

**BOARD OF EQUALIZATION
WASHOE COUNTY, NEVADA**

FRIDAY

9:00 A.M.

FEBRUARY 24, 2023

PRESENT:

Eugenia Larmore, Chair
James Ainsworth, Vice Chair
Daren McDonald, Member*
Dennis George, Member
Rob Pierce, Member

Janis Galassini, County Clerk
Jennifer Gustafson, 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. Chair Larmore called the meeting to order, the Clerk called roll and the Board conducted the following business:

23-103E PUBLIC COMMENT

There was no response to the call for public comment.

23-104E SWEARING IN

There was no appraisal staff to be sworn in.

23-105E WITHDRAWN PETITIONS

The following petitions scheduled on today's agenda had been withdrawn by the Petitioners prior to the hearing: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.
034-405-06	CLEAN HARBOR ENVIRONMENT	23-0122
037-031-04	SCHEELS ALL SPORTS INC	23-0123
032-182-17	C STREET LOFTS LLC	23-0115B

**23-106E PARCEL NO. 087-021-23 – EDERRA HILLS LLC –
HEARING NO. 23-0072**

A Petition for Review of Assessed Valuation was received protesting the 2023-24 taxable valuation on land and improvements located at 13900 Red Rock Road, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Letter and maps, 4 pages.

Exhibit B: Supporting documents, 2 pages.

Assessor

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

Chair Larmore disclosed she had a working relationship with Bob Lissner in the past and had performed some fiscal studies for his projects. She stated she did not have a current working relationship with him and their past relationship would not impact her ability to be fair and impartial in this hearing.

Vice Chair Ainsworth disclosed he had also had a working relationship with Mr. Lissner for at least 10 or 12 years. He said it would not affect his decision in this hearing.

On behalf of the Petitioner, Mr. Lissner was sworn in by County Clerk Jan Galassini.

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

Mr. Lissner stated that this project, Evans Ranch, was very similar to comparable land sale (LS) 1. LS-1 was another large subdivision, Prado Ranch, that was bought by another developer. He indicated his sole objection was that for Prado Ranch, the Assessor's Office had discounted some of the individual properties close to zero due to development constraints. He stated there was a development constraint on the subject property, noting approximately 300 acres known as Columbia Hill was not buildable due to steep topography. He asked for a lower valuation from the Assessor's Office because half of the property was not buildable. He expressed pleasure regarding his dealings with the Assessor's Office, noting that of his 200 parcels, there were only 7 in which he objected to the new appraisal. He added he was able to work out five of the seven parcels with the Assessor's Office. He asserted his dealings with the Assessor's Office had been spectacular and the staff provided excellent customer service.

***9:07 a.m.** **Member McDonald arrived.**

Ms. Galassini distributed documents to the Board from the Petitioner and placed them on file as Petitioner's Exhibit B (PE-B).

Appraiser Lewis reviewed the market comparables located on pages 2 and 3 of the hearing evidence packet (HEP).

Mr. Lissner stated PE-B listed the property values set by the Assessor's Office and his requested reduction for this parcel. He spoke about owning half of Evans

Ranch for the past 25 years and waiting for progress. Several attempts had been made to sell the property for \$10,000 per acre but he never even received a counteroffer. He stated the most significant issue with the property was that it would cost at least \$50 million to build the first house. He remarked he did not have the money and no one had stepped up to pay that kind of money to bring the utilities five miles. He stated he purchased half of the subject property a little over a year ago for about \$10,000 per acre. He noted a little more than six months prior he realized the purchase was a mistake and subsequently gave the property back to the seller and left the 10 percent down payment on the table. He thought at this time he could obtain an offer for \$4,000 per acre with terms. He commented he was still waiting for progress and noted it had to happen because growth was occurring in the North Valleys.

Mr. Lissner spoke about the comparables the Assessor's Office provided and noted LS-1 was very similar to the subject property. He stated LS-2 was a subsequent sale by a master developer and LS-3 was comprised of 40-acre lots. He opined that neither was relevant. He indicated his primary point that day was that the Assessor's Office had been willing to discount some parcels due to usability.

Member George referred to page 2 of PE-B which listed parcels that had been significantly reduced. Mr. Lissner noted that was LS-1. He stated he was asking for similar treatment for the one parcel that had Columbia Hill in the middle of it. He reiterated the parcel was not buildable.

Chair Larmore wondered about the reduction in land values for Prado Ranch and asked how similar the subject property was and why it had not also received a reduction. Appraiser Lewis stated the Assessor's Office valued in use and the parcels in Prado Ranch were zoned for open space. He noted those parcels bordered Swan Lake. He asserted the parcels were difficult to develop due to the flood zone and the lake. He believed a stipulation had been done about ten years prior due to the unbuildable nature of the parcels.

Member George wanted to clarify that the question to the Board was whether or not to reduce the value of the lot per the Petitioner's request. Chair Larmore confirmed that was correct. Member George asked about the requested reduction. Chair Larmore responded the current value was \$4,000 per acre and the Petitioner was requesting that it be reduced to \$2,667 per acre.

Member Pierce remembered reading about a wastewater treatment plant going out on American Flat Road which could possibly provide services to that parcel. He wondered whether that had been taken into consideration. Appraiser Lewis had not heard about that wastewater treatment plant. He observed there was a Planned Unit Development Handbook that detailed all of the improvements that would need to be made to the sanitary sewer system. He indicated all of that was already known and was included in the base lot value. Member Pierce indicated he knew there were utilities out there.

Vice Chair Ainsworth asked whether a sewer system and water were available to this property or if there were septic systems in that area. Appraiser Lewis noted the Red Rock area mainly used septic. He said this project was a master-planned community and would have sewer and water brought to it through municipal utilities. He remarked the water would have to be imported, noting the Fish Springs project was building a pipeline down south. He stated Fish Springs was located in the north and was an option for bringing water into the project, or there was an Intermountain project that would be importing water. Water would come through one of those two sources and sanitary sewer was planned for the development. Vice Chair Ainsworth wanted to clarify water and sewer were not there currently, to which Appraiser Lewis confirmed that was correct. Member Pierce stated water was in that location; it was off of American Flat where a pipeline was going from Honey Lake. He was unclear about the process to tap into the existing pipeline. He noted there was also a power generating plant in that area. He said there was talk about putting in a sewer reclamation plant off of American Flat. He mentioned it was in the newspaper less than a year prior and had already gone out to bid.

Mr. Lissner informed the water that was at American Flat was pumped out of Swan Lake and he would not drink that water. A water source, the Vidler Pipeline, was five miles away on the other side of the airport. He said the airport would provide an easement, but it was still five miles away. The City of Reno was putting in a recharge facility on American Flat but he explained that was recycled water from the sewer plant that would be inserted into the ground and pumped back up in maybe ten years. He asserted this was of no use to his project. He indicated that for sewer, they had to run four miles south to Echo Avenue in Stead. He said none of the facilities Reno was working on would help this project. He had hoped he could use some of the recycled water for irrigation, but it was going to be cleaned and put back in the ground instead.

Vice Chair Ainsworth asked about the water and sewer services for LS-1. Appraiser Lewis stated he did not know the exact parameters around the utility situation for Prado Ranch but he believed they were a lot closer and more available. He thought the construction process and the process of getting entitlements were further along for that project. Mr. Lissner mentioned that Prado Ranch was listed by the Assessor's Office as superior, which it was. He observed the Vidler Pipeline came down the hill right next to that property and access to sewer was about two miles away.

Chair Larmore pointed out the other parcels in the subject property were valued at \$4,000 per acre and the parcels in Prado Ranch were valued at \$4,500 per acre, which reflected the potential superiority. She thought the real concern was that adjustments had been made to Prado Ranch due to issues with buildability. She wondered whether the subject property deserved or required similar adjustments. She said that was the equity issue at hand.

Member McDonald asked about comparable LS-3 and stated there was some consistency in the way it was presented. He mentioned that property had portions that were quite steep and unbuildable, and the subject property had some of those elements in common along with a similar lack of utilities. He observed there was a difference in

zoning between the two properties and asked for more details about the dollar difference that zoning difference would make. Appraiser Lewis explained the parcels in LS-3 were zoned general rural (GR) and were possibly for agricultural use but were too far out for development. He noted he included LS-3 to provide an indicator of what the low-end of the value would look like for parcels that could not be built on. He indicated there were no utilities, access, or paved roads out there. He mentioned nine houses could fit on the parcel with the current zoning. The subject parcel was part of a planned unit development (PUD) with about 5,700 planned units to be built. The PUD included more subdivision-type potential.

Member George said what was being compared numerically was \$4,000 per acre or \$2,667 per acre for that portion of the project. Chair Larmore confirmed that was correct. The parcel was valued at \$4,000 per acre and the Petitioner was requesting this be reduced to \$2,667 per acre.

Member Pierce said he was leaning towards the assessment provided by staff. He believed it was a fair number.

Vice Chair Ainsworth asserted due to the lack of utilities he was leaning the other way. He thought it was a catch-22. He asked about the last appraisal value. Appraiser Lewis believed it was a mix of partially \$800 per acre and partially \$1,200 per acre. He remarked that the sale of the subject property provided an indicator of the value of the parcels. This made the Assessor's Office take a closer look and determine the parcels did have a higher value than what they were previously assessed for.

Chair Larmore commented that the sales of both Prado Ranch and the subject property occurred the previous year and that triggered the market adjustment. Appraiser Lewis responded yes. He stated the recent sales of these big master-planned communities triggered the Assessor's Office to look more closely at these parcels.

Member George asked Mr. Lissner if he thought a reduction in the assessed value would assist him in trying to sell the parcels. Mr. Lissner did not believe it would. He said regardless of what the Assessor's Office indicated the property was worth when a buyer came along they were the one making the offer. He believed it did not matter what the parcels were appraised at; it was really about taxes.

Chair Larmore explained it was difficult because Prado Ranch was split into numerous parcels and one could identify the parcels that were open space or unbuildable. The Board was looking at more than half of the project as this one parcel which she believed was planned for 570 units. Appraiser Lewis corrected that 5,700 units were planned. Chair Larmore said that was already planned given the developable area and noted that the amount had not changed. She admitted to having a hard time arriving at a reduction of the overall parcel of 642 acres when only portions of it were undevelopable.

Member McDonald agreed that the Assessor's value seemed to be fair, especially given the subject's actual sale. He understood from the Petitioner that it was one thing to buy the property and another to realize he may have overpaid for the property. He thought the Petitioner's points were valid. He believed the Assessor's Office recognized that because the sale price was not followed. He said LS-1 had an interesting collection of values that did lead to a lot of support towards the Assessor's number. He thought there were some very real differences between LS-2 and LS-3 that did not make them extremely comparable. That led him to believe the Assessor was on the fair side of things.

There was no response to the call for public comment.

