

CARSON CITY BOARD OF EQUALIZATION
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A regular meeting of the Carson City Board of Equalization was held on Tuesday, February 6, 1996 in the Administrative Complex Conference Room #59, 2621 Northgate Lane, Carson City, NV at 10:00 a.m.

PRESENT: Chairperson Phil Martin
John Allen
Darrel Cauch
William Smith
Ted Thornton

STAFF: Kit Weaver, Assessor
Mark Forsberg, Deputy District Attorney
Scott Loff, Chief Property Appraiser
Nick Providenti, Property Appraiser II
Fran Smith, Recording Secretary
(BOE 2/6/96 1-0000.5)

NOTE - Unless otherwise indicated each item was introduced by Chairperson Martin. Individuals speaking are identified following the heading of each item. A tape recording of these proceedings is on file in the Clerk-Recorder's office. This tape is available for review and inspection during normal business hours.

A. CALL TO ORDER - Chairperson Martin called the meeting to order at 10:00 a.m. A roll call was taken and a quorum was present.

B. APPROVAL OF MINUTES - Member Thornton moved to approve the Minutes of the January 30, 1996 meeting as submitted. Member Cauch seconded the motion. Motion carried 5-0.

C. AGENDA ITEMS

1. LESLIE M. CHOKA, 5455 SALK RD., Carson City, NV, APN 8-823-22 - The applicant explained he was requesting a reduction in the value of his property because in the past two years he has had problems with the storm drain system. He provided pictures showing the affected area at his home and said his property is located in an area which is substantially lower than the surrounding properties. He added that in 1993 the City had repaved the road and in doing so had overpaved his storm drain buffer. He also explained there is currently a storm drain on the other side of the road but none on his side and that the road slants toward his side. He noted that the pictures show whenever it rains or snows now there is a stream and a pond is created in his front yard.

(1-0039.5) Mr. Choka also said he had submitted a request to the City asking that they correct the overpaving problem but it had been denied. The result was that for the past two years his driveway has been under water after rain or snow causing the driveway to break up. He also reported that a vehicle had slid into his house and destroyed part of it and now he is required to get a permit to rebuild it. Chairperson Martin said he has visited the site and that other properties in the neighborhood also have some drainage problems because of the slope of the road. He added that prior to the paving there was a concrete berm which had been paved over up to the applicant's driveway. He expressed his feeling if it had been left alone the applicant would not have a problem.

(1-0109.5) Mr. Loff commented that the applicant's driveway should have been built up when the paving was done. Mr. Forsberg felt this is a legal problem between the applicant and the City and did not feel this Board can do anything about it. Member Cauch asked if the taxable value of the land to a succeeding market would be off. Mr. Loff said yes by about fifty percent. Chairperson Martin felt that the applicant should again contact Public Works about this. Member Smith asked the applicant what steps he has taken to remedy the situation. Mr. Choka reported that Public Works had visited the site and had advised him that the developer should have done something to raise the driveway above the street level. He added he had told them the storm drainage was buffered and

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Public Works had told him they had contracted the paving out and at this point do not have any recourse. Member Smith said he has had a similar problem and after complaining a number of times the City finally did something about it this year. He suggested that the applicant contact Jay Aldean, Public Works Director. Discussion ensued on the right-of-way in front of the property and it was suggested that the applicant also go to the Building Department to study the subdivision maps. Mr. Forsberg said he would have to look at the conditions put on the developer when he was granted approval for the subdivision and see what was delineated regarding the paving of the road. He did not, however, feel it is a subject that is within the authority of this Board to resolve and did not feel any motion should be made as to what the applicant should do. Chairperson Martin expressed his feeling that the entire Board is in agreement that the applicant should seek relief from Public Works and entertained a motion. Member Cauch moved that on parcel 8-823-22 the appraisal as laid forth by the Assessor be upheld. Member Smith seconded the motion. Motion carried 5-0. Chairperson Martin advised the applicant he still has the option of appealing to the State Board of Equalization.

