

BOARD OF EQUALIZATION, WASHOE COUNTY, NEVADA

THURSDAY

9:00 A.M.

FEBRUARY 23, 2012

PRESENT:

James Covert, Chairman
John Krolick, Vice Chairman
James Brown, Member
Philip Horan, Member
Linda Woodland, Member

Nancy Parent, Chief Deputy Clerk
Herb Kaplan, 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 Clerk called the roll and the Board conducted the following business:

12-0531E PUBLIC COMMENT

There was no response to the call for public comment.

12-0532E WITHDRAWALS

032-050-52	GRANITE CONSTRUCTION COMPANY	12-0547A
032-050-61	GRANITE CONSTRUCTION COMPANY	12-0547B
032-261-26	GRANITE CONSTRUCTION COMPANY	12-0547C
032-261-27	GRANITE CONSTRUCTION COMPANY	12-0547D
032-261-28	GRANITE CONSTRUCTION COMPANY	12-0547E
032-261-29	GRANITE CONSTRUCTION COMPANY	12-0547F
032-281-06	GRANITE CONSTRUCTION COMPANY	12-0547G
084-060-15	GRANITE CONSTRUCTION COMPANY	12-0547H
084-070-11	GRANITE CONSTRUCTION COMPANY	12-0547J
084-070-19	GRANITE CONSTRUCTION COMPANY	12-0547K
084-080-20	GRANITE CONSTRUCTION COMPANY	12-0547L
084-080-22	GRANITE CONSTRUCTION COMPANY	12-0547M
084-080-30	GRANITE CONSTRUCTION COMPANY	12-0547N
084-640-04	GRANITE CONSTRUCTION COMPANY	12-0547Q
026-442-01	CAPURRO PROPERTIES LP	12-0556A
026-442-02	CAPURRO PROPERTIES LP	12-0556B
026-442-03	CAPURRO PROPERTIES LP	12-0556C
088-201-51	MERCY SPRINGS 152 PARTNERS LLC	12-0558A
088-201-52	MERCY SPRINGS 152 PARTNERS LLC	12-0558B
034-321-06	700 EAST GLENDALE ASSOCIATES LLC	12-0561A
034-321-07	700 EAST GLENDALE ASSOCIATES LLC	12-0561B

037-030-46	OLYMPIA GAMING CRS SPARKS LLC	12-0509
502-120-12	SELECTIVE-GOLDEN NORTH LLC	12-0559A
502-120-13	SELECTIVE-GOLDEN NORTH LLC	12-0559B
032-311-08	SEARS ROEBUCK & CO	12-0373
013-322-07	SOUTHWEST REGIONAL COUNCIL OF CARPENTERS	12-0450A
013-322-10	SOUTHWEST REGIONAL COUNCIL OF CARPENTERS	12-0450B
090-040-41	DP PARTNERS STEAD 546 LLC	12-0265
163-102-11	DP PARTNERS TRADEMARK I LLC	12-0266
502-120-15	SELECTIVE-GOLDEN NORTH LLC	12-0511

12-0533E REQUESTS FOR CONTINUANCE

Nancy Parent, Chief Deputy Clerk, informed the Board she received a request to continue Hearing Nos. 12-0138 and 12-0139 from February 24, 2012 to February 29, 2012. Chairman Covert so ordered.

12-0534E CONSOLIDATION OF HEARINGS

It was determined hearings would be consolidated as needed.

**12-0535E PARCEL NO. 025-480-41 – CHARLES RIVER LABORATORIES
INC – HEARING NO. 12-0372**

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 6995 Longley Lane, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Appraisal, 68 pages.

Exhibit B: Parcel comparison information, 5 pages.

Assessor

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

Exhibit II: Letter from Chairman of Charles River and stock information, 5 pages.

On behalf of the Petitioner, Paul Bancroft, Reese Perkins and Greg Beattie were sworn in by Chief Deputy Clerk Nancy Parent.

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

Member Horan stated there was a recommendation from the Assessor's Office for a reduction. Mr. Bancroft stated he was aware of the recommendation, but the Appellant was requesting more of a reduction. He said the appeal was filed because the taxable value assigned was in excess of the full cash value. The difference between taxable value and full cash value was critical in the application of Nevada property tax law. The relationship between taxable value and full cash value was important because if taxable value was in excess of full cash value, the taxable value must be reduced to full cash value. To illustrate this principle, he included a schedule and graph (Exhibit B) showing the taxable values assigned to the parcels that comprised Harrah's Casino.

Chairman Covert asked if Mr. Bancroft was suggesting the subject was comparable to Harrah's. Mr. Bancroft stated he was not, he was suggesting that Harrah's was an example that illustrated the application of Nevada law. Harrah's comprised almost two whole blocks in Reno, had hundreds of hotel rooms, restaurants, a convention center and gaming. Harrah's taxable value was \$110 million and the full cash value was \$20 million. The difference between the taxable value and full cash value for Harrah's was obsolescence and he wondered why there was such a large amount applied in obsolescence. He believed the reduction of 82 percent in obsolescence was not attributable to bad management, but to a change in the industry in which Harrah's competed.

Mr. Bancroft explained the reason he was talking about Harrah's was because everyone understood the change in that industry, but the subject competed in a different industry that had suffered the same type of problems that caused obsolescence to exist in Harrah's. The chart in Exhibit B depicted the taxable value at \$59 million for the subject, which was the statutory cost methodology. He also depicted the full cash value of \$41.5 million, which was approximately a 31 percent reduction for obsolescence. The \$41.5 million was the amount determined by the Petitioner's appraiser as being the full cash value of the subject. The obsolescence was \$18 million, which was substantially less than the obsolescence afforded to Harrah's.

Mr. Beattie, Vice President of Charles River Laboratories, Inc., said he was responsible for the local operations in Reno and in Ohio. He explained Charles River Laboratories (the subject) was in the business of drug development. He said they were a global corporation, employed about 8,000 people and supplied products and services to the pharmaceutical research world. He said they also conducted drug testing to show that not only new drugs were effective, but also that they did not cause unintended consequences. He said it was federally mandated testing under U.S. law and the Food and Drug Administration, as well as similar governmental bodies around world.

Mr. Beattie stated the project started in late 2005 and at that time, the pharmaceutical world was projecting a compound annual growth rate of upwards of 16 percent. The subject and several of their competitors embarked on large building expansions. In 2008, after the subject was occupied, the market took a dramatic downturn, budgets came under scrutiny and there was a dramatic reduction in spending. At the same time, many of the "blockbuster" drugs came off patent. He explained that

when drugs went into development, pharmaceutical companies filed for patent protection. He said there was a short window of time to sell the product to recoup their investment and over the next five years, it was estimated there would be \$142 billion worth of revenue that would be at risk for the global pharmaceutical companies because of the patent “cliff”.

Chairman Covert asked if the loss of a patent was predictable. Mr. Beattie stated it was very predictable. He said the companies had shops internally that were producing new molecules that would enter into the drug development process. Generally, for every 10,000 molecules entering into the process, only one would make it through to the marketplace. He said legislation and regulations tightened, which made it more difficult to get a “need to” drug on the market and none of that revenue was being replaced. He cited several facilities closing around the country and world, which would have a direct impact on the subject. He said facilities were cutting their budgets, which meant there was much less money going into research and development. The other major factor that had happened since 2006 was the globalization of outsourcing, especially in Asia. He said Charles River had built a facility in Shanghai, China but had to close it because they could not fill it due to the patent cliff and the reduction in research and development dollars being spent globally.

Mr. Beattie stated Charles River bought the State Farm building, which was larger than they needed for the first phase of expansion. They completed the expansion and occupied it in 2008. The expectation at that time was to complete the build out by the end of 2011. They put the infrastructure in place that was required to operate the entire facility. He said they did not build out the facility to the extent that they had expected and also reduced the scope of operation considerably. He said staff was down about 20 percent and a great deal of the facility was not being utilized at this time.

Mr. Perkins, Appraiser, explained the process he used to appraise the subject. He referred the Board to pages 1 and 2 of Exhibit A, in particular, the gross leasable area and gross building area. He said pages 5 through 7 of Exhibit A described the subject as a pre-clinical laboratory with vivarium space for the animal testing, a significant amount of administrative office space and building support areas, including warehouse. He stated he did not think that he or the Assessor's Office could reconcile the difference in gross building area. He used the architect's plans to arrive at his estimate of gross building area in the amount of 383,825 square feet. The key number he would use, and what related to the value of the property, was gross leasable area, which he estimated to be 340,490 square feet.

Mr. Perkins summarized the issues involved with the valuation of the subject, specifically as they related to the industry that utilized the facility. He said the subject depended on the pharmaceutical industry, which had undergone significant research and development budget cuts over the past few years. As indicated, there had been a number of patent expirations and re-prioritizing of the industry. The pharmaceutical industry would often look at buying small companies or laboratories in order to make a profit. He concluded the vivarium and support areas contained 149,185

square feet of useable area and were operating at approximately 75 percent of capacity. The laboratory areas which were separate from the vivarium areas contained about 36,400 square feet and operated at 50 percent capacity. The administrative offices contained 93,280 square feet and were 50 percent utilized. The building support areas, which included repairs and maintenance and warehouse distribution and receiving, contained approximately 29,805 square feet and were 100 percent utilized. There was approximately 31,820 square feet of shell space, which would have been used if market conditions warranted expansion, but it remained vacant. He noted approximately 43,335 square feet of the facility was mechanical space, which was included in the gross building area, but should not be included in the gross leasable area.

Mr. Perkins said pages 19 through 21 of Exhibit A depicted the floor plans, gross building area and vacancy of the subject. To establish an indication of the full cash value, he used an income approach and checked it against a sales comparison approach, and then prepared a cost approach to value. He stated pages 24 and 25 depicted a summary of comparable professional office building rentals and a summary of industrial building rentals. The comparable professional office buildings had rental rates ranging from \$1.25 per square foot to \$2.61 per square foot. He noted Microsoft licensing, referred to as BR-1 and BR-2 (page 24, Exhibit A), leased for \$1.73 per square foot to \$2.43 per square foot on a full service gross. The leases were renegotiated and reduced to \$1.40 per square foot on a triple-net basis. He said asking rents for office space in the Reno-Sparks area ranged from \$1.15 per square foot to \$2.55 per square foot. He estimated the market rent of the office areas within the subject to be \$1.75 per square foot, full service gross. He estimated the rental rate to be \$3.00 per square foot on a full service gross basis for the laboratory and vivarium area due to additional air conditioning. With respect to the industrial rentals, the range was from 19 cents to 29 cents per square foot. He estimated the market rent of the warehouse space to be 30 cents per square foot on a triple-net basis.

Mr. Perkins stated page 34 of Exhibit A summarized the income approach to. He went through the income approach explaining the potential gross income for the vivarium areas, laboratories and office space. He broke out the potential gross income for the warehouse. He believed the income approach to value was the method most used by buyers and sellers in the market place. As a check of the income approach, he prepared a market approach to value (pages 35, 36 and 37). He said the comparable industrial sales indicated a range in sales price per square foot of gross building area from \$43.75 to \$75 per square foot, with an average sales price of \$53.42 per square foot, or a median sales price of \$49.55 per square foot. The comparable professional office sales indicated a range in sales price per square foot of \$142.46 and a median sales price of \$116.85 per square foot. He estimated the per unit value, based on gross building area to be \$110 per square foot, resulting in an indicated value of \$42,220,750. He said because of the differences of utilization within the subject, the vast variation in the comparable sales data, and a lack of sales in the Reno/Sparks area, the direct sales comparison approach was a check against the reasonableness of the income approach to value.

Mr. Perkins explained the cost approach to value was an effort to try and simulate the estimate of taxable value of the subject and incorporate the elements of external obsolescence that would not be reflected by the statutory depreciation. He noted pages 40 and 41 of Exhibit A summarized a number of comparable industrial land sales in the south Reno market as well as in competitive submarkets. He testified he estimated the market value of the land to be \$4 per square foot, which was in alignment with the Assessor's Office taxable land value.

