

**BOARD OF EQUALIZATION
WASHOE COUNTY, NEVADA**

THURSDAY

9:00 A.M.

FEBRUARY 13, 2014

PRESENT:

James Chairman Covert, Chairman
John Member Krolick, Vice Chairman

James Member Brown, Member
Philip Member Horan, Member
Gary Member Kizziah, Member

Nancy Parent, County Clerk
Peter Simeoni, Deputy District Attorney

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

14-153E PUBLIC COMMENTS

There was no response to the call for public comment.

14-154E WITHDRAWN PETITIONS

The following petitions scheduled on today's agenda had been withdrawn by the Petitioners prior to the hearing:

Assessor's Parcel No.	Petitioner	Hearing No.
024-321-05	GRIFFIN PRO LLC	14-0024
148-361-09	BORDIGIONI, THOMAS & JANICE	14-0026A
148-361-13	BORDIGIONI, THOMAS & JANICE	14-0026B
163-072-14	BORSO DEL GRAPPA LLC	14-0045
014-234-27	AUTOZONE INC	14-0222
001-272-40	ATREVLE	14-0224
012-161-33	WASHOE PROFESSIONAL CENTER INC	14-0225
026-284-37	AUTOZONE DEVELOPMENT CORP	14-0282
027-530-14	SYCAMORE GARDENS	14-0285
043-030-31	AUTOZONE DEVELOPMENT CORP	14-0288
085-582-34	NJB WOLF FAMILY LLC	14-0289
532-131-01	FDC EAGLE LANDING INV CO II	14-0293

14-155E CONTINUANCES

There were no requests for continuance.

14-156E CONSOLIDATION OF HEARINGS

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

14-157E PARCEL NO. 163-071-07 – MASON TRUST, KEITH B – HEARING NO. 14-0044

A Petition for Review of Assessed Valuation was received protesting the 2014-15 taxable valuation on land and improvements located at 9370 Gateway Drive, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Letter and pending lease, 2 pages.

Assessor

Exhibit I: Taxable Value Change Stipulation, 1 page.

No one was present to offer testimony on behalf of the Petitioner.

No one offered testimony on behalf of the Assessor.

With regard to Parcel No. 163-071-07, pursuant to NRS 361.345 based on the stipulation signed by the Assessor's Office and the Petitioner, on motion by Member Horan, seconded by Member Krolick, 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 \$849,301, resulting in a total taxable value of \$1,500,000 for tax year 2014-15. 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.

14-158E PARCEL NO. 041-244-03 – HILLCREST PACIFIC BAKERY INC – HEARING NO. 14-0287

A Petition for Review of Assessed Valuation was received protesting the 2014-15 taxable valuation on land and improvements located at 4895 Village Green Parkway, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Cost analysis and land comparables, 45 pages.

Assessor

Exhibit I: Taxable Value Change Stipulation, 1 page.

No one was present to offer testimony on behalf of the Petitioner.

No one offered testimony on behalf of the Assessor.

With regard to Parcel No. 041-244-03, pursuant to NRS 361.345 based on the stipulation signed by the Assessor's Office and the Petitioner, on motion by Member Horan, seconded by Member Krolick, 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 \$453,942, resulting in a total taxable value of \$877,500 for tax year 2014-15. 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.

14-159E PARCEL NO. 140-213-16 – RYDER-DUDA VENTURES LTD – HEARING NO. 14-0290

A Petition for Review of Assessed Valuation was received protesting the 2014-15 taxable valuation on land and improvements located at 985 Damonte Ranch Parkway, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Market comparables, 23 pages.

Exhibit B: Financial Information and other supporting documentation, 34 pages.

Exhibit C: Rebuttal of Assessor's Evidence, 9 pages.

Exhibit D: Economies of Scale, 1 page.

Assessor

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

Exhibit II: Assessor's Quick Info Parcel No. 160-070-24, 1 page.

On behalf of the Petitioner, Brandt Palmer was sworn in by County Clerk Nancy Parent.

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

Chairman Covert noted the Assessor's recommendation was to reduce the improvement value. Appraiser Churchfield said the Board set a \$5.8 million value last

year and the Assessor's Office wanted to reduce this year's value back to \$5.8 million. He noted the Appellant was not in agreement with the Assessor's recommendation.

Member Horan asked if the subject was the building just before driving up to the Home Depot. Appraiser Churchfield said it was and it used to be the Landmark building.

Mr. Palmer reviewed the property summary shown on page 3 and the subject's actual income for 2013 shown on page 6 of Exhibit B. He said the income analysis indicated a value of \$4,442,126. He stated the subject was 100 percent leased as of January 1, 2014. Chairman Covert asked what the lease rate was as of July 1, 2013. Mr. Palmer said there previously had not been a lot of vacancy. Mr. Palmer said the profit and loss started on page 7 and the rent roll was on Page 9 of Exhibit B. Chairman Covert asked how the cap rate was determined. Mr. Palmer said the sales used were new sales not available during last year's hearing. He stated page 8 of Exhibit C listed three sales along with their cap rates. He said looking at those sales and adding in the effective tax rate arrived at a cap rate of 10.28 percent.

Mr. Palmer said on page 10 of Exhibit B, sales 6 and 7 should be crossed off and the subject building's gross square footage should be 51,335. He stated those changes would yield a market supported value of \$4,001,563.

Mr. Palmer said the oldest sale occurred on December 18, 2012 and the remainder were 2013 sales. He stated the average sales price was \$77.95 per square foot, while the subject was at \$116 per square foot. He noted the confirmed CoStar report for each sale began on page 18 of Exhibit B. Chairman Covert asked if Mr. Palmer believed they were comparable buildings. Mr. Palmer replied they were in his opinion. He reviewed the CoStar report on page 18 of Exhibit B for sale 2. He noted the most weight was put on the income approach, but the sales and the market were looked at to back up the conclusion in the income approach. He reiterated the sales supported a value of \$4,001,563 after the above changes, and the requested value was \$4,442,126 or \$97.16 per square foot.

Appraiser Churchfield stated the subject was purchased on December 18, 2009 for \$5,050,000 while it was 60 percent vacant. He said the Assessor's Office had the value at \$5.8 million and it was currently 100 percent occupied. He stated the Appellant's comparables explained why the Assessor's Office was using its comparable sales. He stated 10615 Professional Circle was 35 percent vacant at time of sale, which was for \$102.88 per square foot, while the subject was roughly \$115 per square foot. He noted its 35 percent vacancy rate was a lot higher than the subject property. He explained the Appellant did a good job of getting their comparables off of CoStar, but the issue was CoStar did not always put in the details of the sales. He stated 9480 Gateway Drive had two buildings that were vacant at the time of the sale and had a sale price of \$56 per square foot, which was due to the astronomical amount of deferred maintenance needed. He said that tended to be the case with a lot of the sales. He stated 500 Double Eagle Court was vacant and half was donated to the Boy Scouts. He said the Appellant was

coming in with a 10-plus cap rate because there would be a lot more risk for an investor buying a property that had a high level of vacancy due to their expenses being a lot higher than the subject right out of the gate.

Appraiser Churchfield said the Assessor's packet had one sale from 2013 due to it being a lot smaller building and having a higher price per square foot. He explained he was not putting his weight on that sale but, when looking at the sales from last year to this year, he did not think many transactions had occurred that were real similar comparables. He said the Assessor's comparables were at the very low end of the range.

Appraiser Churchfield stated he always questioned the income approach because, when he read the leasing information from the broker, the lease was structured as a modified-gross lease. He said if a lease was a full-service structure, then the owner of the building paid all of the expenses; but with a modified-gross lease, some of the expenses got passed on to the tenant. He advised he did not see a tenant reimbursement in the expenses, and that would definitely offset the income approach to the building. He said the actual income information was only provided to him last week, so he did not have it when he prepared his packet. He said he used a 40 percent market expense ratio. He stated the Appellant disagreed with him using a zero percent vacancy rate, even though the property was completely occupied. He said he used an 8.5 percent cap rate, and the Assessor's Office looked at historical data for the cap rates. He stated 2009, 2010, 2011, and 2012 were seemingly economically inferior markets, and there were not a lot of transactions of fully leased properties this year. He said when looking at the cap rate, they looked at properties that were leased like the subject. He stated the Board set the total taxable value at \$5.8 million last year and the Assessor Office was recommending the Board carry over that value for this year. He noted the subject had one lease for \$1 per square foot, but all of the other leases were higher than that. He stated he was not sure why that lease was so much lower than all of the rest.

