

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

WEDNESDAY

9:00 A.M.

FEBRUARY 15, 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 9:05 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:

**12-0381E      PUBLIC COMMENT**

There was no response to the call for public comment.

**12-0382E      WITHDRAWN PETITIONS**

The following petitions scheduled on today's agenda had been withdrawn by the Petitioners prior to the hearings:

<b>Assessor's Parcel No.</b>	<b>Petitioner</b>	<b>Hearing No.</b>
039-750-13	VICTORY PLAZA LLC DBA KOHL'S	12-0093
015-292-26	COSTCO WHOLESALE CORPORATION	12-0367
510-085-09	COSTCO WHOLESALE CORPORATION	12-0368
040-162-84	REA RENO LLC	12-0525
040-162-85	REA RENO-2 LLC	12-0526

**12-0383E      REQUESTS FOR CONTINUANCES**

There were no requests for continuances.

**12-0384E      CONSOLIDATION OF HEARINGS**

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

**12-0385E      PARCEL NO. 025-021-15 – CVS/LONGS DRUG STORES #9191 –**  
**HEARING NO. 12-0527**

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 5019 South McCarran Boulevard, Washoe County, Nevada.

The following exhibits were submitted into evidence:

**Petitioner**

Exhibit A: Appeal Summary, comparable sales, comparable leases and income approach, 15 pages.

Exhibit B: CVS/Longs Drug Stores Comparable Data, including sales, sales listings and lease listings, 14 pages.

Exhibit C: Appeal Summary, 7 pages.

**Assessor**

Exhibit I: Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 14 pages.

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

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

Chairman Covert asked if the subject was still called Longs Drug Store. Appraiser Oliphint advised it was rebranded as a CVS store.

**\*9:10 a.m.**      Member Krolick arrived at the meeting.

Mr. Hart advised he was representing six different CVS stores during today's hearings. He noted some of the properties were in the landlords' names, but CVS had the right to contest the property taxes because CVS paid them.

Mr. Hart said the subject CVS store was located in a shopping center and had a current total taxable value of \$2,117,282. He stated he primarily looked at the cost approach, which was affected by external obsolescence. He said he used the *Marshall Valuation Service* as the cost guide. He stated the total value, less the physical depreciation, was \$2,029,042 as shown on page 2 of Exhibit C. He reviewed the external obsolescence analysis also on page 2. He said the external loss of \$30,543 was primarily due to the economic conditions over the last three to five years. He stated the external loss discounted at 13 percent indicated an external obsolescence of \$234,948 and, after deducting \$234,948 from the depreciated value, the resulting total depreciated value was \$1,794,094.

Mr. Hart said the income approach was supported by the comparable lease data, which included two closed CVS stores that were available for lease. He stated under the theory of fee simple, unencumbered properties, the market value was estimated primarily using the two CVS stores with support from the other properties. He said the two comparables were listed for lease at \$11 per square foot and \$10 per square foot. He stated he used \$8 per square foot because the subject was located in a shopping center and would have a lower lease rate than the \$10 per square foot comparable lease located at 1410 E. Prater Way. He believed if that property was vacant, the market rent would be \$8 per square foot. He reviewed the income approach on page 3 of Exhibit C, which indicated a market value of \$1,723,612.

Appraiser Oliphint noted the Petitioner's representative was a Certified General Appraiser in the State of Oklahoma. He said it did not appear Mr. Hart had obtained a temporary license to practice in Nevada, based on a search of the Nevada Real Estate Division website.

Appraiser Oliphint reviewed the sales comparison approach to value on page 2 of Exhibit I. He noted improved sales (IS) 1 and 3 were sales of pharmacies that sold for \$389 and \$371 per square foot, respectively. He noted there was a distinct difference between the pharmacy and non-pharmacy sales (IS-2 and IS-4). He said the improved sales had investment grade tenants; but they were not all rated as high as the pharmacies, even though IS-2 and IS-4 sold for approximately \$250 per square foot. He stated because pharmacies sold drugs and necessity-type retail items with good profit margins, they did not depend on a strong economy to do well. He noted drug stores were admired on Wall Street and by people who bought real property. He said occupied pharmacies sold for approximately \$380 per square foot and the subject's assessed value was \$300 per square foot, for an indicated value of \$8,026,500 using the sales comparison approach.

Appraiser Oliphint reviewed the Rental Rate Analysis on page 3 and the Retail Capitalization Rate Summary on page 8 of Exhibit I. He noted Walgreen's was an outdated sale with a 7.5 percent capitalization rate and the recent CVS sale had a 6 percent capitalization rate, which indicated how much buyers liked pharmacies. He reviewed the income approach to value on page 3 of Exhibit I. He noted the 5 percent vacancy and collection loss was high for an investment grade tenant, and there was almost no management expense for a single tenant, which was why he used 5 percent. He said the income approach resulted in an indicated value of \$7,865,000 or \$2.94 per square foot.

