETING LLC	13-0224O4
011-590-09	MONTAGE MARKETING LLC	13-0224P4
011-590-10	MONTAGE MARKETING LLC	13-0224Q4
011-590-11	MONTAGE MARKETING LLC	13-0224R4
011-591-03	MONTAGE MARKETING LLC	13-0224S4
011-591-04	MONTAGE MARKETING LLC	13-0224T4
011-591-05	MONTAGE MARKETING LLC	13-0224U4
011-591-06	MONTAGE MARKETING LLC	13-0224V4
011-591-07	MONTAGE MARKETING LLC	13-0224W4
011-591-08	MONTAGE MARKETING LLC	13-0224X4
011-591-09	MONTAGE MARKETING LLC	13-0224Y4
011-591-10	MONTAGE MARKETING LLC	13-0224Z4
011-591-11	MONTAGE MARKETING LLC	13-0224A5
011-592-02	MONTAGE MARKETING LLC	13-0224B5
011-592-04	MONTAGE MARKETING LLC	13-0224C5
011-592-07	MONTAGE MARKETING LLC	13-0224D5
011-592-08	MONTAGE MARKETING LLC	13-0224E5
011-592-09	MONTAGE MARKETING LLC	13-0224F5
011-592-10	MONTAGE MARKETING LLC	13-0224G5
011-592-12	MONTAGE MARKETING LLC	13-0224H5
011-592-13	MONTAGE MARKETING LLC	13-0224I5
011-594-03	MONTAGE MARKETING LLC	13-0224J5
011-594-04	MONTAGE MARKETING LLC	13-0224K5
011-594-05	MONTAGE MARKETING LLC	13-0224L5
011-594-08	MONTAGE MARKETING LLC	13-0224M5
011-594-10	MONTAGE MARKETING LLC	13-0224N5
011-594-13	MONTAGE MARKETING LLC	13-0224O5
011-594-15	MONTAGE MARKETING LLC	13-0224P5
011-594-16	MONTAGE MARKETING LLC	13-0224Q5

13-385E PARCEL NO'S 032-312-08, 032-312-16, 032-312-17,032-312-23, AND 032-312-24 – CASHMAN EQUIPMENT COMPANY - NV SPARKS – HEARING NO's 13-0060A, 13-0060B, 13-0060C, 13-0060D, AND 13-0060E

On behalf of the Petitioner, Brandt Palmer and Chris Glidewell were sworn in by Chief Deputy Clerk Nancy Parent.

Mr. Glidewell indicated the following Hearings were being withdrawn:

Assessor's Parcel No.	Petitioner	Hearing No.
032-312-08	CASHMAN EQUIPMENT COMPANY – NV SPARKS	13-0060A

Assessor's Parcel No.	Petitioner	Hearing No.
032-312-16	CASHMAN EQUIPMENT COMPANY – NV SPARKS	13-0060B
032-312-17	CASHMAN EQUIPMENT COMPANY – NV SPARKS	13-0060C
032-312-23	CASHMAN EQUIPMENT COMPANY – NV SPARKS	13-0060D
032-312-24	CASHMAN EQUIPMENT COMPANY – NV SPARKS	13-0060E

13-386E PARCEL NO. 532-032-12 – FDC EAGLE LANDING INV CO II (AUTOZONE INC) – HEARING NO. 13-0226

On behalf of the Petitioner, Brandt Palmer and Chris Glidewell were previously sworn in by Chief Deputy Clerk Nancy Parent.

Mr. Palmer said the petition for Parcel No. 532-032-12 was being withdrawn.

13-387E PARCEL NO. 027-530-14 – SYCAMORE GARDENS (AUTOZONE INC) – HEARING NO. 13-0227

On behalf of the Petitioner, Brandt Palmer and Chris Glidewell were previously sworn in by Chief Deputy Clerk Nancy Parent.

Mr. Palmer said the petition for Parcel No. 027-530-14 was being withdrawn.

13-388E PARCEL NO. 001-272-40 – ATREVLE (AUTO ZONE INC) – HEARING NO. 13-0299

A Petition for Review of Assessed Valuation was received protesting the 2013-14 taxable valuation on land and improvements located at 10560 N. McCarran Boulevard, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Property information and comparables, 35 pages.

Assessor

Exhibit I: Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 19 pages.

On behalf of the Petitioner, Brandt Palmer and Chris Glidewell were previously sworn in by Chief Deputy Clerk Nancy Parent.

On behalf of the Assessor and having been previously sworn, Stacy Ettinger, Appraiser, oriented the Board as to the location of the subject property.

Mr. Palmer reviewed the Summary of the Property, which was on page 3 of Exhibit A. He stated market comparables within close proximity of the subject, the land value, and the valuations of other Auto Zone properties in the Reno market were looked at.

Mr. Palmer said page 6 of Exhibit A listed four market comparables within a four- to five-mile radius of the subject and had an average sales price of \$104.23 per square foot. He stated the Appellant tried to stay as close as possible to the subject when looking at the comparables, but recognized there were some differences in their use. He said they were all close in size to the subject and the year built, but there was an approximately \$51 price per square foot difference from the subject. He stated if that difference was multiplied by the subject's square footage, it yielded \$677,511. He advised the detailed CoStar reports for each of the sales were included at the back of Exhibit A. He reviewed the eight land comparables listed on page 7 of Exhibit A, which were within a five-mile radius of the subject. He stated the Appellant agreed with the Assessor's improvement value, but not with the taxable land value of \$13 per square foot for the subject. Chairman Covert noted the Appellant's highest comparable land value was \$8.73 per square foot. Mr. Palmer noted that was correct.

Mr. Palmer said page 8 of Exhibit A provided seven equity comparables. He said the Appellant was aware equity was not an approach to value, but the Appellant wanted to make sure that properties across the County were being valued equally. He stated the subject's 6,500 square feet was valued at \$155 per square foot, and the average of the seven comparables was \$126.03 per square foot or a value of \$819,214. He said based on the three things the Appellant looked at, the Assessor's current value of \$155 per square foot was above the subject's fair market value.

Appraiser Ettinger stated normally he would have a response to the Appellant's issues, but this was the first time he saw the Appellant's evidence packet. He said he received a phone call on Friday when he was not in the office, and he assumed it had something to do with this additional material. He stated the subject was formally a Hollywood Video store, which was a leased property instead of a corporate store. He said the \$1,540,000 purchase price of subject property in March 2010 was well above its total taxable value.

Appraiser Ettinger reviewed the improved sales (IS) shown on page 2 of Exhibit I, which were reconciled to \$1,625,000 in the sales comparison approach and the land sales on page 3 of Exhibit I. He noted the first land sale was the most comparable. He reviewed the income approach on page 4 of Exhibit I. He said the sales and income approaches were reconciled to \$1,400,000 and the taxable value on the subject was \$1,007,999, which was well below the market value of the subject.

In rebuttal, Mr. Glidewell said the Appellant's evidence packet was sent out a week ago Monday, and he was not sure why it was the first time Appraiser Ettinger

was seeing it. Ms. Parent advised she was sending an inquiry to staff to see what happened. She believed the evidence was sent to the Clerk's Office, and staff said any evidence received was forwarded to the Assessor's Office. She advised the Petitioner's evidence was a timely submittal.

Mr. Palmer said if the comparable sales on page 2 of Exhibit I were compared to page 6 of Exhibit A, it would show the Assessor's comparable sales 1, 2, and 4 were far away from the subject property; while the Appellant tried to stay within a five-mile radius of the subject. He stated the Appellant felt the sales closest to the subject were the most reflective of the subject's value. He said not having an adjustment for age was an issue because the subject was built in 1996; while the Assessor's IS-1 was built in 2005, IS-2 in 2007, and IS-3 in 2009. He stated page 3 of Exhibit I showed the Assessor's land sales 2 and 3 were also far away from the subject and were \$3 or \$4 less per square foot. He said the average of the three land sales was \$10.91 per square foot and the subject was valued at \$13 per square foot. He stated the evidence supplied by the Appellant, and even some of the Assessor's evidence, warranted a lower value for the subject.

Chairman Covert brought the discussion to the Board. Member Kizziah said the land appeared to be overvalued. Chairman Covert believed the Petitioner's sales being within five miles of the subject was pretty strong evidence. Member Krolick said he could support an adjustment to the land. Chairman Covert and Member Horan agreed.

With regard to Parcel No. 001-272-40, pursuant to NRS 361.356, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member Brown, seconded by Member Horan, which motion duly carried, it was ordered that the taxable land value be reduced to \$353,661 and the taxable improvement value be upheld, resulting in a total taxable value of \$835,030 for tax year 2013-14. With that adjustment, it was found that the land and improvements are valued correctly and the total taxable value does not exceed full cash value.

13-389E PARCEL NO. 014-234-27 – AUTOZONE INC –
HEARING NO. 13-0300

A Petition for Review of Assessed Valuation was received protesting the 2013-14 taxable valuation on land and improvements located at 1550 S. Virginia Street, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Property information and comparables, 43 pages.

Assessor

Exhibit I: Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 20 pages.

On behalf of the Petitioner, Brandt Palmer and Chris Glidewell were previously sworn in by Chief Deputy Clerk Nancy Parent.

