

**BOARD OF EQUALIZATION, WASHOE COUNTY, NEVADA**

WEDNESDAY

1:00 P.M

FEBRUARY 22, 2006

PRESENT:

**Steven Sparks, Chairman**  
**Pat McAlinden, Vice Chairman**  
**Thomas Koziol, Member**  
**John Krolick, Member\***  
**Gary Schmidt, Member\***

**Amy Harvey, County Clerk**  
**Leslie Admirand, Deputy District Attorney**  
**Peter Simeoni, Deputy District Attorney**  
**Ron Sauer, Senior Appraiser**  
**Gary Warren, Senior Appraiser**

The Board met pursuant to a recess taken on February 21, 2006, in the Washoe County Administration Complex, Health Department Conference Room B, 1001 East Ninth Street, Reno, Nevada. The meeting was called to order by Chairman Sparks, the Clerk called the roll, and the Board conducted the following business:

**WITHDRAWN PETITIONS**

The following petitions scheduled on today's agenda have been withdrawn by the Petitioners:

Hearing No. 0049A, Reno Retail Company LLC, Parcel No. 049-230-39  
Hearing No. 0050A, Reno Retail Company LLC, Parcel No. 049-230-40  
Hearing No. 0070, Worldmark, The Club Reno, I.D. No. 2/680-032

**SWEARING IN WITNESSES**

County Clerk Amy Harvey administered the Oath to Appraiser Mark Stafford and Ken Johns, State Department of Taxation.

**\*1:02 p.m.** Member Krolick arrived at the meeting.

**CONSOLIDATION OF HEARINGS**

Chairman Sparks announced there would be no consolidated hearings for the February 22, 2006 meeting.

**06-80E            ROLL CHANGE REQUESTS – DECREASES**

Following review and discussion, on motion by Member Sparks, seconded by Member Krolick, which motion duly carried with Member Schmidt absent, it was ordered that Roll Change Requests Nos. 21 through 23, resulting in decreases and placed on file with the Clerk, be approved for the reasons stated thereon.

**06-81E            ROLL CHANGE REQUESTS – INCREASES**

Amy Harvey, County Clerk, confirmed the owners were notified of the increases, and there was no response from the owners.

Following review and discussion, on motion by Member Koziol, seconded by Member Krolick, which motion duly carried with Member Schmidt absent, it was ordered that Roll Change Requests Nos. 1 through 20 resulting in increases, which were placed on file with the Clerk, be approved for the reasons stated thereon. The Board also made the finding that, with this adjustment, the land and improvements are valued correctly and the total taxable value does not exceed full cash value.

\*       \*       \*       \*       \*       \*       \*       \*       \*

Chairman Sparks explained the procedure for the hearings would begin with a brief presentation by the Assessor to identify the property in question, and the Petitioner would follow submitting their evidence of the proper value or evidence establishing that the property value was incorrect. He said the Assessor would follow to present evidence supporting the Assessor's valuation of the property and rebut any evidence presented by the Petitioner. He stated the Petitioner would have the opportunity for rebuttal of only the evidence offered by the Assessor.

\*       \*       \*       \*       \*       \*       \*       \*       \*

**\*1:20 p.m.**    Member Schmidt arrived at the meeting during the following hearing.

**1:35 p.m.**    Peter Simeoni, Legal Counsel, left the meeting during the following hearing, and Leslie Admirand, Legal Counsel, took his place.

**06-82E            HEARING NOS. 0032A THROUGH 0032H – SIERRA DEVELOPMENT COMPANY & CLUB CAL-NEVA PARCEL NOS. 011-062-12, 011-062-28, 011-062-14, 011-061-19, 011-072-13, 011-062-27, 011-062-13, 011-062-15**

A petition for Review of Assessed Valuation received from Sierra Development Company and Club Cal-Neva, protesting the taxable valuation on the improvements located at East Second and Virginia Streets Reno, Washoe County, Nevada, was set for consideration at this time. The property is zoned CB, HCD and designated casino and hotel.

