In The Matter Of:
State of Nevada Department of Taxation
State Board of Equalization

Public Meeting - Thursday
October 9, 2014

Capitol Reporters
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Carson City, Nevada  89703
STATE OF NEVADA
DEPARTMENT OF TAXATION
STATE BOARD OF EQUALIZATION

TRANSCRIPT OF PROCEEDINGS
PUBLIC MEETING
THURSDAY, OCTOBER 9, 2014

THE BOARD:  TONY WREN, Chairman
             DENNIS MESERVY, Member
             AILEEN MARTIN, Member
             BENJAMIN JOHNSON, Member
             KEITH HARPER, Member

FOR THE BOARD:  DAWN BUONCRISTIANI, ESQ.
                 Deputy Attorney General

FOR THE DEPARTMENT:  TERRY RUBALD,
                      Deputy Director,
                      Department of Taxation
                      ANITA MOORE,
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CHAIRMAN WREN: Good morning. This is the time and place for the State Board of Equalization. I am Tony Wren. I'm the chairman. Members present this morning from left to right is Keith Harper, Ben Johnson, Aileen Martin. Dennis Meservy will be joining us a little bit late this morning, however, we do have a quorum. So we will continue to do business or start to do business, I guess. Counsel this morning is Dawn Buoncristiani. Good morning, Dawn.

MS. BUONCRIStIANI: Good morning.

CHAIRMAN WREN: Good morning, Members. Good morning, Terry. If you would identify yourself and your members, please.

MS. RUBALD: Good morning, Mr. Chairman. I'm Terry Rubald. I'm the deputy executive director for the Department of Taxation. And with me today are Anita Moore who is your state board coordinator, and Carrie Gransbury.

CHAIRMAN WREN: Okay. Very good. Entering the room is Dennis Meservy, so we have a full quorum. We'll give Dennis just a second.

I apologize for starting late. I've been watching that clock up there to my left and apparently it's wrong compared to this one to my right. The right is right. The wrong is -- left is wrong.

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We're being telecommunicated. We're on TV with everybody this morning. So Terry, if you want to tell us -- Did you already tell us who was here?

MS. RUBALD: Yes, I already mentioned who the staff was. And yes, we have video-conferencing capabilities to Las Vegas today.

CHAIRMAN WREN: Apparently I wasn't paying attention. I apologize.

So who's out there in Never Never Land? Nobody because nobody is on the TV.

MS. RUBALD: We may have some Clark County representatives in Las Vegas.

CHAIRMAN WREN: Here we go.

MS. GOODMAN: This is Lori Goodman with Clark County Assessor's Office.

CHAIRMAN WREN: Good morning. Are you the only one there?

MS. GOODMAN: Good morning. No. Deb Cox and a couple other appraisers from our office are here.

CHAIRMAN WREN: Okay. Very good.

MS. GOODMAN: And Jennifer Gainer from Lionel Sawyer.

CHAIRMAN WREN: Okay. Good morning, everybody. The way we're going to do this this morning like we typically do, as we call each case we will give the petitioner 15 CAPITOL REPORTERS (775) 882-5322
minutes to put on their case. We'll give the respondent 15
minutes to answer. We have reviewed all of your cases. If
you don't need that full 15 minutes, don't feel like you have
to take it. We'll give the petitioner the last five minutes
to answer the respondent. We will ask questions as we go
through and try to click right along.

Dawn, would you like to swear everybody in.

MS. BUONCRISTIANI: If you intend to testify,
please stand and raise your right hand.

(Witnesses were sworn in)

CHAIRMAN WREN: Very good. Do we have any public
comment first thing this morning? Seeing none, we will
proceed.

Terry, would you like to call the first case.

MS. RUBALD: Mr. Chairman, the first case is
14-139. It's Nevada Land, LLC. It's commercial property.
The Washoe County assessor is the respondent. You may recall
that this case was first scheduled in May and we basically
ran out of time at the end of the day to hear the complete
case so we rescheduled so we could give the taxpayer the
benefit of a full attention.

CHAIRMAN WREN: Okay. Very good. When you're
ready, if you'd identify yourselves and I'll have the
property identified.

MEMBER MESERVY: I think I just need to disclose
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that I've been on a committee years ago with Mr. Bosma, but I
don't believe that that would create any conflict. I just
wanted to disclose that.

CHAIRMAN WREN: No objections from either side?

MEMBER JOHNSON: And I'd also like to disclose
that there's reference made to an appraisal that was prepared
a few years ago of the Aces baseball stadium. Our firm was
the one who did it. I wasn't the one who did it within the
firm. I've never seen a full copy of it. And I have no
recollection of what's in there now, but I did want to put
that on the record.

CHAIRMAN WREN: Any objections?

MS. BURKE: No.

CHAIRMAN WREN: Identify yourselves first,
please.

MS. BURKE: Cori Burke with the Washoe County
Assessor's Office.

MR. BOSMA: Michael Bosma and Travis Newman from
Bosma Group CPA.

CHAIRMAN WREN: Okay. Thank you. And for the
people in the audience, if you haven't been here before, when
you come forward, identify yourselves, typically spell your
name, please. We're having this reported verbatim and she
can only type one person talking at a time. So try to talk
one person at a time. We'll try to make sure everybody gets
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to say what they need to say.

Identify the property, please.

MS. BURKE: The subject property is Parcel Number 11-450-22. It's the Aces Baseball Stadium in downtown Reno.

CHAIRMAN WREN: Okay. And we have new evidence.

Let's take care of that first. Dawn, could I have the standard of law for new evidence. Wait a minute. Let me --

Do we have new evidence? I'm on the wrong one. Just a second.

MS. RUBALD: I don't believe we do.

CHAIRMAN WREN: Sorry. I was on the wrong one.

I apologize. Okay. Go ahead and present your case then.

MR. BOSMA: Thank you, Mr. Chairman, fellow board members. Again, my name is Mike Bosma, B-o-s-m-a, from Bosma Group CPA. We submitted a brief that is in your packet located at SB-267. I'm not going to reread that. I'm just going to hit some of the highlights. And that is that we believe the County Board of Equalization failed to address our request for an external obsolescence in this matter stating that they were comfortable with the cost approach and refused to consider any analysis of the income-producing potential of the property.

NRS 361.227 states that any person determining the taxable value of real property shall appraise the full cash value of, and I quote, any improvements made on the land.
by subtracting the cost of replacing any improvements, all
applicable depreciation and obsolescence, unquote.

And then kind of continuing on and then if they
determine that the full taxable value --

(The court reporter interrupts)

MR. BOSMA: A person determining whether taxable
value seeks full cash value whether obsolescence is a factor.
In your packet we put numerous exhibits that really talk
about the declining overall values in downtown Reno and in
addition to the decrease or what the stabilized cash flow is
on the property.

And then lastly, in the appraisal of real estate,
14th edition, clearly states that external obsolescence and
entrepreneurial incentive are concerned even for the cost
approach of valuation.

As you know, the downtown corridor was devastated
in the 2008 recession and really what happened was a lack of
development in the area that followed.

If you could refer to SB-25 in the case file, it
has our evidence that shows that there was a 65 percent
decrease in taxable values for downtown special purpose
properties since the 2008-2009 roll year. And during the
same time, the value of the stadium has increased 6.86
percent. Baseball attendance has decreased annually, down a
total of 21 percent since inception. The ballpark and the
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surrounding redevelopment area were supposed to revitalize the downtown and increase property values. And as originally envisioned, this property was supposed to be a 365-day use facility really 24 hours a day.

None of the planned redevelopment has occurred and the declining downtown value show that the area has gotten worse since the opening of the stadium. The existence of external obsolescence is apparent in both news coverage of the stadium or a quick visit to the area. My office is less than two blocks away from there. I'm very familiar with it.

In addition to the fatal shooting that happened on the property itself, crime, drug use and a substantial homeless population hundreds of feet within the front gate refers to some of the pictures on SB-26 through 30.

Just to highlight some of the City Center neighborhood metrics. Real estate vacancy of 30.6 percent, which is higher than 94 percent of all of Reno. Residents have per capita incomes lower than 95.8 of all neighborhoods. 79.9 percent of children in the area live below the poverty line.

If the other values of other downtown special properties have declined drastically in years since 2010-11, when they -- the last time this board heard this case, the Aces stadium was no different. There appears to be unequalization as to downtown casinos being reduced based on CAPITOL REPORTERS (775) 882-5322
the income-producing ability, while the same analysis has not
been allowed for the Aces stadium.

To determine external obsolescence determined to
be applied to the replacement cost of this property, the
owners believe that an analysis of income is required. You
can refer to SB-22. That shows that '12 and '13 stabilized
EBITDA. In 2012 --

(The court reporter interrupts)

MR. BOSMA: 986,000. And in 2013 a
million-thirty-three-thousand. 2013 is important. That's
the year that they won the championship for AAA. And so even
in that year, which is the best year a AAA team could have,
stabilized EBITDA was a million bucks. '14 was down from
that back to about 900 grand.

Then operating income is not enough to pay for
cost of improvements, let alone service the debt on the
stadium. Provided in your evidence packet are the 2012-2011
audited financial statements, which is at SBE-181, and the
2013 interim financial statements, which is SBE-168.

And the last time this case was heard, this
board, Committee Member Johnson referred to an appraisal that
was done. The transcript of this hearing there was a request
for the financial statements and the request was if we had
financials we would really be able to better understand this
property. The taxpayer in this case has provided those
financials and we believe they should be looked at and considered. And the owners believe that it is a direct correlation to what the value is on this property.

This appraisal of real estate states the following paragraph regarding the income approach, that they should apply all approaches that are applicable for which there was data and the principal of substitution is fundamental to all three approaches of value and why we pay no more than the property cost of buying on property of equal utility there are a property with little or no utility will not be created and the value of the property would be low.

There's no statutory reason to limit the valuation of this property to the cost approach and we think an income approach is the right indicator. And the owners believe stringently that based on what they see is the potential from this property that's going down every year that the income approach is the right approach.

Furthermore, the settlement of instructions is in your packet at SBE-31 transfers ownership of the stadium from the redevelopment agency to the City of Reno and transfers the ownership and limits the use by the Aces to this property to 50 percent of the year. The other 50 percent of the year, the City of Reno has the ability to use and operate the stadium. I'd like to reserve the rest of my time for further comments.
CHAIRMAN WREN: Is this settlement and restructuring agreement, is that a consummated contract?

MR. BOSMA: It is not signed. What we were trying to do --

CHAIRMAN WREN: That would be a no then?

MR. BOSMA: That would be a no.

CHAIRMAN WREN: Okay.

MR. BOSMA: But if I may, the concern is that the Aces are giving the stadium to the City of Reno and the agreement was or has always been that at least half of the value of the stadium would then be exempt from taxation. And we've been trying to get a meeting together with all of the parties to say if they sign this agreement, you know, would that happen. They don't want to give the stadium away and not get the tax relief that they seek.

CHAIRMAN WREN: So it's kind of in fact exempt anyway? They have never paid taxes, have they?

MR. BOSMA: Not the matter before me right now. They're currently in discussions or I guess negotiations to settle the prior taxes. When this original deal was inked, and there's the chronology is in your package, when this original deal was inked, the idea was the special assessment district would get the increase in property taxes. That would relieve dollar for dollar the amount of tax on this stadium. So the intention was always that this would be a
tax exempt stadium. The operation of the math on that
because the downtown assessment district or the special
improvement district has been decimated, there's no relief on
the tax. So that is the bone of contention. The owners
believe that there was a bait and switch. They promise one
thing and then the City of Reno didn't deliver.

CHAIRMAN WREN: Any other questions? Keith.

MEMBER HARPER: And it's just because I'm not all
that familiar with it. Is the city using it at all this
other 50 percent, the other events besides the Reno Aces?

MR. BOSMA: They are. Even though the contract
is not executed, they're operating under that and now the
City of Reno is using it and doing events there.

MEMBER JOHNSON: Give us some idea throughout the
year of when the Aces are using it versus when the City of
Reno can use it. And what I'm curious of is it's clearly an
outdoor stadium and how is that used during the winter
months? How much use does it get during that time period?

MR. BOSMA: Well, up until this year it didn't
get any use because the Aces had the right to use it a
hundred percent of the time. The AAA season just concluded
at the end of August and so now the City of Reno is using it
for special events. There's also, I guess, there's other
parts of this venue. For example, in the winter, yeah,
you're not going to be out there 6:00 o'clock in the morning,
it's a little chilly in Reno at 6:00 o'clock in the morning in the middle of winter. But there are other uses that they can use it for, the seating and the venue, you know, during the day. I think that's the intention. They want to use this more often. It helps the food and beverage part of it. That's also ancillary to this district. They want more attraction down there. That's why they made that decision.

Will it be used every day? I don't know. But it's definitely available to be used every day.

CHAIRMAN WREN: Okay. Let's go to the county.

MS. BURKE: Cori Burke for the Washoe County Assessor's Office, B-u-r-k-e. In response to the restructuring agreement, if you'll refer to page 33 of your file. While the stadium does have the stadium for six months of the year for baseball season, if you look at the last sentence on page 33, lessor shall also enter into a management contract with a developer for the stadium covering the six months of each year not subject to the stadium lease pursuant to which the developer will manage and operate the stadium, pay all expenses related to and receive all revenue therefrom for one dollar.

So we believe the developer still has the use of the stadium for the entire year. They are -- They have some special events there right now. They did Blues and Brews in the summer. They did Slaughter House 2014 that they're doing.
this whole month. And then the downtown ice rink will be November through I think the month of January or February. We believe those are Aces events. They're advertised on Aces website, not the City of Reno website. So we believe they are doing some off-season events now in the contract. It's still not signed, which we didn't realize it wasn't signed. But that would give them the right to get revenue from those off-season events.

CHAIRMAN WREN: They have that right already?

MS. BURKE: Yes, they do.

CHAIRMAN WREN: All right.

MS. BURKE: And we believe they continue to have that right for this year.

We've used the cost approach. We believe this is a special use property. I did a lot of research after meeting with Mr. Bosma and we talked a lot about the income approach. And the appraisal methodology I can find, this property should be costed using replacement or reproduction costs.

He brings up downtown properties. Those are casinos which are sold on an income basis. Baseball stadiums or not sold on an income basis.

I put a presentation on your packets on pages 224 through 231 where Tim Walmouth, MAI, did a presentation on how to value stadiums. And he concludes that the cost
approach is the most appropriate method.

To address some of the other issues on the petitioner's brief, on page 267, the brief claims factors contributing to the loss and value include crime in the immediate vicinity of the ballpark. Pictures of homeless people and alleged drug use were submitted but no statistics were presented.

In response to the claims made, I received crime statistics from Steve Bigham, a certified crime analyst from Reno Police Department. The areas requested were beats 53 and 54, which includes both sides of the river between Virginia Street and Wells Avenue. A comparison was done between 2008, which is the year just before the stadium opened, and 2013, which was the last year of the carefully compiled statistics.

In 2008, Reno PD responded 3,356 times in the specified area. There were eight percent fewer calls in 2013 for a total of 3,076. Projections based on the first quarter of 2014 indicate numbers similar to 2013. Alcohol-related crimes decreased by 29 percent during the two years. Aggravated assaults decreased by 14 percent. There was no change in the number of commercial or residential burglaries. But vehicle burglaries decreased by 38 percent. While there was an increase in drug possession charges, there was a decrease in drug sales crimes and DUI dropped by half.

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Additionally, trespassing crimes were down by 15 percent and robberies were down by nearly 30 percent.

In response to them saying that further external obsolescence is found in the lack of development in the area, recent development in downtown Reno was examined. What our office found was that Whitney Peak Hotel opened May 17th along with a new restaurant and live music venue. The Virginian was purchased in December 2013 with plans to turn the casino and residences to retail uses on the bottom floor. The parcel land behind Park City Tower, which is less than half a block away from the subject property, is in contract with a local land valuer. The Depot next to Louis Basque Corner was purchased in October 2013. The land across from the Siena between State and Center Streets was assembled and purchased in late 2012 and early 2013 with plans to demo the single multi-family and redevelop the land.

The downtown post office rehabilitation is currently underway and retail tenants are being selected to occupy it.

Blake Smith purchased the US Bank building downtown for 5,980,000 in April of 2013. The building is currently undergoing a remodel.

Siri's Casino opened on Virginia Street last spring next to Whitney Peak. This property was the prior closed-down Prima Donna Club.

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The parcel land directly across Second Street from the subject property was recently purchased with plans to construct a small boutique, hotel. And groundbreaking is anticipated this year.

And finally, one of the owners of Reno Aces baseball purchased a lone vacant parcel on Lake Street for 1.95 million in May of this year.

Additionally, the appellant mentions a downturn in attendance since opening the stadium, yet on the appellant's own website advertising, the Aces Ballpark is AAA baseball's most popular venue with more tickets sold per capita than any other host city. According to minor league baseball's attendance numbers, 349,364 fans were in attendance in 2013. The Reno Aces' recent press release claimed the franchise recently concluded six seasons of pacific host league play and welcomed over 400,000 fans to Aces ballpark in 2014. That would indicate a 15 plus percent increase in attendance over last year, not to mention the new off-season events including Blues and Brews, Slaughter House and the downtown ice rink.

Lastly, the valuation of casinos in comparison to the baseball stadium is irrelevant. They are bought and sold based on their earnings. Therefore, the income approach is the most applicable approach to value those properties. The cost approach is the most appropriate method for valuing a
special use property such as the subject.

As page 230 states in New York Yankees versus the Tax Commission of the City of New York, income of a business operated on the premises is no evidence of the value of real estate. The proper method of evaluating a stadium is by the reproduction cost less depreciation.

In summary, the land for the subject property was valued in accordance with NRS 361.227. The improvement value was set by this board in 2012 and has been maintained since that time at a total taxable value of 25.6 million dollars, which is less than one-third the actual cost of constructing the stadium five years ago. It is recommended the taxable value be upheld. Are there any questions?

CHAIRMAN WREN: A couple quick ones there. Walk me through your depreciation schedule, please, your depreciation schedule.

MS. BURKE: It would be depreciated one and a half percent per year. We did apply obsolescence to get the improvement value down to what this board had recommended in 2012. So we used Marshall & Swift. The replacement cost for the stadium came in at $29,163,779. And then obsolescence was applied to maintain the value two years ago.

MEMBER MESERVY: That was going to be my question, Mr. Chairman, was what was that obsolescence amount. What was the percentage that you're using on that? CAPITOL REPORTERS (775) 882-5322
MS. BURKE: I did not use a percentage. We targeted the dollar amount that this board had set. We've been maintaining the value since 2012.

MEMBER MESERVY: So just kept it at 25 million?

MS. BURKE: I believe this board actually set it at 25,660,000. I rounded down to 25,600,000. We converted to a new system, so somehow there ended up being an extra four dollars on the end.

MEMBER MESERVY: They made the argument -- If I may, Mr. Chairman.

CHAIRMAN WREN: Right.

MEMBER MESERVY: They made the argument that downtown took a, you know, was depreciating, the value was quite a bit less. Is that part of that obsolescence? I mean, how do we reflect that? Is that true?

MS. BURKE: The downturn he's speaking of was the values in the casinos and that was based on their income. As you know, Reno gaming has taken a really hard hit since the downturn in the economy and Indian gaming. When this board reduced the value though, they did take the downturn in the economy in to effect. The actual reproduction cost, what they spent to build this stadium including the purchase of the land and the Freight House District, which that entertainment district is also valued on this parcel, it was in excess of 87 million dollars. And our current taxable
value is 25,600,000. So we're at about two-thirds of their actual costs from 2009. So in a sense, I would think that would take that downturn.

MEMBER MESERVY: If you had done the cost method on the casinos, would it be similar, different? I mean, what would you -- I'm just trying to get a feel if we did or didn't use the income approach.

MS. BURKE: I believe the cost would be significant because they do use the income approach there. They're seeing a lot of obsolescence on casinos.

MEMBER MESERVY: So it would be significantly more with the cost method?

MS. BURKE: The replacement cost would be significantly higher on the casinos using the cost approach than the income approach.

MEMBER MESERVY: Okay. Thank you.

CHAIRMAN WREN: So I think I understood your answer to be you did value it to the 25 million dollars predicated on the value this board had put on it several years ago now; correct?

MS. BURKE: Correct.

CHAIRMAN WREN: And that your obsolescence is predicated on that number. What independent research have you done in following the laws, if you will, for attacking depreciation from the assessor's standpoint?

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MS. BURKE: Obviously we applied the one and a half percent.

CHAIRMAN WREN: Well, I'm talking strictly the economic obsolescence.

MS. BURKE: The economic obsolescence. We actually looked at the income approach. We couldn't really make heads or tails of it. You can't separate out the team from the stadium to value the real estate. So then in the other research I did going to sources such as --

(The court reporter interrupts)

MS. BURKE: IAAO.

CHAIRMAN WREN: And that stands for?

MS. BURKE: International Association of Assessing Officers.

CHAIRMAN WREN: Thank you. It's an acronym.

MS. BURKE: We concluded that the cost approach is the most appropriate approach. Because we're required by law to use Marshall & Swift, we don't get anywhere near the cost approach of this stadium. So as I said, our values came in at 29 million.

CHAIRMAN WREN: Let me ask the question this way if I can. And I'm not badgering. I'm just trying to make sure that I get on the record what I need to get on the record in respect to this matter is that you value the cost approach. And I remember my comments last time this was
here, I agreed that special use purpose like the stadium cost
approach is the best approach. However, it has to be weighed
by the income approach or justified by looking at what's
actually happening in the market.

Your synopsis of what's happening in downtown
Reno makes it sound like a really great place. But only an
assessor could paint it that pretty because it's not that
good, okay. I think things are changing. I think we're
seeing some positive changes. But they're minimal, at best.
So you absolutely do have some economic obsolescence that
needs to be attributed to your cost approach. And what my
concern is from your testimony is that your cost approach
that you're utilizing is strictly just based on the number
this board came up with, which isn't a good answer, okay. So
the assessor really has to go in to the market and determine
not that we were right because we just threw a number out
there from this board. At that time, if I remember right,
there was only one appraiser on this board and I wouldn't go
on that recommendation myself personally.

So the assessor needs, you need to explain to us
really how you got to your obsolescence short of us giving
you a number and then that's what I need you to tell us how
you get to that number.

MEMBER MESERVY: They can't hear you on this
side. Is there a way that we can figure out how to get the
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volume up more?

CHAIRMAN WREN: Sorry. We'll call. It's very important what I said too. Would you like her to read it off the transcript?

MEMBER HARPER: No. But can you speak in to your microphone maybe?

CHAIRMAN WREN: I'll try. I apologize. It's usually not one of my problems. Is that better?

MEMBER HARPER: Yes.

CHAIRMAN WREN: Okay. Do you understand my question?

MS. BURKE: I do. And we did maintain the value and yes, it does paint a rosy picture of downtown Reno.

There are improvements to downtown Reno. They are trying to make it a better place. We have maintained the land values in downtown Reno. We've stabilized. It appears to be stabilizing and that's why we kept this value consistent since 2012. We're not seeing a continued downturn. We didn't go back up to what replacement cost says it did because it's not necessarily on an upturn yet. We hope some day that it is. So we did take that in to consideration, the overall market in downtown Reno. We are not lowering land values there.

On the income-producing properties, yes, there are some special cases where we're making adjustments. The CAPITOL REPORTERS (775) 882-5322
casinos are always an issue in downtown Reno. So we are making adjustments there. But for the most part, values are staying low on downtown Reno and have for the last two years. And so that's why we maintained your value and not our true replacement cost value. We don't think it's necessarily increased much, although according to what I told you, the attendance is up and they are now doing off-season events that they weren't doing in the past. So I think they're going to see an improvement too going forward.

CHAIRMAN WREN: Okay. And I think -- I really don't like the correlation between downtown, the casinos and the ballpark, because they're different animals. The casinos are a strictly different animal from the ballpark. The ballpark is on the outskirts of the casino core, if you will. You've only had one land sale which you refer to that a partner in the Aces ownership purchased, which is the only land sale in downtown at ten dollars a square foot. And that was a foreclosure sale; right?

MS. BURKE: Uh-huh.

CHAIRMAN WREN: So, you know, ten dollar sale in downtown Reno doesn't indicate that we're having an economic boom when five years ago you had a hundred dollars a square foot on downtown property.

But what I want to get back to is forget about the casinos, forget about everything else except economic
depreciation. Your economic obsolescence is based strictly on the number this board placed on the overall value a few years ago; is that correct?

MS. BURKE: Correct. And the stabilization of the commercial market.


MEMBER JOHNSON: I want to get some idea on the original cost. You mentioned 85 million dollars to build this. Where did you come up with that figure?

MS. BURKE: We came up with that figure from several different sources. The appellant approached Washoe County commissioners, which it's a matter of public record, and they asked for 500,000 a year for support. So I'm actually using their numbers, which I think are a little conservative compared to the Kaiser Marzden study and the other things that have been presented to the city counsel and to the public when they were building this stadium.

The actual cost that they submitted to the Washoe County commissioners, not including the team purchase, the land purchase was nine million dollars, construction cost of the stadium was 58 million, architectural, legal, stop and carrying costs were 10,500,000. And then the Freight House District, which is also included on this parcel, was another ten million, for a total of 87,500,000. And that was throughout 2009 and 2010 when they constructed.
MEMBER JOHNSON: Okay. And then on SBE-213, which is I think your summary of cost approach, you guys then go in and use Marshall & Swift which comes in with a total amount of 31 million replacement cost. And that's just due to Marshall & Swift differences there with trying to calculate it out using that approach versus actual. Is that a fair indication?

MS. BURKE: That's correct. And initially when we used Marshall & Swift, our cost came in quite a bit higher. And then in 2009, if you look at page 233, in 2009 we had a stipulation on how to use Marshall & Swift to cost this property, which was a combination of minor league and major league stadium costs and the appellant was in agreement to using that method at that time. So they agreed to the value in 2009. I believe it was also stipulated for 2010.

And then in 2011, Marshall & Swift cost went up significantly and this stadium, maybe part of the reason their costs went up, they have built some very high dollar stadiums recently. So the cost went up significantly and then that's what started the appeal process.

MEMBER JOHNSON: Thank you.

CHAIRMAN WREN: Keith.

MEMBER HARPER: You said that the Freight House District, the restaurants, are included in this obviously.

On SBE-212, I assume that those three, the two restaurants CAPITOL REPORTERS (775) 882-5322
and the cocktail lounge, that's that component when you walk in to the stadium over there to the left, I think.

MS. BURKE: That's correct.

MEMBER HARPER: Okay. Did you in the income approach that you attempted, did you do a separate allocation? I guess I'm just trying to get some idea of what you think that maybe that component is valued at from an income approach.

MS. BURKE: We did not. This -- This parcel is very convoluted. And partway through the year -- The accountant can probably answer this better. But partway through the year there was a problem with management so then the Aces took over the contract and managed, so everything was kind of lumped together but it was only part of the year. So it was very hard to separate out which was concessions and which was the restaurants and which part of the year it was run by different people. So it wasn't a real clear year to look at those different things. We could have done -- Our approach I believe last year they didn't have these restaurants open during the off season and I believe this year they do. So that was also a factor.

CHAIRMAN WREN: I'm going to ask the other side this too. Do you remember Reese Perkins with Johnson Perkins, who is the one who appraised it for the appellant, do you remember what that appraisal was, the number?
MS. BURKE: It was approximately 12 and a half millions dollars.

CHAIRMAN WREN: That's what I was thinking. Most of his -- his cost approach was not that far from yours, but his economic depreciation was considerably more; is that correct?

MS. BURKE: Yes. He did an income approach based on a hypothetical grant.

CHAIRMAN WREN: That's right. Okay. All right. Any other questions?

MEMBER MESERVY: On SBE-213, just because I'm not the appraiser, when you have RCN versus DRC, what would that -- I just need to understand these acronyms.

MS. BURKE: RCN is replacement cost new. DRC is depreciated replacement cost.

MEMBER MESERVY: That helps me out very much.

Thanks.

CHAIRMAN WREN: I knew that.

Okay. Go ahead. But let me ask you a question first. Why don't you have your appraiser here defending that value again?

MR. BOSMA: Great question because that would be new evidence. We thought that based on a prior, I guess, hearing that if we provided to the assessor the income numbers that they would take those numbers and use the market
approach. So by the -- You know, when that didn't happen, there was not sufficient time to get a full appraisal done between the time that that happened and when the county board of equalization heard the case. I mean, candidly, I was floored that, you know, because I represent about half the rooms in Reno on the casino side and we're very close to the assessor on all of these that they just did not take that into account. So to answer you, we didn't have that in time for the county so we couldn't submit it here.

CHAIRMAN WREN: Okay. So let me ask you this question because I kind of want to get down to the nuts of this thing. It's all about depreciation now. That's what both sides are arguing. And you put your pictures in here, which are fine. But what is your economic proof of the economic depreciation that should be attributed to this building, short of pictures?

MR. BOSMA: So we showed the decline in the overall special purpose properties, which are the business properties in downtown Reno that are the same venue. Now, Chairman Wren, you had mentioned that they are different than casinos. The owners believe that from a hospitality perspective they actually go hand in hand. When this development was initially staged that the thriving downtown the casino community creates a thriving Aces community and they really do work hand in hand. It's literally right
across the street or a block away from Harrah's. And that that -- building more infrastructure in that it's really all hospitality-based and it's just another venue to spend a hospitality dollar.

So in working with the Aces they were like, hey, and we've got on record in SBE-25, that shows this is the overall decline in the hotel casino hospitality market in this core broken down by property and it's the 65 percent decline in value since this property went up.

We think that -- And that is to answer your question what we're submitting as the overall economic obsolescence, that they mirror each other.

CHAIRMAN WREN: And who prepared this total taxable values? Is this just off the assessor's?

MR. BOSMA: Correct, that's off the assessor's website.

CHAIRMAN WREN: Okay. Go ahead.

MR. BOSMA: I guess first just for clarity, the last time that this case was heard, it was settled and I'm going to pull this over here because I want to read it because I think there's a disconnect on what the appellant actually settled on back in 11 -- 2010-2011. And this is on SBE-233 that says, and I quote, "Washoe County assessor has reviewed the cost associated with the improvement valuation for the above-referenced properties --

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(The court reporter interrupts)

MR. BOSMA: I apologize. "The Washoe County assessor has reviewed the cost associated with the improvement valuation for the above-referenced property and has determined that a combination of the Marshall & Swift categories for minor league and major league stadiums is a more appropriate cost basis for the valuation of the property. As a result, the Washoe County assessor proposes the revised valuation shown below for a proposed assessed valuation total of eight-million-135. And it comes to, you know, divide by 35 percent and you're at that 25 million dollar number, roughly.

So the appellant, Nevada Land, agreed that under the cost approach for Marshall & Swift, this is 25 million. They never stipulated to that's what the value was. They believed it was roughly half of that. But they said under the cost approach, if you costed this correctly, that it should be 25 million, not 87 million. It should be 25 million.

So I think it's just an important baseline to say they agreed that the cost approach should be 25 and the assessor signed off on that. Everybody was in agreement.

Unfortunately, since that point in time, attendance has gone down every year. You know, there seems to be a disconnect between reality and the public relations
professionals who are out trying to sell more tickets. So this year tickets are down a little. Not up. They're slightly flat. So maybe somebody got a little carried in rounding to get up to 400,000. But I think that's where you kind of have to go on the facts in the case. And the facts in this case, there's a lot of anticipated activity in downtown Reno, but nobody has spent any money yet. And as a result, because I've been on the other side of this, when that happens, then this property will benefit from all of that redevelopment hopefully and the value should be ratcheted then.

But for right now, as is, they've been trying to get this Marriott across the street to break ground for over a year now. It still hasn't broken ground. They're just hopes and promises and dreams. The reality is the Katzoff-Simon Group bought the parking lot across the street because everybody that is connected to Aces has a very proud opinion of what their land is worth and they can't afford to park over there. So they say if we can lock this up at a realistic value, then that's going to take a lot of pressure off of these leases that we're being gouged on.

It's a tough environment down there. And until those dollars go in, you know, I think it remains to be seen whether or not that's going to positively impact the park or not.

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These special venues, the whole concept of -- for example, the ice rink that Ms. Burke referenced, was that they took in partnership with the City of Reno, which is the right way to approach this, we're going to take this off of you is currently costing the City of Reno and we're going to put that ice rink on the front lawn to get more traffic there so that way they get more food and beverage revenue. If, you know, the Aces believe that's going to be a loss for them, they're going to lose money on that and they're taking that away from the City of Reno. But it's part and parcel to that partnership of the City of Reno. These other events, they don't make money.

So the agreement that they have with the City of Reno is the City of Reno doesn't want to be out of pocket but they want to partner and use these for public events. So that makes sense to me as a business guy. If the City of Reno can hit their bets, you can use the stadium and they are using the stadium. There's no profit.

MS. MOORE: One minute.

MR. BOSMA: Thank you. I'll speak quicker.

CHAIRMAN WREN: Please don't.

MR. BOSMA: So in conclusion, we think that the owners believe that the income approach is the right approach and that if you disregard the income approach and the income approach the owners believe the value is 12 million, that CAPITOL REPORTERS (775) 882-5322
which is a ten cap rate on the million dollars of stabilized cash flow.

Alternative to that, they believe the overall economic obsolescence using the cost approach gets them to the same number pretty close. So the owners believe the value of this entire complex is 12 million dollars. And we believe that we've presented the evidence to show that current taxable value exceeds full cash value by that.

CHAIRMAN WREN: Okay. Thank you. And I didn't get a chance to ask the assessors. I want to ask both of you at the same time. One of her comments was that they got the income approach from you, you couldn't make heads or tails of it. Did they contact you for clarification --

MR. BOSMA: No, they didn't.

CHAIRMAN WREN: -- explanation?

MR. BOSMA: Sorry. No, they did not. And that's where these financial statements are audited. It's not like some people I have to deal with that have a backwards bookkeeper doing it. These are audited financial statements and they're very transparent. There is a couple different entities that he put together because the food and beverages run different than the Aces. But we did that and would be more than happy to share any complete transparency on any or all of the operations.

There was a little change in the management on CAPITOL REPORTERS (775) 882-5322
the food and beverage. But that's because they weren't
producing the profits that they thought they needed to so
they brought that in-house. But that remains to be seen too.
The profits are flat this year.

CHAIRMAN WREN: Are they year round now, food and
beverage?

MR. BOSMA: There is Arroyo on the first floor is
year round.

CHAIRMAN WREN: Okay. So the upstairs is all
closed?