Mr. Perkins said there were three forms of depreciation that an appraiser considered: physical deterioration, functional obsolescence, and external obsolescence. He said the subject had a 10 year effective age and straight-line depreciation would indicate a physical deterioration of 20 percent. He estimated depreciation to be 6 percent based on the *Marshall and Swift* age life-tables. His inspection of the property estimated the physical deterioration to be 15, or cost new, less physical depreciation of \$51,414,138. He said the two forms of obsolescence the subject had were external obsolescence, attributable to the real estate market and, external obsolescence relative to the pharmaceutical industry. To arrive at an indication of the external obsolescence, he analyzed the income that the property would produce if it were a stabilized occupancy (page 46). He then capitalized that net operating income (NOI) to arrive at an indicated value of the property (page 47) of \$50,897,656. He said the land was worth \$5,291,000 and the depreciated value of the site improvements was \$2,676,000, resulting in an indication that the depreciated value of the subject improvements was \$42,929,000. If that was the case, he could take the replacement cost new (RCN) of the subject (\$60,478,000), deduct physical depreciation in the amount of \$9,073,000, and the cost new, less physical depreciation would be \$51,414,000. The depreciated value of the improvements was \$42,929,000, which would result in an indication of economic obsolescence attributable to local market conditions of \$8,485,000 (page 47). In addition, the obsolescence attributable to the subject was based on projections made earlier that had not proven to be true as a result of reductions in the pharmaceutical industry and outsourcing. He analyzed and deducted the NOI of the property in its "as is" condition, which resulted in \$852,752 (page 48), which was capped at 9 percent and resulted in an estimate of external obsolescence of \$9,475,000. He said page 48 held a summary of the cost approach to value. He deducted physical depreciation, economic obsolescence, local market conditions, and external obsolescence, which resulted in a total replacement cost new, less depreciation of \$33,454,000. He then added the depreciated costs of the site improvements and land value back in to achieve an indicated value of \$41,423,000. He felt the cost approach to value in this instance, because of the large estimates of obsolescence required, was the least reliable indicator of value, even though it supported the indicators of value from the income approach and direct sales comparison approach. Based on the three values, he correlated a final value estimate of \$41,500,000.

Appraiser Gonzales said in November the Assessor's Office toured the facility and found the subject was costed as a laboratory. *Marshall and Swift* defined a laboratory as allowing office space and warehouse. He said he contacted *Marshall and Swift* to try and determine how much office space and other spaces were allowed under laboratory occupancy. Their response was "enough for the facility to operator as a

laboratory.” After the walk-through he realized there was unused space, excess office space and large warehouse space. He noted he broke out the occupancies and recosted it and even though it was an owner-used building used for research and not intended to be used as a rental property, he looked at it from an income standpoint. He said based on current economic conditions and underutilization of the facility, he reconciled the value of the income to approximately \$57 million. In January, when the appeal was received, he said he prepared his packet and met with Mr. Perkins to discuss the preliminary appraisal. Based on the preliminary appraisal he made some minor changes to his model and arrived at a reduced total taxable value of \$52,647,985, which was what was being recommended to the Board.

Appraiser Gonzales reviewed Exhibit II, 2010 Annual Report from Charles River. He recognized that the subject had been impacted by the economy, but he noted the subject had been able to take advantage of certain situations that arose, such as acquisitions and restructuring. He read from page 1 of Exhibit II stating that certain trends in 2010 contributed to higher sales for the research models and services. The report contended the Petitioner knew that the subject’s large pharmaceutical clients continued to invest in the discovery of new drugs, because the demands for certain rodents used primarily in discovery was robust. He read from page 2 of Exhibit II highlighting some of the benefits of the subject. He was not trying to say the subject was succeeding by leaps and bounds, but there were also positives which showed specific benefits to the Reno facility. He believed as the subject expanded their research, they would have the capacity in the facility to develop that research. Chairman Covert asked if the subject had always had excess capacity and Appraiser Gonzales stated it had.

Appraiser Gonzales stated page 5 of Exhibit II showed a chart of the subject’s stock; however, Mr. Beattie mentioned that in 2008 the industry experienced a dramatic downturn. After that time, their stock increased about 43 percent, which showed that Charles River was doing their job successfully. Chairman Covert stated that was relative to the company as a whole and not necessarily to the Reno office.

Appraiser Gonzales read from page 4 of Exhibit I which indicated his analysis of the cost approach and income approach to value. He reviewed the subject’s income information, potential gross income, effective gross income and net operating income to determine a market value income approach. He noted from his research, biotechnology and laboratory spaces were typically triple-net leases because the landlord would not want the responsibilities specific to those types of tenants. He used a triple-net lease at \$2.10 per square foot based on the laboratory space and the supporting utilities.

Appraiser Gonzales referred the Board to page 9 of Exhibit I which showed the building permits for the subject. He said when he did the analysis for the cost approach he broke out the individual occupancies and costing, and came up with a value of \$59 million. He noted on March 13, 2006 the building was purchased for \$23,650,000; 20 permits were pulled to support the laboratory and vivarium build-out. The total permit value was \$87,046,500, which resulted in a total capital expenditure of \$110,696,500. He said the recommended value of \$52 million equated to 48 percent of the expenditures. He

felt the Assessor's Office affectively accounted for market conditions and unused portions of the facility.

Appraiser Gonzales stated he thought the operating expenses were high as shown on page 34 of Exhibit A. The vacancy and credit loss was high compared to the current market. He did allow a vacancy and credit loss recognizing the under utilization of the facility, but did not see any reason to deduct the vacancy and credit loss of \$114,552 for the warehouse. In the Appellant's summary, they showed a reduction of 7.5 percent for operating expenses, which he thought should not be removed.

Appraiser Gonzales next addressed his reason for not doing a sales comparison approach. He said the subject was a unique property, due to its extensive build-out of laboratory and vivarium area. He believed the sales comparison approach was not applicable, due to the many variables involved and the fact there were no similar sales of these types of properties in Washoe County.

Chairman Covert stated he agreed why the sales comparison approach was not used. He stated the Appellant did not invest \$110,696,500 in the building for the value of the building; they invested it because of the potential return on investments. He said everyone agreed it was a special use building, and if the tenant moved out tomorrow, it would require extensive costs to be used for another type of tenant. Appraiser Gonzales stated he thought they would try to market it to another biotechnology firm and if that did not work, someone would have to demolish it or the price would have to be reduced considerably. He said they could probably lease the portions of the building that were utilized as office space.

Appraiser Gonzales said he believed Mr. Perkins had a little difficulty understanding the depreciation reductions taken into account; the first being the physical depreciation reduction of 15 percent. He noted the building had been modified, but it was not an old building. He said there may be some physical depreciation, but he did not agree with 15 percent. He said the appraiser grouped functional and economic obsolescence, but then also had external obsolescence. He said economic obsolescence was a part of external obsolescence. He noted the appraiser stated the external obsolescence in this case was due to the pharmaceutical industry, which he thought was already accounted for in the vacancy rate of 30 percent. He believed the obsolescence in some way or another was being double counted. He said if one of the obsolescence was added back in, the value would be at \$51 million, and if the depreciation was reduced, the value would be closer to \$54 million.

In conclusion, Appraiser Gonzales stated the current costs of the improvements, less obsolescence, plus the market value of the land, indicated a total taxable value of \$57,193,651 and the income analysis indicated a value of \$52,647,985. He said based on current economic conditions and the under utilization of the facility, it was the Assessor's Office recommendation to reduce the taxable value to \$52,647,985.

Josh Wilson, Assessor, stated when valuing property for taxable value purposes there was no relation between gaming properties and research properties. He said the gaming market in the area had declined significantly more than other competing uses. He agreed the Appraisal addressed the subject appropriately regarding occupancy and the various cost approaches; however, he said obsolescence was not equally applied between various property types. Assessor Wilson agreed economic and external obsolescence was the same and challenged the double accounting in the analysis. He said he thought *Marshall and Swift's* depreciation at 6 percent for the cost approach was more applicable than taking Nevada's 1.5 percent per year based on the age of the property. He said the Assessor's Office started with the cost approach, because Nevada law required them to. They had to compute the taxable value initially, and then move on to determine whether or not the computed taxable value exceeded market value. He thought the Petitioner seemed to dismiss the application of the cost approach to value but the cost approach to value was a more appropriate method to valuing unique properties.

In rebuttal, Mr. Perkins discussed the difference between his income approach and the Assessor's Office income approach. He described he used the gross leasable area of the subject and excluded all of the mechanical areas, which encompassed approximately 43,000 square feet. If he deducted 40 percent from his estimate of \$3 per square foot for full service gross for the vivarium and laboratories, it would result in an indication of a triple-net lease in the amount of \$2.28 per square foot and similarly, \$1.03 per square foot for the office areas. The office market had been hammered, and it had been said that there was a supply in excess of five to ten years to absorb. He noted Appraiser Gonzales used \$1.50 per square foot for office space on a triple-net basis, but he thought that was a difference of opinion because \$1.50 per square foot was more reflective of full service gross. He said he thought they were similar in terms of their analysis of the vacancy and credit loss. He concurred with Appraiser Gonzales that the market approach to value was not appropriate, comparing property in Virginia or California to Reno was not worthy and he placed the greatest weight on the income approach to value. His estimate of 15 percent for physical depreciation was based on his opinion after he observed the condition of the subject property. He thought the subject suffered from physical depreciation in the amount of 15 percent.

In response to a question from Mr. Bancroft, Mr. Perkins pointed out Appraiser Gonzales estimated the laboratory and vivarium areas at 185,585 square feet which was approximately 65,000 square feet different than his use of 251,521 square feet. He noted he calculated his square footage on the architect's plans and specifications and a space utilization study done by the architect.

Mr. Perkins stated the Assessor's Office estimated all the leasable areas on triple-net terms, but he estimated the vivarium and office space to be full service gross. He said he utilized a 40 percent operating expense ratio and confirmed expenses per square foot from comparable sales ranged from \$5 to \$12 per square foot. He thought 40 percent might be light based on 24-hour utilization. As for the operating expense ratio of the warehouse areas, the Assessor's Office used 5 percent and he used 7 percent. He did not think in the big scheme of things, that was a material difference. He stated brokers

and appraisers were acknowledging even under a triple-net lease, the owner was incurring expenses with respect to structural repairs, roof repairs and replacements.

Appraiser Gonzales stated the gross building area computed by the Assessor's Office also came from architectural plans submitted by the Appellant during the walkthrough in November. He stated he could not explain why there was a discrepancy. Member Horan asked about the difference relative to the vivarium space. Appraiser Gonzales said he included mechanical space for the laboratory, because if someone were to lease it for a biotechnology use, they would want to know what utilities were in place, the capacity of the utilities, the age of the utilities and the functionality of the utilities. Mr. Perkins applied a higher rent, assumed full service and he applied a lower rent assuming they were paying for the square footage on a triple-net lease. Appraiser Gonzales stated Mr. Perkins used approximately 43,000 square feet of mechanical space, which he added back to the vivarium space of 185,585 square feet and came up with \$2.40 per square foot. He said he used triple-net on the laboratory and warehouse space and used full service gross on the office space.

Member Krolick stated because of the nature of the business, using laboratories with animals, it was essentially a 24-hour, seven-day a week operation, which would drive up the operating costs. Appraiser Gonzales stated on a triple-net lease the operating costs would be passed on to the tenant. Member Krolick stated Appraiser Gonzales disputed the 40 percent expense earlier. Appraiser Gonzales clarified he thought it was a high operating expense. Member Krolick asked Appraiser Gonzales what he compared it against to determine it was high and Appraiser Gonzales replied he did not have much to compare it to.