Mark Stafford, Appraiser, duly sworn, oriented the Board as to the location of subject property.

Jeffery Wilson, Petitioner, was sworn and testified that he was in agreement with the recommendation of the Appraiser.

Appraiser Stafford submitted the following documents into evidence:

Exhibit I, Assessor's Fact Sheet(s) including comparable sales, maps and subject's appraisal record, pages 1 through 56, and pages 1 through 27.

Exhibit II, Corrected pages 4 and 6 of the Assessor's Fact Sheets.

Appraiser Stafford reviewed Exhibit II pointing out the estimates of income and EBITAR (earnings before interest, taxes, depreciation, amortization, and rent). He said he viewed the Nevada Tower (former Onslow - APN 011-161-19) as a separate property, and the First Street Parking Garage (APN 011-062-28) as a separate property because it was utilized by the City of Reno. He noted the income analysis reflected in Exhibit II was the income attributable to the Cal-Neva. Appraiser Stafford referenced the Assessor's estimated EBITAR for the Cal-Neva found in Exhibit II, and he explained the value estimates and recommended values for the Cal-Neva properties.

In response to Chairman Sparks and Member Schmidt, Appraiser Stafford explained that the difference in the percentage of the EBITDAR in Exhibit II came from the satellite revenue. He said he made an estimate of those amounts in Exhibit I because he did not have the exact numbers from the Petitioner until yesterday. He defined the percentages for Member Schmidt. Appraiser Stafford explained the differences in the amount of the Cal-Neva Casino Capitalization of EBITDAR found in Exhibit I versus Exhibit II and how he arrived at those amounts.

Member Schmidt commented the Assessor did not look at a reasonable EBITDAR return for this operation because of the various types of functional operations. He said the individual functions had to be looked at to come up with individual values as they relate to each other. Appraiser Stafford agreed and stated it was his position that the First Street Parking Garage was not necessary for the Cal-Neva operations because they had the Center Street Garage. He said the Cal-Neva loses money on it, so he added that back into their revenue. He verified the Assessor had \$15,018,000 on this property for the 2006 roll, and he was recommending an adjustment to \$14,500,000. He noted the owner was in agreement with the recommendation.

There was no rebuttal by the Petitioner.

The Chairman closed the hearing.

Based on the FINDINGS that economic obsolescence should be applied to the subject property, as evidenced by the Assessor's Exhibits, and as recommended by the Assessor, on motion by Member McAlinden, seconded by Member Schmidt, which

motion duly carried, it was ordered that the total taxable value of the land and improvements for the Sierra Development Company (Club Cal-Neva Casino) casino operations be set at \$14,500,000 by applying obsolescence to the improvement value of Assessor's Parcel No. 011-062-13. The Board also made the finding that, with this adjustment, the land and improvements are valued correctly and the total taxable value does not exceed full cash value. The values by parcel are as follows:

PARCEL	LAND	IMPROVEMENTS	PERS PPTY	TOTAL
011-062-12	\$ 259,643	\$ 955,261		\$1,214,904
011-062-14	\$ 247,710	\$ 875,838		\$1,123,548
011-072-13	\$1,427,000	\$1,490,190		\$2,917,190
011-062-27	\$1,391,300	\$1,172,159		\$2,563,459
011-062-13	\$ 503,378	\$1,384,034		\$1,887,412
011-062-15	\$ 310,725	\$1,106,602		\$1,417,327

It was noted the Personal Property value for the above parcels totaled \$3,376,160.

It was also noted the properties listed below were under appeal, but considered not essential to Cal-Neva Casino operations by the Assessor and were valued separately as stated below. The Board also made the finding that, with this adjustment, the land and improvements are valued correctly and the total taxable value does not exceed full cash value. The values by parcel are as follows:

PARCEL	LAND	IMPROVEMENTS	PERS PPTY	TOTAL
011-062-28	\$1,087,200	\$1,287,800		\$2,375,000
011-061-19	\$ 875,000	\$2,772,470		\$3,647,470

**06-83E      HEARING NO. 0045 – BISHOP MANOGUE CATHOLIC HIGH SCHOOL - PARCEL NO. 162-010-28**

A petition for Review of Assessed Valuation received from Bishop Manogue Catholic High School, protesting the taxable valuation on land and improvements located at 110 Bishop Manogue Drive, Reno, Washoe County, Nevada, was set for consideration at this time. The property is zoned SP and designated general commercial: retail, mixed, parking, and school.