Chairman Covert asked how the cap rate was determined. Appraiser Churchfield said page 8 and 9 of Exhibit I showed the cap rates ranged from 7.28 to 14.46 percent, which was averaged. He said most of the cap rates were hovering around 8 percent, but he used 8.5 percent for the subject because he did not know the length of the leases. Member Kizziah asked why there were no 2013 sales included in the Assessor's cap rate. Appraiser Churchfield explained the cap rates for 2013 were for buildings that had higher than normal vacancies. He said the 10 and 11 percent cap rates were based on the investor's higher perceived risk. Member Kizziah asked if every comparable property had a vacancy of over 40 percent. Appraiser Churchfield said for the most part, the 2013 sales were higher vacancy sales. He said the Appellant's 9480 Gateway comparable was vacant at the time of the sale, so it had no cap rate. He stated improved sale (IS)-1 was a leased building that sold at \$1.60 per square foot, but the cap rate was unknown, so he did not use it. He said the Appellant's other sales for 2013 had high vacancy rates. Member Kizziah said it was hard for him to go back and forth with all of the packages. He noted the last parcel Appraiser Churchfield mentioned had no cap rate. Appraiser Churchfield said the property was 100 percent vacant, so there was no way to derive a cap rate. He

stated there was a cap rate of 11 percent on 10615 Professional, but it was 35 percent vacant. He said because the vacancy was much higher, in theory the cap rate should be higher due to a higher risk to the investor.

In rebuttal, Mr. Palmer stated the County was using information from last year's hearing to value the subject for this year. He said the County's one 2013 sale was one fourth the size of the subject and there was no adjustment for economies of scale. He said they were using May and August 2012 sales, both of which were used in last year's hearing. He stated all of the Appellant's sales were new sales and the income was the actual income, which was what the property could generate. He said the County left off the standard vacancy and collection line item from its proforma income analysis, which he felt was a big error in the Assessor's income analysis. He read the highlighted section from the real estate appraisal book shown on page 3 of Exhibit C. He stated the Assessor's office was using a proforma that was based on the average lease rate for the subject, but the issue was it did not matter if the building was 100 occupied, an allowance for vacancies was still put in because the day after the rent roll was printed a tenant could leave and there had to be an accounting for that collection loss. He said page 4 of Exhibit I completely left out an allowance for vacancy and collection, which he felt was not acceptable.

Member Kizziah asked what allowance the Appellant was suggesting. Mr. Palmer said page 4 of Exhibit C showed the Colliers International report for the fourth quarter of 2013, which showed the average vacancy rate for the office buildings in the South Meadows was 18.2 percent. He understood the subject was not 18.2 percent vacant, but an investor would take into account the possibility of tenant turnover and the collection loss needed to be accounted for. Chairman Covert said using one very high and one very low number created a situation that was not really representative of a vacancy rate. Mr. Palmer said his main point was there had to be an allowance for vacancies. He noted there were 34 Class A buildings and 10 Class B buildings, so there were actually more than two data points.

Mr. Palmer said on page 2 of Exhibit C there was a revised income worksheet based on the Assessor's income analysis. He stated the only change was the 18.2 percent vacancy and collection allowance, which arrived at an indicated value of \$5.1 million. He noted the Assessor's recommended value was \$5.8 million. He stated page 1 of Exhibit C indicated the County's cap rate was too low, because they were relying on 2012 or older sales to derive their cap rate. He noted the 2012 and the 2013 sales had an average cap rate of 10.98 percent. He said IS-3 was used as a comparable, but they chose to ignore the 10.5 percent cap rate. He stated if it was good for a sale, why was it not good enough to be used for the cap rate. He said the Appellant's other sales confirmed the higher cap rates, which was what should be used. He stated page 9 of Exhibit C provided a proforma analysis using a 10.98 cap rate, which indicated a value of just under \$4 million. He said the issues with the County's income analysis was there was no vacancy and collection allowance and the cap rate was too low.

Mr. Palmer read the first item under the market approach information on page 1 of Exhibit C. He said Exhibit D showed that in general, as the size increased, unit prices decreased. He stated even though the County stated they were not putting all of their weight on IS-1, no size adjustment was made or to consider it was a concern due to it being a fourth the size of the subject. He read the second item under the market approach information. He reiterated the Appellant provided an actual income analysis and put the most weight on their income approach, but they did look at the market to confirm those conclusions. He said the property's sale in 2009 was based on discounted cash flows and lease rates that had not materialized. He stated it was felt a \$4.4 million valuation was accurate. He said if the Assessor's income approach was revised to include the necessary items, it also supported the \$4.4 million valuation.

Member Kizziah asked if the Appellant agreed their comparables had the high vacancy levels that the Assessor's Office indicated they had. Mr. Palmer noted the sale mentioned earlier was sale 2 and was 85.5 percent leased.

Member Horan asked Appraiser Churchfield to address the Appellant's point regarding the vacancies. Appraiser Churchfield stated 10615 Professional was provided by the Appellant. He said it indicated the largest tenant, who occupied 65 percent of the building, would be vacating the property by the end of 2013. He said the building had a higher vacancy than what was just presented. Member Horan stated the question was about the justification and the policy for applying vacancy rates to an appraisal. He felt the Appellant's point of how an investor would look at the rates was valid. Appraiser Churchfield said a zero vacancy was put on the subject because it was 100 percent occupied, and their loss was taken into account based on their financials.

Member Horan asked if all of the commercial properties were looked at consistently across all appraisals. Appraiser Churchfield said the Assessor's Office tried to be consistent. He said when looking at a vacant building, the vacancy rate could not be 100 percent because the income approach would yield zero, so a market number and a market rate were used. He stated in this case they had the actual data, so he averaged out the lease rate and tried to take it exactly to what was being presented. He stated an investor would look at a lot of things, such as the management fee being too high. He said from a policy standpoint, if they were fully occupied buildings, there tended to be a zero percent vacancy on it because it was 100 percent occupied. He noted the collection loss was different. Member Horan said it tended to be, so it was not consistent. Appraiser Churchfield said when the Assessor's Office was looking at the lease rates, if a property had a really low lease rate, they wanted to look at the market approach and if the market was showing way higher rates and was showing a vacancy, they would definitely use it. He said in this case where they were getting normal lease rates and had a zero percent vacancy, the Assessor's Office applied the actual lease rate, used the actual income and expenses, and used a zero vacancy rate.

Member Kizziah commented he would prefer more current comparables to be used, like what the Appellant supplied, and to make the adjustments on the newer comparables as well as the older comparables in the compilation. Appraiser Churchfield

said that was definitely a good point. He stated a couple of the comparables were 100 percent vacant, and it would be interesting to run a market approach on them. He said to an investor the value would be more than zero on a 100 percent vacant building, so they would run it at a market number. He stated they would take into account the time required to fully lease a property but, since the subject was fully leased, those assumptions were a moot point. He stated the Appellant paid \$5,050,000 in 2009 for the subject, while it was 60 percent vacant, and he had a hard time going to a lower number now that it was completely occupied. He said the Assessor's Office had gone lower than the sales comparable range at \$5.8 million, while the lowest comparable sale was at \$1.17 per square foot. He advised the Assessor's Office was asking for a value of \$1.12 to \$1.15 per square foot.

Mr. Palmer commented the subject's sale was irrelevant because it projected lease rates into the future, which did not materialize, and was way outside the timeframe. He stated the fact that there was no lease-up costs attributable to the subject was also irrelevant, because that was not what the vacancy and collection line item was for. He said the vacancy was to account for tenants leaving and, even though it was 100 percent occupied, someone could have left the day the rent roll was compiled, and an investor would have to account for that. He said an 18.2 percent vacancy rate was typical for the Reno area and that had to be accounted for.

Member Kizziah asked for a comment on the 18 percent vacancy for the Appellant's building class. Appraiser Churchfield said the Appellant was looking at the South Meadows market overall, which included garden offices and newer and older buildings. He said they were trying to apply overall market statistics to a building performing better than the market. Member Kizziah asked if a 10 percent vacancy would be a more reliable number. Appraiser Churchfield said 5 percent was used in this case. Member Kizziah said he did some math using the rental income of \$89,000 and using a 10 percent vacancy and collection loss with an 8.5 percent cap, which generated a \$1 million difference in the indicated value. Appraiser Churchfield said he would look at what the subject would sell for in the market with the income it had and the leases in place, because they were not month-to-month leases. He stated if a tenant left tomorrow, the Appellant might get a higher rate and they might have bumps on the lease, so their income could go up this year. He asked how that and the tenant reimbursements would be accounted for. He said if it was a modified-gross lease, the tenant was paying back some money. He stated there were a million ways to look at it and playing with little things on the cap rates could amount to huge dollars.