Appraiser Oliphint said the two approaches to value were reconciled on page 1 of Exhibit I. He stated the current taxable value was \$2,117,282 and the recommendation was to uphold the Assessor's value. He noted the value at \$295 per square foot was well below the \$370 to \$390 per square foot pharmacies had been selling for. He said there was a large spread between the subject's current taxable value (\$2,117,282) and its market value (almost \$7.9 million), because of the type of rents they could generate and the way people perceived the risks with that type of tenant.

Chairman Covert asked if the 30-year old building was maintained. Appraiser Oliphint said it appeared to be in decent shape and was in a very good location one block away from the intersection of South Virginia Street, US 395. and McCarran Boulevard. He stated the location also had a Trader Joe's and a Big Lots as tenants, which generated great traffic.

Appraiser Oliphint noted the first of the Petitioner's comparable sales was a metal service garage, the second was a nursing home, and the third was a warehouse showroom, which was the former Steinway Piano Gallery. He said 25 percent of the Gallery building was warehouse storage.

In reviewing the Petitioner's rental comparables (page 1 of Exhibit A), Appraiser Oliphint noted the industry was consolidating but, at \$380 per square foot, no one was worrying about the occupied pharmacies going out of business. He said CVS closed some of its stores because they felt they had too many in the area. He stated the comparable in Wingfield was across from the Raley's and was within walking distance of several senior facilities. He said it was a good location, but he did not feel CVS would lease it to a competitor. He stated the other comparable rents used by the Petitioner were a warehouse showroom with inferior parking, a storage warehouse and a location in Sparks where traffic had dropped off when Sparks Boulevard was built out, allowing people to go directly to Wingfield. He reviewed the Petitioner's income approach (page 3 of Exhibit C), and noted a 10 percent capitalization rate was completely unsupported by local sales.

Appraiser Oliphint said there was a difference between the Assessor's and the Petitioner's cost approach of approximately \$30,000. He noted some of the numbers used by the Petitioner were too low, such as the 8.5 percent for wall height should be 17 percent, and the \$3,200 for parking lot light poles should be costed at \$40,000, which would more than make up the \$30,000 external loss the Petitioner was trying to capitalize. He noted there were other differences between the Petitioner's calculations and the Assessor's, such as the difference in the depreciation percentage and the percentage good (which was inverse to depreciation). He said the Petitioner was capitalizing income and using a discount rate, which was a different method of arriving at value.

In rebuttal, Mr. Hart stated he was a Certified General Appraiser in the State of Oklahoma and represented CVS in all property matters in Nevada, California, and Arizona. He said his being licensed in Oklahoma had never before been identified as a problem. He stated his opinions were based on CVS' direction and, since this was not a federally related transaction, it should not be an issue at today's hearings.

Mr. Hart said the Assessor's comparable information, as was typical, was other pharmacy sales; which were not sales based on fee-simple transactions and did not represent market value sales. He stated they were leasehold sales where the purchaser was not buying the land and the building, but was buying the entity occupying the

building. He said under the market value concept, it would be appraised as unencumbered and without a lease on the property. He stated that was why he primarily relied on the two CVS stores that were for lease. He noted when the signage and fixtures were removed it would be simply a retail building for lease or sale. He said the CVS, Walgreen's, or Staples sales were of companies recognized on Wall Street, and the purchasers were buying the investment in the tenant occupying the property instead of the real estate. He believed the subject's market value to be approximately \$1,723,000.

Chairman Covert brought the discussion back to the Board.

Member Krolick said a property with a lease held a lot of value to investors or purchasers. He stated it should not matter that the Petitioner was not licensed in Nevada as a Certified General Appraiser because of the availability of commercial real estate data. He advised he would recuse himself from voting because he was late to the meeting.

Chairman Covert said he could understand the Petitioner's argument if the subject was vacant, but he felt the comparison of an operating pharmacy with other operating pharmacies was fair.

Member Horan said the question concerning Mr. Hart being licensed in the State of Nevada was a technicality and was not questioning Mr. Hart's integrity or ability. Chairman Covert explained it needed to be on the record.

Member Horan said he supported the Assessor's valuation.

With regard to Parcel No. 025-021-15, 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 Member Krolick abstaining, 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.

**12-0386E      PARCEL NO. 160-791-17 – SOUTHTOWNE CROSSING LLC –**  
**HEARING NO. 12-0528**

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 55 Damonte Ranch Parkway, Washoe County, Nevada.