MR. BOSMA: Correct. It's on a special as needed
as available.

CHAIRMAN WREN: Okay. All right. Questions?

Keith.

MEMBER HARPER: I'm having a hard time -- I'm
looking at SBE-198. I think it's the next to last page of
the financials and it's for year end 2012. The different
groups, SK Baseball, Nevada Land, et cetera, I'm having a
hard time coming up -- where is this million dollars net
operating income coming from? Because when I look at all
those numbers, net income before depreciation, amortization
interest and other, I net all of that out, I come out with
like a million-five or so, a million-six. And I realize this
is 2012, but --

MR. BOSMA: I can get that if you give me a
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second.

MEMBER HARPER: And I guess my question is, was there that much of a drop between 2012 and 2013 from a million-six roughly to a million?

MR. BOSMA: We had 2012 EBITDA at 986,000, so that's where I'm trying to find out where the million-five is coming from. On which --

(The court reporter interrupts)

MR. BOSMA: EBITDA, earnings before interest, taxes, depreciation and amortization. SBE-22 is the EBITDA calculations that pull those numbers over.

MEMBER HARPER: So those numbers are off the audited financials?

MR. BOSMA: Financials, correct.

MEMBER HARPER: Okay.

CHAIRMAN WREN: So have you been -- have you been getting the funding from the city and the county?

MR. BOSMA: The county, yes. They renegotiated the city funding and that is now starting to happen.

CHAIRMAN WREN: Okay.

MEMBER HARPER: I'm sorry. I have one other question. I saw somewhere in the record that I think you or the owner claimed that the construction cost was around 67, 68 million. I assume that was just the hard cost before the other soft cost and things?
MR. BOSMA: Correct. And that's where I'm not sure, I wasn't privy to the conversation that was at the county commission. I went off of the audited financial statements to arrive at that number.

I will tell you having been very connected with it, what it cost to build things in 2008 versus what they cost to build now, you know, that those are just different and people had different opinions on what things were worth in 2008 and what they were worth to build and construct and costs are significantly less now. I mean, that's based on my own experience.

MEMBER JOHNSON: On your financials on page 22, there's interest expenses for both years, 2013 it's two million, 2012 it's 2.9 million. And I'm curious what that interest expense is for.

MR. BOSMA: They have a significant amount of debt that they pulled down to build the stadium. The financing agreement that were supposed to happen with the city, the county performed on their part of it. The city defaulted on theirs. You know, they still have to debt service the loan.

And that's -- Just to be clear, originally the City of Reno promised to pay a million dollars for debt service on this thing. And then they did not have the wherewithal to do that special assessment. It was estimated
so there wasn't any money to pay. So they ended up
negotiating a lower amount for the City of Reno part of this
equation because of a hardship. And that's where they're
kind of getting pushed on both sides. City of Reno pays half
but they're still being taxed at full.

MEMBER MARTIN: Wasn't that renegotiated? The
debt with the city, wasn't that renegotiated? The original
terms, if I read this correctly, was 08-09. This is '14.
Isn't that renegotiated?

MR. BOSMA: It was renegotiated. But originally
the City of Reno guaranteed a million dollars a year.

MEMBER MARTIN: I know. But that was
renegotiated along with an additional funding for this park
from the City of Reno, if I've read this correctly. Then you
ask or whomever asks for additional monies.

MR. BOSMA: That's not my understanding. My
understanding is they stepped away from what they were
entitled and negotiated a lower amount. But I can pull that
up.

MEMBER MARTIN: 232. I could have read that
wrong.

MR. BOSMA: Yeah. Originally they were expecting
two and a half million dollars a year with a one million
dollar minimum and they kept the stadium. Yeah, so I don't
believe that this was in addition. It was that replaced the
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original guarantee.

CHAIRMAN WREN: Any other questions? Does that answer your question? Ben.

MEMBER JOHNSON: I am curious, you mentioned construction cost down significantly since 2008 and I'm curious what your basis is for that. Because I've seen cost for raw materials are up over the last six years, margins for contractors are down, the overall construction costs may be down a little bit, may up a little bit depending on the project. I want you to comment on that for your basis for thinking it's less today.

MR. BOSMA: So as you're very familiar with that, this project kind of had some stops and starts and change orders. And so as projects go, if they would have had, you know, a clear path to what this thing was going to look like when it was done, they would have been able to complete it significantly less rather than go through the change order process that they went through.

Also, the feedback that I've gotten from the Aces is that they were new to the area and didn't get, you know, some of the more favorable pricing that other projects have received. You know, when they're looking at expanding now, if things turn around, they're looking at it costing less per square foot, significantly less per square foot than it cost to build the original stadium.

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MEMBER JOHNSON: That answers my question. Thank you.

CHAIRMAN WREN: Okay. I want to give you the last word but I want to ask another question. When you indicated that you couldn't make heads or tails of their financial statements, did you go back to them for clarification?

MS. BURKE: Yes, I did. I spoke with Jack Bice from their office on numerous occasions and we went over the information, which is how I found out about the management contracts with the concessions and that kind of thing. And that's when I did some review to see if an income approach would be applicable for this property. I still don't believe it is. And the biggest problem I think with an income approach on this property is what would be the cap. Because operating stadiums don't sell. So you can't look to the market to try and cap the income on a property like this. And that was the biggest hurdle I came across, so looking at generally accepted appraisal methods. We just kept coming back to the cost approach, so that's where we put our reliance.

CHAIRMAN WREN: Okay. So from the assessor's point of view, when you do that, if you've got a special use property like the stadium that the cost approach is typically the best indicator to value, but that improvement is located...
in an area that has seen economic decline, how do you measure that economic decline?

MS. BURKE: That's a tough one. So we looked at things that the appellant brought up like the crime statistics and found that, well, it's still a crime-ridden area. They actually are doing a better job fighting crime in that area and trying to clean it up.

CHAIRMAN WREN: Not as many people killing, in other words.

MS. BURKE: Correct. Not as many drug-related or I went through several different examples of the crimes that have decreased in the area. We looked at the development and that kind of thing. We did look at the land sales. There was, as you said, the one land sale. I believe it was 13.40 a square foot is what the foreclosure sale ended up coming in at. And the money some of these developers are putting in, while downtown is separate, it's along that corridor and it's bringing people down.

I agree with you the casinos and the stadium cannot be compared, so we couldn't look to that for economic obsolescence.

So going back to the replacement cost, we used Marshall & Swift, which is in no way representative of the actual replacement cost to this stadium, which would be the true market value if they were building it today. We would
look at the actual replacement cost. Because it was coming in at a third of the cost. Then we looked at obsolescence.
I don't believe Marshall & Swift necessarily overstates the cost of these in comparison to market if you're going to build a brand new stadium. However, because of the downturn, we recognize that the value probably hadn't increased so we kept the value level with the sports decision. We didn't feel more economic obsolescence. We had no proof that it should have been any lower than what it was.

CHAIRMAN WREN: Okay. All right. Thank you.

Last minute.

MR. BOSMA: Thank you, Mr. Chairman. As we've stated that back in 2010-2011 we agreed to the costs under Marshall & Swift, that's when at the beginning of the season everybody is very optimistic. Under -- Things have gotten progressively worse, particularly attendance. And cash flow, you know, managing very diligently and we believe well. And that the owners believe that they should be relied on, the cash flow numbers are presented, should be looked at to determine the value on this.

And the reality is from in my dealings with the assessor, once they decided they're not going to use the income approach, they stopped trying to understand it. And it's pretty clear, at least to me, that I'm an accountant.

So I'm fully open to have complete transparencies to walk
them through any numbers they want.

Also, right now it's not economically feasible, nobody in their right mind would build that stadium in Reno right now. It's the smallest AAA market in all of AAA baseball. Somebody could try and spin that to highest per capita attendance. The reality is, the City of Reno given it's current economic status doesn't support a AAA stadium and the owners believe that the value reduction is warranted to the 12 million dollar numbers that they're requesting.

Thank you.

CHAIRMAN WREN: Thank you. Okay. I'm going to close the case.

MEMBER JOHNSON: Can I ask a question really quick, because I think it might help us?

CHAIRMAN WREN: Oh, sure.

MEMBER JOHNSON: On page 22 you present your EBITDA calculations and I'm having a hard time understanding them. So if you could walk me through them quickly, maybe go line item by line item there and explain where you're getting the number.

MR. BOSMA: Sure. So SBE-22 started, let's go through '13, the most recent and again indicative of pretty close to '14 for the way it finished. So if you look at the audited financial statements, they show a loss of 5.5 million dollars. There's other entities that are not part of SK
Baseball that are also included in cash flow. So you've got a couple layers to it. One of those is the Freight House District. And so that $225,000 of loss is what the Freight House District, the food and beverage part of that loss for the year that the same ownership, SK Baseball, so you would add that to the overall activity. Same with Arroyo. It's just a separate entity. So that way if you were to look at what this entity lost for the year, just bottom line lost, 5.5 million, plus 225, plus 106. Okay.

And then you add back the add-backs, which is two million dollars of interest, three million dollars of depreciation, a million for amortization, which some of the disconnect is how much they paid for the stadium. Not -- How much they paid for the team itself and they're amortizing that over 15 years, so that's an amortization expense.

Then you've got $400,000 of non-operating expense that's an add-back. And then a subtract. And then interest income of 50,000 back off comes to the EBITDA of a million-033.

MEMBER JOHNSON: So typically what we see is that -- I'm just making sure I'm looking at it right. You're taking the very bottom line number and working your way up. Rather than starting at the top less expenses to get to EBITDA, you're starting down here with the number and backing out the numbers you need to in order to get to an EBITDA?
MR. BOSMA: Correct. So that's where if I present the audited financial statement is at $5,585,000 loss, there's an audited financial statement in the exhibit that says that's exactly what that is. Revenue expense, it's all in there. Same with Freight House District and same with Arroyo.

MEMBER JOHNSON: And what is Arroyo?

MR. BOSMA: That's the Mexican restaurant on the first floor. They're just owned in separate entities. And in separate entities they have separate profit and loss and balance sheets. You've got three entities, you put them together and you've got the picture for what this property is earning or losing.

MEMBER HARPER: So the Arroyo and the Freight House District, they're not leases to Bill Jones restaurant operator out there?

MR. BOSMA: Correct.

MEMBER HARPER: Some entity involved in the ownership of the stadium operates those?

MR. BOSMA: That's correct.

CHAIRMAN WREN: So out of curiosity, on your total expenses on your losses, your five million dollars, does that include the expenses of the taxes on this property?

MR. BOSMA: I'm not sure. I can look real quick.

CHAIRMAN WREN: Let's go off the record and look.
real quick. Let's go off the record for a minute.

(Discussion was held off the record)

MR. BOSMA: I'm not a hundred percent certain, so I'm going to say under generally-accepted accounting principles that that accrual would be in -- it would be accrued and it's not disclosed in the footnotes that it's a contingent or contested liability. So I'm going to say I'm fairly certain that property taxes are included as a deduction to come up with this EBITDA.

CHAIRMAN WREN: Okay. Which I would assume they would, which goes to the rest of my question. You're showing that as expenses that have been paid that in fact haven't been paid. So what other expenses are in there are they showing as expenses that weren't actually paid?

MR. BOSMA: As of right -- Well, as of the date of the financial statements and now, there's -- you look at the accounts payable and the accrued expenses, you know, this is the only thing that they're having, they're not late or not paying other vendors or other things. They're current on everything. They're contesting their property taxes but everything else is current and paid.

CHAIRMAN WREN: Okay. All right. I'm going to close the case then. We'll take it under advisement and have a decision. Let me start off by this comment. One of my concerns -- Well, my biggest concern here having heard this.
case a couple times now is that the 25 million dollars that
we're at now, that number is predicated on what this board
came up with a value a few years ago. And as I mentioned
earlier when we came up with that number, it was, if you
will, a dart board predicated on the information that we had
at the time. We had an appraisal from Reese Perkins, but I
don't remember the appraisal exactly but I do remember my
disagreement with Reese's appraisal is how he came up with
his income because it was hypothetical. He indicated and I
remember that. But I didn't totally disagree with his
economic obsolescence, but I couldn't put the two together.
But that was part of our thought process at the time is that
the county was too high but Reese's appraisal at 12 million
was way too low. So we didn't necessarily go in the middle.
At that time, we know the numbers as best we could and I
don't remember exactly what those were.

But my concern today is that the assessor's
office is still using that obsolescence number instead of
actually researching the market, which the law requires them
to do, to do new cost new less depreciation plus economic
obsolescence and that economic obsolescence should be
predicated on something other than the number that this board
came up with.

As far as whether or not they should use the cost
approach or income approach, it's a special use property.
They should use the cost approach but it should be checked with the income approach. It doesn't take a rocket scientist. Even an accountant can understand that the downtown -- I have to pick on Dennis -- that the downtown area is not an economic boom. I believe the conversations were would they build the stadium today. Well, the question is should they have built the stadium when they built it. But it's there and it needs to be taxed. It needs to be taxed appropriately. And I'm not happy -- I'm personally not happy with the answers from either side as to what that number is. It's not that hard to come up with a cost. 87 million or whatever it is to build the stadium could be the right number. I don't know. As far as I'm concerned what we don't have is a good handle on what the true depreciation should be. So that's my two bits worth so far.

Keith.

MEMBER HARPER: Well, I totally agree with that. But the problem I'm having, and I spent some time in these financials, I just can't recreate this million dollars that the property owner is using as their basis for their opinion of value of 12 million dollars roughly. And I know you've got these four or five different entities and I can appreciate it and I realize accountants live in a different world than appraisers, but just trying to keep it in my simple world of revenue less expenses, I just -- I couldn't
get there.

And the other thing that I think somewhat gives me some issues is, I mean, on their own financial statements they're carrying the property at roughly 30 million dollars. And I realize again it's for accounting purposes and -- But that being said, if it did cost 67 million, 85 million, down to 25 million is, yeah, 70 percent economic obsolescence. I just don't know how much more there could be.

So that's my two cents worth.

MEMBER MESERVEY: What page again is the 30 million? We need to know the balance sheet page. Was it two-something?

MR. BOSMA: SBE-185.

MEMBER HARPER: Actually I got it off 190, SBE-190, land buildings.

MR. BOSMA: That one works too. That's 13.

MEMBER HARPER: Oh, I'm sorry.

CHAIRMAN WREN: Okay. Thank you, Keith.

Anything else?

Mr. Johnson.

MEMBER JOHNSON: I'm with you guys here. What I keep thinking back to is this is not all that dissimilar than a couple of months ago when we were in Las Vegas dealing with Las Vegas Motor Speedway. And I'm thinking back to the way in which we got evidence. They went out and hired a
competent appraiser and he tested for economic obsolescence, did the standard test for it. And I felt comfortable. I felt like they were proving up on what would the income approach be, what would a cap rate be, what would the economic obsolescence be. And here I don't feel like we have that. The income number is right, but what should the cap rate be? Should it be ten? Should it be eight? Should be it three? Should it be 20? I don't know. And that bothers me. I just don't feel like we have the information in front of us that we need to come up with any number, any other number.

I think that the burden should be on the taxpayer to disprove the assessor. And I don't have enough or I don't feel I have a solid understanding of the income or what the appropriate cap rate would be to get to a value otherwise. So that's where I'm at.

CHAIRMAN WREN: Anything else, Ben?

MEMBER JOHNSON: No.

CHAIRMAN WREN: Thank you.

Ms. Martin.

MEMBER MARTIN: I have a question that may or may not be relevant. It's relevant in my thinking.

CHAIRMAN WREN: Are you asking us?

MEMBER MARTIN: The owners of --

CHAIRMAN WREN: Are you asking us questions?
Don't ask them questions, please.

MEMBER MARTIN: Who are the -- I didn't see it in the record. Let me ask you. I'm sorry. Who are the owners besides the taxpayers of Washoe County, City of Reno?

CHAIRMAN WREN: Who are the owners?

MEMBER MARTIN: Uh-huh.

CHAIRMAN WREN: Of the stadium?

MEMBER MARTIN: Uh-huh.

CHAIRMAN WREN: Oh, you mean the actual people's names. I don't know, but I'll allow that question.

MEMBER MARTIN: And what other cities do they operate? That was the other. It was a two-prong.

MR. BOSMA: Okay. The primary drivers -- driver behind SK Baseball is Herb Simon. And he also owns Meadowood Mall here. One of his entities does. The other person is Jerry Katzoff. Their other holdings I'm not familiar with. I note that they're mostly what I know is on the east cost. I know Jerry is from New Jersey.

CHAIRMAN WREN: Okay. Any other comments?

Ms. Martin?

MEMBER MARTIN: No. Thank you. Sorry.

CHAIRMAN WREN: Dennis.

MEMBER MESERY: My biggest concern here is I think it's -- and I think you already mentioned the obsolescence, economic obsolescence. And, you know, right
now if they use what we determined years ago, it's like 14.3 percent is what they added. When I'm seeing what happened with the casinos is 60 but we're saying don't use them, but I'm thinking somewhere between like 25 and 50 based on just what I've heard and seen or I've understood here. And then when you take in to consideration, which I understand these numbers a little more, but I think that we should look at those indicators on the income approach. I'm not sure I'd go with the income approach, but I also think that that helps me understand that there definitely is some economic obsolescence that we should be encountering. I'm thinking it could be 50 percent. If it was 50 percent then it would be 14-mission-581, 89 or something like that.

When I see what's going on in those areas, I can't imagine that it's only 14.3 percent economic obsolescence. So that's where I'm going. There's something wrong with that. So it's got to be a lower number in my opinion. I'm not an appraiser though.

MEMBER JOHNSON: My only response to that would be I'm worried that the county when they came up with the 30 million dollar replacement cost knew that they were already trying to give the benefit of the doubt to the property owner there and that they may not have classified stuff to the level it was at. It may have gone to lower classification levels because we have the original construction cost at CAPITOL REPORTERS (775) 882-5322
87,500,000. And that's a real number. We've got testimony that that number could have been artificially high a little bit because the developers were new to the area, they got taken advantage of. But it's not 30 million. It's something probably a lot closer to that 87-five. And when you take 87-five, you take 87-five to 25 million, that's already 70 percent and that's a true reflection of the economic obsolescence and that's very similar to what the casinos have then brought down in the area. I think the average was 65 or 66 percent on the table that was presented by the petitioner.

CHAIRMAN WREN: You know, Ben, I got to tell you, I got a whole lot more gray hair than you do. I actually have more hair than you do.

MEMBER JOHNSON: Yeah, I don't have any hair. I was asking my wife last night if I should cut my hair and she said, you don't have any hair left.

CHAIRMAN WREN: Exactly. Don't cut it.

I'm familiar with some of these entities, with these developers as many of the developers around the country of this magnitude and nobody took advantage of them. It didn't happen. It still gets to the point that, you know, I don't know which numbers are right. You know, the fact that the assessors are relying on what we said just wasn't a good answer. It is not a good answer. But I'm not sure that there's a better answer.
then I think Keith hit it on the head that if they're carrying these on their books at 30 million dollars, then 30 million dollars is the right number. Not 12.

MEMBER MESERVY: I can tell you from an accountant's standpoint, that's historical cost, a method -- it's a method that has nothing to do with fair market value. I can tell you right now. I've done a lot of this and it has nothing to do with those values. So taking that number off the balance sheet would be a wrong decision in my opinion.

MEMBER JOHNSON: Isn't there an impairment test though that you're supposed to take in to account so if you know the assets were significantly less you're supposed to take an impairment charge?

MEMBER MESERVY: You don't do that on -- It depends on what you're trying to value. But generally speaking, that's not the case.

MEMBER JOHNSON: That's not? Okay.

CHAIRMAN WREN: You know, we always have a situation or we have the ability to order in additional information to help us make a decision, which I've been talking to counsel about a little bit. And I'm not sure exactly -- I'm not sure the information is out there. I guess in a perfect world if we had the ability to do this I would say both sides go out and hire an appraiser expert in valuing ballparks nationally with a national reputation.
stipulate to that individual and that appraisal and live with that number. That would be probably the best way to handle this. I'm not sure we have the ability to do that.

But along those lines of thinking what information can we order in if in your minds that would give us the right number. You know, I don't think -- At the end of the day if you read all the transcripts and all the information as far as what the cost of this is, Marshall & Swift is the number you've got to start with. That's what the assessor has to start with. The one and a half percent depreciation is by law what the assessor has to deal with by statute, and I don't have any problem with any of that.

The question is what is the -- how do we get to the true depreciated amount? What is that depreciation and what can we order in to give us instead of us just coming up with a number again to give us an answer that really we can hang our hat on.

MEMBER MESERVY: That goes back again to this DRC, depreciated replacement cost. Tell me again, isn't that what the Marshall & Swift depreciation is off the original? I need to understand.

CHAIRMAN WREN: What page are you on?

MEMBER MESERVY: Oh, what was it? 233 or something like that. 212.

MEMBER HARPER: 213.

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MEMBER MESERVY: 213. Where it says 29,163,779
and then they took this obsolescence of
seven-million-nine-something to come to this 25 million. And
what I'm saying is I thought that was the Marshall & Swift is
the 29,163,779; is that correct? That's my understanding.

MEMBER JOHNSON: My understanding is the 31
million dollars is Marshall & Swift and then statutory
depreciation of a percent and a half gets to the DRC number
of 29-163.

MEMBER MESERVY: Exactly. And that's what I'm
trying to say. So that doesn't -- the 29 million doesn't
count. I think we can all say that's a number that we should
be able to agree on, but as far as before the economic
obsolescence. And if so, to me it still goes back to what is
the economic obsolescence. And that's a wide area. And I'm
seeing things like on 22, was it, where they're showing what
was going on downtown with other -- again, it's casinos but
it's still to me means that when they're all in the sixties
and seventies and eighties and we're saying this is an
increase of six percent or whatever it showed, to me it shows
that we're not even close to reality when it comes to the
economic obsolescence. So anyhow, that's all I'm saying.
This doesn't make sense.

CHAIRMAN WREN: Well, our decision still has to
be predicated on the testimony that's been given. Did the
taxpayer prove their burden for their value? Did they prove their value of 12 million? And did the assessor prove their value of the 25 million?

MEMBER MESERVY: And what I'm saying is it's a lot closer to the 12 based on what I'm saying. But I'm coming off 14-five, but that's just, you know, what I'm thinking. Nobody here seems to agree. I don't see the numbers even close to the 25 is the reason. But that's just what I'm seeing.

CHAIRMAN WREN: Okay. Well, we have one of two choices. I'd entertain a motion. If there's not a motion, then everything will die of lack of a motion and stay as is.

MEMBER HARPER: I'll make a motion. I move to uphold the assessor's taxable value in Case Number 14-139 of 25,600,000 based on the information provided on SBE-211 to 218. And I guess my comment would be is I really, I attempted and I just cannot recreate this million dollars NOI or EBITDA that the taxpayer has presented and I feel like the assessor's office is reflecting economic obsolescence significantly enough off of the original total construction cost. So that would be my motion.

MEMBER JOHNSON: I will second that.

CHAIRMAN WREN: Discussion?

MEMBER JOHNSON: The one thing I want to add is I do feel like the burden is on the petitioner to disprove the
assessor. I don't necessarily agree with some of the things the assessor did. As I sit here, I have no clear justification for a value other than what the assessor did. There's so many different things moving around here and nothing clearly was proved up and there's so many loose ends that I don't feel the petitioner carried their burden.

CHAIRMAN WREN: So basically what you're saying is if the petitioner comes before us again they might want to bring a professional valuation?

MEMBER JOHNSON: Yes.

CHAIRMAN WREN: Okay. Further discussion?

Seeing none, all of in favor say aye.

MEMBER MARTIN: Aye.
MEMBER JOHNSON: Aye.
MEMBER HARPER: Aye.
CHAIRMAN WREN: Aye. Opposed?
MEMBER MESERVY: Nay.
CHAIRMAN WREN: Motion carries. Thank you very much. Thank you for your time. Let's take a ten minute break.

(Recess was taken)

CHAIRMAN WREN; Terry, if you could call the next case, please.

MS. RUBALD: Yes, Mr. Chairman. What I'd like to do is the Department of Taxation has two cases that are, both
stipulations and the first one I would like to call is 14-119, it's mining property and it has to do with the property of US Geothermal Incorporated. And if I could direct your attention to page 573 of the record for that particular case, you will see there that the stipulated revised taxable value is, after exemption is $29,986,859. And the parties have stipulated to that amount and would request your approval of that stipulation.

CHAIRMAN WREN: Okay. Any questions? Or I would entertain a motion to accept the stipulation as interpreted.

MEMBER MESERVY: On 14-119, so moved.

MEMBER MARTIN: Second.

CHAIRMAN WREN: Discussion?

MEMBER JOHNSON: My only comment is thank you for getting together with the parties and being willing to work with them. I really appreciate that. And thank you to the party as well, even though they're not here.

CHAIRMAN WREN: Further discussion? Seeing none, all in favor say aye.

(The vote was unanimously in favor of the motion)

CHAIRMAN WREN: Opposed? The motion carries unanimously.

MS. RUBALD: Mr. Chairman, I'd like to call the next one out of order. It comes from section J, direct appeals of net proceeds of minerals certification pursuant to CAPITOL REPORTERS (775) 882-5322
NRS 362.135 for the 2013-13 unsecured roll. The case number is 14-386. The company is Veris Gold USA, Incorporated. And the department is the respondent.

In that case also we have come to a stipulated agreement which you can see at page eight of the record. And the net proceeds original certification was 7,311,052. And we are stipulating to a zero certification.

CHAIRMAN WREN: Do you have any comments?

MS. RIGBY: Yes. My name is Sharon Rigby, R-i-g-b-y. I'm the taxpayer's representative for Veris Gold. And I just wanted to thank the department for looking at our evidence and considering it and agreeing to the stipulation.

CHAIRMAN WREN: Okay. Thank you very much.

MS. RUBALD: Mr. Chairman, I should note for the record that this stipulated agreement will still be subject to audit later on down the road.

CHAIRMAN WREN: Okay. Motion.

MEMBER JOHNSON: On Case 14-386, I make a motion that we accept the stipulated agreement.

MEMBER MARTIN: Second.

CHAIRMAN WREN: Discussion?

MEMBER MESERVY: Is that going to be subject to the audit still? Is that what we're saying?

MEMBER MARTIN: Yes.

CHAIRMAN WREN: All those in favor say aye.
(The vote was unanimously in favor of the motion)

CHAIRMAN WREN: Opposed? Motion carries unanimously.

Next case, please.

MS. RUBALD: Mr. Chairman, going back to the regular order of the agenda, going back to Section E, hearings on cases remanded from the court. And the first one there is a remand from the district court, Department Number 31, Case Number A633811, Clark County Nevada and the Clark County Assessor versus the State Board of Equalization, Sun City Summerlin Community Association, Richard Post and Masako Post, setting aside the state board's previous decision and remanding for further proceedings consistent with the Nevada Supreme Court's order of reversal and remand, Case Number 60776 dated March 25th 2014.

CHAIRMAN WREN: Okay. Thank you. First of all, Dawn.

MS. BUONCRISTIANI: As Terry stated, these are on remand from the district court and the Supreme Court. The district court stipulation and order states, whereas the Supreme Court on March 25th 2014 filed its order of reversal and remand reversing the district court's order denying petition for judicial review and remanding for further proceedings and whereas the parties agree the proper course of action is to grant the petition for judicial review by

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setting aside the previous decision of the State Board of Equalization and remanding to the SBE for further proceedings consistent with the Nevada Supreme Court's order of reversal and remand.

Now therefore it's stipulated and agreed the district court hereby entered its order granting the petition for judicial review in that the SBE's previous decision on review and is hereby set aside and the matter is remanded for further proceedings consistent with the attached Supreme Court order and the order -- It is further stipulated and agreed the order the status check set for the 29th was vacated.

And the Supreme Court order states that in determining the full cash value, the state board focused on the marketable value of the improvements given the restrictions on the land and did not discuss the other approaches to valuation. Finding there was no marketable value, it is assigned a nominal value without considering whether the replacement cost given depreciation and obsolescence of the improvement still had value.

In doing so, it failed to recognize that the improvements may still have significant taxable value, even if the land does not. And also failed to give due consideration to the statutes and regulations, methods of finding taxable value.
The state board clearly erred by ignoring the other workable valuation methods and instead simply assigning a nominal value to the improvement based on the presence of restrictions on the land. While the improvements may or may not be worth the 19.5 million dollars the assessor assigned under the statute and regulations, neither are they reduced to a nominal value solely by the presence of restrictions on the land.

Therefore, we order the judgment of the district court reversed and remand this matter to the district court for further proceedings, which the district court has done.

CHAIRMAN WREN: In other words, the Supreme Court agreed with Chairman Wren in that case, I might point out.

Okay. So identify yourselves please.

MR. SUSA: Jim Susa representing Sun City Summerlin and Mr. and Mrs. Post.

CHAIRMAN WREN: Hold on one second. Did you actually call 10 377 or just the remand?

MS. RUBALD: I just called the remand. Would you like me to call the group one?

CHAIRMAN WREN: Yeah. Because we really don't need to do anything with the remand until we get in to the cases. And do we need to -- I'm sorry. Do we need to consolidate some of these cases?

MS. RUBALD: Well, we have different
representatives for the different groups.

CHAIRMAN WREN: Is it all the same question? So if we make a decision on the first one, we're going to carry it through different years?

MR. JOHNSON: Mr. Chairman, it's different years.

(The court reporter interrupts)

MR. JOHNSON: Paul Johnson representing the assessor's office. The difference is in the evidence. In the first year there was evidence given and in the subsequent years they brought in the appraisal. There was no appraisal in the first year. And also in the first year, of course, you've had a full year and made a decision. And in the second year, you admitted all the evidence but didn't make a decision. And then in the third year, there was no evidence presented. You just were holding everything even before you got to the evidence. So the question is -- I think that it really ought to be handled separately.


MEMBER JOHNSON: Mr. Chairman, if we can, I would just hate to make a decision in the first one if we learn something subsequently that changed our opinion. So would we have the ability to go back if we felt it was appropriate and revise an earlier decision we learned something from a subsequent petitioner that alters our opinion?

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MS. BUONCRISTIANI: Each year in tax is taken on its own and so you heard each of these years independently. My legal advice is to take them individually and see what happens year by year and see where you are and then listen to the parties to see what their opinion is. But you have in front of you just the information for the year '10, which is the remand itself and it was remanded. So I would hear that because that's what the Supreme Court order is addressing.

MEMBER JOHNSON: Thank you.

MR. SUSA: Mr. Chairman, the case that's been called is 10-377.

CHAIRMAN WREN: Hasn't --

MR. SUSA: Is 10-379, they're going to be called together? They're both the same.

MS. RUBALD: Yes.

MR. SUSA: Okay.

CHAIRMAN WREN: Terry, call the cases.

MS. RUBALD: Mr. Chairman, from Section F, Group 1, Case 10-377, Richard and Masako Post. It's residential property. The Clark County assessor is the respondent. Along with that is Case Number 10-379, Sun City Summerlin. It's residential property. Again, the Clark County assessor is the respondent.

CHAIRMAN WREN: Okay. Let's go off the record for just a second.

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(Discussion was held off the record)

CHAIRMAN WREN: Okay. Thank you. We're back on the record. We have previously heard this case and we re-reviewed it, so we don't need to hear the entire case again. It basically boils down to the assessor had a value on those improvements, the petitioner said it had no value.

So what I'd like you to do if you could is kind of recap your arguments and your positions without hearing the whole case if that's fair. Okay. So go ahead and identify the properties, please.

And when you briefly give us the information, refer to the record where information is to support either of your sides if you would, just for the record. Jeff.

MR. PAYSON: Yes, Mr. Chair. Jeff Payson for the Clark County Assessor's Office. What we have --

CHAIRMAN WREN: This one should work.

MR. PAYSON: What we have here in this particular case is five community common element parcels in Sun City Summerlin. They're identified as Parcel Number 13817311001, Mountain Shadows, with a taxable value of 4,906,000. That's the assessor's taxable value.

Pinnacle Community Center, Parcel Number 13723510001, with a taxable value of 6,071,836.

Desert Vista Community Center, Parcel Number 13713613003 with a total taxable value of 6,131,898.

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Sun Shadows Community Center, Parcel Number 1381716 -- I'm sorry -- 616001 with a taxable value of 2,179,097.

And finally, Highland Falls Community Center, 13818110064 with a total taxable value of 265,107.

And these are all community centers or utility buildings in the Sun City Summerlin all owned by the Sun City Summerlin Community Association.

I don't know if you want or it would be appropriate for me to tell you at this point how we value them or just an introduction.

CHAIRMAN WREN: No. But that's what I want you to do. I need to give the petitioner, James, his first but that's exactly what I want for the record.

Mr. Susa.

MR. SUSA: Thank you, Mr. Chairman. Jim Susa for the record, attorney and accountant. So the Supreme Court's decision, and I'm going to focus on page six. First I would be remiss if I didn't congratulate Mr. Johnson for the 7-0 shellacking he gave me at the Supreme Court last year.

But page six of the analysis states that finding there was no marketable value, it, referring to the state board, assigned a nominal value without considering whether the replacement cost given depreciation and obsolescence of the improvements still had value.
To me this is essentially why we're here today which is to follow the Supreme Court's order to use replacement cost and consider depreciation and obsolescence on the property to determine if it has value. That is consistent with the NRS 361.227, paragraph 2-B, which as I think was read in the case before ours, any improvements made on the land by subtracting from the cost of replacement of the improvements all applicable depreciation and obsolescence.

The assessor has taken the Marshall & Swift replacement cost for the four clubhouses and the maintenance facility which comprised the five parcels and has used the 1.5 percent per year as depreciation. Now, that number may or may not reflect the actual depreciation on the property itself. We don't know. But we do know that the assessor took no obsolescence adjustment to those values. So these are the full values. On the case we just heard where I believe there was a depreciated value of the one number and then the assessor moved it down to another number in recognition of obsolescence and the board affirmed that number. There's been no recognition of any obsolescence here.

So to me, what the Court is telling us is that we can start with the cost methodology but consistent with Nevada law and with appraisal techniques and terminology, we
have to look at whether there's any economic obsolescence on
the property, in addition to if there's any additional
depreciation.

So in that regard, obsolescence often is
calculated by using different methodologies. But the end
result is to try to find what the value of the property is.
It's no surprise. This is a unique property. This is not a
residential property or office complex. This is a clubhouse
in a planned community. So as you would suspect using a
normal appraisal technique may not work very, very well. We
don't have comparable sales and we don't have any income from
the property to provide to you, nor did I obtain an appraisal
on this property as I did on the next two cases that will
come before you.