Theresa Wilkins, Appraiser, duly sworn, oriented the Board as to the location of subject property.

Sharon Parker, Esq., Woodburn & Wedge, representative for the Petitioner, was sworn and stipulated that the Board of Equalization (BOE) did not have jurisdiction over this petition.

Terry Shea, Deputy District Attorney, previously sworn, stated a stipulation was entered; and a subsequent proceeding would follow to take care of this petition.

In response to Member Schmidt, Leslie Admirand, Legal Counsel, confirmed this was a matter that was properly going before the Board of County Commissioners in a subsequent proceeding, and she agreed with Mr. Shea.

On motion by Member Koziol, seconded by Member Krolick, which motion duly carried, it was ordered that the stipulation that the Board of Equalization does not have jurisdiction over Hearing No. 0045, Parcel No. 162-010-28 be acknowledged.

**06-84E            HEARING NO. 0071 – ONE SOUTH LAKE STREET, LLC (SIENA)  
PARCEL NO. 011-122-09**

A petition for Review of Assessed Valuation received from One South Lake Street, LLC, protesting the taxable valuation on land, buildings, and personal property located at One South Lake Street, Reno, Washoe County, Nevada, was set for consideration at this time. The property is zoned TRD and designated casino or hotel.

Mark Stafford, Appraiser, duly sworn, oriented the Board as to the location of subject property.

Mike Bosma of Grant, Thornton, LLP, representing the Petitioner, was sworn and submitted the following documents into evidence:

Exhibit A, Cash flow schedule, 2004 Abstract with Gaming Revenue of \$1,000,000 to \$12,000,000, hotel sale comparison schedule, resume, letter, and NGC-17 at June 30, 2005.

Exhibit B, Siena Hotel, Spa & Casino Property Comparison

Mr. Bosma reviewed Exhibit A and gave a description of the analysis he completed. He discussed the hotel comparison sales within Exhibit A. He pointed out the subject parcel was assessed at \$15-million, and he testified that management of the subject parcel believed the right value was \$7.5-million. He presented Exhibit B that compared the Siena Hotel, Spa & Casino to the Fitzgerald Casino. Mr. Bosma said there was an equalization issue because the Fitzgerald's numbers were based on a real transaction, and the Fitzgerald Casino should be valued higher than the Siena Hotel, Spa & Casino.

Appraiser Stafford submitted the following documents into evidence:

Exhibit I, Assessor's Fact Sheet(s) including comparable sales, maps and subject's appraisal record, pages 1 through 42.

Exhibit II, Assessor's Exhibit A, William G. Kimmel & Associates – A complete appraisal of the Siena Hotel & Spa Casino, dated January 31, 2005

Appraiser Stafford reviewed sales of comparable properties substantiating that the Assessor's total taxable value does not exceed full cash value. He testified that at the time Exhibit II was completed the owner agreed the property was worth \$15-million. He stated the owner presently believed the Siena was worth half of that even though the subject parcel was making more money. He described the property as upscale, and he remarked it was built as a boutique motel. Appraiser Stafford noted the property had struggled to find its market, client base, and identity; however, the income figures in Exhibit I reflected improvement. He went over the income of the Siena presented in Exhibit I. He emphasized the property was making more money this year than it was a year ago when it was appraised at \$15-million. Appraiser Stafford pointed out the property struggled as a casino, but it did well in the food, beverage, and room revenue areas. He stressed the Siena was at the beginning of its economic life, and the other properties Mr. Bosma used as comparables were at the end of their economic life. He said Mr. Bosma's sales were incorrect, as there were newer sales; and those properties were at the end of their economic life. Appraiser Stafford then answered questions of the Board members.