Mr. Palmer said there were not a million ways to look at it. He said they were looking for the fair market value and what would be paid for the building. He stated that was the second time the Appraiser commented about the reimbursements and maybe the Appellant was not accounting for all of the subject's income. He stated he supplied the actual profit and loss information, which showed what the property was generating, and there was no other income that was not being accounted for. He said the area report on page 4 of Exhibit C was very specific and broke up the South Meadows between Class

A and Class B buildings. He said he believed the County contended the property was Class A, which was at 19.7 percent for the vacancy rate.

Member Kizziah asked where the actual income was shown. Mr. Palmer replied on page 6 of Exhibit B. He said it was mentioned the County did not have the income analysis until last week, but it was supplied with the original appeal.

Chairman Covert brought the discussion back to the Board. Member Horan said both the Appellant and the Appraiser had good presentations. He stated he struggled with the concept of picking and choosing what vacancy rate to use and that no consideration was being given for the vacancy and collection loss. Chairman Covert said he was struggling with the same thing, but he felt neither zero nor 18 percent were the right numbers.

Chairman Covert said using the County's numbers with a 10 percent vacancy rate and an 8.5 percent cap rate generated a value of \$5,654,035, which he was comfortable with. He agreed with the Appellant that a buyer would not use a zero vacancy rate for what the building would be worth over the long term. Member Krolick said 18 percent seemed a little high based on the market conditions. Chairman Covert suggested rounding the value to \$5.654 million. Member Krolick suggested rounding it to \$5.6 million.

With regard to Parcel No. 140-213-16, pursuant to NRS 361.355, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member Kizziah, 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 \$4,661,153, resulting in a total taxable value of \$5,600,000 for tax year 2014-15. The reduction was based on a revised income analysis. 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.

14-160E PARCEL NO. 140-213-20 – RC WILLEY HOME FURNISHINGS – HEARING NO. 14-0291

A Petition for Review of Assessed Valuation was received protesting the 2014-15 taxable valuation on land and improvements located at 1201 Steamboat Parkway, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Comparable sales, 45 pages.

Exhibit B: Financial information and other supporting documentation, 50 pages.

Exhibit C: Rebuttal of Assessor Evidence, 8 pages.

Assessor

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

On behalf of the Petitioner, Brandt Palmer was previously sworn in by County Clerk Nancy Parent.

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

Mr. Palmer said the Appellant was putting the greatest emphasis on the cost approach. He noted this was a very large property that was owner-occupied, which meant there was no lease rate and no lease rate comparables that could be used to develop an income approach. He stated the Assessor's income approach had a lease rate, but they provided no support for that rate. He said the market approach had the same issue with finding a sale with the same amount of square footage. He stated even though both sides looked at the market, he felt it was not a true reflection of the value; therefore, the subject had to be valued based on the cost approach.

Mr. Palmer said page 2 of Exhibit B showed three values, and he reviewed the subject's details shown on page 3. He stated the Appellant felt the land was overvalued and, on page 6 of Exhibit B, the second table provided three land sales that occurred in 2013 and were comparable in size. He noted the smallest was over 50 percent the size of the subject. He said the three sales had an average sale price of \$3.57 per square foot, which was almost half of the subject's current value, and would indicate a land value of \$1,899,665. He noted all of the sales were within 2.5 to 3 miles of the subject, were recent, and were comparable in size, which was relevant to the value of the land for 2014. He said the adjusted land value was added to the Assessor's improvement value for an indicated cost value of \$13,504,563 or \$79.91 per square foot.

Mr. Palmer said besides believing the land was overvalued, the Appellant also believed the improvements were overvalued, so he prepared two additional cost analyses to demonstrate that fact. He stated on page 7 of Exhibit B, one picture showed the RC Willey in Henderson, Nevada and one showed the one located in Reno. He said he was aware the value was based on *Marshall and Swift*, but the Appellant was having a problem with the difference in value for two properties that were almost identical buildings. He stated the improvements for the Henderson property were valued at \$50.30 per square foot and the subject was valued \$68.67 per square foot prior to the Assessor's recent reduction. Chairman Covert asked what the date was of the Henderson building. Mr. Palmer replied 2001 and the subject was 2004. Chairman Covert noted there would be more obsolescence on the Henderson building. Mr. Palmer agreed, but it would probably only make a difference of a few dollars per square foot and would depend on the expected life of the property. Mr. Palmer said when using just that price per square foot, it brought it to the value shown in the bottom cost analysis on page 7 of Exhibit B. He stated page 11 of Exhibit B indicated Clark County reduced the improvement value by a couple of million dollars this year, which was on top of already having a square foot

value of \$18 less on the improvements. Chairman Covert asked why. Mr. Palmer said the reduction accounted for the market. He said it was initially reviewed based on the cost and when they reviewed the sales and other market indicators, they reduced the improvement value even further. Member Kizziah asked if there was something in the stipulation that said it was a market adjustment. Mr. Palmer said it only said that “after careful consideration of the facts involved, they were adjusting the taxable value as follows...,” but it did show the adjustment went to the improvements. Chairman Covert advised the market in Las Vegas was not necessarily the same as this market. Mr. Palmer said he understood there could be differences in *Marshall and Swift* because of area adjustments, but he felt there was no explanation for an \$18 per square foot difference for an almost identical store. He noted their initial valuation using *Marshall and Swift*, which was supposedly what was being used here, came out less before it was reduced further.

Mr. Palmer said some comparable sales were included and were listed on page 12 of Exhibit B. He noted the CoStar reports were also included. He reiterated most of the weight was put on the cost approach. He noted the sales had an average sales price of \$59.97 per square foot, which derived a market-supported value of just over \$10.1 million, while the Appellant was requesting a total taxable value of \$10.3 million.

Appraiser Churchfield said this was a complex property because it was owned by the owner-builder. He stated he heard no reference to the construction costs, but they made a significant investment because they believed their product was viable in this market. He said *Marshall and Swift* was used for the Assessor’s cost approach and there was no obsolescence on the subject. He stated the Assessor’s Office did not know if the Henderson property was classed the same, but he felt there was obsolescence on it even though he did not know that for sure. He stated if there was obsolescence on it, he did not know why nor did he know why the property was stipulated this year.

Appraiser Churchfield said the Appellant provided a lot of industrial sales, but the problem with that was this was a retail store with expansive build-outs, which was unlike the types of build-outs in industrial buildings. He stated the sales the Assessor’s Office used included the building housing Whole Foods and Sierra Trading Post, which was IS-1, and sold for \$224 per square foot. He said there were no sales in the local market for a building of this magnitude, so they had to use what was available. He said hypothetically if RC Willey was a tenant, they would be very similar to a Whole Foods type of user, where it would be a triple-net structure. He noted the Whole Foods’ lease rate was around \$1.25 per square foot, and the Assessor’s income approach used \$.75 per square foot.

Appraiser Churchfield stated regarding the Appellant’s land, one of the Appellant’s sales was a recent sale of raw land, which they used as a land comparable. He said the problem was an improved parcel was being valued that had infrastructure and paving, while the Appellant’s comparable had extensive dirt work and needed extensive fill to bring the site up to grade, along with it needing utilities and the whole nine yards. He acknowledged the Assessor’s land sales were not of the magnitude of this property, so it was hard to establish a land value for it. He said he had one sale at \$9 per square foot

and one at \$10 per square foot, which were pad ready sales that were ready to build on, unlike the Appellant's comparables. He stated *Marshall and Swift* was used to arrive at the value; and there was no reason to put any obsolescence on the subject, because there was no data that convinced the Assessor's Office to do so. Chairman Covert asked what the criteria were for adding obsolescence. Appraiser Churchfield replied it was used as a vehicle to get a property below market and was determined by the income approach, sales, and looking at the overall market statistics. He stated when he did the income approach, he used a rate of \$.75 per square foot with no vacancy rate. He said even if a vacancy rate was used, the price would still pencil out to a price that would be in line with what the taxable value was. Chairman Covert asked if it was a fair assessment that an owner-occupied building was either zero or 100 percent occupied. Appraiser Churchfield replied it was. He stated it was kind of like the property in Hearing No. 14-0290. He said the Assessor's Office knew the subject was fully occupied, but should 5 percent be put in for the market. Chairman Covert interjected the last property was a leased property.

