

## **CARSON CITY BOARD OF EQUALIZATION**

### **Minutes of the February 7, 2006 Meeting**

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A regular meeting of the Carson City Board of Equalization was scheduled for 10:00 a.m. on Tuesday, February 7, 2006 in the Community Center Sierra Room, 851 East William Street, Carson City, Nevada.

**PRESENT:** Chairperson Mary Keating  
Vice Chairperson Roy Semmens  
Ron Allen  
William Lewis  
Mary Sanada

**STAFF:** Dave Dawley, Assessor  
Larry Werner, City Engineer  
Kevin Gattis, Chief Building Official  
Steve Walker, Property Appraiser  
Kimberly Adams, Property Appraiser  
Michael Suglia, Senior Deputy District Attorney  
Kathleen King, Recording Secretary

**NOTE:** A recording of these proceedings, the board's agenda materials, and any written comments or documentation provided to the recording secretary during the meeting are considered public record. These materials are available for review in the Clerk-Recorder's Office during regular business hours. Based on the hearing format established by the parties for the Board of Equalization's review of the Petitions for Review of Assessed Valuation, the testimony portion is set forth as a transcript.

**A. CALL TO ORDER, ROLL CALL AND DETERMINATION OF QUORUM** (10:02:58) - Chairperson Keating called the meeting to order at 10:02 a.m. Roll was called; a quorum was present.

**B. ACTION ON APPROVAL OF MINUTES** - None.

**C. PUBLIC COMMENT ON NON-AGENDIZED ITEMS** - None.

**D. DISCUSSION AND ACTION ON PETITIONS FOR REVIEW OF ASSESSED VALUATION** (10:03:12)

**CHAIRPERSON KEATING:** When we ended last week, we ended on parcel listed as D-3, parcel number 007-531-04, Vista Lane, Carson City, Nevada. We can continue as we left off, but I wanted to give either party an opportunity if there was something they needed to start preliminarily before we get into that parcel. Mr. Suglia?

**MR. SUGLIA:** Yes, I do have two matters and I appreciate that opportunity. Going back to some of the exhibits you have in front of you. I have a real concern about this exhibit. I'm going to ask that you strike it at this time. There's been no testimony given as to what this represents. I think, as it sits right now, it's potentially very misleading. I'll give you an example. A and B, there's no parking lots there. There's no buildings. There's no buildings in C. The building in D doesn't exist.

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I can go on and on down the list. The reality between this plan and what's actually there, they don't really match at all. There's no basis in reality for this and I think it has the real potential to mislead this board. Secondly, there's been no testimony from the hospital as to what this actually represents. We've only had discussion from the attorney so I'd ask at this time we strike it and not use it (inaudible) as an exhibit and there's some foundation for the basis of this exhibit.

**CHAIRPERSON KEATING:**

Mr. Pavlakis?

**MR. PAVLAKIS:**

Thank you, Chairperson Keating. The exhibit is just what Mr. Suglia identified. It's a plan. Mr. Stansbury, our witness who was testifying last time is the person responsible for the development of the plan and he can offer testimony on it. It is offered for illustrative purposes at this point and we haven't technically offered it as admissible evidence at this point. But we certainly will once we develop the proper foundation.

**CHAIRPERSON KEATING:** Is there any questions or comments from members of the committee?

**VICE CHAIRPERSON SEMMENS:**

Yes, Mike, using your schematic, items C, G, and H property, undeveloped property, now you are going to use that for development but for gain for the hospital? It is not going to be owned by the hospital, is it not?

**CHAIRPERSON KEATING:**

I think at this point, when we get into those specific parcels, we can ask specific questions regarding them. I just wanted to ask, in general, is there any question about objection or agreement as to the use of this document and limit it to that.

**VICE CHAIRPERSON SEMMENS:** Sorry.

**CHAIRPERSON KEATING:**

That's all right. At this point, it is not an exhibit. It has not been introduced as an exhibit. It's just an illustration. I think you have a point, Mr. Suglia, it does not represent what is out there physically today and I think the board members need to know that. I think, at the time that they ask it to be introduced, then we can go specifically to the objection that you have, but I would just advise the committee members or board members to give this the appropriate weight. This is some representation by the part of the hospital and does not represent reality today. Okay?

**MR. SUGLIA:**

Thank you very much. I have a second matter I'd like to present at this time. When we come to the last item, taking them in order, and then I just call that (inaudible). I'd like to make some brief remarks to the board because we do have a different party involved. It's really the

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hospital foundation that's claiming the exemption and not the hospital. It's a separate corporate entity and I think there is some issues associated with that being a separate corporate entity that I would like to call to the board's attention at that time.

**CHAIRPERSON KEATING:**

Okay. Okay, that'd be great. Okay. Mr. Pavlakis, did you have any preliminary matters before we get into the next parcel?

**MR. PAVLAKIS:**

No.

**CHAIRPERSON KEATING:**

Okay. Thank you very much. Okay, the next parcel, and I believe I read the number, but I'll do it again, is listed as D3 [sic] in your packet and actually, if I'm reading this correctly, it has three parcels that are included in D3 [sic]. Parcel 007-531-04, 007-530-17, 007-531-18, actually there's four, excuse me, and 007-531-19. Do we all agree that these are the parcels that we're talking about today?

**MR. SUGLIA:**

In discussions with the assessor, his concern, and maybe just we can have the record reflect that as of July 1, that's the lien date for the assessor, this was 007-531-04. And if we could just note that for the record, I think that would help.

**CHAIRPERSON KEATING:**

Okay, so on the date that is the date of the record, it was all one parcel?

**MR. SUGLIA:**

Yes.

**CHAIRPERSON KEATING:**

As of the date this document was prepared, it was four parcels?

**MR. SUGLIA:**

Yes.

**CHAIRPERSON KEATING:**

Okay, but we're going to just go with the one parcel because that was the parcel on the date of the record. Mr. Pavlakis, is there any concern on your part of doing that?

**MR. PAVLAKIS:**

I do have a concern because I just want to make sure that we're talking about the same piece of property, physical land, and for purposes of, to try to help clarify that, is what we talking about the property generally depicted as block C in our drawing and essentially to the left of the C. Is that the property we're talking about now?

**CHAIRPERSON KEATING:**

And, Mr. Pavlakis, I believe this is the hospital's petition so it's important that the hospital tell us exactly which piece of parcel, which piece of property they're talking about. The assessor's office and the district attorney have represented that, on July 1<sup>st</sup> of this year, what is now four parcels constituted one parcel, all known as parcel 4, the last two digits being 04, and that is the parcel that you are asking today for

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an appeal of the assessor's determination. Even though today there was some mapping change made between July 1<sup>st</sup> and the date you filed this, on (inaudible) 13<sup>th</sup>, that changed it into four parcels, but we are still talking about the same one parcel. I guess I'm looking for you to make the representation (inaudible) your proceeding, you tell me what it is that you're asking for.

MR. PAVLAKIS:

We are asking that property formerly known as 04 be not included on the tax roll and now it is divided into four parcels.

CHAIRPERSON KEATING:

Okay, and those four parcels, added together, are exactly the same as what July 1 was 04?

MR. Pavlakis:

That's my understanding.

CHAIRPERSON KEATING:

Okay. Is there any different understanding from the assessor's office?

MR. SUGLIA:

None.

CHAIRPERSON KEATING:

All right, so since July 1 was the date of record, we are going to just use parcel number 04, but I think everybody realizes since that date, there's been a mapping change and it constitutes four parcels. You are not asking us to look at each part of part 4 separately, are you?

MR. PAVLAKIS:

On a going forward basis, the answer would be yes. But as of July 1<sup>st</sup> of '05, the answer was 04 only.

CHAIRPERSON KEATING:

Okay and we have to respond to the parcel of record of July 1 '05, I believe is correct. We can't, I don't think, correct me, Mr. Suglia, I don't think we can break it into smaller parcels other than what was on the rolls July 1.

MR. SUGLIA:

Yes, I believe we can only look at what existed on July 1.

CHAIRPERSON KEATING:

Okay. So, July 1, it was one parcel. Today, it is four parcels so we'll deal with it as one parcel. Okay? Go ahead.

BY MR. PAVLAKIS:

Specifically, then, addressing item D3 [sic]. Mr. Stansbury, you were previously sworn.

MR. STANSBURY:

That's correct.

MR. SUGLIA:

As a point of order, could we have the witness sit in the middle? We were going to do that just to give a little more formality.

CHAIRPERSON KEATING:

That'd be appreciated. Thank you.

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MR. STANSBURY: Good morning.

MEMBER ALLEN: Good morning.

MR. PAVLAKIS: Mr. Stansbury, do you recall being sworn at the last hearing?

MR. STANSBURY: I do.

MR. PAVLAKIS: And you're still under oath. The property that we are speaking of generally is located on what we call Vista Lane, is that correct?

MR. STANSBURY: That's correct.

**Q** What is Vista Lane?

**A** Vista Lane is an improvement that the hospital was working on, if I may show on the illustration here. To orient the board and the other observers, we have Medical Parkway that comes off of Carson Street, also 395, and loops around. Where it comes back into itself just to the west here, there's a street that we're in the process of building that drops slightly to the south and then runs west which will serve this property here. And it's this area from Silver Oak Drive up to Medical Parkway that's known as Vista Lane.

CHAIRPERSON KEATING: Okay, and just for, and only for illustrative purposes only, that whole section that you have outlined in green and it shows a street, none of that physically exists today. None of the improvements physically exist today.

MR. STANSBURY: What exists now, there have been perhaps others ...

CHAIRPERSON KEATING: And, let me rephrase my question. What existed July 1<sup>st</sup>? That's probably more important.

MR. STANSBURY: I believe on July 1<sup>st</sup> there was property, there was an old house in here that we were using for a construction office and some storage. This area here was then used generally as construction storage and there may have been, I'd have to go back and double check the records, there may have been some rough grading through this area here to start.

CHAIRPERSON KEATING: Okay, so, there were, at least the substantial of what we're seeing on the illustrative map does not exist today and did not exist July 1<sup>st</sup>, substantially most of what's on there. This is plans that you have?

MR. STANSBURY: That's correct. This is a master plan that we made of the entire site. What exists, what existed on July 1<sup>st</sup> we just talked about. What exists today, we've put grading in through here. We've run, I believe there are wet utilities installed in there, water and sewer. They're in the

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process of laying the dry utilities through here and, if you went out there now, you could see a roadway cut in there. The next step obviously is completion of dry utilities and compacted base and then the street itself. They are additionally tying off of that, again, today there are connections being made to some of this property down here.

**CHAIRPERSON KEATING:** And again, just, this document is just for illustration purposes only. Okay. Go ahead.

**MR. PAVLAKIS:** Mr. Stansbury, while you're testifying on the drawing, can you tell me, the board what the drawing that you have and each of them have been provided a copy of, what is that?

**MR. STANSBURY:** As it's labeled, it's a master development plan for the area where we've located the Carson-Tahoe Medical Campus. It comprises approximately eighty acres and I can walk through the various phases of what we've got just to give you an idea of the background of the planned development. We started with this plan, I believe it was in September of 2004 roughly where we took the property that we own and our board was interested in how we might develop that property for the future. We knew that we had, in this area here, the entire regional medical center project. That's gone on. Of course, we've got the facility open now. This is our central plan and we've got parking through this area. The only exception to this area here that isn't as the plan shows is this little strip of parking in here right now is currently unimproved although we do have plans to finish that off. Everything else, I think is pretty representative of what we've got now.

Over to the left then, we've got where we had sited, we wanted to make sure we were siting various services and locations that were going to work, both from an operational standpoint, from a campus standpoint, and obviously we were concerned about aesthetics and what was going to be provided where. That's why we made the decision to put the cancer center up here as an area that's, has a little bit of isolation to it. That kind of patient, it's a little better, more of a pastoral setting.

**MR. PAVLAKIS:** The cancer center is labeled?

**MR. STANSBURY:** Excuse me. Parcel J up in the northwest corner, the plan northwest, I should say. Moving along then toward the east, we've got under construction (inaudible) the cancer center, what we refer to as the (inaudible) cottages. The hospital was fortunate to (inaudible) from a member of the community to build housing, temporary housing for families of patients that might be being treated, either at the regional medical center or the cancer center. So, again, we made the decision to locate that there and that's known as parcel K.