2. STANLEY AND JEAN LEE, 4501 GARNET WAY, CARSON CITY, NV, APN 8-093-10 - (1-0265.5) Mr. Loff said this is in SF1A zoning and is north of Arrowhead Drive. The applicant said he had attempted to sell part of the property for \$50,000 but cannot do so without it costing \$40,000+ to hook up to City sewer and water. Mr. Lee said it is not worth anything to him in its present state and felt his assessment should be reduced. Mr. Loff had written to the Utility Department requesting information on sewer and water hookups when a parcel is split. The Utility Department had replied with a policy dated February 2, 1996. Discussion ensued on the policy and it was agreed it is not too clear and Chairperson Martin suggested continuing this item until it can be studied. The discussion continued and was aimed at comparable properties in the area. Mr. Forsberg said from a legal standpoint what was appraised is one dwelling on 2.6 acres and that is all which is at issue here. The accuracy of this individual appraisal was then discussed and Member Cauch moved that the Assessor's value placed on parcel 8-823-22 be upheld. Member Thornton seconded the motion. Motion carried 5-0. As he had done with the previous appellant, Chairperson Martin advised the applicants that they can appeal the Board's decision to the State Board of Equalization.

Chairperson Marten declared a recess at 10:45 a.m. When he reconvened the meeting at 10:50 a.m. a quorum was present as previously noted.

(1-0713.5) Chairperson Martin noted in Member Cauch's motion on the previous item the Assessor's Parcel Number had been incorrectly stated and was, therefore, null and void. He asked for a new motion. Member Cauch moved that the Assessor's value on parcel number 8-093-10 be sustained. Member Thornton seconded the motion. Motion carried 5-0. Mr. Forsberg noted for the record this was merely a misstatement of the parcel number and that there is no substantive difference in the motion.

3. U. S. BANCORP NEVADA APPRAISAL DIV. - (1-0723.5) Mr. Loff reported this had been withdrawn February 1, 1996.

4. PIZZA HUT - (1-0727.5) Mr. Loff said this was to have been Item 4 of this agenda but had been withdrawn January 29, 1996.

Because the previous two appeals had been withdrawn and the next item had been posted to start at 11:15 a.m. Chairperson Martin declared a fifteen minute recess at 10:55 a.m. This was to allow the appellant the opportunity of being present. When he reconvened the meeting at 11:08 a.m. a quorum was present.

5. CARSON CITY CORPORATION (ORMSBY HOUSE) 600 SO. CARSON STREET, CARSON CITY, NV, APN 3-092-01 and 3-093-05 - (1-0727.5) Barry Silverton, Owner of the Ormsby House - He provided a history of how he had come to purchase the Ormsby House. He said he had paid \$4.5 million for it but with closing costs and taxes it had totalled \$4.75 million. He added he had spent between \$1.1 million and \$1.5 million on building improvements including heating and air conditioning. He had also spent an additional

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\$600,000 - \$700,000 on soft goods. He stated he had purchased it from Valley Bank and had been the highest bidder.

(1-0811.5) Mr. Silverton said he had been told by his former manager that it would not be re-assessed or re-valued until the operation was in full operation which would be six to eight months after they were licensed for gaming. He said for the record they are not making any money at this point in time and are actually losing money. He added he is putting \$200,000 - \$300,000 per month of his own money into the operation. He stated he had borrowed \$2,500,000 and the rest was his own money. He felt the full value of the operation is not yet there and felt it will be successful but will take time. He added in the meantime he is putting money from his other investments into the facility and asked for help.

(1-0838.5) Mr. Silverton continued by saying that when he purchased the facility he had reason to believe he would be licensed quickly and had negotiated a transaction with a tenant who would take over until then. Subsequently the tenant was not approved by the Gaming Commission. As a result the Commission had decided to learn more about Mr. Silverton and told him they would expedite his license as quickly as possible. He had then received his license within six months from the time he had submitted his application. He also stated, because of these problems, he had not been able to go out and do any marketing. However, because he had promised the City he would open the facility, he kept it open for other than gaming until he could get his license. He completed his presentation by stating the operation is improving as it goes along but again asked for help for a few more months and solicited questions from the Members.