The following exhibits were submitted into evidence:

**Petitioner**

**Exhibit A:** Appeal Summary, comparable sales, comparable listings, comparable leases and income approach, 16 pages.

Exhibit B: CVS/Longs Drug Stores Comparable Data, including sales, sales listings and lease listings, 14 pages.

Exhibit C: Appeal Summary, 7 pages.

**Assessor**

Exhibit I: Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 14 pages.

Joe Hart, previously sworn, offered testimony on behalf of the Petitioner.

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

Chairman Covert asked if this was an operating pharmacy. Appraiser Oliphint replied it was.

Mr. Hart stated the subject was currently valued by the Assessor at \$2,297,009. He said the property was offered as unencumbered, fee simple and consideration should be given regarding what the property would sell for if it were available for sale on the open market. He stated the value of the building and the land counted, not the value of the lease.

Mr. Hart said the cost approach was driven by the income approach and the external obsolescence would reduce the value. Mr. Hart stated the Assessor's values were typically higher because they did not look at the cost approach in direct relation to the income approach. He said the subject building was almost new, and he used a lease rate of \$11 per square foot for the income approach. He stated he considered that to be in the upper range based on the two CVS buildings for lease. He said he agreed with the Assessor's Office that the vacancy and rent loss could be 3 to 5 percent, but not under the recent economic conditions; and he used a 10 percent vacancy and rent loss based on the area's vacancies. He stated management expenses of 5 percent would be needed to cover legal, accounting and internal administrative fees whether or not there was a triple-net lease. Mr. Hart said his 10 percent capitalization rate was driven by the comparable listings of properties for sale, which were in the 10 to 10.5 percent range. He stated the income approach supported a value of \$1,602,420, which was what he was requesting as the assessed value.

Appraiser Oliphint said he appreciated that the Board understood "as/is" and, if a building had a lease, it would be valued as such. He said he believed tax representatives from other States, such as Oklahoma and Kansas, valued properties differently than was done in the State of Nevada.

Appraiser Oliphint reviewed the recent improved sales (IS) of pharmacies at approximately \$380 per square foot. He stated the income approach at \$1.90 per square foot was below the most recent lease for a local pharmacy. He also said the capitalization rate he used was 7 percent, which was 100 basis points above the most recent pharmacy

sale, resulting in a total taxable value of \$5,080,000. He reviewed the reconciliation of the sales comparison approach to value and the income approach to value on page 1 of Exhibit I, which were both substantially above the current taxable value of \$2,297,000. He noted the Petitioner attempted to capitalize an income loss, as if the building were vacant, to arrive at external economic obsolescence.

In rebuttal, Mr. Hart said the Appraiser's 7 percent capitalization rate was driven by Wall Street investors and did not represent the local market's capitalization rate.

Member Krolick asked Appraiser Oliphint to review his calculations for the capitalization rate. Appraiser Oliphint reviewed page 8 of Exhibit I. He said he relied on the CVS sale with a 6 percent capitalization rate and added 100 basis points to that sale in valuing the subject. He noted 7.11 was the negotiating capitalization rate for the properties that were not as nice a pharmacy. He said he did not know how the Petitioner was determining a 10 percent capitalization rate, as he found nothing at that rate that was occupied and of similar size.

Josh Wilson, Assessor, previously sworn, said he appreciated the Board's position relating to unlicensed appraisers rendering an opinion of value before the Board, but it might become more of an issue before the State Board of Equalization. He read Nevada Revised Statute 645C.260 into the record. Chairman Covert said he did not feel that applied to the Petitioner coming before the Board, but related to the Petitioner offering his services for a fee in Nevada. Herb Kaplan, Legal Counsel, advised he did not think the license was an issue for the Board.

Chairman Covert brought the discussion back to the Board. He said he felt location affected value and the subject was in a prime location with high traffic. Member Brown agreed and said CVS was probably paying a premium for the corner lot. Member Horan said the basic difference was how the leases were taken into consideration, and he supported the Assessor's valuation.

With regard to Parcel No. 160-791-17, pursuant to NRS 361.357, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member Brown, seconded by Member Horan, which motion duly carried, it was ordered that the Assessor's taxable values be upheld 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.

**PARCEL NO. 402-441-04 – D'ANDREA MARKETPLACE –**  
**HEARING NO. 12-0529**

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 2878 Vista Boulevard, Washoe County, Nevada.

The following exhibits were submitted into evidence:

**Petitioner**

Exhibit A: Appeal Summary, comparable sales, comparable leases and income approach, 15 pages.