So what we have then is the effect of the legal
restrictions as to the use of the property. The Court noted
and the assessor agrees that the legal restrictions on the
use of the property produce an almost nominal or zero value
on the property land itself.

The problem here is that they then take the full
value of improvements. So there's a bit of an inconsistency.
There is no obsolescence to land. There's only market value
for land. But there's obsolescence to improvements. And the
legal restrictions here create a situation where the
property's use may only be for certain purposes. And those
certain purposes do not have a lot of economic value to anybody.

And as a result, if those legal restrictions are sufficient enough in scope to in the assessor's mind drive the land value market to almost zero, then they also, and it's our argument, have some impact on the improvements once they're constructed. Obviously the improvements are constructed consistent with all legal restrictions on the use of the property, whether those are imposed by the developer under the CC&Rs or they're imposed by governmental entities such as the county or the city council in doing different things. So all of those as enacted upon the property valued its use and the actual use is consistent with all of those restrictions.

So our argument here today is that the legal restrictions do have an effect on the obsolescence of the property itself. And because these properties were built consistent with all of those legal restrictions they have very low value. The Court was very distressed, as you can tell from the decision, that the discussion going at length on a number of things.

But I would like to point out for this board's benefit that in footnote number three on page seven where the Court commented that it seemed to -- the board has an erroneous belief that the values of the improvements is...
absorbed by property taxes on individual homes. Actually the
board got that right and the Court got that wrong. Since the
Sun City Summerlin case was decided back in the day, Nevada
has enacted a statute, NRS 361.233, which does shift the
taxes that will be due on the value of these clubhouses to
the individual home owners.

So -- But again, this is an example of there were
a lot of comments that were made in the discussion process
and the Court didn't quite think that there was unanimity in
the thought process as to how this value was arrived and it
was very difficult for them to affirm that value on appeal.

So what I would ask to you do is to take some
time to talk about the impact of the legal restrictions and
how those impacted the proposed use and then the actual use
of the property, and as the property is actually used on the
valuation date, determine that economic obsolescence on the
improvements for the property, render a fairly minimal value
because they are pervasive, just as they were pervasive
enough to drive the land value down to a dollar or zero or
whatever number the assessor put on. And at that point to
arrive at a full cash value for each one of those parcels
consistent with the economic obsolescence and depreciation
determined under the cost methodology.

As a final note, also in NRS 361.227, even though
the assessor is supposed to take in to account depreciation
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and obsolescence, under paragraph five, any person
determining the value, if the taxable value exceeds full cash
value under paragraph B can look at the summation of the
estimated full cash value of the land, which the parties
agree is zero, and the contributory value improvements. It
would be our argument that the contributory value
improvements here is minimal due to the various restrictions
as to their use. And even if the obsolescence doesn't get
you there, under 5B you have the ability to look at the
contributory value and still place a rather minimal value on
the actual improvements, in addition to the low value already
established on the land. And that's all that I had.

CHAIRMAN WREN: Okay. Thank you. So I make sure
I don't miss anything here. What is your evidence to dispute
the assessor's assumptions that they have exceeded full cash
value?

MR. SUSA: The evidence that the assessor's
original valuation takes no obsolescence adjustment to the
property. Their valuation of the land on the parcels does
take a significant reduction to the land value for market
conditions caused by those same legal restrictions. So we
believe the assessor erred in being inconsistent on
determining a value for the improvements as having
obsolescence, due to those restrictions when they saw that
the land had a significant reduction in value. So it's the
inconsistency of the assessor in their original actions.

And then the other evidence is the legal restrictions from the CC&Rs created the easement on these properties. I would also point out that as part of the record the assessor produced an aerial photograph of each one of these properties and that it noted that the zoning on each one of those aerial photographs was PC, which was planned community. And I would ask you to take notice that planning community usage designation has significantly limited possibilities. And the clubhouse fits in those possibilities. But only the other public type use facilities which fit within that zoning as well.

CHAIRMAN WREN: Okay. Thank you. Questions.

Okay. Let's go to the assessor.

MR. JOHNSON: I would like to just read a couple of statements from the Court's opinion for emphasis. This is on page two of the Court's opinion at the top. The state board refuted the valuation methods set forth by the statute and therefore erred in reducing the taxable value to a nominal value. So the Court wants the state board to follow the valuation methods in the statute, which we all know are the income approach, the cost approach and the market approach. In this case the income approach and the market approach don't make any sense because there is no market for this kind of a property and there is no income because it's
an offer of profit.

And then on page five of the Court's opinion, although the assessor must consider legal restrictions in appraising approved land, those restrictions might render land valueless for tax purposes. Improvements on that land may still have substantial value even if neither the land nor the improvements would have value on the open market. So the Court distinguishes between valuing the land and valuing the improvements. With restrictions on the land, sure, that's going to affect the value of the land. You can't use this to build a casino. You can't use this land to build anything other than pretty much what's on there. So the land itself is restricted in its value. But restrictions on the land do not in any way impact the value of the improvements.

Improvements are being used exactly for what they were built to be used for. They're a recreation center. There's nothing wrong with these improvements. There's no evidence that this place is dilapidated and it's not being maintained properly. In fact, the CC&Rs require it to be maintained properly. And so this idea that somehow restrictions on the land affect the value of the improvements has been repudiated in the Supreme Court's opinion.

Continuing on, in the recreation center case which we cited favorably in Sun City Summerlin, the Arizona Supreme Court recognized the inherent problem in relying only
on market price to determine taxable value, as taxes are based on full cash value and market price does not necessarily equate to that full cash value. And that's where the board went wrong on its previous decision. All they were worried about is nobody would buy this because you can't make any money on it.

But that's not how you're supposed to get to the value. This is a special purpose property. And the legislature recognized that sometimes that market what people would be willing to buy it for has nothing to do with what it's worth for people who actually own it and is using it.

And then the Court says that our value similar to Nevada, Arizona statute lists options for determining value including the cost approach. This inclusion of several methods of valuations suggests that our legislature contemplated a scenario where property may not be valuable on the open market yet would still be valuable to the owner and have significant taxable value.

The owners out there, I'm sure they think that their property is worth a lot more than $500 a parcel. I mean, they probably pay more than that in their dues every year, each one of them.

And then NAC 361.631 I think is particularly important because that, actually it's not a Nevada Tax Commission regulation. It's a State Board of Equalization
regulation. The state board interpreting the statutes passed a regulation to all the county boards, here are the things you can look at to determine whether the taxable value is -- exceeds the full cash value. And in that statute, one of the things they said was you look at the value of the land and the depreciated replacement cost of the improvements. And that's exactly what the assessor has done in this case. They looked at the value of the land and set that at a zero value. And then they looked at the depreciated replacement cost of improvements and set that at the appropriate value.

And there's no evidence in this record. There's no income test. There's no comparable sales test. There's no test. They don't even have pictures of derelicts hanging around the buildings like the last case. And so Summerlin is surely not an area that's in decline. Summerlin is one of the highest rent areas in the whole county, if not the whole state, maybe, excluding Incline Village.

And then the Court goes on and says that the NAC allows full cash value plus depreciated replacement cost to constitute market value. Importantly, neither statute nor regulation limits the full cash value to the market price. And then they go on and say on page six that the board failed to recognize that the improvements may still have significant taxable value even if the land does not. And also failed to give due consideration to the statutes and regulations and

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methods of finding taxable value.

And then while they don't express an opinion as
to what taxes are worth, they say they may be worth the 19
and a half million the assessors said.

They go on to say, it's clear that the land
improvements are not reduced for nominal value solely by the
presence of restrictions on the land. So there's this
separation. Restrictions on the land affect the land value
but they don't affect the improvement value. Improvements
are still being used exactly for what they were intended to
be used for, being maintained and operated and they're
probably worth every bit of that value that the assessors put
on it. And there's no evidence of any kind in this record
that points to any kind of obsolescence out there of any
nature that I'm aware of.

Also, the reference to the transferring of the
value, that was in reference to a former board member saying
that he believed that in fact all of the value in these -- in
the common areas is reflected in the value of the homes. The
homes are worth more, therefore we're not really losing any
tax because of whatever the failure to put any tax on the
improvements.

But the Supreme Court has held in the previous
Sun City cases and again in this case that that is an
erroneous conclusion and it is not the law, that in fact the
value of the homes and the value of the common areas is
totally separate. They basically have nothing to do with
each other and whatever the value of the homes is doesn't
make any difference as to how you value the common areas.
You can't say, well, all that value, the 20 million dollars
it cost to build these things is somehow reflected in the
value of the homes. That's not the case and you can't assess
it that way. You have to look at what this is in value
separately from those homes.

And I think that the -- Did you want to say
something? So that's the bottom line. I mean, the only real
evidence following the statutory methods in this record is
the assessor's cost approach. At the last hearing there was
no discussion by the other side as to any evidence that, oh,
yeah, there's obsolescence here. All they were worried about
was the market. All they ever talked about is you can't sell
it, you can't sell it, you can't sell it. It has no value on
the market. And the Supreme Court has repudiated that and
said it doesn't matter whether it has any value on the market
or not. It still has value to the people that own it and use
it. Just because I can't sell something doesn't mean it
doesn't have any value to me. And that's the value that's to
be taxed here.

CHAIRMAN WREN: Let's go off the record for just
one second.
(Discussion was held off the record)

CHAIRMAN WREN: Jeff.

MR. PAYSON: Thank you, Mr. Chair. I just wanted to say that as you were happy that the Supreme Court supported you in this decision, we were also happy that the Supreme Court leaned our way in this. It's always nice to have the highest court look favorably upon the way you were doing things.

So with that said, what I wanted to do maybe is for the whole morning on the common elements tell you how we go about valuing those and how they're allocated and how that devastation that Mr. Susa talked about affected the way we change that and allocated these. It might become important when you go to make a decision on these as we move forward.

CHAIRMAN WREN: And if you would, would you reference the case law that you're following also, the statute.

MR. PAYSON: On?

CHAIRMAN WREN: On why you value them this way.

MR. PAYSON: 361.233 I believe is the statute. I know the law. I don't know the citations. In any event, what happens with common element properties, we are to appraise those as we would any other property, but what that legislation has said that we must do is then not apply any tax value to the common element parcel itself. So those
parcels that I read off at the beginning introducing this, those clubhouses, those parcels actually don't have a taxable value on that. You look up, it says zero.

What happens is you take that value and you allocate it to all the community units within that development, if you can establish who those community units are. In this case there's 77 -- 7800 community units that that value from these five parcels and they each get one portion of that, straight line portion of that from each of these different values.

And that's why -- We didn't talk about it, but the other case that was called is the Masako Post, Masako. And that is one of the parcels that received one of those allocations and that's why it's included in this.

Theoretically, and I don't know how it would work legally, I'll let everyone else work that out, but if you were to make a reduction on those, on the improvements on the common elements that we have allocated, you would have to remove that allocation or reduce it or increase it or whatever you want to do to each of those 7800 community units within that community. And that's the way all the common element parcels are handled in the state, based on that law.

In addition, I think it might be important, and I don't know why I think it might be important, but you probably should know that the case that you decided that
reduced that to the 500 per unit was actually, the decision
was stayed. So that reduction was never made based on a
court stay. And so that should have never been done. It's
still sitting out there at the value that we had it on at.
So you might need to consider that when you start making any
decisions you might want to make.

CHAIRMAN WREN: Okay. And go ahead and correct
me if I'm wrong, but from memory that the whole argument was
whether or not you had to or were supposed to tax these
properties. And what the law says is that you assess -- Not
tax, I apologize. That you assess all improvements; correct?

MR. PAYSON: It actually -- I don't believe it
differentiates land and improvements. It just says we can't
assess the property to the common element.

CHAIRMAN WREN: Right. And a lot of the
discussion back and forth last time was whether or not if
they had value whether or not you assessed it and whether or
not it was attributed some place else. I don't remember any
discussion about obsolescence depreciation or anything in the
last hearing. But it was just a matter of whether or not you
assessed them, they had that value you assessed or they had
no value at all.

MR. PAYSON: You know, that was a long time ago.
I don't -- Maryann has reviewed these documents in more
detail than I. I don't know if obsolescence was used.
think that the way the board was kicking around their
discussion, it was kind of implied, if not discussed
specifically. But as Mr. Johnson has said, no evidence was
ever supplied from these years on any obsolescence.

CHAIRMAN WREN: Correct.

MR. PAYSON: And Mr. Susa's statement that we
have to apply obsolescence is not really true. We have to
look at and see it and try to calculate an obsolescence. But
if it's not there, it's not there. If it can't be
calculated, we can't calculate it. But it doesn't mean that
every parcel out there gets obsolescence just because they
want us to look at it.

CHAIRMAN WREN: And it's the burden of the
taxpayer to prove that you're wrong, which is why I'm
bringing this up again. Because it was talked about before.
I just want to make sure I recollect that correctly.

MR. JOHNSON: It was mentioned briefly, but there
really was no extensive discussion. In my reply brief I cite
to the transcript from the previous case at page 212, lines
four through 14. I believe it was Richard Stewart testified
that he had considered obsolescence and didn't find any.

CHAIRMAN WREN: Mary. Go ahead, Jeff.

MR. PAYSON: That's all I had.

MS. WEIDNER: I just want to add that --

(The court reporter interrupts)
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MS. WEIDNER: It's Maryann Weidner, W-e-i-d-n-e-r. Beyond the statutory depreciation that was applied based on the age of the property, so there was some depreciation, which is without any additional obsolescence being on that.

CHAIRMAN WREN: Okay. Questions?

Okay. Mr. Susa.

MR. SUSA: Thank you. Well, a couple things. First, there wasn't a lot of discussion of obsolescence at the first hearing because we didn't have a Supreme Court ruling which said by the way if you're going to use the cost approach you should look at obsolescence and depreciation. So because we're here on remand, we're now talking about obsolescence. And the only proof of obsolescence in the record is the decline in the value of the property due to its limited uses. I think the term special purpose or special use property, special purpose property, I wrote it down, was used and that was also used in the first hearing today. I don't know that that would apply to these particular properties because the fact that they are other uses that could be used in their legal restrictions were changed. These were built essentially as mini health clubs and could be converted to such use. My understanding, a special purpose property, and I'm not an appraiser and I'm not certainly going get in trouble for trying to testify as one.
CHAIRMAN WREN: Good idea.

MR. SUSA: Excellent. Is that they have a one and only as much as a baseball stadium, it would be like the one and only. And so that may not be true in this case. I'll leave that to your sound wisdom. But even if you do have a special purpose property that placed that general direction to use the cost methodology and the cost methodology again from the appraisal standpoint needs to look at both depreciation and it needs to look at any functional or economic obsolescence.

And I think the Supreme Court decision said you should have done that back in the day, 2010. You didn't. And we're certainly ordering you to do it now. And so as a result, any decision of this board should be using the cost methodology. But when doing so looking at depreciation and obsolescence.

I just wanted to clarify my comment earlier. It was on footnote number three where we talked about the taxes. And that's actually consistent with Mr. Payson's testimony. Once the 19.5 million dollar value was assigned to the five parcels, about $2600 was divvied up to each one of the 7800 home owners, including Mr. and Mrs. Post. And so when they got their tax bills, they got their land, their improvements and their share of the common area, the 2500 bucks worth, and they paid their taxes on that.
When we went to district court, both parties had asked the judge to hold off on issuing the many refunds that would have been due based on the state board's decision because it was a tremendous burden on the county to refund 7800 different homeowners. We wanted to see what the courts had to say. So as an accommodation, the taxpayers agreed to stay that ruling, so it wasn't a ruling on any merits.

So where we are today is that the Court has said please use the cost methodology or some other recognized methodology and reasonable cost methodology. And depreciation and obsolescence are a factor. And if I had an appraisal, it would probably go down that road, but I don't have an appraisal in this case. Thank you.

CHAIRMAN WREN: Okay. So I asked you this earlier and I'm going to ask again. I agree with what the Court said that the cost needed to be used and the cost needed to be adjusted for depreciation and obsolescence, which is the testimony of the assessor's office that that's been done. So what is your evidence to show us that they have exceeded full cash value predicated on the analysis?

MR. SUSA: Okay. And our evidence as found in the brief, we have SBE pages 13, which is citing to cases that are decided in other states, that recognize that obsolescence exists on these type of properties in addition to what Arizona, this Court recognized.
By the way of clarification, as the only Arizonan in the room. I'm sorry, Mr. Kelly, he's here today too.

Arizona's Supreme Court remanded the recreation center case back down to the trial court. We don't know what the trial court did after the Supreme Court remanded it back down. But there was obviously some ruling. There was never a second recreation center case, so apparently they dealt with it below.

But shortly thereafter, the Arizona legislature simply ended this discussion by placing a $1,000 value on all common areas within planned communities in Arizona. As I sit here today as an Arizona licensed attorney, I can tell you it's worked pretty well. There is not any disputes anymore as to what these values there are. So that's a legislative process. I understand we're not in the process of legislative hearings, so that doesn't matter.

But in other states we have rulings where they have looked at the same issue and decided that there should be little or no value to these because of their unique position as easements burdening the properties for the benefit of all the homeowners. And easements is not a brand new concept. It goes back centuries. And you can have benefitted and burdened easements and this is a property which has a burdening easement on it because it's required to do certain things by a legal document and only the people who
are benefitted by that can change that.

And so our argument is the evidence is the legal
restriction in the record and the CC&Rs creates those little
easements and the easement reduces the value of the property
and it doesn't really matter if it's the land or the
improvement because the easement covers both. So that's what
I have.

CHAIRMAN WREN: Okay. Questions? Okay. I will
close the case then. Take it under advisement. I might as
well remind you guys that I disagreed with the decision last
time. And the big question was -- Keith, I guess you weren't
here. The big question at the time was whether or not by law
the assessor was supposed to value these properties. And
that's really what the whole argument came down to is whether
or not they should even value them. And what the law says is
that the assessor in every county will assess every parcel
and every improvements on the parcel. There wasn't any
discussion about obsolescence or depreciation or anything
that I remember from those hearings.

So with the Court remanding it back to us, we had
that testimony. And I've asked twice now for any evidence to
show that the assessor has exceeded full cash value.

(Recording came on over teleconference)

CHAIRMAN WREN: So leave it up to where you guys
want to go. But I don't see any evidence that shows that the
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MEMBER JOHNSON: I tend to agree with you, Mr. Chairman. And what I was looking at here is this is almost -- this is essentially in preference to each individual property, you have the right and obligations that come with the recreational facilities. And end of the day is you don't test for economic obsolescence on an individual building component. It's not like --

CHAIRMAN WREN: Hold that thought. Do we need who ever just went away? Is it germane to anybody besides us? It's on the record.

MS. RUBALD: I think that was just a telephone connection in case anybody needed to call in.


MEMBER JOHNSON: My understanding of the economic obsolescence after replacement cost less depreciation plus land is you go and you look at the overall property value and test against market to make sure it's not too high. You can't go test video on a component. Say I put in a swimming pool, I can't go say well, that swimming pool is only worth half and they take half the value even though the lumber in my house actually went up. You can't start piecing it out like that and that's what worries me here with one small aspect that we're piecing something out where clearly they spent in this case 19 million or more building this, the
builders are looking for a profit, that value just can't evaporated rate. And if we are charged with assessing and not making sure that there's a taxable value on there, I think that we have to go down that route. And I intend to agree with what you're saying that if we believe we're supposed to make sure it's on the rolls, then it should be on the rolls and we have no evidence of economic obsolescence.

CHAIRMAN WREN: Okay. Dennis.

MEMBER MESERVY: Didn't we have some nominal value on that? Again, we were saying, you know, on the last one zero and then somehow I was arguing that there's going to be some value to that.

CHAIRMAN WREN: Well, we put $500 or something like that and the Supreme Court said wrong.

Keith.

MEMBER HARPER: Being new to this, I guess the only thing I can add after reviewing all the documents and cases and things is I guess I'm having a little bit of an issue with taxable value because of that adage cost doesn't necessarily equal value. And yes, I recognize that there was obviously cost involved in building these recreational centers, but I don't see how that necessarily creates value per se.

Again, in my world as a real estate appraiser, yeah, I mean, I know we have value and use and different
things and I know that these facilities provide amenities to
the property owners and the residents in Sun City Summerlin,
but I'm just having a hard time understanding or getting my
mind wrapped around why is it just the cost, why is that
equal taxable value, because in my opinion I think there is
some obsolescence, not necessarily economic but just
functional. I mean, they serve, these centers serve a
function of providing meeting places and amenities, but I
don't know how that equals full cash value of just hundred
percent construction cost less the depreciation of 1.5
percent per month.

CHAIRMAN WREN: And I don't necessarily disagree
with everything that you said. But first of all, you have to
kind of take off your appraiser hat sometimes and look at
what the law says. And what the law says is that the
assessors are to assess each parcel in the State of Nevada
that depreciated cost predicated Marshall & Swift plus the
marked value of the land, which from an appraisal's
standpoint has nothing to do with value from our appraisal
standpoint.

So in this case what the assessor has done is
said okay, I have these improvements on this parcel and here
is what Marshall & Swift says they're worth and here is what
the depreciation by law that they have to apply to it. And I
don't disagree, but maybe there's some other, some other
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obsolescences that need to be attributed to that. But it's the taxpayer's burden to bring that information to us to show where the assessor went wrong, not necessarily for us to do it.

If the taxpayer came up and said, here's my appraisal, here's my proof of obsolescence, here's why it can't be worth that full cash value, we would look at that. But they haven't done that. So in the case before us right now on all of these is we need proof that the assessor has exceeded full cash value predicated on, by law, how they have to assess these properties.

MEMBER JOHNSON: And I agree with what you guys are saying. But aren't we -- the way it's being done at the end of the day, the assessor still goes out and tests their total value against the market. So we're going to capture if there is economic obsolescence. We're going to capture that or other types of obsolescence by the comparable sales. And we don't go on an individual building component. I can't go put a swimming pool in my house and go get an appraisal as if it didn't have a swimming pool and as if it does have a swimming pool, come in and say I just want economic obsolescence on the swimming pool in my house. It's tested on the aggregate overall basis and that's what we're getting to here.

And my opinion is, is that recreation center
worth the cost to build it? Is that its value? I have no clue. But we're going to find out overall for each individual house how much depreciation should -- or how much economic obsolescence exists with the comparable sales. It's a test. And that's why we have that test. I haven't seen it applied to individual building components or individual appurtenance to the property.

CHAIRMAN WREN: Aileen? Dennis?

MEMBER MESERVY: I think I need to hear more from you all because I can tell you I can come to reasoning under accounting terms. But this appraisal part. I thought we made the right decision, but it sounds like we didn't. So I'm still having a hard time understanding how to come up with the right way to show that functional obsolescence.

MEMBER HARPER: You can't hear from me. I'm not wearing my appraiser's hat.

MEMBER MESERVY: Good to hear that. By the way, I heard Ben's got a lot of accounting so he's got some classes in there so he can come up in those ranks.

CHAIRMAN WREN: Okay. Let me read this in to the record, And while actually talking about this. I'm reading from 361.2275, that says the computed taxable value of any property must not exceed its full cash value. Each person determined the taxable value of property shall reduce it if necessary to comply with this requirement. A person

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determining whether taxable value exceeds that full cash value or whether obsolescence is a factor in valuation may consider, A, comparative sales based on prices actually paid between market transactions, which can't be the case here, or B, which is I think was the testimony, a summation of the estimated full cash value of the land and contributory value of improvements.

It says the county assessor under CA -- Okay. That's not germane. So it still gets down to the point by law regardless of an appraisal standpoint what another value might be, okay. The assessor has to value these properties. And that was the big debate last time, whether or not they were supposed to be assessed or not. And the Supreme Court says yes they have to be assessed. The assessor has testified that they've assessed them and they have depreciated according to law and have found no evidence of economic depreciation. And the taxpayer has not brought us any evidence or proof of obsolescence. So that's where you are today.

MEMBER HARPER: And not trying to be argumentative, but what you just read and what I keep falling back on is contributory value. I mean, taxable value has to be based on some sort of contributory value. And is it, you know, these buildings just because they cost X amount to build, is that the measure of, quote, contributory value?
And I have a difficult time with that.

CHAIRMAN WREN: Yes.

MEMBER MARTIN: Mr. Johnson, I forget --

Nevermind.

CHAIRMAN WREN: Ask me the question.

MEMBER MARTIN: No, no, no.

CHAIRMAN WREN: Ask me the question. I closed the case.

MEMBER MARTIN: I know you have. But I just wanted --

CHAIRMAN WREN: Ask me the question.

MEMBER MARTIN: The question was that I just wanted him to repeat his opening statement. I don't -- I believe once if I heard Mr. Johnson correctly, and maybe I didn't, if I heard Jeff correctly, maybe I didn't, if I didn't hear Mr. Susa correctly, it was just that opening statement said that we are charged by court order to do A, B, C and D. So I don't know where all of the ebb and flow of assessments and non-assessments and anything else comes in to that. Because we've been mandated by the Court in a certain way to do a certain thing, period, if I've heard that correctly. And I may not have heard it correctly. So please correct me if I'm wrong.

CHAIRMAN WREN: I think you're correct and I think we are in a deliberation right now as to either uphold
the assessor's recommended value or uphold the taxpayer's
predicated on the evidence the taxpayer has presented that
the assessor has exceeded full cash value.

I'm telling you my opinion that regardless if I
agree that there should be additional depreciation, that has
to be predicated on the testimony and evidence provided by
both sides. And I'm not seeing it. So it's, again, my
recommendation in this case to uphold the assessor's
recommendation of taxable value.

MEMBER MARTIN: Thank you.

CHAIRMAN WREN: You're welcome. Okay. We'll go
off the record for just a minute.

(Discussion was held off the record)

CHAIRMAN WREN: So again, I'll just remind you
guys what happens when we make decisions or don't make
decisions. Our original decision has been set aside, which
means that it's gone, okay. So this was a -- an appeal from
the county board and we made a decision that's been set
aside, so it all goes back to what the county board's
decision was. So if we don't have a motion today, then
basically from my understanding what happens is we go back to
the county board's decision, which was to uphold the
assessor, okay.

So having said that, I will entertain a motion.

MEMBER JOHNSON: I will make a motion in Case
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that we uphold the County Board of Equalization's
decision, as we haven't been presented with any evidence
today of economic obsolescence in this case.

CHAIRMAN WREN: Do we have a second? Okay.

Hearing no second, I close this case and we'll take a short
recess. Thank you very much.

(Discussion held off the record)

CHAIRMAN WREN: I'm going to reopen the last case
that I closed to make sure that there's no additional motions
that would like to be made in Case Number 10-377. There was
a motion to uphold the county. There was not a second. That
motion dies for lack of a second. Would anybody else like to
make a motion? Seeing no other motions, I close the Case
10-377, okay. Thank you.

(Recess was taken)

CHAIRMAN WREN: Let the record reflect that
Mr. Harper is not present with us, however, we still have a
quorum so we will proceed with business.

Call the next case, please.

MS. RUBALD: Mr. Chairman, this also comes from
group one in Section F. I'll call the two cases from 2011.
They are 11-446, Richard and Masako Post, and 11-454, Sun
City Summerlin Community Association. And Clark County
assessor is the respondent.

Perhaps before we go on, I just wanted to clarify
that I had called 10-377 and 10-379 and so the -- there was no motion and it applied to both of those cases; is that correct?

CHAIRMAN WREN: That is correct.

MS. RUBALD: Okay.

CHAIRMAN WREN: Okay. So you've called 11-446 and 11-454?

MS. RUBALD: Yes.

CHAIRMAN WREN: And are those both common area cases?

MS. RUBALD: Yes.

CHAIRMAN WREN: Okay. Identify the property, please.

MR. PAYSON: Mr. Chair, Jeff Payson for the Clark County Assessor's Office. I don't know if you want me to read the same parcel numbers again, but what we have is the same parcels and the same community unit parcel and it's basically the same information. It's the next year.

CHAIRMAN WREN: So we'll transfer all that testimony in to this testimony?

MR. PAYSON: For the most part, yes. We might have some additional things, but I believe the petitioner has some more information that we might need to talk about also.

MS. BUONCRISTIANI: So the information from the prior hearings, the case numbers --

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MS. RUBALD: Case Numbers 10-377 and 10-379.

MS. BUONCRISTIANI: Will be incorporated in to this record. Is that acceptable to both parties?

MR. JOHNSON: Yes.

MR. SUSA: Yes.

MR. PAYSON: The only thing that I would say, Mr. Chair, is that the actual values that I stated might have changed a little bit based on the replacement cost and the depreciation.

CHAIRMAN WREN: That's fine. You can supplement anything you want without having to repeat everything you said. We would will incorporate in to this record also.

Okay. So was this case argued last time?

MR. JOHNSON: Last time there was a discussion as to whether you wanted to hear it or not because of the pending court case on the first one. And what you did, you took the testimony and evidence but you didn't make a decision.

CHAIRMAN WREN: Correct.

MR. JOHNSON: And actually consolidated these two cases with all of the others, where they jumped in in the second year. There's a bunch of others.

CHAIRMAN WREN: That was kind of my question. I'm trying to figure out how to consolidate this because I guess when we make a decision on this one it would more than
likely be the same decision on the other ones?

MR. JOHNSON: I don't know. I mean, the situation, the only thing that's different in the 11 year is that you have an appraisal from Mr. Morse, but he only actually appraised one community center in one community, but they all wanted to get the benefit of that somehow. So I don't know how you apply that to every other community.

CHAIRMAN WREN: Okay. I'm not sure we are. So to keep this simplistic, let's work on, let's just go with the two cases that have been called. We incorporated all the prior testimony from the previous cases in to these cases. And if you can identify these properties, please.

MR. SUSA: He's done that.

CHAIRMAN WREN: He did? Okay. You're on.

MR. SUSA: All right. So let's go slow here. I'm only representing the first two folks and so I'm not representing the other folks, okay.

And secondly, we had a hearing back in 2011 and there was a transcript that was sent to me on Tuesday about the hearing that we had in 2011. And I reviewed the transcript. And frankly, it was more eloquent than anything I'm going to say here today. So as a result, I know that there's some new board members and they may have questions. I brought my witness and the county brought their witnesses as well.
And so what I was hoping to do in the interest of not having a really long hearing and missing my 4:00 o'clock flight was to just build on this and simply address the Supreme Court decision as it maybe pertains to this and then let the board members ask questions. But I'm not going to redo everything that I did in this transcript because it's already there. Is that acceptable, Mr. Wren?

CHAIRMAN WREN: I think so. So hopefully what you're saying is you would like to have Mr. Morse recap his testimony as to the valuation and his determination of depreciation.

MR. SUSA: Sure. I think that's doable. If people have some questions about that, but he can give a short summary of that. We don't need to go through the question answer, question answer because that was all done earlier. And I hope you had a chance to read it because it actually went pretty well.

But I would like to then again with just the Supreme Court's decision and how this case is different than the one you just heard. Even though the same properties are involved, there's some differences. And the differences are that we have a Supreme Court decision that came out in the interim and that decision talks about what it is that needs to be proved to get a reduction in value from the taxable value established by the assessor to a full cash value.
And in the earlier hearing there was some discussion of exactly what we're trying to do here. And Mr. Johnson made a comment that I found intriguing and a thought a little bit about it during the break. These parcels, all the ones that are being appealed, the parcels have land and improvement values on them. What we're not trying to do is find a value for the improvement. We're trying to find a value for the parcels as a whole. And as a result, the assessors put 19.5 million dollars on the parcels as a whole and we're asking you to reduce the 19.5 million dollars. There's no real room to move down on land because a thousand dollars is zero. And so that's why we focused on the improvements only in that process.

Secondly, the assessor has done their statutory valuation methodology. And in that methodology they are to determine whether any depreciation or obsolescence exists in the improvement. And our argument in the appraisal and what was testified to earlier is that economic obsolescence exists.

One of the reasons that there's a faint glimmer of hope for me in this case is that on page five of the Supreme Court decision, the last sentence begins, "Thus where there is no usable evidence of the price a property would fetch on the open market, the board should consider the other methods listed including cost and depreciation to determine
the market value and full cash value of the property."

Well, in the first case that led to this
decision, there was no appraisal by an appraiser providing
evidence of the price that a property would fetch on the open
market. So the Court said then you've got a problem. That
problem should be remedied in both this case and the next one
where we have an appraisal of what the property would fetch.

Mr. Johnson has alluded to it that this is an
appraisal of one clubhouse. But what you're going to see is
the basis for the appraised value is the descriptions as to
use of the property and the economic obsolescence of the
parcels themselves, the improvements on the parcels
themselves. And that same restriction as to use is also
present in all the other four parcels that were not appraised
by Mr. Morse. And so we're going to make that argument that
whatever value determined based on the appraisal for equity
and conformity purposes should also be placed on the other
four parcels because they have the same factors determining
what the value is. So that's all I wanted to say about the
Supreme Court case.

And Mr. Morse, because we've already got your
testimony in here, which the board has had access to and
you've discussed in here, both the statutory and the cost
approach to value, can you just give a summary of your
appraisal which begins on page 139 of the SBE record in Case
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11-454 where you arrive at a value of $1,000 for the Desert Vista Clubhouse.

MR. MORSE: Yes. Good morning, Mr. Chairman, Members of the Board. My name is Timothy Morse, M-o-r-s-e. I'm a certified general appraiser in the State of Nevada, license number 0005. I'm also a designated member of the Appraisal Institute with an MAI designation. I've been active as a real estate appraiser in the Las Vegas area for over 40 years.

I would like to start with basically walking through some of the points of the appraisal report which I did at the first hearing, and that was the first portion of the analysis was of the highest and best use and I began with what was legally permissible. And on page 32 of the appraisal --

CHAIRMAN WREN: SBE number, please.

MR. SUSA: We're going to have to roll down here quickly, but just give us a second. We'll get down here. 174 per Ms. Weidner who is very good at these things. I'm reaching across him so he can't see.

CHAIRMAN WREN: Are you in 11-445?

MR. SUSA: 454. And it is SBE-174, as Ms. Weidner said.

MR. MORSE: And so what I discussed was that the Desert Vista Community Center, that's the only property that
I appraised within the Sun City Summerlin cases here. It's subject to the CC&Rs for the Sun City area as well as the set of development standards that were approved by the City of Las Vegas. And I cite to certain sections in there, and you can read those, within the CC&Rs that every owner or licensee or other members of the association has a non-exclusive right and easement of enjoyment in and through the common areas subject to certain provisions. And Article 4, Section 1 addresses the land use classifications, which include single family, cluster residential, apartment, development, commercial use, general office, association use, common areas, religious use, utilities, general public use as well as golf course use.