On behalf of the Assessor and having been previously sworn, Stacy Ettinger, Appraiser, oriented the Board as to the location of the subject property.

Mr. Palmer said this was the same issue that was addressed in Hearing No. 13-0299, except the subject's land value was \$12 per square foot instead of the \$13 per square foot in Hearing No. 13-0299. He stated the Appellant's land sales were on page 7 of Exhibit A, and they were all within five miles of the subject.

Chairman Covert asked how close the subject was to the other store in Hearing No. 13-0299. Mr. Palmer replied approximately three to four miles. He said every single one of the Assessor's comparables were more than five miles from the subject. He stated the Appellant would be fine if the Board did something similar with the subject's land value.

Appraiser Ettinger reviewed the improved sales (IS) shown on page 2 and the land sales shown on page 3 of Exhibit I. He noted the subject's taxable value per square foot was \$166. He believed proximity by distance was not always the best indicator of whether a property's land was comparable to someone else's land, because there were submarkets all over the Reno area that were comparable to the subject. He said auto-parts stores, pharmacies, and convenience stores were located in primary locations around a larger market, which would indicate a higher dollar amount per square foot being paid for the lots those types of stores would be put on. He stated if anything, the \$9 to \$13 per square foot for the land sales were low.

Appraiser Ettinger reviewed the income approach on page 4 of Exhibit I. He said both values were reconciled, for a total value of \$1,200,000, while the subject's total taxable value was \$893,479.

Chairman Covert agreed that auto-parts stores were probably located in shopping centers. He said there was a WalMart store in South Reno, while right next door there was an auto-parts store. He stated the subject appeared to be in a shopping area, but was a standalone store. Appraiser Ettinger said it was an infill lot, but he was willing to bet the traffic count for the subject's location was very high. Chairman Covert stated it appeared that someone would have to drive to the AutoZone if they were shopping at one of the other stores. Appraiser Ettinger said he agreed, but he felt the subject was located in a well-established area with a high population.

Member Horan asked where the closest cross street on Virginia Street was. Appraiser Ettinger said it was just before where Wells Avenue angled off of Virginia Street going north. He noted it was across the street from the Sports West Shopping Center.

Member Kizziah asked if Appraiser Ettinger received the Appellant's evidence packet. Appraiser Ettinger replied he did not, and he could have addressed the Appellant's comparable sales more specifically if he had.

In rebuttal, Mr. Palmer said the CoStar reports were included at the back of Exhibit A and most of the comparables were the same as those used in Hearing No. 13-0299. He said the subject was in an inferior location compared to the store in Hearing No. 13-0299. He stated page 12 of Exhibit I showed the location of the Assessor's comparables in relation to the subject, which were all over five miles away from the subject. The average value of the Assessor's three land sales was \$10.91 per square foot, while the subject was valued at \$12 per square foot. He said Hearing No. 13-0299 was at \$8.73 per square foot, which was still higher than all of the land sales provided by the Appellant. He stated the Appellant felt the \$8.73 per square foot was very conservative. He advised the Appellant's only issue was the subject's land value.

Chairman Covert said Appraiser Ettinger indicated he felt the subject was in a better location than the one in Hearing No. 13-0299 based on the surrounding stores, and he asked the Appellant if the two locations were comparable. Mr. Glidewell said the subject was in an inferior location, because it was a more blighted area than the location in the other hearing. He said he disagreed with Appraiser Ettinger's general statements about the locations for auto-parts stores, because he represented AutoZone stores around the nation. He said they were strategically placed in less desirable areas because their patrons could not afford to pay to have their cars worked on, so they did the work themselves.

Member Kizziah said the subject had tattoo parlors and exotic stores located within a short distance. He asked if the Appellant had any retail sales per square foot to compare the subject to the store in Hearing No. 13-0299. Mr. Glidewell said those figures were not typically supplied, but maybe they should be in the future.

Mr. Palmer said page 8 of Exhibit A showed the equity comparables, which indicated the subject's price per square foot was higher than all of the other AutoZones; which was partially due to the land value. He stated the Appellant felt the land was overvalued.

Chairman Covert brought the discussion back to the Board.

Member Kizziah asked if anyone wanted to go lower than \$8.73 per square foot for the land. Chairman Covert felt the \$8.73 was fair, and he believed the Appellant's evidence on the land was more compelling.

With regard to Parcel No. 014-234-27, pursuant to NRS 361.356, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member Brown, seconded by Member Horan, which motion duly carried, it was ordered that the taxable land value be reduced to \$322,591 and the taxable improvement value be upheld, resulting in a total taxable value of \$772,646 for tax year 2013-14. With that adjustment,

it was found that the land and improvements are valued correctly and the total taxable value does not exceed full cash value.

10:35 a.m. The Board recessed.

10:50 a.m. The Board reconvened with all members present.

13-390E **PARCEL NO. 025-561-19 – MT BAKER LLC (INTUIT) –
HEARING NO. 13-0301**

A Petition for Review of Assessed Valuation was received protesting the 2013-14 taxable valuation on land and improvements located at 6888 Sierra Center Parkway, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Property information and comparables, 44 pages.

Exhibit B: Photos, 5 pages.

Exhibit C: Floor plans, 2 pages.

Assessor

Exhibit I: Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 18 pages.

Exhibit II: Updated Income Approach, 1 page.

On behalf of the Petitioner, Brandt Palmer and Chris Glidewell were previously sworn in by Chief Deputy Clerk Nancy Parent.

On behalf of the Assessor and having been previously sworn, Michael Gonzales, Appraiser, oriented the Board as to the location of the subject property. He said he learned last week that the subject was leased rather than being owner-occupied, but that did not change any of the data or the assumptions he made in his presentation.

Mr. Glidewell noted Appraiser Gonzales was provided with the actual lease rates for the subject, which should have made a difference, but did not. He said the Appellant believed the floor plans in Exhibit C were crucial to the appeal.

Mr. Palmer stated page 7 of Exhibit A showed market information and costs, but the subject was an income producing property, which meant the most weight should be placed on the income approach. He said page 3 of Exhibit A showed a summary of the property. He stated the subject was a Class B building with tilt-up construction, and 70 percent of the interior consisted of cubicles used by Intuit as a call center, so there was not the build-out typical for an office building. He said because it was a Class B building, Class B lease rates should be looked at instead of Class A lease rates. He stated page 8 of Exhibit A provided four equity comparables of office buildings

less than a quarter of a mile away from the subject property, which were close in size, were built in 2001 or later, and had an average value of \$102.50 per square foot. He advised the subject was valued at \$124.26 per square foot.

Mr. Palmer said the Appellant's income approach was on page 13 of Exhibit A, and he reiterated the focus should be on the lease rate of \$14.94 per square foot. He noted the documentation supporting that rate was shown on page 14. He stated the Appellant might have been too conservative with the expenses at 10 percent and with a 10 percent vacancy rate, because the Assessor's Office used 30 percent. He said using a 10 percent capitalization rate indicated a value of \$5,271,701. He stated what it really came down to was using the actual lease rate or not, because the actual rate supported a \$500,000 reduction on the subject.

Mr. Palmer said page 15 of Exhibit A showed the cost approach with obsolescence applied due to the subject not having a typical build-out and due to the lease rate calling for a lower valuation. He stated some land sales were also included but overall, considering the market cost and the income, the Appellant was requesting a value of \$5 million or \$101.74 per square foot.

Mr. Glidewell stated *Marshall and Swift* did not supply a model for call centers. He said the build-out percentage for call centers was very low and an engineer estimated the subject was only 30 percent built-out for office space and the rest was cubicles (shown in Exhibit C), which were picked up on the personal property rolls. He stated when using *Marshall and Swift*, assumptions were made that the building would contain a lot more drywall, plumbing, electrical, and so on based on the standard things contained in office buildings, which was not the case for the subject. He said because the subject was 70 percent cubicles, it needed to have some type of special treatment applied.

Mr. Glidewell stated it bothered him that it appeared the Assessor's cost analysis identified the subject as a Class A building. He said *Marshall and Swift* was very clear regarding what comprised Class A and Class B buildings. He stated Class A buildings were constructed with fireproofing on the steel and glazed glass on the outside, and examples of Class A buildings were shown on page 3 of Exhibit I. He said the subject was a tilt-up concrete building with poured concrete floors, which was clearly a Class B building under *Marshall and Swift's* guidelines. He stated the subject at \$14 per square foot was not getting \$22 to \$24 per square foot Class A rates such as downtown Class A buildings received. He said he was unsure whether the Assessor's Office was using Class A for the building's construction costs, but they were using Class A information in their income approach. He stated when actual rents were provided, they should be used. He said the rents indicated a lower value than the rates the Assessor's Office used. He noted Intuit did not consider this a Class A building.