With regard to Parcel No. 087-021-23, which petition was brought pursuant to NRS 361.356, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member McDonald, seconded by Member Pierce, which motion duly carried on a vote of 4-1 with Vice Chair Ainsworth voting no, it was ordered that the Assessor's taxable values be upheld and it was found that the Petitioner has failed to meet his/her burden to show that the land and improvements are valued higher than another property whose use is identical and whose location is comparable.

23-107E PARCEL NO. 556-721-03 – WVC COMMERCIAL LLC –
HEARING NO. 23-0012R22

A Petition for Review of Assessed Valuation was received protesting the 2022-23 taxable valuation on land and improvements located at 18705 Village Center Drive, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Letter and property evaluation documents, 5 pages.

Assessor

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

Exhibit II: Additional evidence and map, 3 pages.

Chair Larmore disclosed she had a working relationship with Bob Lissner in the past and had performed some fiscal studies for his projects. She stated she did not have a current working relationship with him and their past relationship would not impact her ability to be fair and impartial in this hearing.

Vice Chair Ainsworth disclosed he had also had a working relationship with Mr. Lissner for at least 10 or 12 years. He said it would not affect his decision in this hearing.

On behalf of the Petitioner, Mr. Lissner had been previously sworn.

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

Mr. Lissner pointed out the town center on the map provided in the hearing evidence packet (HEP). He indicated he took the advice from some out-of-town experts who said there was a need for commercial in the town center. He asserted it was a big mistake and he had seen the same mistake in Somerset and Caughlin Ranch where there were commercial buildings with a lot of empty space. He said over the past 15 years the building had been kept half full. Commercially it was a mistake and he lost money on it every year. He declared it was sitting on nearly six acres of neighborhood commercial land which was quite valuable. He protested the value of the building every year and received a substantial obsolescence factor that basically made the building worthless and he was just paying the taxes on the land. That land had subsequently been turned into 44 townhome parcels, leaving the remaining land below the commercial building at less than an acre. He commented that when this happened, he thought the appraisal would go down due to the land being only an acre and the building not being worth much. He reported the appraisal stayed the same as most, if not all, of the obsolescence had been removed from the building. He believed the value needed to be reduced significantly. He was not aware of any other possible use that could make it more valuable and it had lost money every year for the past 15 years. He wanted the obsolescence to be put back on the building and the land to be properly reduced.

Appraiser Maughan directed the Board to page 2 of the HEP to review the comparable sales data. She said maps for all the comparable sales were located on pages 15 through 20. She informed improved sale (IS) 1 was determined to be inferior to the subject property due to its building characteristics such as age and quality, as well as the land-to-building ratio. The sales price of \$113 per square foot was a low indicator to value. She observed IS-2 was determined to be the most comparable to the subject property due to access and building size. She asserted the sales price of \$132 per square foot was a reasonable value. She declared that IS-3 was determined to be superior to the subject property, mostly due to the location, building size, and quality. The sales price of \$198 per square foot was a high indicator to value. She stated the most weight was given to IS-2, with a slight adjustment downwards to the sales price for superior location and smaller building size. An overall value of \$125 per square foot, or \$768,000, was indicated. She reviewed the land sales (LS), noting they presented a sales price range from \$2.23 per square foot up to \$4.02 per square foot. She stated LS-2, at \$2.50 per square foot, was most comparable to the subject property. Therefore, the 2022-23 land value of \$2 per square foot was supported. She directed the Board to page 3 of the HEP to review the income approach. She noted information provided by the Petitioner, as well as market data, was used to inform the income approach. Based on the recently signed lease, she said a per month rent at \$0.90 per square foot was applied. For reference, she directed the Board to page 5 of the HEP to view the rent survey. After visiting the property on February 2, it was determined to be 100 percent occupied. She directed the Board to page 4 of the HEP for the capitalization (CAP) rate analysis. The CAP rates she included ranged from 6.4 percent to 7.67 percent. To better represent a high risk in the Cold Springs area, a 7 percent CAP rate was used. She concluded the comparable sales approach indicated a value of \$125 per

square foot or an overall value of \$768,000, and the income approach indicated a value of \$102 per square foot or an overall value of \$624,000. She observed the most weight was given to the income approach, and it was the recommendation of the Assessor's Office to decrease the 2022-23 reopen value to \$102 per square foot, or an overall value of \$624,000.

Member McDonald asked about the lease that was signed. He wondered whether it was one lease that occupied 100 percent of the building. Appraiser Maughn indicated that the lease was for the bar and grill and she believed it used about 3,000 of the 6,144 square-foot building. She informed it was the largest tenant in the building, noting there was also a daycare center and a retail store.

Chair Larmore mentioned this appeal was for the 2022-23 tax year and she wondered whether the building was fully occupied during that valuation period. Appraiser Maughn indicated the Petitioner showed vacancies in his income reports. Chair Larmore asked whether it was more than the 6 percent the Assessor's Office was assuming. Senior Appraiser Howard Stockton stated it was recognized that the section of the building where the bar and grill was located had been vacant for a good portion of the year. He said the Assessor's Office was trying to come up with a market value, so market assumptions were used. He asserted small retail buildings tended to have some turnover every once in a while. Over the ten-year horizon, the Assessor's Office felt the 6 percent vacancy and collection loss was appropriate.

Member George believed the Assessor's Office was providing a conservative estimate of the vacancy. Senior Appraiser Stockton thought Member George was on the right track. He wanted the Board to know this was a difficult assignment for the Assessor's Office as it was a unique building. He mentioned staff had conversations with Mr. Lissner, who had done a great job educating staff about his parcels and some of the other developments in the County. He stated the 6 percent would represent the estimate of the Assessor's Office of what would be expected as a vacancy over the entire investment horizon. He explained there would be some years that a building with so few tenants would be 50 percent vacant while other years it would be 100 percent occupied.

Member McDonald brought up the income approach and said Appraiser Maughn had assigned a value of \$0.90 per month per square foot. He wondered whether that was actual rent or if it had been blended with market data. Appraiser Maughn stated it was actual rent, which was discovered based on conversations with the new tenant. She noted it fell towards the lower end of the market rents included in her chart. Member McDonald asked whether that was the rent for the one new tenant or if it was the blended rent for all three tenants. Appraiser Maughn said she was not certain what the other tenants paid, but \$0.90 was for the bar and grill.

Member Pierce asked about the photo of the subject building and wondered about the parcel number being different. Appraiser Maughn indicated parcel number 556-390-14 was split and the townhomes and commercial building were assigned new parcel numbers. Parcel number 556-721-03 was the new number for the commercial property.

Chair Larmore referred to the market rent information on page 5 of the HEP and noted the same address was listed for a smaller tenant at \$0.77 per square foot. Appraiser Maughn stated she did not have information about when that lease term started so she did not utilize that rent.

Chair Larmore reminded that the Petitioner had mentioned significant obsolescence on the building that was reduced to \$32,000 from almost \$500,000. She asked about the reason for the change and wondered if it was because of the occupancy. Appraiser Maughn replied she had additional evidence to explain this more in-depth because she believed it was the biggest issue regarding the appeal. She provided Assessor's Exhibit II (AE-II), which was distributed to the Board and placed on file with the Clerk.

Appraiser Maughn displayed the map of the subject property, noting the left side of the map showed the property prior to the split, and the current configuration was on the right. She said prior to the 2022-23 reopen appeal, the original parcel was 556-390-14 which included the same 6,144 square-foot commercial building on a 5.571-acre lot. This parcel had been valued using the income approach to apply obsolescence to ensure the total taxable value did not exceed the full cash value. She indicated this parcel had held a total taxable value of \$640,000 since 2019-20. In the 2022-23 reopen appeal, this parcel was split to create a new subdivision of townhomes in the Woodland Village Community surrounding the commercial building. The split caused the commercial property to decrease in land size from 5.571 acres to 1.014 acres. The illustration showed that change. The 4.557 acres of excess land were subdivided into 42 townhome parcels, one 1.36-acre remainder parcel that would likely be split into more townhomes in the future, and two common area parcels. She stated this exposed additional value that was never considered in the income approach to value in prior years. She referred to an additional income approach document, included in AE-II, that addressed the change in the value of the land prior to and following the reopen split, the change in obsolescence applied, and the additional value that the excess 4.557 acres should have added. Prior to the split, the parcel was 5.571 acres valued at \$2 per square foot which resulted in a land value of \$485,346. She informed that because obsolescence could only be applied to the improvements, \$442,920 of obsolescence was applied to the improvement value to bring the overall value from \$1,066,920 down to \$624,000 as determined using the income approach in the 2022-23 reappraisal. She stated that after the split the land value decreased from \$485,346 to \$88,352 due to the dramatic change in land size. She said because the excess land was not considered in the historical adjustment, the same value of \$624,000 should still apply even after the land size decreased. She indicated because the land had significantly decreased in value, the amount of obsolescence required was also decreased to reach the same overall value of \$624,000 as determined in the income approach. She stated if the excess land would have been considered in the income approach, this would have resulted in a value of \$2 per square foot minus a 60 percent underdevelopment discount for a net total of \$0.80 per square foot. This would have resulted in a value of \$158,802 for the 4.557 acres. Adding the excess land value to determine the income value for the commercial building and the 1.014 acres it sat on and utilized would have resulted in an overall value of \$623,739 or the rounded \$624,000 plus \$158,802. The overall value would have been \$782,541. If done this way, the value would have changed from \$782,541 to \$623,739, resulting in a \$158,802 decrease

in value following the split. Overall, it was discovered that the value of the excess land was never recognized in the Assessor's income approach to value in prior years, which resulted in no change to value when the land had decreased in size.

Mr. Lissner referred to the market approach in the HEP. He asserted the market approach comparables were commercial properties with recognizable street names such as Wells Avenue, Vassar Street, Pyramid Way, and Stead Boulevard. He stated these were commercial properties on well-traveled streets and opined no one had heard of Village Center Drive, where the building was located. He did not think the comparables were comparable. He pointed out that the income approach showed the rent income was \$62,000, but the average rent for the past 15 years was \$36,000. He stated the Village Grill was never quite able to pay its full rent and he had to adjust the rent down to an average of \$0.70 per square foot depending upon the grill's income. He said the grill eventually failed. He remarked a new tenant with more experience was coming in. He was hopeful, but he indicated it was a tough location. He asserted the income approach did not reflect the actual history which was \$36,000 annually or \$0.50 per square foot. He commented this was the reality, though he had been there every day trying to rent the building. He declared he had one good tenant, the daycare, which was planning to stay. Regarding the other two tenants, he would have to wait and see. He did not think it made sense that the subject property was worth the same amount on 1 acre as it was when it was on 6 acres. He thought there should be a reduction and believed the assessed valuation exceeded market value.