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Moving along then to the east, this parking is planned to support mariner cottages. This little installation that sits just north of Medical Parkway at the top of the loop road is a propane tank that's used for back up fuel source for our emergency generators and boilers. Then, along this strip that runs across the top of Medical Parkway and down in, I think that's collectively known as parcel A. So about the top of the curve, we've got landscaping just planted in there. There's really not any other use for that space. We had planned on location, in the rest of parcel A, a couple of medical office buildings, including parking to support them. Right now, we have landscaping along part of that. The rest is vacant right now.

Coming down then to parcel B, off of Medical Parkway at this intersection here, we have some signage at this location that helps direct people as they're coming in, which way to go to the emergency room, which way to go to the cancer center, which way to go to the Sierra Hospital, which way to go to the main campus and that's all located at this corner here. And along this strip in here, we've got landscaping. Again, you can see it's a very narrow strip so the landscaping takes up I think almost all of that if not all that. And, this area here, we have talked about a possible future location for some small service. Various different options were discussed, nothing settled on. You could put a very small location in there for something. Right now, there are two very nice cottonwood trees that sit in there and they take up pretty much space where that little building is shown there.

Q That's parcel B?

A That's correct. That's known as parcel B. We've talked about this area here, parcel C, which is known as the Vista Lane or Medical Park South area. From, if you can see on your drawing, there's a fault line that runs through the site and then heads south down into the Silver Oak Golf Course. Approximately everything to the west in plan west of the fault line, the hospital has reserved for its future uses and that connects up in with G and H. Some of the uses that we're exploring right now, one of our key services that's been very beneficial for the community is what we call the Mom's Clinic. It had been located down on our old campus and that's a prenatal clinic for uninsured patients and we're looking for a site somewhere in this general area for that location as probably the next hospital development that will go in there. The rest of these, again, just to give the board, as this group a working knowledge of what could be placed where as we begin to identify different services, to make sure that we're meeting the adequate parking needs, to make sure that we've got building sites generally laid out so we have a general idea of how big each of those buildings could be and not interfere with the operation of the rest of the Regional Medical Center campus.

Q Are you talking about parcels G and H?

A That would be the rest of C, G, and H. I is also, while it's not colored in, it's a parcel that's owned by the hospital. We have similar plans for that, not included on this drawing but we have other drawings that show potential services that could be located in that location. Moving then to the north, plan north of Medical Parkway, we've got these three buildings here. Again, just to give you an orientation, building E is the Sierra Surgery and Imaging Hospital. It is constructed and I think it runs, if I'm not, right along this sidewalk here. Everything to the east of that is constructed and complete. There is up to about this line here, there is a temporary asphalt road that we've put in pending construction of the rest of these improvements so that they can loop around the building for purposes of support and delivery and not have to drive in through the main patient area. To the west, plan west of Sierra Surgery and Imaging, Building F, which is a planned, approximately

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40,000 square foot medical office building. The hospital will have some services in there. We plan to put our outpatient physical therapy location in that building. We'll also have a lab draw station in that building and we'll have some administrative offices, some staff that are still down at CTH, the CTH Campus we'll bring up, we'll be putting them, some of those people in this building here. Building D, Parcel D, would be probably the next hospital project that would go up after F and, again, the same mix of hospital services and some physician offices in both of these buildings here. As you go back up the loop road, the rest of this is really kind of the drainage, the creek that runs through there until you get to the improvements related to either the cancer center or the regional medical center. I think that should give you, I'd be happy to answer any questions that anyone might have. I think that should give you a general tour of what we've got going on out there right now.

**Q** Mr. Stansbury, as of July 1<sup>st</sup> of this year, what physically was built?

**A** July 1<sup>st</sup> of 2005? Going back in my memory. A lot's happened since then.

**Q** Was the regional medical center?

**A** We had this building complete and open. We had this building close to completion. I think we had substantial completion on that building pretty close to the end of September so it was fairly far along as was this building here. Many of these improvements, the parking improvements were in place. Not all of them. There was at least grading on all this site inside the loop road. The loop road, probably from about this point here down and then up to somewhere in this direction here was also paved with curb and gutter. We had a fair amount of landscaping that was put in from the entry way up around. They were in the process and they did start kind of along this general area here with the boulevard-type feature in B and they had started some, I believe they had started some landscaping for that point. We've already talked about Vista Lane. We had this section, Presti Lane, was constructed and (inaudible) until that point right here. July, we had some, we did have some site work being done on the cancer center, including some excavation related to the foundations and footings for that building. The propane tank, I believe was either under construction or complete. There was probably nothing being done on site K.

**Q** Mr. Stansbury, you indicated parcel I is owned by the hospital as well?

**A** That's correct.

**Q** Is all of the 80 acres that you talked about as being owned by Carson-Tahoe Hospital, is that depicted on this drawing?

**A** I believe it is, yes.

**Q** Is it all contiguous?

**A** In my opinion, yes.

**Q** And is it all required, why was the 80 acres acquired by the hospital?

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A The history on the purchase of this site and the various attachments to it goes back to the hospital's desire (inaudible) to construct (inaudible) hospital. This group is probably as aware or more so than I of the limits of the CTH site. Analysis was done. It was determined that, for the future of Carson-Tahoe providing health care in the community, it would be best to find a new site to construct a replacement hospital. In working with the city, this site was chosen and I say that, I think there was a lot of dialogue between the city leadership about this site as opposed to other sites. In large part, related to this issue, it's my understanding that the city leaders encouraged the hospital to purchase at least the first part of this site from the children's home because it had not previously been on the tax rolls and the city was concerned about having the hospital buy property. I know the Wal-Mart location, for example, was considered as possibly being purchased and there may have even been an offer submitted on that. But after consulting with the city, the city urged the hospital to purchase this property instead so as not to take other property off of the tax rolls.

Q Mr. Stansbury, that relates to the 45 acres that was purchased from the children's home north of the creek, is that correct?

A That's my understanding, yes.

Q Why was additional property to the south of the creek acquired?

A As we began to master plan, going through the process that created this map, we realized that, again, to secure our ability to provide healthcare in the future, it would be good, to the extent possible, to secure property surrounding us for two reasons. We wanted to make sure that we had enough space to expand our primary services, things like the Mom's Clinic that we talked about earlier, things like the cancer center, things that directly related to our services and we also wanted to have space to allow for the addition of related services, healthcare services, so that the community could come to one stop for most of their healthcare needs.

Q Mr. Stansbury, is the 80-acre campus necessary to support the regional medical center facility that's depicted and constructed at the north end of the site?

A Yes.

Q Now, certain of the improvements that were underway in July and have now been completed and that includes the substantial completion of Presti Lane or Vista Lane, is that correct?

A Would you restate that? I lost you on that.

Q Certain of the improvements, focusing on Vista Lane property, were underway in July, June and July of 2005 and are they progressing to completion today?

A Yes.

Q And are those improvements necessary for the furtherance of the hospital's mission to provide healthcare to the community of Carson City?

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A Yes.

Q Now, certain parcels, the assessor did not include on the tax roll property to the left of the C depicted on the drawing. Do you know why that property was not ...

CHAIRPERSON KEATING: Mr. Pavlakis, could you be very specific as to which parcel you're talking about?

MR. PAVLAKIS: For this discussion, the (inaudible) that we're talking about is 007-531-04.

Q Was 03 on the tax roll?

MR. DAWLEY: 07 is on the roll. You just said ...

MR. PAVLAKIS: Parcel 03 to the east of the one at issue.

MR. DAWLEY: Parcel 03 was not because that was part of the original home that was there used as a construction site as well as a vacant lot that was used as a construction site and we gave the hospital the benefit of the doubt because there still is construction equipment there that they were going to be maintaining that as a construction site and not selling it which is what they've been doing as of January 13<sup>th</sup>.

MR. PAVLAKIS: Mr. Stansbury, you heard what Mr. Dawley indicated as the basis for the 03 (inaudible).

MR. STANSBURY: Yes.

MR. PAVLAKIS: Do you understand what I'm talking about when I say parcel 03?

MR. STANSBURY: Yes, I do.

Q It is to the east of the property at issue here.

A That's correct.

Q Now the, do you know why it was, other than what you just heard from Mr. Dawley, as to why it was that 03 was not placed on the tax roll?

A Other than just to repeat what he said. There was a house there that we did use for ...

Q Let me stop you right there, Mr. Stansbury. Where was the house physically located?

A The house was located approximately in this general area here at the entry to where Vista Lane drops off of Medical Parkway.

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Q There's a line that is shown across the north side of Vista Lane, is that correct? Yes. Are you familiar with the property that is referred to as the property formerly owned by the Richards and Saltern Trusts?

A Yes.

Q Is that where the yellow house was located?

A No. The yellow house was north of that line.

Q Was Richards, was the yellow house located on the property purchased from Richards and Saltern?

A No, it was not.

Q You're sure about that? I'll represent to you that it was.

A Okay. Then I'll trust your representation.

Q Okay. Now, that ...

A From a previous purchase.

CHAIRPERSON KEATING: Okay and I just want to make sure. The property that we're talking about today, 04, will be south of that line, south of the north line in there. Property 03 that Mr. Dawley has referred to as not being placed on the rolls is where on that map for illustration purposes. Okay. And property 03 was where the house sat, purchased from the Richards and Saltern Trusts?

MR. PAVLAKIS: May I?

CHAIRPERSON KEATING: Go ahead.

MR. PAVLAKIS: Parcel 03 included property that was purchased from the Richards Saltern Trusts and generally goes down a line to, I'm going to say to the east of what's depicted as a C and includes roughly half of the total land mass of what is now shown as parcel C. Mr. Stansbury, is the triangular portion that is bounded by Medical Parkway to the north, Vista Lane to the south, that consists of 1.25 acres approximately, is that what was purchased from Richards and Saltern?

MR. STANSBURY: Yes.

MR. PAVLAKIS: Was there ever, well, was the yellow house located on that parcel or to the south?

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MR. STANSBURY: It was located on that parcel, the triangular piece.

Q Okay. Then the hospital acquired from Silver Oak, basically a block of Silver Oak that is depicted to the south of this line. Is that correct?

A That's correct.

Q Now, other than what you heard Mr. Dawley testify to, do you know why the property, was this line between the triangular line, did the hospital move that line to your knowledge? Between the Richards Saltern (inaudible) parcel 03.

A I believe there was a reformatting of all of these parcels for the development of additional medical office buildings on that entire area.

Q And that would be to the east of the C. Is that correct?

A That is correct.

Q And have properties to the east of the C since been sold?

A Yes, they have.

Q And you talked about property to the west of the C being reserved for future hospital use?

A That is correct.

Q Has that always been the plan?

A Yes sir.

Q Specifically, has it been the plan of the hospital to reserve the property, I'm going to call it to the west of the fault line?

A That is correct.

Q The area that is north of Vista Lane that is shown in white, Mr. Stansbury, do you know who the owners of that property are?

A I don't know who the owner of record is but I believe it is owned by the Shelter family and related entities.

Q Are you aware of, that's right in the middle of your campus. Is that correct?

A That is correct.

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Q Has the hospital, as of July 1<sup>st</sup>, did the hospital have an ownership or any other type of lease hold interest in that property?

A As of July 1<sup>st</sup>, I'm not sure. I know there has been discussions for some time about acquiring such an interest.

Q And do you know whether, in fact, as of July 1<sup>st</sup> of this year the hospital acquired that property through lease option?

A As of July 1<sup>st</sup>, I'm not sure.

Q I'm sorry, January 1<sup>st</sup>.

A Of 2006? Yes.

Q And was that acquisition necessary for the hospital's master plan development?

A Similar to the (inaudible) we talked about was the acquisition of all of this property we felt that was a key acquisition to make to secure that property for our uses.

Q Thank you, Mr. Stansbury. I have nothing further.

CHAIRPERSON KEATING: Mr. Suglia?

BY MR. SUGLIA: Okay. Mr. Stansbury, I'm going to focus you back on 004, which is the parcel in question. Can you point to your map and show us roughly the area that was 004 prior to the subdivision?

MR. STANSBURY: It appears to run across what is now known as ...

CHAIRPERSON KEATING: And Mr. Stansbury, I think it might be helpful if you just on the edge of your pen just kind of draw the outlines because it's hard for me to tell when you move your pen straight down.