Appraiser Gonzales said there appeared to be a misunderstanding of what a Class A building was and about the type of tenant the building would attract. He stated the structure was not listed as a Class A building, but as a masonry building, which meant it was not being costed incorrectly. He said when talking about how buildings were

leased, he agreed somewhat with the Appellant that the subject fell between a Class A and a Class B. He stated the class depended on how the building was finished, which would determine the type of tenants it would attract. He stated Class A buildings would not be functionally obsolete, would not require utility upgrades, but would attract companies like Intuit and Microsoft. He said in larger cities, a Class A building would typically be a large well finished high-rise office building, but locally the buildings on South Kietzke would be Class A buildings. He stated the subject fell in between a Class A and Class B, because it did not have as much finish as it could potentially have. Chairman Covert said *Marshall and Swift* did not make that differentiation. Appraiser Gonzales replied the structure fell under *Marshall and Swift* but, when he referred to Class A, he was strictly looking at the leasing perspective. Member Horan asked if the buildings at the south end of Kietzke were leased. Appraiser Gonzales said there was a mix, but he believed the majority of them were leased ranging from \$1.35 to \$2 per square foot. He said the leases closer to \$2 per square foot were signed awhile back, while the newer leases were coming in at \$1.40 to \$1.55 per square foot and were typically full-service leases.

Appraiser Gonzales said page 3 of Exhibit I provided the income analysis, which he agreed was the best way to look at this building. He stated he received the lease information on Thursday afternoon or Friday morning, but he treated the building as if it had a full-service lease when he did his analysis several weeks ago. He said after receipt of the new information, he did a second analysis using a triple-net lease as shown in Exhibit II, which he reviewed. He said the building had been leased since 2001 by a large national company and it was a very strong lease. He said he applied three different capitalization rates, but 8 percent would be appropriate for the subject because of its location, the type of tenant it had, and the building type, which resulted in a value of \$7.87 million. He discussed the capitalization rate summary on page 10 of Exhibit I. He said the Assessor's value was supported even when using the 10 percent capitalization rate. He noted the Appellant's capitalization rate was 11.28 percent, but he saw no supporting data in Exhibit A showing where that rate came from.

Appraiser Gonzales said when he received the Appellant's information on Friday, he did not spend much time looking at the equity comparison because, the only way that worked, was to have a building with the same square footage, stories, ceiling height, asphalt, and curbing. In fact it would have to be an identical building built in the same year, otherwise, so many differences would have to be compared, which would be a difficult thing to do with Nevada's property-tax structure.

Appraiser Gonzales said the Appellant stated the building was not fully built out. He stated he was in part of the building when a permit was pulled for a cafeteria addition and some other minor work. He said from the building's plans and from his observations, the building was entirely built out. He felt what the Appellant was trying to say was it was not partitioned into offices, which was not unusual. He said the majority of office buildings had some partitioned offices and big areas containing cubicles, which allowed the flexibility to make changes as necessary. He said the building was built out because it had dropped ceilings, heating and cooling to the entire building, was carpeted,

had finished floors and walls, and a cafeteria. He said the cafeteria was an additional expense, but was a positive addition to the subject.

Appraiser Gonzales discussed the improved sales (IS) shown on page 2 of Exhibit I. He said regarding the Appellant's sales comparables, the first two were older sales and the other two were 2012 sales. He stated the first sale, APN 140-213-16, was purchased out of bankruptcy by a group of investors. He said there were three tenants occupying 19,000 square feet at the time of the sale, resulting in a 60 percent vacancy rate. He said that was an example of a poorly performing building. He advised the investors indicated they were hoping to achieve stabilization within five years and to get higher than market rents. He said the second sale, APN 025-460-24, was 66 percent vacant at the time of the sale and was not listed on the open market. He said the investor made a low offer to the owner due to the struggling building, which the owner accepted. He stated the third sale, APN 160-070-24, was a short sale and there was no listing history. He said after the sale, the University of Phoenix vacated the building and the building was also occupied by other tenants, some of whom were receiving rent concessions. He stated none of those buildings were better performing buildings than the subject. He said APN 240-031-04 was 50 percent vacant and the unoccupied second floor was not finished. He stated the Appellant's comparable sales were truly not comparable. He reviewed the conclusions on page 1 of Exhibit I, which supported the subject's total taxable value. He said the recommendation was to uphold the Assessor's values.

Member Horan noted the major difference between the Assessor's Office and the Appellant was in the capitalization rate. Appraiser Gonzales stated that was a big difference. He said the Assessor's capitalization rate analysis was on page 10 of Exhibit I, but he did not see any supporting documentation from the Appellant on how they arrived at their capitalization rate. Member Kizziah asked if Appraiser Gonzales had selected one of the comparables used for the capitalization rate as the best comparable. Appraiser Gonzales said he did not. He said he ruled out why the higher rates were high, such as the one at 12.25 percent. He stated that was a short-sale transaction of a multi-tenant building with rent concessions. He said the third one from the bottom (page 10 - Exhibit I) was an office condominium in a struggling complex, which was purchased by a tenant. Member Kizziah said APN 164-352-25 was a similar sized building and had the U.S. Government as a tenant for 10 years, which he assumed would be a good tenant. Appraiser Gonzales agreed the U.S. Government would be a very good tenant, because they typically signed longer leases and for a little higher rent. Member Kizziah asked if the capitalization rate of 7.97 was a good rate. Appraiser Gonzales said it was.

Mr. Glidewell asked if the subject property's value was based on the *Marshall and Swift* costs or was totally based on the income approach. He also asked what the number would be if it was valued on the costs. Appraiser Gonzales said by statute the Assessor's Office was required to base value of the subject on costs of \$6,106,906 or \$124 per square foot, which was shown on page 1 of Exhibit I. He stated running the income analysis helped to determine if that value was being exceeded, because by statute the market value could not be exceeded. He said since his income

analysis came in at \$7.8 million, the market value was not being exceeded and there was no reason to adjust the cost value.

In rebuttal, Mr. Glidewell said it was unfortunate he was not able to talk with Appraiser Gonzales last week, but Appraiser Gonzales was busy and they never had a conversation about this. He stated one of the things typical in the marketplace was people claiming they were under a triple-net lease when they were under a modified-gross lease. He said even through the owners stated it was a triple-net lease, the owners covered costs related to this building, such as the HVAC system, roofing, and other costs; so it was not a true triple-net lease. He said that was the same for the subject building, it was not a true triple-net lease because the owner, Mt. Baker LLC, was bearing a significant portion of the costs, which was reflected by the Appellant's capitalization rate. He stated the capitalization rate was loaded with the effective tax rate, which was felt to be appropriate under this situation. He said that type of conversation would have been nice to have with the Assessor's Office.

Mr. Glidewell said he believed it was clear that the subject was not a Class A building, structurally or in any other way. He stated he never heard the argument that the building could be bifurcated and, for leasing purposes, the building would be treated as a Class A building. He felt that would be called fraud in anybody else's definition or at least very disingenuous when trying to sell to a customer to get the leases up to attract a Class A tenant. He said the lease was renegotiated a couple of years ago, but the lease might not be renewed when it expired in 2014. He said it was not right to value the subject as a Class A building, because buildings used for call centers were not built out all the way due to the lack of partitioning. He stated the drywall, the ceiling, the HVAC, and so on all were assumed to be in the model *Marshall and Swift* used, and those costs were not in this building. He said that would make a difference in the valuation.

Mr. Horan asked if the Assessor was being disingenuous in how the subject building was being looked at. Mr. Glidewell said it would be disingenuous for the management company or the owners of that building to market it and sell it as a Class A office building. Mr. Horan said that was really not relevant to the Board.

Mr. Palmer said four equity comparables were listed on page 8 of Exhibit A, but the Assessor's Office disagreed with looking at the equity analysis because there could be wide variations. He stated if those properties were looked at, which were in close proximity to the subject and were very close in square footage except for the first comparable, they were all classified as office properties instead of call centers like the subject was. He said their average valuation was \$102.50 per square foot, while the subject's value was \$124.26 per square foot.

Mr. Palmer said the Assessor's IS-3 was leased to a government entity and was also used as one of their comparables last year. He stated he had the CoStar report that indicated it should be thrown out as a comparable and, per the seller, this was a complicated sale and would not be a good comparable representing the market. The seller even stated part of this transaction was not an arms-length transaction.

11: 25 a.m. There was a power outage.

11:47 a.m. The Board recessed.

12:38 p.m. The Board reconvened with Member Horan absent. A digital-audio recorder was set up due to issues with the chamber's audio-recording system after the power outage.

Mr. Palmer continued his discussion on the Assessor's sales, which he started before the power outage. He said Appraiser Gonzales discussed the capitalization rate summary on page 10 of Exhibit I. He stated the Assessor's Office was using the capitalization rate in the middle (12.25 percent) as the comparable. He felt it should be used as the subject's capitalization rate if it was valid enough to be used as a comparable. He said it was mentioned this property had issues because some concessions were being offered. He stated the property being looked at had issues, not with concessions, but because it was not a typical office building. He said the Appellant felt the higher end of the capitalization rate range was appropriate. He believed capitalization rates could be argued about all day long, but the cost approach could be fallen back on. He said Appraiser Gonzales said the subject was valued as an office building and no allowance was made for the 70 percent of the building that was a call center. He said if it was valued under the cost approach, there would have to be an adjustment made. He stated for that reason the Appellant felt the value on the property was higher than it should be and asked the Board to make a reduction.

Member Kizziah asked how the 1.28 percent in taxes was added to the Appellant's calculation, and he assumed the Assessor's calculation already had the 1.28 percent embedded in their numbers. Mr. Palmer said he did not know if the 1.28 percent was identified correctly, but the Appellant felt the much higher end of the capitalization rate was where the capitalization rate should be.