Exhibit B: CVS/Longs Drug Stores Comparable Data, including sales, sales listings and lease listings, 14 pages.

Exhibit C: Appeal Summary, 7 pages.

**Assessor**

Exhibit I: Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 14 pages.

Joe Hart, previously sworn, offered testimony on behalf of the Petitioner.

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

Mr. Hart told the Board he had just viewed the subject property. He said the property was of a much better quality than was indicated in the information he had available to him, and he wanted to withdraw the petition.

Chairman Covert asked Herb Kaplan, Legal Counsel, if the petition could be withdrawn or if the Board should make a motion to uphold. Mr. Kaplan said either option was acceptable. Chairman Covert advised the petition was withdrawn per the Petitioner's request.

**12-0387E      PARCEL NO. 510-083-08 – SPARKS GALLERIA INVESTORS – HEARING NO. 12-0530**

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 175 Disc Drive, Washoe County, Nevada.

The following exhibits were submitted into evidence:

**Petitioner**

Exhibit A: Appeal summary, comparable sales and income approach, 16 pages.

Exhibit B: CVS/Longs Drug Stores Comparable Data, including sales, sales listings and lease listings, 14 pages.

Exhibit C: Appeal Summary, 7 pages.

**Assessor**

Exhibit I: Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 13 pages.

Joe Hart, previously sworn, offered testimony on behalf of the Petitioner.

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

Mr. Hart said the subject was a vacant property available for lease. He said the cost approach, less depreciation, derived a value of \$2,386,095, less external obsolescence of \$731,165 attributable to the local and national economic conditions, which resulted in a value of \$1,654,930. Mr. Hart said the property was advertised for lease at \$11 per square foot, but he used a rate of \$9 per square foot for the income approach because the property had been on the market for awhile. He said based on a 10 percent vacancy and rent loss rate, a 5 percent management expense and an overall capitalization rate of 10 percent; the cost approach to value was \$1,435,579. He stated that was the value he was asking the Board to consider.

Appraiser Oliphint reviewed the sales comparison approach on page 2 of Exhibit I, which indicated a value for the subject of \$94 per square foot. He also reviewed the Rental Rate Analysis on page 7, the Retail Capitalization Rate Summary on page 8, and the income approach on page 3 of Exhibit I. He said \$853,790 in obsolescence was applied because he knew the subject had issues, and the indicated value of the subject was \$1,679,000, which was just above its taxable value. He noted new data had arrived since the analysis was done in August, and he felt the current economic obsolescence brought the assessed value below market value.

Chairman Covert asked if the tenants were moving in and then moving out of the subject. Appraiser Oliphint said Longs Drug Store leased the subject just before it was purchased by CVS and CVS already had a store in close proximity to the subject. He noted the property had visibility issues because it was below the road.

Member Brown asked what a residential collector street was. Appraiser Oliphint explained residential collectors were the streets in subdivisions that collected residential traffic and fed it into a major arterial street.

Josh Wilson, Assessor, previously sworn, said he felt the value of the subject came down to the income approach, and he pointed out that the Petitioner's actual Net Operating Income (NOI) was greater than what the Assessor estimated. He stated the difference was the capitalization rate with the Petitioner suggesting 10 percent and the Assessor suggesting 8.5 percent. He said the Assessor's rate was based on the comparable sales in Exhibit I.

In rebuttal, Mr. Hart said the capitalization rates of comparable sales ranged from 8.5 percent to 11.52 percent and 10 percent was reasonable for a vacant property under the concept of a fee-simple market-value sale.

Chairman Covert brought the discussion back to the Board.

Member Horan said he was inclined to offer more obsolescence because the subject had been vacant for some time. Member Krolick suggested using the 10 percent capitalization rate and adjusting the assessed value based on that. Chairman Covert said that was close to the Petitioner's suggested value and he could support that adjustment.

With regard to Parcel No. 510-083-08, 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 \$478,542, resulting in a total taxable value of \$1,435,580 for tax year 2012-13. The reduction was based on \$195,173 in additional 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.

**12-0388E      PARCEL NO. 036-540-07 – REALTY INCOME CORP –**  
**HEARING NO. 12-0531**

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 1410 East Prater Way, Washoe County, Nevada.

The following exhibits were submitted into evidence:

**Petitioner**

Exhibit A: Appeal summary, comparable sales and income approach, 16 pages.

Exhibit B: CVS/Longs Drug Stores Comparable Data, including sales, sales listings and lease listings, 14 pages.

Exhibit C: Appeal Summary, 7 pages.

**Assessor**

Exhibit I: Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 13 pages.

Joe Hart, previously sworn, offered testimony on behalf of the Petitioner.