Section 2 addresses the age restriction that's placed upon these properties in that the residents within Sun City shall be, at least one person has to be at least 55 years of age and no person under 18 years of age is able to reside within this residential community.

The non-exclusive easement includes the clubhouse and requires the association to maintain the common areas for that use. There are other restrictions on the common area to serve the benefit of the residential owners must be maintained for that purpose, as discussed previously.

MR. SUSA: Mr. Morse, let me kind of jump in here because I know that the board has had an opportunity to
review this and has the transcript from the prior hearing. So let me just ask you a few more focused questions to move this along.

What method did you use to value the clubhouse and why did you choose that method?

MR. MORSE: Well, there's typically three approaches to value, the cost approach, income and sales comparison approach. And the clubhouse is a rather unique property that doesn't really fall within typical appraisal methodology to be valued. I base that upon my experience as an appraiser, as well as being on the board of equalization, the Clark County Board of Equalization and when we always analyze property tax bills that are brought before us to address the taxable assessed valuation that the assessors place on the property, does that exceed full cash value or market value. And it's my opinion that full cash value is the same as market value.

CHAIRMAN WREN: Let me interrupt you for just a second. I need to take care of something, so we're going to take a short break.

(Recess was taken)

CHAIRMAN WREN: I apologize for the interruption.

Continue.

MR. SUSA: Thank you, sir. Mr. Morse, we were going through your methodology for valuing the clubhouse and
you were talking about the specific methodologies that were possible. But what methodologies did you choose and why did you not choose other methodologies?

MR. MORSE: Well, I primarily relied upon my professional judgment in determining that this property that is no economic utility because of all of the restrictions placed upon it deed wise with the CC&Rs as well as with the restrictions from the community standards that are in place from Summerlin, that the property has very limited or no marketability and there are no potential buyers for this property in the market and therefore then I concluded that it had no economic utility and nominal value.

MR. SUSA: Would this be the same methodology that you would use if you were to appraise a park or a swimming pool?

MR. MORSE: Yes, I have reappraised several public facility properties in Clark County and placed a nominal value on some of the similar properties that the airport has deed restrictions on. They have very little or only nominal value and that's the same analysis that was utilized in this appraisal.

MR. SUSA: And were those appraisals in the other cases, were those type of properties utilized for certain purposes?

MR. MORSE: Yes.
MR. SUSA: What were those purposes?

MR. MORSE: Well, the airport appraisals were used to transfer ownership from the view-restricted properties to private enterprises or to take them out of private ownership and put them in to the airport's ownership so that there would be no residential development constructed on them, because of the change in the flight, the way the airplanes took off. So there was a change in the noise decibel areas and then those properties couldn't -- weren't suitable for that use any further.

MR. SUSA: Mr. Morse, in this case on this particular parcel, the assessors determined that the market value for the land is zero. Do you agree with that figure?

MR. MORSE: Yes. In essence the nominal is next to zero, one dollar would also be a nominal figure. So yes, I agree with that.

MR. SUSA: And why would the land be valued so little?

MR. MORSE: Because what I have indicated about the deed restrictions and the limited use and the limited marketability of the property and that there are potentially no buyers for this property if it were available on the open market because of the deed restrictions.

MR. SUSA: The appraisal says 48,673 square feet and the assessor has placed a value in excess of six million
dollars on the improvement. Do you agree with that figure?

MR. MORSE: No.

MR. SUSA: Why?

MR. MORSE: I don't think that it takes in to consideration the obsolescence that this property has and because of the deed restrictions.

MR. SUSA: Okay. NRS 361.2275(B) states that one methodology for a person determining a taxable value exceeds full cash value is to look at the summation of the estimation of full cash value of the land and contributory value of improvements the assessor has determined, that the full cash value of the land is a dollar, to which you agreed. What do you believe to be the contributory value of the improvements?

MR. MORSE: Well, it would be the difference between what I placed on the value, the nominal value of a thousand dollars total. You can allocate it any way you like for land at a dollar and $999 for the improvements or just a total of a thousand dollars nominal overall.

MR. SUSA: All right. You mentioned that in determining your economic obsolescence that you looked at the three legal restrictions or the sources for those restrictions. Did those same legal restrictions apply to the other three clubhouses and the maintenance facility that are owned by the Sun City Summerlin Association that are also the subject of this appeal?
MR. MORSE: That's my general understanding. I did not do an appraisal of those particular properties and I haven't reviewed those documents in that context.

MR. SUSA: If you were asked to do an appraisal of those properties, would those be relevant to determining value?

MR. MORSE: I think that would be something that would weigh substantially in the analysis, yes.

MR. SUSA: Okay. I don't really have anything else for Mr. Morse. He testified extensively in 2011. I did want to make him available to the board members who were not there. I hope Mr. Harper is going to be okay. But if others had questions for him now.

CHAIRMAN WREN: Any questions? I have a couple but I want to hear from the assessor first, so let's go ahead and go to the other side.

MR. JOHNSON: I guess I'll go first and then the deputy assessor. I just go back to the Supreme Court's opinion that the reason that the state board erred in the previous case was that it recomputed the valuation methods set fort in the statute and reduced the taxable value to nominal value. The Supreme Court said that nominal value was clearly erroneous and that you should be following the statutory methods.

We just heard Mr. Morse say that he equates
market value with the full cash value. And the Supreme Court said several times that market value and full cash value are not equivalent, that you need to look at all of the tests in the statutes and the regulations and come up with a value. And the value in use to this homeowner might have nothing to do with the market value, which is the only test that Mr. Morse applied.

At SBE-185 in his summary in conclusion, he says, there are three approaches which may be used to develop an opinion of value for a property, the cost approach, the income approach and the sales comparison approach. And then he proceeds to not use any of them. He uses his professional judgement and just says, well, I don't think it has any value because parks and things like that don't have any value, so therefore this privately-owned and controlled property should not have any value.

The statutes and the regulations are pretty clear. Your regulation which you pass which tells the county board how to apply that statute when they're looking at what is the market value says in subparagraph two, this is NRS -- NAC 361.631. One of those methods is you look at the full cash value of the land plus the depreciated replacement cost of any improvements. And the idea that these improvements have somehow just because they happened to be used for recreation centers they've got 99.9 percent obsolescence or
depreciation, that doesn't even make any sense.

And I would also point out in the briefs that were filed in this case --

CHAIRMAN WREN: I'm sorry. While you're there, what number was that?

MR. JOHNSON: That's -- Which one? NAC?

CHAIRMAN WREN: Yeah.

MR. JOHNSON: NAC 361.631.

CHAIRMAN WREN: Okay. Go ahead.

MR. JOHNSON: The briefs that were filed in this matter previously, Mr. Susa makes the following argument on his introductory brief, at page eight of the brief, he says, given the limited potential uses and financial feasibility analysis was conducted that concluded that has no economic utility. This was because it -- operations must goes on a non-profit basis for the benefit of the residents and therefore there is no potential for a positive return. So basically he's saying because they're not going to make any money on this it has no value.

The Supreme Court and the Court's -- the recreation center case repudiated that and said it's false, that's not the way we value property for taxes. And then in his reply brief, he again says the Morse appraisal approaches the valuation problem from a market price and competitive sale approach, which our Supreme Court has said in its order.
is not the way you're supposed to do it. You're supposed to look at all of the methods in the statutes and regulations and you're supposed to come up with a value and that value cannot be nominal. Basically they said that's error, that's clear error.

And even though you might, some of you might think you got it right the first time, the Supreme Court doesn't think so. They think you got it wrong the first time and that you should be putting a real value on these things to what they're really worth to the owners.

The appraisal that you have in front of you is so ridiculously low that I'm sure they pay a lot more than that for their insurance on these properties. And he's telling you that they're not worth what they're paying for the insurance. That would be a surprise to the owners out there. Why are we paying for insurance on this property that has no value? It's just totally wrong.

He's followed the method that was used in the first Sun City case that you heard in 2010, which was basically because it can't be sold it doesn't have any value. And that is error. That is clear error according to the Nevada Supreme Court.

Also in the previous Sun City case, this is found at SBE-347, this is the material that was presented to the County Board of Equalization. Back in the original Sun City
case in the 1990s, that was remanded back for further
valuation based on the Supreme Court's order. And the
testimony there on page SBE-347, this is Case Number 454, is
the next to the last paragraph. On May 14th 1999, the state
board heard the remanded cases and lowered the land value by
25 percent to recognize the restrictions on use and left the
improvements at full taxable value less depreciation.

So these arguments that we're hearing about these
improvements are not worth anything, that they're 99.9
percent reduced in value because they happen to be used for
recreation is bogus. The Supreme Court rejected that in its
order. And if you make a holding along those lines, they're
going to reject it again. Now I'll let the assessor talk.

MR. PAYSON: Thank you, Mr. Chair. Jeff Payson
for the Clark County Assessor's Office. I just wanted to
make a few statements about how we value these properties.
We valued them the same this current year that we're talking
about as we had in the prior year.

I wanted to talk a little bit more about the
obsolescence piece of this. As most of you know up there,
there's really three bits of depreciation in obsolescence.
There's physical depreciation, which is covered off
presumably by the one and a half percent as it was in the
ballpark case this morning. And I was so hoping someone
would say in the ballpark, but they never did.
And then we have functional obsolescence, which is the second component of the depreciation and obsolescence. And I have to disagree with Mr. Harper. And unfortunately he's not here, or maybe fortunately he's not here to argue with me. But I believe that there is no functional obsolescence. There is no diminishment. These are recreation centers. That's what they're used for. As a matter of fact, they're quite nice recreation centers. So I don't believe there's any functional obsolescence associated with those improvements or land.

And the third would be the external. The external would be kind of a two prong. It would be the economic, which I think none of us could come up with a way to do economic obsolescence on these properties. I believe even Mr. Morse's appraisal he states that there are no economics to analyze for obsolescence. And thirdly, external.

Well, there is no real external obsolescence on these. As far as the economics of the surrounding properties, there was no diminishment. We did analyze the individual community units, the houses in that area, for the tax year and there was no diminishment, no obsolescence was applied after the analysis to those houses for the most part.

The other thing I wanted to talk about, and Mr. Susa actually made an excellent point, yes, you don't
hear me say that very often. In this case he did and when he talked about the property as a whole combining the land and the improvement value, if you're going to look at applying obsolescence, you need to look at the total value of that property. And they made a big issue about the land being at zero. Well, the land is at zero because the restrictions and easements, and I know land doesn't necessarily depreciate. But as in the ballpark case, taking that land down to zero has certainly incorporated some of the obsolescence to the overall part of that property. You just can't say this obsolescence and we're just going to take it all off the improvements.

Mr. -- Member Johnson also stole a little bit of my thunder earlier, because I was going to talk about a swimming pool on my house. You can't carve out something and say, well, I can't sell this swimming pool in my backyard, I'm not going to use it so it's got obsolescence. You have to look at that property as a whole. You can't parse that out and say this particular little piece has obsolescence.

Let's talk a little bit about the zoning. There was some discussion about this PC zoning. Well, PC zoning is applied to this whole master planned community. It's a planned community zoning. There is a couple of little mini malls right across the street from these. Guess what?

They're zoned to PC zoning. It doesn't prohibit you from
putting what you want on there. You might have to go back to
the zoning board or commissioners or whatever, wherever you
have to go, but PC zoning itself does not mean it has to be a
public facility. There's hospitals. There are religious
facilities. There's all kinds of things that are all zoned
PC. So that really not really relevant.

CHAIRMAN WREN: Can I interject a question there?

MR. PAYSON: Sure.

CHAIRMAN WREN: Because this has come up often.

Zoning is not relevant at all because you have to appraise it
to its existing use regardless; isn't that correct?

MR. PAYSON: The highest legal use, correct.

CHAIRMAN WREN: Okay. Go ahead.

MR. PAYSON: And that was my point is the highest
legal use isn't as a public facility.

CHAIRMAN WREN: Okay.

MR. PAYSON: Because PC zoning does not mean
that. I'll let -- I think that's all I had on this, unless
you have some questions. But I'll let Ms. Weidner make a few
comments also.

CHAIRMAN WREN: Okay.

MS. WEIDNER: I just want to make a few comments
on Mr. Morse's appraisal. On page SBE-180, he talks about
functional utility. And I know we've already talked about we
didn't include any functional obsolescence, these properties
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have been maintained, they're not in decline, the homeowners continue to pay their homeowner's association fees and the properties are maintained in a very good use. And he even commented and said the subject --

(The court reporter interrupts)

MS. WEIDNER: The subject improvements appear functional for their intended use as a community center that has been designed for residential use within the Sun City master plan community. So, you know, it is a concern when we look at an appraisal because we do look at appraisals that are brought to our office and try to put weight on them, if we agree with the final conclusion. But in this instance there was not anything even to analyze.

He even states on page SBE-185, there are three approaches which may be used to develop an opinion of value for a property. Mr. Johnson already alluded to it. He says here the cost approach, the income approach and the sales comparison approach. The final opinion of value is the result of reconciling value indicators placing the greatest emphasis on both of those found to be most relevant in the valuation process.

I haven't heard Mr. Morse testify nor have I seen anything in this appraisal that says what methodology he did use to come to the conclusion beyond his expert opinion. And though I respect his expert opinio, I don't think that the CAPITOL REPORTERS (775) 882-5322
assessor's office if we were valuing properties and we just
said, well, this is just based on our expert opinion and we
had no evidence on the record that that would fly with the
community or with this board.

I would like to also reference the LCB because I
think one of the hang-ups with this I think the board has is
that they think that there's double taxation. And
Mr. Johnson has already talked about the fact that there was
a case back in 1997 that went to the Supreme Court that they
specifically said that common elements valued in a separate
value, there was not double taxation that existed. And then
we had NRS statutes that were written and then we had
regulations that were written. And in between that back in
2006, and I'm going to read directly from an opinion by
Brenda Aerdose that says --

MR. SUSA: Is this part of the record from the
case below?

CHAIRMAN WREN: Is it?

MS. WEIDNER: It might have been alluded to.

MR. PAYSON: I believe Mr. Morse was testifying
earlier about some obsolescence to airport parcels that I
don't believe were in the record either.

MR. SUSA: Well, I think Mr. Morse testified that
the county and state boards before and he can testify as to
anything that's an appraisal. I'm a little nervous about
documents being pulled out of a folder for the first time and
presented without me ever seeing them when we're sitting here
at the state board.

CHAIRMAN WREN: Let's go off the record for a
second.

(Discussion was held off the record)

MR. SUSA: The conclusion reached in this
paragraph is what we had testified to earlier about
allocating the value of the clubhouses to the individual
residences, so I don't know if that's what she was trying to
get at, but we had already testified to that.

CHAIRMAN WREN: So you have no opposition to --
or objection to her reading this in to the record?

MR. SUSA: No.

CHAIRMAN WREN: Okay. Go ahead.

MS. WEIDNER: So this is an opinion by Steve
Coburn, principal deputy, legislative counsel. In
conclusion, based upon the applications, it was after they
had done a lot of dialogue on the regs and the NRS, he says,
based upon the application of the common rules of statutory
construction to the provisions of paragraph A, subsection one
of NRS 361.233, it is the opinion of this office that NRS
361.233 does not provide an unconstitutional exemption from
ad valorem taxation for the common element of a common
interest community, but rather requires that the amount of
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those taxes attributable to the value of those common
elements must be allocated to and assessed upon the
individual community units in that community.

And though Mr. Susa here is saying, well, he
doesn't disagree with that, they want to reduce the property
to a value that reflects some kind of excessive exemption,
that's the way I would actually put it because I think the
obsolescence that -- what they're trying to call obsolescence
looks more to me like an exemption. Because when you lay it
all out and you distribute that among 4,000, 7,000 some odd
parcels, we're talking about a very minimal value per parcel,
I think it's like a dollar or something or one cent. So I'm
saying that.

And then I also want to reference 361.233 that
also states, and I'm quoting from Section 1A. Well, 1.
"Notwithstanding any other provision of law, any ad valorem
taxes or special assessments assessed upon any real property
within a common interest property must be assessed upon the
community units and not upon the common interest community as
a whole."

And then it further states that the taxable value
of that community unit and a percentage of the taxable value
of all the common elements of that common interest community
which is equal to one divided by the total number of the
community units.
So I'm saying all of this to say if the legislature and the LCB and the Supreme Court had felt that we needed to put a minimal value or no value on these parcels, why would we have all of this legislation written for us to distribute it? Why would we write legislation to distribute a thousand dollars in value? That doesn't make sense to me.

I understand the argument about obsolescence and we've done our best to establish that through our depreciation. And we have no other better method to go by. And so I understand the concern of the board with regard to that.

But I just wanted to restate that based on what the statutes are trying to do, what the LCB is interpreting them in doing and the way the regulations were written, it just seems like a lot of extra work and administrative cost to distribute something that they had intended there to be a valuation there to begin with, not something that was going to be almost completely exempt and then distribute something much less than that.

CHAIRMAN WREN: That's the right question, the right building, the wrong day.

So I'm trying to -- I've been racking my brain, which is hard these days, to remember exactly the NRS that we were referring to in the original case that basically says
that the assessor has to assess every parcel to be approved.

MR. SUSA: Well, the assessor, it's in 260.

Yeah, they have the obligation to provide a value each year for every parcel of property. And they've done their duty in placing the value on all the parcels, including the five that have we have contested here.

CHAIRMAN WREN: Wait a minute. They're still on.

I was just kind of asking --

MR. SUSA: Oh, all right.

CHAIRMAN WREN: But I appreciate that.

Mr. Johnson, that was kind of the answer.

MR. JOHNSON: I can't tell you the statute number, but there is a statute that says all property that is not otherwise exempt must be assessed and taxed. And the constitution requires that you assess and tax uniformly.

So yeah, they have to appraise and tax every property unless there's a specific exemption. And I think we just heard that 361.233 is not an exemption. So this property doesn't get an exemption. It has to be appraised like every other property.

CHAIRMAN WREN: Right. And what I'm trying to make sure I have a good understanding of is that by law you have to assess these improvements via the cost approach, straight line depreciation, and then if there's marked evidence, relating to some other section, if there's marked
evidence that there's further depreciation that needs to be considered, which we've talked about previously, then you need to consider that.

And when we were talking about being able to verify and solidify that type of depreciation, you need to do it with one of the three approaches, the cost approach, the income approach and so on. If you don't have those approaches to rely on, it's impossible to attribute any other depreciation, isn't it?

MR. JOHNSON: That's our opinion. I think 227 is the one that really lays it out. 2271 says that we have to do an initial value based on the -- and the regulations also go along with that. I believe it's 128 in the regs. That you look at Marshall & Swift and take a depreciation.

And NRS 227, Subsection 5 says that if someone brings to you facts showing that it's exceeding full cash value, then you have to make an adjustment. And then that statute says and here's three things you can look at. And all of them are objective, verifiable, testable methods. And none of them are, oh, I don't think it's worth anything so let's not tax it.

And I think that's where the Supreme Court came down and said you cannot ignore those objective methods and just say it's not worth anything because you can't sell it because there's no market for it. It's still worth.

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something. The people that pay for it and the people that are paying to maintain it and to use it think it's worth something. And it's not a dollar a person. They're paying a lot more than that just for the privilege.

So yeah, I think you're right, Mr. Chair, and I think that that's the problem that we have with all of these arguments that are being made that let's ignore the statutory methods and just say it's not worth anything. And I don't think you can do that. I think the Supreme Court has been pretty clear that you have to have some kind of verifiable substantive evidence. And I don't think this coming in and saying, hey, I'm an expert and I don't think it's worth anything is verifiable, substantive evidence.

There was reference made to the motor speedway case where there was testimony as to what the depreciation was. But that was all backed up by evidence. There was evidence, marked proof as to what was going on with other speedways in other places. And even though it was clear across the country, at least it was something. It wasn't just, yeah, here are the three approaches that you can use, but I'm not going to use any of them because I don't really think any of them apply and I just don't think it's worth anything.

CHAIRMAN WREN: Okay. Anything else from your side?

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Any questions for the assessors? Ben.

MEMBER JOHNSON: I think I understand it, but I just want to make sure. I'll ask the assessor's office, whoever can respond. This test for economic obsolescence, when you're testing the full cash value, you guys are doing that in aggregate, you're going to find other sales within the subdivision and you're going to make sure that they're not selling for a price that's lower than whatever your primary indication of value is or primary replacement of cost is new plus land.

And what I see here is, the way I view it is we're going to look at an individual component that goes in to the Marshall & Swift and find the economic obsolescence is just an individual component, which is 1/700th or whatever it is, 1/7,000th of this structure. So it's one of the many line items in the Marshall & Swift calculation. Am I --

MR. PAYSON: It's a little bit bigger of a question than you probably think, the way we determine that obsolescence. So the essence of what you're saying is correct. We do our statutory valuation with a one and a half percent. Then we have different ways we look for obsolescence. If it's an income property, if there's a model that we apply based on market data to see if we're exceeding properties under that -- under the income approach. If it's residential properties, we also have a model that we apply.
for custom homes to look for obsolescence for those properties.

In the case of an area like Sun City or a subdivision, we do, as you indicated, a more broad mass approach where we analyze these sales in that area to see if that neighborhood should get an override for an obsolescence, which would be economic obsolescence based on the -- not the economics of that property but the economics of the time or area.

And that's why I pointed out earlier that in this case I know there was an issue on the ballpark one where the economics of the downtown Reno evidently aren't very good. Well, in this case, the economics of those surrounding neighborhoods in Sun City didn't even in these years when we were putting overrides on a lot of things in Sun City, we didn't see that economic up and down as much as we did other places and these didn't even get an additional obsolescence.

CHAIRMAN WREN: Ben, let me ask a quick question to make sure that we've got apples to oranges. So if I'm understanding what you're saying is if you have in the houses in these neighborhoods you can attribute obsolescence, you do. And if you had obsolescence in those houses, you would also attribute it to the common area?

MR. PAYSON: No.

CHAIRMAN WREN: Okay. So let me ask this
question then. In your valuation in Clark County of similarly-situated properties such as clubhouses, have you attributed any other obsolescence other than the straight line depreciation?

MR. PAYSON: To the clubhouses or to the common elements?

CHAIRMAN WREN: Well --

MR. PAYSON: Or to the community units?

CHAIRMAN WREN: Yeah.

MR. PAYSON: To the common elements?

CHAIRMAN WREN: Yes.

MR. PAYSON: We have not attributed additional obsolescence other than our land value going down to zero, which would include in our theory some of the obsolescence from --

CHAIRMAN WREN: Yeah. I'm talking just improvements.

MR. PAYSON: No, we have not.

CHAIRMAN WREN: All right.

MEMBER JOHNSON: End of the day though you are looking at sales of properties to test for economic obsolescence and you're -- if, say, properties are selling in a specific area for less than the aggregate of replacement cost less depreciation plus land, you're going to bring that down and that includes a common area element?

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CHAIRMAN WREN: I don't think so. That's what I'm trying to say is that he can't combine these two. They have to assess the houses as houses. They have to assess the common elements as common elements, okay. And if those common elements are going to have any type of depreciation other than straight line, then they've got to go out and find by using the three other approaches to value that they're in excess of full cash value and there's no way to do that. That's the reason Mr. Morse didn't do it.

MEMBER JOHNSON: And I agree entirely. I was trying to get back and see at the end of the day the big picture are we taking in to account the potential for economic obsolescence or not, and that's what I was wondering there. And comparing it to sale prices of other properties, everything is loaded in at that point as a total sum and if the aggregate is greater than the property is going to sell for then you clearly have an issue.

CHAIRMAN WREN: Any other questions for the county?

Okay. Mr. Susa.

MR. SUSA: Thank you. I'll try to address in the order that they gave them, so go with Mr. Johnson's approach first. The Supreme Court was concerned about the lack of any evidence in the record as to value for these properties. And if you read this in its totality, they can cite to the state
board's discussion of that as well. And at the end of the
day they didn't overrule this and rule in favor of the
county. You may notice that this is an order of remand.
It's not a reversal only and the county's numbers win. In
fact, the decision says that the properties may or may not be
worth 19.5 million dollars. But the board has got to make a
decision based on the evidence that's sitting in front of it.
And that was the 2010 case and obviously there was no
appraisal of that property there.

In the 2011 case, there are additional elements
improving value. We talked a little bit about the appraisal.
But in addition to that we brought you the Summerlin
development standards, which limit the use of these parcels
to these common type clubhouses and things like that. Those
are governmental restrictions placed on the properties use
itself.

Sure, you can get the government to maybe change
those at some point in the future. It's difficult if they're
already improved to change those because you have an
additional facility to them. But we don't do valuation based
on what may happen if somebody goes and gets things changed.
We do it based on what it looks like on the lien date, the
valuation date. And on the lien date here, we had a
clubhouse in a planned community doing exactly what the
Summerlin development standards said it could do.
We also have a great explanation of the zoning, Mr. Payson touched on this. PC is planned community. And there are certain things that can happen within a planned community and Mr. Morse read a list of those. But the CC&Rs that are adopted for the Summerlin community specify that these in fact are common areas and they must be maintained as common areas. And this is a developer's promise to the people he's hoping to sell homes to that he's going to build, that if you buy a home in my subdivision you will have an 8,000 square foot clubhouse with the following amenities. It creates something that you're not going to be able to get -- I don't think the developers get much of a choice after the homes start selling to start changing those CC&Rs, that there's restrictions in those CC&Rs that would stop that from happening. And if they did happen, it would probably be sued back to the stone age.

So what we have here that we didn't have in the first case is exactly what the Court said was missing. Mr. Johnson's comment about the Supreme Court rejected out of hand your $500 value is accurate only because there was no evidence in the record as to value and there was no evidence as to one of the three methodologies possibly being followed. And the Court remanded it back down and said if you can follow one of those methodologies, we would be a lot happier.

But I would have to point out that those three
methodologies are not the sole source of valuation. I'm reminded of cases in Clark County at least where Mr. Homeowner simply walks up and he's asked by the board chairman, what do you think the value of your house is and he said it, no comparable sales, no income, nothing else, just I think it's this amount. And that sometimes carries the debt. Now, you notice it doesn't follow one of the three methodologies and the county certainly can put up their evidence, but sometimes that's good enough.

So I reject and the Court should reject and you should reject the notion that if you don't follow one of these three methodologies you can't have competent evidence of value. It's simply a homeowner opining this is the value of their home, something very well known to them and only thing sometimes carries the day and doesn't meet these.

So I as I said in the first transcript that I read what the county's argument is is simple. There's no evidence in the world that can be presented that would show a value different than that presented by the county. Again, I could bring the best appraisers from the north and the south, they could use their decades of experience both as appraisers and as members of county or state boards of equalization, we can begin this appraisal assignment to determine a full cash value, and using all that experience they may have to choose a methodology that's a little different than one of the three.
that's provided. It doesn't make that decision and
determination invalid. That was the DA's point. It doesn't
make it invalid. Other methodologies can be used. And the
question is, is that methodology subject to discussion,
cross-examination, criticism? Absolutely. And the appraiser
has to defend that methodology.

But if they do so, then the Court did not say you
reject that methodology. That's not what this decision says.
This is not the case that was tried before the Supreme Court.
A different case was tried before the Supreme Court and that
case lacked this type of evidence. This case has that type
of evidence in it.

So the Court said it would be best to talk about
cost and the cost methodology includes depreciation and
obsolescence. And Mr. Morse has testified that in fact he
found obsolescence and the way he did so was to look at the
legal permissible uses of the property and determine that
based on that the value is X. And it doesn't matter what
value the assessor put on it, the obsolescence is the
difference between the assessor's value and X, because all
roads have to lead to Rome. All valuation methodologies have
to lead to the market value, and Mr. Morse determined that.

And the market value for this property is unusual
and it's complex and it's not run of the mill and we
acknowledge that. But we have evidence to support our
determination and we follow the cost methodology in similar
manner to what was done in the appraisal and we also have
testimony about following the statutory methodology for
contributory value of the improvements.

So on all the bases of both the appraisal and the
cost and contributory value, we've met our burden of proof
showing that the value established by the assessor in 19.5
million dollars exceeds the full cash value of the property.

Mr. Payson's comments, and Mr. Johnson, I want to
make sure we're all clear on this because I've kind of gone
astray on us and I want to make sure that we come back to
ground zero. The Posts have a home in Sun City Summerlin and
they're not contesting the value of the home. The assessor
can determine that value, different methodologies. And the
assessor often times utilizes market approach to determine if
in fact the replacement cost plus land value is going to
exceed really what the market value is and if so then they'll
make an adjustment and that's fine. In Sun City it's a nice
area of town. It probably isn't so much of an economic
adjustment.

Move that all aside, it has nothing to do with
what we're doing here. The only thing we're doing here is
that for each one of these clubhouses the assessors
determined the value for the parcel and the values for land.
And how that number finally gets determined is then figured
out and distributed among the homeowners. I'll take issue
with the comment of gosh, if there's 7800 homeowners and you
put a thousand dollar value on it, everybody gets 84 cents.
You know, the law doesn't turn on things like that. Because
it could be two homeowners and it could be a thousand dollar
value and each one gets 500 bucks. So that's not how it
works. It is true that the Sun City Summerlin is one of the
largest planned communities in Nevada and as a result the
numbers are going to look a little bit different. But at the
end of the day, the appraisal assignment is the same. What
is the value of this property taking in to account everything
we know, everything we can do? And Mr. Morse's opinion is
that the value is a thousand dollars for this particular
clubhouse. And my argument is if that's the right value then
the same restrictions causing that should also be applied to
the other parcels.

So don't take in to account, gee, everybody gets
47 cents. Take in to account what's the right result under
the law and how the numbers fall out they fall out. Does
that answer your question, Mr. Johnson? Because I really
want to make sure that we're on the same page.

MEMBER JOHNSON: No. We are. And where I was
looking at was not so much -- I didn't care all about the
dollar amounts. What I was saying is the value is obviously
being captured in for each individual homeowner and I was
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wondering if the aggregate of the common element plus the
taxable value of the improvements, if that -- because you get
to a total value there and I'm wondering if that's what
they're testing for economic obsolescence. There's obviously
some value here and is it in the homes, how is it paid for.
That's what I was trying to understand. What you're saying
is for all of that and all that we're dealing with here is a
value of the actual physical structure.

MR. SUSA: Before I tell you to go on that, I
want to make sure that the one point I was making is clear.
The only reason why these have very little value is because
these are amenities within a planned community. And so
people by homes within a planned community that can either
choose to have amenities or not and they make that choice.
And so Mr. Johnson has asked at one point, my goodness, why
would somebody spend six million dollars for property worth
very little money. And the answer is to sell the homes in
the neighborhood, that's why you would spend six million
dollars, to build a clubhouse. You would have very little
value after that to sell the homes in the neighborhood, which
you're going to build. Del Webb knew how to do business, so
they did okay. So I just wanted to make sure that, you know,
we're on the same page there.

Mr. Morse, I kind of went through my little deal
and I know that you had something on insurable value versus
market value. That's a point that Mr. Johnson I thought made that was interesting. If these burned to the ground, they would have to be rebuilt. And so obviously as a prudent manner, the board of directors of every community association has to purchase insurance to make sure that they have sufficient funds to rebuild these. Insurable value doesn't necessarily permeate the market value.

MS. MOORE: Time.

CHAIRMAN WREN: Go ahead and answer.

MR. SUSA: Mr. Morse, can you talk a little bit about like how insurable value has any effect at all on what marketable value for the property may be.

MR. MORSE: Insurable value is based on a hundred percent replacement cost with no consideration for depreciation. And that's what your insurance agent calculated some figures out just like you insure your car. You're going to insure your house for say a hundred thousand dollars, but it might only be worth $50,000, but if it burns down, the insurance company is going to rebuild it. And so there's a definite distinction between insurable value and market value. And that's what I was getting at in my analysis here is what really is the market value and what would somebody ready, willing and able pay for this. I don't think that they would pay 19 million dollars for this clubhouse facility and be subject to the rules, regulations.
and restrictions that are placed on this property by the
CC&Rs as well as the development standards for Summerlin.
Yes, it is zoned PC and I started going through those when
Mr. Susa pointed out I was going too slow and too long and I
did state that those were some of the permissible uses during
that PC zoning. But when you look at the development
standards on this property subject to as well as the CC&Rs,
that is the only use that this property can be put through.
You can't make a profit. And only the people that live in
that community are allowed to use it. You can't have other
people from outside the community come in and use the indoor
swimming pools, the outdoor pools, the craft centers and any
of the other amenities that they have at this property, which
as Mr. Payson indicated is pretty nice. And I went through
it. It is a very nice building.

But what really is market value and what's the
test for market value. That's my point. But the insurable
value is completely different. We're not here to estimate
insurable value and that isn't what the people in Summerlin
think their property is worth based upon insurance.

MR. SUSA: And one final statement, Mr. Wren, to
your comments, when we're looking at this, again, this isn't
an assessor review process. We're not here to determine if
they did their jobs. Their job is done, frankly. It's now
my job and my job is to come up with something to say that
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their value exceeds full cash value. We moved away in Nevada
from -- We? I don't live here. But Nevada moved away from
the idea that like other states you measure value by what it
would sell for in the market. They moved to a taxable value
system a long time ago. And so the only check on that is
does the taxable value exceed the full cash value. If it
does or you think it does, you have to come up with the
evidence and prove it up.

And so even if all of these fine people to my
left did their jobs a hundred percent well, and they often
do, that's irrelevant. The only relevant thing is does my
evidence prove that their number is higher than what the full
cash value is. And as the Supreme Court noted, the full cash
value is defining statute that is the most probable price
this property would sell for in a market transaction, which
looks a whole lot like what fair market value is defined by
the appraisal institute.

And so Mr. Morse did his appraisal based on that
standard, which is the only standard that's controlled in the
statute. And so if your job is to determine if we've proved
that evidence that meets that standard and the evidence shows
a lower number, then I think that we've met our burden of
proof and you should rule in that number.

One more point by Mr. Morse.

MR. MORSE: The appraisal institute textbooks
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state that the appraiser is to apply the approaches that are applicable and where there is data available to do that analysis. Mr. Johnson pointed out that in the Las Vegas Motor Speedway case that I did have data, even though it was from other states. I didn't go in and find that data. Well, I don't have that data in this case. Mr. Payson indicated that as well, that there is no data to really determine what the dollar amount or what the methodology of the economic obsolescence is because I don't have any sales of clubhouses because you can't sell them because there is no market and that's why I concluded it's nominal.

MR. SUSA: We have nothing else.