Appraiser Gonzales said he wanted to clarify that when classifying buildings, there was the classification of the structure and the classification used when someone would be leasing the building. He stated the structure's classification was not Class A. He said he had a definition from the Appraisal Institute's *Dictionary of Real Estate Appraisal* regarding the classes of office buildings, which stated office spaces were grouped into three classes for comparison purposes. The classes represented a subjective quality rating of buildings, which indicated the competitive ability of each building to attract similar types of tenants. It stated a Class A office building was the most prestigious in competing for premier office users, which would be companies such as Intuit and Microsoft. Class B buildings competed for a wide range of users in rents in the average range for the area. Class C buildings competed for tenants requiring functional space with rents below the average for the area and typically were older buildings that would not have the infrastructure found in new buildings. He stated it would not be fraudulent if anyone said this was a Class A building, but it might be a slight exaggeration. He said for the Reno area, this building fell between a Class A and a Class B building, because Reno did not have high-rise buildings such as New York had.

Appraiser Gonzales said he still believed the equity analysis was not the true way to look at the value of properties, because so many other things went into a building and everything would have to be identical. He said two of the buildings included had obsolescence due to their poor performance, which was part of the comparison that needed to be made when comparing office buildings. He stated APN 025-631-02 had \$1.2 million in obsolescence and was right down the street from the subject property. He said the u-shaped building was designed for a single tenant, Stantec Construction and Engineering, but the building was not completed until the downturn in the economy started and Stantec currently occupied only 30 percent of it. He said the back part of the building was designed so it could store vehicles and materials, and that layout made it difficult to lease, so the building suffered from functional obsolescence in addition to economic obsolescence. He stated APN 025-632-09 did not compare to the subject because of the building's dual occupancy and due to part of it being a storage garage. He said from the cost perspective, a storage garage would cost-out less than an office building. He stated regarding APN 025-632-08, he was not familiar with this building, but the Appraiser either made an adjustment due to its poor performance or the obsolescence could have been maintained due to a decision made in prior years. He said he basically believed that the equity analysis did not carry any weight at all.

Appraiser Gonzales said it was brought up the subject's owner had expenses, which he accounted for in his analysis. He stated he used 10 percent for expenses, which was typical for a triple-net lease for this type of building.

Appraiser Gonzales stated the only person who contacted him from Pivotal was Wayne Tannenbaum two to three weeks ago. He said he informed Mr. Tannenbaum at the time that the evidence packet was not yet complete, but he planned to make a recommendation to uphold the Assessor's value. He stated the next time he heard from Mr. Tannenbaum was this past Friday, but that contact was about a totally different property.

Chairman Covert stated he was wrestling with the classification of the building, which was essentially a call center. He said tenants such as Microsoft were mentioned, but he felt Microsoft's home office was considerably different than a call center. He said just because the subject's tenant was Intuit, it did not mean the building was top of the line. Appraiser Gonzales said in a sense it did, because part of the definition for a Class A building was the type of tenants it attracted. He stated being in the same area as known-name tenants could be a consideration for some tenants. Chairman Covert said when he saw a Class A office building, he saw a building downtown that had lawyers and doctors as tenants, but he did not see a building with cubicles. Appraiser Gonzales said he was familiar with the Meadowood and the South Meadows submarkets, and the rents in the income approach indicated a \$1.25 per square foot triple-net lease was a good rent for that area. He said the rent would be \$1 or less per square foot if it was a Class C and the rent would be higher if it were truly a higher finished Class A building. He said regarding the building being a call center and the reference to it not being built out, it was basically built as an office building and was not

any different from other buildings with minor office finishes. He stated because it was a call center, it probably had more specialized communication lines and would have a higher utility build out. He felt the subject did not require any adjustment.

Member Kizziah said the Assessor's Office used a 5 percent vacancy and collection rate and the Petitioner used 10 percent. Appraiser Gonzales said he used 5 percent because the subject was fully occupied, and he felt it was inappropriate to use 10 percent. He explained the median in that market was 14 percent, which would place the subject close to a building that was on the verge of being beyond struggling.

Mr. Glidewell said he was concerned about the Assessor's approach regarding how the subject building was valued and all of the others mentioned that had large national companies, such as Motorola, and were right around the corner. He said if the value of those buildings was looked at, they were much higher than the subject's building. He stated it was almost like a value was put on a property until somebody screamed. He said he did not know how Appraiser Gonzales knew so much about the buildings in the South Meadows and Meadowood market places that had obsolescence applied, but nothing about the subject building. He said Appraiser Gonzales indicated he knew nothing about it before last Friday, but now he was saying he toured the building in 2009. Mr. Glidewell indicated he had been in the building more recently than that, but he did not know how Appraiser Gonzales got into the building because of Intuit's high security.

Mr. Glidewell said he disagreed with the Appraisal Institute's class definition, because it provided a very general and broad definition of what Class A was. He stated why not use the source the Assessor's Office was directed to go to, *Marshall and Swift*, rather than going out and looking for another definition. He said doing that seemed a little odd. He stated he did not know how two or three weeks ago when Mr. Tannenbaum called him, Appraiser Gonzales could make a comment that he did not believe there would be any adjustment called for when he thought it was an owner-occupied building. He stated he believed the building was not classed correctly under the cost approach, and the Appellant requested at least 20 percent in obsolescence. He felt the Assessor's Office should go back out to the property to see if any further adjustment could be made to it. He believed the Appellant's income approach was spot on and supported a lower value. He felt the Appellant's capitalization rate was fine and asked the Board to consider all of those options.

Chairman Covert asked what the term of the lease was. Mr. Glidewell replied it ran until 2014.

Chairman Covert said he understood the subject was a Class A- or Class B+ building based on Appraiser Gonzales' testimony. Appraiser Gonzales replied that was correct. He stated he had not been insinuating he knew nothing about the building until three weeks ago. He said he had been in the building, but had not toured the entire building. He stated he was aware it was not vacant and had the other basic things needed to run an income analysis without having any data provided to the Assessor's Office. He

said his point was if the class discussion went away, and the Appellant's actuals were looked at along with the Assessor's supporting data on the capitalization rates, the subject property was not overvalued. He noted in the middle of the Assessor's record card, it showed the subject was not being valued as a Class A structure, but as a Class C masonry building. He said even if it was designated a Class B building and the actual rents were used, the property was not overvalued.

Chairman Covert brought the discussion back to the Board. He said he ran a few numbers, and he felt he could uphold the Assessor's values. Member Kizziah felt the subject's \$1.25 rent would have been higher if the building was in the higher building class. He said if the 10 percent and 5 percent were used for the expenses and the vacancy rate and a 10 percent capitalization rate was used, without the tax modifier the Appellant used, it came very close to the subject's current taxable value. He stated he would uphold as well. Chairman Covert agreed.

With regard to Parcel No. 025-561-19, pursuant to NRS 361.357, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member Brown, seconded by Member Krolick, which motion duly carried with Member Horan absent, it was ordered that the Assessor's taxable values be upheld and find that the Petitioner failed to meet his/her burden to show that the full cash value of the property is less than the taxable value computed for the property in the current assessment year.

13-391E PARCEL NO. 026-284-37 – AUTOZONE DEVELOPMENT CORP – HEARING NO. 13-0302

On behalf of the Petitioner, Brandt Palmer and Chris Glidewell were previously sworn in by Chief Deputy Clerk Nancy Parent.

Mr. Palmer said the petition for Parcel No. 026-284-37 was being withdrawn.

13-392E PARCEL NO. 043-030-31 – AUTOZONE DEVELOPMENT CORP – HEARING NO. 13-0303

On behalf of the Petitioner, Brandt Palmer and Chris Glidewell were previously sworn in by Chief Deputy Clerk Nancy Parent.

Mr. Palmer said the petition for Parcel No. 043-030-31 was being withdrawn.

13-393E PARCEL NO. 085-582-34 – NJB WOLF FAMILY LLC (AUTOZONE INC) – HEARING NO. 13-0304

On behalf of the Petitioner, Brandt Palmer and Chris Glidewell were previously sworn in by Chief Deputy Clerk Nancy Parent.

Mr. Palmer said the petition for Parcel No. 085-582-34 was being withdrawn.

13-394E **PARCEL NO. 140-213-16 – RYDER-DUDA VENTURES LTD –**
HEARING NO. 13-0305

A Petition for Review of Assessed Valuation was received protesting the 2013-14 taxable valuation on land and improvements located at 985 Damonte Ranch Parkway, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Lisa of comparable sales and supporting documents, 15 pages.

Exhibit B: Property information and comparables, 26 pages.

Assessor

Exhibit I: Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 24 pages.

Exhibit II: CoStar comparable, 3 pages.

On behalf of the Petitioner, Brandt Palmer and Chris Gridewell were previously sworn in by Chief Deputy Clerk Nancy Parent.

On behalf of the Assessor and having been previously sworn, Michael Churchfield, Appraiser, oriented the Board as to the location of the subject property.