Mr. Bancroft stated one area of distinction was the net rentable area. It was identified on their report as net rentable, but it was gross. Mr. Perkins used net, and the Assessor's Office used gross. He said if the analysis was adjusted for that difference, the 43,000 square feet that was associated with mechanical and all other assumptions stayed the same, it would drop the value to \$46.9 million. Another issue that they identified between the two was the expense number; 18 percent was used by the Assessor's Office and 40 percent was used by Mr. Perkins. He said the first analysis performed by the Assessor's Office used 25 percent for expenses and then the Assessor's Office realized the expenses were higher. If 25 percent was substituted back into the Assessor's Office analysis instead of 18 percent and all other assumptions remained the same, it would reduce the value to \$48.1 million. He concluded that if both changes were done to their analysis, the value would be \$42 million.

Chairman Covert brought the discussion back to the Board. He said he was impressed with Mr. Perkins' analysis and therefore made a recommendation to apply \$1,145,541 in additional obsolescence, bringing the total taxable value to \$51,502,444. Member Horan suggested more should be added to obsolescence. Member Krolick stated the Appraisal was rock solid in terms of market value. Chairman Covert suggested adding an additional \$4,635,220 to the obsolescence, which would bring the total taxable value to \$45,936,884. All members concurred.

With regard to Parcel No. 025-480-41, 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 Woodland, which motion duly carried, it was ordered that the taxable land value be upheld and the taxable improvement value be reduced to \$40,645,216, resulting in a total taxable value of \$45,936,884 for tax year 2012-13. 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.

10:46 a.m. The Board took a short break.

10:55 a.m. The Board reconvened with all members present.

12-0536E **PARCEL NO. 163-111-01 – INTERNATIONAL GAME TECHNOLOGY – HEARING NO. 12-0267**

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 9295 Prototype Drive, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Summary Appraisal Report, 54 pages.

Assessor

Exhibit I: Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 47 pages.

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

On behalf of the Assessor and having been previously sworn, Steven Clement, Appraiser, and Cori Delgiudice, Sr. Appraiser, offered testimony. Appraiser Clement oriented the Board as to the location of the subject property.

Mr. Laas stated the assessed value in 2010 was \$1.8 million and this year the value was \$77,091,817. He said each year he had been hired to appraise the subject and his initial appraisal was \$69.4 million. Last year Johnson and Perkins were hired to conduct an appraisal of the subject, which came in at \$62 million. He noted this year they did their own appraisal and it was \$64 million.

Mr. Laas stated the property was unique primarily because of its size (1.2 million per square foot) and configuration. He next went through Exhibit A discussing the subject's use of space, how it was built, when it was built, manufacturing use,

warehouse use, office space and amenities. He explained all three approaches to value were conducted. He said an estimated market rent of \$5.75 per square foot for a single occupant was determined from rents of flex space in the Reno market (page 7 of Exhibit A). He said there were no buildings the same size as the subject and the owner would have to offer a discount from the standard asking rate, due to the size of the subject. The largest comparable space found available for lease had 38,750 per square foot and their asking rate was \$6.05 per square foot on a triple-net lease. He noted \$1.45 of estimated expenses (vacancy loss) for the property would need to be added whether there was a tenant or not. With that, the total rent on a gross basis would be \$7.20 per square foot. From that a standard vacancy allowance of 15 percent was deducted because the facility was approximately 25 percent vacant, due to the loss of about 500 employees. He said the effective gross income was \$6.12 per square foot and net operating income indicated \$5.11 per square foot. He said he used 8.5 percent for the capitalization rate to arrive at a value of \$61,792,080 or \$52.22 per square foot.

Mr. Laas went through his sales comparison approach (page 9 Exhibit A). He said there were two sales that he thought carried the most weight, but the most similar to the subject was 8850 Double Diamond which sold on December 28, 2011 for \$6,125,000 (\$53.20 per square foot). The second most comparable was sold in February 2011 for \$11,500,000 (\$43 per square foot). He said even though the property at Double Diamond was the most comparable, he thought an adjustment should be made because of the smaller size. He said \$53 per square foot was supported by the income approach.

Mr. Laas next directed the Board to page 11 of Exhibit A indicating the Assessor's Office cost approach. He noted the replacement cost new for the subject was \$96.6 million; the replacement cost new for the site improvements was \$3.1 million, for a total of \$99,763,314. He said the developer's profit was added to reach a total replacement cost new of \$109,739,314. He noted physical depreciation at 22.5 percent and economic depreciation at 31.5 percent were deducted from the replacement cost new and added to the land value (\$7,035,500) to arrive at a value of \$65,335,882. Chairman Covert asked how many years were used for depreciation. Mr. Laas the first phase was built in 1996, but the blended age was 15 years. He believed all of their evidence and the three approaches to value supported their overall opinion of value of \$64,000,000.

Appraiser Clement read from Exhibit I and reviewed the features, comparable sales, and range of values associated with the subject property. He said the subject was situated on 78.8 acres and contained 467,660 per square foot of office space, 341,277 per square foot of manufacturing area, 329,600 per square foot of warehouse and 47,491 per square foot of employee support areas. He noted the sales comparison and income approaches to value for occupancy were analyzed and provided on pages 3 through 5 of Exhibit I. He said the subject was not built to be a rental property; therefore, the value indicated by the income approach was the least reliable. In conclusion, he stated using market data it was determined that obsolescence was required to prevent the subject from exceeding full cash value; therefore, \$11,499,409 was applied for the 2012-13 tax year. It was the Assessor's Office recommendation to uphold the current taxable value.

Appraiser Clement reviewed and discussed the Petitioner's evidence. He felt their evidence was built around comparing the subject to a vacant multi-tenant industrial flex rental building. The comparison of the subject to a vacant building was not appropriate given the actual building characteristics, size, use and configuration, nor was the subject campus an industrial flex building. The Petitioner's use of an industrial flex rental rate and the income approach for the subject was misleading and underestimated the income potential of the actual building types. He believed it was more appropriate to use actual rental rates for each type of building as shown on page 5 of Exhibit I. He emphasized the Petitioner's income approach was flawed by stating the market rental rate of \$5.75 per square foot was based on asking rental rates in the subject market area. Page 9 of Exhibit A showed the median asking base rent on a triple-net lease was \$7.20 per square foot, plus a common area and maintenance (CAM) fee, not \$5.75 plus CAM fees. The Petitioner backed out a lower than actual CAM fee that was never included in the rental data and then added it back in as other income of \$1.45 per square foot. What should be shown was a base rent of \$7.20 per square foot, plus \$2.22 per square foot for CAM fees. Using an expense ratio of 30 percent for property that was leased on a triple-net basis or where the expenses were passed on to the tenant in the form of CAM fees was atypical for the market and this type of lease.

Appraiser Clement next reviewed the Petitioner's sale comparisons stating sale #1 and sale #3 were shown in Exhibit I and were properly used by the Assessor's Office to compare manufacturing to manufacturing and warehouse to warehouse. He felt the use of the comparable sales on a one-to-one basis totally underestimated the amount of office space and support area found on the subject. He felt it was not appropriate to use them as an overall comparable to the subject and was more appropriate to use the actual sales from the local market as shown in Exhibit I (pages 3 and 4).

Appraiser Clement stated the Petitioner's cost approach used statutory depreciation of 1.5 percent for physical depreciation, but the cost approach to value was different than statutory depreciation. The *Marshall and Swift* depreciation for commercial properties cost approach to value should be used based on the life expectancy of industrial and office buildings, which would be 12 percent not 22.5 percent. He noted it was also not appropriate to use the decline in flex rental rates for economic obsolescence in the cost approach. For the same reason, it was not appropriate to use industrial flex buildings as a comparison in the other approaches because the subject was not an industrial flex building. If the overall industrial rental rate decline of minus 4.5 percent (page 41 of Exhibit A) included occupancy similar to the subject, the economic obsolescence would result in a cost approach to value of over \$88 million. He believed the Appellant's cost approach was wrong.

Appraiser Clement stated in 2010 the County Board of Equalization (CBOE) upheld the Assessor's taxable value of \$100,800,000, which was a reduction of over \$11.3 million from the 2009 tax year. In 2011 the CBOE upheld the Assessor's taxable value of \$84,723,425, which was a reduction of over \$16 million from the 2010 tax year. This year the subject was reduced by more than \$7 million despite the 8.5 percent increase in *Marshall and Swift* improvement costs. He noted the subject was

reduced after an analysis of the comparable sales and the income approach. The subject property never exceeded full cash value in any given year and received an overall reduction of over \$39 million since the market decline began. He thought the Appellant submitting the same appraisal three years in a row with the same price, was completely inaccurate. He said it was the Assessor's Office recommendation to uphold the current taxable value.

Chairman Covert inquired if there was any additional obsolescence over the 2012 obsolescence of \$11,499,409. Appraiser Clement responded there was none.

Appraiser DelGiudice clarified this property was receiving over \$11 million in statutorily defined depreciation at 1.5 percent per year, and the \$11,499,409 shown on page 2 of Exhibit I was additional. The subject was actually receiving over \$22 million in obsolescence.

Member Woodland asked what the additional tax rate of 1.277 percent indicated that was shown on page 8 of Exhibit A. Appraiser Clement stated Nevada was not a market-driven system and that percentage was used to make sure full cash value was not exceeded. In other states where the assessment was based upon the market value of the property, a loaded capitalization rate would be used.

In rebuttal, Mr. Laas stated a loaded capitalization rate (1.277 percent) would be used to understand what the taxes would be when an appraisal was used for solving the market value. The total expenses with the tax rate would be \$1.52 per square foot instead of 86 cents per square foot. He calculated \$1.45 per square foot would be reimbursed, which would leave 7 cents for structural and management expenses that were not included. He said he disagreed with every comment made by Appraiser Clement regarding the submitted appraisal (Exhibit A). Mr. Laas confirmed he made a statement about the market rent being used based on the size of the subject, which was 30 times larger than any of the comparable sales, but the valuation of a flex property would include office space, warehouse and manufacturing space. He thought was the best way to look at this type of property was a combination of all of the spaces. He said the definition of flex space was a manufacturing warehouse with office space. He said Appraiser Clement's method of adding all the components together to use for the sales comparable approach was not the way to value property. He thought it would be like adding up the cost of each part of a car and saying that was what you would pay for it. He did not think that was the way to value this type of property. He believed if someone was buying a multi-million plus per square foot building, they would look at the total and not the separate components. He said the perfect comparable sold for \$53 per square foot and he thought the market was true at \$53 per square foot for a corporate headquarter property. He thought all the approaches to value supported the Petitioner's opinion of value (\$64 million) for the subject.

Appraiser Clement stated Scott Griffin, MAI Appraiser, submitted an appraisal for the subject last year, which was broken down into components much the same as the Assessor's appraisal. Chairman Covert thought MFG-1 (Exhibit I) was

comparable since both properties were in the same industry. Appraiser Clement stated International Game Technology (IGT) made slot machines and video games used all over the country and the world.

Mr. Laas stated IGT had been impacted because they did not have the same number of machines going out the door, manufacturing and employment were down, their stocks were down, and the vast majority of their work was done in Nevada. He noted there had been a 70 percent drop in IGT's stock price since 2008 and, if that was applied to their value of \$112 million, the value would go down to \$33.6 million. He did not think there was a one-to-one correlation because real estate was different from the valuation of a company. He said the value of the subject had been impacted significantly and he believed \$64 million was indicative of what the market would be for this type of property.

Member Horan suggested there was no correlation between stock prices and values of property.

Chairman Covert brought the discussion back to the Board. Member Woodland stated she agreed with the Assessor's current valuation of the subject. Chairman Covert stated the total obsolescence applied by the Assessor's Office was quite large.

