

**BOARD OF EQUALIZATION  
WASHOE COUNTY, NEVADA**

WEDNESDAY

9:00 A.M.

FEBRUARY 20, 2019

PRESENT:

**Philip Horan, Chair**  
**James Ainsworth, Member**  
**Barbara “Bobbi” Lazzarone, Member**  
**James Richards, Member**

**Jan Galassini, Chief Deputy Clerk**  
**Jennifer Gustafson, Deputy District Attorney**

ABSENT:

**Eugenia Larmore, Vice Chair**

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. Chair Horan called the meeting to order, the Clerk called the roll and the Board conducted the following business:

**19-067E      PUBLIC COMMENT**

There was no response to the call for public comment.

**19-068E      SWEARING IN**

There was no appraisal staff to be sworn in.

**19-069E      WITHDRAWN PETITIONS**

The following petitions scheduled on today's agenda had been withdrawn by the Petitioners prior to the hearing:

<b>Assessor's Parcel No.</b>	<b>Petitioner</b>	<b>Hearing No.</b>
019-140-14	PLUMAS REALTY LLC	19-0041
528-010-42	WINGFIELD REALTY LLC	19-0042
006-213-15	WESTDALE CAPTIAL INVESTORS I LTD	19-0070

**19-070E      CONTINUANCES**

There were no requests for continuances.

**19-071E      CONSOLIDATION OF HEARINGS**

There were no hearings consolidated during this item.

**19-072E      PARCEL NO. 020-191-16 – STREET, ROY L –  
HEARING NO. 19-0084**

A Petition for Review of Assessed Valuation was received protesting the 2019-20 taxable valuation on land and improvements located at 355 Gentry Way, Washoe County, Nevada.

The following exhibits were submitted into evidence:

**Petitioner**

**Exhibit A:**      Letter and photographs, 7 pages.

**Assessor**

**Exhibit I:**      Taxable Value Change Stipulation, 1 page.

On behalf of the Petitioner, no one was sworn in by Chief Deputy Clerk Jan Galassini.

On behalf of the Assessor, no one oriented the Board as to the location of the subject property.

With regard to Parcel No. 020-191-16 based on the stipulation signed by the Assessor's Office and the Petitioner, on motion by Member Ainsworth, seconded by Member Lazzarone, which motion duly carried with Member Larmore 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 \$34,984, resulting in a total taxable value of \$280,009 for tax year 2019-20. 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.

**19-073E      CONSOLIDATED HEARINGS FOR:**

<b>Assessor's Parcel No.</b>	<b>Petitioner</b>	<b>Hearing No.</b>
510-482-07	SPARKS RETAIL ASSOCIATION LLC	19-0071
510-483-01	SPARKS RETAIL ASSOCIATION LLC	19-0072
510-483-02	SPARKS RETAIL ASSOCIATION LLC	19-0073
510-483-03	SPARKS RETAIL ASSOCIATION LLC	19-0074
510-083-03	SPARKS RETAIL ASSOCIATION LLC	19-0075
510-083-04	SPARKS RETAIL ASSOCIATION LLC	19-0076A
510-082-42	SPARKS RETAIL ASSOCIATION LLC	19-0076B
510-083-08	SPARKS RETAIL ASSOCIATION LLC	19-0077

510-083-09	SPARKS RETAIL ASSOCIATION LLC	19-0078
510-481-04	SPARKS RETAIL ASSOCIATION LLC	19-0079
510-481-08	SPARKS RETAIL ASSOCIATION LLC	19-0080
510-482-01	SPARKS RETAIL ASSOCIATION LLC	19-0081
510-482-02	SPARKS RETAIL ASSOCIATION LLC	19-0082

A Petition for Review of Assessed Valuation was received protesting the 2019-20 taxable valuation on land and improvements located in the Sparks Galleria Shopping Center, Washoe County, Nevada.

The following exhibits were submitted into evidence:

**Petitioner**

**Exhibit A:** Assessment and Financial Analysis Documentation, 43 pages.

**Assessor**

**Exhibit I:** Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 92 pages.

On behalf of the Petitioner, Kyle Sheehan was sworn in by Chief Deputy Clerk Jan Galassini.

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

Appraiser Bozman requested a consolidation of APN Nos. 510-482-07 through 510-482-02, Hearing Nos. 19-0071 through 19-0082.

On motion by Member Lazzarone, seconded by Member Ainsworth, which was duly carried, it was ordered to consolidate Parcel Nos. 510-482-07 through 510-482-02, Hearing Nos. 19-0071 through 19-0082.

Mr. Sheehan stated the appeal was based on the income approach for the subject properties at the Sparks Galleria Shopping Center. He indicated Petitioner's Exhibit A included a market approach, an actual income approach, rental income and expense data, and actual income and expense data. He stated the differences between the Assessor's Office (AO) value and supported values were the rental rate, expense ratio, and the cap rate. He said the three leases signed in 2018 accounted for approximately 72,000 square feet. He reviewed the rental rates, stating the largest leased area was occupied by Marshall's, which grossed the lowest price per square foot. He said the market vacancy rate was lower than AO information indicated and he opined the difference in value would be \$1.00 per square foot once the vacancy rate was adjusted. The most significant differences were with expenses and cap rate, which was what prompted him to appeal. He said an eight percent cap rate was what he used to calculate value and the AO used a seven percent cap rate. He explained the subject properties'

actual expenses were higher than the AO was estimating without real estate taxes included. He thought the property needed to be valued based on an income approach.