Mr. Palmer reviewed the Summary of the Subject shown on page 3 of Exhibit B. He said the Appellant felt the income approach was the best way to look at the subject's value. He stated some market comparables were shown on page 6 of Exhibit B, but most of his comments would be directed to the income approach. He noted page 7 included the subject's actual income and the subject's 2012 Profit and Loss statement was shown on pages 8 and 9. He said the annual rent for 2012 was \$17.34 per square foot (page 7), and he reviewed the expenses and capitalization rate, which indicated a value of just under \$4.5 million for the subject property.

Appraiser Churchfield said Exhibit II provided the CoStar comparable of the subject's sale that occurred in 2009. He stated the subject property was purchased by Ryder-Duda Ventures, who was owned by two sophisticated buyers. He said one of the buyers owned Ryder Homes, which was a local builder who was very active in the community. He said page 2 showed it was a distressed sale due to the property being 60 percent vacant when it was sold. He stated it was not bought on the pretense of being an income property, because Ryder was one of the tenants at the time of the sale. He said the property was currently 13 percent vacant. He stated when he received the appeal, the Appellant was asking for a value of \$4 million, which he questioned because he

wondered what the owner would sell the subject for when it was purchased for \$5,050,000. He said he did not understand how it could have lost \$1,050,000 in value when the property currently was only 13 percent vacant.

Appraiser Churchfield said he put the most weight on the sales comparison approach. He stated page 8 of Exhibit I showed a breakdown of the sales used, which he provided because he kept hearing how the Assessor's sales were not comparable to the subject. He said the first sale was the subject and the second was his main comparable, which was occupied by the University of Phoenix at the time of the sale. Chairman Covert advised the University of Phoenix only occupied the top floor and one third of the lower floor. He discussed the other tenants, and indicated he was not sure the building was fully rented. He explained he worked for the University of Phoenix until last December, so he was familiar with their Reno property. Appraiser Churchfield said it had a 12 percent vacancy rate at the time of the sale and the subject was currently 13 percent vacant. He stated the Assessor's Office tried to use the best comparables possible, and the comparable was located less than one-half mile from the subject. He said the subject, unlike the sale property, was a three-story masonry building that was completely built out as private offices, because Landmark built it to occupy it and did so for some time. He stated one of the Appellant's comparables shown on page 9 of Exhibit I, sold for \$1,250,000 and was unoccupied at the time of purchase. He advised 30 percent of the building was in shell condition.

Appraiser Churchfield said the second comparable was located at 500 Damonte Ranch Parkway and was a foreclosure sale of a condominium building, which meant the buyer would not own the land around it. He stated the subject had an expansive amount of land surrounding it. He said the comparable at 1075 Double R Boulevard only had a 2,000 square foot parking area, unlike the subject with 134,000 square feet of land that went with the sale. He said when looking at the sales comparison approach, he put a lot of weight on 10345 Professional Circle because it was a two-story building, it had almost synonymous vacancies, and a buyer who was willing to pay \$117 per square foot. He stated the subject's taxable value was \$117 per square foot, and it was given obsolescence based on the sale and on knowing the building was 60 percent vacant. He said now that the subject's vacancy rate was 13 percent, the Assessor's Office tried to recoup some of that obsolescence because the subject's situation had improved. He stated he questioned the Appellant's income approach because one of the owners was also leasing space in the subject, and he wanted to know the rate they were paying. He said he asked for the full terms of the lease, but he only got a small spreadsheet from the Appellant showing there were bumps in 2013. He stated he had a problem with Ryder leasing from himself, so he looked at the comparable sale to get an outside perspective and the value was supported with that comparable.

Chairman Covert noted the subject's obsolescence was reduced. Appraiser Churchfield said \$250,000 was removed based on the sale.

Member Brown asked what the finished area was for the subject. Appraiser Churchfield said it was roughly 43,000 square feet, he noted the building was

entirely finished and 6,600 square feet was common area. Member Brown asked about the three quality class. Appraiser Churchfield said the three quality class was appropriate, because any building above two stories started getting into structural steel. He said the building was built with high-end finishes for Landmark, and some of the common areas were shown on page 14 of Exhibit I.

In rebuttal, Mr. Palmer said the Appellant spoke with the investors regarding their 2009 purchase and they said, as an investor looking to purchase a building, they would look at what the expected rental rates would be over the short term. He stated the value the investors put on the subject was because of what they expected to get once the property was leased out. He said that value was close to what the value should be on the subject property, which was supported by the property's income. He felt it was interesting that Appraiser Churchfield indicated several times he would like to hinge his case on the sales comparison approach, and he believed the reason for that was the income approach supported a lower value. He said in Hearing No. 13-0301, everyone agreed the income approach was the way to value the property and now the Assessor was trying to switch gears to the sales comparison approach, which was because the income approach worked. He stated the Appellant supplied the actual income, which supported a value of approximately \$4.6 million. He said last year Appraiser Churchfield ignored the actual income for the calendar year and looked at the lease rate that was averaged across the entire building. He stated he then applied the vacancy rate, expenses and capitalization rate. He said if the Assessor's income analysis was followed, which was on page 4 of Exhibit I, and the exact same analysis was used except for taking out the asking lease rate and plugging in \$1.67 per square foot, the indicated value was \$5,494,742. However, the Appellant strongly disagreed with the 8 percent capitalization rate, because the sale Appraiser Churchfield wanted to hang his hat on had a projected capitalization rate of 12.25 percent. He said if the Assessor wanted to use that sale, then possibly that capitalization rate should be used as well.

Chairman Covert asked what the current lease rate was. Mr. Palmer said it was a \$1.67 per square foot on the January 1, 2013 rent roll, which was obviously different than the \$1.44 per square foot for the 2012 calendar year because it was the actual income for that calendar year and the rent roll was income going forward. He said Appraiser Churchfield provided some capitalization rate information on page 11 of Exhibit I, which showed an average capitalization rate of 9.35 percent, and he also supplied some sales with their capitalization rates on page 13 of Exhibit I. He said properties as small as 1,900 square feet were being compared to the subject's 51,000 square feet. He stated the Appellant felt no comparables with fewer than 10,000 square feet should be used, which would indicate an average capitalization rate of 9.95 percent such as that found on the larger buildings.

Member Krolick asked what percentage of the subject was owner-occupied. Mr. Palmer said Ryder occupied 15,038 square feet and Ryder's lease rate was \$1.30 per square foot, which was shown on the rent roll he provided to Appraiser Churchfield. He felt because it was only 15,000 square feet, it was immaterial to this discussion.

Mr. Palmer stated the Appellant used 9.5 percent as the subject's capitalization rate, which was representative of the capitalization rate that should be used. He said Appraiser Churchfield felt the Appellant's requested value of \$4.5 million was excessively low considering the subject's purchase price was approximately \$5 million, but the Appellant was showing what the actual income indicated to be the value of the subject. He stated even if the January 1, 2013 lease rate was used, it still supported a reduction and, if the Appellant's capitalization rate was used, it would be very close to the actual, which was \$4.6 million. He said even if the 8 percent capitalization rate was used, which the Appellant felt was very low, it supported a value of \$500,000 less. He reiterated the income was the way to go, but if the Assessor's hat was hung on the one comparable sale, then a capitalization rate of 12.26 percent should be used.

Member Kizziah asked how the Assessor's Office felt about eliminating the lower square footage properties when determining the capitalization rate. Appraiser Churchfield said of course the Appellant wanted to do that, because it provided a lower value. He stated even though there were a certain amount of sales available in the market, he provided a sale that was extremely comparable to the subject. He said he did not know the income on that sale and the capitalization rate was irrelevant, because he was looking at the price per square foot sale amount. He stated he was not using averages, but the median on the capitalization rate was 8.55 percent. He said there was a sale a couple of doors down, which was pretty much leased like the subject, and he did not see that building commanding such a higher rent from a Net Operating Income (NOI) standpoint so it would justify a higher price per square foot. He stated the taxable value of this building was \$117 per square foot and he said that should be considered because it cost more to construct the building than what was on the roll.

Mr. Palmer said in Hearing 13-0301, Appraiser Gonzales indicated the Assessor's Office did not look at equity and used the income approach, which Appraiser Gonzales felt was a fair representation of the property's value. He stated he was not sure why Appraiser Churchfield was trying to get away from the income in this case. He said the income approach should be the focus and it supported a lower value.

Chairman Covert brought the discussion back to the Board. He said he felt there should be some sort of adjustment due to obsolescence, but would not agree to the total taxable value going below \$5.8 million. Member Krolick said he could support the reduction to \$5.8 million. He stated the subject being owner-occupied clouded the issue.

With regard to Parcel No. 140-213-16, pursuant to NRS 361.356, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member Brown, seconded by Member Kizziah, which motion duly carried with Member Horan absent, it was ordered that the taxable land value be upheld and the taxable improvement value be reduced to \$4,861,153, resulting in a total taxable value of \$5,800,000 for tax year 2013-14. The reduction was based on obsolescence. With that adjustment, it was found that the land and improvements are valued correctly and the total taxable value does not exceed full cash value.

A Petition for Review of Assessed Valuation was received protesting the 2013-14 taxable valuation on land and improvements located at 1201 Steamboat Parkway, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: List of comparable sales and supporting documents, 29 pages.