On behalf of the Assessor and having been previously sworn, Paul Oliphint, Appraiser, oriented the Board as to the location of the subject property. He stated he was recommending obsolescence of \$547,963, which would reduce the total taxable value to \$1,450,000.

Mr. Hart stated he agreed with the recommendation.

With regard to Parcel No. 036-540-07, pursuant to NRS 361.357, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member

Brown, seconded by Member Horan, which motion duly carried, it was ordered that the taxable land value be upheld and the taxable improvement value be reduced to \$481,976, resulting in a total taxable value of \$1,450,000 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.

**12-0389E      PARCEL NO. 043-030-22 – REALTY INCOME CORP –**  
**HEARING NO. 12-0532**

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 8005 South Virginia Street, Washoe County, Nevada.

The following exhibits were submitted into evidence:

**Petitioner**

Exhibit A: Appeal summary, comparable sales and income approach, 16 pages.

Exhibit B: Appeal Summary, 7 pages.

Exhibit C: CVS/Longs Drug Stores Comparable Data, including sales, sales listings and lease listings, 14 pages.

**Assessor**

Exhibit I: Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 14 pages.

Joe Hart, previously sworn, offered testimony on behalf of the Petitioner.

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

Mr. Hart stated the subject was a freestanding building. He noted the Petitioner's value approaches were based on an unencumbered, fee-simple property. He said the cost approach, less physical depreciation and external obsolescence, derived a value of \$1,797,808. He stated the income approach, using a lease rate of \$11 per square foot, a 10 percent vacancy and rent loss rate, 5 percent for management expense, and a 10 percent capitalization rate, derived a value of \$1,605,810. He said that was the value he was proposing.

Appraiser Oliphint reviewed the sales comparison approach on page 2, the Rental Rate Analysis on page 7, the Retail Capitalization Rate Summary on page 8, and the income approach on page 3 of Exhibit I. He said he relied most heavily on the recent local pharmacy leases, which were between \$1.96 and \$2.69 per square foot. He stated he reconciled the two approaches, resulting in a value of \$5,040,000. He noted the taxable

value was \$2,336,351 and the indicated market value was just over \$5 million. He stated the recommendation was to uphold the Assessor's value.

Mr. Hart stated he had no further testimony.

Chairman Covert brought the discussion back to the Board.

Member Horan said the value was appropriate for a fully leased building, and he supported upholding the Assessor's value.

With regard to Parcel No. 043-030-22, 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, 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.

**12-0390E      PARCEL NO. 030-041-11 – SMITHS FOOD AND DRUG CENTERS**  
**#357 – HEARING NO. 12-0492**

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 1255 Baring Boulevard, Washoe County, Nevada.

The following exhibits were submitted into evidence:

**Petitioner**

Exhibit A: Appeal Summary, Comparable Sales and Income Approach, 17 pages.

Exhibit B: CVS/Longs Drug Stores Comparable Data, including sales, sales listings and lease listings, 15 pages.

Exhibit C: Appeal Summary, 7 pages.

**Assessor**

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

Joe Hart, previously sworn, offered testimony on behalf of the Petitioner.

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

Mr. Hart stated the supermarket was the shopping center's anchor tenant and was directly across the street from Reed High School. He said his cost approach indicated a value of \$5,374,668, minus physical depreciation and external obsolescence. He stated the income approach was supported by the comparable leases ranging from

\$8.40 per square foot to \$11.04 per square foot, and he used a market rent of \$9 per square foot. He said he used a vacancy and rent loss rate of 10 percent, a management expense rate of 5 percent, and a capitalization rate of 10.25 percent because it was retail space and because the size of the subject made it more difficult to lease "as-is." He stated the capitalization rate was supported by the three listings on page 1 of Exhibit A, which ranged from 10 percent to 10.5 percent. He stated the subject's value was \$5,325,390 based on the income approach, and he was requesting a value of \$5,325,000.

Appraiser Ettinger reviewed the sales comparison approach on page 2 of Exhibit I. He said the most weight was placed on improved sales (IS) 1 and 4. He stated IS-1 sold in November 2011 at \$224 per square foot. He said that sale was for the Whole Foods market, which was leased at the time of the sale, and had a capitalization rate of 6.69 percent instead of the 7.5 percent shown on page 2 of Exhibit I. He noted IS-4 was also the sale of a supermarket, but was an older sale. He said \$222 to \$224 per square foot was a good indication of what the subject's value would be, and he conservatively valued the subject at \$175 per square foot, or a total valuation of \$12,415,000 based on the sales comparison approach.

Chairman Covert noted there was no obsolescence on the subject, and he asked if that was because it was in a good location. Appraiser Ettinger replied there was no obsolescence because it had been determined that the taxable value had never exceeded the market value.