MR. STANSBURY: I believe it's bordered along the east section here, along the north side of Vista Lane, somewhere in this general area it drops south to the property line and then back to the east.

MR. SUGLIA: All right, and I believe you testified this is land that the hospital acquired for hospital use?

MR. STANSBURY: That's correct.

MR. SUGLIA: And would you explain to the Board of Equalization why you subsequently subdivided the land?

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MR. STANSBURY: As we have discussed on the corner of the far east section of this ...

MR. PAVLAKIS: May I, as an objection to the question, there has not been a subdivision. There has been a total of two to three, possibly four parcel maps that have been filed and have created lots within this area.

MR. SUGLIA: Your objecting to the term ...

MR. PAVLAKIS: Subdivision.

CHAIRPERSON KEATING: And just to clarify, on July 1, it existed as one parcel.

MR. PAVLAKIS: Yes.

CHAIRPERSON KEATING: Subsequent to that date, the hospital filed parcel maps, or whatever the proper document would be, and turned it into four separate parcels.

MR. PAVLAKIS: Yes.

CHAIRPERSON KEATING: Okay, okay. We all agree that that's what happened. Okay. Thank you.

MR. SUGLIA: Okay. I'll go ahead and (inaudible) the objection. It wasn't ruled on. I'll rephrase the question. I won't use the term subdivision. Mr. Stansbury, would you please explain to the Board of Equalization why the hospital filed maps to divide the land into various parcels.

MR. STANSBURY: There are certain parcels to the east approximately of the fault line, in here, that we wanted to make available for sale to individual physicians for construction of private medical office buildings.

MR. SUGLIA: All right, and you've actually furthered your goal recently, haven't you?

MR. STANSBURY: Since the first of this year, I believe all but one of the lots in that general area have been sold.

Q Well, you sold what's depicted on the, I'm going to refer now to the map. It's under Tab B as provided by the assessor which shows some of the subsequent parcelling of the land.

A Do I have a copy of that?

Q You sure do.

MEMBER ALLEN: Yeah, it's in your own packet.

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MR. SUGLIA: Okay, I'll proceed, Mr. Stansbury. The parcel has been divided into what's now parcel 20. That's been sold by the hospital.

MR. STANSBURY: I believe that's correct, yes.

MR. SUGLIA: Okay. The hospital bought it as vacant land. Is that correct?

MR. STANSBURY: That's correct.

Q And the hospital sold it as vacant land?

A There were certain improvements that were made related to Vista Lane and the utilities through there.

Q And what improvements were made?

A As part of the sale, we commenced construction on Vista Lane and had the utilities placed and I believe that's one of the conditions of the sale that we complete those improvements.

Q And if I went out to Vista Lane today, I couldn't drive on it, could I?

A Depending on what kind of vehicle you had, sir.

Q And as of July 1, did you have those improvements put in on Vista Lane? July 1 of '05?

A As we discussed earlier, there may have been some rough grading that went through there to line out the general borders of Vista Lane and I know that there was plans in place for that improvement as well as the installation of the various utilities.

Q And the improvements, did they increase the value of the land?

A Yes.

Q Now you said the hospital bought raw land, made some minor improvements and sold it to a private entity. Is that correct?

MR. PAVLAKIS: Objection to the term minor.

CHAIRPERSON KEATING: And I just need to get some clarification. And, Mr. Suglia, I would ask you these questions just as counsel to this board so I can make sure I understand what our charge is. If I understood this correctly, the decision of whether something is on the property rolls or not is based upon the property's status as of July 1<sup>st</sup>. Is that correct?

MR. SUGLIA: Yes.

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CHAIRPERSON KEATING: Okay. So all of these actions that have taken place happened after July 1<sup>st</sup>?

MR. SUGLIA: Yes.

CHAIRPERSON KEATING: Okay, so on July 1<sup>st</sup> when the assessor's office makes a determination, the status of that parcel was one parcel. It was not subdivided into four parcels on July 1<sup>st</sup>?

MR. SUGLIA: That's correct.

CHAIRPERSON KEATING: Okay so all of the activity, answer this for me then. Is this board to take into account activity that takes place on a parcel after July 1<sup>st</sup>, the day that the decision is made whether something is included or not included.

MR. SUGLIA: The reason I'm asking these questions is that this board just heard testimony that talked about plans, things that have actually happened, things that are going to happen, and things that are planned, things that were planned and are no longer going to happen. So, I believe that's relevant and it also goes back to, you know, 361.083 and 361.140 where you have to determine if there's a hospital on this land, some kind of medical facility on this land in order for that to be tax exempt. So I think the intention of the hospital is clearly indicated when they take a large piece of land, cut it up into little pieces and make some improvements, whether they're minor or major, and then sell it off to a private entity. And you don't have to speculate on the intent.

CHAIRPERSON KEATING: Right. And I understand that. I have no disagreement with you. But all of those events took place after the date that we were supposed to consider whether this land is tax exempt or not.

MR. SUGLIA: That's correct.

CHAIRPERSON KEATING: So do we have any information that talked about transactions, filings, whatever, what happened prior to that date that would provide the assessor with information to know that this was land held for resale or land for investment, not for hospital?

MR. SUGLIA: I think, as I indicated earlier, just this development map is what's been represented to the assessor. So, I don't know if they shared their intentions with the assessor. I can ask him that.

MEMBER ALLEN: I've got a question. You just referred to that as the development map and, at what point are we supposed to consider whether we use this as evidence or not? Because now I'm getting confused. If you're

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accepting it for the purposes of your argument, then are we supposed to also accept it as our purposes for making a decision?

**MR. SUGLIA:**

At this point, it's not really been admitted as exhibit, is my understanding. Mr. Pavlakis said he would offer it later after there's been testimony. Since there has been considerable testimony about this plan, that's opened Mr. Stansbury up for cross-examination and then hopefully after we're done with that, this board can determine whether this plan accurately represents this campus plan or not.

**MR. PAVLAKIS:**

Ms. Keating? I would offer the document as, I think it's already marked as an exhibit but I would offer it in evidence as evidence of what the hospital's development plan is. It's not intended to depict what is in place either or today or as of June 30 or July 1 of last year, but rather it's intended to depict the general intent of the hospital for the development of this campus on this 80-acre plus site. So I'd offer it for that purpose.

**CHAIRPERSON KEATING:**

And I think, at least from my standpoint, unless someone else has, we will just use it for illustration purposes, just to give us a point of reference of where the things are, knowing that this may be what they are planning, but it may not be what they're planning tomorrow and it may not have been what they planned yesterday. It is their plan as they provided it to us today. Is there any (inaudible) with that? I mean, I would just tell everyone to use this and provide it with the appropriate weight, a vision, a physical mapping to give a point of reference of where we are when we're talking about (inaudible).

**MEMBER ALLEN:**

Madam Chairman, may I ask a question? When was this plan completed? Was this plan completed before July 1<sup>st</sup> of 2005?

**MR. STANSBURY:**

Yes sir. I believe the last date is September 14, 2004.

**MEMBER ALLEN:**

So, at that point, then, which is, I guess where I'm getting confused. At that point, which was prior to our lien date of July 1<sup>st</sup>, 2005, this depiction was your best guesstimate of what the hospital wants to achieve at some point down the road. Is that correct?

**MR. STANSBURY:**

That's correct, sir.

**MEMBER ALLEN:**

Therefore, I'm confused as to why we cannot use this as an official document.

**CHAIRPERSON KEATING:**

Go ahead, Mr. Suglia.

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MR. SUGLIA:

Well, my concern is that it has a great potential to mislead this board and particularly as it's been represented as a campus and yet at the same time, we're seeing the hospital selling off their campus some brief time later. Last time we were here, we had the representation, this is our campus. You get an impression, as we use that term, of a unified parcel by one owner and we're starting to see that there appears to be a plan not to keep it as a campus for tax-exempt purposes but to sell it off to a number of private entities and that's what I was trying to explore with this witness. Because I think that's real important as to the intention of the hospital, number one, and number two, for this board to see what, if the hospital has vacant land, they buy vacant land, they put an improvement, and they flip the land over to make a profit.

MR. PAVLAKIS:

Objection. There's been absolutely no testimony about making a profit and I object to that. I think in your dual capacity, as representing the board and the assessor, you have an obligation to make a proper representation to the board.

MR. SUGLIA:

My, I will make a representation to the board, Madam Chairman. I just heard testimony that when the hospital put some improvements in, it increased the value of the land.

CHAIRPERSON KEATING:

Okay. We are going into activities that have taken place after the lien date and I think we have to consider what the assessor's information was at the time that the decision was made, July 1<sup>st</sup>, to lien this property. And, at that point, and maybe either one of the witnesses can explain to me, but I did not hear, I have not heard that there was any official filing with the assessor's office to change the status of that property on July 1<sup>st</sup>. It was still all one parcel. I'm talking about on July 1<sup>st</sup> when that decision was made. That was all considered one parcel. Is that correct? It was still one parcel.

MR. SUGLIA:

Yes, that's my understanding.

CHAIRPERSON KEATING:

And, on that date, that, I'm just trying to make sure I phrase this correctly. Is it, and maybe you can help me with this, Mr. Suglia. I think there's been clear testimony that the hospital took action on this property after that date. I think they would agree to that.

MR. SUGLIA:

Yes.

CHAIRPERSON KEATING:

Okay, but on that date of July 1<sup>st</sup>, I have not heard and maybe your witness will tell us, was there any information provided, and maybe I'm getting ahead of your case and you can provide this, that would have provided the assessor's office with knowledge that they had intended to divide the parcel from one into four and then ultimately sell.

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MR. SUGLIA:

I don't believe the assessor knew that until he saw the maps that were filed. There may be other people in the city that would have some knowledge and I did intent to call Larry Werner as a witness for the city and I believe he might be able to discuss that. However, I think I understand that you're trying to say. If you want to limit the testimony here as to what was occurring on July 1, 2005, I don't object to that to a ruling of that nature to help focus this board.

CHAIRPERSON KEATING:

And I don't want to specifically limit the testimony. I think everybody should understand what's going on with all of that parcel but I'm just trying to make sure I understand what our charge is. The assessor made a determination based upon what knowledge that office had of July 1<sup>st</sup>, that that parcel, even though it was previously included in a decision of the Board of Equalization as being tax exempt, am I not reading it right?

MR. DAWLEY:

No, not that part.

CHAIRPERSON KEATING:

Okay. Based on the purchase, this piece of property was specifically purchased from Silver Oak is my understanding. Okay? The assessor believed, at that point, that that did not, was not used under the statute for a purpose that would allow for an exemption and, as a result, put it on the tax rolls is my understanding of what happened. After that date, other transactions have taken place that clearly may have put it on the tax roll because portions of that parcel may not be owned by a tax exempt entity at this point, as of today. Okay. Just want to make sure I understand the facts. But on July 1<sup>st</sup>, the title was held by the tax exempt, the assessor believed it was not being used for a tax exempt purpose, and therefore it was put on the tax rolls. Okay and all these other transactions happened afterwards. Okay. Unless, I just wanted to clarify that I understand what the situation was on that day. Okay. Is there any other questions from any of the members?

VICE CHAIRPERSON SEMMENS:

I have a question. I'm looking at the bottom of this master development map that we were all presented here and it has a structure date as of 1/13/2004, then handwritten below that date is 9/14 of '04. So this map was in effect at 1/13 of '04 prior to July of 2005.

MR. STANSBURY:

Portions of the map were. I believe the significant change, after the January 2004 date, related mostly to the Vista Lane addition.

CHAIRPERSON KEATING:

And let me ask a question. Is there anything on that map that depicts that this section's going to be parceled and sold? So a reader picking this up would have no knowledge other than, it may be owned by the hospital or it may not be owned by the hospital. It's just that there was

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a plan at some point, no matter who your leadership is, to have a building, open areas and parking lots.

MEMBER ALLEN:

Madam Chairman, that's exactly why I was trying to get clarification on the use of this map earlier. Because I think that that will help us in making our decision. And that's why I would like to see some kind of a directive come to us as to exactly what we're to use this map for. Is it going to be part of an exhibit that we can then use or is it just illustrative purposes only and regardless down the road we just ignore it other than for that purpose?

CHAIRPERSON KEATING:

Mr. Pavlakis, why don't you represent for the record what your intent is specifically and what use you believe the board should rely upon of this map and then I'll let Mr. Suglia make a comment.