With regard to Parcel No. 163-111-01, pursuant to NRS 361.357, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member Woodland, seconded by Member Brown, which motion duly carried, it was ordered that the Assessor's taxable values be upheld for tax year 2012-13. It was found that the Petitioner failed to meet his/her burden to show that the land and improvements are valued incorrectly or that the total taxable value exceeded full cash value.

12-0537E PARCEL NO. 025-372-31 – SEARS ROEBUCK & CO –
HEARING NO. 12-0448B

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 5405 Meadowood Mall Circle, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Comparable sales, 16 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, Mike Killian was 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.

Mr. Killian stated the subject was the Sears Auto Center. He noted he was unable to find any comparable lease properties for service centers to conduct an income approach. He stated the information in his evidence showed comparable sales. Chairman Covert informed the Petitioner the Board had not received any evidence. Mr. Killian entered his evidence.

11:40 a.m. The Board recessed to make copies of evidence.

11:46 a.m. The Board reconvened with all members present.

Mr. Killian read from Exhibit A stating the subject was constructed in 1996 and consisted of 17,994 square feet. The six comparable sales he used were shown on page 1 of Exhibit A. He reviewed the sales and discussed the various uses of the properties. He said based on the sales information the subject's value of \$115 per square foot was excessive and it should be adjusted downward. He agreed the location of the subject was at a mall, but it was on the backside of the mall. He thought if the subject was anything other than a "Sears" automotive center, it would probably not be located at the mall.

Appraiser Gonzales read from page 2 of Exhibit I and reviewed the features, comparable sales, and range of values associated with the subject property. He said page 3 of Exhibit I showed the income analysis of the subject. He said there was limited data for a service garage such as the subject and referred the Board to five rental comparables listed on page 7 of Exhibit I. He addressed the comparable sales submitted by the Appellant stating the second, third and fourth sales were dated. Sale #2 was a warehouse and would require substantial tenant improvements for it to be a service garage. Sale #5 was a former BMW dealership and was sold.

Appraiser Gonzales stated it was unfortunate that his comparable sales were inferior in location and size. The income approach to value indicated a value of \$231 per square foot and the total taxable value of the subject was \$115 per square foot. He said it was the Assessor's Office recommendation to uphold the current value because the total taxable value did not exceed full cash value.

Member Horan stated he disagreed with the statement that the subject was in a great location. It was hard to find and not visible from the street. Appraiser Gonzales stated it was in a good location compared to other auto service centers.

Mr. Killian reviewed the freestanding retail rental comparables depicted on page 7 of Exhibit I. He stated why he believed the businesses listed were not

comparable to the subject. He discussed the capitalization rate listed on page 3 of Exhibit I stating he believed that was not a correct rate due to the location of the subject. He believed if the subject was not attached to the Sears name, it would not be in that location. If the subject were to go vacant, he thought no one would move into it and that was why he believed the risk had to be addressed in the capitalization rate. Mr. Killian referred to page 2 of Exhibit I stating all the sales were much smaller than the subject and would carry higher per square foot values. He said the Petitioner felt the current taxable value at \$115 per square foot was too high. Chairman Covert asked Mr. Killian what the Petitioner was requesting the taxable value should be. Mr. Killian replied he was not a licensed appraiser, but thought a fair taxable value would be from \$95 to \$100 per square foot.

Member Horan stated he made a statement about the location of the subject, but the fact was that it had the Sears name attached to it, which had value. He said if it was vacant there would be some serious questions about the value. Chairman Covert concurred. Mr. Killian agreed the Sears name had value, but the Sears name had "business" value, and what he was looking at was the bricks and sticks, the value of the land and the improvements of the service center, not the business value attached to the Sears brand name.

Member Horan stated the business name also contributed to the income stream. Mr. Killian agreed. Member Krolick stated the building would have to be repurposed if it was put on the market. He said the other issue the Appellant brought forward and he agreed with was the size of the structure; there was nothing else that size, and less square footage would sell for more. Appraiser Gonzales agreed with that for a typical retail building, but not for the subject because the larger space was needed to bring vehicles in to the building. He believed it was opposite for this case, where the more square footage there was, from an income standpoint, the more income would be generated. Member Krolick stated he thought \$115 per square foot was too high, also.

Chairman Covert brought the discussion back to the Board. Member Horan stated he supported the Assessor's Office value. Member Krolick thought the value should be adjusted to \$105 per square foot, due to the location. Member Horan stated the building was not being repurposed and it had an ongoing business that was not going to change. Member Krolick said that was true, but the question was if it exceeded market value. Chairman Covert stated if the per square foot value were to be dropped to \$105, the improvement value would be adjusted by \$180,006.

Member Woodland made a motion to uphold the Assessor's Office current taxable value. The motion was seconded by Member Horan, but failed on a call for the vote, 2-3 with Chairman Covert and Members Krolick and Brown voting no.

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 Krolick, which motion duly carried with Members Woodland and Horan voting "no", it was ordered that the taxable land value be upheld

and the taxable improvement value be reduced to \$1,229,674, resulting in a total taxable value of \$1,889,370 for tax year 2012-13. 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.

12:10 p.m. The Board took a lunch break.

1:00 p.m. The Board reconvened with Member Horan absent.

12-0538E **PARCEL NO. 025-480-42 – MEPT SOUTHWEST COMM CTR
III&IV LLC – HEARING NO. 12-0505**

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 3450 Airway Drive, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Letter and supporting documentation, 88 pages.

Assessor

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

Mike Killian, previously sworn, offered testimony on behalf of the Petitioner.

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

Mr. Killian referred to Exhibit 2 within Exhibit A regarding lease rates. He said for properties greater than 100,000 per square foot in Washoe County leases were averaging 25 cents per square foot. The subject consisted of 395,488 per square foot and he believed the lease rate should be 23 to 25 cents per square foot.

1:10 p.m. Member Horan arrived.

Mr. Killian referred to Exhibit 3 within Exhibit A regarding vacancy rates. He said currently in the Reno area, according to Grubb & Ellis and NAI Alliance, the current market vacancy rate for all industrial buildings, including flex and warehouses, was 14.97 and 14.65 percent respectively. Also, according to Colliers International, the vacancy rate for warehouse distribution centers in the airport submarket was currently at 18.4 percent. He believed when rent loss was added in, the actual vacancy would be

higher; therefore, a vacancy/rent loss of approximately 17 percent was appropriate for the subject.

Mr. Killian next reviewed the subject's expenses stating they were all triple-net expenses at 5 to 10 percent, which he thought was straightforward. He said the national capitalization rate for the warehouse market was 8 to 9 percent. The Reno market had one of the highest market vacancy rates in the country and Clark County was rated ninth in the country at 15 percent. According to the PwC Investor Survey submitted by the Appellant, the average capitalization rate for a non-institutional grade warehouse was 9.65 percent and the average realty rate for warehouse distribution centers was 8.75 percent. He said those were capitalization rates for average properties and average markets, but in a market like Washoe County certain things would have to be addressed. He said they would expect capitalization rates to be about 9 percent.

Mr. Killian said Exhibit 5 within Exhibit A showed comparable sales that outlined capitalization rates. He reviewed four of those comparable sales, which showed an average capitalization rate of 10.94 percent and an average sales price of \$29.10 per square foot. He stated the assessed value should be lowered based on their evidence.

Appraiser Gonzales read from page 2 of Exhibit I and reviewed the features, comparable sales, and range of values associated with the subject property. He noted that all the comparable sales, with the exception of improved sale #2 were inferior in ceiling height, which was a critical component for warehouse type buildings.

Appraiser Gonzales noted he conducted an income analysis based on market data because no income information was received for the subject. He clarified the subject was not located in the airport submarket. He said a market rent of 31 cents per square foot was used, which resulted in a potential gross income of \$1,471,215. He applied a vacancy rate of 10 percent and deducted \$147,122 for the estimated vacancy loss, resulting in an effective gross income of \$1,324,094. He said a capitalization rate of 7.5 percent was determined from local market data which was applied to arrive at an indicated market value of \$15,889,126 or \$40 per square foot.

Appraiser Gonzales next reviewed Exhibit 2 within Exhibit A regarding lease rents and said the only lease listed in the subject's submarket was #5. The Appellant went out of Washoe County to gather rental data; Dayton, Fernley, and Silver Springs. He discussed information he gathered for local rents within the subject's submarket detailing per square footage, ceiling height and rents. He said the only comparable rental provided by the Appellant was 1170 Trademark Drive. The capitalization rate suggested by the Appellant was between 9 and 10 percent, but page 7 of Exhibit I showed median local capitalization rates from 2010 and 2011 at 7.8 percent. He applied 7.5 percent in his analysis. He said he did not know who the tenants were for the subject, but the building was close to being fully occupied.

Appraiser Gonzales disclosed information regarding the comparable sales submitted in Exhibit 6 within Exhibit A such as age, rail service, deferred maintenance,

poor access, ceiling height, different submarkets, inferior locations, extended leases and repairs. In conclusion, he stated the improved sales indicated a value range from \$45 to \$48 per square foot. The income approach to value indicated a value of \$40 per square foot and the total taxable value of the subject was \$38 per square foot. He said it was the Assessor's Office recommendation to uphold the current assessed value.

Mr. Killian commented on improved sale (IS) 2 and IS-3 listed on page 2 of Exhibit I. He said he felt IS-2 was not comparable to the subject because it had 40,000 per square foot being used as office space. He said he believed IS-3 was located in Storey County and involved two properties. He testified IS-3 was purchased by Amazon.com because of the business inside the building; Diapers.com. He also felt IS-3 was not comparable to the subject because the net operating income for IS-3 was \$1.8 million.

Mr. Killian stated the Assessor's income approach on page 3 of Exhibit I showed 10 percent for the vacancy rate. He said the national average showed market vacancy to be 15 percent. He noted the rental rates shown in Exhibit A were from around the valley and large buildings like the subject were hard to find so they had to look outside the Washoe County area. He did not know how the Assessor's Office came up with the 31 cents per square foot for the market rent because there was no market data provided in Exhibit I. He said he looked at buildings over 100,000 per square foot and came up with an average of 25 cents per square foot. He noted a capitalization rate of 7.5 percent was used by the Appraiser, but thought the information provided by the Appraiser justified an average capitalization rate of 8.6 percent. He thought 7.5 percent in this particular market did not take into consideration the risk involved with these types of properties. He stated if "big box" industrial buildings went vacant, there was serious risk involved and the capitalization rate would need to be adjusted. He reiterated the Appellant's request for a reduction in taxable value based on the evidence provided.

Chairman Covert brought the discussion back to the Board. Chairman Covert stated if 25 cents per square foot was used instead of 31 cents per square foot, the taxable value would go down to just under \$13 million. He noticed the Assessor's Office went outside of Washoe County to find comparable sales also. Appraiser Gonzales acknowledged IS-3 was in Storey County, but it bordered Washoe County. Member Krolick asked if there was a tax advantage to being located in Storey County. Appraiser Gonzales stated he did not think so. Mr. Killian stated he worked for Wal-Mart and typically when a distribution center came to a new area, there would be tax incentives involved. Chairman Covert asked where the labor force would come from. Mr. Killian stated the local population would be used. Chairman Covert asked him to define local. Mr. Killian stated there were quite a few people employed in Storey County who lived in Washoe County.

Josh Wilson, Assessor, stated IS-3 was no different than being located in Stead, Spanish Springs or other competing industrial areas in this area.

Chairman Covert stated he did not give much credence to national averages, but would rather deal with local averages. He said he was not comfortable

lowering the value to 25 cents per square foot. He asked the Appraiser to clarify if the assessment was based on the income approach. Appraiser Gonzales stated it was based on the cost approach and comparable sales approach. Members Horan and Woodland stated they supported the Assessor's Office taxable value.

With regard to Parcel No. 025-480-42, pursuant to NRS 361.357, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member Woodland, seconded by Member Horan, which motion duly carried, it was ordered that the Assessor's taxable values be upheld for tax year 2012-13. It was found that the Petitioner failed to meet his/her burden to show that the land and improvements are valued incorrectly or that the total taxable value exceeded full cash value.