CHAIRMAN WREN: Okay. So you know, I want to make a statement and ask a question at the same time because we're a little bit off track here in mixing market value and full cash value. They're two different things. They're two different definitions. And the assessor's job is to ascertain the assessed value and not exceed full cash value regardless of what the market value may be. And your argument, the way I'm understanding it, is because these facilities -- Let's start from the premises. Somebody decided to build a building and put it on a piece of land. By law, the assessor has to assess that property. And what your argument is, is because the builder decided or somebody decided to build a building and put a restriction on it, then
it loses all its value. I kind of like that argument because I'm thinking about putting one on my house, some type of restriction, and it won't be worth anything and I won't have to pay taxes and it will be zero.

I like the argument, but it doesn't make sense to me. You've got a structure, regardless if it's in Summerlin or any place else in the State of Nevada. You have a structure that has been built and the assessor has to assess that and assess it to not exceed full cash value predicated on law on the straight line depreciation. So they've done that.

And then the test on that is does it exceed full cash value predicated on the other approaches or the other considerations that are ways to value property. But according to Mr. Morse's testimony these aren't bought and sold. They can't be bought and sold. But that doesn't mean they have no value. They have to have value or somebody wouldn't have built it to start off with to sell the other properties around it.

MR. SUSA: No. There's several deficiencies in what you just said. The first is it's the assessor's job to calculate taxable value of the approved property, period. And if the assessor wants to then determine if that exceeds full cash value, they have the option to do that. Many times the assessor will come to people saying last year you
submitted income information to get economic obsolescence on your property, we would ask to you submit it again. And some people do that and the assessor takes that in to account. But if people don't do that, their sole function is to determine a taxable value.

Then the second step is to file a protest, bring evidence forward that that value exceeds full cash value. And I disagree with what you just said. The Supreme Court citing 361.025 says that full cash value, the most probable price the property would be in a competitive and open market under all conditions requisite to a fair sale. That is the definition of full cash value in the State of Nevada. It is synonymous, synonymous with fair market value from the appraisal institute. Mr. Morse testified to that. Well, now he's whispering something in my ear, so --

CHAIRMAN WREN: And not to -- I don't want to be arguing about it at all. But for it to be market value it means to be bought and sold. If the property can't be bought and sold it can't have market value is my whole point, so go ahead.

MR. SUSA: And the question is how do you calculate full cash value and there are many methodologies that are possible. And what you're saying is if there is no likelihood at all, zero, that the property could be bought and sold, then there is a problem. There is a likelihood
that this property could be bought and sold. There are legal
restrictions as to use and the uses could be changed. It
could be a health club, easily converted to a health club, a
24-Hour Fitness.

So your predicate is if there is no market your
test doesn't apply. And that would maybe be true if there is
no market. The actuality is there's not any reason to sell
this. And if there was going to be a buyer, somebody would
have to do something to change the legal restrictions as to
use to make it have any value at all to a buyer, because
otherwise it has very little value to a buyer.

And I think that your final point about this has
to have value because why else would the developer have built
it, which I thought was your point. The answer is to sell
the homes in the subdivision that the developer is going to
build at a profit. This is just a sunk cost in a subdivision
development. You've got to make the profit on selling the
houses and that's why you turn these over to the association
when all the houses are sold.

So the full cash value of this property has to be
determined under some methodology. And even if you apply a
cost methodology, you have to determine if there's
depreciation and economic obsolescence. And Mr. Morse has
said that if I used a cost methodology there would be
economic obsolescence and the amount of obsolescence would be
whatever was required to bring the value down to the number
I've determined of a thousand dollars.

CHAIRMAN WREN: So given that same argument, you
could have economic appreciation.

MR. SUSA: Economic what?

CHAIRMAN WREN: Appreciation.

MR. SUSA: You have lots of economic
appreciation. The assessor put a taxable value below what
that number is and so you don't protest it. I mean, that's
part of the system of taxable value. I've had a lot of
clients around who get the assessor's value and go, my God,
our property is worth four times that amount. Say nothing,
do nothing, get the tax bill and pay it.

CHAIRMAN WREN: Surprise surprise.

MR. SUSA: Surprise surprise. So I think that
hopefully addresses that issue.

The last thing I want to talk about was there are
properties that have limited use and it's not special purpose
but they have limited use. And when they have limited use,
it's because they're built as limited use. The park has a
limited use, the swimming pool, recreation center all have
limited uses. It doesn't mean that they don't have a value.
It just means they don't have much of a value. And our
argument has been from day one these have a value, they have
to have a value, everything has a value. It's just not much
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of a value because of the way that it's being constructed and what it is. I'm reminded of a cemetery mausoleum. It's an improvement, it costs a lot of money to build. But you know, frankly, what's its value? The answer is not a lot because you don't do much with those.

So at the end of the day we have the proof that we didn't have in the first case. We would ask you to recognize the proof that we have here and the methodologies used to arrive at a value and apply that value to the other four parcels of this for equalization purposes.

CHAIRMAN WREN: Very good. Thank you.

Questions? Ben.

MEMBER JOHNSON: My question is does the improvement generate income? Are you guys charging for classes or are you charging to have a wedding? Should an income approach be considered?

MR. SUSA: All right. So there's a couple things. And I'm glad you asked that question, because I was remiss in not mentioning something. The CC&Rs say that the common area is going to be used by the residents and invited guests. So as a result, if your grandfather lived in Summerlin and said, you know, gee, we really need a great place to have a wedding reception, can we have it at one of your clubhouses, your grandfather could invite you as a guest to use the clubhouse. You would probably be charged a fee.
for using the clubhouse just to cover the cost of cleaning it up afterwards. But the actual clubhouses themselves don't charge for the residents coming in. That's what is supposed to be covered in the annual dues. That includes the maintenance and upkeep. So you get to use it on a daily basis in that regard. But for special events you're going to get charged if you are a resident or an invited guest for the cost of cleaning it up after the event is over because that's more wear and tear than normal.

As far as cash flow, they're huge money lifters.

There's no positive money being made. I spoke with the executive director at Sun City Summerlin about that and said, you know, can we make it $500 on the weekends with somebody using it, but it costs $40,000 a month to run the thing. So it's all just money going in to the maintenance and everything else to keep the things going. No weight is offset by any revenues centered around it.

CHAIRMAN WREN: Okay. Respond quickly.

MR. JOHNSON: We've now established that Mr. Susa disagrees with you, Mr. Wren, and with the Nevada Supreme Court that market value and the full cash value are not equivalent. And the Nevada Supreme Court said improvements on the land may still have substantial value even if neither the land nor the improvements would have value on the open market. Other quotes that I've already read to you and I
won't read them to you again.

But I would also like to remind the board of what Member Johnson said earlier that the value to build these things, it doesn't evaporate. If it cost 20 million dollars to build these things approximately and that value has to be taxed and it hasn't gone in to the homes, we've established again in the Nevada Supreme Court very clearly that there's no transferring of that value to the home. It's still right there in those buildings and nothing has happened in the economy, nothing has happened anywhere to cause any of that value to just dissipate. They're being maintained, they're being operated, they're being used exactly the way they were intended to be used. And restrictions on the land, the Court said, is not a reason to reduce the improvements to nominal value.

And whether Mr. Susa and his expert witnesses agree with that under their appraisal theory, yeah, under appraisal theory, market value is probably where you go. But you don't go there under the Nevada statutes and the Supreme Court has made that pretty clear. And if we have to go up and have them say it again, that's what we'll do.

CHAIRMAN WREN: Okay.

MR. PAYSON: I'm sorry, Mr. Chair, but I do have to clarify. I think maybe they were a little bit misleading on the income or the use of these or the potential use of
some of the improvements out there. They actually are -- The board of directors according to Article 2 of their articles of incorporation of Sun City, the Sun City Summerlin Community Association state that they will purchase these, own, improve, operate and hold real personal property of every kind of description to sell, convey and lease such property and to mortgage, assign, pledge or otherwise encounter such property.

In fact, they have leases out there. As a matter of fact, they were trying to get a gaming property out there just within the last year. I don't know if it happened or not, but it was on their minutes to approve a gaming property in one of their common element areas.

They also -- There was a little bit of a to-do out in the community where the executive board decided to lease out one of their rooms for a congregation and some of the homeowners were upset because they didn't think that should be allowed because they wanted to use that room.

So I think they are allowed to lease out these properties, and I don't know to what extent and I'm not trying to say that these are commercial properties by any means, but there certainly can be uses out there and they can generate some sort of revenue and I'm sure it's not to make a profit. It's probably to offset the dues that they have to pay for the upkeep and things like that.

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MR. SUSA: Mr. Chair, I can't leave that unchallenged. The articles of incorporation always give broad powers to the people who are the board of directors. As far as a common area, a clubhouse that is going to be approved for gaming, I think that would be a valuation of the CC&R and that's the first I've ever heard of it was Mr. Payson mentioning it.

CHAIRMAN WREN: It doesn't mean it's not possible though.

MR. SUSA: Probably legally impermissible, so that would be not possible.

CHAIRMAN WREN: Could be.

MR. SUSA: All right.

CHAIRMAN WREN: Okay. I'm going to close the case. And I have probably pretty much the same thoughts that I did last time we heard these cases, that it all boils down to a -- And I try to take my appraiser's hat off on these for several reasons. Number one is there is a difference between market value, full cash value the way that the state looks at it and the way the assessor looks at it. These properties are built, any property in the State of Nevada is built for a reason. And if you build a piece of property in the State of Nevada, the assessor of that county is going to tax you on it. And you're not exempt from those taxes unless you have an exemption for some reason. You know, the --

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(The court reporter interrupts)

CHAIRMAN WREN: So my point is, is that when you have a piece of property it has to be assessed and if there isn't any way to determine that it has depreciation, it doesn't have depreciation. Just because you want depreciation, just because you want a property to be worth more or less, if you can't prove it, it's not. It's just what it is. And that's how I'm looking at it. I don't disagree with any of the arguments. But you got to show proof that it's either worth something or it's not worth something. And if you can't prove it, then the law says that it's assessed at cost less straight line depreciation.

Ben.

MEMBER JOHNSON: I largely agree with you, Mr. Chairman. I just, I really struggle on depreciation and what is -- I have no doubt that the appraisal we have it's good, but what we were charged with here is is full cash value the same as market value. I don't know the answer to that. And end of the day is we've got whatever, six million dollar asset here that it just evaporates. And that's still, that bothers me a little bit that it's been built in a way and now it's going to be worth a thousand dollars. I struggle with that without more support.

CHAIRMAN WREN: Aileen.

MEMBER MARTIN: Because I must make everyone
smile this afternoon. It was my flippant comments in the first place that got us here. I have nothing to say.

CHAIRMAN WREN: Did you get that on the record?

Dennis.

MEMBER MESERVY: I, just like before, I don't see it being worth 19 million or whatever. I'm having a hard time with this just because I am the one that would think it's a di minimus amount but I would probably say it's more than a thousand. But I still am having a hard time with this. And this has been a problem from day one.

CHAIRMAN WREN: Ben.

MEMBER MESERVY: I see good arguments on both sides.

MEMBER JOHNSON: I just want to make sure we're not double taxing the property owner because clearly some of this value is included when you buy the house, you're motivated in part, some people are because I'm going to get to use this facility, I'm going to have to pay dues, so we're not coming back in and -- I heard the assessor's office say we're not double taxing them and that's been established. I just didn't understand what the basis was that lead to that conclusion.

CHAIRMAN WREN: But you do now?

MEMBER JOHNSON: Not entirely, no. Do you?

CHAIRMAN WREN: I think so. I mean, they're two
different entities. I don't see where there's any double
taxation at all, no. Building a building -- When a builder
goes out there and builds something and sells off part of it
and builds part of it to be given to the people they sold it
off to, maintaining that is part of the business. It's part
of doing business. And part of doing business and owning a
property in the State of Nevada has tax and you have to pay
taxes on it.

MEMBER MESERVY: My concern with all of this is,
you know, I have a mother-in-law and father-in-law that had a
house over there in Sun City, when they sold it there was no
consideration whatsoever on common area and it never was an
issue. It was always what's the value of the house being in
Sun City. So obviously there is a value that we have to
separate. But when we come to selling, the reality is it
never was an issue in selling that property and yet it was in
Sun City. And that's what gets me is that it just doesn't
make sense to give a full value without any depreciation or
obsolescence. To me that doesn't make sense at all.

MEMBER JOHNSON: On the other side, there's no
good way to do it and that's what I think you're struggling
with, Mr. Chairman, as well is is it worth six million, is it
worth something less. I don't know really know. But a
thousand dollars for something that costs six million dollars
to build, reasonably that doesn't seem fair either and it
just doesn't pass the smell test to me. And that generally means it's wrong when it doesn't appear right on the surface. And how you get there, there's just no credible way to get there. What is the depreciated value? I don't know.

CHAIRMAN WREN: And that's what I was talking about earlier when I tried to take out of the equation to some extent the amount of the appraisal. I don't disagree with what is the cost approach and how he prepared it from an appraiser's standpoint. But the assessor can't do that and that's what we always have to go back on is by law the statute, what does the assessor have to do and what is his ability to do that. And I'm not sure I have any evidence before me that the assessor has valued these incorrectly.

MEMBER JOHNSON: I concur.

CHAIRMAN WREN: Make a motion.

MEMBER JOHNSON: In Case 11-446 and 11-454, we called them both together; right?

CHAIRMAN WREN: Yes.

MEMBER JOHNSON: I make a motion that we uphold the County Board of Equalization's decision as there's no evidence here -- not substantial evidence to disprove what the assessor did.

CHAIRMAN WREN: Is there a second? I'll second it.

Discussion? Seeing no discussion, all in favor CAPITOL REPORTERS (775) 882-5322
say aye.

MEMBER JOHNSON: Aye.

MEMBER HARPER: Aye.

CHAIRMAN WREN: Aye. Opposed?

MEMBER MESERVY: Nay.

MEMBER MARTIN: Nay.

CHAIRMAN WREN: The motion fails.

Are there any other motions that would like to be made? Dennis.

MEMBER MESERVY: I don't see where I have any motion to make. I mean, I don't have a motion. I think it's somewhere in between the two in value, but I don't know how to do it through appraiser techniques to show that obsolescence. But I definitely don't think either one would be the perfect way.

CHAIRMAN WREN: Okay. Would anybody else like to make a motion before I close the case? Going once, going twice, the case is closed. Thank you very much. We're going to break for lunch. It is ten til one. We will reconvene at 2:00 o'clock.

(Discussion was held off the record)

CHAIRMAN WREN: Call the next case.

MS. RUBALD: Mr. Chairman, I'm going to call the next two cases, 12-423, Sun City Summerlin Community, and 12-424, Richard and Masako Post. Both the respondent is the CAPITOL REPORTERS (775) 882-5322
Clark County assessor.

CHAIRMAN WREN: Identify the property, please.

MR. JOHNSON: I'm not the assessor, but it's the same property, the same arguments and the same evidence. And you can go ahead and call for a motion.

CHAIRMAN WREN: Okay. Before I do that, let the record reflect that both sides have stipulated -- Jim, go ahead.

MR. SUSA: Okay. So we would ask you to incorporate the same arguments from the 2010-11 and 2011-12 cases that the board has heard this morning and then to make a ruling or take action on the 2012-13 cases after our break.

CHAIRMAN WREN: Okay. And there's no opposition to that?

MR. JOHNSON: No opposition.

CHAIRMAN WREN: Okay. Thank you. I'll close the case and entertain a motion.

Seeing how there is no motion, I will close the case and adjourn until 2:00 o'clock.

MR. SUSA: Thank you, Mr. Chairman.

CHAIRMAN WREN: Thank you, everybody.

(Lunch recess was taken)
THURSDAY, OCTOBER 9, 2014, 2:01 P.M.

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CHAIRMAN WREN: Welcome back, Mr. Harper.

MEMBER HARPER: Thank you. Thank you.

CHAIRMAN WREN: Call the next case, please.

MS. RUBALD: Mr. Chairman, the next case comes from group two in Section F. It's Case Number 11-439, Rhodes Ranch Association, Incorporated. Clark County assessor is the respondent.

CHAIRMAN WREN: Go ahead and identify the property, please.

MR. PAYSON: Mr. Chair, Jeff Payson for the assessor's office. I think we might be able to get through this whole group pretty easily. We've been talking with Mr. Killion. If you want to consolidate all of these, I don't know if you want us to introduce all of those properties.

CHAIRMAN WREN: For the record, Mr. Killion, if you'd just identify yourself.

MR. KILLION: This is Michael Killion with Frazer, Ryan, Goldberg and Arnold, 3031, Phoenix, Arizona, North Central, Suite 1600.

CHAIRMAN WREN: Okay. Now, do you want to consolidate everything?

MR. PAYSON: I believe that all of group two.
MR. KILLION: Yes, all of group two.

MR. PAYSON: And I can tell you that they're all
the same situation as we have already heard. They're all
common elements. I don't think we have addresses and all of
that on all of those. If you can go through there and do all
of that.

CHAIRMAN WREN: That's okay. Everything grouped
here, if you would like to incorporate all of the previous
testimony.

MR. PAYSON: Yes, from our side we would
incorporate all the testimony from the two prior common
element cases.

CHAIRMAN WREN: The two prior cases. And
Mr. Killion, any comment?

MR. KILLION: We would like to incorporate all
the testimony too. I know the appraisal was done on
Summerlin, but we believe it has the same restrictions, same
CC&Rs, it's the same issues and we believe that it's a
nominal value too.

MS. RUBALD: Do you wish me to call those cases?

CHAIRMAN WREN: Yeah. I want to make sure
everybody is on the same page first, so if you call all the
cases. You can just call it group two.

MS. RUBALD: Okay. I would be happy to do that.

Group two.
CHAIRMAN WREN: Yeah, that's fine.

MS. BUONCRISTIANI: And let's ask the taxpayer, does group two reflect all the properties you want included?

MR. KILLION: Yes, ma'am.

MS. BUONCRISTIANI: As on the agenda?

MR. KILLION: Yes, ma'am, it does.

CHAIRMAN WREN: Okay. So we have incorporated all the testimony. Keith, you weren't here, so I'm going to ask you to recuse yourself from what's about ready to happen for your own well-being, your own protection. I'm going to close the case on all of group two. And there's nothing else you want to add, is there?

MR. PAYSON: No, sir.

MR. KILLION: No. We've been talking about it for four hours. That's enough.

CHAIRMAN WREN: I agree. Okay. Group two cases are closed. I'll entertain a motion. Going once, going twice, going three times. Seeing no motion --

MEMBER JOHNSON: I'll make a motion in group two that we uphold the County Board of Equalization's decision due to the petitioner not overcoming their burden to disprove the valuations and us not feeling that there's enough evidence to adequately determine functional obsolescence and economic obsolescence of these common area structures.

CHAIRMAN WREN: Okay. Is there a second?

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MEMBER MARTIN: I'll second it.

CHAIRMAN WREN: Discussion? All in favor say aye.

MEMBER MARTIN: Aye.

MEMBER JOHNSON: Aye.

CHAIRMAN WREN: Opposed? Nay.

MEMBER MESERVY: No.

CHAIRMAN WREN: Motion carries. So basically this gets it back to where we were earlier when we didn't make a motion, which I believe is --

MS. BUONCRISTIANI: It was a two-two vote.

CHAIRMAN WREN: Yes. So it failed.

MS. BUONCRISTIANI: The record reflects there's a two-two vote and it fails. So what is the taxpayer's denied relief?

CHAIRMAN WREN: Any other motions? Seeing none, I'll close all of those cases. Thank you very much.

MR. KILLION: Thank you.

CHAIRMAN WREN: Okay, Terry, moving on to group three.

MS. RUBALD: Mr. Chairman, I'd like to call Case Number 11-435, Toll Henderson, LLC. Clark County assessor is the respondent. It's in the Section F, group three.

CHAIRMAN WREN: Okay. Identify the property, please.
MR. PAYSON: Mr. Chair, group three are Mr. Bancroft's appeals. I think he's okay, minimally at least, grouping them together and hearing them all together.

CHAIRMAN WREN: Okay. For the record identify yourself please, sir.

MR. BANCROFT: Thank you, Mr. Chairman. Paul Bancroft with Lionel, Sawyer and Collins, appearing on behalf of the taxpayers in group three. And I do have no objection to consolidating them. The lead case was the case that was argued this morning by Jim Susa. And so I would anticipate that the board's ruling in this case will be similar. So there's no additional argument. I just incorporate the arguments made this morning.

CHAIRMAN WREN: I was so forward to looking to you and I yelling at each other again.

MR. BANCROFT: I'm sure we can still have that opportunity.

CHAIRMAN WREN: Okay. So Terry, if you would call all of group three, please.

MS. RUBALD: Yes, Mr. Chairman. I'm calling all the cases in Section F, group three.

CHAIRMAN WREN: Keith, I'm going to ask you to recuse yourself again on this one.

MEMBER HARPER: So moved.

CHAIRMAN WREN: Do both parties agree to CAPITOL REPORTERS (775) 882-5322
incorporate all testimony from all prior cases of similar
nature?

MR. PAYSON: Yes, Mr. Chair. Jeff Payson from
the assessor's office. We're here to incorporate all of our
testimony from the prior case.

MR. BANCROFT: Paul Bancroft on behalf of the
properties.

CHAIRMAN WREN: See, you thought it was hard this
morning. What was the problem?

Is it all the same testimony, same issues?

MR. BANCROFT: Yes.

MR. JOHNSON: Same issues. Once again, the only
difference is that the appraisal was on the Summerlin
properties and his are similar properties.

CHAIRMAN WREN: So everybody feels comfortable --

MR. BANCROFT: Wait. It is Summerlin. The
Ridges is in Summerlin.

MR. JOHNSON: Okay. But it's not in the Sun City
development. Let me clarify.

CHAIRMAN WREN: Okay. I want to make sure -- I
like expediting things. I'm sure this will be appealed, so I
want to make sure that everything is in the record that you
need if either side decides to appeal our non-decision, okay.

All right. I'm going to close the case. I'll
entertain a motion or not. Seen as how there is no motion, I
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will close all of group three. There's no motion. That's okay.

MEMBER JOHNSON: I will make a motion --

CHAIRMAN WREN: I'll open the case back up. You know, it's probably good to have it on the record that a motion was made, so make your motion.

MEMBER JOHNSON: In group three I make a motion it's all the same comments from before in those cases. I didn't feel that there was adequate proof to substantiate the economic obsolescence adjustment, petitioner didn't overcome their burden and therefore I make a motion to uphold the County Board of Equalization's decision.

CHAIRMAN WREN: Is there a second?

MEMBER MARTIN: Second.

CHAIRMAN WREN: Discussion?

Seeing none, all in favor say aye.

MEMBER MARTIN: Aye.

MEMBER JOHNSON: Aye.

CHAIRMAN WREN: Opposed?

MEMBER MESERVY: Nay.

CHAIRMAN WREN: Aye -- or Nay. Two to two vote.

The motion fails.

Is there any other motion?

MEMBER MESERVY: I just want to know is it nay or is it aye?
CHAIRMAN WREN: It's one or the other.
Okay. There's no other motions. These cases are now closed also. Thank you very much. We're going to go off the record for a minute.

(Discussion was held off the record)

CHAIRMAN WREN: Okay. Let's call the next case, please.

MS. RUBALD: Mr. Chairman, the next case is from Section G. It is a remand from the First Judicial District Court, Department Number 1, Case Number 11OC0004161B regarding an order granting the petition for judicial review and clarification of the basis for the state board's decision, State Board Case Number 11-416 Howard Hughes Company, LLC versus the State Board and County of Clark, Nevada. This has been on the agenda before and I believe at your last hearing in August the motion was to bring this matter back.

CHAIRMAN WREN: Okay. I'm going to go off the record for just a second.

(Discussion was held off the record)

CHAIRMAN WREN: Okay. Dawn.

MS. BUONCRISTIANI: This is just a brief overview of what happened last time. I would like to be able to reopen the hearing and be able to go back to the actual case records and cite specifically what we did and specifically...
what methods of valuation we used to arrive at our decision.
I think we need to do that.

So Member Johnson stated, Mr. Chairman, in the matter I guess it's Section C, number one, to reopen the remand, I make a motion we do and we bring it back before this board at a subsequent date in order to correctly comply in my view with the order from the Court.

CHAIRMAN WREN: Okay. Mr. Johnson, that was your motion. So we're back.

MEMBER JOHNSON: Great.

CHAIRMAN WREN: Do you want the Court order again?

MEMBER JOHNSON: If you would refresh my mind, yeah.

MS. BUONCRISTIANI: Okay. At issue in this matter is the methodology used by the state board to determine the value of the subject property. The state board is permitted to use any method to determine value that is prescribed by law. Imperial Palace versus State, the Nevada statutes prescribe three approaches for determining value. A, comparative sales based on prices actually paid in market transactions. B, a summation of the estimated full cash value of the land and the contributory cost of improvements. And C, capitalization of the fair economic income expectancy or fair economic grant or analysis of the discounted cash
flow. That is NRS 361.227, Subsection 5.

However, in this case, it is impossible to
discern from the written decision whether the state board
applied one or more of the approved methods of valuation and
if it did how the approach or approaches resulted in the
value adopted by the state board.

NRS 233B.125 provides in part that findings of
fact if set forth in statutory language must be accompanied
by a concise and explicit statement of the underlying facts
supporting the findings. This is not the case here.

The transcript of the deliberation of the state
board on August 22nd, 2011 reveals that the ultimate value
incorporated in its written decision appears to have been
determined calculating a mathematical mid-point between the
initial value entered on the secured tax roll and the value
adopted by the county board. Calculation of a mathematical
average is not a statutorily prescribed method for
determining value. If this method was used for determining
the value of the subject property, the state board applied a
fundamentally wrong principle.

State Board of Equalization versus Barta, holding
that the state board applies a fundamentally wrong principle
when it applies an unauthorized valuation methodology. For
the foregoing reason that it is impossible to determine for
the record exactly how the state board reached its decision,
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this case is remanded to the state board to, one, reexamine
the evidence, two, clarify the basis for its decision under
233B.125, and three, there needs to be a determination of the
value of the subject property using one or more of the
prescribed approaches found in 361.2275, and four, that value
must be supported by substantial evidence in the record, and
five, the written decision of the state board must be written
in sufficient detail to allow for meaningful review.

The Court being fully advised and for good cause,
it is ordered that this matter be and hereby is remanded to
the State Board of Equalization to take further action
consistent with this order.

CHAIRMAN WREN: And I think what we attempted to
do last time was to explain that our decision at that time
with the board members on the board at that time had taken in
to consideration the evidence provided by both the direct
sales approach of large acreage parcel sales as well as the
discounted cash flow analysis that was done on the property.
And basically decided that the direct sales comparison
approach was most applicable given the sales and analyzed and
presented and had been appropriately adjusted.

And I don't remember that it was just a
mathematical average that we utilized to come up with that
value. But it was primarily predicated on the direct sales
approach and the testimony provided.
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MEMBER JOHNSON: And what I really want to hear is I didn't feel like we went back and looked at the sales at all. We just looked at the record from the actual court hearing. And the more I thought about it, I wonder if that was sufficient. If we should actually dig back in to it and on page such and such is a comparable sales chart, those do seem to reasonably supported or they don't. And I would also be in favor of allowing both parties to speak. I would like to hear what they say and maybe they have something that would be meaningful to us in coming to a conclusion up here.

CHAIRMAN WREN: Okay. No objection from the other board members, I will at this time give both sides five minutes for any testimony you would like to give or discussion you would like us to have or consider. Is that fair?

MR. JOHNSON: Mr. Chairman, I don't think there should be any new evidence submitted. If you wanted to hear additional argument, that's okay.

CHAIRMAN WREN: Yeah, no evidence. Just argument. Just recap of your position, I guess. I need a confirmation from both sides before I do that.

MR. BANCROFT: For the record, my name is Paul Bancroft. I'm appearing on behalf of Lionel, Sawyer and Collins and the property owner in this case, Howard Hughes.

I did at the last hearing suggest, ask for the
opportunity to address the board, marshalled the evidence and explained how in my opinion the Court's order reconciles with the evidence in the record in this case. And yes, I would like the opportunity to do that. I do not believe five minutes is a fair time for the presentation, considering the amount of evidence we have in this case and the number of different valuation indicators that have been tossed out in this case. So I do think that more time is necessary.

CHAIRMAN WREN: Okay. Without providing any new evidence, the recapitalization of what you did last time, I would give both sides 15 minute and I'll give you the last five minutes as we did in the other case. Go ahead.

And I guess in looking at what the Court is actually looking for, the Court is actually looking for reference to the testimony in the original case. So if you can reference that -- I'm sorry. The evidence in the original case. So if you can reference that also, that would be helpful. Okay. Go ahead.

MR. BANCROFT: Both parties in this case are represented by counsel.

CHAIRMAN WREN: I don't think your mike is on.

MR. BANCROFT: My mike is on. Apparently I need to speak up. But both parties in this case are represented by counsel. And I'd ask that -- I would object to the county addressing the board directly and not through their attorney.
Paul Johnson. The county -- The staff from the county were
fact witnesses at the lower level and there's more of a
likelihood of new evidence inadvertently coming in if you
have potential fact witnesses addressing the counsel
directly. So I would ask that all comments directed to the
board be made through Paul Johnson.

CHAIRMAN WREN: Okay. Let's go off the record
for a minute.

(Discussion was held off the record)

CHAIRMAN WREN: Okay. We're back on the record.

As kind of seems to be the case today, this is a pretty
complicated case. This is a verge large piece of property in
southern Nevada that is very difficult to either assess or
appraise. We heard this case last year with quite a bit of
testimony and made a decision predicated on that case and
that evidence presented and the Court didn't like our
decision, which is fine.

And so now what the Court has come back and said
is explain what you did and we don't have all the same board
members on here as we did when we heard that original case
and now we're going to try to get in to an explanation of
what was said and what was pertinent and what wasn't
pertinent, which is the appropriate thing to do, I guess.

But in my mind, this is one of those cases that's big enough
that it needs to be done right. And perhaps to do it right,
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and this is, I'm asking the board and directing these
questions at you now, in order to make sure we do this right
so that this doesn't get appealed and appealed and appealed
is to postpone this hearing to some time in the future and
rehear the entire case, all the witnesses, all the evidence
and knowing what the Court is looking for, predicate it on
rehearing that testimony and then making sure we make a
decision that we have included the appropriate reference of
the evidence that we relied on in making a decision, instead
of going back and forth like this and trying in hindsight to
explain what we did.

MEMBER JOHNSON: I'm not opposed to that.

Another question I have is would it be possible to send this
to mediation or something along those lines and try to reach
a settlement that way? I don't know if that's an option we
have.

CHAIRMAN WREN: They always have that option.

They always have that option. My concern is that we're not
going to be adequately -- we can't adequately answer what the
Court has directed us to do, I don't think. And I think that
the only fair way to do it and the appropriate way to do it
is to rehear the entire case and make sure that we provide a
record if it's appealed again to the court that they can make
their decision on. And I'm saying that because both sides,
of course, have a lot to say, they need appropriate time to
say it. They don't have their witnesses with them today so
we can't just rehear the case today or I would. We're not
prepared to do that. But this isn't a life or death
situation where it has to be done today either. I would
rather make sure we do it right than just try to explain what
we did.

MEMBER HARPER: So you're saying actually have
the appraisers or the appraiser come back in and give
testimony again?

CHAIRMAN WREN: Yeah. Just set it out. I don't
think we'll probably do it this year. The state probably
doesn't have the budget. But, you know, put it off until the
first hearings in Las Vegas next year and just rehear the
whole case. I mean, this is a large land hold in southern
Nevada. It's something that we probably ought to make sure
it gets its due diligence.

MEMBER JOHNSON: And I'm fully in support of
getting to the bottom of it and getting it right.

CHAIRMAN WREN: Continuation is the word I was
looking for. So it would be my recommendation for us to
continue this to a future hearing whenever Terry can schedule
it. Terry, I don't think it's something that has to be done
this year. I'm sure you're getting under budge constraints.
But something that would need to be placed on the agenda
first hearing in Vegas next year.

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MS. RUBALD: Certainly we can do that for you.

MEMBER MESERVY: Is that something we need to vote on?

CHAIRMAN WREN: Yes.

MEMBER MESERVY: So unless we need more conversation.

CHAIRMAN WREN: Go ahead and conversation first.

MEMBER JOHNSON: Would we want to hear from the parties and see if they have any objection to that course of action?

CHAIRMAN WREN: No, I don't think so, because this is a remand from the Court and the reason I'm doing this, part of the reason I'm doing this is because of the discussions we had at the last hearing when we tried to hear this and what I can foresee coming out of the discussions today and I'm not sure that's fair to them. It's not fair to us either. It's not fair to Mr. Harper who has already had a bad day since. He wasn't part of the original discussion. So this is our decision. This is my recommendation. But we're body a five, so I'll definitely go with the flow here.

MEMBER MESERVY: I'm going to make a motion on SBE 11-416, the remand, that we actually rehear the case in our next calendar year in Las Vegas.

CHAIRMAN WREN: Okay. Is there a second?

MEMBER JOHNSON: I'll second that.

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CHAIRMAN WREN: Okay. And I want it explicitly understood that we're going to rehear the case as it was actually presented with the same witnesses, the same testimony. I don't want any new evidence. I don't want any new discussion. I want to hear the case exactly like we heard it last time, okay. Okay. All in favor say aye.

(The vote was unanimously in favor of the motion)

CHAIRMAN WREN: Opposed? Motion carries unanimously. Okay. Thank you very much.

MR. BANCROFT: Thank you.

CHAIRMAN WREN: Thank you for your time.

Okay, Terry.

MS. RUBALD: Mr. Chairman, the next item is number two under Section G. It's the remand from the First Judicial District Court, Department 1, Case Number 13OC003201B regarding the order after hearing dated June 20th 2014 directing the state board to remand the matter to the Washoe County Board of Equalization in the matter of Dillard's International, Incorporated versus the State Board of Equalization, Washoe County and the Washoe County assessor. State Board Case Numbers 13-261, 13-262, 13-263 and 13-264.

CHAIRMAN WREN: I had heard rumors that there was properly -- might be a stipulation or something here. Yes?

No?
UNIDENTIFIED SPEAKER: No.

CHAIRMAN WREN: Okay. That's fine.

Let her read the remand first. Go ahead.

MEMBER MARTIN: Mr. Chairman and Board Members,

I'd like to recuse myself from hearing this case.

CHAIRMAN WREN: All right. Thank you.