In rebuttal, Mr. Bosma clarified \$15-million was agreed to last year because the EBITDAR (earnings before interest, taxes, depreciation, amortization, and rent) was budgeted to support that valuation. He noted the subject parcel did not bring in the necessary cash flow, and there had to be internal revision of the operating budgets. Mr. Bosma outlined the problems with Mr. Stafford's suggestion that the Siena was at the beginning of its economic life. He stressed the property was greatly impacted because it was not in the casino core, and he referenced Exhibit B. He stated the best value would be \$7.5-million based on the evidence presented on an equalization perspective and noting the ongoing concerns of the casino. He said to not reduce the subject parcel would leave the value far in excess of the full cash value.

In response to Member Krolick, Mr. Bosma stated the Siena would do better as a stand-alone casino if it was not located in the downtown area. He said easy access to surface parking was important to patrons, and the subject parcel was limited by its surface parking. He agreed downtown Reno was moving in the right direction by aiming to build a locals market and to add retail to the area.

Member Koziol commented the Siena had done well as a spa/resort/hotel, and it was only struggling at the casino level.

Scott Berry, CFO of the subject property, was sworn in. He commented the goal at the beginning was to bring in gamblers from California and draw in high-end travelers for the hotel business. He remarked over the last couple of years the focus was redirected to the locals market for the gambling, and the focus remained on the out of town business traveler for the hotel. He said there had been significant progress, and the property was now reaching the break-even point.

Mr. Bosma remarked the subject parcel was successful at a portion of the business model, and management was capitalizing on a lot of potential. He noted they had a solid general manager who was working to build the locals market.

The Chairman closed the hearing.

Member Schmidt stated he was troubled with the equalization issue in relation to the Fitzgerald Casino. He acknowledged the Board normally did not look at equalization by comparing the subject parcel to one other property, but there was substantial testimony as to the current taxable value on that property.

Chairman Sparks stated why he gave little weight to the equalization argument brought forth by the Petitioner. He commented the Petitioner brought forward testimony of the subject parcel being in a poor location, the costs to reconstruct the property, and the current losses. He noted it had reached a stabilized occupancy in all elements except for the casino element, and he would not support any reduction in valuation of the property.

Member Koziol said he would not support a reduction, and he believed the comparison to the Fitzgerald Casino was inadequate.

Member Schmidt stated he was troubled he did not receive the information from the Petitioner earlier, and he would accept the equalization arguments on that basis. He said he would support a reduction, noting that there were voids in the presentations from the Assessor and the Petitioner.

Based on the FINDINGS that taxable value does not exceed full cash value, as evidenced by the Assessor's and Petitioner's Exhibits, on motion by Member Sparks, seconded by Member Koziol, which motion duly carried with Member Schmidt voting "no," it was ordered that the taxable value of the land, improvements, and personal property on Parcel No. 011-122-09 be upheld.

**2:55 p.m.** The Board recessed.

**3:05 p.m.** The Board reconvened with all members present.

**06-85E** **HEARING NO. 0073 – COMSTOCK TITLE COMPANY TR**  
**PARCEL NO. 011-041-11**

A petition for Review of Assessed Valuation received from Comstock Title Company, TR, protesting the taxable valuation on the improvements located at 121 West Street, Reno, Washoe County, Nevada, was set for consideration at this time. The property is zoned CB and designated commercial hotel or motel.

Mark Stafford, Appraiser, was not present to give testimony.

James Bordycott, Petitioner, was sworn and stated he was in agreement with the Assessor's recommendation.

The Chairman closed the hearing.

Based on the Assessor's recommendation, on motion by Member Koziol, seconded by Member Schmidt, which motion duly carried, it was ordered that the taxable value of the improvements on Parcel No. 011-041-11 be reduced to \$2,538,000, for a total taxable value of \$2,914,474 for land, improvement, and personal property. The Board also made the finding that, with this adjustment, the land and improvements are valued correctly and the total taxable value does not exceed full cash value.