**12-0539E PARCEL NO. 025-480-43 – MEPT SOUTHWEST COMMERCE
CTR IV LLC – HEARING NO. 12-0506**

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 5555 Quail Manor Court, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Letter and supporting documentation, 58 pages.

Assessor

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

Mike Killian, previously sworn, 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. He noted the Assessor's Office had a recommendation for a reduction.

Mr. Killian stated the Appellant was not in agreement with the proposed reduction. He said the Appellant's argument dealt with the vacancy rate and the capitalization rate used by the Assessor's Office. He believed the capitalization rate should be 15 percent and the lease rate should be 28 to 29 cents per square foot. He thought the capitalization rate did not address some of the issues with the market and a 9 percent rate would be more appropriate. He said he believed the comparable sales submitted by the Appellant justified a larger reduction.

Appraiser Gonzales read from page 2 of Exhibit I and reviewed the features, comparable sales, and range of values associated with the subject property. He emphasized the comparable sales were a good indication of value. He noted the Appellant

referred to market data and market statistics, but was not referring to the subject. He stated both buildings were almost fully occupied. He said page 3 of Exhibit I indicated his income analysis, which was based on market data due to no data supplied for the subject. He said it was the Assessor's Office recommendation to reduce the taxable value to \$40 per square foot to ensure the taxable value did not exceed full cash value.

Mr. Killian addressed improved sale #1 stating that property included office space, refrigerated storage and freezer space, and could be expanded by an additional 30,000 per square foot, which was an added incentive for the buyer. He did not think it was comparable to the subject. He thought the best way to value income property was on a simple fee basis. He said the expenses at 10 percent were appropriate, but the capitalization rate was too low in his opinion.

Chairman Covert inquired if there were any questions. Hearing none, he brought the discussion back to the Board for a motion.

With regard to Parcel No. 025-480-43, pursuant to NRS 361.357, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member Woodland, seconded by Member Horan, which motion duly carried, it was ordered that the taxable land value be upheld and the taxable improvement value be reduced to \$4,719,443, resulting in a total taxable value of \$6,016,115 for tax year 2012-13. 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.

12-0540E PARCEL NO. 025-491-13 – MEPT SOUTHWEST COMM CTR I & II LLC – HEARING NO. 12-0507

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 7525 Colbert Drive, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Letter and supporting documentation, 85 pages.

Assessor

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

Mike Killian, previously sworn, 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.

Mr. Killian stated the subject was an industrial warehouse consisting of two buildings. He discussed how the two buildings were leased and how rents were determined by using comparable industrial flex buildings and warehouse properties. He believed by combining the per square footage of both buildings of the subject (228,000 per square foot) the rent would be 27 cents per square foot. He said the vacancy rate for industrial flex was 23.5 percent and for warehouse distribution centers was 18.4 percent, according to Colliers. He said the Petitioner agreed with the expenses used, but felt the capitalization rate was too low. He noted sales for the subject were the same as reported previously and he believed a reduction was warranted.

Appraiser Gonzales read from Exhibit I and reviewed the features, comparable sales, and range of values associated with the subject property. He said market data was applied because actual income, expense and rent roll data was not supplied. He said the industrial flex area in the front of the subject had some vacancy. He used market rent for the storage warehouse (31 cents per square foot) and for the industrial flex (62 cents per square foot). He did not think it was fair to do an equal or blended rate. In conclusion, he said the comparable sales were very indicative of the market for these types of buildings and it was the Assessor's Office recommendation to uphold the current value.

In rebuttal, Mr. Killian clarified he was not using one rate (27 cents per square foot) for the total per square footage because lease rates ranged from 50 cents to 60 cents per square foot for industrial flex property and 27 cents per square foot was reflective of the warehouse portion of the subject. He referred to Exhibit I (page 2) and stated he did not believe the subject was superior to improved sale (IS)1 or comparable to IS-4. He said IS-1 had a 40,000 per square foot area being used as an office building. He noted he disagreed with the Assessor's Office's rates regarding the income approach. He said there was no market data within Exhibit I to verify their findings. He referred to page 4 of Exhibit I and asked how the Assessor's Office came up with 31 cents a month for a 174,800 per square foot storage warehouse and 62 cents a month for a 73,400 per square foot industrial flex building. Chairman Covert asked Mr. Killian if he was questioning the per square footage or the rates. Mr. Killian responded he was questioning the rates. Appraiser Gonzales directed the Appellant and the Board to page 10 of Exhibit I wherein the rental rates were listed for industrial flex buildings. He said that data showed nine structures that were built between 1990 and 1999, which had a median rent of 62 cents per square foot and represented what he used in his analysis. He said page 11 of Exhibit I showed larger amounts of warehouse space rents and explained how he analyzed the data and with regard to per square footage, vacancy and expenses.

Mr. Killian stated he did not see that information, but understood now where the numbers came from. He said page 10 of Exhibit I stated "greater than 20 percent office or retail finish" but the subject property did not have that. He said he agreed with Assessor's Office analysis after reviewing the information provided in Exhibit I.

Chairman Covert brought the discussion back to the Board. He said a large amount of obsolescence was currently being applied to the subject. He noted the blended rate on the income approach of 40 cents per square foot was very close to the Petitioner's calculation of 38 to 39 cents per square foot. Member Horan stated he supported the current value.

With regard to Parcel No. 025-491-13, pursuant to NRS 361.357, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member Woodland, seconded by Member Horan, which motion duly carried, it was ordered that the Assessor's taxable values be upheld for tax year 2012-13. It was found that the Petitioner failed to meet his/her burden to show that the land and improvements are valued incorrectly or that the total taxable value exceeded full cash value.

12-0541E PARCEL NO. 025-491-14 – MEPT SOUTHWEST COMM CTR I & II LLC – HEARING NO. 12-0508

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 895 E Patriot Blvd., Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Letter and supporting documentation, 85 pages.

Assessor

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

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

Mr. Killian, previously sworn, stated the Appellant was in agreement with the Assessor's Office recommendation.

With regard to Parcel No. 025-491-14, 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, it was ordered that the taxable land value be upheld and the taxable improvement value be reduced to \$9,622,529, resulting in a total taxable value of \$11,638,485 for tax year 2012-13. 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.

12-0542E PARCEL NO. 037-273-18 – SELECTIVE INDUSTRIAL 03 LLC –
HEARING NO. 12-0510

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 550 Boxington Way, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Letter and supporting documentation, 47 pages.

Assessor

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

Mike Killian, previously sworn, 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.

Mr. Killian stated the subject consisted of 271,296 square feet and was currently 28 percent vacant. Chairman Covert informed the Petitioner there was no evidence contained in the packet from the Appellant.

2:02 p.m. The Board recessed to make copies of evidence.

2:15 p.m. The Board reconvened with all members present.

Mr. Killian stated the Appellant believed 25 cents per square foot was a reasonable value for the subject due to location, size and difference between “asking” and “effective” lease rates (page 3, Exhibit A). He said the property next door to the subject was recently leased for four years at 23 cents per square foot. Based on that lease, he believed the subject should be valued lower. Currently, the subject was 28 percent vacant and had been for a couple of years. He said the expenses at 10 percent were acceptable to the Appellant. He thought the capitalization rate should be higher. The sales he used were the same in his previous cases. He noted that based on the income approach, which he believed was the best way to value the subject, 22 to 23 cents per square foot would result, and with a higher vacancy rate and a higher capitalization rate, it warranted a reduction.

Appraiser Gonzales read from page 2 of Exhibit I and reviewed the features, comparable sales, and range of values associated with the subject property. He reviewed his income analysis on page 3 of Exhibit I and stated it was the Assessor's Office recommendation to uphold the current value.

In rebuttal, Mr. Killian questioned the comparable sales used by the Assessor's Office. He said there was a lease signed a few months ago for the property next door to the subject for 23 cents per square foot. He reiterated the Appellant felt 23 to 22 cents per square foot was a fair value for the subject, due to the vacancy rate of 28 percent.

Member Woodland advised if the Appellant had provided information to the Assessor's Office earlier it may have helped their case. Chairman Covert stated the income approach was the best approach. He noted he calculated the value at 23 cents per square foot, used a 15 percent vacancy rate, 10 percent for operating expenses and an 8 percent capitalization rate, which resulted in a value of \$7.160 million. The Assessor's Office had the subject valued at \$7.3 million, which was very close.

With regard to Parcel No. 037-273-18, 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 Woodland, which motion duly carried, it was ordered that the Assessor's taxable values be upheld for tax year 2012-13. It was found that the Petitioner failed to meet his/her burden to show that the land and improvements are valued incorrectly or that the total taxable value exceeded full cash value.

12-0543E PARCEL NO. 011-450-22 – NEVADA LAND LLC –
HEARING NO. 12-0371

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 250 Evans Avenue, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Appraisal, 48 pages.

Exhibit B: Comparable assessed information, 2 pages.

Assessor

Exhibit I: Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 96 pages.

On behalf of the Petitioner, Paul Bancroft and Reese Perkins, previously sworn, and Gerry Meyer, sworn in by Chief Deputy Clerk Nancy Parent, offered testimony.

On behalf of the Assessor and having been previously sworn, Cori DelGiudice, Sr. Appraiser, and Josh Wilson, Assessor, offered testimony. Appraiser DelGiudice oriented the Board as to the location of the subject property.

Mr. Bancroft stated they were appealing the taxable value this year because it was in excess of full cash value. He said the taxable value was determined by the Assessor's Office using the statutory cost methodology. He described the full cash value as the most probable price that property would bring in a competitive and open market under all conditions requisite to a fair sale. Full cash value was the equalizer and would ensure what a willing buyer would pay a willing seller in a fair transaction. He described market value as a way to measure the property's desirability both in terms of comparing it with other properties, but also in terms of comparing it with other investment opportunities. To illustrate the difference between taxable value and full cash value, in a context everyone was familiar with, he included in his evidence a schedule that listed the taxable values assigned to the parcels that comprised Harrah's. He said Harrah's owned almost two full city blocks in downtown Reno; improved with a hotel casino, hundreds of rooms, multiple restaurants and bars, hundreds of slot machines, gaming tables and a convention center. He said the chart (Exhibit B) showed the taxable value of Harrah's at \$110 million, but the full cash value was only \$20 million. He brought Harrah's to the Board's attention because everyone was familiar with it, it was near the subject, and benefited from the subject. He believed when visitors went to a game they might stay, eat, gamble and park at Harrah's. He noted the purpose for the stadium was to generate more interest downtown, bring locals downtown and to help all businesses downtown. The taxable value of the ballpark (subject) was \$33 million, but the question was what would be the most probable price in a sales transaction, or the full cash value. Another question he said was what would Nevada Land, LLC, (Petitioner) sell because it only held a leasehold interest. Nevada Land, LLC did not own the fee interest; the fee interest was held by the Redevelopment Agency. Nevada Land, LLC would only have the ability to sell the leasehold interest. He noted the opportunity to buy Harrah's would include a fee interest in the rooms, restaurants, gaming areas and convention center for \$20 million and, on the other hand, the opportunity to buy the ballpark would include a leasehold interest in a baseball stadium with two restaurants and a cocktail lounge.

Chairman Covert stated if someone bought Harrah's they would not be buying just the land and the building, they would be buying a stream of income. Mr. Bancroft stated the \$20 million he referred to that was assigned to the Harrah's parcels was the value assigned to the sticks and bricks. He said the Assessor's Office valued the land and then added a value for improvements. Chairman Covert stated he thought Mr. Bancroft's analogy was flawed. Mr. Bancroft stated the common denominator for property taxes was the idea to contest taxable value against full cash value and what a buyer would pay a ready and willing seller. He said there was a reduction to the Harrah's property from \$110 million to \$20 million recognizing \$110 million was not the same as full cash value. He wondered if a hypothetical buyer would pay more or less for the leasehold interest in the ballpark than they would pay for Harrah's. He did not think someone needed to be an appraiser to realize that the full cash value of the leasehold interest in the ballpark was less than the full cash value of the fee interest in Harrah's. He said if that logic could be agreed to, the taxable value of the ballpark at \$33 million was in excess of the full cash value and needed to be reduced below \$20 million. To determine how much lower, the property would need to be appraised. He said Mr.