Appraiser Ettinger said three of the rent comparables on page 7 of Exhibit I were occupied Raley's supermarkets and were similar to the subject. He noted they had a rent range per month of \$1.08 to \$1.39 per square foot, the Whole Foods was \$1.46 per square foot, and the subject was valued at \$1.25 per square foot. He reviewed his income approach on page 4 of Exhibit I, which resulted in a value of \$10,780,000. He said the two approaches to value, when reconciled, resulted in a taxable value of \$11,000,000. He advised the most weight was placed on the income approach. He stated the subject's taxable value was \$5,713,449 and the recommendation was to uphold.

Appraiser Ettinger said the Petitioner's rental and sales comparables were of distressed vacant properties. He stated many of them were vacant because they were in parts of town that were having problems.

In rebuttal, Mr. Hart said the subject building was a 70,936 square foot supermarket. He noted the Assessor's capitalization rates on page 5 of Exhibit I were for buildings with square footages of 18,514 and under. He stated he disagreed with the Assessor's capitalization rate, because he felt a larger building should have a higher one.

Chairman Covert brought the discussion back to the Board.

Member Horan noted the Petitioner's value and the Assessor's value were not that far apart.

With regard to Parcel No. 030-041-11, 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.

**12-0391E      PARCEL NO. 086-801-11 – SMITHS FOOD & DRUG CENTERS**  
**#344 – HEARING NO. 12-0493**

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 175 Lemmon Drive, Washoe County, Nevada.

The following exhibits were submitted into evidence:

**Petitioner**

**Exhibit A:** Appeal Summary, Comparable Sales and Income Approach, 17 pages.

**Exhibit B:** CVS/Longs Drug Stores Comparable Data, including sales, sales listings and lease listings, 15 pages.

**Exhibit C:** Appeal Summary, 7 pages.

**Assessor**

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

Joe Hart, previously sworn, offered testimony on behalf of the Petitioner.

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

Mr. Hart stated he noticed last year an increase in the land value last year, which he discussed with one of the appraisers who seemed to indicate it was justified by a single land sale of a site to be developed by Wal-Mart. He said everyone knew if Wal-Mart wanted a location, Wal-Mart would obtain the property regardless of the price. He stated he talked with a broker who informed him the sales price of the land also included the cost of developing the site prior to Wal-Mart taking the title.

Mr. Hart said his cost approach indicated a value of \$5,500,621 and his income approach used the same data that was used in Hearing No. 12-0492. He said the capitalization rate range was 10 to 10.5 percent, which was based on shopping centers for sale and not on small individual buildings. He stated his income approach used a \$10.50 per square foot market rent, a 10 percent vacancy and rent loss, a 5 percent management expense, and a 10.25 percent capitalization rate to arrive at his requested value of \$5,213,957.

Chairman Covert asked Appraiser Ettinger to address the 69 percent increase in the land value. Appraiser Ettinger said he believed the sale Mr. Hart referenced was older and was not included in the current year's land sales. He believed it had something to do with the estimated market value of the 2011 roll and appeared to consider the Wal-Mart sale at that time, but he could not say for sure what caused the increase without researching it.

Appraiser Ettinger noted the current taxable land value of the subject was \$8.80 per square foot, which was in equalization with typical lots of the same size and similar use and was supported by the land sales (page 3 of Exhibit I). He said the improved sales (IS) ranged from \$222 per square foot to \$371 per square foot, and he placed the most weight on IS-1 and IS-4 at \$224 and \$222 per square foot respectively, along with putting the most weight on their capitalization rates in doing his income approach. He stated the Retail Capitalization Rate Summary (page 5 of Exhibit I) showed all the retail sales below an 8 percent capitalization rate, with the exception of a fitness center's higher capitalization rate that reflected the risk inherent in fitness clubs. He stated his sales comparison approach valued the subject at \$175 per square foot, resulting in a market value of \$10,400,000.

Appraiser Ettinger reviewed the income approach on page 4 of Exhibit I, which arrived at a value of \$9,015,000. He stated he reconciled the overall value to \$9 million and the subject's taxable value was \$7,223,824, which did not exceed the subject's full cash value.

Josh Wilson, Assessor, previously sworn, said he was confused by the Petitioner's comment regarding the land value, because all of the Petitioner's written submissions did not indicate a reduction in the land value was being sought. He noted the Petitioner's opinion of land value was the same as the Assessor's land value. He thought by using a more realistic capitalization rate to the Petitioner's suggested Net Operating Income (NOI), it more than supported the Assessor's valuation on the subject.