**06-86E      HEARING NOS. 0085A & 0086A – FORE ZEPHYR POINTE LP –  
FORE WHITTELL POINTE II LP  
PARCEL NOS. 001-154-12 & 004-072-22**

Petitions for Review of Assessed Valuation received from Fore Zephyr Pointe, LP and Fore Whittell Pointe II, LP, protesting the taxable valuation on land and improvements located at 10650 N. McCarran, Reno, and 1855 Selmi Drive, Reno, Washoe County, Nevada, were set for consideration at this time. The properties are zoned MF21 and designated apartment residences.

Theresa Wilkins, Appraiser, duly sworn, oriented the Board as to the location of subject properties.

James Susa, Esq., representative for the Petitioner, was sworn and submitted the following documents into evidence:

Exhibit A, letter of Douglas John, an application for Property Tax Exemption for Fore Zephyr Pointe II, LP, letter of Susan Goodlett, letter of Paul Bancroft, and a copy of Nevada Administrative Code (NAC) 361.089.

Exhibit B, letter of Douglas John, an application for Property Tax Exemption for Fore Whittell Pointe II, LP, letter of Susan Goodlett, letter of Paul Bancroft, and a copy of NAC 361.089.

Chairman Sparks disclosed that Bancroft Susa & Galloway represent other people outside of Washoe County, and he worked for Bancroft Susa & Galloway as an appraiser in Clark County within the last 18 months.

Mr. Susa and Appraiser Wilkins agreed to consolidate the hearings.

Mr. Susa testified that the subject parcels qualified for exemption as low-income housing under Nevada Revised Statute (NRS) 361.082. He stated the Assessor failed to grant complete exemption for the 2005/06 tax year despite the parcels meeting the qualifications specified in the NAC. Mr. Susa explained the Assessor accepted the application that was submitted by Fore Properties for the 2006/07 tax year, they agreed

the properties qualified as 100 percent exempt, and that the properties met all the qualifications listed in the NRS for low-income housing. He acknowledged the issue concerned the transition year of 2005/06. He noted that was when the property improvements were being constructed, and they were not completed by June 15, 2005. Mr. Susa said the result was the Assessor looked at the total number of units that were occupied on that date, they made a percentage calculation for each of the properties, and a percentage exemption was given for the actual units that were occupied based on a regulation that had been adopted by the Nevada Tax Commission (NTC) in late 2003. Mr. Susa discussed applicable language from the NRS and the NAC, as it appeared in the Assessor's Exhibits I and II, and he stated the Petitioner believed they met the standards required by creating a 100 percent dedication for the facilities. He said the subject parcels were being constructed, people were living in the units in the 2005/06 tax year, and that would entitle the Petitioner to receive 100 percent exemption for the properties. Mr. Susa then responded to questions from the Board members providing more detailed information about the properties.

Appraiser Wilkins submitted the following documents into evidence:

Exhibit I, Assessor's Fact Sheet(s) including comparable sales, maps and subject's appraisal record, pages 1 through 51.

Exhibit II, Assessor's Fact Sheet(s) including comparable sales, maps and subject's appraisal record, pages 1 through 32.

Appraiser Wilkins stated the Assessor's Office did not believe they had the latitude to interpret the statute any other way. She said, from the Assessor's standpoint, it was viewed as units as of a certain date; and that date was June 15th per statute. She said the Assessor was looking at what was actually occupied based on the occupancy report that the applicant filed when they filed their application.

Leslie Admirand, Legal Counsel, explained she looked at the NRS and the NAC, and it came down to matter of statutory construction. She agreed with the Petitioner and stated any other interpretation would render those words meaningless.

The Petitioner had no rebuttal.

The Chairman closed the hearing.

Based on the FINDINGS that subject properties are entitled to 100 percent exemption for 2005/06, as evidenced by the Assessor's and the Petitioner's Exhibits, on motion by Member Sparks, seconded by Member Koziol, which motion duly carried, it was ordered that the 100 percent exemption be applied to Parcel Nos. 001-154-12 and 004-072-22 for 2005/06 tax year.