Perkins, Johnson, Perkins and Associates, determined the full cash value of the fee interest in the ballpark to be \$12.5 million and the full cash value of the leasehold interest to be \$12,273,000.

Mr. Perkins referred the Board to Exhibit A (summary of subject improvements) noting the subject property was a good-quality minor league baseball stadium, including administrative offices, three restaurants and a retail store. The stadium was built in 2009 and the restaurants were completed in 2010. The subject had a total capacity of 9,100, which resulted in an exemption from the Pacific Coast League because it was below their minimum requirements for capacity. A Triple-A baseball team utilized the facility at the present time, but it was built to the standards of a Double-A stadium. He noted the City of Reno was the owner of the improvements and Nevada Land, LLC owned the land and leased it to the City of Reno for \$1 per year. Nevada Land, LLC constructed and developed the stadium, but the City of Reno retained ownership of the improvements and leased them to Nevada Land, LLC and the Reno Aces for \$1 per year. The lease was for 20 years and this was the fourth year of operation. The City of Reno, in addition, had the use of one stadium box for the entire season, plus 12 seats within the stadium and was allowed to use the stadium at no cost for 12 special events a year.

Mr. Perkins stated property was valued using three approaches: cost approach to value, direct sales comparison approach to value and income approach to value. He noted the development of a stadium such as the subject was in affect a public and private partnership. A Triple-A or Double-A baseball operation could not afford the investment to construct a stadium of the magnitude of the subject; it required public financing and public investment to bring the project together. The concept behind that was the stadium would bring a team into the community to stimulate business in the downtown core. If an owner of a baseball team was faced with the prospect of building a stadium themselves and there was a stadium elsewhere, they would not build a stadium in a particular community, but go to an available stadium and negotiate a lease based on the economics of that operation. For that reason the cost approach did not provide an indication of the market value or full cash value of the subject.

Mr. Perkins stated he found no sales of comparable properties to the subject. It seemed if there were sales of a baseball stadium, generally they would have to assume it was vacant or losing money or there would be no reason for it to be sold. If the stadium was successful and created synergies for which it was intended in terms of community redevelopment, there would be no reason to sell it either. He said there were so many variations in all of the physical characteristics that a market approach was very difficult. Therefore, he believed in terms of value in both the fee simple interest in the property as well as the leasehold interest that the tenant had, the income approach to value would be the logical way to approach the problem. In that regard, \$1 per year for the use of the stadium did not represent a fair market rent. He was able to obtain information with respect to the lease arrangements of all 16 teams in the Pacific Coast League. He said page 15 (Exhibit A) showed a summary of the teams in the Pacific Coast League, which was divided into an American Conference and a Pacific Conference. The Reno Aces were in the Pacific Conference and Reno was the smallest community of all

the teams in the Pacific Conference. He said Exhibit A showed a summary of the basic leases that was provided by the Pacific Coast League. The lease information was provided with numbers and not names because of confidentiality. The Exhibit provided the sizes of the market areas in which the stadiums were located and the subject was located in the F3 area. He said the basic rental rate had to be used because there were so many variations with respect to calculations between the baseball operations and the individual communities in which they were located. He said when analyzing concession and parking income, or income from sales in restaurants, business enterprise value would be reached as opposed to the actual lease of the stadium. In terms of rental rates, the rental rates for F1 types of stadiums currently ranged from zero dollars per year to as much as \$300,000 per year. The F2 stadiums ranged from \$1 per year to \$1.5 million. The F3 stadiums ranged from \$1 per year (the subject) to \$16,000 per year.

Mr. Perkins stated there was a tremendous variation in the market rental rates a team was willing to pay for the use of the stadium because of the public/private relationship between the stadium, the community and the occupant. He estimated that the market rent of the subject, given its good quality and age, to be \$1 million per year on a triple-net basis attributable only to the real property. He estimated a market rent applicable to the restaurants (page 21 Exhibit A) from \$1.15 to \$3.01 per square foot per month on a triple-net basis, while asking rental rates ranged from \$1.75 to \$2.15 per square foot. He said market rents on restaurants and retail space were largely dependent on location, quality, condition, size and demographics. He said they had seen a softening of restaurant rental rates for this community over the past couple of years. He estimated the market rent of the subject property, for the retail space and restaurants, to be \$2.50 per square foot per month on triple-net basis. He projected a 20 percent vacancy factor applicable to the rental income stream attributable to the restaurants. The vacancy rate he presented on page 23 (Exhibit A) indicated an overall vacancy rate of 16.2 percent for retail commercial space. He said the restaurants were closed during the off-season, therefore, it could be argued that the vacancy rate could be substantially higher. The stadium was essentially 100 percent occupied for the remaining term of the lease. After a number of years there were provisions within the lease, depending on the viability of the ball team itself, for the tenant to opt out of the property. He assumed the tenant would remain with the property for the balance of the term (17 years).

Mr. Perkins stated in terms of operating expenses he used 7.5 percent of affected gross income assuming that the leases were on a triple-net basis. The Reno Aces and Nevada Land, LLC were responsible for all operating costs including maintenance, insurance, security and utilities. It was difficult to capitalize the net operating income (NOI) because they did not have capitalization rates from sales of baseball stadiums. Page 25 of Exhibit A summarized some retail commercial sales and listings in Reno/Sparks acknowledging that a portion of the property was occupied by retail use, and those rates ranged from 7 percent to 11.5 percent. He also referred to realty rates for the first quarter 2012 and for special use properties and the rates ranged from 6 percent to 17 percent. He estimated an appropriate capitalization rate applicable to subject's NOI stream from real estate to be 10 percent, recognizing that a significant portion of that income was subject to a term of 17 years. The subject's potential gross income was \$1

million for the stadium, approximately \$400,000 for the restaurant/retail space, and a vacancy and credit loss of 20 percent. The combined effective gross income from all operations was \$1,320,760; assuming a 7.5 percent operating expense ratio (\$99,057) reached a NOI of \$1,221,703. He used a capitalization rate of 9.5 percent and 10 percent, which resulted in an indicated value of \$12,217,000 to \$12,860,000. He correlated the value to \$12,500,000 by the fee simple interest. In addition, he prepared a leasehold interest valuation addressing the property right which Nevada Land, LLC had in the property as the tenant. He said he utilized the NOI of \$1,221,703 and discounted it at 10 percent for the remaining 17 years on the lease, and estimated a value for the reversion to acreage. The reversion was difficult to estimate, so he chose to use the fee simple value of \$12,500,000, discounting it at 10 percent for 17 years (\$2,400,000). He said that indicated a value of the leasehold interest assuming market rental rates of \$12,273,000. He noted at the termination of the lease, the property would revert back to Nevada Land, LLC, including their underlying fee interest in the land and the improvement value, subject to the status of outstanding debt, in particular, relating to the bonds that were used to finance the property.

Appraiser DelGiudice said she thought the main issue before the Board was whether or not the income approach or the cost approach was the most applicable. She demonstrated why she thought the cost approach was the most applicable to the Board. She said Mr. Perkins noted that an owner of a team would look for existing stadiums and not build one, so the cost approach was not applicable. She said Nevada Land, LLC built a new stadium and purchased a team to put in that stadium; therefore, the cost approach was the most applicable method to valuing special use properties. She read from pages 3, 4 and 5 of Exhibit I and stated it was the Assessor's Office recommendation to uphold the current taxable value.

Appraiser DelGiudice stated the land acquisition was \$13 million, the stadium cost was \$42 million, the cost to move the fire station was \$10 million, the restaurants cost \$12.5 million, for a total of \$77.5 million. Of that \$77.5 million, the developer put in \$44.5 million and the City of Reno put in \$33 million.

Assessor Wilson stated the initial valuation of the stadium was placed on the tax roll for 2009/10 because construction costs had been reported, which was a good indication of what the value would be. The Assessor's Office toured the stadium and found the subject to be one of the highest quality Triple-A stadiums in the country. The Assessor's Office initial valuation was done by utilizing the major league stadium cost provided by *Marshall and Swift*, and the improvement value was well below the reported construction costs. He did not think *Marshall and Swift* adequately costed Triple-A stadiums, so he had a meeting with the Petitioner's representative at that time (Lewis and Roca). They talked about how to reach a common resolution and methodology to move forward and not be in front of the Board of Equalization every year. He noted Mr. Katzoff's concerns during their conversations regarded taxes. Mr. Katzoff had a dollar amount in mind of what he felt would be appropriate for the stadium, but the Assessor's Office did not deal with taxes, they dealt with *Marshall and Swift* and the appropriate valuation as provided for in Nevada Revised Statutes (NRS). He referred the Board to

page 23 of Exhibit I which showed the stipulated agreement with the Petitioner. He stated the stipulation letter was submitted to the State Board of Equalization (SBOE) in July 2010 and ultimately it was approved. Mr. Katzoff signed the stipulation letter agreeing to the total taxable value being reduced from \$35.7 million to \$23.2 million, based solely on the classification from *Marshall & Swift* as a Triple-A stadium.

Assessor Wilson stated the subject was reopened in 2010/11 which allowed for another hearing to take place. During that year the Assessor's Office adopted the 1.0 percent factor given to them by the Nevada Tax Commission and therefore the improvement value stayed the same. He believed that was settled; however, the 2011/12 value continued to go forward as represented in the brief in Exhibit I. He stated the issue for 2011/12 was the Assessor's Office used the same methodology for the highest Triple-A stadium cost, the number of stadium seats and the highest major league cost (as agreed to by Mr. Katzoff) for box seats, because *Marshall & Swift* did not recognize box seats in their Triple-A stadium costs. He said most Triple-A stadiums did not include box seats, and he thought that spoke to the particular quality of the subject. He said the second more important argument that was heard last year, was there were only 72 home games, which represented roughly half a year. The Petitioner felt the Assessor's Office needed to exempt the other half of the year since the stadium was not used. He said that was argued extensively because he did not read the lease that way. He read it whereby the City of Reno received a box seat, 12 stadium seats and the ability to use the property for 12 special events a year.

This year the Petitioner had yet another argument and Assessor Wilson stated he was excited to see an appraisal of the subject. He noted the issues had changed, the stipulations had changed, and it seemed that every tactic was being taken to reduce the tax liability on the subject.

Assessor Wilson addressed some of Mr. Bancroft's opening statements. He said he agreed with him that there was a distinct difference between the full cash value and the taxable value. The common yardstick may be market value, which was what the Assessor's Office tried to estimate by using comparable sales or an income analysis. He acknowledged Mr. Bancroft's concerns about the desirability and comparing it with other properties versus an investment, which was where he had challenges. The Assessor's Office could not do a market approach to value when there were no stadiums listed, none for rent and no market.

Assessor Wilson stated the comparison with Harrah's taxable value versus market value had no relationship at all to the subject. He knew there were some comments made that people might stay at Harrah's or use their parking if they were going to the baseball stadium and he hoped that occurred. If that occurred it would result in what Chairman Covert referenced as the "income stream". If their income stream increased, the value of Harrah's would increase. It was referenced that Harrah's was a 24-hour property, which was true but 24-hour properties required a lot more expenses than a stadium that was only operating 72 games a year. Nevada Land, LLC leased the subject for \$1 a year and they would get to keep the stadium after the lease was over.