(1-0897.5) Mr. Loff reported that the appraisers had visited the site and had spoken to employees in an attempt to determine if the operation was back up to 100 percent. He stated at the time there were two rooms which had not been refurbished but everything else was open for business. He stated that the last time the facility was re-appraised was in 1992 and that Marshall and Swift had put the replacement cost at \$15,335,000. This was the hotel by itself and did not include the garage. He provided details on how the Assessor's office had calculated depreciation figures at the time and had arrived at a taxable value. He noted since then there have been some state improvement factors which resulted in a current 100 percent taxable value of \$11,763,360 on the facility.

(1-0973.5) Mr. Loff next discussed the parking garage. He said this had also been re-appraised in 1992 and had a hard cost, per Marshall and Swift, of \$4.3 million less depreciation for a total depreciated cost of \$3.85 million. He said they have brought it back up, using the improvement factors, and the 100 percent taxable value is now \$1,416,000. He noted that for 1995-96, after the hotel sold, all the land values were put back at 100 percent.

(1-1045.5) Mr. Silverton then reiterated his request for help. He felt that keeping the operation as it is would be a solid business investment for the community. He said he was not asking for five years but perhaps a year from the time the gaming opened. He invited the Board to visit his facility to look at the figures he had been talking about. He said he had purchased the operation from Bank of America and had, as a preferred customer, been promised a \$5 million loan by them but the bank had not followed up. He commented that until the facility gets up and profitable no one will give him a loan and until then he has to struggle and this was his reason for requesting help.

(1-1105.5) Chairperson Martin asked Mr. Silverton what is his timetable to get the property up and operating to a full taxable basis. Mr. Silverton said the original estimate was April or May 1996 but, because he did not get the loan, it is now felt it will be by October. Chairperson Martin then asked what he feels is the taxable value at this time. Mr. Silverton said it shouldn't be more than the physical money in the improvements which were between \$4.5 and \$6 million. Chairperson Martin also asked if he prefers that the Assessor's Office use the income approach to value rather than the replacement cost with normal depreciation approach. Mr. Silverton said his preference is the income approach and that all the Assessor's Office has to do is make an appointment with him and he would see that his people would work with them. Chairperson Martin then asked Mr. Loff how they handle full operating existing gaming properties. Mr. Loff provided details on the process they use. Mr. Providenti commented that the law says they can't be over market. Member Cauch stated that the appraisal being discussed doesn't take effect until July 1, 1996 for the 1996-97 tax year.