Appraiser Bozman reviewed the cost approach of the subject property on page 3 of Assessor's Exhibit I. He reviewed three comparable property sales: the Smithridge Shopping Center, the Commons located near Neil Road, and the Whole Foods center. He stated the Smithridge Shopping Center was the most comparable sale and he indicated the cap rates were higher due to location, access, and the presence of national tenants. He stated the local market was thriving, which affected vacancy rates and pricing. He stressed the Petitioner used information from two large and one small square footage leases. He said the rent price was artificially decreased by including larger spaces rather than smaller spaces that yielded more money per square foot. He stated the subject properties were valued at \$128 per square foot which was less than the comparables. The subject property sold for \$26,200,000 in November 2013. At the time of purchase, the vacancy rate was 46 percent; the current vacancy rate was 12 percent.

Appraiser Bozman mentioned a new multi-family complex was built adjacent to the subject property, which provided more exposure to the retail center. He said the AO's income approach data included: rental income totaling \$3,330,171, a 15 percent vacancy rate, and 30 percent operating expenses which included some common area maintenance (CAM) expenses. He stated the CAM expenses needed to be included because they were a recapture of expenses but were not reflected in the rates. He said the total came to \$1,973,225 with a cap rate of seven percent, which was higher than other comparables. He noted the Petitioner did not address two vacant parcels which needed to be included in the total data. He stated the Assessor's recommendation was to uphold the value.

Chair Horan mentioned the Petitioner compared the difference between square foot costs and said he wanted clarification about the difference. Appraiser Bozman explained he had not seen the Petitioner's supporting documents before the hearing. He said what he heard was the Petitioner was using the AO's rents and expenses but was using the higher cap rate of eight percent to calculate the square foot value. He said the Petitioner's figures did not include the vacant parcels. He indicated the cap rate used was supported by recent sales in the area.

Mr. Sheehan explained the comparable properties were sold based on the rents they received. He stated both the properties and rents were different on a per-square-foot basis and said sales comparable number three was a much smaller two-tenant building. He agreed with the AO about the Big Lots sales comparable which sold at a cap rate of 3 percent, but the sale occurred in two transactions which were combined as one sale. This skewed the cap rate of the entire property. He claimed the cap rate would have been 7 percent if the ground lease purchase was removed from the transaction. The sales comparable properties were similar and were ranked between 7 and 9.5 percent cap rate and he stressed the subject property should be rated between those rates. He indicated the AO used a cap rate of seven and he used a cap rate of eight. He thought the AO underestimated the expenses at 30 percent, which included real estate taxes. He indicated

the CAM expenses were captured in the gross rents. He stated there was a difference of \$1 per square foot in the effective gross income. He said it was questionable which numbers were correct and, when dealing with such a large property, it was not a significant difference in the cost per square foot. He disagreed with the AO's calculations pertaining to cap rates and expense ratios. He stated the expenses were at 27 percent expense rate without including real estate taxes but the AO used an expense ratio of 30 percent, which included real estate taxes. He did not agree with the figures used and said real estate taxes were generally 15 percent.

Appraiser Bozman asked the Petitioner to clarify the ground rent which he did not see listed in the income approach. He stated the building was a Longs Drugs that was purchased by CVS for \$.54 per square foot ground rent. He said that would add ground rent on the Big Lots property as well as on a former Longs Drugs. He stated that information supported the cap rates and he had other comparables which also supported the cap rates. Mr. Sheehan clarified the ground rent portion was removed in his income approach to be listed as unencumbered on a fee simple basis.

Member Lazzarone asked the Petitioner to clarify whether his dispute was about the cap rate. Mr. Sheehan stated his dispute was about the cap rate and expense ratio. The cap rate was based off the information provided and the expense ratio was a significant difference which was the justified by the actual expenses provided.

Member Lazzarone asked whether the CAM expenses were included in the Petitioner's calculations. Mr. Sheehan replied they were.

There was no response to the call for public comment.

Chair Horan closed the public hearing. He stated the difference in calculation of data was clear by both parties. He said the values were based on local and not regional values. He thought there were differences in opinions although the Petitioner's presentation was rational and relevant to local properties.

Member Lazzarone said the Appraiser presented well but she expressed concern that the Petitioner and Appraiser were looking at different things. She asked the AO for clarification of additional costs added to doing business.

Appraiser Bozman said the AO and Petitioner disagreed over the operating expenses as a whole. He said Mr. Sheehan was placing weight on the tax ramification. He indicated the AO's normal procedure was to not include the cap rate and the Petitioner wanted it included. He stated each of the comparables were verified by the AO and said the cap rates were correct.

Mr. Sheehan responded that he did not disagree with the cap rate percent the AO was using to support the rate. He stated he and the AO went about calculating the expenses differently based on the income approach. He said different percentages were used and actual expenses were not used to calculate operating expenses.

Chair Horan closed the public hearing. He said it was a difference of opinions and he thought the AO did its due diligence supporting the taxable values.

With regard to Parcel Nos. 510-482-07 through 510-482-02, Hearing Nos. 19-0071 through 19-0082, which petition was brought pursuant to NRS 361.357, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member Ainsworth, seconded by Member Richards, which motion duly carried on a vote of 3-1 with Member Lazzarone voting "no" and Member Larmore absent, it was ordered that the Assessor's taxable values be upheld and it was found that the Petitioner failed to meet his 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.

**19-074E      BOARD MEMBER COMMENTS**

Chair Horan stated he was pleased with the presentations.

**19-075E      PUBLIC COMMENT**

There was no public comment.

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**9:44 a.m.**      There being no further hearings or business to come before the Board, on motion by Member Ainsworth, seconded by Member Richards, which motion duly carried, the meeting was adjourned.

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**PHILIP HORAN**, Chairman  
Washoe County Board of Equalization

ATTEST:

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**NANCY PARENT**, County Clerk  
and Clerk of the Washoe County  
Board of Equalization

*Minutes prepared by  
Doni Gassaway, Deputy Clerk*