MS. BUONCRISTIANI: Terry has already identified

the district court case number and the state board case

numbers and this is what the Court has ordered. It is hereby

ordered that the decision of the state board is vacated based

upon the finding that the written decision letter is

insufficient pursuant to the requirements of NRS 233B.125 to

allow the Court to review the administrative decision. This

case is remanded to the state board with instructions to the

state board to remand the matter back to the county board.

On remand, the county board must go through the

proper procedures discussed above. All of the pertinent

determinations that the county board must be supported by

substantial evidence in the record and be set forth in a

written decision.

It's saying that it's being remanded to the state

board for the state board to remand it to the county board.

CHAIRMAN WREN: So remanded. Okay. Hold on. It

just sounded so easy. We need a motion to follow the Court's

direction for us to remand it to the county. I don't know

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why they just didn't do it themselves.

MS. BUONCRISTIANI: Out of respect.

CHAIRMAN WREN: They respect us? Whoa, let's do this officially right then.

MEMBER JOHNSON: Mr. Chairman, in this case I make a motion that we remand them in accordance with the Court's order to the County Board of Equalization for further proceedings.

CHAIRMAN WREN: Okay. Is there a second?

MEMBER HARPER: Second.

CHAIRMAN WREN: Discussion? All in favor say aye.

(The vote was unanimously in favor of the motion)

CHAIRMAN WREN: Opposed? The motion carries unanimously.

Call the next case, please.

MS. RUBALD: Mr. Chairman, I'd like to call several cases from Section H. These are direct appeals from the actual county assessor for the 2013-2014 unsecured roll. All of the cases in Section H beginning with 14-319, Level 3 Communications, which is Telecommunications Property, and also the case number -- everything between 14-319 and 14-327 are all Level 3 Communications cases in Washoe County. Case Number 14-376, AT&T Mobility, is also Telecommunications Property in Washoe County. Case Number 14-378 is Nevada Bell
Telephone Company doing business as AT&T Nevada, also in Washoe County. Case Number 14-379, AT&T Communications, is Telecommunications Property in Washoe County.

And then starting with Case 14-329 through Case 14-362 are all Level 3 Communications in Clark County. And all of those have been -- there are stipulated agreements that you need to consider.

MEMBER MESERVY: What about also 363, 364 and 365?

MS. RUBALD: 363, 364 and 365 have been withdrawn.

MR. BANCROFT: In grouping the cases instead of calling all of them at once, it may be preferable to do it by county because the issues may be different and we may have different questions by county.

MS. RUBALD: For stipulated agreement?

MR. BANCROFT: Well, we had separate stipulations with each of the counties. And to some extent, they may cover slightly different things, so I just want to make sure that the board is clear.

CHAIRMAN WREN: I appreciate that, but since they're stipulated to, unless you want us not to agree, we're just going to accept the stipulations, unless you want to argue. So I appreciate what you're saying, but there's no sense in muddying the water. If you've stipulated and both

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sides have signed the stipulations, we're not going to argue with them, unless you want us to. Do we get paid for that?

Wait. Do we get paid for that?

MR. BANCROFT: That's fine.

CHAIRMAN WREN: Okay. Everybody, both sides are in agreement with all the stipulations in all the counties; correct?

MS. RUBALD: And Mr. Chairman, for the record I think Clark County is represented by Mr. Scott down on video conference.

CHAIRMAN WREN: Identify yourselves, please. We can't hear you.

MR. SCOTT: Good afternoon. This is Doug Scott representing Clark County Assessor's Office. Can you hear me okay?

CHAIRMAN WREN: Yes.

MS. GOODMAN: Laurie Goodman with the Clark County Assessor's Office.

CHAIRMAN WREN: Have you been sworn in?

MR. SCOTT: Yes, we have.

MS. GOODMAN: Yes.

MR. BANCROFT: Would you like us to state our appearance for the record?

CHAIRMAN WREN: Yes, please.

MR. BANCROFT: Paul Bancroft and Bill McKean from CAPITOL REPORTERS (775) 882-5322
Lionel, Sawyer and Collins appearing on behalf of Level 3 Communications, AT&T Mobility, LLC, Nevada Bell Telephone Company and AT&T Communications.

CHAIRMAN WREN: Okay. Thank you.

MR. STAFFORD: And Mark Stafford for the Washoe County Assessor's Office.

CHAIRMAN WREN: Okay. Anybody want to make any comments about the stipulations? Everybody agrees to them? Okay. Close the cases. Entertain a motion.

MEMBER MESERVY: With regarding to the cases called in Section H that Terry has already called, my motion is that we accept the stipulated agreements as signed.

MEMBER HARPER: Second.

MS. BUONCRISTIANI: The stipulated agreement values.

MEMBER MESERVY: I'm sorry. The stipulated agreement values is what I meant.

MS. BUONCRISTIANI: Thank you.

MEMBER HARPER: Re-second.

CHAIRMAN WREN: Discussion. All in favor say aye.

(The vote was unanimously in favor of the motion)


MS. RUBALD: Mr. Chairman, the next group of
cases I'd like to call are 14-306, 14-307, 14-308, 14-309, 14-310, 14-311, 14-312 and 14-313. They are all Level 3 Communications, Telecommunications Property. And the Elko County Assessor is the respondent. I should also add that in these cases there are -- there is new evidence from the assessor.


MS. RUSSELL: Katrinka Russell with Elko County.

CHAIRMAN WREN: Okay. If you would give us the standard of law for new evidence, please.

MS. BUONCRISTIANI: NAC 361, this is introduction of new evidence. If this is a direct appeal it's not new evidence. Is this a direct appeal?

MR. BANCROFT: Correct, yes.

MS. BUONCRISTIANI: There's no new evidence in a direct appeal.

CHAIRMAN WREN: Okay. Go ahead and identify the property, please.

MS. RUSSELL: The property is spread out through Elko County, many different tax districts. So would you like me to identify the property by the account number?

CHAIRMAN WREN: Is the same case -- the same argument going to be through all the cases?
MS. RUSSELL: That is correct.

CHAIRMAN WREN: Why don't you identify the one that you want us to follow then?

MS. RUSSELL: Okay.

CHAIRMAN WREN: And I'm assuming that it's okay with everybody that we consolidate.

MS. RUSSELL: So with Level 3 Communications we have Case Number 307 and then we have Case Number 308, 309, 310, 311, 312, 313. These accounts have Telecommunications equipment located in different tax areas throughout the county. The reason for appeal is based on the type of life schedule that was used in calculating the depreciation.

CHAIRMAN WREN: Okay. So what I'll do now that you've identified the property is I'll let the petitioner put on their case and then I'll come back to you.

MEMBER JOHNSON: Did you mean to include Case 306 as well, 14-306? I didn't hear her say that. I thought she started with 307.

CHAIRMAN WREN: She did.

MEMBER MESERVY: She didn't say 306.

MS. RUSSELL: I'm sorry. 306 through 313.

MEMBER JOHNSON: Okay. Good. I just wanted to make sure we're all on the same page.

CHAIRMAN WREN: So which one are we going to follow, 306 or 307? Okay. Let's follow 307. And I
entertain a motion that we consolidate these cases and the testimony.

MEMBER MESERVY: With all the slight that we just heard on 14-306, 14-307, 14-308, 14-309, 14-310, 14-311, 14-312, 14-313, my motion is that we consolidate them all to this case using 14-307.

CHAIRMAN WREN: Is there a second?

MEMBER MARTIN: Second.

CHAIRMAN WREN: Discussion? All in favor say aye.

(The vote was unanimously in favor of the motion)

CHAIRMAN WREN: Opposed? Motion carries.

Okay, go ahead, sir.

MR. BANCROFT: Thank you. Level 3 Communications is a telecommunication company that was formerly centrally assessed by the Department of Tax. This is the first year that it moved to local assessment and was assessed by the individual counties. What it owns in Elko County is a fiber optic route that is buried in the ground and that's why it appears in multiple taxing jurisdictions. The conduit is laid in the ground and then a fiber optic cable is threaded through the conduit. It's that property that's being valued in this case.

And in reporting the property, some inconsistencies were discovered among the counties. We
worked with Washoe. We worked with Clark. And that's why 
those cases were settled.

The -- If you turn to the assessor's, what's 
labeled at SBE-1, the assessor's new evidence, this --
there's an e-mail cover sheet and then after that the summary 
revisions. But the next page shows here's the personal
property rendition and how they treated different categories 
of property.

CHAIRMAN WREN: I'm sorry. Let me catch up with 
you.

MR. BANCROFT: SBE-4.

CHAIRMAN WREN: I know. But 14 what?

MEMBER HARPER: It's all the cases.

MEMBER MESERVY: It's got them all together.

CHAIRMAN WREN: I know. But it's not new

evidence.

MEMBER MESERVY: It's 13-6.

CHAIRMAN WREN: All right.

MR. BANCROFT: It's SBE-4.

CHAIRMAN WREN: Okay.

MR. BANCROFT: And so the issues that came up not 
just in Elko but in all the counties boiled down to three
issues that appear in Elko. No. Four issues. One is what
is the appropriate depreciable life for conduit that's buried 
in the ground. In the stipulation that we just approved for
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Washoe County and Clark County, the stipulation provided for a 15-year depreciable life pursuant to the personal property.

The second category, and you'll see it on page --

The second category is fiber optic cable, which is a, again, in the stipulation with Clark and Washoe is a 15-year life. On these schedules, the Elko County assessor has moved both of those categories to a 15-year life. We're in agreement on that.

The third category of personal property, and this appears on SBE-4, was initially reported as central office equipment because the personal property manual didn't have a lot of categories in which to put stuff. And since this was the first time reporting, Level 3 wasn't sure how to label this category of equipment that it put in there. It put in central office equipment, which resulted in a 15-year depreciable life.

But after explaining to the folks in Clark County and Washoe County the nature of this equipment, it's actually computer-based optical transmission equipment, it was moved to a five-year life. So the stipulation in both Washoe County and Clark County moved that category to a five-year life, which is what we're asking for here.

And the Elko County assessor has highlighted those line items on the personal property sheet that deal with this switch from central office equipment to
computer-based optical transmission equipment.

And the final item on the personal property

schedule is the telecommunication equipment shelter. I'm not

sure if you're familiar with what a telecommunications

equipment shelter is, but it's a pre-cast concrete

rectangular box that's taken on the back of a truck to the

location and it is placed on top of a concrete foundation.

It is just to protect the -- the computer-operated optical

transmission equipment, the equipment that receives the

signal and then energizes it to send it out again along the

conduit.

MS. RUBALD: Mr. Chairman, perhaps before

Mr. Bancroft goes too far along, I have the relevant page

from the Personal Property Manual that he's referring to, a

copy for everyone to use. It might be easier to see it than

to go through this --

CHAIRMAN WREN: Yeah, if you would please. I

know you have some comments on some of this. I'll let him

finish his and then you can do yours if you want.

MS. RUBALD: And for the record, the Personal

Property Manual can be found on the department's website at

tax.state.nv.gov if anybody needs to look at it immediately.

CHAIRMAN WREN: Okay. Go ahead.

MR. BANCROFT: So the fourth category,

telecommunications equipment shelter, Elko County initially
placed it on a 50-year depreciable life schedule. And in our stipulation with Clark County, Clark County reduced, essentially reduced the value of all of the equipment shelters to $49,000 and placed them on a 15-year depreciable life schedule.

What we're asking is just equal treatment, you know, if a type of property was reported in one jurisdiction, it should get the same tax treatment when reported in another jurisdiction. And we just have four categories in Elko County that we would like -- the first two issues, the conduit and the fiber optic cable, they've agreed to make those adjustments. The second two categories, the switch from central office equipment to computer-based optical, she's highlighted those changes so you can see the line items there. And then that last item is just the telecommunication shelters, which appear on SBE-10 and SBE-11. They're in there at acquisition cost, which does not necessarily reflect the, you know, natural value of these things and that's why Clark County put them at a uniform $49,000 per shelter and the 15-year life instead of a 50-year life. And by doing that, it would bring Elko in to consistent treatment with Washoe and Clark.

CHAIRMAN WREN: What was the reasoning for going from the 50-year life to a 15-year life?

MR. MCKEAN: Bill McKean for the record, Lionel, CAPITOL REPORTERS (775) 882-5322
Sawyer, Collins. This issue came to light when we first received tax bills -- the taxpayers received tax bills. There wasn't a valuation in December, so the tax bills started coming out in April and May. And saw a change in the tax values. Obviously there was some change expected from central to local assessment, but the tax bills were extremely off the charts in terms of almost three-fold increase.

Working with the Washoe County assessor, we discovered that they were using a 50-year life and we met with the Washoe County assessor in the July time frame. And at that time explained what was happening in Clark County, had been locally assessed for 15, 20 years. They were receiving a 15-year depreciation life, consistent with page 34 of the Personal Property Manual.

So with that information, we wanted to meet with the Washoe County assessor and also explain that in Washoe County Charter Communications has fiber optic cable and they're receiving the 15-year life. So that convinced Washoe County that something needed to be done to equalize the treatment.

And so from there, we moved to the other counties and worked with these assessors and they've been extremely cooperative. But I think that's the biggest issue was that there were different standards being applied to the locally assessed properties. And when these two taxpayers, Level 3
and AT&T, were moved to local assessment, they felt as if they were treated differently and it needed to be corrected.

MEMBER MESERVY: Do we have the Personal Property Manual available?

MS. RUBALD: Yes, Mr. Chairman and Mr. Meservy, yes, you have the Personal Property Manual for 14-15, but I can testify to the fact that these lives are the same for the 13-14 year and you have to go up to the top where it says NRS and NAC and SBE hearing guidelines. And in there, the third from the top is the Personal Property Manual.

MEMBER MESERVY: Thank you.

CHAIRMAN WREN: Okay. So when these were centrally assessed, Terry, what was the life? Was it 50 years?

MS. RUBALD: Mr. Chairman, centrally assessed properties are based on a unitary valuation methodology without regard to the individual pieces of property. So basically in unitary valuation we take the property plant and equipment at historic cost less their book depreciation and compare that to the income approach to see if there's additional obsolescence. So we did not note individual lives. But at some appropriate time I would like to testify as to how this Personal Property Manual is put together.


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MR. MCKEAN: If I may, I do have copies of the 13-14 manual excerpts with page 34 and the items that Ms. Rubald identified. If it's helpful, I can hand those out.

MS. RUBALD: I just already passed out the same page.

CHAIRMAN WREN: Okay. Good. Thank you. So that didn't answer my question though. It went from a 50-year life to a 15-year life. Why?

MR. BANCROFT: It didn't -- Some counties did not go from 50 to 15. And you know, for example the conduit and fiber optic cable has always been 15-year life in Clark County. So it didn't go from 50 to 15. It's been 15 for all of the people that, you know, CenturyLink and all of the other people who have always been locally assessed, they've always been on a 15-year life. So in moving Level 3 from central assessment to local assessment in Clark County, Level 3 got the same treatment as other taxpayers in Clark County, 15-year life.

CHAIRMAN WREN: Okay.

MR. BANCROFT: But Level 3 has property in multiple counties. And when it started comparing its tax bills, it noticed that why do they have, why am I reporting conduit and fiber optic cable here, why am I getting a 15-year life and I report it here and I get a 50-year life?
And so when that discrepancy was brought to the attention of Washoe County, they realized, oh, in Washoe County there are existing taxpayers that they're assessing at 15 years. So they said we'll drop everybody to 15 to get everybody on the same page. And if this needs to be addressed we'll do so through a regulatory process and deal with it on a going-forward basis. But for equal treatment in the current year, we'll bring everybody to that 15-year benchmark.

CHAIRMAN WREN: Okay. Anything else? Any questions?

MEMBER HARPER: Mr. Bancroft, on these shelters you say Clark and Washoe went from 50-year to 15-year. I don't see on this handout from the personal property tax manual -- Yeah, I don't see where that falls in. Is this a new --

MEMBER MESERVY: No. He -- Isn't that where -- You're talking about the box?

MEMBER HARPER: Yeah.

MEMBER MESERVY: That was in the property, Personal Property Manual, page 34.

MEMBER HARPER: We only have 33.

MR. BANCROFT: And I'm sorry, Mr. Harper, if I misspoke. But there were no equipment shelters in Washoe County. It was only Clark County that I made that comment in reference to. And that's just the way Clark County treated
these. I can't direct you to where in the manual it says that's correct.

MEMBER HARPER: Okay. So it's relatively unique in that it hadn't been categorized in the personal property tax manual.

MR. BANCROFT: I don't know. Maybe on page 34.

MS. RUBALD: Mr. Chairman, I think it has to do with whether the assessor determined whether the property was real property and therefore a 50-year life or whether it was personal property subject to the lives in the Personal Property Manual.

MEMBER HARPER: And I'm sorry. I understand that. I just -- I don't see where -- I don't have a 15 next to anything and I only have page 33. I'm sorry. If it's on 34, I didn't pull it up in front of me.

MS. RUBALD: The full manual is on your disc.

MEMBER HARPER: Okay.

MEMBER MESERVY: It doesn't have a box specifically, but everything is 15 years or less. And that's I think the issue really is --

(The court reporter interrupts)

MEMBER MESERVY: The issue is whether it's real or personal that makes the difference, it sounds like.

MS. RUBALD: And certainly one of the issues --

Would now be a good time to discuss that page, page 33?

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CHAIRMAN WREN: Let me do this. I want to hear -- I want to wait. I want to hear from the county first. So are you guys done? Okay. Let's go to the assessor.

MS. RUSSELL: Okay. We are here today for guidance in regard to how to do the telecommunication assets and how they need to be handled. I would just like to review the reason for appeal. The telecommunications community have filed the appeal on the assessed value due to the methodology that was used in assessing the personal property.

In the past, the assessments were done by the Department of Taxation based on a unitary method. When it was found that per NRS 361.320 Number A that some of the telecommunication companies were to be assessed at the local level, the counties had several meetings in regard to the assessments and how to value this equipment.

On August 13th 2013, a letter from Washoe County was sent to the department for clarification. A guidance letter from the department was sent out on September 10th 2013 approving the alternative methodology for the telecommunications equipment. And that was to be based on a 50-year life.

The telecommunications companies feel that it's not a fair assessment of the real and personal property. I would like to request that the board review the equipment.
used by the telecommunications company, provide specific
guidelines on the life schedule to be used on this equipment.
In order to maintain conformity and equity, all the counties
can take its ruling and go back, recalculate the 2013
property assessments and either rebill or refund accordingly.

The other thing I have an issue with is applying
a five-year life to an item that was purchased in 1982, 1988.
These items are over 20 years old. How do we account for
that? Years ago we had to take a look at personal property
equipment used by mining and we had to change the personal
property life schedule. Because when you compare heavy
equipment that was used by the contractors, that was on a day
to day. Well, that same heavy equipment that was used by the
mining company, that was used on a 24-hour basis. So we did
have to go back, take a look at that. And I'm wondering if
we need to do that with the telecommunications companies.

You know, how about the fiber optic and conduits
that are buried in the ground? Would that be defined as
permanent? Sure, maybe it's not all in the ground. Do we
need to have that broken out? It's my feeling that we should
review the life schedules on the equipment used by the
telecommunications companies for accuracy and fairness.

Another area that we should review at this time
is the telecommunications shelters. I would like some
guidance on whether we should be complying with the request
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to apply obsolescence to these buildings. If so, what kind of obsolescence and how should it be calculated? You know, one of my kids is grown and gone, my house is too big and empty since she took all of her furniture. Should I apply for obsolescence on that?

Joking aside, technology has come so far in making the equipment smaller and more efficient. But there's not that much space needed to accommodate this. Does that make the building less functional? You know, that's a question we need to look at there.

You know, you asked a question earlier, how should they be valued, 15-year life or 50-year life. It depends on the building. If it's something that's brought in and is not permanentized to the ground, then maybe we should look at that differently. But if it's real property, it's attached to the life, it needs to be treated just like any other building owned by a company.

We would also like to request that the board provide guidance to the telecommunications company on the procedures for reporting all real and personal property. There's a need for clarity on the application costs and/or the application year. Upon reviewing some of the statements provided by these companies, the year of application does not change, but the amount seems to increase or decrease. I don't know if they're grouping the total cost to fiber optics
together in that year in reducing the amount of the disposed amount, which would make sense. But how do we account for increasing the amount of fiber optics that was purchased in 1973 or 1993? I mean, I can see it going down if they had to dispose of it. But how did it go up in that same year? I think there needs to be a little bit of consistency in that.

The other thing that bothers me is on reviewing some of the other accounts in the other counties, there was one agreement that was made and the amount of that agreement was over a hundred thousand dollars and that was indicated to be equipment that follows along I-80. Elko County has a lot of ground with I-80 going clear across that county. And my stipulated changes came to around $30,000 with reducing the 15-year life. These were numbers that I came up with in case the board wanted a number to give on an agreement or whatever.

So that kind of tells me there's some discrepancy on the reporting. And so I think clarification needs to be brought there. And that's all I have for you today. Thank you.

CHAIRMAN WREN: That was quite a bit. Thank you. Okay. Good. I'm glad I heard that first.

Terry, your comments.

MS. RUBALD: Mr. Chairman, the Elko County assessor referenced a couple of letters in request from CAPITOL REPORTERS (775) 882-5322
Washoe County and the department's response. I did bring copies of that if you wish to review those. And if not, that's fine too.

CHAIRMAN WREN: I need to ask a question. On your testimony, did you recommend 50 years for the boxes?

MS. RUBALD: No. What we did is there was a request to use for items that were considered to be fixtures or real property, the question was whether an alternative cost could be found because it was represented to us that Marshall & Swift was not complete enough and with regard to Telecommunications Property, so what we did is we approved an acquisition cost basis if it was real property then to apply a 50-year life.

CHAIRMAN WREN: Okay. Do you have enough copies for both sides too?

MS. RUBALD: Yes.

CHAIRMAN WREN: Any objections?

MR. BANCROFT: No.

CHAIRMAN WREN: Just hand that out.

MS. RUBALD: Okay. Then I would like to talk about the Personal Property Manual. You'll notice that on page 33, it's for telecommunications, generally says see itemized equipment and then it has a list down there at the bottom. For fiber optic cable alone, it's a 15-year life.

Right above that you'll see something called distribution
plant if personal property. And that's to imply that a
decision needs to be made as to whether the distribution
plant is real property or personal property. But if it's
personal property, it has a 30-year life.

Well, what is distribution plant? I would like
to reference page 56 in the Personal Property Manual. I
happen to be looking at the latest one, the page is unchanged
for 13-13. And what appendix C is, is the list of the
sources used to estimate expected useful life. And one of
the sources that's referenced there is the Department of the
Treasury, Internal Revenue Service, Publication 946, how to
depreciate property.

And I brought along -- We've got something else
to pass out, please. I brought along the relevant page on
Telecommunications Property that describes what distribution
plant is. And just as soon as you get it, I'll ask you to
turn from the front page to the second page. And on the
second page you will see at Number 48.14, a description of
what telephone distribution plant is. It includes such
assets as pole lines, cable, aerial wire, underground
conduits and comparable equipment and related land
improvements as defined in the FCC Part 31 account numbers.
So that is a description of what distribution plant is.

So how do we reconcile that with -- back to page
33, distribution plant if it's personal property? It appears
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to me that conduit is distribution plant. And although this
description in the IRS also includes cable, we have
specifically taken cable out and called it a 15-year life.
But distribution plant like coals and conduit are
distribution plant having a 30-year life. And that is what I
would recommend, that we continue to use the Personal
Property Manual as published.

MEMBER MESERVY: Where is the 30 year again? I
didn't see that on the one you just gave us.

MS. RUBALD: It's on page 33 and it's just right
above the fiber optic cable. So there's a difference between
the conduit, which is infrastructure, and the cable, which is
in the infrastructure.

MEMBER MESERVY: Thank you.

CHAIRMAN WREN: Okay. So who approves the
personal property? This is out of the Personal Property
Manual; right?

MS. RUBALD: It's out of the Personal Property
Manual. The Personal Property Manual has a workshop every
year and then it's taken a month later to the Nevada Tax
Commission for approval. And these lives have basically
remained unchanged for several years.

CHAIRMAN WREN: Okay. And your Publication 964
from the IRS is just substantiating information, if you will?

MS. RUBALD: Yes, it is. Because on page 56 of
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the Personal Property Manual, which is Appendix C, we
specifically reference the sources we use for the lives and
so one of the sources is this publication.

CHAIRMAN WREN: Perfect. And it's been approved
by the Tax Commission?

MS. RUBALD: Yes, sir.

CHAIRMAN WREN: So as often happens about this
time or earlier or later, I'm a little bit confused. The 15
years that they're testifying about that they want us to use
is for the -- is for the distribution plant so everything
should be 15 years?

MS. RUBALD: Well, it appears to me that they
wanted equalization with Clark County. Clark County
apparently has decided that the distribution -- that the
conduit is not distribution plant. It must be -- I won't
speak for them. I don't know why they made the decision that
they did, but they were using a 15-year life for conduit and
a 15-year life for fiber optic cable. And I would argue that
the conduit should have been 30 years, as well as telephone
poles.

MS. BUONCRISTIANI: Terry, is that based on what
you just discussed, that's your conclusion to what you just
discussed? That's what's been approved essentially by the
Tax Commission?

MS. RUBALD: Yes. And what the actual basis was
in the Personal Property Manual. We didn't make it up.

CHAIRMAN WREN: Oh, but if you would have, it
would have been easier.

So what you're saying is Clark County should have
used 30 in your opinion?

MS. RUBALD: They should have used 30 for the
distribution plant, which includes poles and conduit, and
they should have used 15 years, and they did use 15 years,
for the fiber optic cable.

CHAIRMAN WREN: And that's what you're asking us
to have everybody do?

MR. BANCROFT: No.

MS. RUSSELL: Yes. It's my understanding that
Level 3 and AT&T have reached stipulations with other
counties. Yeah. That's why I asked for a guidance to be
very specific how it should be done, like when you're talking
30 years for distribution plants, 30 years for the telephone
poles, 15, that it be very specific so that all the counties
are doing it that way. That's my main concern is uniformity
among all the counties so there's no question about how we
did it.

CHAIRMAN WREN: Okay. Let me go off the record
for one second.

(Discussion was held off the record)

CHAIRMAN WREN: I think what I want to do is
since we've heard the testimony, let's back up just a little bit, okay, and what I need to do is ask you exactly what you're asking us for, okay, regardless of the stipulation. The stipulations that we approved, we just approve the values, not how anybody got there because we don't know. Okay. And that was kind of the important part of that is that both sides said, hey, we think this is the fair tax, we're not going to argue with that. However, it's very important, which is what the assessor is asking for is to make sure everybody is on the same page.

And Terry, we kind of have to look towards you too to make sure that all the counties are using what's in the handbook and classifying it the same way. And I don't know if we need a -- You and I have had discussions about personal property, trade fixtures as some of -- the county and I have. I don't know if we need to have -- do something to make sure -- what we need to do to make sure everybody is on the right page of classifying the real property is real property, personal property is personal property and so on and so forth.

And so having said that, just so I can see where we are in this case, tell us again quickly what you're asking us to do.

MR. BANCROFT: Well, since I last spoke, a lot has transpired both from Elko County and from the Department
of Tax. There's more on the table. I started out thinking this was simple. But it's more complicated. It's not just Clark County that was treating this in one fashion. It was Clark, Mineral and Nye and Lincoln were all treating conduit and fiber optic as 15-year. So it's not just one county and it's not just a Level 3 issue. Right. It's not just a Level 3 or an AT&T issue. Because there are other telecommunication companies out there with conduit and fiber optic cable that have historically been given a 15-year depreciable life, both in Clark County and in Washoe County. You know, if you look at Charter Communications in Washoe County, it's on a 15-year life.

CHAIRMAN WREN: For their fiber optic?

MR. BANCROFT: For their conduit and fiber optic.

CHAIRMAN WREN: And how about the distribution thing? That's kind of where it seems like we're going awry with this.

MR. MCKEAN: Ms. Rubald testified that she believes conduit is distribution plant. And we're simply saying the policy in this state whether it's written or unwritten has been to treat that distribution, if you want to call it that, a 15-year life. The other property owners, Cox Communications, Charter, CenturyLink, have all received that treatment. It was AT&T, as you see from the letter, and Level 3 were specially pulled out and instructed to be given CAPITOL REPORTERS (775) 882-5322
a 50-year life, a whole different treatment than the personal
real property issue. They were nevertheless billed as
personal property and provided this billboard life, as you
can see, which has nothing to do with the Personal Property
Manual.

We are simply saying that in order to equalize
for this tax year, the only result has to be that AT&T and
Level 3 are not singled out for differential treatment but
are treated the same way that Clark County has treated all of
these companies for many years, as Washoe County has treated
all of these companies for many years, the 15-year life for
conduit as Lincoln County, Nye County, Mineral County have
done so.

If there's a new change in policy, perhaps the
rule making is appropriate and we can address some of these
issues in rule making. But right now, the key players, AT&T
and Level 3 are not the key players in the state. I would
warn that CenturyLink would have something to say about this
if they saw their tax bill for this kind of plant doubled. I
think there would be some other parties here.

We've tried to accomplish this given the playing
field that was out there, given what we knew about the other
counties and given what, for example, Josh Wilson recognized
in Washoe County for other similarly-situated taxpayers. It
put us at a competitive disadvantage with respect to the
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other companies with whom we compete and it was clearly not fair.

Going forward, there is probably a lot of issues for us to roll up our sleeves and accomplish and I think we have stated in discussions with the assessors that we are willing and able to do that. But in this kind of context, I don’t think that’s fair to these taxpayers and I don’t think it’s fair to the other taxpayers who aren’t here who would be affected by this policy change. If you were to order Clark County, for example, to go to a 30-year life, that would take the conduit for CenturyLink and double it. And I warrant they have a whole lot more conduit in Clark County than we’ve got in Washoe County.

And the others, just to put it in context, AT&T reported to the assessors about 800 million dollars throughout the different counties. About 18 million of that was telephone poles and things like that. So most of this is in fiber optic computer equipment. We’re not necessarily talking about what the big value is on some of these items, so I just wanted to put that in context as well.

If I have your pleasure, I could also just maybe address what Ms. Rubald went through a little bit of the history here. The two letters that were from August, AT&T, this is from August 2013, these letters. AT&T received tax bills, like I said, in the April/May time frame under the
personal property bills. And after receiving those bills, they noticed in Washoe County the tax bill went up by about three-fold, moving from central assessment to this 50-year life. AT&T filed direct appeals to the state board of May 15th and that's kind of why this information wasn't provided.

At that time, AT&T had no idea about these directive letters. These were issued without any kind of public comment. They were issued and specified to taxpayers for differential treatment to get a 50-year life. We haven't even heard that discussion today, 15 versus 30. This told the assessors to use a 50-year life for all the equipment, which is why the tax bill went up so dramatically. And the assessors themselves, the two assessors from the largest counties said this is not fair, we can't have this and they stipulated to adjust those values accordingly and appropriately consistent with what they've been doing for many years under the Personal Property Manual and under the supervision of the Department of Tax.

If there's a problem with that supervision and a problem with how that's been done, that needs to be dealt with, but it needs to be dealt with not through secret directive letters that are not copied on the taxpayers, were not provided to you, were not provided to us, was done without any rule making, without any notice under 233-B, under the rule-making procedures. Any kind of change in
policy like this should be noticed so that other taxpayers who can be affected have a voice.

CHAIRMAN WREN: What I'm getting from this is that when everything was centrally assessed there wasn't any arguments or appeals.

MR. MCKEAN: There were appeals, but the appeals were generally based on the income approach because it was a unitary income approach and whether or not RCNLD --

(The court reporter interrupts)

MR. MCKEAN: At essential assessment, the issues were very different. It was not a county by county. It was a unitary value as to the standards.

(The court reporter interrupts)

MR. MCKEAN: RCNLD, replacement cost new less depreciation is a central assessment term that is similar to some of the concepts.

CHAIRMAN WREN: So Terry, why don't we go from the centrally assessed to the counties.

MS. RUBALD: Mr. Chairman, in 1999 a law was passed that basically said the telecommunications are properties that carry video services were no longer to be centrally assessed. They were to be locally assessed. And that was primarily at the time aimed at cable television type providers. But since that time there's been a convergence of the industries between telecommunications and cable TV and
those that we can identify of telecoms that carry video and
we released back to local assessment that happen to be Level
3 and AT&T Nevada and AT&T generally.

One of the items in your record we brought
forward last year, I believe, Level 3, because we had already
centrally assessed it when we finally got a memorandum from
the attorney general's office stating that we needed to
release these properties and so we brought it -- since it had
already been placed on the central assessment roll, we
brought it to your attention and this body issued a decision
taking it off the central assessment roll, that's Level 3,
and putting it on the local assessment roll. We had already
taken AT&T Nevada and AT&T off the central assessment roll,
so we didn't need to come to you to do that. So that's why
that occurred.

If I may, I would like to rebut the allegations
that Mr. McKean has seen fit to make about secret letters,
may I?

CHAIRMAN WREN: Sure.

MS. RUBALD: Okay. If I could refer you to NAC
361.128, it basically says -- it requires us to use Marshall
& Swift. And then it says, "If the manuals described in
Subsection 2 do not apply to improvements of a particular
occupancy or construction type, the county assessor may apply
to the executive director for permission to use alternative
recognized cost manuals, cost determinations or subscription services. If the executive director finds that the manuals described in Subsection 2 do not apply to such improvements and that the alternative recognized cost manuals, cost determinations or subscription services are suitable, the executive director shall within 30 days after receiving an application pursuant to this subsection approve the use of the alternative recognized cost manuals, cost determinations or subscription services and notify each assessor of that approval."

So we received a letter from Washoe County asking us, telling us that they felt that Marshall & Swift was inadequate for the valuation of properties, certain fixtures that they found were real property. And so what we did is we granted them permission to use actual acquisition cost and if it was real property to use the 50-year table that was in the Personal Property Manual for billboards so that they would have the same treatment as other real property.

CHAIRMAN WREN: Okay.

MS. RUBALD: And there was no specific direction on which property. It was just property that the assessor deemed to be real property.

CHAIRMAN WREN: Okay. So it appears to me that what we're dealing with here are fiber optics plants or communications, if you will. And from what I'm getting out CAPITOL REPORTERS (775) 882-5322
of this is the fiber optic cable itself has a 15-year life
and the distribution plant, which is everything else, should
have a 30-year? Is that pretty much fair to say? Those are
the two components we're talking about, the cable and
everything else?

MS. RUBALD: The distribution plant is as I
described it in the IRS publication.

CHAIRMAN WREN: Which is everything else.