Exhibit B: Property information and comparables, 51 pages.

Assessor

Exhibit I: Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 22 pages.

Exhibit II: Commercial Building Sales Capitalization Rates Outside the Reno/Sparks Area, 1 page.

On behalf of the Petitioner, Brandt Palmer and Chris Glidewell were previously sworn in by Chief Deputy Clerk Nancy Parent.

On behalf of the Assessor and having been previously sworn, Michael Churchfield, Appraiser, oriented the Board as to the location of the subject property.

Mr. Palmer reviewed the Summary of the Property shown on page 3 of Exhibit B. He said the Appellant looked at the comparables, some market sales, and the income. He stated the Appellant agreed with the Assessor's lease rate, which left the capitalization rate as the only issue. He said the Appellant also looked at the cost approach, land sales, and the valuations of other large buildings. He stated the emphasis should be based on income, cost, and market. He said page 6 of Exhibit B provided seven large industrial properties. Chairman Covert asked if the Appellant agreed with the subject's classification. Mr. Glidewell replied he did. Mr. Palmer said the CoStar reports for the sales were at the back of Exhibit B. He stated an additional comparable not shown on the summary page was shown on page 7 of Exhibit B, which was the former Mervyns store; and its CoStar report was on page 38. He said it was an auction sale, but it sold for \$31.55 per square foot. Chairman Covert noted the former Mervyns store was not nearly as large as the subject. Mr. Glidewell confirmed it was smaller.

Mr. Palmer said page 8 of Exhibit B showed the Appellant's income approach. He stated the Appellant agreed with the subject's lease rate, but had an issue with the Assessor's 8 percent capitalization rate. The Appellant used a 9.5 percent capitalization rate. He stated part of what made up the capitalization rate was the element of risk, and there was a lot more risk associated with a 168,000 square foot property than

with smaller retail properties. He said the indicated value for the income approach was \$12,247,000 or \$72.47 per square foot.

Chairman Covert said the subject was 100 percent occupied. Mr. Palmer replied it was but, after looking at it on a pro forma basis, an adjustment for the standard vacancy rate for the area was made.

Mr. Palmer reviewed the land sales on page 9 of Exhibit B. He noted land sales of large properties like the subject were hard to find during the relevant time period. He stated the average of the land sales indicated a land value of just over \$1.6 million, instead of the Assessor's \$3.7 million land value. He stated the Appellant deferred to the Assessor's improved value and, if added to the adjusted land value, it indicated a value of \$13,066,765. He said page 10 of Exhibit B showed the valuations of other large properties, which he reviewed. He said those valuations indicated that other large properties were valued for a little less, but the Appellant still felt the emphasis should be on the income approach. He said the requested total taxable value was \$12,200,000 or \$72 per square foot.

Appraiser Churchfield said the Appellant used a sale on Moana Lane, which contained a single-family mobile home. He stated that sale was a low indicator of value even though it was commercial use but, because of the mobile home, he questioned its validity as it pertained to RC Willey. He stated there were no sales of retail uses like RC Willey, which was an owner-occupied facility. He said the subject's use was retail instead of industrial, because the general public went inside the building even though it did have some furniture storage space. He said the reason the subject's retail space was more expensive than industrial space was due to the heating and cooling, finish work, offices, car stereo installation facility, and so on; which were all build outs not found in industrial warehouses. He said Whole Foods and the Sierra Trading Post sold for \$18 million. He stated he heard a lot about the income approach, but the lease rate on that property was \$1.31 per square foot. He said he ran the subject at \$.75 per square foot, which was a pretty low rate by all standards. He stated since the building was owner-user, it would not be going out to lease; so there was no way of knowing what the lease rate would be when looking at the income. He said there was also no way of knowing what RC Willey would sell the subject for, but he felt it would not be for less than what it was built for. He stated RC Wiley had been fine with their value over the last couple of years until the representative got involved.

Chairman Covert asked if it would be fair for an owner-occupied building to be evaluated on its Return on Investment (ROI) as opposed to perceived income rates. Appraiser Churchfield said that would be hard because it was an owner-occupied building, so there was no way of knowing what they would pay. He said this property would be like a Walgreens, which would sell because it was located in a prime location and would command a thirty to sixty year lease. He stated from an investment standpoint, what would be perceived as having less risk, a corporate backed company or a mom and pop grocery store. He said the income stream was not being valued because there was

none. He stated he used retail sales because the building was open to the public, and it was not an industrial use.

Appraiser Churchfield stated when looking at it from the sales perspective, the Staples and the Smart and Final sold for \$237 per square foot, the Whole Foods sold at \$224 per square foot, and the Staples on North McCarran sold for \$253 per square foot. He said the former Harley Davidson dealership was more of a showroom-oriented comparable and sold vacant at \$135 per square foot. He stated when looking at the capitalization rate and having a secure tenant, he felt the capitalization rate of 8 percent was still high, because the Walgreens were selling at a capitalization rate of 6.5 percent. He said he could not use the Walgreens because it was so small, but they were both corporate backed and were large-scale users in the terms of the lease they would sign.

Appraiser Churchfield said he understood the land sales were small, but they were the best data available. He stated he could not use a sale with a mobile home on it, so he used retail sales. He said he had to look use-to-use to find the most representative sale, even though they were past five miles, because there were not a lot of sales. He felt the land value was well supported.

In rebuttal, Mr. Palmer said the Assessor's Office presented no evidence that the land sale was a non arms-length transaction, which meant there was an arms-length transaction that sold for less than half of the subject's land value. He stated the Assessor's land sales went from 34,000 square feet to 69,000 square feet, while the subject was almost 532,000 square feet, but no adjustment was made for size or economy of scale. He stated IS-1 was over five miles away from the subject. He said CoStar indicated IS-2 was not on the market when it was sold, was 8.5 miles from the subject, and was a 1031 exchange. He said IS-3 was 13 miles from the subject and IS-4 was 8.3 miles from the subject. He stated the largest comparable was 81,000 square feet, but no adjustment was made for size. He said the point kept getting made that the building was 100 percent owner-occupied, but any single-tenant property was either 100 percent occupied or 100 percent vacant. He stated the subject was 100 percent occupied, but it was a very large building and the Appellant's capitalization rate reflected the risk inherent in that size building regardless of the company behind it. He stated as shown on pages 13 and 14 of Exhibit I, fast-food comparables as small as 13,040 square feet were not comparable at all to the subject's size or function, and those capitalization rates should not be used. He said that was why the Appellant was proposing a 9.5 percent capitalization rate.

Mr. Palmer said he took issue with Appraiser Churchfield's comment, which he heard occasionally from appraisers, that before a representative was involved, an owner was fine with the valuation. He stated that was absolutely not the truth. He said Pivotal represented clients from across the country, and many of them had no idea they should be appealing their property taxes because they were not aware that was an avenue they could pursue. He said to say RC Wiley was fine with the subject's values was completely uncalled for and incorrect. He stated the capitalization rate needed to be

higher and the land was overvalued, which was why the Appellant requested the Board reduce the subject's taxable value accordingly.

Chairman Covert brought the discussion back to the Board. Member Kizziah stated he agreed with the Appellant. Member Krolick said looking at a value took into account the subject's current use, which was owner-occupied, and he agreed with the Assessor. Chairman Covert stated he agreed with Member Krolick. He said it was owner-occupied and not distressed, so he found it hard to come up with a reason to make an adjustment. Member Brown said the \$90 per square foot seemed to be in the ballpark.

With regard to Parcel No. 140-213-20, pursuant to NRS 361.357, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member Brown, seconded by Member Krolick, which motion duly carried with Member Horan absent and Member Kizziah voting "no," it was ordered that the Assessor's taxable values be upheld and find that the Petitioner failed to meet his/her burden to show that the full cash value of the property is less than the taxable value computed for the property in the current assessment year.

13-396E PARCEL NO. 163-160-07 – FINDLAY-SHACK PROPERTIES LLC
– HEARING NO. 13-0307

A Petition for Review of Assessed Valuation was received protesting the 2013-14 taxable valuation on land and improvements located at 9190 S. Virginia Street, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Property information and comparables, 28 pages.

Assessor

Exhibit I: Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 16 pages.

On behalf of the Petitioner, Brandt Palmer and Chris Glidewell were previously sworn in by Chief Deputy Clerk Nancy Parent.

On behalf of the Assessor and having been previously sworn, Howard Stockton, Appraiser, oriented the Board as to the location of the subject property.

Mr. Palmer noted on page 3 of Exhibit A, the square footage should be 18,076 as shown in Assessor's Exhibit I. He stated the subject was purchased in November 2011 for \$4.2 million. He said the letter on page 6 of Exhibit A was signed by the Chief Financial Officer of the Findlay Automotive Group and stated the building's contents were included as part of the purchase price. It also stated intangible value was included in the price because the property had been an Audi franchise. He advised if there

was a preapproved location for a franchise, it would command a higher price because it could not be located somewhere else in the vicinity. He said the five market comparables supplied on page 7 of Exhibit A were all auto dealerships, but they were older than the subject property. He stated he was not aware of any sales of newer dealerships during the relevant time period. He said the subject was valued at \$196.53 per square foot. He stated recognizing there was a land-to-building ratio between the subject and the comparables, a land-to-building ratio adjustment was done, and the indicated value was \$2,515,629. He said the adjustment added additional land value to the comparables, so they had the same land-to-building ratio as the subject. He stated that adjustment indicated a lower value for subject, along with additional items being purchased with the property.