MR. PAVLAKIS:

And I'd like to limit my discussions to item D3[sic] which is what I believe we're on which relates to parcel 4 which is to the left of, generally to the left of the C, the west portion of block C depicted on the master plan. When the hospital purchased the Vista Lane property from Silver Oak in 2003, 2004 approximately, Silver Oak came to the hospital and said that this property has been the subject of much interest by physicians in locating medical practices close to the hospital.

What's not depicted on this drawing is that south of block C is a fairway and, across the fairway are houses. The hospital purchased this piece of property strategically to, number one, provide a buffer between the housing element of Silver Oak because we've been in a neighborhood and we know what it's like to be in a neighborhood and we don't want to be a bad neighbor to people who buy houses and want to live next to a chilling tower or something of that nature. So we bought it, number one, from Silver Oak in bulk as a buffer. Number two, on our campus, and Mr. Stansbury will testify that there is no piece of property on this 80-acre campus that is for sale or was for sale prior to this acquisition, but it was perceived, and you can look at these, you can look at, as I'm sure Member Allen would like to, to look at what's going on in parcel C that there have been some sales to the east of the C. The property that, on July 1<sup>st</sup>, was tax exempt, that's the property that the hospital decided it would sell. What Mr. Stansbury has already testified to is that the hospital has specifically reserved the parcels to the west of the fault line for its own use and what has occurred after July 1<sup>st</sup> is that one of the parcels within parcel 004 has been the subject of a sale. So, if anything's going to be sold, it's going to be property to the east of the fault line, but this property was secured by the hospital in order to maintain it as a medically-related campus, part of its medically-related campus. There are deed restrictions that restrict the use of this to medical offices, to physicians who are members of the medical staff of the hospital and require that these physician buyers and there have been one, two, three, four of them that have closed escrow, that these physician buyers, and those have closed since July 1<sup>st</sup>, required that they build their buildings and start paying taxes on those buildings within a period of five years from the date of purchase.

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What Mr. Stansbury will also testify to is that, yes, although the property increased in value, it would increase in value just by sitting there, but the sales to the physicians have been at cost in order to encourage the development of medical office buildings on those properties. There has been no profit or mark up on those parcels at all. Does that answer your question?

**CHAIRPERSON KEATING:** Well, (inaudible). I think if you could just, I think there's still debate amongst the two parties as to what this map is supposed to depict. And I think Mr. Pavlakis has one intent to demonstrate this is, you know, as he's represented to it and I think Mr. Suglia has an issue with it, you know, being relied upon as some sort of factual, this is exactly, plans are drawn, there's things that are filed on this, and so forth. Since that has not occurred and this is the hospital's drawing of what they had in their mind on the day they had the engineer or the architect draw this up, that's what it needs to be relied upon is nothing more than their representation on the day they submitted it. It may or may not be today what they planned on the day that they drew it up. I don't think we can, at least from my standpoint, provide it any more weight than just a visual pictionary of where the parcels are and what we're talking about.

**MEMBER SANADA:** Madam Chairman?

**CHAIRPERSON KEATING:** Go ahead.

**MEMBER SANADA:** Just for my own clarification, the parcel that we are talking about, on July 1<sup>st</sup>, had it ever been, had any plans for that property ever been submitted to the planning commission?

**MR. STANSBURY:** If there were plans submitted, they would have been plans for the street improvements and the utility improvements along Vista Lane.

**MEMBER SANADA:** Okay, so there were no, there was no map, no development map for that particular parcel ever submitted and approved by the planning commission prior to July 1<sup>st</sup>?

**MR. SUGLIA:** You know, I'm going to object. This really isn't testimony when we're having a consultation with the lawyer before the witness answers the question.

**MR. PAVLAKIS:** I'm sure the same will go for you and your client that your client can ask you a question.

**CHAIRPERSON KEATING:** We need to make sure that what's presented to us today is the most factual information that we have. If either party needs to consult with their attorney to get clarification, I have no objection to that if their attorney knows something that maybe the person doesn't. But we need to not do it on the fly. Just, you know, do it in a regular process. I

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don't know, Mary, whether those things were done or not. We certainly could defer this one to, I hate to do that, but to get some more factual information about where this parcel was in the planning process if you think that would be helpful. I believe, Mr. Suglia, you said Mr. Werner was planning to be here today.

**MR. SUGLIA:**

Yes.

**CHAIRPERSON KEATING:**

We certainly could have someone from the assessor's office staff ask him to look that up for you so that when he comes here he can provide you that answer if you think that would help you.

**MEMBER SANADA:**

Thank you, Madam Chairman, and I do think the issue of whether there was actually a viable plan for the property is relevant to the assessment process. And then I wanted to ask one further question. You talked about purchasing that property as a buffer for Silver Oak. I spent eight years on the planning commission and normally planning commissions have buffering and development standards for commercial property that is abutting residential property. So I would have to assume that the part that was planned and built had adequate buffering and complied with the development code as Carson City. Isn't that correct?

**MR. PAVLAKIS:**

Absolutely, but I (inaudible) the Timberline area, you can never have enough buffer. The intent of the hospital was and is to try to acquire the Shelter property and all it would, what that will create, had the property known as block C not been acquired by the hospital, is that block C would have consisted of, I don't know, forty to fifty homes abutted on one side by a street, medical office buildings, and a golf fairway on the other side. From the hospital's perspective, when Silver Oak approached us with the notion of this is property that you can buy and Silver Oak knew that there would, advised us that there was sufficient demand by at least several private physicians to acquire a portion of it, that was something that the hospital was willing to do.

**MEMBER LEWIS:**

Madam Chairman, I wonder if we're not getting a lot more information here than we need. It seems to me that our charge of this board is to determine how the provisions of 361.083 and 140 apply to this parcel as of July 1. Isn't that all you need to consider?

**CHAIRPERSON KEATING:**

Yes. I believe that is our charge here today. I think that it is the obligation, if I understood it correctly, Mr. Suglia, of the hospital to prove, the burden is on them that this property should be tax exempt. So to the extent that they believe that evidence is necessary to do that, then they should be afforded that opportunity to do that. Unless I'm mistaken, the burden is on the hospital.

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MR. SUGLIA: That's correct.

MEMBER SANADA: Madam Chair, if I may. The reason I'm asking these questions is because in looking at the case that's before us, one of the issue was that the taxpayer's activities wouldn't be on their intention to converting the property.

CHAIRPERSON KEATING: That's correct. That is the standard through the State Board of Equalization, yes.

MEMBER SANADA: Right. And the master plan that was drawn, as what the hospital envisioned, appears to be their intention at least to me. And I'm trying to determine whether it went beyond their intention.

CHAIRPERSON KEATING: Right. Okay. I will let you continue Mr. Pavlakis, but I would like to have just one specific ...

MR. SUGLIA: Excuse me, a point of order. I was still questioning the witness.

CHAIRPERSON KEATING: Okay. And I'm sorry. I just wanted to get a clarification, if somebody could provide me the exact date of when this land was acquired from Silver Oak. Approximate, exact date.

MR. PAVLAKIS: I know that it was in 2004. I don't know the exact date.

MR. DAWLEY: We'll get it.

CHAIRPERSON KEATING: Okay. Thank you. Okay, Mr. Suglia, go ahead.

MR. SUGLIA: I appreciate that and I'm going to try to answer some of the board's questions through my questions of the witness. Okay, Mr. Stansbury, would you go back to the map and show us, on 004, exactly what the hospital intends to reserve for hospital use.

MR. STANSBURY: The general line runs to the west of this fault line here so everything from the west over to Silver Oak Drive.

MR. SUGLIA: Okay and is it fair to say that everything to the right of that, the hospital intends to sell off to private entities?

MR. STANSBURY: I'm not sure everything. There are certain parcels, particularly those on the far east section of that that we had intended to and have sold.

Q Why don't you show us specifically what is sold off as of today's date.

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A I'm not sure which ones exactly on this map have been sold. I believe it comes to about this point here.

Q Okay. So on the map that we have in our packet, created by the assessor which shows 004 shaded as one parcel but then also shows how it's been subsequently divided, is it your testimony, using that map, that the hospital only intends to reserve parcel 17 and 18 for hospital use?

A Yes.

Q Okay. Let me focus then on first on parcel 17. And I'm going to give you a date of reference of July 1, 2005. Okay, as of that date for parcel 17, has the hospital submitted any plans to the building department?

A Not for construction of a building. Again, and I don't recall the exact dates. We did have plans that were being worked on quite diligently with the other owners of the property surrounding Silver Oak Drive to finish the southerly section of Silver Oak Drive that borders that parcel on plan west of that parcel and I believe there had been some discussion with the city about the improvements for Vista Lane but nothing for a building.

Q Okay, then just to summarize then, as of July 1, 2005, the hospital had not submitted plans to the building department regarding parcel 17?

A Specifically for parcel 17, that's correct.

Q Okay. And then let me move over to the one parcel 18, that's another one that the hospital intends to reserve for hospital use.

A That's correct.

Q Has there been a plan submitted to the building department for what's now parcel 18?

A Again, (inaudible) the improvement plans for the street, nothing specifically for construction on that parcel.

Q Okay no building plans for 17 or 18.

A That's correct.

MR. PAVLAKIS:

No building plans submitted to the city for improvement. Is that your question, Mr. Suglia?

MR. SUGLIA:

Is that an objection?

MR. PAVLAKIS:

That's an objection.

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MR. SUGLIA: Okay. I'll rephrase that, then, based on your counsel's objection. So there's been no building plans for parcel 17 or 18 submitted to the city as of July 1, 2005?

MR. STANSBURY: That's correct.

MR. SUGLIA: Okay. Thank you very much.

MEMBER ALLEN: How about parcel 19?

MR. SUGLIA: Okay, do you want to ask or would like me to?

MEMBER ALLEN: Go ahead.

MR. SUGLIA: All right. We have questions from the board regarding parcel 19. Have there been plans submitted to the city for any kind of building for parcel 19 as of July 1, 2005?

MR. STANSBURY: No sir.

MEMBER ALLEN: Is parcel 19, though, also part of what the hospital intends to keep for hospital uses?

MR. STANSBURY: I'm not sure where parcel 19 fits generally in relation to the fault line. Again, our intention is anything west of that line, of the fault line, the hospital is going to reserve for its own use. So I'm not sure exactly where parcel 19 falls in relation to that.

MR. SUGLIA: Okay, so if you're looking at the map provided by the assessor, do you have that in front of you, sir?

MR. STANSBURY: Yes sir.

MR. SUGLIA: Okay, and then do you have the small version of your own map?

MR. STANSBURY: Yes sir.

Q And looking at both of those, you're unable to determine where parcel 19 would be or whether the hospital intends to reserve that or not?

A My eyesight is failing me and I can't read the small acreage designations at the bottom of our map so ... Parcel 19 appears to be outside of that line, based on my look at the acreages and the designations that we've got on our own map.

Q So would it be the hospital's intention then to, at some point in the future, sell parcel 19?

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A I'm not sure it's our intention to sell it necessarily, but it's not part that we've specifically reserved that we won't sell.

Q Okay and you testified earlier you already sold parcel 20.

A I believe we have, yes.

Q Just out of curiosity, when the hospital finally gets around to submitting their building plans to the city, those will be for medical offices. Is that correct?

A Likely it would be. As we talked earlier, something on the order of the Mom's Clinic for the prenatal care or other outpatient services would likely be located in any of those locations along there.

Q And would it be the hospital's intention to lease those buildings to private entities?

A It depends on the service. If it's construction of a medical office building just for office space for a physician, then the ground would likely be leased to either the physician or developer to construct the building on our ground. If it's an outpatient service or something that we're going to directly provide, we would likely build the building ourselves or lease it from the developer.

Q And you gave a general overview of the whole campus in response to questions by your attorney when you first started. Would you go back and generally show this board the areas of land that the hospital intends to place into private hands?

A I believe we've pretty much already done that. The only areas that we ...

Q I can't really tell where you're pointing.

A I will in a second. The only areas that we've talked about selling to private land owners are this area here coming off of south of Medical Parkway over to somewhere in this general area for the selling of private. And the only other place that we've talked about is this parcel I which is the possibility that, there has been some discussion at various times that it would be sold to someone other than the hospital. Everything else, we've reserved, wanted to preserve ownership for hospital use.

Q I'll pass the witness at this time.