**HEARING NO. LT-0487 – MIRACLE INVESTMENTS LLC**  
**PARCEL NO. 123-042-15**

A petition for Review of Assessed Valuation received from Miracle Investments, LLC, protesting the taxable valuation on land, improvements, and personal property located at 14 State Route 28, Crystal Bay, Washoe County, Nevada, was set for consideration at this time. The property is zoned TC and designated casino or hotel casino.

Mark Stafford, Appraiser, duly sworn, oriented the Board as to the location of subject property.

Mike Bosma of Grant, Thornton, LLP, representing the Petitioner, was previously sworn and submitted the following documents into evidence:

Exhibit A, Schedule of EBITDA(R) (earnings before interest, taxes, depreciation, amortization, and rent), Abstract worksheet, schedule of cost of land and improvements, a letter from Roger Norman, a letter from Mark Stafford, NGC-17, audited financial statement, interim financial statement, petition for review, and a resume of Mr. Bosma.

Exhibit B, 2005 Abstract with gaming revenue over \$1,000,000 Washoe County.

Member Schmidt disclosed that he had met Mr. Norman a couple of times.

Mr. Bosma reviewed the documents within Exhibit A. He testified that the subject property was outperforming the market. He said there were competitive constraints that were negatively impacting the subject parcel, and he named them. Mr. Bosma stated stabilized EBITDA(R) was what needed to be evaluated. He added the property had good cash flow, but not enough to support its taxable value. He commented on the economics and population changes in Crystal Bay. Mr. Bosma said the Petitioner believed their cash flow should be stabilized at \$1.2-million, and the valuation of the property should be \$5.7-million and not \$9.7-million.

Appraiser Stafford submitted the following documents into evidence:

Exhibit I, Assessor's Fact Sheets including comparable sales, maps and subject's appraisal record, pages 1 through 21.

Appraiser Stafford reviewed sales of comparable properties substantiating that the Assessor's total taxable value does not exceed full cash value. He further testified that the property was trending upward. He said Mr. Bosma used the wrong abstract, and Appraiser Stafford presented an abstract of casinos outside of Reno and Sparks. He pointed out the cash flow of \$1.2-million presented by Mr. Bosma was calculated on 10 months, and he stated that was not appropriate. He acknowledged an adjustment to the value of this property was needed. Appraiser Stafford added he saw

increasing revenues, and the comparable sales would support higher values. He stated he was recommending \$8-million. He then answered questions of the Board members.

Member Schmidt requested population analysis on properties in the future.

Chairman Sparks asked Mr. Bosma if he agreed that the personal property taxable value of \$1,852,562 was representative of the unsecured roll that was provided to the Assessor's Office. Mr. Bosma said he did not agree with that amount because he expected to have roughly the same taxable value for personal property for the 2006 roll as it was in 2005. He explained that was because the owner would be investing in his property roughly in the same proportion as the depreciation that was going to fall off on the other side.

In rebuttal, Mr. Bosma stated he was looking at the entire worth of the casino, and he was requesting the obsolescence be applied against the real estate. He clarified the Petitioner was not at issue with the sales in Exhibit I. He said the contention concerned if the income had stabilized or not. Mr. Bosma submitted Exhibit B and confirmed the subject parcel was in line with the abstract. He said the owner believed \$1.2-million was the right number to use to set the valuation. He stated the Petitioner contended the total valuation should be \$5,715,000 by looking at current data that was supported by interim financials.

The Chairman closed the hearing.

Member Schmidt stated he desired to view documents in a timely manner.

Based on the FINDINGS that obsolescence should be applied to the subject parcel, as recommended by the Assessor, and as evidenced by the Assessor's and Petitioner's Exhibits, on motion by Member Sparks, seconded by Member Koziol, which motion duly carried, it was ordered that the taxable value of the improvements on Parcel No. 123-042-15 be reduced to \$4,357,538, and that the taxable value of the land and personal property be upheld, for a total taxable value of \$8,000,000. The Board also made the finding that, with this adjustment, the land and improvements are valued correctly and the total taxable value does not exceed full cash value.