Member Horan asked Appraiser Churchfield to comment on the *Marshall and Swift* calculation and how adjustments were made to account for the differences in areas. Appraiser Churchfield advised there were local modifiers that went into the cost. He stated he did not know why Las Vegas had a lower value, and he would need to see their record card to make any sort of correlation because, in theory, there should not be that much of a difference. Chairman Covert asked if Las Vegas having 10 times more furniture stores than this area did would make a difference. Appraiser Churchfield speculated that could be the case. He said if it was lowered last year and was stipulated this year, there was probably some large obsolescence on it, while there was none on the subject. Chairman Covert said they also might have other comparables that we did not have. Appraiser Churchfield agreed and noted Las Vegas was a very different market.

Member Horan said generally speaking regarding *Marshall and Swift*, how would the differences be accounted for in the two areas. Appraiser Churchfield said there were local modifiers, which went into labor and material costs, so there were some differences. Member Horan asked if Las Vegas would be lower or higher than here. Appraiser Churchfield replied he did not know, because he had not looked at Las Vegas.

In rebuttal, Mr. Palmer commented he disagreed with what obsolescence was. He felt obsolescence was applied to the cost approach to get the indicated cost value to be in line with the market, and not to get it below market.

Mr. Palmer read the three paragraphs regarding the economies of scale on page 1 of Exhibit C. Chairman Covert commented "generally" was a weasel word that did not really mean anything. Mr. Palmer said he respectfully disagreed because "generally" would be the general rule, but obviously there would be exceptions to that general rule. Chairman Covert felt "generally" was like averaging 10 and 100 to come up with a number in the middle and saying that was it, when that was really not the number due to there being only two data points.

Mr. Palmer said the reason the economies of scale was an issue was due to the land sales. He read items 1 and 2 under the Cost Approach – Land Sales heading on page 2 of Exhibit C. He said the Appellant believed the more recent sales were more reflective of the land value. He stated the comment was made that the comparables were industrial sales, but two of them had the same zoning as the subject and one was zoned general commercial.

Mr. Palmer read item 1 under the Market Approach heading on page 2 of Exhibit C, and noted the comment underlined in red on page 4 indicated the property was not on the market at the time of sale. He felt that comparable should not be considered. Chairman Covert asked if the Appellant was telling him it was not an arms-length sale. Mr. Palmer stated he was only saying it was not on the market, so it was not representative of a market transaction.

Mr. Palmer read item 2 under the Market Approach heading. He noted that CoStar report was on page 6 of Exhibit C with the lease statements underlined in red and with the 1031 exchange statement on page 5 underlined in red. He stated 1031 exchanges could involve other things besides market value. He said this property sold for at least the income stream.

Mr. Palmer read item 3 under the Market Approach heading. He said the County's IS-1 was not on the market, IS-2 was a 1031 Exchange, and IS-3 and IS-4 were too small.

Member Kizziah said the Assessor had comparables at \$9 and \$10 per square foot for the land and used \$7 per square foot for the subject, which was a 25 percent reduction because of the economy of scale. He asked what Mr. Palmer was suggesting the economy of scale should be. Mr. Palmer stated he was not sure he had a recommendation on the economy of scale. Member Kizziah asked if he used market sales comparables for the land calculation. Mr. Palmer replied he did. He stated the County had 2012 sales that had to be adjusted by at least 25-50 percent, while the Appellant's more recent 2013 sales would not require a lot of adjustment. He asked why the County was not using the Appellant's sales.

Mr. Palmer said under the Income Approach heading on page 2 of Exhibit C, he dismissed the income approach due to it being an owner-occupied property so the income approach was not as relevant, but even so the County left off the vacancy and collection allowance. He felt the cap rate was too low, but he did not think either side was putting a lot of weight on the income approach. He believed the income approach would require a vacancy and collection allowance on a one tenant building, because it was a very large property. He said if the property was vacated, there would not be a lease stream for the entire year, because it would be hard to find a tenant to occupy that much space, and that would be reflected in the vacancy and collection loss. Member Brown asked if the Appellant considered the property to have a stabilized occupancy. Mr. Palmer said that was a good question, but he did not put any weight on the income approach. He stated in answer to the question, the answer was yes and no. Since it was

owner-occupied it was either 100 percent occupied or 100 percent vacant. He felt a vacancy allowance had to be made because the likelihood of having a tenant occupy the property right after RC Willey vacated it would be pretty slim. He stated that meant there would be some income loss, which had to be accounted for. Chairman Covert asked what would happen if RC Willey shrank slightly and rented out part of the building. Mr. Palmer said that situation would involve tenant improvements.

Mr. Palmer said the Appellant contended the land and improvements were overvalued.

Member Kizziah said there was a lot of discussion about the economies of scale. He stated when *Marshall and Swift* was used for the cost analysis and the square footage amount was put in, would that vary. Appraiser Churchfield said *Marshall and Swift* did take that into account.

Chairman Covert brought the discussion back to the Board. He said this was a tough one. He stated it would be easier in Los Angeles, because there would be a lot of properties the size of the subject. Member Horan agreed it was difficult because it really established itself and to try and compare the different land sales in the different areas was interesting but, by the same token, what RC Willey wanted to do drove where the property could be located. He said RC Willey and Home Depot were the only companies who owned their own property and that kind of established the price. He stated he was a little disappointed that the different modifiers were not understood for the different areas, but the Board had been reliant in past years on the *Marshall and Swift* calculations based on the area and the cost, and even if pressed, we could probably not explain them. Chairman Covert said he would not be comfortable with adjusting the land price and the Appellant's suggested value was lower than what he would be comfortable with.

Member Kizziah felt the cost approach was the more valid approach. Member Krolick said there were stores in Las Vegas that had been looked at in the past, especially in one situation he recalled with IGT's building. He asked if the hearing could be continued so the Assessor's Office could try to verify where the differences were coming from in costing out the improvements. He said regarding the land, the economy of scale came into effect, but there were not the sales dated to go either way on it.

Member Brown said the Appellant's main complaint was size mattered. Chairman Covert understood that and felt the Assessor's Office understood it also that the cost per square foot would go down as the size got larger due to the economy of size.

Member Horan said he was not comfortable with doing anything with the land and, on the improvement side, if the Board was comfortable with *Marshall and Swift*, he did not see the Board making a lot of adjustment there either.

Member Krolick said there was the issue of a class 2 versus a class 3 concrete tilt-up building and, other than the finish work inside that was more related to

the retail use of the building, the bulk of the structure would be comparable to another concrete tilt-up. Member Horan asked if he was saying the class was wrong. Member Kizziah asked if he was saying *Marshall and Swift* was unreliable, because there was not a lot of difference. Member Krolick said he was challenged on how *Marshall and Swift* could be different in Las Vegas versus how it penciled out here. Chairman Covert said there might be some extenuating circumstances in Las Vegas that we did not know about. Member Horan said that was an interesting fact, but he did not believe there was anything we could do to deal with that. Chairman Covert said not without more information.

Member Krolick asked if the hearing should be continued. Chairman Covert said no, the Board should deal with it. Member Krolick said it did leave the Petitioner the option of going to the State.

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

14-161E PARCEL NO. 400-120-09 – NEVADA ENT PROPERTIES LLC –
HEARING NO. 14-0027

A Petition for Review of Assessed Valuation was received protesting the 2014-15 taxable valuation on land and improvements located at 9770 S. McCarran Boulevard, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Reno market trends and Washoe County Quick Info, 3 pages.

Assessor

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

Exhibit II: E-mail regarding closure of Community Animal Hospital, 1 page.

On behalf of the Petitioner, Ryan Johnson was sworn in by County 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.

Mr. Johnson said he used \$1.40 per square foot from a current comparable located right next door, even though it had been on the market for quite a while, which brought the income to \$12,357 a month making the annual rents \$148,293. He said using expenses of 30 percent, even though the properties he managed usually averaged 35-40 percent, brought the net operating income (NOI) to \$103,805. He stated he used a 9 percent cap, even though most properties sold at a 10 plus percent cap for non-credit local tenants with short-term leases. Member Kizziah asked if the Board had the information Mr. Johnson was presenting. Mr. Johnson said unfortunately the Board did not, and he noted he did not get the Assessor's information until today. He said based on a 9 percent cap, the value would be \$1,153,394. He stated the owner felt the value should be between \$1 million and \$1,100,500.

Mr. Johnson said the comparable at 6180 Mae Anne was a 6,000 square foot medical building that sold for \$98 per square foot, another comparable at 1665 Lakeside sold for \$119 per square foot, and 81 and 83 Continental sold for \$100 per square foot. He said even using \$100 per square foot, the value would be \$880,000. He noted the income approach gave a higher value than the comparable sales.