CHAIRPERSON KEATING: Okay. Mr. Pavlakis?

BY MR. PAVLAKIS: Mr. Stansbury, with regard to parcel I, is that the parcel that the children's home wants to buy from the hospital?

MR. STANSBURY: They have expressed interest in buying that, yes.

MR. PAVLAKIS: Have you accepted or entertained offers from any other parties for parcel I?

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MR. STANSBURY: No sir.

Q And with regard to the white space between parcel G and the north extension of Vista Lane, the Shelter property, there's a little nub to the right of the Shelter property (inaudible) by these parcel maps as part of the Richards Saltern?

A Yes.

Q Is that property being held by the hospital?

A Yes.

Q And is that property, together with parcel G, held by the hospital with the intent to retain that until the Shelter property is secured for the master plan development (inaudible)?

A That's correct.

Q As of July 1<sup>st</sup>, were you aware of what the tax status was of parcel 04 and 03? What we commonly refer to as Vista Lane?

A As of July 1<sup>st</sup>, 2005, it is my understanding that that property was tax exempt.

Q Now, the assessor has indicated that there were two parcels created as of July 1<sup>st</sup>, the west portion which is at issue in this case, parcel 04, and the east portion which is parcel 03. Was that property being treated or considered by the, was that property acquired by the hospital for any different purposes?

A No, they were both acquired for the same purpose.

Q Okay. Was that, was the property to the, that's at issue in this case, parcel 04, was it used in any manner differently than parcel 03?

A No.

Q Okay. Now, as of that date, there was a yellow house on 03. Is that correct?

A That is correct.

Q So far as the hospital was concerned, was that entire parcel C considered as one parcel?

A Yes.

Q Is there any reason, to your knowledge, why parcel 03, which ultimately was mostly sold, was determined to be tax exempt and parcel 04, most of which is being reserved for hospital purposes, was put on the tax roll?

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MR. SUGLIA: I'm going to object to that question. There's no foundation that this witness is qualified to answer that question.

MR. PAVLAKIS: I'm just asking if he knows.

CHAIRPERSON KEATING: I think, Mr. Pavlakis, you do need to ask that question to the assessor. I assume the assessor is going to be testifying as to exactly what was going on. You can tell us what Mr. Stansbury may know about it, but it really is the assessor's answer that we're looking for.

MR. PAVLAKIS: Mr. Stansbury, do you understand that the board is here to equalize taxes among property owners?

MR. STANSBURY: Yes.

Q Do you understand that, whether there are any differences between parcel 03 and parcel 04, as of July 1<sup>st</sup> of 2005?

A No.

Q I made some representations, Mr. Stansbury. What kind of, you testified to Mr. Suglia that the value of parcel C was increased in the hospital's ownership. Is that correct?

A Yes.

Q Okay. Did the hospital acquire the property in order to sell it at a profit?

A No.

Q On any sales that have been made, how was the purchase price determined?

A We took the cost of our purchase of the property, added cost of improvements and sold it at that cost.

Q On a per square foot basis?

A That is correct.

Q I have nothing further. Thank you.

CHAIRPERSON KEATING: Okay, Mr. Pavlakis, or does any of the board members have any questions of Mr. Stansbury?

MR. SUGLIA: I have one on recross.

CHAIRPERSON KEATING: Okay.

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BY MR. SUGLIA: Just out of curiosity. You talked about parcel I that you may sell that to the children's home. Is that your testimony?

MR. STANSBURY: I believe the question was had the children's home interest in purchasing that property to which I believe I answered yes.

MR. SUGLIA: Okay. Would that be an at-cost sale?

MR. STANSBURY: I think we'd probably use the same formula that we used with the other property but since there's no sale pending right now, I'd be speculating.

MR. SUGLIA: That's all I have.

BY MR. PAVLAKIS: Mr. Stansbury, has the Board of Hospital Trustees made a specific determination about parcel I and whether or not it's going to be offered for sale?

MR. STANSBURY: The determination was similar to all other property contiguous to the hospital and we wanted to hang onto it and retain ownership.

CHAIRPERSON KEATING: All right. Thank you both. Mr. Pavlakis, did you have any other witnesses?

MR. PAVLAKIS: Not on this particular item. Thank you.

CHAIRPERSON KEATING: Okay. Mr. Suglia?

MR. SUGLIA: I'll call Mr. Dave Dawley.

BY MR. SUGLIA: Okay, go ahead for the record, state your name and your title.

MR. DAWLEY: For the record, Dave Dawley, Carson City Assessor.

MR. SUGLIA: Okay and you testified last Tuesday, Mr. Dawley?

MR. DAWLEY: Yes.

Q And you're aware you're still under oath?

A Yes.

Q Okay. We've had a lot of discussion about parcels that I'll call 004 and 003. You've been present for those discussions?

A Yes.

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Q Okay. I'm going to first focus your attention on 003.

A Okay.

Q All right. And we have that depicted on the assessor's map. And we also have generally behind you on the hospital's map. Now, as of July 1 of 2005, was 003 on the tax rolls?

A No.

Q Okay. Would you tell the board why not?

A The hospital itself was using that little yellow house that Mr. Pavlakis is referring to, right here, as well as this parcel right here as a construction site. They had all their equipment on it. They maintained supplies, trailers and so forth. When they created or did the lot line adjustment for 03, they were still using that portion as a storage unit or storage container or a storage lot so, therefore, we kept it off the roll because they were actually using it for the construction of the hospital.

Q Okay. Was there, so that parcel right now is not on the tax roll?

A It is not.

Q All right. And it's your understanding that 003 is mostly in private hands or is it all private hands?

A It's all in private hands.

Q All right and then is it your testimony, then, that even though it's owned by private owners, it's still not taxed?

A It is not taxed and it will not be taxed until July 1<sup>st</sup>. There is no statute to say that we can put it back on the roll.

Q Okay and what do the statutes say about when you can put a property on the tax roll? What opportunity to you have to put a property back on the tax roll that had formerly been exempt?

A The only thing we do is if it's gone into private ownership, non-exempt ownership, we just put back on the tax roll as of July 1<sup>st</sup>.

Q Okay. So you have to wait until July 1<sup>st</sup> of this year to put that property back on the tax roll?

A Yes.

Q All right, going back to your decision to keep 003 off the tax roll because it was used for construction equipment, do you have any regrets about that decision?

A Absolutely have regrets now. I won't be doing that again.

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Q Explain to the board what, the lesson that you've learned.

A Well, I gave the hospital the benefit of the doubt in setting, that they were going to use this and then we found out that they had done the parcel split and that they were selling it off. So had I known they were going to sell it off to private individuals, I would have put it on the roll as of right then and there.

Q Had you had any discussions with the hospital about that property when you gave them the benefit of the doubt?

A No.

Q Okay. Now, turn your attention to 004. You made a determination, on July 1<sup>st</sup>, 2005, to put that on the tax roll?

A Yes.

Q Had it been off the tax roll the previous year?

A It was.

Q And why was that?

A That would go back to a decision that a former district attorney made in reference to the State Board of Equalization case that is currently (inaudible) to district court.

Q Okay. And so then on July 1<sup>st</sup>, under the law, you have the opportunity to reassess, basically, no pun intended, your decisions.

A Correct. Under 361.345, the decision of the board is substantive for one year and I have the option to go back and review all the decisions made and see if it warrants any changes.

Q And I'm going to hand you a document. Could you tell me what that is?

A This is the copy of the statute.

Q Okay. And that's 361.345?

A Correct.

Q Okay and what, specifically, and let me ask if I could bring this copy up and also to counsel. Just wait one second. Okay, Mr. Dawley. Would you go ahead and specifically explain to the board how this 361.345 works?

A 361.345 says that, the definition of it is the power of the county board of equalization. I've spoken with the secretary on the state board and he said that this does (inaudible).

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MR. PAVLAKIS: Your saying this ...

CHAIRPERSON KEATING: And I just need to get clarification. This, and Mr. Suglia if I read this correctly this is the statute that governs this board, a county board of equalization. Am I not reading that this same statute applies to the state board decisions?

MR. SUGLIA: Well, I would assume it would, yes.

CHAIRPERSON KEATING: I don't read state board in here. I see county board.

MR. SUGLIA: Right.

CHAIRPERSON KEATING: Okay, so clearly it applies to this board and the decision of this board is bound by that statute.

MR. SUGLIA: Yes.

CHAIRPERSON KEATING: And we don't know. There may be another statute that applies to the state board. We don't know that or do you have something that says that. And I'm not sure it's really relevant other than maybe you're using this as a reason as to why Mr. Dawley made the decisions that he did.

MR. DAWLEY: Madam Chair, there is no ...

MR. SUGLIA: I'd ask Mr. Dawley.

MR. DAWLEY: There is no statute which specifically states the state board but if you look at the reading, then why would it apply to county board and not the state board?

CHAIRPERSON KEATING: Okay. Mr. Dawley, I can only tell you my personal experience in regulating a lot of things. There's lots of statutes and lots of things so I don't read anything into them (inaudible) without it. So we're going to just take this for what it says. All the attorneys have ever told me is that you have to read the statutes based upon what they say and this specifically says county board and that's what will apply to. Go ahead.

MR. SUGLIA: Okay. All right. Mr. Dawley, you're explaining how you interpret this statute. I don't know if you got to finish that. Did you?

MR. DAWLEY: Well, the statute to me is clear. It says a change is made effectively only for the fiscal year for which the assessment was made. The county assessor shall, each year, review all such changes made by the previous fiscal year, maintain or remove such changes as circumstances warrant.

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MR. SUGLIA:

All right so if you'd made what you felt was a mistake in 003 by providing the exemption, then this statute would give you the authorization, under the law, to change and correct the valuation if you found it to be incorrect.

MR. DAWLEY:

Correct. And at that point, I would bring it to the Board of Equalization and request that it be added to the tax rolls.

Q Okay. I'm going to switch subjects on you now. I'd like you to consider July 1<sup>st</sup>, 2005 and parcel 004. Would you tell this board why you made a determination to put that parcel back onto the tax roll?

A Parcel 7-531-04 was completely vacant. According to my interpretations of the law, we have two court findings that are in the package, we have a district attorney's opinion, we have an LCB opinion which states vacant land, whether or not it's owned by a tax-exempt entity, if it's not occupied is taxable. That's why I put it on the tax roll.

CHAIRPERSON KEATING: I think, Mr. Semmens did you have a question?

VICE CHAIRPERSON SEMMENS:

Yes, I do. In other words, the determination that we made in 2003 regarding the total campus, none of the property is exempt until the hospital went into business in December of 2005? Then the property did then become exempt but the bare land that is still there and not occupied or built upon is still taxable?

MR. DAWLEY:

Sir, that is my interpretation of the statute. It actually says occupied and used for the purpose of caring. These are vacant parcels and I will go back to the 2003 decision that, and that is why we're going to district court. I don't believe that occupancy is the plan they, preceding the funding or getting the funding together in order to build this. I believe it's when you actually, physically treat sick people which is the same occupancy that we would have for a church in which they are not tax exempt until they hold their first service.

CHAIRPERSON KEATING:

Okay, but if I'm not mistaken, we currently have a decision from the state board that differs from that.

MR. DAWLEY:

Correct. There is a decision which is being appealed to district court.

CHAIRPERSON KEATING:

But, at this point, there's no, any other decision on that other than their decision. Theirs is the last decision on those properties. And, as of today, based upon that decision, at least those parcels are still considered tax exempt for the Carson City property tax rolls.

MR. DAWLEY:

That is correct. Unless there has been a significant change, in which there were two where a parcel was created for the Carson-Tahoe

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Hospital Foundation and a parcel was created because the road itself was dedicated, creating a separate parcel.

**VICE CHAIRPERSON SEMMENS:**

Just a point of clarification. One reason I brought that up is because we have two new board members that weren't present during that original hearing. And I wanted them to be aware that we made our decision, at that time, based on NRS 083 and 140 and that was what we based our decision on on the hospital property at that time. And now we're making a comparison on parcel number 04 which is bare land and we have the same situation going. The hospital did purchase this land after we made that '03 decision.

**MR. DAWLEY:**

That is correct. And part of, I know Mr. Pavlakis has been saying that the intent of the hospital is to do this but I've seen in the past where the intent may be to do this but something better comes along and they end up selling it. And so the intent may not always be what actually happens on that previous parcel. And I believe that is why the law says actually occupy.