Member McDonald asked for verification that the bar encompassed 80 percent of the subject property. Mr. Lissner indicated it was about 60 percent of the space. Member McDonald commented the whole parcel averaged closer to \$0.50 per square foot over its 15-year history to which Mr. Lissner concurred. Member McDonald questioned the rates the other two tenants were paying. Mr. Lissner believed they were paying \$0.70 per square foot. He asserted he covered more utilities than most landlords, including trash, outside lighting, and sewer. The tenant paid for water, electricity, and gas. Member McDonald wondered whether the water, electricity, and gas were being paid through the tenants' common area maintenance (CAM) fees on the gross modified lease. Mr. Lissner responded the tenants were paying for those fees directly. Member McDonald inquired if the tenants paid CAM fees on top of the rate per square foot. Mr. Lissner stated the rate per square foot was the total charge. Member McDonald asserted it was not really a gross modified lease for those two tenants. Mr. Lissner said he could not get the tenants to pay \$1 per square foot. Mr. Lissner remarked the new tenant, the bar and grill, was family-oriented. The grill's rate was about \$0.95 per square foot, but he noted he had to carry that tenant for the past nine months while the grill was getting ready to open. He was unable to make a deal to obtain rent while the grill was preparing to open. Member McDonald asked what kind of vacancy rates had been experienced over the past 10 to 15 years. Mr. Lissner indicated the two smaller units had been vacant about 80 percent of the time, although they were currently both being rented. He said the vacancy rate had been about 40 percent overall, and the rents were a little lower. He asserted it was a tough building. Member McDonald thought some of that was theoretically booked into the CAP rate that was used. He believed it was a generous CAP rate. Mr. Lissner mentioned he was not arguing with the CAP rate. He thought it was fair, but noted they used to be lower.

Member George referred to Mr. Lissner's point that the Assessor's comparables were not good. He asked whether Mr. Lissner had any comparables that were more suitable. Mr. Lissner stated he would like comparables in the middle of Somerset and Caughlin Ranch as those shopping areas were both struggling. He did not have any comparables with him.

Chair Larmore agreed with the Petitioner's statements regarding the market approach and believed the Assessor's Office agreed with that also since staff was proposing to reduce the rate primarily based on the income approach. She referred to the bottom half of the income approach, the CAP rate, and maybe the vacancy numbers, noting she did not have much of an issue with this. She thought the real issue was with the potential gross income. She pointed out page 5 of the HEP, stating one of the tenants paid \$0.77 per square foot. She reminded that the new tenant was going to pay \$0.95 per square foot. She believed there was a way to adjust this and make it more acceptable for both the Assessor's Office and the Petitioner. She was unsure if the Board should deny the appeal and encourage the Assessor's Office and the Petitioner to work together. She thought there was a way to tighten up the numbers, especially on the rent side, to make the income approach more acceptable to everyone. She indicated there was no time to continue the hearing and wondered whether the only option was to send it to the State Board of Equalization (BOE). Deputy District Attorney Jennifer Gustafson stated the Board could take a break and provide direction to the Assessor's Office and the Petitioner and have them come back after a short discussion. She said the Board's decision needed to be based on the information presented during this hearing.

Mr. Lissner declared that based on historical data, some obsolescence should be placed on the property and ought to be increased. He said every year he had to demonstrate that was still the case. He observed if the Board decided to put some of the obsolescence back on, the Assessor's Office could take it away the following year if his situation had gotten better.

Vice Chair Ainsworth pointed out that in the HEP the improvements were reduced to \$535,648 and he wondered about the basis for the recommendation to reduce. Appraiser Maughn replied the basis for the reduction was done through the income approach, bringing the overall value of the property to \$624,000.

Member McDonald observed the lower limit appeared to be the income approach. He mentioned the Assessor's Office used \$0.90 per square foot, and he believed based on the square footage and what the other tenants were paying, the real rate should be closer to \$0.85 per square foot. He stated the Assessor's Office applied a 6 percent vacancy rate based on what a reasonable property would be expected to do over a ten-year period. He noted this Petitioner had held the property for that period of time and had experienced a higher vacancy rate. He expected a higher rate to be applied to the property, closer to a 20 percent vacancy implication rate. He indicated that would be adjusted based on what would actually happen. Experience had shown that the tenants remained, and the valuation would then increase. He stated a 30 percent expense rate and a 7 percent CAP rate were suggested by the Assessor's Office, which he thought sounded right. He noted no evidence

was received to indicate those numbers were wrong. The Petitioner might argue that in the future if he was paying a base rent lease and had real costs. He believed a 7 percent CAP rate was generous and that the Assessor's Office was using that percentage to try to accomplish some of the other defects that existed. He noted if he used those adjustments in values, it would come to an income CAP rate lower valuation of \$501,000 or \$81.60 per square foot.

Chair Larmore stated that was where she was trying to go with it as well. She said she was still a bit unclear, noting the Board was currently looking at the 2022-23 tax year and when it heard the appeal for the 2023-24 tax year, the bar and grill would be taken into consideration. She asked when the new lease for the bar and grill was signed, and wondered if this occurred during the appraisal period for 2022-23. Appraiser Maughn was not sure and said she spoke to the tenant around September 2022. Senior Appraiser Stockton thought the lease might have been beyond the 2022-23 tax year. Mr. Lissner believed the lease was signed in June 2022 and said he had just received the first rent check within the past week.

Chair Larmore thought the vacancy could have been even more in 2022-23. She stated she was comfortable with Member McDonald's analysis, noting it fell in line with her thoughts about making a significant adjustment to the rent payment. She mentioned if the tenant's information improved, the Assessor's Office would have the ability to raise the value again the following year. Member McDonald clarified he was also comfortable with the change in the obsolescence factors that Appraiser Maughn provided.

Chair Larmore restated she and Member McDonald agreed with portions of the Assessor's Office's income approach and believed it was the appropriate valuation. She did not think the market approach captured some of the issues that were inherent to the specific property. She and Member McDonald used some of the Assessor's numbers but also adjusted primarily the vacancy rate and some of the rental rates. She indicated some of the rental rates were a bit high and not supported by the two other tenants.

Attorney Gustafson recommended that Member McDonald restate his analysis. Member McDonald stated that in evaluating the income approach based on the sizes of the properties that were presented, it was appropriate to use \$0.95 per square foot for 60 percent of the property and \$0.70 per square foot for 40 percent of the property to accomplish roughly an \$0.85 weighted rate per square foot. He said the building was currently rented, but because it had a history of not being rented, a vacancy rate of 20 percent should be applied to accomplish the risk that might exist. He noted some of that was already accomplished by having a very high CAP rate of 7 percent. He indicated the Assessor's Office suggested retaining the high CAP rate and maintaining the 30 percent operating costs, which the Petitioner had not really contested. He concluded that brought the value to \$501,350 or \$81.60 per square foot.

Chair Larmore explained this was basically an adjustment to the Assessor's valuation with some other numbers.

Chief Deputy Assessor Rigo Lopez asked for the motion to include that the land value would stay the same and the adjustment would come off the improvement value so obsolescence could be applied to reduce the value to \$501,350.

There was no response to the call for public comment.

Senior Appraiser Stockton clarified the land value would stay the same at \$88,352 and the improvement value would be reduced to \$412,998, resulting in a total taxable value of \$501,350.

With regard to Parcel No. 556-721-03, which petition was brought pursuant to NRS 361.356, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member McDonald, seconded by Vice Chair Ainsworth, which motion duly carried, it was ordered that the taxable improvement value be reduced to \$412,998 and the taxable land value be upheld, resulting in a total taxable value of \$501,350 for tax year 2022-23. The reduction was based on 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.

10:21 a.m. **The Board recessed.**

10:27 a.m. **The Board reconvened with all members present.**

23-108E **PARCEL NO. 556-721-03 – WVC COMMERCIAL LLC –**
HEARING NO. 23-0012

A Petition for Review of Assessed Valuation was received protesting the 2023-24 taxable valuation on land and improvements located at 18705 Village Center Drive, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Letter and property evaluation, 5 pages.

Exhibit B: Additional supporting documents, 2 pages.

Assessor

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

Chair Larmore disclosed she had a working relationship with Bob Lissner in the past and had performed some fiscal studies for his projects. She stated she did not have a current working relationship with him and their past relationship would not impact her ability to be fair and impartial in this hearing.

Vice Chair Ainsworth disclosed he had also had a working relationship with Mr. Lissner for at least 10 or 12 years. He said it would not affect his decision in this hearing.

On behalf of the Petitioner, Mr. Lissner had been previously sworn.

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

Chair Larmore observed this was the same parcel from the previous hearing, but this hearing was for the 2023-24 tax year.

County Clerk Jan Galassini distributed documents to the Board and placed them on file as Petitioner's Exhibit B.

Senior Appraiser Howard Stockton stated that based on the previous hearing, the Assessor's Office felt it would be appropriate to carry that same value to the 2023-24 tax year. He said if the Petitioner was in agreement, the Assessor's Office would recommend carrying the \$501,350 total taxable value to the 2023-24 tax year. Mr. Lissner concurred with the Assessor's Office recommendation.

There was no response to the call for public comment.

With regard to Parcel No. 556-721-03, which petition was brought pursuant to NRS 361.356, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member McDonald, seconded by Vice Chair Ainsworth, which motion duly carried, it was ordered that the taxable improvement value be reduced to \$412,998 and the taxable land value be upheld, resulting in a total taxable value of \$501,350 for tax year 2023-24. The reduction was based on 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.

23-109E PARCEL NO. 087-382-02 – LIFESTYLE HOMES TND LLC –
HEARING NO. 23-0073A

A Petition for Review of Assessed Valuation was received protesting the 2023-24 taxable valuation on land and improvements located at 3450 White Lake Parkway, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Letter and supporting document, 2 pages.

Assessor

Exhibit I: Taxable Value Change Stipulation, 1 page.

No one offered testimony on behalf of the Petitioner.

No one offered testimony on behalf of the Assessor's Office.

There was no response to the call for public comment.

With regard to Parcel No. 087-382-02 based on the stipulation signed by the Assessor's Office and the Petitioner, on motion by Member George, seconded by Vice Chair Ainsworth, which motion duly carried, it was ordered that the stipulation be adopted and confirmed and that the taxable land value be reduced to \$781,862, and the taxable improvement value be upheld, resulting in a total taxable value of \$907,849 for tax year 2023-24. 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.

23-110E PARCEL NO. 087-010-41 – LIFESTYLE HOMES TND LLC – HEARING NO. 23-0073B

A Petition for Review of Assessed Valuation was received protesting the 2023-24 taxable valuation on land and improvements located at 0 White Lake Parkway, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Letter and supporting document, 2 pages.

Assessor

Exhibit I: Taxable Value Change Stipulation, 1 page.

No one offered testimony on behalf of the Petitioner.

No one offered testimony on behalf of the Assessor's Office.

There was no response to the call for public comment.

With regard to Parcel No. 087-010-41 based on the stipulation signed by the Assessor's Office and the Petitioner, on motion by Member George, seconded by Vice Chair Ainsworth, which motion duly carried, it was ordered that the stipulation be adopted

and confirmed and that the taxable land value be reduced to \$389,840, and the taxable improvement value be upheld, resulting in a total taxable value of \$389,840 for tax year 2023-24. 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.