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(1-1275.5) Mr. Silverton asked what would happen if he does not do well in the timeframe he anticipates. Member Cauch said it was his speculation it had been implied that Mr. Silverton would be given a tax break because no one wanted to see that "white elephant" just sit there. Mr. Silverton said before he purchased the property he had been promised such things as redevelopment funding but when he asked for it there was none. Member Cauch said the Board was trying to determine what they can do under the circumstances. Mr. Forsberg said the power of the Board is limited by statutes. He added they do not have the authority to negotiate tax relief or discuss what was or was not promised or other factors such as the operation being a benefit to the community. He said the focus should be on determining what is the proper value of this property for tax purposes. He also said there is evidence being presented to the Board that the value is a certain amount of money which might be considered below that by some people or higher by others. He said it is the job of the Board to consider all the information presented and decide what the number is which should be based on factors and their expertise. Chairperson Martin felt that the Board believes the full market value of \$12 million is not there at this time. He said the Board can set a figure and can also say they will revisit this at a later date. Mr. Forsberg told the Board they cannot meet beyond the month of February. Member Thornton said tax year being discussed is 1996-97 starting July 1 and the first installment of the tax bill would be due in August. He told Mr. Silverton he was inclined to want to do whatever the Board is allowed. He said, because there are no comparables, the market value of the property as of this date is probably somewhat less than the 100 percent appraisal. He added this is what the Board has to try to determine. He noted it might not be what the current assessed value is and probably would not be what the proposed assessed value is, but would be somewhere in the middle. He added it definitely has a greater market value today than it did when Mr. Silverton purchased it. Mr. Silverton stated his belief that the market value today is probably about \$6 million. Members Allen and Smith concurred with Member Thornton's statement. Member Smith also felt that the Ormsby House, along with the other casinos, are big assets to the community. Chairperson Martin then emphasized to Mr. Silverton that the Board, the Assessor, and legal counsel are not acting to give him something but rather would act within the confines of the law and the statute that created the Board. He added this does not mean the Ormsby House won't be considered next year. He also advised Mr. Silverton he has the option of appealing this Board's decision to the State Board of Equalization. Member Cauch moved that parcel 3-092-01 be given fifty percent obsolescence making its value at \$6,122,250 and that parcel 3-093-05 be given the same obsolescence making its value at \$856,243; this would give a total of the two parcels at \$6,979,493. Member Thornton seconded the motion. He asked if that would be the assessment values placed by the Assessor's Office for the 1997-98 taxable year and would the Assessor automatically go back and re-assess. Mr. Weaver said yes and explained why. Mr. Forsberg asked Member Cauch, for the record, to provide a basis as to how he arrived at the figures. He said this was in the event someone looks at the record later and be able to understand. Member Cauch said he had moved that fifty percent obsolescence be given. Mr. Forsberg asked which figure he had used. Member Cauch said it was from the Assessor's new taxable value and not the new proposed value. Mr. Weaver said these are two of the six parcels that are part of the Ormsby House and the other four parcels have a value of \$950,000 and suggested the Board take that into consideration in arriving at a decision. Chairperson Martin agreed it should be considered because the appellant would surely go to the State Board of Equalization. Member Cauch amended his original motion to include the words "a total value of \$6,979,493 placed on a cumulative total for parcels 3-092-01, 3-093-05, 3-094-01, 3-096-01, 3-096-03 and 4-061-02." Chairperson Martin clarified that this was a new motion and asked Member Cauch to withdraw his previous motion which Member Cauch did and Member Thornton accepted the withdrawal. Chairperson Martin opened this up for a discussion. Member Thornton stated that Mr. Silverton was only appealing two parcels. Mr. Loff said Mr. Silverton was not appealing but rather it was something the Assessor had brought in for discussion. Member Thornton then said it would be legal for the Board to add the other four parcels to be a part of this motion. Mr. Forsberg said for clarity it would be better to state a figure for only the two parcels that were the subject of the agenda item. He also stated that the other four parcels were not the subject of the agenda item and are, in fact, at 100 percent already and rather than add them in a package it was best to stick to the two parcels. Chairperson Martin said he wanted to begin again and tabled that motion. He felt that a new motion was needed which should be very clear as to the numbers presented. Member Cauch then moved that the total values of combined parcels 3-092-01 and 3-093-05 be \$6,029,942. Chairperson Martin asked Mr. Forsberg if the Board could arbitrarily use a round figure of \$6 million less the total amount of the 100 percent property. Mr. Forsberg said the Board could not arbitrarily do this but can consider factors and arrive at a figure based upon their expertise and the evidence they

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have. Member Thornton asked for clarification that the Board was aiming at leaving the parking lots at 100 percent valuation. Chairperson Martin said the Board cannot consider them. Member Cauch then withdrew his motion. Chairperson Martin tabled it and asked for a new motion. Member Cauch then moved that a cumulative total of parcels 3-092-01 and 3-092-05 be set at \$5,050,449. Member Smith seconded the motion. Chairperson Martin asked for a roll call vote and the result was: Smith - aye; Allen - aye; Thornton - aye; Cauch - aye; Martin - aye. Motion carried 5-0. Member Thornton reiterated that Mr. Silverton can still go to the State Board of Equalization.

D. PUBLIC COMMENT - None.

E. MEMBER COMMENTS - None.

F. STAFF COMMENTS - Mr. Loff said the Assessor's Office has more appeals for the next meeting scheduled for February 13 and will provide the Board with information.

G. ACTION ON NEXT MEETING DATE - See Mr. Loff's comment above.

H. ADJOURNMENT - There being no further business Chairperson Martin entertained a motion to adjourn. Member Thornton moved to adjourn. Member Smith seconded the motion. Motion carried 5-0. Chairperson Martin adjourned the meeting at 12:09 p.m.

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ARE SO APPROVED_____2/13_____, 1996

/s/_____
Phil Martin, Chairperson