**CHAIRPERSON KEATING:**

Okay, and can I just clarify, and maybe I have it. The only opinion that I saw from the district attorney's office was the one issued on October 16, 2002 from Jason Woodbury, Deputy District Attorney. And I believe you testified last Tuesday, and I got a little confused whether or not you actually had a written opinion from the attorney general's office, I mean the district attorney's office that you're basing your, that you based your decisions on in July. I thought, at one point, you said that it verbal, then I thought in questions to Ms. Sanada, you said you had it in writing.

**MR. DAWLEY:**

Madam Chair, no. We, it's just been verbal. We've done a lot of this correspondence on a verbal basis.

**CHAIRPERSON KEATING:**

Okay and maybe then I can ask Mr. Suglia, then, as a representation of the district attorney's office, it is your office's representation that this vacant land is not eligible for tax exempt status and that's the advice you've provided to the assessor's office.

**MR. SUGLIA:**

I have to be completely honest to you. I've represented the assessor and this board for about two to three weeks now, and was not involved in those prior decisions. But if you ask me today is vacant land owned by the hospital subject to the exemption, my opinion would be no based on the two statutes, 083 and 140, and the case law, in particular the *Simpson* case.

**CHAIRPERSON KEATING:**

Okay. Go ahead.

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MR. SUGLIA: I'm going to pass the witness at this time.

CHAIRPERSON KEATING: Okay.

BY MR. PAVLAKIS: Mr. Dawley, the property known as parcel number 04, did you ask this board to place that property on the tax roll?

MR. DAWLEY: Mr. Pavlakis, assessment notices were sent out and they were only sent out to taxable parcels. Also, a letter was sent out upon the subdivision, or I'm sorry it's not subdivision, the split of the parcels, from us and I believe it's an automatic thing the computer does which says that they will be on the tax roll for the next fiscal year.

MR. PAVLAKIS: My question was, I thought you testified that the statute that Mr. Suglia handed you allowed your office to request that this board put on the tax roll property that was not previously on the tax roll. Is that your testimony?

MR. DAWLEY: No sir. What is on, what is at dispute now is 04 was put on the tax roll as of July 1<sup>st</sup>. We taxed it. We collected the taxes on it and it's my understanding that you and the hospital feel that it's tax exempt and, therefore, should not be paying taxes on it.

Q Prior to that, this property was not on the tax roll. Is that correct?

A Correct.

Q And I thought that you indicated that this statute that you handed out, that your attorney handed out allowed your office to take property that was exempt in '04 and put it on the tax roll in '05.

A Sir, this statute that, 361.345, is that what you're referring to?

Q The one, yes, the one you were referring to.

A Okay. But that pertains to the original two parcels of which are going to district court and this is not a party of that.

Q So you're not asking the board to consider 345 as part of this decision today. Is that ...

A Not for this parcel, no.

Q Okay, so, with regard to this parcel, parcel 04, at the time that the parcel maps on 04 were filed, did your office require that taxes be paid on those parcels?

A I believe the treasurer's office did, yes.

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Q Okay. Is that still part of the city, though, correct?

A Correct.

Q And, at the very same time when the parcel maps for parcel 03 were filed, did not the city require the taxes be paid on those parcels as well?

A I believe if it was an exempt parcel, no taxes would be owed on it.

Q Do you know whether or not the tax had to be paid at the time the parcel map was filed?

A I believe that's code, yes.

Q Okay. Is there any reason why these two parcels, when the parcel maps were recorded and property tax was collected at that time, is there a reason why one was on the tax roll and the other was not?

A Yes, and as I testified earlier, part of it was used as a construction site. We exempted it because they were using it for the construction of the hospital.

Q Was there any physical evidence on the ground in terms of where one parcel ended and the other parcel began?

A Not that I'm aware of.

Q Okay. So a person walking out there, any of the board members that went out and saw the Vista Lane property wouldn't necessarily know, unless they were surveyors or had a keen engineering eye, wouldn't know where parcel 03 stopped and parcel 04 began.

A Correct.

Q And both parcels were, on July 1<sup>st</sup>, owned by Carson-Tahoe Hospital, yet one parcel was tax exempt and the other was not.

A Correct.

Q They were contiguous. Were they not?

A Correct.

Q You testified that you reviewed the opinion of Ms. Erdoes, whose with the Legislative Counsel Bureau.

A Erdoes. Brenda Erdoes, yes.

Q You reviewed her opinion?

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A Yes, I did.

Q And that opinion was rendered at the request of the legislature with a copy to you. Is that correct?

A That's correct.

Q And, in that opinion, isn't it true that Ms. Erdoes indicated that property which is contiguous can properly be considered tax exempt?

A But it also further goes on ...

Q Can you just answer, your attorney can clarify.

MR. SUGLIA: I'm going to object to that question because I don't think we expect the assessor to have memorized this opinion. If counsel can point out the area he's referring to.

CHAIRPERSON KEATING: And I was going to ask (inaudible) to exactly what you're referring.

MR. PAVLAKIS: I asked the witness what I thought was a perfectly valid question and he wanted to offer an explanation. But we can go back and do it the right way.

CHAIRPERSON KEATING: I think the witness can answer your question, but I think the witness can provide whatever explanation he would like to add to that.

MR. PAVLAKIS: Fine. Mr. Dawley?

MR. DAWLEY: I'm trying to find it in the opinion from LCB. I believe I'll read it. It says, because the Nevada Supreme Court has found that even vacant land (inaudible).

CHAIRPERSON KEATING: Wait, wait, wait, wait just so we can follow along. Please tell me where you are.

MR. DAWLEY: Page five.

CHAIRPERSON KEATING: Page five. Where on page five? Okay, beginning, okay, go ahead.

MR. DAWLEY: The second paragraph. The supreme court found that even vacant land that is contiguous to land on which buildings or improvement does not stand qualified as being exempt provided in subsection 2 of 140. It is the opinion of this office that it is even less likely that the court would find ... Oh, I'm sorry. Where am I?

MR. PAVLAKIS: Let me help you, Mr. Dawley. Let's turn the page to page six.

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MR. SUGLIA: I'm going to object because Mr. Dawley didn't finish answering.

CHAIRPERSON KEATING: We'll make sure Mr. Dawley gets to answer his question fully and provide all the information he wants to. So go ahead. I think Mr. Pavlakis was directing you to page six, but Mr. Dawley please feel free to answer with all the information you believe is relevant.

MR. PAVLAKIS: Were you finished with your answer, Mr. Dawley?

MR. DAWLEY: I'm not. I have to find it. It appears 140 says that the land contiguous to it; however, 361.083 does not. And I believe that's what is at issue right now.

MR. PAVLAKIS: And that's your interpretation of the opinion from Ms. Erdoes of the Legislative Counsel Bureau?

MR. DAWLEY: Yes. I actually, you know, I haven't read this for a while so I'd have to read it specifically.

MR. PAVLAKIS: I have nothing further. Thank you.

BY MR. SUGLIA: Okay. I think I have just a couple more follow up questions. You were answering a question by Mr. Pavlakis regarding contiguous land and you referred to page five. In all honesty, as you read that one sentence in the second paragraph, I think you left out a word where it says where it would not qualify for the exemption. Why don't you go ahead and just read that sentence to the board and go ahead, in the entirety, in response to that question. Go ahead and take your time.

MR. DAWLEY: Because Nevada Supreme Court has found that even vacant land that is contiguous to land on which buildings or improvements stand does not qualify for the exemption provided in subsection 2 of NRS 361.140, it is the opinion of this office that it is even less likely that a court would find that the vacant land that is not contiguous to land on which buildings stand would qualify.

MR. SUGLIA: All right. Now, when you read that, that does, does that mean to you that just because land is contiguous, it's always going to have an exemption?

MR. DAWLEY: No.

Q Just the opposite, right?

A Correct.

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Q And we talked about 003 before and you felt that, given the hospital's exemption, just because they had construction equipment on the land, it wasn't (inaudible). Is that right?

A Correct.

Q And then using the powers you have, under NRS 361.345, in the next tax year, on July 1 of whatever tax year comes up, you're allowed to correct that mistake. Is that right?

A Yes.

Q Okay and you can use this statute regardless of an opinion by the State Board of Equalization. Is that right?

A That's my opinion or my understanding, yes.

Q Okay and you use this statute, 361.345, every year?

A Correct.

Q Okay. On July 1 of '05, you looked at the land which is 004 and you found it to be vacant.

A That's correct.

Q Okay. And based on that, you taxed this land.

A Correct.

Q Because there was no hospital standing out there. Is that right?

A Correct.

Q All right. Pass the witness.

CHAIRPERSON KEATING: Mr. Pavlakis? Okay. Does any of the board members have any questions of Mr. Dawley? I did have a couple questions. Can you, did you look up the date that they purchased the land from Silver Oak?

MR. DAWLEY: Yes, ma'am, I did. They purchased it July 23, 2004. It was at that time a 5.17-acre parcel for \$3,400,000.

CHAIRPERSON KEATING: And let's talk just briefly about the parcel I that's been shown on the maps that is currently owned by the regional medical center.

MR. DAWLEY: Madam Chair ...

CHAIRPERSON KEATING: I just want to get a clarification.

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MR. DAWLEY: Okay. Parcel I is actually part of 07 which will be heard later.

CHAIRPERSON KEATING: All right. That's fine. Okay. It appears to me that we have an assessor with a district attorney's opinion that says if there is no occupancy, meaning a building or some use specifically for the hospital, that that land is taxable whether it's owned by the regional medical center or not. They have a district attorney verbal one, but Mr. Suglia concurred with that. We have a State Board of Equalization opinion that states we don't actually have to have a hospital. You just have to have taken, I believe significant steps was their terminology. And the city may disagree with that decision but that is the decision as it stands today. Am I reading that correctly? I believe that was the terminology they used.

What this board has to decide is if you believe that the hospital demonstrated that they met the exemption under the two statutes that have previously been discussed. So I'm open to any conversation or anything about that. I just want to clarify that significant steps was the ...

MEMBER ALLEN: Madam Chairman?

CHAIRPERSON KEATING: Okay, go ahead.

MEMBER ALLEN: I believe, and this is my own personal opinion, but I believe that this piece of property is so far removed from "the hospital" and its perceived "campus status." It's across a major thoroughfare now. Usually campuses are not divided by major thoroughfares. Usually the campus lies within side of confines, usually by major thoroughfares but never divided by them or very rarely, I should say. It's my opinion that maybe Mr. Dawley was being fair to the hospital in the fact that the one parcel, 03, was in fact being used for construction. Now, I could look at that in two ways and I can argue both sides. One of them being that, yes, he was generous and said, okay, they're using that for construction of the hospital; therefore, we'll take it off of the roll or not put it on, whichever the case may be. The other argument, the other side of that argument, however, is that parcel could have been even owned by a private individual but was letting the hospital use it for a storage facility while construction was going on and, therefore, it would have been on the tax roll. And so I think that, in this case, I believe that both parcels should have been put on the tax roll and I believe as of July 1, the lien date, that those parcels should have been taxed and I will be, I'm prepared **to make a motion that that, to state that exactly, that parcel 04 be on the tax roll for the tax year of 2005/2006.**

CHAIRPERSON KEATING: I have a motion. Is there a second?

MEMBER SANADA: **I'll second it.**

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**CHAIRPERSON KEATING:** Okay. Any other discussion? Any other comments? Okay.

**MEMBER SANADA:** I, in my thought process, I was looking very carefully at this issue of some kind of definite plan of use that was part of the State Board of Equalization decision and all I'm seeing are mere intentions and I believe that the decision stated that there should have been something, you know, actually going, an application in process, something beyond just a general map. And I don't buy the buffering argument at all.

**VICE CHAIRPERSON SEMMENS:** Madam Chair? I believe the state board erred when they made their decision because they overrode the attorney general's office on the decision made that the buildings must be occupied, completed, built and occupied and I still stand on our original decision that we made in 2003 regarding the whole campus. But I am in full agreement with Mr. Allen on the parcel C, number 4, on making that taxable.