23-111E PARCEL NO. 001-154-12 – LINCOLN ZEPHYR POINTE LP –
HEARING NO. 23-0117E22

A Petition for Review of Assessed Valuation was received protesting the 2022-23 taxable valuation on land and improvements located at 10640 N Mccarran Boulevard, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Letter, 1 page.

Assessor

Exhibit I: Taxable Value Change Stipulation, 1 page.

On behalf of the Petitioner, Steven Polikalas was sworn in by County Clerk Jan Galassini.

No one offered testimony on behalf of the Assessor's Office.

Chair Larmore stated this first hearing was administrative to approve stipulations.

There was no response to the call for public comment.

With regard to Parcel No. 001-154-12, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member George, seconded by Member Pierce, which motion duly carried, it was ordered that the Petitioner be granted an exemption for property taxes for tax year 2022-23, pursuant to NRS 361.082.

23-112E PARCEL NO. 004-072-22 – WHITTELL POINTE PRESERVATION
LP – HEARING NO. 23-0118AE22

A Petition for Review of Assessed Valuation was received protesting the 2022-23 taxable valuation on land and improvements located at 1855 Selmi Drive, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Letter, 2 pages.

Assessor

Exhibit I: Taxable Value Change Stipulation, 1 page.

On behalf of the Petitioner, Steven Polikalas was previously sworn.

No one offered testimony on behalf of the Assessor's Office.

There was no response to the call for public comment.

With regard to Parcel No. 004-072-22, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member George, seconded by Member Pierce, which motion duly carried, it was ordered that the Petitioner be granted an exemption for property taxes for tax year 2022-23, pursuant to NRS 361.082.

23-113E PARCEL NO. 004-072-32 – WHITTELL POINTE PRESERVATION LP – HEARING NO. 23-0118BE22

A Petition for Review of Assessed Valuation was received protesting the 2022-23 taxable valuation on land and improvements located at 1855 Selmi Drive, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Letter, 2 pages.

Assessor

Exhibit I: Taxable Value Change Stipulation, 1 page.

On behalf of the Petitioner, Steven Polikalas had been previously sworn.

No one offered testimony on behalf of the Assessor's Office.

There was no response to the call for public comment.

With regard to Parcel No. 004-072-32, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member George, seconded by Member Pierce, which motion duly carried, it was ordered that the Petitioner be granted an exemption for property taxes for tax year 2022-23, pursuant to NRS 361.082.

23-114E PARCEL NO. 019-360-22 – SOUTHWEST VILLAGE PRESERVATION LP – HEARING NO. 23-0119AE22

A Petition for Review of Assessed Valuation was received protesting the 2023-24 taxable valuation on land and improvements located at 3295 S Virginia Street, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Letter and supporting documents, 30 pages.

Assessor

Exhibit I: Taxable Value Change Stipulation, 1 page.

On behalf of the Petitioner, Steven Polikalas had been previously sworn.

No one offered testimony on behalf of the Assessor's Office.

There was no response to the call for public comment.

With regard to Parcel No. 019-360-22, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member George, seconded by Member Pierce, which motion duly carried, it was ordered that the Petitioner be granted an exemption for property taxes for tax year 2022-23, pursuant to NRS 361.082.

**23-115E PARCEL NO. 019-360-23 – SOUTHWEST VILLAGE
PRESERVATION LP – HEARING NO. 23-0119BE22**

A Petition for Review of Assessed Valuation was received protesting the 2022-23 taxable valuation on land and improvements located at 3125 S Virginia Street, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Summary and supporting documents, 30 pages.

Assessor

Exhibit I: Taxable Value Change Stipulation, 1 page.

On behalf of the Petitioner, Steven Polikalas had been previously sworn.

No one offered testimony on behalf of the Assessor's Office.

There was no response to the call for public comment.

With regard to Parcel No. 019-360-23, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member George, seconded by Member Pierce, which motion duly carried, it was ordered that the Petitioner be granted an exemption for property taxes for tax year 2022-23, pursuant to NRS 361.082.

**23-116E PARCEL NO. 037-390-06 – LCG WATERFRONT LLC – HEARING
NO. 23-0114**

A Petition for Review of Assessed Valuation was received protesting the 2023-24 taxable valuation on land and improvements located at 375 Harbour Cove Drive, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Photos and supporting documents, 19 pages.

Assessor

Exhibit I: Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 25 pages.

On behalf of the Petitioner, Steven Polikalas had been previously sworn.

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

County Clerk Jan Galassini distributed documents to the Board, which were placed on file as Petitioner's Exhibit A.

Mr. Polikalas noted the subject property was also known as the Waterfront Apartments. He provided preliminary information that the owner of the property was Landcap Properties. In part, Landcap had developed many thousands of units throughout Northern Nevada and Washoe County as part of Tanamera. He stated this was the first time Landcap had brought an appeal before the Board of Equalization (BOE). He stated all the appeals he was representing were based on equalization arguments and the owner's opinion that the property was deemed a quality class higher than it should be when compared with other properties in the region. He referred to the documents he provided to the Board noting they included a PowerPoint presentation and a narrative. He reviewed the PowerPoint presentation which compared the quality class of similar developments to the Waterfront Apartments. He observed the Waterfront Apartments were deemed by the Assessor's Office to be a quality class 2.5, which the property owner believed should be reduced to a 2.0. This was based on a number of comparables indicated in the PowerPoint. The subject property had 210 units and was built in 2018. It was a stick-framed, wood-constructed apartment building around a parking garage. He declared the parking garage was previously a defunct and otherwise blighted piece of business in the City of Sparks. He thought the Deco Apartments were a great comparable to show that the subject property's assessed quality class was too high, noting the Deco was very proximate to the Waterfront Apartments. He pointed out that the Deco was a 2.0 quality class and was a ten-story high-rise apartment building constructed of concrete steel. The Deco also had a concrete parking garage like the subject property, but even with the parking garage it was receiving over \$5.5 million in obsolescence and achieving higher rents than the subject property. He

shared that another comparable from the PowerPoint was The Retreat. It was a three-story apartment complex that required an enormous amount of horizontal development and infill, among other things. He remarked The Retreat was also achieving higher rents than the subject property and was assessed at a quality class of 2.0. Another comparable property, he said, was The Harvest at Damonte Ranch. He asserted it was an excellent facility with 261 units that was built in 2019. It was built similarly to the subject property and had a quality class of 2.0. Like the other comparables, it had equal or superior rents. He highlighted another comparable, Integra Peaks, which was a four-story, stick-built constructed complex. Integra Peaks was a 2.0 quality class, and the property traded at the end of the prior year for nearly \$120 million. He noted this was the highest apartment sale in Northern Nevada or the City of Reno. He opined it was very comparable, if not superior, to the subject property, yet it received a quality class lower than the subject property. He spoke about The Nugget's parking garage, stating it was similar or superior to the subject property's parking garage. The Nugget's parking garage had received an assessed quality class of 2.0 and had nearly \$5.5 million in obsolescence. He indicated he could review the narrative in more detail if the Board had further questions. He said the narrative more thoroughly set forth the basis demonstrating that the subject property was being over-quality-classed by the Assessor. He thought another important component of this hearing was reviewing the Assessor's hearing evidence packet (HEP). He asserted all the comparables to the subject property provided by the Assessor's Office were similarly built apartment complexes that had a quality class of 2.0, which was the remedy he was seeking from this Board.

Appraiser Holwill referred to the bottom of page 1 of the HEP, pointing out that the Assessor's Office was recommending a reduction in the land value. It was a reduction of approximately \$2.9 million. He said although it was a large reduction it was warranted for equalization purposes.

Appraiser Holwill stated the Petitioner's concerns appeared to be more about the quality class than the value. He reviewed the sales comparison approach on page 2 of the HEP and noted all the sales he located were the ones most similar in age to the subject property as he felt the age of the subject was a big factor. He declared that all the improved sales (IS) he selected were similar in age to the subject property, but he believed they were inferior in quality. He observed a sales range of \$216,000 to \$303,000 per unit and a revised taxable value of \$198,000 per unit was more than supported, with the most weight given to IS-1 and IS-2. He reviewed the land sale (LS) comparables which were all located within the similar market area. With the exception of LS-3, they were all apartments, senior housing, or some sort of apartment-type use. These sales ranged from \$14.35 to \$19.48 per square foot. He stated this was where the reduction in land value came from, and it was being reduced to \$15 per square foot. He pointed out the income approach to value on page 4 of the HEP and indicated no specific income, vacancy, or expense statements were provided by the Petitioner; however, two site visits were performed for the appeal. He said the first visit was on February 7 when he went by himself to the office, and the second visit was on February 21 when he and two other appraisers met with the Petitioner and the owner. At that time, the vacancy rate was either 100 percent or in the very high 90s. The Assessor's Office recorded rents ranged from \$1,700 for the one-

bedroom, one-bathroom units, and up to \$2,450 for the two-bedroom, two-bathroom units. He indicated with that information he was able to determine the gross potential income of a little over \$5 million. He reiterated the property was either very upper 90s or 100 percent occupied depending on the information. Using a market vacancy rate of 3.5 percent, the effective gross income was \$4.9 million. Working through the expenses would result in a net operating income (NOI) of \$2.7 million and a 4.75 percent capitalization (CAP) rate, resulting in a total value of \$57.7 million. He concluded both the sales and the income approach supported the Assessor's value but he reminded this was not the Petitioner's main concern. He asserted quality class was subjective and the Petitioner and the Assessor's Office had their own opinions. He informed the Assessor's Office was guided by Marshall & Swift (M&S) in terms of the quality class and it was his opinion the subject property was a 2.5. He explained the property was not rectangular like many of the typical apartments, including all the comparables that were used. It had many angles and extra ornamentation.

Chair Larmore asked whether there were any residential developments in Reno that were a quality class 2.5. Appraiser Holwill responded yes, stating there were quite a few. He said there were developments of this style near the University of Nevada, Reno (UNR), in Rancharrah, and the new Reno Experience District (RED). Those were all classed at 2.5. Member McDonald asserted those developments were all brand new structures. Appraiser Holwill confirmed they were all new and the subject property was built in 2018 so it was also new. Member McDonald wondered if the age of the structure was the primary consideration when comparing the difference between a quality class 2.0 and a quality class 2.5. Appraiser Holwill explained the quality class would be outside of the age. It would include things such as shape, wall angles, and ornamental style. Member McDonald indicated the Petitioner pointed out some 2.0 quality class buildings. Member McDonald thought the Deco looked most like the subject property. He inquired about the differences in quality class between the Deco and the subject property. Appraiser Holwill admitted the Deco had some angles to its shape and was not a rectangle, but it did not have the ornamental style or different types of siding the subject property had. On the inside, the Deco was more basic and had slightly cheaper finishes than the subject property, especially in the clubhouse. Chair Larmore asked about the reason for the obsolescence for the Deco. Appraiser Holwill indicated it was due to the Deco being an underperforming property and having stagnated vacancy or occupancy rates.