In rebuttal, Mr. Hart said he did not deem the capitalization rate used by the Assessor as fair and reasonable, considering the comparable properties were not in any way similar to the supermarkets.

Chairman Covert brought the discussion back to the Board.

Member Woodland said when the Wal-Mart's construction was finished, it would definitely hurt the Smith's store and would affect next year's value.

With regard to Parcel No. 086-801-11, 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.

**12-0392E      PARCEL NO. 160-220-37 – SMITHS FOOD & DRUG CENTERS**  
**#378 – HEARING NO. 12-0494**

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 750 South Meadows Parkway, Washoe County, Nevada.

The following exhibits were submitted into evidence:

**Petitioner**

Exhibit A: Appeal Summary, Comparable Sales and Income Approach, 17 pages.

Exhibit B: CVS/Longs Drug Stores Comparable Data, including sales, sales listings and lease listings, 15 pages.

Exhibit C: Appeal Summary, 7 pages.

**Assessor**

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

Joe Hart, previously sworn, offered testimony on behalf of the Petitioner.

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

Mr. Hart stated the Assessor's value was \$6,651,964. He said his cost approach developed a value of \$5,208,311, which included physical depreciation and external obsolescence. He said the comparable sales were primarily shopping centers. He stated the subject was 57,190 square feet and the comparable sales ranged from 37,308 to 129,960 square feet. He said he obtained the 10.25 percent capitalization rate from the properties listed for sale, which supported the price per square foot. He stated the comparable leases ranged from \$8.40 to \$11.04 per square foot, and he used \$10.50 per square foot. He arrived at a value of \$5,009,007 based on 10 percent vacancy and rent loss, a 5 percent management expense, a 10.25 percent capitalization rate and a \$10.50 lease rate and was requesting a value of \$5 million.

Appraiser Ettinger reviewed the improved sales (IS) on page 2 of Exhibit I and noted the sale prices ranged from \$222 to \$371 per square foot. He said he placed the most weight on IS-1 and IS-4, arriving at an estimated market value of \$200 per square foot. He stated the price per square foot was higher than in Hearing No's 12-0492 and 12-0493, because the subject served a large residential area resulting in higher traffic.

Appraiser Ettinger reviewed the income approach on page 4 of Exhibit I, which arrived at a value of \$9,338,310. He said he reconciled the sales and income

approaches to value, resulting in a value of \$9,400,000 or \$164 per square foot. He noted the taxable value of the subject was \$6,651,964, and the recommendation was to uphold the Assessor's value.

In rebuttal, Mr. Hart said the overall 7.5 percent capitalization rate used by the Assessor's Office included a CVS pharmacy, a Walgreens, a Staples, and a Burger King, none of which related to supermarket use. He said the capitalization rates he used were based on shopping center sales and on the shopping centers for sale. He stated the capitalization rate tended to be the major difference between his and the Assessor's approach to value.

Chairman Covert brought the discussion back to the Board.

Member Brown asked what the capitalization rate was for the sale of Whole Foods Market. Appraiser Ettinger replied it was 6.69 percent. Member Woodland said the subject was in a good location with high traffic. Appraiser Ettinger said it served a very large residential area. He said he did not know the overall vacancy rate in the subject's particular shopping center, but he did not think it was very high because the whole area had strong retail sales.

With regard to Parcel No. 160-220-37, 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.

**10:50 a.m.** The Board recessed.

**11:05 a.m.** The Board reconvened with all members present.

**12-0393E** **PARCEL NO. 024-055-53 – WAL-MART REAL ESTATE BUS TR (STORE #2189) – HEARING NO. 12-0203**

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 4855 Kietzke Lane, 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 was present to offer testimony.

With regard to Parcel No. 024-055-53, 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 \$10,212,771, resulting in a total taxable value of \$17,760,841 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.

**12-0394E      PARCEL NO. 039-051-08 – WAL-MART STORES INC**  
**(STORE # 3254) – HEARING NO. 12-0204**

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 5260 West 7th 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 was present to offer testimony.

With regard to Parcel No. 039-051-08, 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 \$11,300,638, resulting in a total taxable value of \$19,219,336 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.

**12-0395E      PARCEL NO. 160-791-03 – SOUTHTOWNE CROSSING LLC  
(WAL-MART STORE #3277) – HEARING NO. 12-0205**

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 155 Damonte Ranch Parkway, 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 was present to offer testimony.

With regard to Parcel No. 160-791-03, 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 upheld and the taxable improvement value be reduced to \$11,065,914, resulting in a total taxable value of \$17,932,362 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.

**12-0396E      PARCEL NO. 510-381-01 – WAL-MART REAL ESTATE BUS TR –  
HEARING NO. 12-0206**

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 5065 Pyramid Way, Washoe County, Nevada.