**CHAIRPERSON KEATING:** Any other comments? I have to tell you, Mr. Dawley, I find this very difficult to do. One of the things I've told you, this is my eighth year, is I want to, it's very important to me that taxpayers get treated the same; that if you look at one parcel, you treat it the same. I understand the argument of occupy. It was a huge debate for us the last time. I told you occupy should mean what you and I think it means. Occupy. You're using it for what you originally intended. But I truly believe your office has opened that door for another interpretation and I think parcel 03 is a prime example. One minute you're telling me you have to actually occupy a hospital for it to be exempt. The next thing you're saying well if you just put your equipment there, then we'll consider that exempt. It can't be both ways. You have to have an actual definition of occupy and I'm not telling you anything I haven't said for the last four years. I find that frustrating. I asked about I because I don't believe there's anything on property I. One becomes taxable. One doesn't become taxable. That causes me concern. I don't like that. You either meet a definition that your office has established. Usually you write regulations to define statutes or ordinances on the part of the city's behalf. I've asked repeatedly if you have an ordinance that defines the word occupy and I believe you advised me the district attorney's office told you not to do that. So the only thing we have is the statute of occupy.

The unfortunate thing is now we have a state board decision that has not been overturned. It is still, as Mr. Suglia explained to me, the law of the land today. You're appealing that and you may be correct in your appealing it, but it says significant steps. It doesn't say build a hospital. I'm with most of these people here. I would like the decision to be actually occupy for the purpose of what is intended, but I'm concerned that you're picking and choosing as to when that applies and that causes me great frustration. I am convinced that no matter what happens here today this whole thing is going to end up in district court

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because I don't think it will matter what happens there. I just would encourage the assessor's office to be very specific into what their definitions are, they apply equally to all parties and there's no question about it. I think we've spent a lot of time here over issues because one minute occupy means in a hospital, the next minute occupy means equipment staging. And that is frustrating to me. I cannot, I cannot support putting this property into tax status and I'm sure what the decision's going to be because I think we're picking and choosing when things apply and I don't like that. I won't go for that. So, we'll take a roll call vote and then go forward to the next one.

**MEMBER ALLEN:**

Madam Chair, before we do that. I want to clarify one point. My opinion on this parcel about being on the tax rolls is one thing. There's other parcels here that, and I will demonstrate my feelings about those later that we're going to discuss, but I was only, my opinion is only for this parcel at this time only.

**CHAIRPERSON KEATING:**

Right and if I led you to believe it's something other than that, I apologize for that. I'm only talking about that and I'm probably going to be pretty consistent throughout the rest of today. But, I'm really adamant that we treat everybody the exact same way. I also am a regulator and regulate things to the public and that's very important and I want those interpretations. I don't want any taxpayer to have to question whether or not something does qualify or doesn't qualify. Does it mean a real hospital or does it mean putting a truck there? Okay. So, go ahead.

**MS. KING:**

**Member Sanada?**

**MEMBER SANADA:**

**Support the motion.**

**MS. KING:**

**Member Allen?**

**MEMBER ALLEN:**

**Support the motion.**

**MS. KING:**

**Member Lewis?**

**MEMBER LEWIS:**

**Support the motion.**

**MS. KING:**

**Vice Chairperson Semmens?**

**VICE CHAIRPERSON SEMMENS:** **Support the motion.**

**MS. KING:**

**Chairperson Keating?**

**CHAIRPERSON KEATING:**

**No.** Thank you. Again, Mr. Pavlakis, your client is welcome to appeal this decision to the state board.

**MR. PAVLAKIS:**

Thank you, Ms. Chairman.

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**CHAIRPERSON KEATING:** I would like to move to the next two items, but one thing I want to do, is I don't want to revisit stuff we've already done so far. We've had a lot of discussion about a lot of different things so if we could please limit parcel numbers 5 and 6, 4, 5, and 6, excuse me, to new things that we haven't discussed already. I think there's a lot of information and I don't think we all want to trudge through it a second time.

**MEMBER LEWIS:** (Inaudible) break.

**CHAIRPERSON KEATING:** Okay. We'll do that. We'll take a ten minute break. (11:55:46 to 12:08:27) Okay, all right. We are now to D4 [sic] which is parcel 07-531-07. I see that we have a new map. I was just getting used to the old one and I don't mind having both but I'm used to the other one. (Inaudible). And that's fine. We can have both. I'm not trying to direct either one but I believe Mr. Pavlakis, this is, going first. Go ahead.

**MR. PAVLAKIS:** Thank you, Chairwoman Keating, and during the break it was brought to my attention that there is a concern on the board about the advocacy and the forum that the hearing is taking. And I would just like to represent to the board that the hospital had absolutely no part in the decision of where the meeting was going to be conducted or how it was going to be conducted. We were instructed today where to sit, where the witness was going to sit, what the procedure was going to be, how the cross-examination was going to proceed. I, too, was present at the last meeting in '03 when we met around a conference table at City Hall and it's clearly not our decision or our desire to take the format that we're taking today. And I do appreciate the concern. That's one issue.

The other issue, I'd like to have a stipulation from counsel that the testimony that has been offered on the prior items today and at the hearing last week can be incorporated into each item so that we don't duplicate testimony and evidence for each and every item on this agenda. Can the evidence that was produced on other matters be considered? The testimony and the argument that was produced on other, on the other agenda items be incorporated into each agenda item?

**CHAIRPERSON KEATING:** And Mr. Suglia, that's what I was looking for. They've already just gone through their design, their campus and stuff and I didn't want to have to re-establish that every single time unless you felt it was absolutely necessary to do such.

**MR. SUGLIA:** I don't. I'd like to make a comment to counsel. I was given a book by the State Board of Equalization which talked about the county board procedures. Now, I will admit to all of you here that I don't have your history and background on how this board is run, but I was given this by the state board and it brought a formality to it that perhaps had never occurred before. All the same, I'm trying to follow their guidance. I

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do think that cross-examination and sworn testimony helps this board make a better decision (inaudible). One of the board members thought maybe there was some acrimony in here which sometimes when we sit here as lawyers we try to do the best for our client and we do make objections and we can't help ourselves sometimes. But as Mr. Pavlakis said, we certainly have no personal animosities or anything. We're just trying to help this board get to the truth of the matter.

The next two items, I think we should certainly consider all the testimony previously given. The last item we have a different party and I think that may create some issues that are legal issues, but it's something we have to consider because we have a separate party claiming exemption. We may have to take a look at that. But in terms of, I'd like to offer the board that I will try to be real focused here, just get to the facts, look at the July 1 date as a real critical date as to what happened at that time and then see if we can't get through the next couple (inaudible).

CHAIRPERSON KEATING: I appreciate that. Go ahead.

BY MR. PAVLAKIS: I call Mr. Stansbury to testify on D3 [sic], excuse me, D4 [sic]. Mr. Stansbury, can you identify, by reference to the master development plan, the property that is encompassed by D4 [sic]. You can just refer to the plot numbers.

MR. STANSBURY: Yes. It appears to encompass parcel F, parcel H, and parcel I, and parts of, or excuse me, parcel G as well.

MR. PAVLAKIS: Okay. That property was acquired from Silver Oak in the year 2003. Is that correct?

MR. STANSBURY: That is correct.

Q And that property was acquired subsequent to the date of the decision of the State Board of Equalization with regard to the 15 acres previously acquired from Silver Oak. Is that correct?

A Yes.

Q Is this parcel, identified in D4 [sic], is it contiguous to the regional medical center facility?

A Yes.

Q And what was the hospital's purpose in acquiring parcel D4 [sic]?

A One of the best advantages that we gained out of acquiring that property was the continuation of the Medical Parkway loop road. It allowed us to go all the way around in the loop and close up the campus, if you will, to make it more of a logical flow.

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Q And is that extension of the loop road, is that Medical Parkway that goes through parcel D4 [sic]?

A Yes.

Q And is that the road that is the primary access to the emergency room of the hospital?

A It is.

Q Can you point out to the board the route that would be taken, that is taken from 395 to the emergency room of the hospital?

A Coming off the intersection here at Arrowhead and Medical Parkway, 395, direct up, we have it signed so that individuals bringing loved ones can enter this entrance here. You can see a direct drive into the emergency room there. Ambulance comes up around here and goes in.

Q Okay. And were the, is parcel D4 [sic] part of the development plan that's been submitted to and improved by the city?

A Yes.

Q And would that have occurred prior to the tax year 2005?

A Yes.

Q July 1<sup>st</sup>, 2005?

A Yes.

Q And have the improvements specifically, please tell the board specifically what improvements have been completed on parcel D4 [sic]?

A As of July 1<sup>st</sup> or as of today?

Q If you can, both. Identify what was done when.

A Speaking again about this area here, the completed Medical Parkway, Medical Parkway was completed up through somewhere in this general area here by July 1<sup>st</sup>. We had curb and gutter in and we also had all the utilities run, both wet and dry utilities. Presti Way was extended to approximately this point here, curb and gutters in place, utilities brought up to the children's home and then we had the apron, if you will, for Silver Oak Drive done by July 1<sup>st</sup>. The only change between July 1<sup>st</sup> and today, we've completed Silver Oak Drive at least so it's driveable. There's paving, curb, gutter, sidewalks coming in later and the electrical lighting will come in later. The only change we've had is on this parcel F. It has now been fenced and there is some site work being done for the construction of this building here.

Q And the building you're referring to is building F?

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A That is correct.

Q And building F did not exist as, improvements on building F did not exist as of July 1<sup>st</sup> of '05. Is that correct?

A Other than some rough grading, that's right.

Q But the roadway, the extension of Medical Parkway was completed as of July 1<sup>st</sup> of '05. Is that correct?

A That is correct.

Q And that was needed to provide primary access to the emergency room of the hospital?

A Yes.

Q I have nothing further of the witness.

CHAIRPERSON KEATING: Mr. Suglia?

BY MR. SUGLIA: Thank you. Mr. Stansbury, let me refer you to tab 4 in the packet by the city. And specifically there is a representation that I believe was made by the hospital. In the upper right corner, it says, received January 13, 2006, Carson City Assessor. Do you have that in front of you?

MR. STANSBURY: Yes.

MR. SUGLIA: Okay. Have you ever seen this before?

MR. STANSBURY: I believe I had looked at this last week when we had this.

Q Okay. And is this a representation by the hospital of why this property should be exempt?

A Yes.

Q All right, and it says here that there is a plus or minus 40,000 square foot medical office building currently under construction on this property?

A (Inaudible).

Q Okay and that's true as of today's date?

A There were (inaudible) fence has been placed around the site and the contractor has moved out there.

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Q Okay so, when you say currently under construction, you're referring to that portion of parcel 07 which, on your map, is shown as F?

A Yes.

Q Okay and there's a fence around there?

A Yeah, this, the perimeter of the fence runs approximately in that rough area there.

Q Okay and what do you mean that the contractor moved something out there?

A Well, the contractor has moved their trailer on site and they've begun to do some site work on the location.

Q When did that start?

A I believe it was started before the end of the year. The fence was up before the end of the year. The trailer was on site before the end of the year.

Q All right. And tell me what was there on July 1 of 2005.

A July 1<sup>st</sup>, they would have just had some rough grading, occasional storage of construction equipment, primarily on parcel F.

Q Was there a fence?

A No.

Q Was there a contractor's trailer?

A No.

Q And, to your understanding, has there been an application for a permit to build this building submitted to the city?

A Yes.

Q When was that submitted?

A I'm not sure. It would have been, I believe sometime late last year.

Q Okay. Late in '05?

A Yes.

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Q All right. I have a copy of a Carson City Building Department application for permit and the owner of the building is purported to be H. C. Carson City I, LLC, 18000 West Sarah Lane, Suite 250, Brookfield, Wisconsin. Have you ever heard of that entity?

A Yes.

Q And would you tell the board who that entity is?

A That's a developer that we've hired to help us develop some of the medical office space on our new campus.

Q Okay. Are they going to own the building?

A That entity will own the building, yes.

MEMBER ALLEN: How about the land?

MR. SUGLIA: How will that entity interact with the hospital?

MR. STANSBURY: The hospital may own part of that entity and that's along with the developer and perhaps, excuse me, perhaps other private physicians.

MR. SUGLIA: Okay. You said the hospital may own part of that entity. Are you referring to the corporation or the building?

MR. STANSBURY: It's the LLC that owns the building, yes.

Q Okay, the hospital may buy part of H.C. Carson City I, LLC?

A Yes.

Q Okay. But as of July 1<sup>st</sup>, that was a separate developer?

A Yes. Someone that we had hired to come on site and help us develop the various office buildings. It was determined that was the best location to put the first one.