MS. RUBALD: No. Because there is a lot of
central office equipment, computer equipment, those things.
And that's covered in all of these other itemized categories.

CHAIRMAN WREN: Right. Okay.

MEMBER MESERVY: It seems to me it would be a lot
easier if they incorporated this definition in the next round
in NAICS. It would be helpful to maybe list it to describe
what's a distribution plant by listing these items. It might
help some.

CHAIRMAN WREN: So I have a question for you and
a question for, I guess, for the board also. It's one of
those things where two wrongs don't make a right. Just
because Clark County and Washoe County were doing something,
what appears to be in opposition to what the handbook says
they're supposed to be doing, I don't think we should say,
well, okay, yeah, if you're both doing it wrong it makes it
right. I think everybody should be doing it in accordance
with the handbook.

MS. BUONCRISTIANI: We've had testimony or you've had testimony today as to what's occurring and as to what the counties are doing. What you've done in the past is hold a hearing and take the evidence to find out exactly what they are doing. And so you could make a finding today that it appears the counties may not be doing the same thing and hold a hearing at another time and ask them to come in like you did before when it came to other methods to get them to testify and provide evidence about what they're doing.

And in terms of the -- There was one other thing -- the appeal today, I don't know that you would have to make a finding that this is the proper way to value these things. You already had to decide that, that this is whatever way it is you decide is the proper way to do it. That's how you interpret the personal property. Because you don't -- you cannot approve methods and you can't set those lives, you know, years, but you do have to interpret it in order to value property.

And so I guess first you would have to determine what you believe based on the testimony and the evidence today is the proper way to value these properties. And then in terms of the allegation that it's being done different in every county is hold a hearing to find out what's being done in every county. Because as you stated in regard to the CAPITOL REPORTERS (775) 882-5322
stipulations, just because the stipulation says that's what
they're doing, you would agree that's not something that --
you didn't approve anything about the methods there, you
approved the value and you would actually have to find
something directly from the assessor instead of taking
evidence as to that to make that determination.

And then if you find that's what's happening then
you would have to go on from there and you could find out
from the assessors if it would be helpful, as Katrinka has
said, to get, you know, to have regulations and have some
testimony to develop regulations.

And what you've done in the past, and I believe
Mr. McKean was involved in it with the golf courses, is that
you continued the cases pending finding a need in our
regulations to be doing the same thing is to continue the
cases until that happens. And I can't remember what happened
to the golf course cases.

MR. BANCROFT: The golf course cases are a
different situation because in that case you had all the golf
courses kind of appealing and creating that open issue. In
this case you've got telecommunication companies that have
already been assessed on this basis. The idea that the
conduit was not a distribution plant, it was treated as a
15-year property in Clark, Nye, Mineral and Washoe Counties.
So you have companies out there who have already received
that 15-year treatment for the year at issue here. You know, like CenturyLink, Charter Communications. We should be getting the same tax treatment as they received. And any confusion --

MS. BUONCRISTIANI: I addressed that with my first point and that is to discuss this with all of the taxpayers. What I'm talking about is if there needs to be regulations. Katrinka had asked for direction on what to do.

MR. BANCROFT: Oh, I agree that this whole issue could -- is worth clarifying on a go-forward basis. But I don't see any reason to hold up the determination in the case today for this tax year because we're just asking it be treated as other similar taxpayers this year. On a go-forward basis, yes, open up the regulatory process, have workshops, come up with new rules and apply them to everybody. Don't just single out two taxpayers to do it.

Just to get back to your question, you asked specifically what categories are at issue in this case. And just based on the discussion, it does not sound like fiber optic cable on a 15-year life -- It sounds like people are in agreement on that. The idea that computer-based optical transmission is a five-year life, it doesn't sound like people are in disagreement on that one.

The only two -- The one is conduit. Some counties have apparently treated conduit as a 15-year
property. That's already water under the bridge. And Terry has suggested that perhaps it should be treated as a distribution plant and identified a 30-year property. So that's one. I started out saying there's four. Two aren't at issue: Fiber optic cable and computer-based optical. Conduit is the discretion of should it get the same treatment as others or should it be treated as distribution.

And the fourth is the idea that telecommunication equipment shelter, is it real property, depreciable over a 50-year life or should it be treated as personal property.

CHAIRMAN WREN: Okay. And I guess that kind of makes sense now. Your testimony what the other counties are doing is your testimony. We don't have them here telling us that. So it's been whispered in my ear that it's hearsay, which I would kind of have to agree with.

What I want to do is ask Katrinka how are you handling your life in this case?

MS. RUSSELL: Okay. We did put the fiber optic at a 50-year --

CHAIRMAN WREN: 50.

MS. RUSSELL: -- for the telecommunication shelter based on that. But once we realized that it was fiber optic, we did go ahead and I put it in the summary, we did talk about doing it at a 15-year life because we're treating it like fiber optic conduit out of the ground.
CHAIRMAN WREN: Okay.

MS. RUSSELL: But what I'm asking for in guidance is the distribution plant let's be very specific. Fiber optic, we're going to treat it just like it says in the Personal Property Manual, distribution plant, the poles and all of that are going to be in here as a 30. Telecommunication shelter, should we apply obsolescence to that -- to the building? And if so, how should we do that so that all the counties do it the same way? I just want it to be very specific, the ruling, so that when we walk away from here we all do it exactly the same.

CHAIRMAN WREN: So the building is -- the building isn't called that in your handbook there, the building would be part of the distribution plant; correct? Is that your opinion?

MS. RUSSELL: I believe it depends on if it is the outdoor distribution plant. Elko County has some property where it's just a building. And it's not a distribution plant. It's just a building. So I think --

CHAIRMAN WREN: Concrete bunkers.

MS. RUSSELL: So I think you have to make a judgment call.

CHAIRMAN WREN: So it also comes in to question then, is that personal property real property; correct? This is going to surprise you, but I don't think we're going to be CAPITOL REPORTERS (775) 882-5322
able to answer that today. I have my opinion, but --

MEMBER HARPER: Can I ask a question? And I
don't know if this is going down the right road or not. But
is this the first and only company or situation in Elko
County? You have no other like CenturyLink or --

MS. RUSSELL: You know what --

MEMBER HARPER: Charter?

MS. RUSSELL: -- We have other telecommunication
companies. We've been assessing them at a local level. You
know, they were just, you know, the communication shelters,
cell phone towers and the little building at the base of
those towers, that's pretty much it. But nothing on the
level of Level 3 or AT&T Communications.

MS. RUBALD: Mr. Chairman, I guess I should
mention, if we're talking about this, the department still
values about 20 telecommunication properties. And I told you
before it was on a unitary basis where we take basically the
historic cost less their book depreciation. And what that
means is we're -- we review where we can, audited financials
and SEC-10-K and what not. And in your own record, there's
the level 310-K which says that the fiber optic
infrastructure including conduit is valued at -- is
depreciated with a 25 to a 50-year life. So the
centrally-assessed telecommunications using book cost
depreciation is using a 25 to 50-year life.

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CHAIRMAN WREN: Okay. Let's do this. Give the court reporter a chance to let her fingers cool off. Let's take a short break and everybody think about it.

(Recess was taken)

CHAIRMAN WREN: I think maybe what I'd like to do real quickly is get down and try to figure out -- We've had testimony, hearsay, about what other counties are doing. I have some assessors or assessors' representatives in the room other than Elko County. And what I would like to do is have the assessors or your representative from the other counties come up and tell us how you are handling these issues in your county so we can see kind of what page everybody is on. Storey, come forward.

MS. SEDDON: You're going to pick on me.

CHAIRMAN WREN: Well, anybody that runs around with "VC" on their shirt.

MS. SEDDON: I've got a volleyball game at 5:00 o'clock.

CHAIRMAN WREN: Well, okay. You understand my question. I assume you've been listening to the testimony?

MS. SEDDON: Yes, I do. Jana Seddon, Storey County assessor. This is the first year that we've had to have any telecommunication companies, so we have tried, like Katrinka has said, we tried to equalize among all the counties and so we've all tried to do the same thing.
Originally we put everything on at a 50-year life. Then after all the other we kind of, Storey County kind of hung back because we're the little guy. And what we came up with a potential stipulation but based on what the state board's recommendation for everybody one else we have, we actually have a -- we actually have a provision in our stipulation that will be null and void depending on what the board decides.

However, what we did stipulate was 30 years on the poles, 15 years on the conduit and fiber optics.

CHAIRMAN WREN: Okay. Which follows the handbook?

MS. SEDDON: Well, from what we're hearing, the conduit which we would rather have at the 30 year, like I said, we were trying to stay in line and be equalized throughout some of the other counties like Washoe and Clark, we did put the conduit on 15 and the fiber optics. But we agree with the 15 on the fiber optics, but we also had the poles on at 30.

CHAIRMAN WREN: Okay. But that's what the handbook says.

MS. SEDDON: In the poles but not the conduit.

CHAIRMAN WREN: Okay. So according to the handbook, the conduits should be 30.

MS. SEDDON: Yes, from the clarification that CAPITOL REPORTERS (775) 882-5322
Ms. Rubald gave us today.

CHAIRMAN WREN: Okay. So that was your only disagreement. Okay. You're off the hook.

Laura.

MS. RUBALD: If I may just add one thing,

Mr. Chairman. That Personal Property Manual says distribution plant if personal property. So that is, I'm assuming that the decision was made by Jana that it was personal property.

CHAIRMAN WREN: Okay. Ms. Duvall. And to be fair to Laura and the assessors that come up here today, if you don't know, that's okay too.

MS. DUVALL: Laura Duvall, Lander County assessor. I would like to state on the record that I have objections to even testifying because the appeals in my county were not filed in accordance with Nevada law. They were not appealed at the county level nor the time frame that they were supposed to be appealed to the state level. They were appealed actually last month.

CHAIRMAN WREN: Okay. We're not hearing your case right now so hold off on that. I understand where you're going. But I just --

MS. DUVALL: Okay. In Lander County as far as the fiber optics we too have no argument that they should be a 15-year life. We did also put them out at 15 years. And
based on the directive letter from the Department of Taxation.

However, I do feel that the distribution plants if personal property, and I state if because I have real concerns about what is personal property and what is real property, buildings, and structures if they are deemed to be real property they have a 50-year life schedule just like all other real property for all other taxpayers, not just Telecommunications. And the conduit should be based on the Personal Property Manual should be a 30-year life. I'm not in disagreement with any of that.

I am in agreement with following the Personal Property Manual because it was adopted by the state Tax Commission and it's been the manual that we use for decades for these type of items. I realize some things are not really specific, however, I think it's pretty clear there's not a discrepancy on what is considered distribution equipment and what is the fiber optics computer items at a five-year life, specifically I have no problem.

But I do have concerns about things that telecommunication companies would like to call personal property. If you do the test, do you disturb the area around it, do you destroy other things by removing it. And if you do, it's real property. So if you are going to say the conduit in the ground is personal property and there would be CAPITOL REPORTERS (775) 882-5322
no disturbance of the ground by removing it, I would argue that point.

So I think there has not been a lot of discussion about the guidance letter because it says, you know, for items that are deemed to be or considered by the assessor to be real property, there should be a 50-year life just like every other property, houses, garages, sheds, patios, decks, concrete. I mean, we can sit here and argue all day is my old tin shed classified as real property with a 50-year life, is it going to last that long. They've got buildings that have been there for more than 50 years and they're saying they should be a 15-year life. Well, how can they still be standing? Why are they still using them? Why are they a viable part of, you know, their equipment? If they're only 15 years, why are they still there? They should have fallen down; right?

That would be my concern and my issue is the argument with what's real property and what's personal property. But as far as the rest of it goes, I feel we should adhere to the Personal Property Manual and two wrongs don't make a right. And I agree the stipulated grievance that granted in to there was no discussion about the methodology so we don't know what was done or what wasn't done in other counties. And I certainly wouldn't kick them to the curb without knowing that.

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CHAIRMAN WREN: We haven't heard the evidence so -- Okay. Thank you. Just when you thought I didn't think you were back there.

MS. LEE: For the record, Ruth Lee, Esmeralda County assessor. Chairman Wren, I don't know if you want me to go in to I did it and then I amended it the way the guidance letter went and then I amended it again. And I am using the 15-year for the conduit and the fiber both because I don't have a lot of the issues that everybody else has. I don't have buildings. I've got basically junk cable on the side of one of my areas near California and that's it. And then I did five-year on the switches.

CHAIRMAN WREN: You don't have any poles or cables or anything?

MS. LEE: No, sir, I have nothing like that.

CHAIRMAN WREN: I've been to your county. I believe that.

MS. LEE: Yes.

CHAIRMAN WREN: Okay. But what is your interpretation of the handbook?

MS. LEE: Well, I would have gone with the telecommunications and because the cable and the fiber are hooked together, they can be yanked out at any point in time. It's on the edge of the county. It's really old there, you know.

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MS. LEE: Uh-huh.

CHAIRMAN WREN: One or both. You're up first.

MR. MEARS: For the record Michael Mears, M-e-a-r-s, Eureka County. We originally put ours on with a 50-year life on the fiber and conduit. When we had discussions with the taxpayer after they had received their bills and realized that those bills had essentially almost tripled, we went back and looked at it. I discussed it with my colleague in Washoe County, Josh. And discovering that they were going to put everything on a 15, we determined we would do the same. So as you know because it's in your packet, we did stipulate with AT&T.

And at this point having heard from Terry today, I think there's definitely some argument to be made and some discussion to be had as to whether conduit should be considered real property or not and what life schedule we should be putting on that. As a network person for Eureka County, we have a lot of pipe in the ground and we move cable in and out of it all the time. We don't move the pipe. The pipe stays in the ground.

So I think, again, moving forward this is definitely something that we would like to all have clarification. The bottom line for all 17 of us is just that.
we're doing it the same so we're not sitting in front of this board every year arguing over how we did the buildings, how we did the conduit. That's where Katrinka is spot on. We just want to know what you want us to do, what does the Tax Commission want us to do. We just want to make sure we're doing it correctly and the same as our neighbors.

CHAIRMAN WREN: Good. We're trying to figure out how to help you get there. Thank you.

MS. GREEN: Norma Green, Churchill County assessor, for the record. What we currently billed, and we haven't stipulated to anything yet, we were waiting for some further guidance, we did fiber optic at 50, we did the conduit at 50, the shelters at 50, the computer equipment at five and the telecommunication equipment at ten.

Fiber optic I have no problem being 15. The conduit based on the three-part test in the Personal Property Manual and using the alternative cost, I felt it should be 50.

CHAIRMAN WREN: Classifying as real property, not personal property.

MS. GREEN: Real, not personal property.

CHAIRMAN WREN: So far you're the only one who said that all the way across the line. What is your interpretation of how you determine whether or not it's real property or personal property?
MS. GREEN: When you look in the personal property manual, we have I think it's in the beginning of that, right at the beginning of it, we're given instructions to look at that to give it a three-part test and is it permanently affixed in to the ground. I believe the conduit is. I don't think they're typically going to remove that. I think they are going take the fiber in and out but not the conduit.

CHAIRMAN WREN: I agree. Okay. Anything else?

MS. GREEN: No.

CHAIRMAN WREN: Okay. Thank you. Who did I miss?

MS. MCBRIDE: Melanie McBride from Lincoln County. I'm in Las Vegas.

CHAIRMAN WREN: Sorry. I had people walking up and I said that's not you. Okay. Go ahead.

MS. MCBRIDE: For the fiber optic and the conduit, we have been using 15-year life. I have questions on the shelters still because the description they gave me was it's a pre-cast modular concrete shell that is strapped to the side and dropped on a concrete pad. The concrete pad is real property but the shell isn't, so that's one of my questions. I don't know if that's how Level 3 declared theirs to everyone else. But I used a 50-year life schedule for that. But now I'm questioning whether it should be CAPITOL REPORTERS (775) 882-5322
personal property because only the concrete pad should be
real property.

And I'm here for guidance and I want to give
kudos to Katrinka for asking most of the questions that all
of us had.

CHAIRMAN WREN: I was kind of proud of her too.
Leave it to Elko County, right. Okay. Thank you very much.
Jeff.

MR. JOHNSON: For the record, Jeff Johnson,
Humboldt County assessor. We costed everything at the
50-year life, the conduit, the fiber, all of that stuff. We
did it according to the guidance letter. We actually -- T
association had all talked about what we were going to do and
it was my understanding we all agreed it was going to be a
50-year life, so we put it on that way and left it that way.


MR. JOHNSON: Apparently. It's not the first
time.

MS. UNDERWOOD: Debbie Underwood from White Pine
County assessor. We did the poles, the conduit, the fiber
optic all at a 50-year life for the same reason why Jeff
said, that we felt that the guidance was there. And I felt
that it was supported by the dates that was given of how long
that equipment had been in place. We have some clear back to
1950s, the '70s, so we felt that that was reasonable to use a
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50-year life.

CHAIRMAN WREN: Okay. Thank you. I won't tell you you're wrong. I just tell Jeff that.

MS. HAMILTON: I'm Celeste Hamilton. I'm the Pershing County assessor. And that's C-e-l-e-s-t-e Hamilton. And this makes three of us that have all done it the same way: Jeff, me and Debbie. It's the 50-year life for everything.

CHAIRMAN WREN: Okay. All right. Good. Thank you very much. I appreciate that and I appreciate your answers too. Did I get everybody? Does Washoe County want to chime in since you're here?

MS. WILKINS: Good afternoon. For the record Teresa Wilkins, Washoe County chief deputy assessor. Washoe County initially did value the properties in question using the 50-year life. Based on the additional information, we revalued it and our stipulated values do reflect that recost in to the 15 years.


MS. GOODMAN: Lori Goodman with the Clark County Assessor's Office.

CHAIRMAN WREN: Hi. Do you want to address this for us?

MS. GOODMAN: They moved the camera. Our -- CAPITOL REPORTERS (775) 882-5322
Basically the value that we stipulated to was the reclassification on the taxpayer's report from the central office equipment to the computer-based switching equipment. We had originally valued the fiber and conduit in a 15-year life. I toured all of the facilities that they have here. Most of them are the stiff-type buildings that are on the concrete pads, so the four shelters that we don't have on real property records here I did take it the 15-year life.

CHAIRMAN WREN: Okay. And your underground conduit is 15 years also?

MS. GOODMAN: Correct.

CHAIRMAN WREN: 15, okay. All right. Thank you.

MS. GOODMAN: 15, yes.

CHAIRMAN WREN: 15, okay.

MS. GOODMAN: Thank you.

CHAIRMAN WREN: All right. Well, what this tells us is that everybody is not doing it the same way and the fact that there are stipulated values is fine. That's already come before us. So it gets back -- What you're asking us to do -- Let's get back to this case now and see how we can deal with this. What you guys are asking is for the 15 years and what you're saying is you follow the handbook; is that correct?

MS. RUSSELL: We did up to a point. Not on everything. You know, we did the 50-year life. But on the
computer-based, we did follow the personal property handbook
and on the computer switchback equipment and we went back and
changed -- Well, we did some calculations based on a 15-year
life with the fiber optic. But I feel like conduit 50. And
I wasn't sure if fiber optic conduit was the same. I found
out today it's not. So guidance on real property.

CHAIRMAN WREN: Okay. Go ahead.

MR. BANCROFT: Just to clarify, you know, because
for Elko County on their line items on their equipment
schedule, there's the conduit. And on the version that she
submitted as her Exhibit A she now has the conduit on a
15-year life. She has the fiber optic cable on a 15-year
life. She has the central office equipment that has been
recategorized as computer-based on a five-year life. And we
are comfortable with all three of those that are on her
Exhibit A.

The only question was the telecommunications
equipment shelter. And if this, if Exhibit A are the values
that she's suggesting, we're comfortable with the way she's
treating conduit because she's moved it from a 50-year life
to a 15. She's moved fiber optic from 50 to 15. She's moved
the computer-based optical transmission equipment from a 15
to a five. We're comfortable with those changes if this
Exhibit A is what she's proposing.

The only remaining question is how do you treat
those SCIF-type equipment shelters, and she's applied a
50-year life to those. And I think the testimony was out of
Clark County that it was applied at a 15-year life, those
SCIF-type ones.

CHAIRMAN WREN: And there was three counties with
50 on them. And the difference is whether or not they're
personal property --

MR. BANCROFT: And one that --

(The court reporter interrupts)

MR. BANCROFT: And one that put a 30-year life on
it.

CHAIRMAN WREN: Right.

MEMBER MESERVY: I don't think she was agreeing
with the underground utility should be at 15 anymore. It was
30 based on what our conversation was. Is that correct?

MS. RUSSELL: I will be modifying my record to
reflect what we pretty much determined today, conduit, real
property, telephone poles, distribution plants. So the
summary it was just to give you an idea of what things would
be at a 15-year life. But now we found out the conduit
should be 30. So these numbers are inaccurate.

CHAIRMAN WREN: Okay. So this is kind of
complicated and we're kind of running up the clock here. We
don't have to make a decision tonight. We can make a
decision in the morning. You guys can think about it or I
can close the case and we can discuss it and make a decision.

MEMBER MESERVY: I think the decision is easy, but I'm not sure, you know, if everyone is going to agree with it.

CHAIRMAN WREN: We don't care. So having said that -- Has everybody had their due say?

MR. MCKEAN: I would just point to one other -- No more -- No further comments. Thank you.

CHAIRMAN WREN: Okay. Thank you. Okay. Mr. Bancroft, if you will tell us exactly what relief you are seeking on this property to make sure we're all still on the same page.

MR. BANCROFT: There's four categories of equipment that were reported in Elko County. They appear on, at SB-4.

CHAIRMAN WREN: On the new evidence?

MR. BANCROFT: Yes. The first on SB-4, those line items that are referred to as central office equipment, after reviewing and identifying, that equipment was reclassified as computer-based optical transmission equipment and moved from a 15-year life to a five-year life. That's how it's treated in Washoe County. That's how it's treated in Clark County. And I understand from today's hearing that Elko County is comfortable with that treatment for the computer-based optical transmission equipment.

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On page SBE-6, there's line items for two items, conduit systems and fiber optic cable. Both conduit systems and fiber optic cable were initially billed by Elko County using a 50-year depreciable life. The schedule she's provided here are depreciating on a 15-year depreciable life. We're comfortable with that. We would ask that a 15-year life be applied to both the conduit and fiber optic cable. That's the way it's treated in Washoe County. That's the way it's treated in Clark County.

However, during testimony today it's been identified that the conduit systems could be classified as distribution equipment and a 30-year life may be in place. We would argue for the 15-year life for uniformity purposes. That's how it's been treated. That's how CenturyLink was assessed already.

The fourth item -- So those are the first three categories. The fourth category appears on SBE-10 and these are the three telecommunication equipment shelters, the SCIF-type shelters that are just dropped on the pads and that Elko is currently treating them as real property, 50-year property, and we would ask that it be treated as personal -- the shelter itself be treated as personal property and depreciated under a 15-year schedule as it is being done in Clark County.

CHAIRMAN WREN: Okay. All right. Thank you.
I'll close the case. Comments.

MS. RUSSELL: If I may.

CHAIRMAN WREN: Comments, yes.

MS. RUSSELL: Mr. Bancroft made reference to on the summary the things that were highlighted in yellow and he said he's okay with that. Well, I'm glad he's okay with that. The reason I made those changes going from a 15 to a five is because he refiled an affidavit on September 30th stating that equipment had been mislabeled and labeling it correctly as computer equipment it required that I change it to a five-year life. I just wanted to make sure that was clear.


MEMBER HARPER: My comments are there's telecommunications companies and be it that it sounds to me like the majority of them are in Clark County, be it CenturyLink. I guess there's Charter up here in Washoe. That have been locally assessed and in my opinion that kind of sets an equalization that I think for this tax year that we're talking about and these specific properties that the other counties need to equalize at because I don't see how just because Level 3 and AT&T all of a sudden in this one year moved from being centralized -- centralized attack, whatever -- Thank you -- to local that this, these two companies or related companies are treated different than the
existing ones that have been locally assessed for a number of years.

And yes, I agree, moving forward maybe the whole thing needs to be reopened but for all the telecommunications companies, including Charter, CenturyLink and all the ones that have been being assessed locally for a number of years.

CHAIRMAN WREN: Okay. Dennis.

MEMBER MESERVY: You know, my concern is that, you know, I was given this job to follow the law and I can't go around making up, you know, just because somebody did it wrong that we all of a sudden let it go and let everyone else do it wrong and the next time. You know, I really think this is one that they need to have a pow-wow of some sort and get with all of these counties and figure out how we can apply this property and make sure that everyone understands the rules.

But I think it's there and I don't have any problem with the changes on this one, other than the 15-year on underground conduits. But rather -- I feel like that should be 30 based on what it's saying in the manual. But I personally don't agree with just because we've let it slide on others. There's a lot of evaluations that get slid every year, but I don't think we should be the board that lets it be known that we're just going to go along with what happened. I think we need to go with what should be, so CAPITOL REPORTERS (775) 882-5322
that's just my bits.

CHAIRMAN WREN: Aileen?

MEMBER MARTIN: I agree with Dennis.

CHAIRMAN WREN: Okay. Ben?

MEMBER JOHNSON: I largely agree with Aileen and Dennis here. I don't think a negotiated settlement between other parties is meaningful for us to make our decision based on. I think we have to do what's right based on the facts in front of us and we have the real property manual, Personal Property Manual. We've taken a lot of testimony. I think what we have here in front of us is enough to make a decision.

CHAIRMAN WREN: Okay. Make a motion.

MEMBER MESERVY: If I understood it well, I think the only place that we're in disagreement with what they're asking is the 15 years to move it back to 30 on the underground conduits. I think that's the only difference.

MEMBER JOHNSON: And the shelters.

MEMBER MESERVY: Okay. The shelters was the other part. That one I'm not sure how to address because that could be --

CHAIRMAN WREN: Before you make a comment or motion, let me address that from my perspective. And I'll tell you, first of all, that I agree with you raising your thought that the conduit per the book is 30 years. That's
where it should be, regardless if anything else has happened out there. It's our job to follow the handbook also. So I agree with the 30 years.

As far as the buildings, the SCIF buildings or whatever you want to call them, they're concrete buildings that are concrete foundations with a crane. The definition of real property is something that is rather permanently affixed. If you have to take a crane to put something on something, that's rather permanently affixed. So I agree with the three counties that have assessed those at 50, I agree with them. I consider it real property.

MEMBER MESERVY: And I have no problem with that. I agree.

CHAIRMAN WREN: Okay.

MEMBER MESERVY: But I'm not sure how to make a motion but maybe somebody can help me with that.

MEMBER JOHNSON: I will make the motion then in Case 14-306, 307, 308, 309, 310, 311, 312 and 313 that we find that the conduit should be valued based on personal property manual which indicates a 30-year economic life and that the telecommunication equipment shelters are real property and should be treated as real property and have a 50-year economic life.

MEMBER MARTIN: So the fiber optic stays at 15?

MEMBER JOHNSON: Correct.
MEMBER HARPER: And the computer at five.

MEMBER MARTIN: And central office equipment will
stay at five years?

MEMBER JOHNSON: Yes. Correct.

CHAIRMAN WREN: Okay. Second?

MEMBER MARTIN: Second.

CHAIRMAN WREN: Further discussion. All in favor
say aye.

MEMBER MESERVY: Aye.

MEMBER MARTIN: Aye.

MEMBER JOHNSON: Aye.

CHAIRMAN WREN: Opposed?

MEMBER HARPER: Nay.

CHAIRMAN WREN: Motion carries. Okay. Thank you
very much. So I guess before we call the next case or
whatever we're going to do is I need to look at Terry and say
Terry, it's apparent that we need to do something to make
sure that everybody is on the same page in the future on
these and I don't know how you do that. Do you do it with a
workshop or do we call everybody in, do we send them all to
Utah? What do we do?

MS. RUBALD: By law we are required to have a
workshop on the Personal Property Manual every year. We'll
make this a talk item at that workshop before the next
personal property manual is issued.

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CHAIRMAN WREN: Okay. Great. Perfect. Thank you. And if I can be of help, I'm more than happy to come in with my two cents worth.

(The court reporter interrupts)

MEMBER MARTIN: Terry, this issue came before us because it's no longer centrally assessed but now it's county by county on their equipment and how that's handled. I don't know if it's proper for me to ask or not, but I'm throwing it out there. Sorry. Is this going -- Is this the only issue that I obviously missed of things changing in the State of Nevada from central assessment that it will now be up to the counties? Or is there -- I'm sure there's got to be more than Telecommunications or video.

MS. RUBALD: This particular issue only arose because of the change in the law --

MEMBER MARTIN: Right.

MS. RUBALD: -- for central assessment. But as I mentioned previously, we still have 20-some telecommunication companies that are centrally-assessed as not identified as having video services. So they will remain centrally-assessed until we identify them as having the video service.

CHAIRMAN WREN: Okay. And whatever happens in your workshop will affect those also regardless of the fact of how they're centrally assessed or locally assessed; right?
MS. RUBALD: No. Because centrally assessed is a unitary valuation and we use the historic cost less the book depreciation, which I mentioned at least level three case was based on the 25 to 50-year loan.


So the big question is can we finish today or are we coming back tomorrow?

MS. RUBALD: Well, I think we can probably finish. But I would like if you want to get to Lincoln, Pershing and Storey, I believe has already stipulated. So that would leave the cases about untimely appeals and then we do have -- and in that we have Smokin Snowboards, which isn't related to AT&T, and that gentleman is here right now.

CHAIRMAN WREN: Okay. So all the rest -- all the other ones were untimely filed, right, for the same reason?

MS. RUBALD: Everything in Section I was not timely filed.

CHAIRMAN WREN: Okay. Let's call those and see if we can get through them.

MS. RUBALD: Do you want to finish the ones in Section G? H, I mean.

CHAIRMAN WREN: Yeah, I guess we have to.

MS. RUBALD: Okay.

CHAIRMAN WREN: Is it the same people, the same argument?
MS. RUBALD: Yes. Let me if I may. And I'd like to call 14-314 and 14-315. It's Level 3 Communications. It's the Lincoln County assessor. Case 14-316 has been withdrawn.

CHAIRMAN WREN: Okay. Go ahead identify the property please.

MS. MCBRIDE: I haven't been sworn in.

CHAIRMAN WREN: Oh, well, go home.

MS. BUONCRISTIANI: Please stand and raise your right hand.

(Witness was sworn in)

CHAIRMAN WREN: Are you going to be testifying back there, Mark? Is she going to be testifying? Mark?

UNIDENTIFIED SPEAKER: What's that?

CHAIRMAN WREN: Is she going to be testifying?

UNIDENTIFIED SPEAKER: She is.

CHAIRMAN WREN: Okay. Let's go ahead and get you sworn in. Go ahead and swear her in too.

MS. RUBALD: And I think the Smoking Snowboards should stand also.

CHAIRMAN WREN: Anybody that has not been sworn in and will testify today.

UNIDENTIFIED SPEAKER: I was sworn in this morning.

(The witnesses were sworn in)
CHAIRMAN WREN: Including the testimony you already gave.

Okay. Go ahead.

MS. MCBRIDE: I'm Melanie McBride from --

CHAIRMAN WREN: Go ahead. I'm sorry.

MS. MCBRIDE: I'm Melanie McBride from the Lincoln County Assessor's Office. I started to do a stipulation agreement with Level 3 on the computer-based switching equipment because they amended their declaration on September 29th, yeah, September 29th of 2014. So I think that you've already agreed upon that and I don't have a problem with it. I guess I'll let Level 3 talk because they haven't actually said what problem they have with the rest of my, you know --

CHAIRMAN WREN: Assessment.

MS. MCBRIDE: -- Values that I had set.

CHAIRMAN WREN: Okay. Go ahead.

MR. BANCROFT: Lincoln County is -- Let me check my summary here. The issues -- The only issues with Lincoln County are the reclassification of the computer-based optical transmission equipment from a 15 to a five-year life, which you approved in the Elko case, and the treatment of the SCIF-type equipment shelters an issue you dealt with in the prior case. And so, you know, what we're arguing for in -- on both those issues is the same thing we argued in the prior CAPITOL REPORTERS (775) 882-5322
case, the five-year life for the computer-based optical
transmission equipment and a 15-year life for the SCIF-type
shelter.

Elko County -- or Lincoln County is I don't
believe has a problem with the shift on the computer-based
transmission equipment. They have the equipment shelter on
at a 50-year life and so I'm not going to reargue the case.

It's the same two issues as in the prior.

CHAIRMAN WREN: Okay. So they're at five and 50
already, which is what we approved a minute ago, right, five
years and 50?

MR. BANCROFT: Well, you'll have to ask Melanie,
but I believe based on our refile declaration she's prepared
to switch the computer-based optical transmission to a
five-year life.

CHAIRMAN WREN: Melanie, is that correct?

MS. MCBRIDE: Yes, that's correct.

CHAIRMAN WREN: And you've got the SCIF's at 50?

MS. MCBRIDE: Yes.

CHAIRMAN WREN: Okay. Any other comments you
want to make? Melanie?

MS. MCBRIDE: No.

MS. BUONCRISTIANI: The state board comments on
the basis of their decision, incorporate those in to this
record.

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CHAIRMAN WREN: Yeah. I'm going to incorporate all the comments, discussion and evidence from the prior case into this case and close the case and entertain a motion.

MEMBER MESERVY: The motion that I have on 13 dash -- 14-314 and 14-315 is that we uphold the amount to be -- or 50 years for the shelter and five years for the computer-based equipment, the central office for five years. Is that the only ones in contention that we need to adjust for from what was assessed?

MR. BANCROFT: Yes.

MS. MCBRIDE: As far as I know. They haven't talked about anything else.

MEMBER MESERVY: That would be my motion.

CHAIRMAN WREN: Is there a second?

MEMBER MARTIN: Second.

CHAIRMAN WREN: Discussion? All in favor say aye.

(The vote was unanimously in favor of the motion)


MS. RUBALD: Mr. Chairman, the next cases are 14-317 and 14-318. They're both Level 3 Communications, LLC. And the Pershing County assessor is the respondent.

CHAIRMAN WREN: Okay. Where's Pershing? There she is. You guys keep hiding back there.

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MS. HAMILTON: I'm trying.

CHAIRMAN WREN: Go ahead and identify yourself again and the property.

MS. HAMILTON: My name is Celeste Hamilton, Pershing County assessor. The property or the personal property is Level 3 Communications and it has been assessed at a 50-year life, the same as the others.

CHAIRMAN WREN: All categories?

MS. HAMILTON: Yes.

CHAIRMAN WREN: Okay. Go ahead.