Assessor Wilson next addressed comments made by Mr. Perkins. He was not sure if the size and capacity exemption from the Pacific Coast League was a good thing or a bad thing. When he read the self-proclaimed notes on the Aces website it stated they had the best per-capita attendance in the league. He said he would be more concerned with the income from ticket sales and concessions. He stated he understood the concern referenced by Mr. Perkins with regard to the business enterprise value, but he also thought it was such a unique property, similar to a casino, that it may be difficult to sever those. He thought that was evidenced in the leases provided by the Petitioner in the appraisal. He noted there were arrangements in the appraisal that they would receive \$1 for every ticket sold over a certain amount of tickets sold and sometimes they would get part of the concessions. He said he looked at the appraisal but could not make sense of all of the arrangements within the lease or how \$1 million was reached for their NOI. Especially, considering the fact that there was supposed to be a million dollar Tax Increment Finance (TIF) payment going back to the Katzoffs (page 25 of Exhibit I). Initially the TIF payment was to be \$500,000 but the owner asked to have it increased to \$1 million because of the cost overruns. He thought the leases were very convoluted and primarily public/private arrangements.

Assessor Wilson stated the letter from Mr. Katzoff (page 25 Exhibit I) indicated it would take \$80 million to complete the project, but the appraisal submitted to the Board stated the value of the property was \$12.5 million. He said the reason the Keyser Marston study was put in Exhibit I was for illustration. He explained certain folks were relying on the assessed value to be a certain amount for their TIF district. He noted the NRS did not allow a TIF district in a redevelopment area. The City of Reno could do that in their own accounting, but when they approached the Assessor's Office to create a baseball TIF district, the Assessor's Office refused. In his opinion, not only did the stadium and the freight house district plan on creating roughly \$60 million of taxable value, but they also relied on the Keyser Marston report to support their summary that approximately \$2.3 million would be generated in an annual gross tax increment upon completion of the full conceptual development program. Of that amount, an estimated \$700,000 would come from the ballpark and freight house district components. He thought that was how they were going to get their TIF money back. He said there had been some significant reductions in value in the downtown area, which threw off some of those projections as well as *Marshall & Swift* costs not coming close to the reported construction costs that were referenced in the study.

Assessor Wilson said the subject was a redevelopment project to increase the tax increment. The cost approach was the most applicable indicator of value for a baseball stadium and special use properties. He said that was indicated on page 5 of Exhibit A whereby Mr. Perkins indicated, "The subject improvements constitute a special use property consisting of a baseball stadium and related facilities, which represents the highest and best use of the subject property as presently improved."

Assessor Wilson noted page 13 of Exhibit A stated the Appellant's reason of why the cost approach was not applicable. In the third paragraph it stated, "Based on

interviews with a number of brokers, buyers and sellers of commercial properties in the region, it was indicated that in current market conditions, the Cost Approach to Value was not being considered by buyers and sellers of commercial projects.” He said he agreed, but the subject was not a common mega warehouse or a flex industrial building, it was a stadium and there was no market evidence to rely on. He stated page 14 of Exhibit A referenced the first step in a direct capitalization analysis was to project the potential gross annual income that the subject could reasonably be expected to produce if leased at market rent. He agreed with that statement, but that was where the challenge occurred with this particular appraisal because he could not follow how the \$1 million was derived or how any other considerations, agreements or arrangement had been taken into consideration. The lease data on page 15 of Exhibit A was confidential and he understood that, but pages 16, 17, and 18 revealed a rental chart reflecting they all had something to do with the sales. He said because he did not know how many tickets were sold, what the concession sales were, what the parking income was, or what step increases may have occurred, he could not come up with the NOI of \$1 million, especially since they were only paying \$1 per year.

Assessor Wilson suggested the Board review page 32 of Exhibit A regarding the education certificate. He said in closing, it seemed each and every year the argument changed. He understood the argument last year was the stipulated value, but he could not stipulate to a value and freeze it forever. He reiterated the Assessor's Office had to use the *Marshall and Swift Cost Manuals* as specified in regulations for each and every reappraisal and apply the statutory depreciation of 1.5 percent per year, based on the age of the property. He said the current taxable value was below any reported costs associated with construction of the baseball stadium and the freight house district.

Member Krolick asked if this fell within the 10 percent of the time when *Marshall and Swift* did not get it right. Assessor Wilson replied in 2011/12 *Marshall and Swift* increased their stadium costs significantly. Member Krolick stated 17.5 percent. Assessor Wilson stated that was correct, but this Board reduced it last year. He noted staff asked him what to do this year and he told them to do what they felt was right. His staff felt the stipulated agreement was more than fair because the *Marshall & Swift* calculated cost was below the reported construction costs associated with the subject.

In rebuttal, Mr. Bancroft stated a lot of the materials submitted in the Assessor's package were for prior tax years and he had not represented the client during those years. He said what the Assessor's Office presented today was a cost approach methodology and followed the agreement in terms of how to apply *Marshall and Swift* in this situation. He said he did not have a problem with their application of the statutory cost methodology, but every taxpayer in Nevada was entitled to the lesser of statutory cost methodology or full cash value. He noted that every taxpayer present before the Board would start out with the statutory cost approach and then the Board would test it against market value. He said that was a yardstick to measure and compare property to property or what a ready, willing and able seller would sell to a ready, willing and able buyer. He said they did not spend a lot of time talking about the cost approach, but went right to the heart of the matter regarding full cash value.

Mr. Perkins stated he understood the difficulty of analyzing the subject and he concurred with the reported construction costs of the property. He said it was in excess of the estimate of cost, but that was not the point. He believed the point was the comparable rentals that he summarized; he made the best effort he could to isolate what a willing tenant and a willing owner of those particular stadiums would rent the real property for. In addition, the chart (page 16 Exhibit A) summarized various business enterprise activities such as concessions, ticket sales and parking reimbursements. As Assessor Wilson pointed out there were a multitude of variations in how the contracts were developed. He noted if he took the Assessor's Office estimate of taxable value at \$33 million and assumed it at a 10 percent rate of return, which he thought was well supported; the property would have to have a market rent for the real estate of \$3.3 million. There was not a team in the league that was paying over \$1.5 million base rent for the real estate of their stadium. He said it was sort of like the analogy of a mall. He understood Dillard's at the Summit Mall paid little or no rent. He was told that Dillard's was the draw to bring people to the mall who would then shop in the other stores, and the rental rates for all those other stores allowed for the recapture of that investment. In the case of the subject, the concept was a very large and extensive entertainment venue on vacant lots in downtown Reno. It became apparent to observers of the property that the retail component of the property was not going to be constructed at the same time, if ever.

Mr. Bancroft summarized by stating the taxable value was \$33 million which he contended was in excess of full cash value and the statutes required that it be reduced to full cash value. He said evidence had been presented in the form of an appraisal (Exhibit A) that supported the full cash value of the fee interest (\$12.5 million) and the full cash value of the leased fee (\$12,273,000). He believed the Assessor's Office did not present any evidence of full cash value; only of taxable value (\$33 million) which he agreed with. However, he said the Assessor's Office did not present any evidence of the leased fee. The only evidence before the Board regarding what the full cash value should be and what the leased fee full cash value should be was within Exhibit A and the testimony by Mr. Perkins. Mr. Perkins came to his conclusion by relying on the income approach to value; he did not use the cost approach for good reason. Mr. Bancroft said the theory behind the cost approach was the principal of substitution. A prudent buyer would pay no more for property than it cost to acquire a similar site and construct improvements of equal desirability, which he thought did not apply in this situation. For this type of property, construction was not an alternative; the principle of substitution did not apply; and, the cost approach was not applicable for determining market value. Stadiums were partnerships between government and private individuals; otherwise, he said it was not a viable investment for an individual to make. He explained in 1995 it was reported that 95 percent of Triple-A baseball stadiums were municipally owned. Those stadiums were not sold. Between 1999 and 2009, 69 ballparks were abandoned by major and minor league teams, but he said none were sold. The appropriate approach to value the subject was the income approach by identifying the available sources of income to the realty, deduct the expenses and capitalize it. He requested the Board reduce the value of the subject to \$12.2 million, which was the value of the leased fee.

Member Brown asked if the City of Reno had utilized any of the 12-event days they were entitled to. Mr. Bancroft responded they had. Member Brown inquired if the revenue derived from those special events was kept by the City of Reno. Mr. Meyer stated so far the City of Reno's use of the stadium was ancillary, which was not income producing. He noted it was difficult to schedule any income producing types of events from October through April, due to possible inclement weather.

Member Krolick asked if the improvement value last year (\$24,606,076) was based on the stipulation. Appraiser DelGiudice stated it was not. She commented the Board of Equalization reduced the improvement value last year. She said during her presentation last year she did not do a very good of demonstrating that the Petitioner had agreed in the stipulation to the highest cost in *Marshall & Swift* for both minor and major league stadium costs. Member Krolick stated the problem with the cost approach was the structure was heavily subsidized by the City of Reno, and it was a utility of the City for taxation purposes on the surrounding redevelopment district. He believed that was why he was challenged with the cost approach. Appraiser DelGiudice stated she could see Member Krolick's point, but she said the structure was only three years old; therefore, the cost approach was the best indication of value based on the land and construction costs. In 2009 and 2010 willing participants in the market put \$80 million into the project. To say the Assessor's Office was exceeding market value at \$33 million was not feasible. Member Krolick stated future value of the property was based on its income stream going forward. Appraiser DelGiudice stated this was a fully functioning, currently operating baseball stadium and that was how the Assessor's Office approached it. They were not looking at it as an investment if it became vacant.

Assessor Wilson re-emphasized he knew that the appraiser understood what it meant when he deemed the subject a special use property. He said the cost approach was used to estimate the market value of proposed construction, special use properties and other properties that were not frequently exchanged in the market. Buyers of those types of properties often measured the price they would pay for an existing building against the cost to build a replacement; minus accrued depreciation or the cost to purchase an existing structure and make any necessary modification. He said if comparable sales were not available, they could not be analyzed to estimate the market value. He noted current market indications of depreciated cost or the cost to acquire and refurbish an existing building, were the best reflection of market value. Member Krolick stated he agreed, but thought there were pieces of the puzzle missing to be able to conduct an income approach. He said Assessor Wilson's statement relied heavily upon special use facilities, but stadiums were owned by governments.

Chairman Covert commented the first year the subject was appealed he did not agree the stadium was a major league park. He said last year this Board made a decision to reduce the improvement value. He said he disagreed with the Petitioner's statement whereby if someone wanted to acquire a baseball field they would not necessarily buy an existing stadium. He said the operators had an opportunity to buy Moana Stadium and refurbish it.

Member Krolick stated he felt the 17 percent increase was too high and thought reducing the improvement value to an 8 percent increase would be more in line this year.

With regard to Parcel No. 011-450-22, pursuant to NRS 361.357, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member Woodland, seconded by Member Horan, which motion duly carried with Members Brown and Krolick voting "no", it was ordered that the Assessor's taxable values be upheld for tax year 2012-13. It was found that the Petitioner failed to meet his/her burden to show that the land and improvements are valued incorrectly or that the total taxable value exceeded full cash value.

12-0544E PARCEL NO. 040-131-32 – DB INVESTMENTS LTD PTSP –
HEARING NO. 12-0264

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 5695 S. Virginia Street, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Summary Appraisal Report, 57 pages.

Assessor

Exhibit I: Taxable Value Change Stipulation, 1 page.

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

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

With regard to Parcel No. 040-131-32, pursuant to NRS 361.345 based on the stipulation signed by the Assessor's Office and the Petitioner, on motion by Member Woodland, seconded by Member Horan, which motion duly carried, 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 \$907,159, resulting in a total taxable value of \$1,679,083 for tax year 2012-13. 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.

12-0545E **PARCEL NO. 400-040-07 – TROY CMBS PROPERTY LLC –**
HEARING NO. 12-0374

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 4855 Summit Ridge Drive, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

None.