The following exhibits were submitted into evidence:

**Petitioner**

None.

**Assessor**

Exhibit I: Taxable Value Change Stipulation, 1 page.

Exhibit II: Revised 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 was present to offer testimony.

With regard to Parcel No. 510-381-01, 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 \$11,815,983, resulting in a total taxable value of \$19,750,693 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.

**12-0397E      PARCEL NO. 040-972-18 – SANDHILL INVESTMENTS LLC –**  
**HEARING NO. 12-0251**

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

The following exhibits were submitted into evidence:

**Petitioner**

**Exhibit A:** Letter and supporting documentation, 2 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 was present to offer testimony.

With regard to Parcel No. 040-972-18, 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 upheld and the taxable improvement value be reduced to \$1,095,048, resulting in a total taxable value of \$1,389,008 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.

**12-0398E      PARCEL NO. 164-411-01 – INTERIM HOLDINGS LLC –  
HEARING NO. 12-0263**

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 5480 Reno Corporate Drive, Washoe County, Nevada.

The following exhibits were submitted into evidence:

**Petitioner**

Exhibit A: Comparable assessment information and comparable sales, 6 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 was present to offer testimony.

With regard to Parcel No. 164-411-01, 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 \$364,000, resulting in a total taxable value of \$517,000 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.

**12-0399E      PARCEL NO. 025-590-02 – LUCEY PROPERTIES LLC –  
HEARING NO. 12-0330**

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 7025 Longley Lane, Washoe County, Nevada.

The following exhibits were submitted into evidence:

**Petitioner**

Exhibit A: Letter and supporting documentation, 2 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 was present to offer testimony.

With regard to Parcel No. 025-590-02, 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 upheld and the taxable improvement value be reduced to \$652,547 resulting in a total taxable value of \$1,231,328 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.

**12-0400E      PARCEL NO. 140-010-42 – DAMONTE VILLAGE LLC DBA  
KOHL'S – HEARING NO. 12-0095**

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 70 Damonte Ranch Parkway, 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 was present to offer testimony.

With regard to Parcel No. 140-010-42, 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 \$5,305,864, resulting in a total taxable value of \$8,300,000 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.

**12-0401E**      **PARCEL NO. 510-381-02 – KOHL`S –**  
**HEARING NO. 12-0097**

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 5035 Pyramid Way, 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 was present to offer testimony.

With regard to Parcel No. 510-381-02, 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 upheld and the taxable improvement value be reduced to \$4,850,982, resulting in a total taxable value of \$8,300,000 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.

**12-0402E**      **PARCEL NO. 160-070-16 – RENO TECH 4 LLC ET AL –**  
**HEARING NO. 12-0209**

A Petition for Review of Assessed Valuation was received protesting the 2012-13 taxable valuation on land and improvements located at 10315 Professional Circle, Washoe County, Nevada.

The following exhibits were submitted into evidence:

**Petitioner**

**Exhibit A:** Letter and supporting documentation, 28 pages.

**Assessor**

**Exhibit I:** Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 15 pages.

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

On behalf of the Assessor and having been previously sworn, Howard Stockton, Appraiser, oriented the Board as to the location of the subject property. Chairman Covert asked if the subject was the University of Phoenix building. Appraiser Stockton replied it was the Morrison building.

Appraiser Stockton reviewed the conclusions on page 1 of Exhibit I. He said if weight was given to both the sales comparison and the income approaches, the taxable value was supported. He stated the sales comparison approach was on page 2 and the income approach was on page 3 of Exhibit I.

Chairman Covert asked if there was evidence the building had some vacancies. Appraiser Stockton replied the subject was 65 percent vacant and the space was advertised for rent at a rate between \$1.40 per square foot and \$2.60 per square foot. He said Oracle vacated the space and that adjustment was made for the re-appraisal. He noted the Petitioner had not been aware the value was lowered for the previous year.

Member Horan stated there was no evidence to counteract the Assessor's taxable value and he recommended upholding.

With regard to Parcel No. 160-070-16, 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.

**12-0403E      BOARD MEMBER COMMENTS**

There were no Board member comments.

**12-0404E      PUBLIC COMMENT**

There was no one present for public comment.

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

**11:14 a.m.** There being no further hearings or business to come before the Board, on motion by Member Horan, seconded by Member Woodland, which motion duly carried, the meeting was adjourned.

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**JAMES COVERT**, Chairperson  
Washoe County Board of Equalization

ATTEST:

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

*Minutes prepared by  
Melissa Ayrault and Jan Frazzetta, Deputy Clerks*