Mr. Polikalas thought the Deco was the most glaringly different comparable. He asserted the Deco was significantly superior in quality class to the subject property. He stated it was a concrete high-rise building with views. He disagreed with the Assessor's Office that its finishes were inferior to those of the subject property. The Deco included marble entryways and two high-speed elevators that were retrofitted to current code, it was a newer building, the building had been retrofitted, the parking garage had been retrofitted to support the weight of the building, the finishes and appliances were high-end, there was a Penthouse level with a marble floor entryway, and the windows were soundproofed. He declared the Deco received higher rents than the subject property. He believed that was a glaring example of why this was out of equalization. He stated all the comparables included in the HEP were classed 2.0 and none of the 2.5 quality classed

properties mentioned by Appraiser Holwill were included. He argued the comparables were newer buildings, saying Rancharrah was well-built and was the most high-end property in town commanding the highest rents on a retail and other bases. He said Toll Brothers and the other builders in that area were obviously doing a tremendous job, which was needed to drive the traffic and sales of those properties. He did not believe the properties were truly comparable on a quality-class basis. He reiterated this was a quality class equalization argument; it was not about what had or could be sold. He thought the overwhelming evidence presented by both himself and the Assessor's Office supported that the subject property should be a 2.0 quality class.

Vice Chair Ainsworth wondered how a reduction to a quality class 2.0 would affect the value of the subject property. Mr. Polikalas stated it would reduce it. He noted the Assessor's Office would have to apply an analysis to reduce the overall assessed value of the building. He thought it was part of a formula the Assessor's Office applied. He shared that the C Street Lofts were reduced from a 2.0 to a 1.5 quality class, and the Assessor calculated the reduction. Appraiser Holwill stated he did not know what the reduction in value would be if the quality class was reduced. He reminded there had been a reduction in quality class for a different appeal. He thought if the Assessor's Office felt strongly about a need to change the quality class, a reduction would have been made.

Member McDonald said the Petitioner claimed a lot of elements to support his quality class, and many had to do with the construction materials used such as sticks versus concrete, and various interior finishes. He wondered if the construction materials were an element when thinking of a quality class and noted he thought he heard more fascia or external facing elements being described than the construction materials. Appraiser Holwill explained when a building was placed onto the roll, part of the criteria that had to be selected was the type of framing, so that was built into the base cost. The quality class would be on top of that. He observed the M&S worksheets broke it down by frame, so the Assessor's Office was only looking at the correct frame type when determining the quality class. Member McDonald understood the base construction materials were already accounted for and when the quality class was assigned it was based purely on exterior finishes. Appraiser Holwill clarified it was based on things such as interior and exterior finishes and ornamentation. Member McDonald asked for an example of ornamentation. Appraiser Holwill referred to a photo of the subject property on page 1 of the HEP. Member McDonald indicated the Petitioner provided some very nice pictures of the front of the building and pictures of what Member McDonald thought might be a base unit. Appraiser Holwill acknowledged the building was large and difficult to show in one photo. He observed the building was not just one flat surface; there were things like pop-outs, different pitches on the roof, dormers, stucco, and siding. He indicated all of that would go into the quality class. Member McDonald stated when looking at the interior of one of the simpler units of the Waterfront Apartments compared to one of the simpler units in the Deco, they both looked to be a flat uniformed color and appeared to have the same flooring materials. He wondered whether the interior differences were mostly in the common areas. Appraiser Holwill agreed apartment interior finishes were all very similar and had the same style of flooring and paint along with the same quality of cabinetry and fixtures. He indicated the Deco and the subject property had similar interior finishes, but what stood

out in the subject property was that it had tray ceilings in some of the bedrooms. He noted the angles from the outside obviously translated to the inside as well and had to be considered within the quality class. He noted the units at the Deco were all regularly shaped.

Member George asked whether there were any other properties in the area rated a 2.5 quality class. Appraiser Holwill restated there were properties near UNR, in Rancharrah, and the RED.

Mr. Polikalas spoke about angularity, exterior cut-outs, and setbacks. He thought the images he provided of The Retreat showed that it had visually stunning setbacks and privacy afforded by those units. He addressed the angularity of the Harvest at Damonte Ranch development and wondered what the Assessor's Office saw in the subject property that was superior to Harvest. He stated Harvest was an excellent property that was built in 2019. He admitted he did not have an exterior photo of Integra Peaks, but he could not imagine that it lacked any of the beautiful ornamentation or angularity that the Assessor's Office saw in the subject property. He asserted there was an overwhelming number of 2.0 quality class properties listed as comparables in the Assessor's HEP. He concluded that the subject property should be a quality class 2.0 property.

Vice Chair Ainsworth opined the comparable properties presented by the Petitioner should be brought up to a quality class 2.5 instead of the subject property being reduced to a quality class 2.0. Member Pierce agreed. Vice Chair Ainsworth indicated there were no square boxes, including the subject property. Chair Larmore reminded the Petitioner mentioned there was a potentially inferior location near a freeway. She believed that would be reflected in the land value, which had already been reduced by the Assessor's Office. She stated this was difficult as it was very subjective and was not a numbers issue; it regarded things such as angles and finishes.

Member George asked for clarification on the motion. He remarked that the last line of the Assessor's statement said, "the revised taxable value did not exceed and should be approved," but below that, it said, "recommended to reduce the land value." Chair Larmore said when the motion was made it would be a motion to reduce based on land value. She added that the numbers on the bottom of the packet would be the new tax numbers.

There was no response to the call for public comment.

With regard to Parcel No. 037-390-06, which petition was brought pursuant to NRS 361.356, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member George, seconded by Member Pierce, which motion duly carried, it was ordered that the taxable land value be reduced to \$2,311,725 and the taxable improvement value be upheld, resulting in a total taxable value of \$41,463,650 for tax year 2023-24. The reduction was based on equalization. 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.

23-117E **PARCEL NO. 032-182-16 – C STREET LOFTS LLC – HEARING NO. 23-0115A**

A Petition for Review of Assessed Valuation was received protesting the 2023-24 taxable valuation on land and improvements located at 321 10th Street, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

None.

Assessor

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

Exhibit II: Taxable Value Change Stipulation, 1 page.

On behalf of the Petitioner, Steven Polikalas had been previously sworn.

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

County Clerk Jan Galassini was provided a stipulation which was placed on file as Assessor's Exhibit II.

There was no response to the call for public comment.

With regard to Parcel No. 032-182-16 based on the stipulation signed by the Assessor's Office and the Petitioner, on motion by Vice Chair Ainsworth, seconded by Member George, which motion duly carried, it was ordered that the stipulation be adopted and confirmed and that the taxable land value be reduced to \$462,000, and the taxable improvement value be reduced to \$8,572,422, resulting in a total taxable value of \$9,034,422 for tax year 2023-24. 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.

23-118E **PARCEL NO. 037-381-01 THROUGH 037-382-08 – LANDCAP SPARKS IV LLC – HEARING NO. 23-0116BR22 THROUGH 23-0116PR22**

A Petition for Review of Assessed Valuation was received protesting the 2022-23 taxable valuation on land and improvements located at 325 Harbour Cove Drive, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Photos and supporting documents, 18 pages.

Assessor

Exhibit I: Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 46 pages.

On behalf of the Petitioner, Steven Polikalas had been previously sworn.

On behalf of the Assessor and having been previously sworn, Stephanie Mansfield, Appraiser, oriented the Board as to the location of the subject property. She requested the multiple parcels be consolidated and heard together as they functioned as one property. Chair Larmore agreed to hear the appeals as one. Appraiser Mansfield noted that for this appeal only the first two floors, or 18,637 square feet, were under protest. She explained the first two floors consisted of office retail spaces and the Sparks Water Bar. The third floor housed nine apartment units.

County Clerk Jan Galassini distributed documents to the Board, which were placed on file as Petitioner's Exhibit A (PE-A).

Mr. Polikalas indicated the property was located proximate to the previous property discussed but was different in a few respects. He pointed out the subject property was currently a mixed-use building. The building was originally a broken and defunct condominium project that encompassed 27 parcels. He noted nine of the parcels were apartments, there were a number of small office units on the second floor, and nearly half the building was currently occupied by a large restaurant on the main floor. He explained this was another quality class and equalization argument. He observed that the Assessor's Office had classed the entire building as a 2.5, which was the highest quality class the Assessor's Office had identified for apartments. He wanted to break down the types of uses occurring within the building and the differing comparables that illustrated that the quality class for those parcels should be reduced. He referred to page 3 of PE-A and addressed the quality class of the office space. He asserted the Assessor's Office had identified those spaces as a quality class 2.5. He commented his office was located at 50 West Liberty Street, which was rated a quality class 2.0. On page 4 of PE-A, there were photos of the Liberty Steet offices. He declared that property was considered one of the most premier office space locations in the City of Reno. He highlighted the amenities of the building which included: a controlled parking structure, a lobby, a doorman, a bank, four high-speed elevators, a coffee shop, a gym for the building, an Anytime Fitness, and a high-end restaurant. He restated that Harbour Cove was a defunct condominium project without a homeowner's association (HOA) and no possibility to establish one, as the project only had nine apartment units. He indicated the upper floors were served by one exterior exposed elevator located at the south end of the building and the building had no covered or assigned parking. He informed the lease for the large restaurant was signed prior to the COVID-19 (C-19) pandemic and it did not open for many years thereafter. Nonetheless,

that restaurant existed on the main floor and patrons parked in front of the business and filled up the spaces where the elevator base was located. He noted there was a coffee shop in the building that lacked a dedicated bathroom. He asserted the angularity, finishes, and ornamentation did not equate to a 2.5 quality class. He indicated the apartment units in the building were a quality class 2.5. He reminded that the C Street Lofts building was reduced to a quality class 1.5 and he believed the subject property, with its nine units, could not be deemed superior to that building. He highlighted several comparables. There was a student housing project near the University of Nevada, Reno (UNR) that was a three-story building with 216 units, a clubhouse, a pool, a gym, a basketball court, and other amenities. The student housing project was rated a quality class 1.5. He added that the student housing project was recently renovated with things such as new cabinets, countertops, and flooring, and sold for nearly \$70 million in June 2021. He mentioned a comparable property in the Victorian Square called The Bridges which was built in 2016 and was a quality class 2.0. The building had two towers and two interior elevators and was a mixed-use building with additional retail downstairs. He added that The Bridges had a climate-controlled bridge that connected to The Oaks property. He noted the Assessor's Office deemed the subject property superior in quality class to The Bridges. He discussed another comparable, Fountainhouse II, which was also a mixed-use apartment building with retail. He commented the apartments had balconies, a covered and gated parking garage, a common area for mail, resident elevators, and a gym. He argued the subject property lacked amenities, had no covered or assigned parking, and had limited accessible parking when the restaurant was open. He asserted the subject property was out of equalization and needed to be reduced.

Appraiser Mansfield pointed out the subject property was not an apartment building, it was a mixed-use building with residential units. She asked the members of the Board if they wanted her to address the sales and income approach or just discuss the quality class. Chair Larmore reminded that only the office and retail components were being considered for this hearing. The residential component was not part of this appeal. She asked for a summary of the income and market values that supported this, as the sales were not the issue with this Petitioner.