**4:30 p.m.** The Board recessed.

**4:40 p.m.** The Board reconvened with all members present.

**06-88E** **HEARING NO. 0076 – EMPIRE ENERGY LLC**  
**PERSONAL PROPERTY I.D. NO. 2/488-007**

A petition for Review of Assessed Valuation received from Empire Energy, LLC, protesting the taxable valuation on personal property located at Mile Marker 60, Empire, Washoe County, Nevada, was set for consideration at this time.

Ken Johns, State of Nevada Mines Appraiser, duly sworn, oriented the Board as to the location of subject property.

Don Gieseke, Petitioner, was sworn and voiced his agreement with the recommendation from the State of Nevada.

The Petitioner submitted no exhibits.

Appraiser Johns submitted the following documents into evidence:

Exhibit I, recommendation and supporting documents from the State of Nevada.

Appraiser Johns explained the State of Nevada and Petitioner Gieseke's company, Empire Energy LLC, agreed to \$3,448,600 for the taxable value for personal property.

There was no rebuttal by the Petitioner.

The Chairman closed the hearing.

Based on the FINDINGS that obsolescence in excess of that accounted for by the statutorily mandated replacement cost new less depreciation method should be applied, and on recommendation by the State Department of Taxation's representative, on motion by Member Sparks, seconded by Member Koziol, which motion duly carried, it was ordered that the taxable value of the personal property on Personal Property I.D. No. 2/488-007 be reduced to \$1,925,000 for a total taxable value for improvements and personal property of \$3,448,600. The Board also made the finding that, with this adjustment, the personal property is valued correctly and the total taxable value does not exceed full cash value.

**06-89E            HEARING NOS. 0081A, 0081B, & 0081C – KOLO TV**  
**PERSONAL PROPERTY I.D. NOS. 2/472-047, 2/472-013, 2/472-014**

A petition for Review of Assessed Valuation received from KOLO-TV, protesting the taxable valuation on personal property located at Peavine Mountain, Mount Rose Highway, and 4850 Ampere Drive, Reno, Washoe County, Nevada, was set for consideration at this time.

The Assessor and the Petitioner agreed to consolidate the hearings.

Chairman Sparks commented this case concerned personal property, and the Board was aware of the location of the subject parcels. He asked Mark Stafford, Appraiser, duly sworn, if the Board could proceed with the Petitioner's presentation without an opening statement from him; and Appraiser Stafford agreed.

Michael McShane, Chief Engineer of KOLO-TV, and Kirk Low of Crowe Chizek and Company LLC, representing the Petitioner, were sworn and submitted the following documents into evidence:

Exhibit A, KOLO-TV Ampere asset list  
Exhibit B, KOLO-TV Slide Mountain (Mt. Rose Highway) asset list  
Exhibit C, KOLO-TV Peavine asset list  
Exhibit D, Gray Television Group KOLO-TV Amended Personal Property Tax Returns 2005  
Exhibit E, Nevada - State of Nevada Department of Taxation 2006/07 Personal Property Manual

Mr. Low presented the values he concluded for the three sites through his analysis. He said there were two issues in this case, and they involved how to read the manual and what was the value of analog and digital television equipment.

Chairman Sparks disclosed that he performed appraisals of radio and television stations outside of Nevada. He acknowledged he had a background with the different technologies and their values on the open market.

Mr. Low referenced Exhibit E and stated there was disagreement on the definition of television production equipment. He defined television production equipment as starting at the camera lens or the microphone and ending at the antennae. Mr. Low commented Mr. Stafford determined the lives to be assigned to various equipment by using the cable television industry, and that was a different industry with different equipment. Concerning the value of analog and digital television equipment, Mr. Low discussed the DTV bill that would be shutting down analog television broadcasting in the United States on February 17, 2009. He described the challenges this placed on KOLO-TV presently, and the impact the bill would have on the value of analog equipment in the future. He detailed how they arrived at the fair market value of the equipment. Mr. Low remarked there must be an allocation for the analog and digital equipment and acknowledgement that the analog equipment would be totally useless on February 18, 2009. He stated digital equipment had obsolescence, and he described how he came to that conclusion. Mr. Low then responded to questions from the Board members.