Appraiser Oliphint stated no income approach was done for the subject, because this type of free-standing medical purpose building was typically sold to an owner-user or was net leased to doctors. He said those cap rates were not 9 or 10 percent, but were 6 or 7 percent. He stated the subject was fully owner-occupied and there had not been enough reliable sales to investors with a sale lease-back agreement.

Appraiser Oliphint stated he looked at all of the sales of medical buildings that were in the Assessor's data base and 83 and 85 Continental sold last year, but he did not recognize the other comparables as being coded as medical buildings. He said the Continental buildings were really hard to find. He stated he did not remember enough about 83 Continental to comment any further. Member Kizziah asked if they were in an area off of South Virginia. Appraiser Oliphint believed Holcomb Avenue terminated at Virginia Street and then you would go back into that complex. Member Kizziah asked if that was where ReMax used to be. Appraiser Oliphint said he believed so and the Virginia Street side used to have a State Farm office.

Appraiser Oliphint said IS-1 was a veterinary office. He said as to whether it was comparable to a medical building in any way, that type of build-out had some value because of all of the plumbing and the little rooms. He stated Mr. Johnson, during one of their phone conversations, shared the dentist next door had inquired about purchasing the building at one point. He said he found an e-mail by Jennifer Hardy, News Director at KOLO-TV, Exhibit II, regarding the closure of Reno's Community Animal Hospital located on Summit Ridge Drive and the transfer of all records to A-Plus Animal Hospital five months before the property sold. He said the buyer was Lakeside Animal Hospital, and he verified it was just the land and building that sold and not the records or the business value.

Appraiser Oliphint said 83 Continental was classified as straight office space by the Assessor's Office, so it would not be comparable, because a medical office build-out was so costly. He said doing an appraisal was not about finding the least comparable data and then trying to interpolate it, but was about coming in with narrow brackets on all of the medical offices or something similar. He said IS-1 was the highest sale at \$280 per square foot and was located near a medical office, medical specialists, and dentists in the northwest. He said those uses were not like retail stores in terms of wanting to be near Virginia Street and South McCarran Boulevard. He said any buyers would want to be located in an area with an income bracket that could afford their services and to be on the beaten path so they could easily be found. He stated this office location was very superior for a medical specialist, in spite of being on Summit Ridge Drive, because it had collector street traffic and was in a middle-income neighborhood where people could afford their services.

Appraiser Oliphint said IS-2, like the subject, was back in a business park with visibility from the main loop, which meant it did not require anyone giving directions through the parking lot. He stated it involved a sale-lease back and sale-lease backs at \$312 per square foot, where seven gastroenterologists were on the lease, meant there was clearly a huge tenant value involved in that sale. He stated it involved a slightly superior income profile for the surrounding neighborhood, but was otherwise a reasonable comparable to the subject.

Appraiser Oliphint said IS-3 was a better location if retail space was involved and, based on the income profile of the neighborhood, it might be a little better location, but it also had more competition. He said it was an owner-user sale at \$189 per square foot, but the location was hard to find because it had no visibility from any of the surrounding streets. He said IS-4 was very hard to find because it was back behind several rows of buildings. He stated in that type of development, the better lots sold first. He said on that same block there were undeveloped sites and there was a row of undeveloped sites right across the street. He noted IS-4 sold for \$205 per square foot. He stated IS-5 was shown on the Assessor's records as being 87 percent built-out and was at 57 percent when it was sold. He said it was a two-storey building, which was twice as large as the subject. He stated the second floor had a 38 percent vacancy that could not be cured because a second floor office in that area was not very desirable, even though there were elevators. He said it was an ROI sale at \$147 per square foot.

Appraiser Oliphint said when excluding IS-1 and IS-5, the range of the sales narrowed to \$189 to \$205 per square foot, which correlated with \$190 per square foot for the subject. He agreed the subject had some visibility/access issues, but felt the issues involved were no worse than those for the comparables being used. He said that resulted in a value of \$1,680,000 and the subject's total taxable value was \$1,533,505. He stated he did not feel an income approach was warranted due to the lack of comparable sales from which to derive cap rates and because a lot of the sales involved a sale-lease back. He said he certainly would not drag cap rates out of the general office population for a medical office, because that tenant would be someone with a generally high income and good credit.

Member Kizziah noted the three comparables that were the primary drivers in the analysis were all a 3.0 quality class, while the subject's was 2.5. Appraiser Oliphint said he would raise the subject's quality class if the Board was willing to do so, because he felt the subject was of a comparable quality. Member Kizziah said he wondered about that himself, because it looked to be a newer building. Appraiser Oliphint said it had more architectural design than a Ribeiro Companies building. Member Kizziah said changing it to 3.0 quality class would have *Marshall and Swift* showing a higher cost analysis, and he asked if Appraiser Oliphint could guess what that would be. Appraiser Oliphint said he did not know what it would be offhand.

In rebuttal, Mr. Johnson said regarding the KOLO-TV e-mail, he did not believe the records were sold to another animal hospital, but were given to the hospital in case someone's pet got ill or they needed a current record. Chairman Covert asked if the subject was an animal hospital. Mr. Johnson said it was not, but he was talking about the e-mail handed out. Chairman Covert said he could not really equate the two. Mr. Johnson said if the Chairman was not putting any weight on it, he would not either.

Mr. Johnson said IS-1 was not comparable to the subject. He stated he was told the business and the building went together, because he wrote an offer on the building for a client. He stated only 601 Sierra Rose was a close comparable, because that build-out was closer to the subject's build-out. He said not all of the subject's exam rooms had water and it was not built out as a full medical building because hearing-aid technicians were located in the building. He stated the age of the Sierra Rose building was within two years of the subject, while he believed Sierra Rose had a better location and would command a higher sales price.

Mr. Johnson stated with a group of doctors signing a lease, he did not believe it would be sold at a 6 percent cap, because nothing in Reno sold at a 6 percent cap unless it was a Starbucks or Walgreens type of tenant. He said he had not sold one at that cap rate and that was what he did for a living. He said the income approach would put the value closer to \$1 million to \$1,150,000.

Member Kizziah asked if the Appellant was familiar professionally with IS-2, IS-3, and IS-4. Mr. Johnson replied he knew the area, but he was not sure about the buildings unless he saw a picture or knew who the tenant was. He said he was familiar with all of the properties on Sierra Rose because he used to manage properties for Ribeiro. He stated the property located at 10715 Double R was near where his office had been for three years. Member Kizziah said the Appellant supplied two additional comparables, which the Assessor's Office did not pull up when they did their research, but the Board did not have that information. He asked if they were medical office buildings. Mr. Johnson replied they were. He said 6180 Mae Anne was a 6,078 square foot turnkey medical suite purchased for \$599,000. He felt that was the best comparable because it was the closest to the subject and was newer. He stated the comparable at 1665 Lakeside sold for \$119 per square foot, was built in 1982, and was off the beaten path similar to the McCarran building being talked about. Member Kizziah asked about the

dates of sale. Mr. Johnson said it was July 9, 2013 for the Lakeside sale, but he did not have the date for the Mae Anne sale.

Appraiser Oliphint said the sale of 6180 Mae Anne was a transfer between grantor and grantee and was not an arms-length transaction. He said 1665 Lakeside was not classified as a medical office build-out. He stated there was a strong market difference between freestanding and having a 30-foot frontage in a strip-mall due to the strip-mall location having less visibility. He said Lakeside was not classified as a medical office and was a foreclosure sale.

Chairman Covert brought the discussion back to the Board. Member Horan said he was not moved. Chairman Covert said he saw no compelling reason either. Member Kizziah asked if the Chairman meant he was not moved by the Appellant's appeal. Chairman Covert replied that was correct.

Member Brown said the original sale price of the subject was \$1.75 million and the Assessor's Office had it had \$1.5 million. Mr. Johnson said that was the price to build the building and not the sales price.

With regard to Parcel No. 400-120-09, pursuant to NRS 361.357, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member Horan, seconded by Member Brown, which motion duly carried, it was ordered that the Assessor's taxable values be upheld and it was found that the Petitioner failed to meet his/her burden to show that the full cash value of the property is less than the taxable value computed for the property in the current assessment year.

**14-162E PARCEL NO. 017-320-16 – TJB HOLDINGS –
HEARING NO. 14-0029**

A Petition for Review of Assessed Valuation was received protesting the 2014-15 taxable valuation on land and improvements located at 16300 S. Virginia Street, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Reno market trends and supporting documents, 4 pages.

Assessor

Exhibit I: Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 23 pages.