Mr. Glidewell said this was Las Vegas-based Findlay Automotive Group's first foray into this market. He stated this was not a high-volume dealership due to selling luxury cars.

Appraiser Stockton reviewed the comments regarding the sales comparison approach on page 5 of Exhibit I. He said Tyler Corder was sent a letter as a way of verifying the sale, which was a standard practice, and he also called Mr. Corder to obtain some additional information. He stated page 2 of Exhibit I summarized the phone conversation regarding the details of the sale. He reviewed page 3 of Exhibit I, which was a copy of the Commercial Real Estate Sales Verification form sent out. He stated item 16 asked if personal property was included in the sale and "no" was circled. He noted the form was signed by Mr. Corder. He said page 4 of Exhibit I showed a copy of a Northern Nevada Business Weekly article and the portion pertinent to this hearing was circled.

Appraiser Stockton said he visited the subject shortly after the sale and it looked like it had been sitting for awhile. He stated the subject definitely suffered from deferred maintenance and some vandalism. He said the building was locked, so he did not go inside; but it did not appear there were computers or parts in the bins. He stated he had a problem with assigning such a large value to the intangible part of the property when the financial representative for the Appellant indicated the sale was real estate only. He said he understood multiple people were interested in the subject property because of the dealership, and he felt it would sell for a significantly higher price if it was put back on the market because of the upgrades that were done.

Appraiser Stockton said he had a chance to review the Appellant's evidence packet. He stated there was probably some intangible value associated with the subject property being an Audi dealership, but the difference between what the Appellant was asking and what the property sold for was millions of dollars. He said the Assessor's Office had the taxable value at \$3.5 million, it sold for \$4.2 million, and the Appellant was asking for a \$2.5 million taxable value. He stated the Appellant's first comparable sale was the same sale as IS-2, which was a drastically inferior property because it was over 40 years old. Member Kizziah asked what dealership it used to be. Appraiser Stockton believed it was the old Bill Pierce dealership. He stated when he included it as a comparable, he was grasping at straws. He said the second comparable was a family-to-family transfer and the third was the former Harley-Davidson dealership. He said that

dealership was not comparable to the subject because it was on less than an acre of land. He stated the fourth sale was an older building located on a small parcel, which would be used for 4-wheel drive vehicles' specialty parts and installation, instead of an auto dealership, which meant it was not an apples-to-apples comparison to a high-end Audi dealership. He stated the final sale, the American Rents property on S. Virginia Street, had buildings which were drastically inferior to the subject. He felt the best and most reliable comparable was the sale of the subject, which more than supported the subject's current taxable value.

In rebuttal, Mr. Glidewell said he would like to see a copy of the signed verification letter. Appraiser Stockton said it was on page 3 of Exhibit I. Mr. Palmer felt there was a different packet because the Assessor's comparables were on page 2 and not page 5 as previously mentioned. Appraiser Stockton said often the packets were requested before they were complete, and he believed the letter and the interview pages were added after the Petitioner was given the packet. Mr. Glidewell stated he just wanted to make sure everyone was on the same page and this was the verification letter referred to. Appraiser Stockton said that was the signed sales verification letter, but he also called Mr. Corder to make sure no business franchises were included in sale.

Chairman Covert asked about the size of the empty Lincoln Mercury dealership. Appraiser Stockton said its land was not as large and the building size was in the subject's range, but it was older.

Mr. Palmer said it was recognized the comparable sales were older than the subject. He stated he took issue with the Assessor's listing because the subject was listed at \$4.9 million and sold for \$4.2 million, which was 14 percent lower. He said sale 2 on CoStar was listed for \$2.4 million and sold for over 10 percent less. He stated if a listing was looked at, there should be a 10-15 percent allowance for what the likely sales price would be. Chairman Covert felt that was why it was listed at the bottom, because it was only an indicator. Mr. Palmer said the issue with the questionnaire and the summary of the phone conversation was that in many instances the questionnaire would be filled out and signed by lower-level employees where, in his office, he or Mr. Glidewell signed them. He said not having personal property circled in the questionnaire, while it was signed by Mr. Corder, was in contrast to the letter from Mr. Corder that the Appellant provided because it listed all of the included personal property and the intangible value due to the approved dealership location. He stated the buyer felt they paid slightly above the market value for the property, which indicated the subject's sale should start slightly below \$4.2 million; and there was a lot of personal property and intangible value involved. He stated another issue was the Assessor indicated the subject required the installation of hydraulic lifts, which the Assessor's Office felt would likely increase the value of the property. He said if it was installed after the subject's initial construction and could be removed, it was considered personal property and was irrelevant to what was being discussed. He stated based on everything provided, the Appellant felt a lower value was justified.

Mr. Glidewell said the CoStar representative conducted an interview with the buyer and wrote the buyer confirmed they wanted to open another dealership for their expanding business and to use the existing build-out as an automobile showroom. He stated the question he asked a week or so ago was specifically about the dealership franchise and what impact it had. He said due to past experience, he knew franchises were not given out randomly to people and, once someone had a franchise, it stayed within a specific geographic area. He said it would be advantageous to acquire a dealership that already had a franchise than to try to go out and get one, which made that a motivating factor in this transaction. He stated there was no doubt business personal property was associated with the sale.

Chairman Covert brought the discussion back to the Board. He felt the current owner got a good deal when he bought the subject. He said the personal property was mentioned, but he felt a lot of it was not in very good condition. He believed the Assessor's Office got the numbers right.

With regard to Parcel No. 163-160-07, pursuant to NRS 361.357, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member Brown, seconded by Member Kizziah, which motion duly carried with Member Horan absent, it was ordered that the Assessor's taxable values be upheld and find that the Petitioner failed to meet his/her burden to show that the full cash value of the property is less than the taxable value computed for the property in the current assessment year.

**13-397E PARCEL NO. 041-244-03 – HILLCREST PACIFIC BAKERY INC –
HEARING NO. 13-0228**

A Petition for Review of Assessed Valuation was received protesting the 2013-14 taxable valuation on land and improvements located at 4895 Village Green Parkway, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Proforma Income as of January 13, 2013 and comparable sales, 17 pages.

Assessor

Exhibit I: Taxable Value Change Stipulation, 1 page.

No one offered testimony on behalf of the Petitioner.

No one offered testimony on behalf of the Assessor.

With regard to Parcel No. 041-244-03, pursuant to NRS 361.345 based on the stipulation signed by the Assessor's Office and the Petitioner, on motion by Member Brown, seconded by Member Krolick, which motion duly carried with Member Horan

absent, it was ordered that the stipulation be adopted and confirmed and that the taxable land value be upheld and the taxable improvement value be reduced to \$561,942, resulting in a total taxable value of \$985,500 for tax year 2013-14. With that adjustment, it was found that the land and improvements are valued correctly and the total taxable value does not exceed full cash value.

13-398E PARCEL NO. 086-214-06 – HAYES, DANIEL –
HEARING NO. 13-0038

A Petition for Review of Assessed Valuation was received protesting the 2013-14 taxable valuation on land and improvements located at 10545 Silver Knolls Boulevard, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Letter, 2 pages.

Exhibit B: Letter, 2 pages.

Exhibit C: E-mail dated February 21, 2013, 1 page.

Assessor

Exhibit I: Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 10 pages.

No one offered testimony on behalf of the Petitioner.

Chairman Covert noted there was a recommendation to reduce the Assessor's values. Gail Vice, Senior Appraiser, having previously been sworn, said she was not sure the Petitioner agreed with the reduction.

Chairman Covert requested the Petitioner's issue regarding the fencing be addressed. Senior Appraiser Vice said a physical inspection of one fifth of the County was done this year in which the Petitioner was included. She said during the inspection, a lot of fencing was picked up and put on the roll that had never been on the roll before; and the Petitioner disagreed with the fencing being placed on the roll even though it existed. She said the Petitioner requested records going back to 1989, and he was provided with the documentation the Assessor's Office had, which was 2001 to current.

Senior Appraiser Vice located the subject property. She said some chain-link and wood fencing was picked up for the roll, but the Petitioner felt the measurements were off. She stated an Appraiser went out and physically inspected and measured the fencing, which was recosted using the correct measurements and that difference was reflected in the recommendation to reduce the fencing by approximately \$600.

Chairman Covert brought the discussion back to the Board. He said the Petitioner's complaint was about the fencing, which was corrected.

With regard to Parcel No. 086-214-06, pursuant to NRS 361.356, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member Brown, seconded by Member Krolick, which motion duly carried with Member Horan absent, it was ordered that the taxable land value be upheld and the taxable improvement value be reduced to \$218,463, resulting in a total taxable value of \$257,183 for tax year 2013-14. The reduction was based on adjusting the length of the fence. With that adjustment, it was found that the land and improvements are valued correctly and the total taxable value does not exceed full cash value.