Appraiser Stafford submitted the following documents into evidence:

Exhibit I, Assessor's Fact Sheets including the State of Nevada Department of Taxation 2005/06 Personal Property Manual, pages 1 through 43.

Appraiser Stafford reviewed Exhibit I and commented on the life of various equipment within the television broadcasting industry. He noted the life of itemized equipment listed under the cable and other program distribution was consistent with the category of television broadcasting. He said he reassigned the lives based upon the manual to conclude his values for the Ampere site. Appraiser Stafford stated he

found the other two accounts to be appropriately classified because there was no production equipment involved. He said applying obsolescence to brand new digital equipment was absurd, and he did not support that. He believed there would be a future value for analog equipment, but he had no documentation to support that.

In response to Chairman Sparks, Appraiser Stafford confirmed he did not attach any additional functional or economic obsolescence to either the analog or digital equipment in his calculations. As requested by Member Schmidt, Appraiser Stafford discussed the concept of obsolescence. He then responded to additional questions from the Board members.

In rebuttal, Mr. Low stated cable was not broadcast television. Mr. McShane verified they were two different industries, and the equipment was different. Mr. Low commented on the possibility of foreign sales of the analog equipment and said there would not be a market for it after February 18, 2009. He stated there was obsolescence involved in this case, and he referenced Exhibit E.

Chairman Sparks asked if Mr. Low had any empirical evidence that there was obsolescence of the analog equipment. Mr. Low stated he had the date the DTV bill would go into affect and cause the equipment to become useless. Chairman Sparks inquired if he had any data that supported that this equipment that was being replaced had a cash value of any amount. Mr. Low commented in other arenas he tried to sell equipment and was unsuccessful. He said he had an assessment done on analog equipment, and it came in significantly lower than the standard tables for that area; however, he had no market evidence.

In response to Member Schmidt, Mr. Low further discussed the value of analog equipment in the future and costs involved for the Petitioner. He commented equipment dealers were not stocking analog equipment for inventory any longer. Mr. McShane confirmed E-bay was the only place they could obtain analog equipment currently.

The Chairman closed the hearing.

Chairman Sparks stated he agreed with the Petitioner that the bifurcated system that was required for all licensed stations was causing a drain. He also agreed that analog equipment would not be worth much in the future; however, neither the Petitioner nor the Assessor brought forward any evidence that the full cash value of analog equipment was less than what had been portrayed.

Based on the FINDINGS that there were reporting errors on the part of the Taxpayer, as evidenced by the Assessor's and Petitioner's Exhibits, and as recommended by the Assessor, on motion by Member Sparks, seconded by Member McAlinden, which motion duly carried, it was ordered that the taxable value of the personal property on Personal Property I.D. No. 2/472-014 be reduced to \$2,821,287, and the taxable value of the personal property on Personal Property I.D. Nos. 2/472-047 and 2/472-013 be upheld.

The Board also made the finding that, with this adjustment, the personal property is valued correctly and the total taxable value does not exceed full cash value.

**APPROVAL OF MINUTES**

Amy Harvey, County Clerk, announced there were no minutes for Board approval.

**06-90E      BOARD MEMBER COMMENTS**

Member Schmidt presented a document to Amy Harvey, County Clerk, concerning a request to schedule a meeting of the Board of Equalization for early March 2006. He read from the document and commented on it.

**PUBLIC COMMENTS**

Gary Schmidt, Washoe County resident, stated his concerns about the appraisal process in Washoe County. He said the system was not fair, and he added everyone should work to make it right.

\*       \*       \*       \*       \*       \*       \*       \*

**5:38 p.m.**      There being no further hearings or business to come before the Board, the Board recessed until February 24, 2006, at 1:00 p.m.

---

**STEVEN SPARKS**, Chairman  
Washoe County Board of Equalization

ATTEST:

---

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

*Minutes prepared by  
Lori Rowe, Deputy Clerk*