On behalf of the Petitioner, Ryan Johnson was previously sworn in by County Clerk Nancy Parent.

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

Mr. Johnson said the subject sat vacant for close to three years and just recently a lease was signed for \$3,500 per month. He felt the income approach was relevant for the subject property.

Chairman Covert said in the Appellant's evidence, he noted the property was turned down five times for various uses by the County, and did that mean they were turned down for various use variances. Mr. Johnson said the Appellant never applied for the variances. He noted they tried to use the property to house a veterinarian, but they could not get a business license because of the kennels. He noted a veterinarian was an allowed use, but the kennels were not. He stated a boat and recreational-vehicle (RV) storage facility was interested, but it was not an approved use even though the sales of boats and RV's were allowed. He advised any industrial use was no longer allowed under the property's zoning, which pretty much made the building obsolete because a large portion of its layout was for industrial use. Member Horan asked if the County was approached regarding a variance. Mr. Johnson said County staff indicated there would be no guarantees. Member Horan said that was because the application had to go before an independent board. Mr. Johnson said the Appellant was informed the reason for not approving the kennels was due to the issue of barking dogs, because the subject backed up to a residential neighborhood.

Mr. Johnson said the property was obviously hard to lease because of the lack of allowed uses. He stated the lease was to an interstate-trailer company, which was fairly close to the previous use. He said the Appellant had to put in \$30,000 for landscaping and other improvements to bring the property up to code. He stated even with not taking that into account, but using the actual rent of \$3,500 per month or \$42,000 per year and expenses at 30 percent, it brought in an net operating income (NOI) of \$29,400 on a three year lease. He said the cap would be between 9 and 11 percent for that type of tenant. Member Kizziah asked if it was a triple-net lease. Mr. Johnson replied it was a modified-gross lease. He stated using a 9 percent cap rate, the income would be \$326,000. Member Kizziah asked if the Appellant leased the whole facility. Mr. Johnson replied they did. Mr. Johnson said the County's sales records for flex-industrial for 2011 showed average sales of \$61 per square foot; for 2012 it was \$43 per square foot; and, for 2013 it was approximately \$50 per square foot. He advised the Appellant was asking for \$90 per square foot.

Appraiser Clement read the comments on page 4 of Exhibit I regarding the comparable sales. Chairman Covert asked if improved sale (IS)-1 was surrounded by single-family homes. Appraiser Clement replied it was very similar to the subject. He noted he just learned the subject property had been rented. Mr. Johnson said the rent started on March 1, 2014. Appraiser Clement said the subject property was vacant at the time of the Assessor's review. He said it was listed for lease previously at \$6,000 per month, which was reduced to \$3,500 per month. He read the information about the income approach on page 5 of Exhibit I, which arrived at an income of \$422,469 or \$62

per square foot. He read the conclusions on page 1 of Exhibit I and noted he gave more weight to the comparable sales, which indicated the taxable value did not exceed full cash value. He stated the recommendation was to uphold the Assessor's taxable value.

Appraiser Clement commented the income approach to value was the way an investor would look at the income stream he received, the income stream he might receive in the future, and the recapture potential on the property once it was sold. He said taking the actual income stream for a newly signed lease and capping that out was a kind of pro forma. He stated the comparable sales and what properties were selling for in the current market also had to be looked at. He said he was surprised a tenant was found for this building, but he still believed the highest and best use would be as an owner-occupied property. He stated if it was listed for \$550,000 or \$600,000, a small business could come in with a Small Business Administration (SBA) loan and put a percentage down with a 5 or 6 percent interest rate, which would mean the payments would be much lower than what they would pay for rent. Chairman Covert noted when the freeway went in, all of the commercial businesses on that road died due to the lack of traffic, and he felt anyone coming in would have to have a very special use. Appraiser Clement said it would not be a retail use, but more on the industrial side of things where they would not be dependent on the traffic. Chairman Covert said the industrial uses would be limited because of the area. He stated it was not like being in downtown Los Angeles where there were many industrial buildings in one location. Appraiser Clement felt the comparable sales spoke to that, because they were not in great locations or in commercial locations where high traffic counts were being counted on.

Member Kizziah said in the original analysis, Appraiser Clement was putting quite a bit of weight on a sale to an owner-user, but asked if having a three-year lease change the approach. Appraiser Clement replied not for the highest and best use. Member Kizziah asked if the income would now have a heavier weight. Appraiser Clement said the income approach was showing what the income stream would be for the next three years, but it did not speak to what it would be four or five years from now. Member Kizziah asked what about the appreciation on that building at the end of the lease, which was what a lot of people were looking for and what someone who owned that property would be looking at. Chairman Covert asked if there would be any appreciation. Member Kizziah stated it would be possible. Appraiser Clement said it was hard to come up with the cap, vacancy, and rental rates for this type of property, because it was unique. He stated those types of properties did not sell very often as income-producing properties, which made those rates extremely difficult to come by. He stated that would be another reason why less weight would be put on the income approach. He said even if they were weighted 50/50, it would still support the taxable value of the property. Member Kizziah said the Assessor's taxable value for the land was quite conservative compared to the comparables. Appraiser Clement said when the reappraisal was done after the freeway went through, a considerable amount of attention was paid to the reduction in traffic, which they tried to address in the property's land value along with addressing that the property was in the flood plain. He felt the land value at \$1.30 per square foot was more than substantiated. Chairman Covert said the drop in traffic was a

catastrophic drop. Appraiser Clement replied absolutely, but where could 2.64 acres of industrial land be bought for \$149,000 in Washoe County.

In rebuttal, Mr. Johnson said the issue was not just about the loss of traffic, but was also about the lack of permitted uses that would make the property hard to sell. He said the Appellant paid \$400,000 and then built the shed, which was what the 1,200 square foot building was. He stated it was not an industrial building, even though it had lights, but it did not have power on the walls, floor, or heat. He said it was not a regular industrial building like he was sure some of the comparables were. He stated the Assessor's Office had a \$38 and a \$58 per square foot comparable, which was within reason. He said the issue was the permitted uses and what it could be leased for, because it was hard to find a tenant with the allowed use. He stated the river would be a big hindrance as would the single-family residences. Member Kizziah asked if the subject was for sale. Mr. Johnson replied it was not and it received zero interest when it was listed for \$1.6 million. He said the Appellant felt it was better to bring in \$3,500 a month in rent than to take a \$200,000 loss. Member Kizziah said he was having a problem that the owner would try to sell it for \$1.6 million. Mr. Johnson said if the owner got that amount he would take it.

Chairman Covert brought the discussion back to the Board. He said he was not comfortable with either presentation. He stated the area was booming until the freeway went through, which killed everything. He agreed it was a special-use piece of property, which had severe restrictions put on it. He felt the best approach would be the income approach at \$422,469, which would leave the land at \$149,497 and reduce the improvements to \$272,972. Member Horan said he could support that. Member Kizziah agreed.

With regard to Parcel No. 017-320-16, 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 \$272,972, resulting in a total taxable value of \$422,469 for tax year 2014-15. The reduction was based on the income approach. 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.

11:25 a.m. The Board recessed.

11:35 a.m. The Board reconvened with Member Horan absent.

14-163E **PARCEL NO. 025-470-70 – LONGLEY CORNERS LLC –**
HEARING NO. 14-0038

A Petition for Review of Assessed Valuation was received protesting the 2014-15 taxable valuation on land and improvements located at 5255 Longley Lane, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Supporting documents, profit and loss and depreciation schedule, 6 pages.

Assessor

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

On behalf of the Petitioner, Ryan Johnson was previously sworn in by County 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. Johnson said the tenants had non-corporate shorter-term leases much like those at the Village Shopping Center at 635 Booth, which sold for \$69 per square foot, and the Air Center Plaza, which was directly across the street and sold for \$73 per square foot. Chairman Covert asked if the Appellant was asking for a value of \$1.4 million. Mr. Johnson said both comparables were leased to local tenants like the subject. He said using those two comparables or using the income approach based on actual income and at a 9 percent cap rate, would put the value of the subject closer to \$1.5 million to \$1.790 million.

Appraiser Gonzales read the comments regarding the comparable sales on page 2 of Exhibit I. He noted the subject was superior to all of the comparables due to its lower than market vacancy rate and its full retail-office space build-out. He stated the cap rates on the sales ranged from 8 to 10 percent, and he discussed the similarities of the comparable sales to the subject and their associated cap rates. He said the Appellant provided the actual income and expense data, and he discussed the income analysis on page 3 of Exhibit I, which arrived at a value of \$2,785,234 or \$145 per square foot rounded.