Appraiser Mansfield stated the Petitioner did not supply an opinion of value or provide any financial information for the subject property. She informed the sales and income approaches would be addressed and pointed out those approaches supported the total taxable value. She reviewed the improved sales (IS) and noted they ranged from \$159 to \$283 per square foot with a median of \$195 per square foot. She indicated IS-1 was the most comparable to the subject property and was given the most weight in the analysis. She reviewed the land sales (LS), noting they ranged from \$13.21 to \$19.48 per square foot with a median of \$13.41 per square foot. This supported the subject property's taxable land value of \$5.93 per square foot. She commented the Petitioner did not provide any alternate sales to consider for this appeal. She evaluated the income approach, stating the rents used were market rents for the restaurant and retail office markets in the area. These could be found on page 5 of the hearing evidence packet (HEP). She informed market rents for restaurants ranged from \$1.62 to \$2.06 per square foot. Retail and office rents ranged from \$1.75 to \$2 per square foot. Based on the size and location of the subject property, the

market rents used were on the mid to low-end of the ranges. When market rents were applied to the appropriate occupancies, the potential gross income was \$434,345. She asserted the commercial units were 100 percent occupied and stated CoStar reported a Sparks retail vacancy of 4.4 percent. Due to the historically unknown market conditions of the subject property, a 10 percent vacancy and collection loss was applied resulting in an effective gross income of \$390,910. She stated it was anticipated that modified gross leases would be signed for the building with tenants and owners splitting expenses. Based on a modified gross expense structure, an expense ratio between 25 percent and 35 percent would be expected. She remarked a 30 percent operating expense ratio fell within that range and was a reasonable estimate for the subject property. When 30 percent operating expenses were applied to the effective gross income, the net operating income (NOI) was \$273,637. She addressed the capitalization (CAP) rate on page 6 of the HEP. CAP rates ranged from 5.16 percent to 7.7 percent with a median of 6.15 percent. She indicated the sale most comparable to the subject property was CR-1, with a CAP rate of 6.5 percent. 6.5 percent to the NOI resulted in an overall market value of \$4.2 million, or \$226 per square foot. She stated during conversations with the Petitioner, the main concern seemed to be the quality class. She asserted the quality class of the building had been 2.5 since it was originally built in 2002. She explained it was a unique building with ample fenestration and ornamental design. Construction began on the remodel of this property in 2019, taking about one-third of the building down to the studs and a complete remodel to the facade of the entire front of the building. The new construction was addressed through a weighted average year and not an increase in quality class. She observed that interior inspections during construction and subsequent to the opening of Sparks Water Bar indicated that quality materials and custom craftsmanship were used for the remodel. She stated the complete construction cost of the remodel was unknown, but the permit values alone added up to \$1.2 million. Improved sales (IS) indicated a value of \$3.6 million, or \$195 per square foot. The income approach to value indicated a value of \$4.2 million, or \$226 per square foot. She informed that due to the uniqueness of this building, slightly more weight was given to the income approach. When \$218 was applied to the 18,637 square-foot portion of the building under appeal, a market value of \$4,060,000 was indicated. She observed that at \$2,413,180, or \$129 per square foot, the portion of the subject property under protest was below its cash value; therefore, it was recommended that the 2022-23 taxable value be upheld.

Member McDonald pointed out the Petitioner provided interior comparables of other buildings and asked whether Appraiser Mansfield was familiar with them. He was most interested in 50 West Liberty Street and The Highlands. Appraiser Mansfield indicated she was not and said she received the packet that morning along with the Board. Member McDonald wondered whether Appraiser Mansfield recognized any of the comparables. She said she did and reminded Member McDonald this property was not an apartment building. She stated it was the same argument as the previous appeal and the Assessor's Office felt the building had more ornamentation and it was just remodeled. She reminded it retained the same quality class as when it was built. Member McDonald asked about the interior pictures, stating they did not look nearly as updated with the quality as the exterior of the building appeared. He wondered whether there were any other elements of the interior of the subject property that would demonstrate it was superior in quality to

the comparables such as 50 West Liberty Street which was a quality class 2.0. He understood the exterior of the buildings also had to be considered in the quality class and they were not similar. He asked if Appraiser Mansfield could help him justify the interior of the units. Appraiser Mansfield stated the pictures presented were of the coffee shop downstairs and the offices. There were no pictures provided of the newly renovated Sparks Water Bar, which she reiterated had custom craftsmanship. She and Senior Appraiser Howard Stockton were both present during construction. She reminded that the quality class was not increased. She noted there were no pictures of the apartment units but said she would not address that as they were not under this appeal.

Chair Larmore noted the highest quality class for residential was 2.5 and wondered what the highest quality class was for retail and offices. She inquired if there were units classed as 2.5 and 3.0 across the region. Appraiser Mansfield admitted she could not think of a building that was a quality class 3.0. Senior Appraiser Stockton believed Scheels was a quality class 3.0 or 4.0 and he thought that was the top end for commercial quality. He said unlike residential where M&S classed 1.0 through 10, he believed the commercial class was truncated and only went to 4.0.

Chair Larmore asked for other examples of quality class 2.5 commercial spaces. Appraiser Mansfield referred to the sales comparables and believed the comparable on Virginia Street was a 2.5. She stated it was a box with stucco that had nowhere near the ornamentation of the subject property. She corrected herself stating the Virginia Street property was a quality class 3.0; the comparable on Prater Way on the corner of Sparks Boulevard was a quality class 2.5.

Mr. Polikalas pointed out the last two comparables were purpose-built office buildings. He reminded the subject property was a defunct condominium project. He declared that despite the off-sided importance of ornamentation, the functionality and the functional obsolescence of the building could not be ignored. He related the subject property to the Museum Tower which was a quality class 2.5. He remarked that building had interior parking, elevators, and ornamental siding with red brick. He opined a specific-built office building was a different type of building than the office components of the subject property. He believed Appraiser Mansfield speaking about valuation and 100 percent occupancy was inapplicable. He referred to page 3 of PE-A, and wondered if the heating unit and the piping were the types of ornamentation the Assessor's Office believed increased the quality class of the subject property. He indicated when the property was purchased, many of the units were in foreclosure. He asserted the improvements in the Sparks Water Bar did not improve the functionality of the balance of the building. He asserted it decreased the building's useability when the parking lot was full of restaurant customers. He expressed skepticism that the subject property could be deemed a quality class similar to some of the properties he cited during the hearing.

Member McDonald asked about the size of the Sparks Water Bar in comparison to the rest of the building. Appraiser Mansfield explained for this particular appeal residential was not included, so the restaurant was 71 percent of the building. She

noted for the next appeal residential would be included, so the restaurant would represent 46 percent of the building.

Mr. Polikalas stated the 100 percent vacancy rate was driven both by the restaurant and the property owner having an office in the building. He asserted it was not a destination 2.5 quality class property to have an office. Member McDonald asked for a clarification of the vacancy rate in the office elements to which Mr. Polikalas responded there was no vacancy.

Member George asked for clarification about what was included in the appeal. Chair Larmore explained it was just the retail and office spaces for this appeal.

Member George wondered whether the Assessor's Office took any other pictures of the offices. Appraiser Mansfield informed those were the only two offices and the rest was the restaurant and the coffee shop downstairs. Member George asked whether the offices were a quality class 2.5. Appraiser Mansfield stated the whole building was occupancy mixed-used with residential units. However, this building had condominiums that would typically be separate owners, but because it was one owner, the Assessor's Office was giving the subject property the benefit of economies of scale by valuing it as one complete unit. Member George understood the overall rating was 2.5, to which Appraiser Mansfield confirmed that was correct. Member George thought those were not desirable spaces for offices.

Member Pierce questioned the quantity and locations of the restrooms, wondering whether they all had to be accessed from outside. Appraiser Mansfield believed there were restrooms inside the restaurant. Member Pierce understood the restroom access for the coffee shop was on the outside of the building. Mr. Polikalas confirmed there was a restroom that served the restaurant. Member George spoke about a comparable property that was shown as having indoor and outdoor restroom facilities.

Member McDonald referred to a picture on page 2 of the Petitioner's narrative package and questioned whether that was the other side of the subject property. Mr. Polikalas responded yes. Appraiser Mansfield informed that the picture was taken prior to the complete remodel of the facade. Mr. Polikalas stated the picture depicted where the elevator would be as well as the locked restroom for the coffee shop. He noted the entrance to the restaurant was to the left of the lower floor. He said it was a lot of square footage and he did not believe it could be easily replicated if something were to happen.

Chair Larmore wondered whether there were parcels where the retail component was 2.5 and the office space was a different quality class. She knew the Assessor's Office valued things differently based on the use. She asked if the Board had the power to split up the class for a specific area or was the Board required to make a decision about the entire building. Senior Appraiser Stockton explained the way this building was currently valued was as a mixed-use occupancy so the quality class was for all the components of the building. He noted if part of the building was on a different section or record card, a different quality class could be assigned to that. He asserted this

would be unusual for most commercial buildings. He opined for an industrial building with a nice office add-on, the Assessor's Office might be able to separate that better.

Mr. Polikalas commented that these were all separate parcels. He appreciated the Assessor's notion of being economical to the owner in assessing the building as one, but he did not think that economies of scale was to the benefit of the property owner if a quality class of 2.5 was going to be ascribed to the entire building. He declared there was no benefit to having condominiums in the building as they were nine units above the restaurant and coffee shop. He referred to the pictures of the offices, declaring they were not a 2.5 quality class. He was unclear about what the Assessor's Office would need to do to reevaluate this building parcel by parcel, but the property owner thought there should be some relief given based on the quality class of 2.5 for the entire building. He compared the buildings at 50 West Liberty and 100 West Liberty, asserting they were evidence that the subject property was out of equalization at least for the office component of the building.

Member George asked what difference it would make in the assessed value if the quality class was changed to 1.5 or 2.0 from 2.5. Mr. Polikalas stated it was simple math; if the quality class was reduced from 2.5 to 2.0 it would be an approximately 20 percent reduction. He thought this did not flow through directly on a percentage basis to the improvements, but that was the general notion. He said a change from a quality class 2.0 to a 1.5 was basically a 25 percent reduction on what the assessed valuation would be pursuant to that quality class as set forth in the M&S guide. Appraiser Mansfield indicated she would have to have it costed to get a true number. Member George thought it involved an algorithm where data was fed in and a valuation was generated. Appraiser Mansfield replied that was correct.

Vice Chair Ainsworth recognized that no one had addressed this property was built right on the Sparks Marina and none of the comparables from either party would have the same view. He thought it was a great location. Mr. Polikalas agreed but noted that went towards the land value and not the quality class being discussed.