13-399E PARCEL NO. 023-723-04 – SLOTNICK, JORDAN –
HEARING NO. 13-0143

A Petition for Review of Assessed Valuation was received protesting the 2013-14 taxable valuation on land and improvements located at 2415 Manzanita Lane, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Comparables, 1 page.

Exhibit B: Agent Authorization, 1 page.

Exhibit C: E-mail from Agent, 1 page.

Assessor

Exhibit I: Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 10 pages.

No one offered testimony on behalf of the Petitioner.

Nancy Parent, Chief Deputy Clerk, read Exhibit C into the record where the Appellant's agent indicated he was authorized to tell the Board there was no longer an objection to the recommended obsolescence for the subject.

Chairman Covert asked if the e-mail was satisfactory as an agreement to the Assessor's recommendation. Pete Simeoni, Legal Counsel, asked if the amounts were identified in the e-mail. Ms. Parent said no amounts were mentioned.

On behalf of the Assessor and having been previously sworn, Linda Lambert, Appraiser, said she spoke to the Appellant's representative on Friday, and he indicated he would be going over the recommendation with the Appellant and, if the Appellant was in agreement, he would call the Assessor's Office this morning. She stated apparently they e-mailed the Clerk's Office instead.

Chairman Covert felt the Assessor's Office should make its presentation. Mr. Simeoni agreed, because it was not clear the Appellant knew what amounts were being agreed to.

Appraiser Lambert located the subject property. She reviewed the recommendations/comments on page 2 of Exhibit I.

Chairman Covert brought the discussion back to the Board.

With regard to Parcel No. 023-723-04, pursuant to NRS 361.356, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member Brown, seconded by Member Krolick, which motion duly carried with Member Horan absent, it was ordered that the taxable land value be upheld and the taxable improvement value be reduced to \$477,040, resulting in a total taxable value of \$526,000 for tax year 2013-14. The reduction was based on obsolescence. With that adjustment, it was found that the land and improvements are valued correctly and the total taxable value does not exceed full cash value.

13-400E PARCEL NO. 026-182-38 – M&A GABAE –
HEARING NO. 13-0270

A Petition for Review of Assessed Valuation was received protesting the 2013-14 taxable valuation on land and improvements located at 2863 Northtowne Lane, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

None.

Assessor

Exhibit I: Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 27 pages.

No one offered testimony on behalf of the Petitioner.

On behalf of the Assessor and having been previously sworn, Craig Anacker, Appraiser, oriented the Board as to the location of the subject property. He said this hearing was continued at the request of the Appellant from February 14, 2013, but no additional information was provided by the Appellant prior to today's hearing. He stated he looked at both the sales and the income analyses, and tried to use the most conservative market data in analyzing the subject property. He said the Assessor's values were well supported by both methods, and the Assessor's Office would stand on its written record.

Chairman Covert noted the Appellant indicated the subject was purchased for \$10 million in 2006, but it was only worth \$5 million now. Appraiser Anacker said he reviewed a dozen big-box units to come up with the comparable vacant units: the Lowes on Oddie Boulevard and the Mervyns on S. Virginia Street. He said when they were adjusted for the difference in the land size, they both came in at a higher price per square

foot than the subject. He stated the shopping center where the subject was located was doing well and had a low vacancy rate. He said Family Fitness just took over a 6,000 square foot building and there were a lot of new tenants across Northtowne Lane. He stated on both sides of McCarran Boulevard, the vacancy rate was under 5 percent.

Chairman Covert brought the discussion back to the Board.

With regard to Parcel No. 026-182-38, pursuant to NRS 361.357, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member Brown, seconded by Member Krolick, which motion duly carried with Member Horan absent, it was ordered that the Assessor's taxable values be upheld and find that the Petitioner failed to meet his/her burden to show that the full cash value of the property is less than the taxable value computed for the property in the current assessment year.

13-401E PARCEL NO. 025-372-30 – SEARS ROEBUCK & CO –
HEARING NO. 13-0298A

A Petition for Review of Assessed Valuation was received protesting the 2013-14 taxable valuation on land and improvements located at 5400 Meadowood Mall Circle, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Revocation of Authorization, 2 pages.

Assessor

Exhibit I: Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 9 pages.

No one offered testimony on behalf of the Petitioner.

On behalf of the Assessor and having been previously sworn, Stacy Ettinger, Appraiser, oriented the Board as to the location of the subject property. He reviewed the analysis on page 3 of Exhibit I, which was standard with anchor department stores such as Dillard's, JC Penney's, and Macy's. He explained the Assessor's Office requested the gross-sales revenues each year, which was capitalized and became their taxable value for the year. He said the Assessor's Office requested the current valuation be upheld.

Chairman Covert asked if the Petitioner had a recommended number. Appraiser Ettinger replied there was not. He explained for this hearing and for Hearing No. 13-0298B, there originally had been a tax representative, but the Tax Department at Sears withdrew that authorization. Appraiser Ettinger said typically the Assessor's Office got inquiries, but not appeals, from the department stores because they supplied their sales revenue and the Assessor's Office capitalized it to come up with the subject's value.

Chairman Covert brought the discussion back to the Board.

With regard to Parcel No. 025-372-30, pursuant to NRS 361.357, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member Brown, seconded by Member Kizziah, which motion duly carried with Member Horan absent, it was ordered that the Assessor's taxable values be upheld and find that the Petitioner failed to meet his/her burden to show that the full cash value of the property is less than the taxable value computed for the property in the current assessment year.

13-402E PARCEL NO. 025-372-31 – SEARS ROEBUCK & CO –
HEARING NO. 13-0298B

A Petition for Review of Assessed Valuation was received protesting the 2013-14 taxable valuation on land and improvements located at 5405 Meadowood Mall Cir, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Revocation of Authorization, 2 pages.

Assessor

Exhibit I: Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 16 pages.

No one offered testimony on behalf of the Petitioner.

On behalf of the Assessor and having been previously sworn, Michael Gonzales, Appraiser, oriented the Board as to the location of the subject property.

Chairman Covert noted the information was the same as for Hearing No. 13-0298A.

With regard to Parcel No. 025-372-31, pursuant to NRS 361.357, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member Brown, seconded by Member Kizziah, which motion duly carried with Member Horan absent, it was ordered that the Assessor's taxable values be upheld and find that the Petitioner failed to meet his/her burden to show that the full cash value of the property is less than the taxable value computed for the property in the current assessment year.

13-403E BOARD MEMBER COMMENTS

There were no Board member comments.

13-404E PUBLIC COMMENT

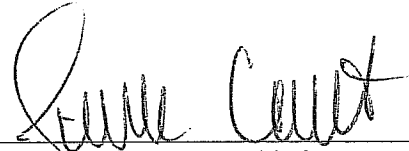
Theresa Wilkins, Chief Deputy Assessor, said she felt she needed to respond to comments made by an Appellant during today's hearings. She thanked the Board for asking those clarifying questions the Assessor's Office did not always get the opportunity to ask, especially Member Horan's question regarding a fraudulent claim or behavior. She said she was glad he had not been referring to the Assessor's Office, but she was not sure how the property agents or brokers would feel about them. She stated the Appellant's comment was totally uncalled for and she wanted to put that fact on the record. She said she also had to respond to a comment made by the same Appellant that the Assessor's staff was not very responsive to property owners. She said January 15th was the appeal deadline, but the values were established well in advance of that deadline; and there were conversations with the property owners and their agents throughout the year regarding their properties. She stated there was every intention to get back to property owners but, after January 15th, the Appraisers were extremely busy. She said for the Appellant, who the Assessor's Office did have contact with, to suggest it was the Appraiser's fault was uncalled for.

Ms. Wilkins said the Clerk's Office notified the Assessor's Office of the availability of the evidence packets, and there was a new system in place that everyone believed would ensure the Appraiser would receive that notification in a timely manner.

Gail Vice, Senior Appraiser, said she wanted to clarify the Assessor's sales verification process, because it was questioned earlier. She explained verification letters were sent to either the buyer or the previous owner on vacant, commercial, and multi-family parcels; and she believed for single-family sales over a certain amount. She said Appraisers were very specific to their neighborhoods and were familiar with the sales located within their neighborhoods. She stated they were given the verifications for their neighborhoods to follow up on, and everyone else in the Assessor's Office relied on the information they verified. She said the Assessor's Office was confident in the verification process and the information it provided, because it was very thorough, and the people filling out the forms were very open if they felt there was a discrepancy or something was out of line.

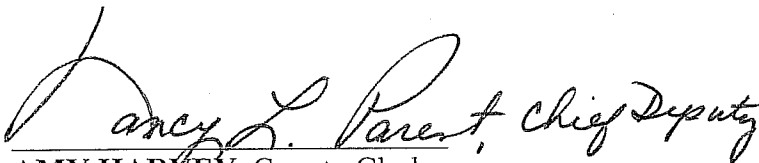
* * * * *

2:59 p.m. There being no further hearings or business to come before the Board, on motion by Member Krolick, seconded by Member Kizziah, which motion duly carried with Member Horan absent, the meeting was adjourned.



JAMES COVERT, Chairman
Washoe County Board of Equalization

ATTEST:



AMY HARVEY, County Clerk
and Clerk of the Washoe County
Board of Equalization

*Minutes prepared by
Jan Frazzetta, Deputy Clerk*