Assessor

Exhibit I: Taxable Value Change Stipulation, 1 page.

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

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

With regard to Parcel No. 400-040-07, pursuant to NRS 361.345 based on the stipulation signed by the Assessor's Office and the Petitioner, on motion by Member Woodland, seconded by Member Horan, which motion duly carried, it was ordered that the stipulation be adopted and confirmed and that the taxable land value be reduced to \$3,574,515 and the taxable improvement value be reduced to \$425,485, resulting in a total taxable value of \$4,000,000 for tax year 2012-13. 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.

12-0546E **PARCEL NO. 011-032-17 – C I C & S COMPANY LLC –**
HEARING NO. 12-0474

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 232 West Street, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Financial information, 2 pages.

Assessor

Exhibit I: Taxable Value Change Stipulation, 2 pages.

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

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

With regard to Parcel No. 011-032-17, pursuant to NRS 361.345 based on the stipulation signed by the Assessor's Office and the Petitioner, on motion by Member Woodland, seconded by Member Horan, which motion duly carried, 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 \$1,275,00, resulting in a total taxable value of \$1,700,000 for tax year 2012-13. 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.

12-0547E PARCEL NO. 011-450-21 – NEVADA LAND III, LLC –
HEARING NO. 12-0503

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at Evans Avenue, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

None.

Assessor

Exhibit I: Taxable Value Change Stipulation, 1 page.

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

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

With regard to Parcel No. 011-450-21, pursuant to NRS 361.345 based on the stipulation signed by the Assessor's Office and the Petitioner, on motion by Member Woodland, seconded by Member Horan, which motion duly carried, it was ordered that the stipulation be adopted and confirmed and that the taxable land value be reduced to \$364,950 and the taxable improvement value be upheld, resulting in a total taxable value of \$2,020,380 for tax year 2012-13. 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.

12-0548E **PARCEL NO. 011-450-23 – NEVADA LAND III LLC –**
HEARING NO. 12-0504

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at Evans Avenue, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

None.

Assessor

Exhibit I: Taxable Value Change Stipulation, 1 page.

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

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

With regard to Parcel No. 011-450-23, pursuant to NRS 361.345 based on the stipulation signed by the Assessor's Office and the Petitioner, on motion by Member Woodland, seconded by Member Horan, which motion duly carried, it was ordered that the stipulation be adopted and confirmed and that the taxable land value be reduced to \$260,310, resulting in a total taxable value of \$260,310 for tax year 2012-13. With that adjustment, it was found that the land is valued correctly and the total taxable value does not exceed full cash value.

12-0549E **PARCEL NO. 084-240-21 – GRANITE CONSTRUCTION**
COMPANY – HEARING NO. 12-0547P

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located in Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Owner's opinion of value, 1 page.

Assessor

Exhibit I: Taxable Value Change Stipulation, 1 page.

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

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

With regard to Parcel No. 084-240-21, pursuant to NRS 361.345 based on the stipulation signed by the Assessor's Office and the Petitioner, on motion by Member Woodland, seconded by Member Horan, which motion duly carried, it was ordered that the stipulation be adopted and confirmed and that the taxable land value be reduced to \$500, resulting in a total taxable value of \$500 for tax year 2012-13. With that adjustment, it was found that the land is valued correctly and the total taxable value does not exceed full cash value.

**12-0550E PARCEL NO. 011-074-14 – NEVADA LAND II LLC –
HEARING NO. 12-0557A**

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 238 Lake St, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

None.

Assessor

Exhibit I: Taxable Value Change Stipulation, 1 page.

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

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

With regard to Parcel No. 011-074-14, pursuant to NRS 361.345 based on the stipulation signed by the Assessor's Office and the Petitioner, on motion by Member Woodland, seconded by Member Horan, which motion duly carried, it was ordered that the stipulation be adopted and confirmed and that the taxable land value be reduced to \$96,250 and the taxable improvement value be upheld, resulting in a total taxable value of \$105,186 for tax year 2012-13. 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.

12-0551E PARCEL NO. 011-074-15 – NEVADA LAND II LLC –
HEARING NO. 12-0557B

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 244 Lake Street, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

None.

Assessor

Exhibit I: Taxable Value Change Stipulation, 1 page.

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

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

With regard to Parcel No. 011-074-15, pursuant to NRS 361.345 based on the stipulation signed by the Assessor's Office and the Petitioner, on motion by Member Woodland, seconded by Member Horan, which motion duly carried, it was ordered that the stipulation be adopted and confirmed and that the taxable land value be reduced to \$131,250 and the taxable improvement value be upheld, resulting in a total taxable value of \$142,675 for tax year 2012-13. 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.

12-0552E PARCEL NO. 083-830-04 – LAZY FIVE COMPANY –
HEARING NO. 12-0417

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 7000 Sparks Blvd., Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Washoe County Assessor's parcel information on subject and comparable, photographs and maps, 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 Nancy Parent.

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

With regard to Parcel No. 083-830-04, pursuant to NRS 361.345 based on the stipulation signed by the Assessor's Office and the Petitioner, on motion by Member Woodland, seconded by Member Horan, which motion duly carried, 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 \$61,414, resulting in a total taxable value of \$126,414 for tax year 2012-13. 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.

12-0553E PARCEL NO. 025-372-30 – SEARS ROEBUCK & CO –
HEARING NO. 12-0448A

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 5400 Meadowood Mall Circle, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

None.

Assessor

Exhibit I: Taxable Value Change Stipulation, 1 page.

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

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

With regard to Parcel No. 025-372-30, pursuant to NRS 361.345 based on the stipulation signed by the Assessor's Office and the Petitioner, on motion by Member Woodland, seconded by Member Horan, which motion duly carried, 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 \$5,245,316, resulting in a total taxable value of \$6,123,484 for tax year 2012-13. 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.

12-0554E PARCEL NO. 026-442-04 – CAPURRO PROPERTIES LP –
HEARING NO. 12-0556D

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 2240 Oddie Blvd., Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Letter and supporting documentation, 39 pages.

Assessor

Exhibit I: Taxable Value Change Stipulation, 1 page.

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

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

With regard to Parcel No. 026-442-04, pursuant to NRS 361.345 based on the stipulation signed by the Assessor's Office and the Petitioner, on motion by Member Woodland, seconded by Member Horan, which motion duly carried, 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 \$512,723, resulting in a total taxable value of \$5,031,636 for tax year 2012-13. 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.

12-0555E PARCEL NO. 520-012-02 – LAZY FIVE COMPANY –
HEARING NO. 12-0418A

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at Vista Blvd., Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Assessor's QuickInfo and maps, 9 pages.

Assessor

Exhibit I: Taxable Value Change Stipulation, 1 page.

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

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

With regard to Parcel No. 520-012-02, pursuant to NRS 361.345 based on the stipulation signed by the Assessor's Office and the Petitioner, on motion by Member Woodland, seconded by Member Horan, which motion duly carried, it was ordered that the stipulation be adopted and confirmed and that the taxable land value be reduced to \$15,040, resulting in a total taxable value of \$15,040 for tax year 2012-13. With that adjustment, it was found that the land is valued correctly and the total taxable value does not exceed full cash value.

12-0556E PARCEL NO. 520-012-03 – LAZY FIVE COMPANY –
HEARING NO. 12-0418B

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at Vista Blvd., Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Assessor's QuickInfo and maps, 9 pages.

Assessor

Exhibit I: Taxable Value Change Stipulation, 1 page.

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

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

With regard to Parcel No. 520-012-03, pursuant to NRS 361.345 based on the stipulation signed by the Assessor's Office and the Petitioner, on motion by Member Woodland, seconded by Member Horan, which motion duly carried, it was ordered that the stipulation be adopted and confirmed and that the taxable land value be reduced to \$120,012, resulting in a total taxable value of \$120,012 for tax year 2012-13. With that adjustment, it was found that the land is valued correctly and the total taxable value does not exceed full cash value.

12-0557E **PARCEL NO. 520-012-04 – LAZY FIVE COMPANY –**
HEARING NO. 12-0418C

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at Vista Blvd, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Assessor's QuickInfo and maps, 9 pages.

Assessor

Exhibit I: Taxable Value Change Stipulation, 1 page.

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

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

With regard to Parcel No. 520-012-04, pursuant to NRS 361.345 based on the stipulation signed by the Assessor's Office and the Petitioner, on motion by Member Woodland, seconded by Member Horan, which motion duly carried, it was ordered that the stipulation be adopted and confirmed and that the taxable land value be reduced to \$18,375, resulting in a total taxable value of \$18,375 for tax year 2012-13. With that adjustment, it was found that the land is valued correctly and the total taxable value does not exceed full cash value.

12-0558E **PARCEL NO. 083-830-70 – KILEY RANCH LLC –**
HEARING NO. 12-0419

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at Vista Blvd., Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Washoe County Assessor's parcel information and maps, 8 pages.

Assessor

Exhibit I: Taxable Value Change Stipulation, 1 page.

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

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

With regard to Parcel No. 083-830-70, pursuant to NRS 361.345 based on the stipulation signed by the Assessor's Office and the Petitioner, on motion by Member Woodland, seconded by Member Horan, which motion duly carried, it was ordered that the stipulation be adopted and confirmed and that the taxable land value be reduced to \$46,360, resulting in a total taxable value of \$46,360 for tax year 2012-13. With that adjustment, it was found that the land is valued correctly and the total taxable value does not exceed full cash value.

12-0559E PARCEL NO. 510-071-29 – KILEY RANCH LLC –
HEARING NO. 12-0420

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at Vista Blvd., Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Washoe County Assessor's parcel information and maps, 8 pages.

Assessor

Exhibit I: Taxable Value Change Stipulation, 1 page.

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

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

With regard to Parcel No. 510-071-29, pursuant to NRS 361.345 based on the stipulation signed by the Assessor's Office and the Petitioner, on motion by Member Woodland, seconded by Member Horan, which motion duly carried, it was ordered that the stipulation be adopted and confirmed and that the taxable land value be reduced to \$158,500, resulting in a total taxable value of \$158,500 for tax year 2012-13. With that adjustment, it was found that the land is valued correctly and the total taxable value does not exceed full cash value.

12-0562E PARCEL NO. 502-120-17 – SELECTIVE-GOLDEN NORTH LLC – HEARING NO. 12-0559D

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at North Hills Blvd., Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

None.

Assessor

Exhibit I: Taxable Value Change Stipulation, 1 page.

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

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

With regard to Parcel No. 502-120-17, pursuant to NRS 361.345 based on the stipulation signed by the Assessor's Office and the Petitioner, on motion by Member Woodland, seconded by Member Horan, which motion duly carried, it was ordered that the stipulation be adopted and confirmed and that the taxable land value be reduced to \$1,220,983, resulting in a total taxable value of \$1,220,983 for tax year 2012-13. With that adjustment, it was found that the land is valued correctly and the total taxable value does not exceed full cash value.

12-0563E PARCEL NO. 502-120-18 – SELECTIVE-GOLDEN NORTH LLC – HEARING NO. 12-0559E

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at North Hills Blvd., Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

None.

Assessor

Exhibit I: Taxable Value Change Stipulation, 1 page.

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

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

With regard to Parcel No. 502-120-18, pursuant to NRS 361.345 based on the stipulation signed by the Assessor's Office and the Petitioner, on motion by Member Woodland, seconded by Member Horan, which motion duly carried, it was ordered that the stipulation be adopted and confirmed and that the taxable land value be reduced to \$137,933, resulting in a total taxable value of \$137,933 for tax year 2012-13. 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.

BOARD MEMBER COMMENTS

There were no Board member comments.

PUBLIC COMMENT

There was no response to the call for public comment.

* * * * *

3:56 p.m. There being no further hearings or business to come before the Board, on motion by Member Horan, seconded by Member Brown, which motion duly carried, 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
Jaime Deller, Deputy Clerk*