Chair Larmore said she had not been to the Sparks Water Bar but had seen the pictures and believed it was very well done. She had no issues with the quality class of the restaurant, which appeared to be about 71 percent of the building for this hearing. She stated her issue was with the offices, especially compared to the Liberty Street offices. She thought they were inferior based on the pictures presented. She wanted to recommend a reduction in the quality class for the offices as it seemed they were all different parcels.

Member McDonald agreed, stating that 71 percent of the building was properly classed, and possibly underclassed. He thought the areas that were not remodeled were suffering. He asserted it was difficult to try to average the entire building in one single class and thought the Assessor's Office probably had it about right. He remarked if the Board were to look at it as suggested by the Petitioner, it should be examined at more of a parcel view. He said about 20 percent of the property should probably be classed well

below 2.0, and probably was a 1.5. He stated as a consumer of office space, he sympathized with the Petitioner's comments about that space.

Member Pierce agreed with Chair Larmore and Member McDonald and urged the Assessor's Office to work with the Petitioner and possibly reclass this property going forward. He said for this appeal he would agree with the Board's decision.

Vice Chair Ainsworth believed what he heard from the Assessor's Office was that it was one building with different parcel numbers, and staff had to stick with one class per building regardless of how many different parcels were in that building. Appraiser Mansfield confirmed that was correct. She said if the Assessor's Office were to pull out each parcel and classify them at the appropriate occupancy, there would be an increase in the value. She explained that as soon as she received an appeal she looked at every angle, so she had already done a costing by pulling out the restaurant, the offices, and the apartments. She stated the Petitioner would see an increase and the two offices would have a lower quality class.

Member George opined that based on the technique and the methods of calculating the assessed value, the rate that had been applied was favorable compared to the comparables used to calculate this. He believed it was a good deal but he did not have anything to compare it with. Mr. Polikalas stated that after having sat through other appeals, he thought a potential solution could be to apply obsolescence on this other space, presuming that the Board agreed the restaurant was properly quality classed and the Assessor's Office insisted on appraising the subject property as one building in total. He thought it had been made clear that the quality class was not justified for the entire square footage of the building. He suggested an obsolescence application could be a simpler solution. Senior Appraiser Stockton clarified that obsolescence was applied when the taxable value exceeded the market value. He explained that quality class and obsolescence were two different things in an appraisal. An application of obsolescence in this case would be an indication that the total taxable value exceeded the market value. Mr. Polikalas suggested perhaps a proration could be considered. If the Board agreed the non-restaurant components of the building did not support a quality class of 2.5 based on the known ratios of the restaurant to the balance of the building, there could be a proportionate overall reduction of quality class based on those square footages.

Chair Larmore stated that when a motion was made, a specific amount was usually indicated. She wondered whether there was anything that allowed the Board to reduce a portion of the subject property to a different quality class, and if so, how that would work. Chief Deputy Assessor Rigo Lopez explained the subject property was looked at as a whole even though it was parceled out into multiple parcels. It had one ownership and one use. He said use in respect to common ownership functioned as one. He asserted it would be impossible for the Assessor's Office to go back and value each parcel individually because that was not how it was approached. There was an occupancy on the property that took the different uses into account. He informed that to break it out, the Assessor's Office would have to break apart every single parcel, but that was not the approach the appraisers took. He reiterated if the Assessor's Office took that approach, the

value would increase. The larger square footage would have a smaller value per square foot compared to a smaller square footage where the price per square foot would be significantly higher. He provided a recommendation, stating that if the Board was looking for an adjustment for this parcel, it would have to determine a dollar amount that the Assessor's Office could apply to the building for something such as functional obsolescence due to limited access to the top floors. He said it was up to the Board how it wanted to approach this, but it would be impossible for the Assessor's Office to go back and class the different parcels separately because that was not how staff had approached it initially.

Chair Larmore thought the Board had some leeway in the functional obsolescence as possibly a percentage of the improvement value that would be reduced. Member George asked for a review of what was included in this appeal. Chair Larmore explained it was only the first two floors, the retail and office components. She reminded that the building was operating as one unit even though there were multiple parcels. She thought a percentage reduction for the office space could be applied.

Member McDonald said that from the Petitioner's parcel breakout, it appeared the improvement values for the offices totaled approximately \$227,000. He thought even if the Board just looked at the office space itself and wanted to adjust that, it would be maybe 10 percent. He thought the only adjustment the Board could make would be a valuation of about \$50,000, which he based on what would be required to rehabilitate those spaces. He thought that rehabilitating those spaces would probably require a cash investment not to exceed \$50,000, and would likely be even less than that. Chair Larmore asked whether the restaurant office was included. Member McDonald thought he only added the offices of Edward Jones and Landcap. He questioned the location of the restaurant office. Appraiser Mansfield stated when the inspection was done, the offices of Edward Jones, the Nevada Tahoe Restaurant Group, and Landcap were separate. The Water Bar back offices were within the restaurant.

Chair Larmore said the offices of Edward Jones, the Nevada Tahoe Restaurant Group, and Landcap, comprised a total of 356,077 square feet. She reminded that Mr. Polikalas opined it would be a 20 percent reduction to reduce from a quality class 2.5 to a 2.0. A 20 percent reduction would be \$71,215. She indicated the Board could divide that by the improvement values or do it as a percent, which would carry with the increases in the improvements. If the Board said the obsolescence was \$71,000, that would be \$71,000 in perpetuity that would not increase with the improvements. She indicated she was more inclined to go with a percentage.

Mr. Polikalas clarified there were the Edward Jones, Landcap, and Nevada Tahoe Restaurant Group offices and was unsure whether Chair Larmore had that in her calculation. Chair Larmore confirmed she did.

Chair Larmore indicated the reduction would be 3.6 percent due to functional obsolescence on the improvements only. She restated looking only at the office component and assuming that a reduction from a quality class of 2.5 to 2.0 carried a 20

percent reduction in value, which would reduce the value of the offices by \$71,000. This was 3.6 percent of the existing improvements in the 2022-23 tax year of \$1.988 million.

Mr. Polikalas stated he had been using an example of a quality class 2.5 to a 2.0, but in this instance, he was seeking a quality class reduction to 1.5. He reminded the Board that the 50 West Liberty Street building was a quality class of 2.0. Chair Larmore said she was comfortable with a quality class of 2.0 but the Board was still in the discussion phase. She observed if the Board believed a further reduction needed to be made for quality class more hairs could be split.

Member McDonald thought the upper limit would be what it would cost to retrofit the office space, which was relatively cheap compared to a kitchen or a bathroom. He asserted \$71,000 of improvements in those spaces would greatly improve them and make them consistent with the quality class. He believed that sounded like the right number. Member Pierce thought the number might be conservative given the market. Member McDonald said that was possible, noting with three offices that were approximately 900 square feet each, \$100,000 of improvements might be needed.

Chief Deputy Assessor Lopez clarified that when an adjustment made by the Board was processed, the Assessor's Office appreciated having the specifics regarding which parcel the adjustment would be placed on. In this case, there were multiple parcels and a dollar amount might be specified with staff just being directed to deduct that from the overall, with no specific parcel identified. He asked that the motion be clear to the Assessor's Office that the reduction was for X amount and it should be applied to these three parcels or evenly distributed to all the parcels. He indicated it would be nice to have that direction from the Board.

Chair Larmore said she was calculating it out of the total value of the block of parcels, so it would be 3.6 percent of all the parcels. She noted if the Board looked at the building as a block, it would be spread across the entire building. Chief Deputy Assessor Lopez clarified that in Chair Larmore's example, the Board would be providing a percentage, and staff would take that to the improvement value and reduce it by that percentage on each parcel. Chair Larmore responded yes, noting that was for her example only.

There was no response to the call for public comment.

With regard to Parcel No. 037-381-01 through 037-382-08, which petition was brought pursuant to NRS 361.356, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member McDonald, seconded by Vice Chair Ainsworth, which motion duly carried, it was ordered that the taxable improvement value be reduced by \$71,215 and the taxable land value be upheld, resulting in a total taxable value of \$2,341,965 for tax year 2022-23. The reduction was based on functional 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.

**23-119E PARCEL NO. 037-380-02 THROUGH 037-383-09 –
LANDCAP SPARKS IV LLC – HEARING NO. 23-0116A
THROUGH 23-0116Y**

A Petition for Review of Assessed Valuation was received protesting the 2023-24 taxable valuation on land and improvements located at 325 Harbour Cove Drive, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

None.

Assessor

Exhibit I: Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 71 pages.

On behalf of the Petitioner, Steven Polikalas had been previously sworn.

On behalf of the Assessor and having been previously sworn, Stephanie Mansfield, Appraiser, oriented the Board as to the location of the subject property. She requested the multiple parcels be consolidated as they functioned as one property. She indicated this was the same building as the previous hearing although this appeal was for the entire building including nine apartment units located on the third floor.

Chair Larmore clarified that this appeal was the same property as the previous hearing but was for a different tax year, and it included the residential units.

Mr. Polikalas explained the appeal was based on an argument about equalization and the quality class that the Assessor's Office placed on the entire building, including the apartment units. The office units on the floor below the apartments were classed at a 2.5 which the Assessor had stated in previous hearings was the highest quality class in Washoe County. Without belaboring the ornamentation or other attributes of the building that the Assessor's Office believed gave rise to the quality class of 2.5 assigned, he thought the evidence was compelling that this was not a 2.5 quality classed apartment complex. He spoke about the lack of covered or assigned parking and the one elevator on the south end of the building that was congested during business hours with the restaurant patrons. He was unsure how reasonably a quality class of 2.5 could be associated with this building compared to the other apartment buildings that had been presented such as the Deco. He mentioned a prior agreement that day that the C Street Lofts, which had the same owner as the subject property, be reduced to a quality class of 1.5. He strenuously urged the Board to look at what the units were actually made of, both figuratively and literally, and determine that a quality class of 1.5 would be more appropriate for the nine apartment units. He thought based on the prior hearing, a type of metric had been achieved to get to that quality class while still appeasing the Assessor's desire to appraise this building as one lump sum building. He asserted it was fine to appraise the building that way as long as

there was some relief afforded that was appropriate to the real level of quality class of these units.

Appraiser Mansfield said in the interest of time she would not review the sales or income comparables as they did not seem to be the issue. She stated this was valued as one economic unit and the elevators did not appear to be a problem as there was no vacancy issue with the apartments. She noted there was one vacancy, which was a one-bedroom, and it had only been available since February. She informed the Assessor's Office toured the apartments and she asserted they were nicer than the Waterfront Apartments. She reported the apartments had wood floors, granite countertops, and upgraded appliances. She noted that although the Assessor's Office did not include views, the units did have nice views.

Member McDonald referred to a picture of the exterior of the Sparks Water Bar and the Waterfront units and then looked at the exterior of 50 West Liberty Street. He thought it made sense that it was inferior in quality class because of the lack of ornamentation and it was mostly flat. He imagined the quality class of 2.0 had more to do with the interior of the building. He compared the C Street Lofts to the subject property, noting the exterior looked the same except there were railings and some pillars on the outside. He wondered whether that was a way the Assessor's Office would interpret a difference in the exterior quality class. Appraiser Mansfield stated a complete remodel of the facade including the ornamentation had been done. Looking at the C Street Lofts, the exterior facade would be the difference.