MR. BANCROFT: There's three categories of reported property that are at issue in this case. The first is the -- what was initially reported as central office equipment but upon further review was identified as computer-based optical transmission equipment. We believe that the computer-based optical transmission equipment should be depreciated on a five-year life, which would then make it consistent with what's done in Clark County and Washoe County and in the two prior cases you just approved.

The other two categories -- or the second category is fiber optic cable. We believe it should be depreciated on a 15-year life, which would make it consistent then with what's done in Washoe and Clark Counties and what your motion was in the Elko County case.

And the third category is conduit systems. We
contend that the conduit systems should be depreciated on a 15-year life to make it consistent with how it's treated in Clark, Washoe, Nye, Mineral Counties. But I understand that there is -- some people believe it should be recharacterized as distribution plant and depreciated over a 30-year life. In any event, nobody is advocating a 50-year life and that's what it's on.

So I'd ask that the first category, computer-based optical, be reduced to a five-year. Second category, fiber optic cable to a 15-year. And that the conduit systems be reduced to a 15-year life as well.

CHAIRMAN WREN: You're kind of on a roll. Zero, 50, 50, two-thirds. I can't wait to see what the next one is. Okay. Do you have any comments?

MS. HAMILTON: I don't.

CHAIRMAN WREN: Okay. I'm going to close the case. Entertain a motion.

MEMBER MESERVY: On 14-317 and 14-318, the computer-based central office on a five-year, are we able to identify those assets?

MS. HAMILTON: Yes.

MEMBER MESERVY: And the fiber optic at 15 years with the conduit systems at 30 years.

MEMBER JOHNSON: Second.

CHAIRMAN WREN: Discussion? All in favor say
aye.

MEMBER MESERVY: Aye.

MEMBER MARTIN: Aye.

MEMBER JOHNSON: Aye.

CHAIRMAN WREN: Aye. Opposed?

MEMBER HARPER: Nay.

CHAIRMAN WREN: It's okay. Just before I accept
the vote, I want to make sure I've incorporated all the
testimony from the prior cases in to this one and the vote is
four to one and passes.

Okay. Next case.

MS. RUBALD: Mr. Chairman, the next case is
14-377, Nevada Bell Telephone doing business as AT&T Nevada.
And the Storey County assessor is the respondent.

CHAIRMAN WREN: Okay. Let's put somebody on the
spot. Identify the property, please.

MS. SEDDON: This is Jana Seddon, Storey County
assessor. This is Case Number 14-30 -- 377. This is Nevada
Bell Telephone Company. And it's their commercial account
1514. We had previously entered in to a stipulated agreement
with Mr. Brown from AT&T. However, based on in light of the
previous testimony, on the front page of the stipulation, we
have a provision that says in the event that the methodology
used to develop the original assessment of this property is
upheld by the State Board of Equalization, this stipulation
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becomes null and void.

However, what I'm asking the board today is to withdrawal the stipulation in order to be able to be revised that the 15-year life schedule that we entered in to on the stipulation on the conduit be revised to 30-year.

CHAIRMAN WREN: Okay. Are you guys the --

MR. MCKEAN: Excuse me. Bill McKean for the record and I represent AT&T in this, Nevada Bell DBA AT&T. We approached the Storey County assessor after having entered in to a stipulation with Washoe County. And the basis for the stipulation with Washoe County was to equalize property tax treatment between similarly-situated taxpayers. And as it has been stated on the record that Clark County has been historically valuing similarly-situated taxpayers' conduit at a 15-year life. And I think there was some discussion of whether my statements were hearsay. The Clark County Assessor's Office is still represented in Clark County. I would like to leave the board to call the assessor's representative as a witness.

CHAIRMAN WREN: No.

MR. MCKEAN: Then I'll make an offer of proof.

The witness --

CHAIRMAN WREN: Wait, wait, wait. Let's go off the record for a second.

(Discussion was held off the record)

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CHAIRMAN WREN: I thought I had already asked for Clark County's.

MR. MCKEAN: That was in a different case. And I understand you're doing some incorporation, but it was your questions. I didn't get to ask any taxpayer questions and I'd like that opportunity. It's not going to be a lengthy questionnaire.

CHAIRMAN WREN: Okay. Go ahead. And Jana, you'll be able to cross-examine the attorney. It will be pretty cool.


CHAIRMAN WREN: Lori Goodman, come forward, please.

MS. GOODMAN: This is Lori Goodman.

MR. MCKEAN: And Doug Scott is there as well. A panel is great with the chairman's indulgence.

MR. SCOTT: Doug Scott present for Clark County also.

CHAIRMAN WREN: You need to scoot over in front of the camera. Move over, Doug. There you go. Go ahead.

MR. MCKEAN: Thank you. From Clark County Assessor's Office perspective does the ruling of the board today raise policy concerns and concerns for Clark County? And Mr. Scott, please go first if you want to go first.

MR. SCOTT: I would have to say that it's the
board's prerogative to make the decision that they feel is appropriate to equalize all of the counties. And I would have to say I'm neutral on the issue.

MR. MCKEAN: And Ms. Goodman?

MS. GOODMAN: I agree. It's the board's prerogative to, you know, decide on the value. And I believe we all need to be equitable. That's what I'm looking for is the equity among the counties and the different taxpayers.

MR. MCKEAN: Well, in hearing this ruling today will other entities in Clark County be affected while you're making changes to their assessments?

MR. SCOTT: Ultimately, yes.

MR. MCKEAN: What about for the current tax year, the 13-14 tax year?

MR. SCOTT: We would make the decision prospective going forward.

MR. MCKEAN: So are there other telecommunication companies in Clark County for the 13-14 tax year whose conduit is being valued on a 15-year life schedule? And I'm saying other taxpayers besides Level 3 or AT&T.

MS. GOODMAN: Yes.

MR. MCKEAN: And is that entity the largest telecommunication carrier in the state?

MS. GOODMAN: Level 3?

MR. MCKEAN: No. The one who is the other
taxpayer who is receiving the 15.

MS. GOODMAN: No.

MR. MCKEAN: There's multiple other ones?

MS. GOODMAN: There's multiple, yes.

MR. MCKEAN: And is it your understanding that those other taxpayers compete with AT&T Level 3?

MS. GOODMAN: Yes.

MR. MCKEAN: So in your view would the valuation methodology between Clark County for the telecommunications carriers at a 15-year life for conduit be equalized for the 13-14 tax year with conduit being valued in Washoe County?

MS. GOODMAN: I believe so.

MR. SCOTT: I have no opinion on that.

MR. MCKEAN: So the -- the same life is being used for the 13-14 tax year in Washoe County and Clark County?

MR. SCOTT: I don't know. You'll have to ask Washoe County.

MR. MCKEAN: Okay. So there's a difference between the two counties for this 13-14 tax year because you're not going to fix -- you're not going to adjust the other taxpayers' conduit to a 30-year life for the 13-14 tax year?

MR. SCOTT: We would have to wait for a state board decision before we move forward.
MR. MCKEAN: So absent an order from the state board, the other taxpayers in Clark County are going to still receive 15 years and pay taxes for the 13-14 tax year on a 15-year life for their conduit?

MR. SCOTT: It sounds to me like the decision is being made in the middle of a fiscal tax year.

MR. MCKEAN: I agree with that. So do you have an answer to my question?

MR. SCOTT: I would have to say that going forward that we have to be consistent in the way it's valued. So if the state board renders a decision that this is how we value property and you apply the same methodology, Level 3 Communications, we would also apply that to our other telecommunications companies.

MR. MCKEAN: For the 2013-14 tax year, the tax year we're discussing today?

MR. SCOTT: Sure. No. For the current tax year.

CHAIRMAN WREN: Let me stop the questioning just to make sure I understand. Are you representing these other taxpayers somehow some way, are you representing them here today?

MR. MCKEAN: No.

CHAIRMAN WREN: Is the assessor of the county representing them here today? I don't think so. So I don't want to talk about them.

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MR. MCKEAN: You don't want to talk about equalization between the counties?

CHAIRMAN WREN: No, that's not what I said. What I said is I don't want to talk -- You asked if you could ask questions and I've got you and I appreciate that. I understand exactly what you're trying to get them to say, which is fine, but it's not necessarily germane because you're not representing those other taxpayers, nor are they represented here, nor is Clark County represented here. So let's not talk about them.

MR. MCKEAN: Mr. Chairman, there's been a lot of talk about equalization and similarly-situated taxpayers are entitled to equal treatment. And the clear evidence, not just hearsay, the clear evidence is that taxpayers in Clark County are being treated one way for the 2013-14 tax year and taxpayers in Washoe County are being treated a different way for the same tax year and I guess as long as --

CHAIRMAN WREN: You have that on the record.

MR. MCKEAN: Thank you very much. No further questions.

CHAIRMAN WREN: Okay. Any questions?

MS. BUONCRISTIANI: I'd like to state for the record that I don't think that issue was aired sufficiently. I think that that has come up in the middle of a hearing.

The assessor who is before us isn't knowledgeable about that
and the people who are being asked the questions in Clark County came up unaware that anything was going to happen. So if that's going to be an issue, I think that needs to be something where everybody has a chance to have input as to what is going on, instead of just a kind of a last minute kind of a thing. Because nobody's attorney is here to represent them in terms of what's going on.

MR. MCKEAN: I appreciate that. I think Lori Goodman is the person who does the personal property valuation for the telecommunication companies in Clark County.

CHAIRMAN WREN: Okay. Very good. So back to Storey County. I guess my original question was they have made an offer of stipulation. Do you want to agree it to or do you want to keep arguing the case? Isn't that what you did.

MS. SEDDON: I asked for the stipulation that we entered in to based on the verbiage that in the stipulation to be withdrawn and amended.

CHAIRMAN WREN: Right.

MS. SEDDON: Yes. I just want to make sure we're all on the same page.

MR. MCKEAN: And I guess for clarity, the difference would be the conduit would be changed to 30-year life and of course I'm not agreeing with that. I think it
should be equalized between the county and the state.

    CHAIRMAN WREN: Okay. That's fine.

    MR. BANCROFT: But the alternatives, you know, there's a stipulated agreement and there's this clause down here that says I can back out of this stipulation in one situation. That's not this situation. It's if this board decides a 50-year life is correct, it goes back to the original assessment of this property. That's not what she's asking now. It's not the original assessment. She wants a 30-year life.

    CHAIRMAN WREN: What page is the stipulation on?

    MS. SEDDON: Actually I believe -- No, the board doesn't have it. We -- Mr. Brown signed it yesterday. They don't have an original copy with my signature on it yet.

    MS. RUBALD: Mr. Chairman, Anita has a copy of it. Do you wish to see it?

    CHAIRMAN WREN: Yes, please.

    Dawn, I guess it's late in the day for me. But we've got a stipulation here that the petitioner agrees to the above stipulation in the event that the methodology used to develop the original assessment of this property is upheld. Do we know what the original assessment is?

    MS. BUONCRISTIANI: You can ask where it is.

    CHAIRMAN WREN: Where is it?

    MS. SEDDON: It's attached.

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CHAIRMAN WREN: Okay. I'll turn the page.

MEMBER JOHNSON: A question for you, Dawn. Do we have to accept a stipulation?

MS. BUONCRISTIANI: We do have to approve it.

(The court reporter interrupts)

CHAIRMAN WREN: This is the first time we've ever had a stipulation that says here's a stipulation, but if it doesn't go my way it's null and void. Don't do that again.

MS. SEDDON: We're waiting for direction from the board.

(The court reporter interrupts)

MS. BUONCRISTIANI: The stipulation still has to be approved by the board.

CHAIRMAN WREN: Okay. I'm going to close the case. I gave you guys the last word; right? Do you remember that?

MR. MCKEAN: Yes. And thank you very much.

CHAIRMAN WREN: Thank you. I'm willing to entertain a motion that we don't accept the stipulation and then I would entertain a motion to assess these properties exactly the same way we did with the other cases and incorporate all the record and testimony from everything.

MEMBER MESERVY: On 14–377, so moved.

CHAIRMAN WREN: Is there a second?

MEMBER JOHNSON: Second.

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CHAIRMAN WREN: Discussion? All in favor say aye.

MEMBER MESERVY: Aye.
MEMBER MARTIN: Aye.
MEMBER JOHNSON: Aye.
CHAIRMAN WREN: Aye. Opposed?
MEMBER HARPER: Nay.
CHAIRMAN WREN: Motion carries.

MS. RUBALD: Mr. Chairman, the next two are stipulated agreements, Case Number 14-387 and 14-388. 14-387 is Nevada Bell Telephone Company doing business as AT&T Nevada and 14-388 is AT&T Communications. The respondent in both cases is Eureka County assessor.

CHAIRMAN WREN: Now, just to throw this fly up on the wall, your stipulated agreement is not uniform with all the other decisions we just made, is it?

MR. MEARS: Mr. Chair, Michael Mears for the record. That would be correct.

CHAIRMAN WREN: Okay. So I just want to put that on the record that that's true. That we also prior to these had stipulated agreements that we were just stipulating to the value. Now, is this stipulation just to value or is it to the methodology you used to get to that value?

MR. MEARS: It is the methodology I used to get to the value. I took the conduit and the fiber optic from a
50-year life down to a 15-year life to come up with the new
assessed value that we stipulated to.

CHAIRMAN WREN: And is everything else in
accordance with the way we ruled?

MR. MEARS: Yes.

CHAIRMAN WREN: So having said that, given what
we've already done, we would just move that from 15 up to 30,
if we're staying in line with the other decisions made;
correct?

MR. MEARS: Yes.

CHAIRMAN WREN: Okay. So did everybody
understand what he said and what I said?

MEMBER MESERVY: Yeah. But they probably won't
accept the stipulations.

CHAIRMAN WREN: We don't have to accept the
stipulation. That's the reason I wanted to bring it up
first. I'm going to give you guys --

MEMBER MESERVY: And incorporate the other cases?

CHAIRMAN WREN: Yeah. I'm going to
incorporate -- No matter what we do, I'm going to incorporate
all the other cases and testimony. I'm just saying we need
to start being consistent here. We don't have to accept the
stipulation like we did the other ones because they were just
value and now the testimony this isn't value, this is
methodology.

CAPITOL REPORTERS (775) 882-5322
MR. MCKEAN: And I don't have anything else to add to what we previously discussed, the equalization issue among the counties.

CHAIRMAN WREN: Thank you. I'll close the case. And I guess the easiest way to put it is entertain a motion that we don't accept the stipulation but that we have the assessor set the life on these at the same level as we have the prior cases.

MEMBER MESERVY: On 14-387 and 14-388, so moved.

MEMBER MARTIN: Second.

CHAIRMAN WREN: Discussion? All in favor say aye.

MEMBER MESERVY: Aye.

MEMBER MARTIN: Aye.

MEMBER JOHNSON: Aye.

CHAIRMAN WREN: Aye. Opposed?

MEMBER HARPER: Nay.

CHAIRMAN WREN: Motion carries. So if we take the Band-Aid off your nose can you say aye?

MEMBER HARPER: No. Not as long as it's conduits within 30 years.

CHAIRMAN WREN: Where are we? Next case.

MS. RUBALD: Mr. Chairman, we would move on to the recommendations by the secretary to dismiss. And due to the time, do you wish to continue the telephone companies? I
do wish to bring to your attention Case Number 14-408, which
isn't telecommunications, and that gentleman is here.

CHAIRMAN WREN: Okay. How are we doing on time?

MS. RUBALD: Well, we're getting close to being
in trouble.

MEMBER HARPER: Mr. Chairman, this clock up there
on that side is right.

MS. MOORE: We're not in trouble yet. We're
almost in trouble.

CHAIRMAN WREN: Okay. So let's go ahead and
take -- Let's see if we can get the snowboard I guess, is
that what you're saying?

MS. RUBALD: Yes.

CHAIRMAN WREN: Let's see if we can get that
done.

MS. RUBALD: Therefore I'd like to call Case
Number 14-408 under Section I. Petitioner is Smoking
Snowboards, personal property. Washoe County is the
assessor, the respondent. And in this case the appeal was
filed late to this board.

CHAIRMAN WREN: And your recommendation was as
to?

MS. RUBALD: To dismiss the appeal.

CHAIRMAN WREN: Okay. So I need standard of law
for a late submittal.

CAPITOL REPORTERS (775) 882-5322
MS. BUONCRISTIANI: Standard for filing late to the state board is whether there were circumstances beyond the control of the taxpayer as to why you didn't file timely.

CHAIRMAN WREN: Okay. So identify yourself.

MR. QUINTIN: My name is Jay Quintin for the record. Last name Q-u-i-n-t-i-n. And I don't have any excuse for being late. I'm not trying to come up with a bunch of excuses. The assessment is incorrect for the property at my snowboard factory.

CHAIRMAN WREN: All we can deal with at the moment is why you were late. We've got to kind of do this in a certain order. It depends on whether we even hear your case. Why were you late?

MR. QUINTIN: The moment that the gentleman told me that I needed to talk about this, I went in that day and talked to him and filed it that day within five minutes. So I had a bookkeeper there told me that they had taken care of it. They called me. I was in within 15 minutes. I went in to the office, filed the paperwork and gave them the correct information for my company.

The year before, I paid $1300 when it should have only been about $700 because I'm new and I didn't know and I just paid it. And you guys, from what I'm seeing here, you guys want what's fair and what's fair is to charge somebody for what their property is worth. I'm not trying to not pay.
my taxes. I just want to pay what it's worth.

CHAIRMAN WREN: Okay. I'm sorry. I've got to do it this way. You were late and standard of law there has to be a good reason you were late.

MR. QUINTIN: There is a good reason. I was always taught not to give excuses, so I'm not trying to give you an excuse. The reason --

CHAIRMAN WREN: Well --

(The court reporter interrupts)

MR. QUINTIN: Sorry. I don't want to lie. I don't have an excuse. I was taught that as a kid not to make excuses and I don't have an excuse.

CHAIRMAN WREN: And I appreciate that.

MR. QUINTIN: I know that's not what you want to hear, but --

CHAIRMAN WREN: No, it is what I want to hear. We have rules. We want to be fair, but we have real specific rules we have to adhere to and one of those is timely filings, okay. So we have to make a determination whether or not we're even going to hear this case since it was late. And your testimony is you were just late and I appreciate that.

MR. QUINTIN: I've never -- I didn't know and I would never be late again. I'm new to -- I'm new to business. I'm a snowboarder and I'm selling a lot of
snowboards and I'm trying to hold on to the reigns and it's very difficult.

CHAIRMAN WREN: And you might get another opportunity. Hold that thought.

Okay. I need a motion whether or not to hear this case.

MEMBER HARPER: I'll make a motion in Case 14-408 that we not accept jurisdiction and hear the case because of late filing. There was no reason given that would meet the standard for late filing.

CHAIRMAN WREN: Is there a second?

MEMBER MARTIN: Second.

CHAIRMAN WREN: Okay. Comments? I just want the petitioner to know that this isn't personal, that we have things that we just kind of have to put our foot down --

MR. QUINTIN: I just want to say for the record --

CHAIRMAN WREN: No, don't say anything.

MR. QUINTIN: For the record --

CHAIRMAN WREN: Don't say anything.

MEMBER JOHNSON: And I was going to say the same thing, that we've had a lot of cases they've been filed late and we have to uphold. We follow the rules unfortunately or fortunately, but.

MR. QUINTIN: I respect that. Thank you for CAPITOL REPORTERS (775) 882-5322
saying that. I feel like --

CHAIRMAN WREN: Wait a minute. All in favor say aye.

(The vote was unanimously in favor of the motion)

CHAIRMAN WREN: Opposed? Motion carries.

Okay. Unfortunately we're not going to hear your case.

MR. QUINTIN: Can I even say anything about it?

CHAIRMAN WREN: No. But you can come back next year. File on time.

MR. QUINTIN: I feel like I'm being treated like the Mafia. Pay $20,000 when it's not true. It's not right. It's not fair. It's not right, seriously. It's not fair either. This is over $600. It's ridiculous.

CHAIRMAN WREN: Next case, please.

MS. RUBALD: Mr. Chairman, the next cases are all the telecommunications cases from 14-397 through 14-407 that are listed in Section I. They involve Nevada Bell Telephone Company doing business as AT&T Nevada and AT&T Communications. The respondents in these cases are Humboldt, Churchill, Lander, Lyon, Pershing and White Pine Counties. And in each case the appeal was filed late to the state board.

CHAIRMAN WREN: Okay. You've heard the standard of law. Why did you file late?

CAPITOL REPORTERS (775) 882-5322
MS. BUONCRISTIANI: In this particular case, if I'm understanding it correctly, a taxpayer, there were circumstances -- there are circumstances listed that regarding the late-filed appeal, but there are also legal reasons why an appeal can be filed late. And so there are two different things in this particular case that may be under consideration.

CHAIRMAN WREN: Okay.

MR. MCKEAN: And I'm prepared to address both the legal and the factual in my presentation here. In August, Nevada Bell and AT&T stipulated to Washoe County and you've heard those cases. Those are Cases 378 and 379 today, 14-378 and 379. As previously noted, the stipulations were based on Washoe's recognition that Clark, Nye and Mineral Counties all were using the 15-year life --

(The court reporter interrupts)

MR. MCKEAN: -- for telecommunications property.

On September 9th, Nevada Bell filed its late-filed appeals to the state board. And in that appeal that you have before you, it explained that the statutory deadline not bar correcting unconstitutional assessment and the deadline is told until the taxpayer knew its rights had been violated.

In our pleading before you, we cited a case, Metropolitan Water case, which is 99 Nevada 506, 1983 case. And it's an instructive case because there Metropolitan Water
owned electric transmission lines in Clark County and for nearly 40 years had been centrally assessed and taxed by Clark County. In 1997 — In 1979, after 40 years, Metropolitan Water discovered that it was being treated different than other similarly-situated taxpayers. It had been taxed at historical costs without depreciation while other property taxpayers were receiving depreciation on their centrally-assessed property.

In 1979, after 40 years, it paid its tax under protest and filed an appeal with the Department of Tax. And Clark County argued the taxpayer was derelict in failing to file on time and the Court disagreed. The Supreme Court ruled in favor of the taxpayer. It said, and I quote, "The water district had absolutely no reason to suspect it was being singled out for discriminatory tax treatment.

To put the burden of investigation upon the water district as respondents suggest would require the water district to make gratuitous inquiries as to the methods used to assess not only itself but other similar entities. It would be unfair to impose such a duty upon a tax entity. And we hold that no such duty exists.

The Court in that case, in the Metropolitan Water case, ruled the limitations period was by law extended until taxpayer knew or had reason to know that its rights to equal tax treatment had been violated.

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Accordingly, this case the board has two decisions. It can either view these petitions as being timely or the board can exercise its general authority under NRS 361.395 to equalize similarly-situated properties throughout the state. And that statute specifies that during the annual session of the state board, the state board shall equalize property values in the state and must review the tax rolls of the counties to do that. And here you've had ample evidence by the various county assessors that there's a differential treatment happening for the 2013-14 tax year. And I think by taking jurisdiction of these petitions or by entering, operating under a general equalization authority these are unique circumstances where the taxpayer had no reason to know and did not know until after it had stipulated Washoe County and that's immediately thereafter we filed these, they filed petitions. Thank you.

CHAIRMAN WREN: You didn't mention the Mafia once.

MR. MCKEAN: I wrote it down.

CHAIRMAN WREN: Okay. So here is the -- I think he has a good case, as I indicated, they have a good case for us to take jurisdiction and equalize them as we have with the prior cases. So what I'm willing to do is to incorporate all testimony in all cases that we've heard previously today with a motion and have you move that all of these properties be
assessed similar to the same years that we put on the
previous cases, even though that Mr. Harper is opposed to 30
years.

    MEMBER HARPER: I was just -- Do all of these
involve conduit that's being moved to 30 years?

    MR. MCKEAN: Yes.

    MEMBER MESERVY: So my motion would be I guess
it's section not including 14-408, is that how I can say it?

    CHAIRMAN WREN: All the cases called.

    MEMBER MESERVY: All the cases called would be
what you had just mentioned, one, to make sure that we also
accept the jurisdiction also. That's the first part of it.

Is that okay? And then that we unless--

    MEMBER JOHNSON: Can we take a longer time?

    MEMBER MESERVY: Yeah. Why don't we accept
jurisdiction? Can we do that?

    MEMBER JOHNSON: One at a time.

    MEMBER MESERVY: So my motion is on what was
called to accept jurisdiction.

    CHAIRMAN WREN: Is there a second?

    MEMBER JOHNSON: I second that.

    CHAIRMAN WREN: Discussion? All in favor say
aye.

(The vote was unanimously in favor of the motion)

    CHAIRMAN WREN: Opposed? Motion carries.
CAPITOL REPORTERS (775) 882-5322
MEMBER MESERVY: The question I have though is were we supposed to let any of the assessors have anything to say on that before we voted?

CHAIRMAN WREN: Well, we've taken all the testimony. Are you going to change it?

MS. RUSSELL: I just wanted to thank you for that. We all agree and we think it's fair to do this for AT&T and I just wanted to let you guys know that.

CHAIRMAN WREN: Okay. Thank you. Do any of the assessors dispute what the Elko assessor just said?

MS. GREEN: I'm retiring, so I can say it. Norma Green, Churchill County assessor for the record. The only thing I guess I dispute is the conduit because we've been referring to the personal property manual and the 30-year life, which if you deem it personal property I have no problem with that. But if you stay conduit is real then I think it should be the 50-year, where I think the conduit should be 50-year.

CHAIRMAN WREN: And that's why I want to have a workshop to address that specifically and put specific labels on these. Churchill retiring.

MS. GREEN: Retiring.

CHAIRMAN WREN: Okay. Thank you. All right.

Dennis, with your second motion then.

MEMBER MESERVY: Well, I guess -- we didn't
actually hear that case to know whether it was real property
or not. So that's a concern to me.

CHAIRMAN WREN: Well, what you did in all your
motions and I still agree and all the conduit at 30 years, so
let's be consistent with that. And I personally think that
there's some changes that need to be addressed and that's
going to have to be done in a workshop. Today we're being as
consistent as we can be with the information we have before
us.

MEMBER JOHNSON: I would just like to hear each
of them, we've got the assessors here, and make sure there
aren't any issues that are different. If they all are the
same, that's fine. But if there are some slight differences,
I just want to make sure we're not taking one paint brush and
painting across here.

MEMBER MESERVY: I think we should give them that
option, but if they don't want to come up and go through that
process.

CHAIRMAN WREN: I've already invited everybody
up. So they've already consolidated all of the testimony
that's been incorporated. And we're going to be consistent
with our motion as we have been in the previous cases.

MEMBER JOHNSON: Then can we just see if there's
any objection by either side to consolidate them all in to
one motion?
CHAIRMAN WREN: We already did.

MEMBER JOHNSON: Okay. As long as there isn't then I'm good.

MEMBER MESERVY: Okay. So then I would like to make that motion on the Section I on the ones that have been called that we incorporate the decisions we've used in the previous cases in using the conduit systems at 30 years and fiber optic 15, the computer-based five year and stay consistent with all of those, as well as the shelter at 50 years.

CHAIRMAN WREN: Okay. Is there a second?

MEMBER MARTIN: Second.

CHAIRMAN WREN: Discussion? All in favor say aye.

MEMBER MESERVY: Aye.

MEMBER MARTIN: Aye.

MEMBER JOHNSON: Aye.

CHAIRMAN WREN: Aye. Opposed?

MEMBER HARPER: Nay.

CHAIRMAN WREN: The motion carries.

All right. Thank you very much. I encourage you guys if you would when you do these workshops --

MR. MCKEAN: The Mafia will be with us.

CHAIRMAN WREN: This is Nevada.

Okay. Terry.

CAPITOL REPORTERS (775) 882-5322
MS. RUBALD: Mr. Chairman, the next item is in Section K and it's a report by the Washoe County assessor regarding review of land values of similarly-situated properties to the property described in state board Case Number 14-240 located in Crystal Bay. You may recall that this was heard, I believe, in May, the Case Number 14-240, and a decision was made in that case but you asked the Washoe County assessor to come back and report on any equalization issues in Incline Village.

CHAIRMAN WREN: Okay. Thank you.

MR. LOPEZ: Good afternoon, Mr. Chairman and Members of the Board. Rigo Lopez with the Washoe County Assessor's Office. I could say that everything is really good and there are no problems in Crystal Bay based on that hearing that we had on May 19th, but I'm sure you probably want a little bit more information, but I know we're short on time. That's why I offer that up.

CHAIRMAN WREN: Okay. Thank you. Be as brief as you can be. I appreciate it, as the court reporter is about ready to kill me, I think.

MR. LOPEZ: I did go back through the minutes regarding this and I know that the minutes are in the record. And when I took a look at the minutes and read through it, there was a lot of discussion regarding from the appellant at that time and in over the equalization is where it came from.
because the appellant was referencing actual sale prices as well as listing compared to his taxable value and the taxable value of those other properties that he had gathered from a local Realtor in the Incline/Crystal Bay area.

And given the fact that Nevada taxable value system does not lend itself to a sales ratio study, you can find that anywhere throughout the state and you're going to find that exact same result. And I completely understand the concern and confusion that the taxpayer had when he had discussions with our office.

I also noted that in some of the questions and comments that Member Johnson had on page 12 -- I'm sorry. On page -- it was on page 20, and the comments there were equalization with other similarly-situated properties. To me that's the key. What I did is I went back and I looked at those homes in the same neighborhood as the subject parcel and we absolutely have the same base lot value of $250,000 for all of those homes.

Crystal Bay is its own neighborhood and this is absolutely including the lakefront parcels because that would be another separate neighborhood. We have the same base lot values in the Crystal Bay neighborhood. We have adjustments for view. We have adjustments for lack of coverage. We have adjustments for development costs. And we apply those consistently depending on what stage those parcels are in as
far as development stages.

So I feel comfortable with where our values are and how we have established the base lot value based on sales that have taken place in Crystal Bay. I did run some record cards, if you wanted to look at those, that were on his same street if you wanted to see those. But my testimony today is that we have absolutely applied that consistently and equal with, again to me the key was similarly-situated properties. And if you have any questions based on that, I would be happy to try and answer those.

CHAIRMAN WREN: Okay. Good. Thank you.

Does that answer your question, Ben.

MEMBER JOHNSON: It did. I appreciate that.

CHAIRMAN WREN: Okay. Perfect. Okay. Thank you very much. Thank you for your brevity and your research.

Terry.

MS. RUBALD: Mr. Chairman, the last item is the review of the tax rolls of the various counties, review of valuation methods used by county assessors, consideration of possible equalization action for the 2013-14 unsecured tax roll and the 14-15 secured tax roll pursuant to NRS 361.395 and NRS 361.659.

And just to make it short in your record is the ratio study that was performed this last year as well as the decision letter of the Nevada Tax Commission with the various CAPITOL REPORTERS (775) 882-5322
directives to assessors to do whatever corrections there were.

And based on that ratio study and the directives
given by the Tax Commission, we don't have any further
recommendations for equalization at this time.

CHAIRMAN WREN: Perfect. That's what we want to hear. Okay. All right. Thank you.

Okay. And again, given that, that's good.

Apparently we have some issues with the personal property
that you need look in to and you already indicated you're
going to be doing workshops to address that. So we look
forward to a comment on that at our next hearing.

Okay. Next item.

MEMBER JOHNSON: Can I just touch on that briefly?

CHAIRMAN WREN: Sure.

MEMBER JOHNSON: We heard today equalization
issues relative to house and the telecommunication was
treated and our position is we equal -- we took care of it
today on an individual case-by-case basis and for
equalization purposes across the state we're asking the
department hold a workshop and uniformly assess all of the
telecommunications facilities fairly and consistently going
forward for future tax years. Is that a correct statement?

CHAIRMAN WREN: I think so. And also address the
CAPITOL REPORTERS (775) 882-5322
classifications of property, what is actually personal
property and what is personal property. I mean, what's real
property and what's personal property. So that everybody is
on the same page there.

MEMBER MESERVY: And especially with the
telecommunications area.

CHAIRMAN WREN: Yeah.

MEMBER JOHNSON: Okay. And that seems to be more
fair to me to do it, answer the questions and do it going
forward than to try it this year and try to equalize in the
county we didn't touch today and I think we should leave
those values in place and just as we get the answers deal
with it on a going-forward basis.

CHAIRMAN WREN: Okay.

MEMBER MESERVY: And if we saw a huge issue that
they come back to it, that that was a large dollar amount, I
have no problem with coming back and addressing it. Maybe
that workshop will fill us a little more in.

MEMBER JOHNSON: Is that a reasonable course of
action, Terry?

MS. RUBALD: Yes.

CHAIRMAN WREN: Okay. Terry.

MS. RUBALD: That concludes the agenda, I
believe.

CHAIRMAN WREN: Okay. Is there any public
comment?

MEMBER MESERVY: Just for my sake on the
scheduling, this is not public comment, but we don't have any
until the March hearing? Is that the next?

MS. RUBALD: That's correct. When you adjourn
today you would be adjourned for this session.

MEMBER MESERVY: Thank you.

CHAIRMAN WREN: Have we heard all the cases for
this year, Terry? Are we caught up?

MS. RUBALD: Yes, we've heard all the cases.

CHAIRMAN WREN: Okay. No public comment. I
would like to thank the -- Terry, you and your staff for
doing a great job again this year. We'll give the court
reporter the Court Reporter Award of the year. Thank you
very much. Dawn, thank you for your legal assistance, as
always, keeping me out of as much trouble as you can. Board
members, thank you for your time, deliberation and good work.

Having said all of that, we are adjourned for the
year.

(Hearing concluded at 5:25 p.m.)

CAPITOL REPORTERS (775) 882-5322
STATE OF NEVADA

COUNTY OF WASHOE

I, CHRISTY JOYCE, Official Court Reporter for the State of Nevada, Department of Taxation, do hereby certify:

That on Thursday, the 9th day of October, 2014, I was present at the State Board of Equalization for the purpose of reporting in verbatim stenotype notes the within-entitled public meeting;

That the foregoing transcript, consisting of pages 1 through 274, inclusive, includes a full, true and correct transcription of my stenotype notes of said public meeting.

Dated at Reno, Nevada, this 1st day of November, 2014.

CHRISTY Y. JOYCE, NV CCR #625

CAPITOL REPORTERS (775) 882-5322
| State of Nevada Department of Taxation |
| State Board of Equalization |
| Public Meeting - Thursday |
| October 9, 2014 |

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State Board of Equalization

Public Meeting - Thursday
October 9, 2014

Capitol Reporters
775-882-5322

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