Appraiser Gonzales said the Appellant's comparable sale across the street was a distressed sale and included some pad sites. Chairman Covert asked why it was a distressed sale. Appraiser Gonzales replied he did not know. He believed the other comparable sale was in the airport submarket, which were typically older buildings and tended to have lower rents than the Meadowood submarket. He said the recommendation was to uphold the Assessor's total taxable value because it did not exceed full cash value.

In rebuttal, Mr. Johnson stated the property across the street was not a distressed sale nor did it have any pads included in the sale. He believed Appraiser Gonzales was referring to the property to the east because it included pads, while he was referring to the property diagonally across the street. He said that property was the Air

Center Plaza and sold for \$73 per square foot. He said the property to the east was not included in his comparables nor were they in the Assessor's comparables. He stated Appraiser Gonzales referred to some other market for the other comparable, which was actually near Reno High School in the Village Shopping Center and sold for \$69 per square foot.

Mr. Johnson said he provided the true income and expenses and the net operating income (NOI) was only \$161,221, not what Appraiser Gonzales stated. He stated he used a 9 percent cap rate and it came to \$1,791,000. Member Kizziah asked if the Board had the subject's income. Mr. Johnson replied he did not know what the Board had, but he sent it in.

Member Kizziah asked when the comparable across the street closed. Mr. Johnson replied it was in 2013, but he did not know the exact date. Appraiser Gonzales said he had mistakenly believed the Appellant was referring to the property directly to the east. He stated the property that was kitty-corner to the subject did sell. He was aware there had been an appeal on that property a couple of years ago and had a high vacancy at the time of the sale. He said the north end of the parcel had poor exposure and was somewhat difficult to access due to how the building was situated. He believed the building was inferior to that of the subject.

Mr. Johnson noted the subject's only access was from Longley Lane and not from McCarran Boulevard. He stated Air Center Plaza sold for \$73 per square foot and at \$1.791 million, the subject would be at \$92 per square foot. Appraiser Gonzales said there was a downward adjustment for access on the subject property's land value. Member Kizziah asked if the kitty-corner property brought up by the Appellant was where the Cash Chronicle was located. Mr. Johnson said it was where Juicy's and Coach's bar were. Member Kizziah asked how it was known whether or not it was a distressed sale. Appraiser Gonzales said he had been mistaken when he said it was a distressed sale, because he had been referring to the property directly to the east. Member Kizziah asked if at this point it was assumed it was a market sale. Appraiser Gonzales assumed it was a market sale with a high vacancy rate and was an older less attractive building. Mr. Johnson said the one diagonally across the street had a 10 percent cap rate with a \$4.6 million asking price.

Member Kizziah asked if Appraiser Gonzales looked at the Appellant's income analysis. Appraiser Gonzales replied he looked at the income and expense data they provided. Member Kizziah noted they included depreciation and debt service. Appraiser Gonzales said that should not be included.

Chairman Covert brought the discussion back to the Board. He said the Appellant was asking for \$1.4 million, which was way too low for the area. He believed the Assessor's Office did a good job.

With regard to Parcel No. 025-470-70, pursuant to NRS 361.357, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member

Brown, seconded by Member Krolick, which motion duly carried with Member Horan absent, it was ordered that the Assessor's taxable values be upheld and it was found that the Petitioner failed to meet his/her burden to show that the full cash value of the property is less than the taxable value computed for the property in the current assessment year.

**14-164E PARCEL NO. 400-024-04 – SUMMIT RIDGE HOLDINGS
INVESTMENT LLC – HEARING NO. 14-0041**

A Petition for Review of Assessed Valuation was received protesting the 2014-15 taxable valuation on land and improvements located at 4875 Summit Ridge Drive, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Washoe County Quick Info, Reno market trends, and use of property, 4 pages.

Assessor

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

On behalf of the Petitioner, Ryan Johnson was previously sworn in by County 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.

Mr. Johnson withdrew the Petition based on the Board's not taking into consideration any of his comparables regarding Nevada ENT, Parcel No. 400-120-09. Peter Simeoni, Deputy District Attorney, said the Petitioner was technically not withdrawing the Petition, but was not presenting any evidence.

With regard to Parcel No. 400-024-04, pursuant to NRS 361.357, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member Brown, seconded by Member Kizziah, which motion duly carried with Member Horan absent, it was ordered that the Assessor's taxable values be upheld and it was found that the Petitioner failed to meet his/her burden to show that the full cash value of the property is less than the taxable value computed for the property in the current assessment year.

**14-165E PARCEL NO. 011-331-01 – ROSENBAUM DECLARATION OF
TRUST – HEARING NO. 14-0097A**

A Petition for Review of Assessed Valuation was received protesting the 2014-15 taxable valuation on land and improvements located at 800 Haskell Street, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Letter, 2 pages.

Exhibit B: Letter and photos, 2 pages.

Assessor

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

On behalf of the Petitioner, Maryia Bekken was sworn in by County Clerk Nancy Parent.

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

Ms. Bekken said the subject property had been leased to the University of Nevada, Reno since it was purchased, but it had been vacant since October 2011. She advised the building was vandalized shortly after it was vacated and suffered around \$75,000 in damage. She noted that damage had not been repaired, because they were waiting on getting a tenant in case they wanted modifications done to the building. She advised no substantial interior work had been done since the building was constructed. She said the property was listed during 2012, but no tenant was found. She stated it was listed again in 2013, but the only potential tenant wanted a 45-year lease with three options capped at \$4,000 a month with no rent at all for the first two years. She said while those terms might have been acceptable for five to ten years, they were not acceptable for 45 years because that would be half of the market value rates. She said there were several lease-to-purchase offers made while it was leased, but they were for \$350,000 to \$400,000. She stated the offers were low because of the building's interior condition, and the two lower pictures on page 2 of Exhibit B showed some of the interior damage done due to the vandalism. She said the upper picture showed the 1960's boiler system, which needed to be replaced, and those estimates ranged from \$350,000 to \$400,000. Chairman Covert asked if the insurance company failed to pay for some of the damages. Ms. Bekken stated the insurance company refused to pay, because instances of vandalism were only covered for 60 days after the incident occurred. She said they had not been in the building between the first of November and March. She stated since there was no evidence of forced entry, it was likely the vandalism was done by someone who had a key from the University; and she believed the vandalism had happened in the first sixty days. She stated the insurance company said we could not prove that so they would not pay, but we were taking them to court. Member Kizziah said they would not cover it if the vacancy had been longer than sixty days. Ms. Bekken replied that was correct. She said the building was difficult to rent in its present condition and obviously the repairs would have to be done at the point it was rented. She stated it was hard to come up with the repair money until there was a tenant on board.

Ms. Bekken said the second parcel was a parking lot across the street that was currently rented at \$250 per month and that \$3,000 a year was the total income for both properties. She stated that money basically covered the insurance and there was still the property tax and other expenses that had to be paid.

Ms. Bekken said based on the purchase offers they received, it would seem the value of the property would be what people were offering to pay for it. She said she was not disputing the land value, so she subtracted the land value from the offer they received for an improvement value of \$225,979 and a total taxable value of \$400,000.

Member Kizziah asked if the property was on the market for sale or for lease. Ms. Bekken believed Coldwell listed it that way. She stated she would have sold it for the \$400,000, but her father-in-law paid \$1.3 million for it and that was what he wanted. Member Kizziah said he wanted to make sure the \$400,000 was an unsolicited offer. Ms. Bekken said Coldwell actually brought in three or four offers, and the lowest that came in was for \$350,000. She said they all required the Appellant to carry the paperwork for little or no down.

Chairman Covert asked what the improvement value would be for Hearing No. 14-0097A. He said the Assessor had the land value at \$118,856. Ms. Bekken replied there were improvements on the parking lot of about \$15,000, so the building's improvement value would be \$215,979. Member Kizziah noted that was for Hearing No. 14-0097A. Chairman Covert said he understood the Appellant was asking for \$334,835 as opposed to the Assessor's \$545,569.

Appraiser Johnson said the building was 75 percent depreciated, and some of the damage was taken into consideration. He stated he had a conversation with the Appellant's husband about some of the repair costs; but he was unaware wire had been stripped and some of the other vandalism, so some of the damage was new evidence. He said the Assessor's Office would be glad to do an interior inspection. Chairman Covert asked if there was any reason to dispute the pictures showing the damage. Appraiser Johnson replied there was not. Ms. Bekken said she had hundreds of other pictures, but she did not think the Board wanted to see that many.