Mr. Polikalas pointed out the building had no amenities, no common area, no access to a front door, and the flooring was vinyl laminate, not wood. He asserted there was nothing special about the building, particularly related to the comparables. He did not believe fascia and some rock on a building could drive a differentiation in equalization to those units of the type that was being observed by the Assessor. He noted that compared to the different types of apartment buildings in the area that had been described, the subject property was not a quality class of 2.5. He requested that a quality class of 1.5 be considered. He said if that could be arrived at through the mathematics performed during the last hearing, he would be happy to entertain and contemplate that as a satisfactory remedy for the discrepancy.

Member Pierce asked for pictures of the apartments or the area in front of the coffee shop, as he considered that to be a community area. Mr. Polikalas stated that was a fair observation, but noted it was a common area to everyone on that walkway, not just residents. He informed he did not have any pictures of the inside of the apartments but he thought the Assessor's Office had taken some. Member Pierce understood the Petitioner believed the property should be a quality class of 1.5, but he said he did not have any evidence to base that decision on. Mr. Polikalas testified the apartments had no significant differences from the C Street Lofts.

Chair Larmore expressed concern about the access and the lack of a gym and amenities, saying the comparable properties did include those items and were a quality class of 1.5. She believed the subject property had a superior exterior, but the amenities offered did not compare to the 2.5 comparables such as Rancharrah and the Reno Experience District (RED). She asserted the subject property had a whole different level of amenities and she did not believe it was a quality class of 2.5.

Member Pierce said that based on the evidence he would be willing to go to a quality class of 2.0 but not a 1.5. Chair Larmore agreed she was more comfortable with a quality class 2.0. Vice Chair Ainsworth asked whether this could be sent back to the Assessor's Office and have them recalculate it to a quality class 2.0. Chair Larmore suggested using the same methodology from the previous hearing. She indicated the \$71,000 that was reduced for the offices would need to be incorporated since the issues had not been resolved, plus a percentage reduction for the apartments. She reminded a 20 percent reduction was used for the previous reduction. Member Pierce thought the Board should ask the Assessor's Office for a dollar amount based on a 20 percent reduction. Member McDonald said that could not be done due to the way the software worked and the data the Assessor's Office had to input. Member George agreed with the Petitioner about the difference in the quality class rating but he did not know what the Board could do about it. He thought there were many properties more worthy of a quality class 2.5 than the subject property.

Vice Chair Ainsworth asked if an adjustment was made like the one from the previous appeal, could it continue to come back to the Board of Equalization (BOE) every year or could the Board recommend that the Assessor's Office change the quality class to a 2.0 to resolve the issue from this point on.

Chief Deputy Assessor Rigo Lopez admitted he was not sure he had ever heard of a motion to cost a subject property as a lower class without a value. He said whatever that value result was would be what the Assessor's Office would implement, but it would be based upon a motion that the quality class should be a 2.0. He explained that any adjustment the Board made during this season was a one-time adjustment. The Assessor's Office reappraised approximately 190,000 parcels every year, and any parcel that had obsolescence was removed at the beginning of the next fiscal year of the reappraisal year because the market changed and the Assessor's Office received new data. He stated every parcel was reanalyzed and if staff believed a parcel that had obsolescence previously warranted an adjustment again, it would be reviewed every year. He asserted this would be different as the Board was now addressing the quality class. He informed it was very subjective and the Assessor's Office tried to keep appraisers within certain property types so they would have a feel for the quality classes within neighborhoods, office buildings, retail buildings, and shopping centers. He thought the subject property might be a little unique. He indicated that whatever the Board's motion was, that was what the Assessor's Office would do. He mentioned the Assessor's Office, like the Petitioner, had the right to appeal any decision this Board made to the State BOE. He informed if the Assessor's Office thought that for equalization purposes it should remain a quality class of 2.0, it had the right to take the appeal to the State BOE. He indicated it was something staff

would look at as a whole to determine whether other properties were out of equalization and needed to be adjusted as well. He asserted there was so much involved that it was difficult to answer the question directly.

Vice Chair Ainsworth wondered whether a motion could be made similar to the one from the previous appeal and if the Board could provide direction to change the quality class. Deputy District Attorney Jennifer Gustafson did not recommend making a motion for future years and said that was not before the Board currently. She indicated the motion could include language such as this reduction was based on an opinion that this should be a 2.0 quality class. Vice Chair Ainsworth explained he was trying to keep the same properties from returning year after year.

Chair Larmore asked whether the residential uses were valued as a block or if there was more leeway to change the class on the apartments. Appraiser Mansfield replied these were also valued as one economic unit, noting they were considered mixed-use with residential units.

Member McDonald proposed a 10 percent adjustment to the total value of the improvements to attempt to accommodate some sort of a class adjustment. He said the Petitioner had the right to appeal, and in the intervening time, the Petitioner and the Assessor's Office might decide to stipulate.

Chair Larmore agreed, stating the Board provided a 3.6 percent reduction for the office component only, so the 10 percent would take into account an increase because of the apartment value. She said there was not much evidence as to how else to value the property. She supported a 10 percent reduction and observed this provided both the Petitioner and the Assessor's Office the right to appeal to the State BOE and would give them time to take another look at this. She thought this reflected what the Board believed to be a need for a reduction of both the apartments and the office spaces to a lower class. She believed for the Assessor's Office the recommendation would be for a percentage of the improvement value to be applied to the entire block of parcels.

There was no response to the call for public comment.

With regard to Parcel No. 037-380-02 through 037-383-09, which petition was brought pursuant to NRS 361.356, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Member McDonald, seconded by Vice Chair Ainsworth, which motion duly carried, it was ordered that the taxable improvement value be reduced by \$370,029 and the taxable land value be upheld, resulting in a total taxable value of \$4,024,457 for tax year 2023-24. The reduction was based on functional 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.

23-120E PARCEL NO. 152-402-06 – DELEGAL TRUST – HEARING NO. 23-0015

A Petition for Review of Assessed Valuation was received protesting the 2023-24 taxable valuation on land and improvements located at 3445 White Mountain Court, Washoe County, Nevada.

The following exhibits were submitted into evidence:

Petitioner

Exhibit A: Letter and supporting documentation, 1 page.

Exhibit B: Supporting documents, 4 pages.

Assessor

Exhibit I: Assessor's Hearing Evidence Packet including comparable sales, maps and subject's appraisal records, 11 pages.

No one offered testimony on behalf of the Petitioner.

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

Chair Larmore indicated this appeal was heard earlier in the session. She reported the disagreement was that the parcel had not been assessed on certain portions of outdoor improvements and no agreement had been reached.

Appraiser Holwill stated Chair Larmore was correct about the appeal being heard two weeks prior and a continuance was offered so the Assessor's Office could better work with the Petitioner to help him understand the processes, the aerial review changes, the aerial review process, and to inspect the home to verify the items in person. He said he and another appraiser spoke with the Petitioner outside of Chambers on the day of the original hearing for 45 minutes. He asserted he had emailed and called the Petitioner but had not been granted an inspection. He noted the Petitioner emailed saying he could not attend the hearing due to the weather. At this time, Appraiser Holwill recommended that the value be upheld.

Chair Larmore stated the Petitioner's Exhibit B was an invoice showing that he paid approximately \$6,750 for some side pavers. She believed there was a disagreement about the value added to the improvements and wondered what the reason was for the difference in value. Appraiser Holwill indicated the additional evidence included the invoice for the pavers and an invoice for an air conditioning (AC) unit. The Petitioner was attempting to reconcile the actual costs versus the Assessor's costs, but the Petitioner's costs were from 2001 or 2002 and the Assessor's Office was required to use Marshall & Swift (M&S) costs to ensure equalization. He opined that was likely the reason for the difference in those costs.

Chair Larmore believed the argument was about the additional improvements. Appraiser Holwill confirmed that was correct and said even though the Petitioner was not present, the Assessor's Office was still trying to reach out to him to personally verify his record onsite.

Chair Larmore indicated she was comfortable with the information provided by the Assessor's Office and she had reviewed the additional Petitioner's information. She noted the information was irrelevant as it did not apply to M&S and was quite dated.

Vice Chair Ainsworth thought the Petitioner should thank the Assessor's Office for not taxing him for the improvements for the past 15 years.

There was no response to the call for public comment.

With regard to Parcel No. 152-402-06, which petition was brought pursuant to NRS 361.357, based on the evidence presented by the Assessor's Office and the Petitioner, on motion by Vice Chair Ainsworth, seconded by Member Pierce, 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.

23-121E BOARD MEMBER COMMENTS

Chair Larmore thanked everyone for their attendance.

22-122E PUBLIC COMMENT

Assessor Chris Sarman said that in concluding the 2023 Board of Equalization (BOE), he wanted to extend his sincere appreciation for everyone's service and hard work. He stated that out of approximately 190,000 parcels, only 107 real property appeals were received. Out of 29,000 personal property accounts, there were only 6 appeals. He asserted that was a success. He pointed out that of the 107 appeals, 40 percent were withdrawn and 27 percent were stipulated. He declared this was a testament to the Assessor's Office and noted it sometimes took longer to come to a resolution with a taxpayer. He observed that only 30 Petitioners came before the Board. He stated that seemed small, but they were all important hearings. The Board provided an impartial decision for each of the hearings. He indicated this process could not be performed without the staff from the Clerk's Office, the District Attorney's (DA) Office, and the Assessor's Office. He asserted everyone contributed in a great way to make this year a success.

Member George said the support was fabulous and what had been made so clear this season was the extent to which the Assessor's Office staff reached out to work with the Appellants. Assessor Sarman said staff took a lot of pride in that, and some hearings were complicated.

Member Pierce complimented the staff for doing a great job.

Member McDonald said the Board felt comfortable with the taxpayers being in the hands of the Assessor's Office.

Chair Larmore believed the Clerk's Office, the DA's Office, and the Assessor's Office made a great team. She recognized tech support for ensuring that everything ran smoothly. She thanked everyone for making this another great year.

County Clerk Jan Galassini concurred and thanked the staff in the Assessor's Office. She mentioned her staff was fairly new but muddled through it. She said staff did a happy dance whenever a withdrawal came through. She thanked the DA for keeping everything legal and legitimate. She thanked the Board for asking interesting questions. She noted Chief Financial Officer (CFO) Abigail Yacoben sat in and was fascinated by the process and appreciated the Board's service to the community.

Member Pierce said the Clerk's Office did a great job also.

* * * * *

12:53 p.m. There being no further hearings or business to come before the Board, with no objection the meeting was adjourned.

EUGENIA LARMORE, Chair
Washoe County Board of Equalization

ATTEST:

JANIS GALASSINI, County Clerk
and Clerk of the Washoe County
Board of Equalization

*Minutes prepared by
Doni Blackburn and Lauren Morris, Deputy County Clerks*