Appraiser Johnson discussed the comments regarding the comparable sales on page 2 of Exhibit I. He said the subject was currently being offered for lease and not for sale. He said if it was not worth \$400,000, he was not sure what it was worth. He reviewed the income approach information on page 3 of Exhibit B. Chairman Covert asked if Appraiser Johnson had been in the building. Appraiser Johnson said he had not, but he was aware it was 56 years old and was 75 percent depreciated. He reiterated he would be glad to do an interior inspection. He stated it had to be worth more than \$400,000, because the Appellant would not take that amount. Ms. Bekken said she would take it, but her father-in-law would not.

In rebuttal, Ms. Bekken said regarding the improved sales, (IS)-1 and IS-3 had much smaller buildings. She stated the subject was an old building and it was

difficult to get a good comparable. She noted the motel at the corner of Virginia Street and Haskell Street rented by the week and one offer was withdrawn when the people in the partnership found that out. She stated there was an alleged crack-house two doors away and it was not the most charming of neighborhoods. She said some level of income and expense was provided in the Petition, but the building was vacant and had zero income other than the rent for the parking lot. She advised the expenses had not changed since the appeal in 2012.

Appraiser Johnson said the Appellant appealed to the State in 2012. He stated from 2013 to 2014, the total building value went down almost \$9,000. Member Kizziah said assuming there was somebody in it and there was no damage, would the cost approach be the same as on the card. Appraiser Johnson replied it would. Member Kizziah said with that and using the Assessor's land value, the value was \$545,569, but there was damage. He stated if there was \$245,000 worth of damage, would that make the market value \$300,000. Appraiser Johnson stated he asked the Appellant for repair estimates by e-mail on January 30th, but he received no response. He said he indicated it would be helpful in working on the appeal and might have been something he would have taken into consideration. Ms. Bekken said that information was sent, and she apologized he had not received it.

Chairman Covert said his issue was the age of the building. He stated if the Appellant attempted to get a permit to repair the damage, they would have to bring the building up to current code. Ms. Bekken noted the building had asbestos and the offers they received indicated the intent would be to gut the building and rebuild it from the frame because the current layout was extremely dated.

Chairman Covert brought the discussion back to the Board. Member Kizziah asked if it would be appropriate to uphold based on the Appellant supplying the repair costs and on the inspection. Chairman Covert did not believe so, he said he would leave the land value as it was and change the improvement value to \$215,979 for a total value of \$334,835. Member Brown said he concurred.

With regard to Parcel No. 011-331-01, pursuant to NRS 361.357, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member Brown, seconded by Member Kizziah, which motion duly carried with Member Horan absent, it was ordered that the taxable land value be upheld and the taxable improvement value be reduced to \$215,979, resulting in a total taxable value of \$334,835 for tax year 2014-15. The reduction was based on the vandalism done to the building. 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.

14-166E **PARCEL NO. 011-272-21 – ROSENBAUM DECLARATION OF TRUST – HEARING NO. 14-0097B**

A Petition for Review of Assessed Valuation was received protesting the 2014-15 taxable valuation on land and improvements located on W. Taylor Street, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Letter, 2 pages.

Exhibit B: Letter and photos, 2 pages.

Assessor

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

On behalf of the Petitioner, Maryia Bekken was previously sworn in by County Clerk Nancy Parent.

On behalf of the Assessor and having been previously sworn, Joe Johnson, Appraiser, oriented the Board as to the location of the subject property. He said the property had minor improvements that included asphalt flatwork and lighting.

Ms. Bekken said the Assessor's Office had not gotten back to her regarding her question why the asphalt improvements were worth \$15,000. She stated she included it in the appeal because the lot went with the building discussed in Hearing No. 14-0097A and was reflected in the purchase price that she provided to the Board. She was not really asking to do anything with it per se.

Appraiser Johnson felt the land value was well supported and the improvement value went up \$446 from 2013 to 2014, which was basically due to the cost for the petroleum products for the asphalt flatwork.

See Hearing No. 14-0097A for the additional discussion that took place for this hearing.

Chairman Covert brought the discussion back to the Board.

With regard to Parcel No. 011-272-21, pursuant to NRS 361.357, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member Brown, seconded by Member Kizziah, which motion duly carried with Member Horan absent, it was ordered that the Assessor's taxable values be upheld and it was found that the Petitioner failed to meet his/her burden to show that the full cash value of the property is less than the taxable value computed for the property in the current assessment year.

14-167E **PARCEL NO. 037-276-01 – PRIVATE RESTAURANT PROPERTIES – HEARING NO. 14-0078**

A Petition for Review of Assessed Valuation was received protesting the 2014-15 taxable valuation on land and improvements located at 1805 E. Lincoln Way, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Market Rent Analysis, 1 page.

Assessor

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

No one was present to offer testimony on behalf of the Petitioner.

On behalf of the Assessor and having been previously sworn, Michael Bozman, Appraiser, oriented the Board as to the location of the subject property. He said the Assessor's Office would stand on its written submission. He said the Appellant submitted leases that were in inferior locations to the subject.

Chairman Covert asked if Appraiser Bozman wanted to comment on the potential income analysis on the last page of Exhibit A. Appraiser Bozman said they differed on the lease rate, because the Appellant was using distressed properties for the most part, which were not applicable. He stated they also differed on the cap rate. He said the Outback Steakhouse was a national credit tenant, and the rate chart supported a 7.5 percent cap rate for those types of properties.

Chairman Covert brought the discussion back to the Board.

With regard to Parcel No. 037-276-01, pursuant to NRS 361.357, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member Brown, seconded by Member Krolick, which motion duly carried with Member Horan absent, it was ordered that the Assessor's taxable values be upheld and it was found that the Petitioner failed to meet his/her burden to show that the full cash value of the property is less than the taxable value computed for the property in the current assessment year.

14-168E **PARCEL NO. 025-561-18 – RAHLVES & RAHLVES INC – HEARING NO. 14-0283**

A Petition for Review of Assessed Valuation was received protesting the 2014-15 taxable valuation on land and improvements located at 6884 Sierra Center Parkway, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Market comparables, 18 pages.

Assessor

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

No one was present to offer 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 said the Appellant's representative, Brandt Palmer, was present earlier, and had indicated he e-mailed another appraiser in the Assessor's Office that this hearing was being withdrawn, but he did not submit any documentation indicating it had been. Nancy Parent, County Clerk, confirmed she did not have any documentation indicating the Petition was withdrawn. Pete Simeoni, Deputy District Attorney said reference to an e-mail was technically not a withdrawal notice.

Appraiser Gonzales said the Assessor's Office would stand on its written presentation.

Chairman Covert brought the discussion back to the Board. He understood the Assessor had the total taxable value at \$4,896,962 and the Appellant was requesting \$3,459,566. Member Kizziah said the indicated values from the income and the comparable sales had a lot of spread.

With regard to Parcel No. 025-561-18, 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 Krolick, which motion duly carried with Member Horan absent, it was ordered that the Assessor's taxable values be upheld and it was found that the Petitioner failed to meet his/her burden to show that the full cash value of the property is less than the taxable value computed for the property in the current assessment year.

14-169E PARCEL NO. 025-561-19 – MT BAKER LLC –
HEARING NO. 14-0284

A Petition for Review of Assessed Valuation was received protesting the 2014-15 taxable valuation on land and improvements located at 6888 Sierra Center Parkway, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Equity and market comparables, 22 pages.

Assessor

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

No one was present to offer 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 said Appellant's representative, Brandt Palmer, was present earlier, but had left. He said the Assessor's Office would stand on its written presentation.

Chairman Covert asked if Appraiser Gonzales reviewed the Appellant's comparables. Appraiser Gonzales confirmed he had, and page 9 of Exhibit I included a breakdown of the Appellant's comparables and his comments explained the conditions of the buildings. He stated the majority of the buildings had a high vacancy at the time of the sale. He noted the first comparable was 60 percent vacant, the second was 50 percent vacant, and the fourth was actually an office-condominium within the building that sold for \$144 per square foot.

Chairman Covert brought the discussion back to the Board.

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

14-170E BOARD MEMBER COMMENTS

There were no Board member comments.

14-171E PUBLIC COMMENT

There was no response to the call for public comment

* * * * *

12:32 p.m. There being no further hearings or business to come before the Board, on motion by Member Brown, seconded by Member Krolick, which motion duly carried with Member Horan absent, the meeting was adjourned.

JAMES COVERT, Chairman
Washoe County Board of Equalization

ATTEST:

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

*Minutes prepared by
Jan Frazzetta, Deputy Clerk*