Q And H.C. Carson City I will own the building?

A That's correct.

Q And is that a 501(c)(3) corporation?

A I don't know.

Q Okay. You have no knowledge about that?

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A (Inaudible).

Q There's no building currently standing on 007?

A No sir.

Q I'll pass the witness.

MR. PAVLAKIS: Ms. Chairman, may I see a copy of the document that Mr. Stansbury was being examined upon?

CHAIRPERSON KEATING: Sure.

BY MR. PAVLAKIS: Mr. Stansbury, can you tell the board who owns the land that's depicted on the drawing as parcel F?

MR. STANSBURY: Carson-Tahoe Regional Healthcare.

MR. PAVLAKIS: As of July, that's true as of today. Is that correct?

MR. STANSBURY: That is correct.

Q And as of July 1<sup>st</sup> of 2005, was that also the case?

A Yes sir.

Q The application for a building permit that Mr. Suglia examined you upon, as of the day that it was submitted, the application for a building permit was submitted, which it appears it was March 15<sup>th</sup> of '05, who was the owner of the land?

A Carson-Tahoe Hospital.

Q Has there been any agreement entered into between Carson-Tahoe Hospital and any other entity for the ownership of that land?

A No.

Q Has there been any agreement entered into between Carson-Tahoe and any other entity for the ownership of any building that might be constructed on that land?

A No.

Q Are you negotiating for the development of that building with a company called Hammes?

A Yes.

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Q And do you understand this H.C. Carson City I to be some shell entity that has been created by Hammes?

A That's correct.

Q Will this building that is currently under construction be used by the hospital for its tax exempt purpose?

A Yes.

Q Do you understand that if any portion of the building is (inaudible) out to physicians or other for-profit entities that the assessor may impose a tax on that portion of the building?

A Yes.

Q As of July 1<sup>st</sup>, the improve, of 2005, the improvements that had been made on this piece of property included in the development of Medical Parkway which is the route necessary to service the emergency room of the hospital. Is that correct?

A That's correct.

Q I have nothing further of the witness.

CHAIRPERSON KEATING: Do you have any follow up questions?

MR. SUGLIA: I do but before I do that, I'd like to publish this document to the board and we'll make copies of it.

CHAIRPERSON KEATING: Okay.

MR. SUGLIA: Could I ask just for a couple minutes while we do that.

CHAIRPERSON KEATING: Sure. If it would be acceptable, Mr. Suglia, I think Mr. Allen would have some questions of the witness if that would be all right to take them out of order.

MR. SUGLIA: Certainly.

BY MEMBER ALLEN: I've got a question and I'm not sure whether Mr. Pavlakis or yourself should answer this but the, now you're saying that the property where the building is being constructed is currently owned by Carson-Tahoe Medical?

MR. STANSBURY: That's correct. Carson-Tahoe Regional Healthcare. We changed the name in December.

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MEMBER ALLEN: Okay. Is there a land lease on that?

MR. STANSBURY: No.

Q So the building is going to be owned by one entity and the land is owned by a second entity?

A That's the contemplated format, yes.

Q Okay. So it's basically improvements on leased land? Well, it's not even leased land because, what's the hospital getting out of it for having the building built on the site then?

A Well, we have the opportunity to have an improvement placed on our property and help us get, enhance the health services that we have and have someone else pay for it. We then, if the agreements are all put in place, would lease that building for our purposes.

Q Okay. Thank you.

BY MEMBER SANADA: I have a question. Was Medical Parkway dedicated to the city or is it a private road, does it continue to be a private road?

MR. STANSBURY: Part of it were. The section that border or actually run through parcel 07 has not yet been dedicated.

MEMBER SANADA: Are there plans to dedicate it?

MR. STANSBURY: Yes.

MEMBER SANADA: Thank you.

CHAIRPERSON KEATING: We'll just wait a few minutes for the document and then let Mr. Suglia continue.

MEMBER SANADA: I guess I could ask another question.

CHAIRPERSON KEATING: Go ahead.

MEMBER SANADA: I'm curious. It's beginning to sound like Enron with, you know, the shell LLC and the partners and so forth. What's the purpose of the shell LLC and the private developer and the whole transaction?

MR. STANSBURY: I don't think it's anything like Enron. It's a fairly standard approach when national developers work with hospitals like ourselves, come to a community, one of the desires of potential occupants of that is to own a piece of the building, the hospital or physicians. It makes it easier if

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they set up a separate holding LLC, shell corporation, whatever you want to call it that's actually going to own the assets of the building and the various partners then own shares of that company.

MR. PAVLAKIS:

Chairwoman, may I? What we're really talking about, Board Member Sanada is a method of financing the development of the asset. At this point, there has been a lot of discussion about how the asset might be financed, but I think and I hope Mr. Suglia would agree that you need to look at what the condition of the property was as of July 1<sup>st</sup> of '05 and that is that there had been a roadway improvement that was in place. There has been an application for the construction of a building and that's really what we know as of July 1<sup>st</sup> of '05. I hope that helps answer your question.

CHAIRPERSON KEATING:

Okay. Go ahead, Mr. Suglia.

BY MR. SUGLIA:

If we'd waited just a few more minutes I think the board would have asked all my questions. I appreciate that. But I would also like to inquire, I heard the word Hammes, I believe if your testimony or perhaps your attorney mentioned that word.

MR. STANSBURY:

Hammes, H-A-M-M-E-S.

MR. SUGLIA:

Okay. And what is Hammes?

MR. STANSBURY:

Hammes Company is a large developer of medical office and hospital property around the country. They are based in Milwaukee, I believe.

Q Okay. So they're the parent corporation of H.C. Carson City I?

A No, I wouldn't say that either.

Q Okay, why don't you ...

A They ...

Q I'm sorry. Go ahead.

A They helped to organize that entity that would eventually own or is contemplated to own the medical office building here.

Q All right and when you say Hammes Company develops medical building, what do you mean by that develop?

A Well, they have some expertise in terms of design and construction. They have expertise in working with hospitals and physicians and developing leases and ownership entities such as the one that you mentioned.

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Q Okay. And what's the financial of Hammes Company in the development of this building?

A If they end up owning the largest share of that entity that owns the building, they would put up most of the money or borrow the money in order to finance the construction of the building.

Q Is the Hammes Company, are they, they'll make a profit, do you know?

A I'm sure they are.

Q Okay. They're not a 501(c)(3) to your knowledge?

A No.

Q All right. So Hammes gets the money. They help with design and construction. They work with doctors and they create a lease that the hospital might sign?

A We might, yes.

Q Okay and then if you don't sign it what would happen?

A Well, we would end up, it's still our property and then we would look for another way to finance the construction of the building.

Q But this, right now, today, you said things were starting to get moving.

A Um-hm.

Q Yes?

A Yes.

Q Okay and then, so some of these details have been worked out, I presume?

A Well, the details that have been worked out are the general design and the core and shell building. And that's, I believe, what the building permit was applied for. We have talked to Hammes about the occupancy of certain space in that building for hospital services. And then the building, it is contemplated the building would sit on leased land that the hospital would retain ownership of.

Q All right so Hammes Company will lease back from the hospital the land in a long-term ground lease?

A That's the scenario that's contemplated, yes.

Q And there's been no ground lease at this time?

A That's correct.

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Q And Hammes has secured all the funding necessary for the building?

A I don't know that that's true.

Q Is the hospital contributing to funding for the building?

A We haven't made that decision yet.

Q And yet, is it your testimony that construction is proceeding?

A Yes.

Q And then I heard something about a shell corporation. The H.C. Carson City I is a shell corporation?

A Again, I don't know that I would characterize it that way. It's an entity that was organized by Hammes for the purposes of owning this building here in Carson City.

Q Oh, okay. So Hammes created this H.C. Carson City I to be the owner of the building?

A That's correct.

Q And as an owner, they would lease some of the space to the hospital?

A Yes.

Q And, in turn, the hospital may lease the land to H.C. Carson City I?

A If we are able to finalize all of our negotiations. That would be the contemplated route we'd go.

Q I guess what I'm not understanding is if this building is going up right now on land not owned by Hammes without a lease, I'm not entirely sure why they would put all this money into it. Could you help me with that?

A Well, we've expressed intent that that's the way we'd like to go once they finalize, if we're able to finalize the lease negotiations with them for the ground lease and they're able to secure financing, then the rest of the construction will proceed. Right now, they've started to do site work as a good faith effort to show that they're serious about it and, if for some reason, things don't come together then that's the hospital's property and it's obligation to construct that building. Or it would be our opportunity probably a better word than obligation.

Q Okay and another shell word that we used was the shell building.

A Well, we said core and shell referring to, it's constructing the exterior of the building and interior common space with the tenant space yet to be constructed or, even in some cases, designed depending on who the eventual occupant would be.

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Q Okay. So is the hospital advertising for tenants currently?

A Hammes is working with various physicians in the community to lease space. And, again, the hospital has identified space that we'll be leasing as well.

Q All right. Any idea of what percent of the space will be hospital versus private tenants?

A Right now, that number is in the range of approximately 25 percent of the building.

Q 25 percent being the hospital or to the private tenants?

A The hospital.

Q Okay and then 75 percent would go to private entities?

A Yes sir.

Q I'll pass the witness at this time.

BY MR. PAVLAKIS: Mr. Stansbury, you testified about discussions and negotiations between the hospital and Hammes. Is that correct?

MR. STANSBURY: Yes.

MR. PAVLAKIS: Have any of those negotiations resulted in a final form of document that has been presented to anyone to execute?

MR. STANSBURY: No.

Q And have the negotiations, in order for Hammes to go forward, has Hammes, as part of the negotiations required that the hospital make the commitment something above 25 percent of the total building in order for Hammes to proceed with the construction?

A Yes.

Q And do you know what that commitment is on behalf of the hospital?

A Hammes would like to have the building leased approximately 70 percent before they are able to secure financing and commence construction so whatever, I'm not sure what the exact number is but it's something greater than 25 percent that we would eventually commit to if they're not able to lease it.

Q And, just one last time to make it clear, have any leases been signed?

A No.

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Q Nothing further.

MR. SUGLIA: I'm not sure I caught all that and my apologies.

BY MR. SUGLIA: Is it your testimony that there's no current leases between Hammes and anyone for this building?

MR. STANSBURY: I don't believe anything's been executed as of yet.

MR. SUGLIA: Okay and it is your testimony that 70 percent of the building must be leased before the building will be built?

MR. STANSBURY: Before they're able to secure financing and they're able to move forward on the construction. That's right.

Q So there's no definite date when construction of an actual building will commence?

A They've started some construction, again, as the good faith effort to show that they're working on it and that's where the site work's come in. They've selected a contractor and the contractor has moved on site. So in terms of (inaudible) be after they're able to close their loan.

Q Have we seen a foundation poured?

A No.

Q Excavation?

A No.

Q That's all.

CHAIRPERSON KEATING: Okay, Mr. Pavlakis, do you have any other witnesses?

MR. PAVLAKIS: Not on site.

CHAIRPERSON KEATING: Okay. Mr. Suglia?

MR. SUGLIA: Yeah. I'll call Kevin Gattis. Raise your right hand, Mr. Gattis. Do you swear or affirm the testimony you'll give in this matter will be the truth, the whole truth, and nothing but the truth under penalty of perjury?

MR. GATTIS: I do.

MR. SUGLIA: Would you state your name for the board and tell them what you do?

MR. GATTIS: My name is Kevin Gattis. I'm the building official for Carson City.

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Q And, Mr. Gattis, do you have knowledge of this area we're talking about, parcel 007?

A Yes, I do.

Q Do you have some knowledge about the status of this 40,000 square foot medical office building?

A The plans for the structure are currently in plan review. The permit has not been issued for construction of the project.

Q And, of course, on July 1, 2005, there was equally no permit issued.

A Correct.

Q Okay. Is there issued something called an underground utilities permit?

A I don't believe so on this particular parcel.

Q Would you ever issue that or ...

A We could issue that under certain circumstances, what we call a grading permit could be issued and/or grading including underground utilities.

Q Under what circumstances would you issue that in any case?

A There are times when a developer or contractor, if you will, would like to get started prior to having the complete plan submittal approved. There are times the engineering department will issue a grading-only permit or a grading permit, including underground utilities.

Q And that just helps a contractor get his project underway?

A Yes.

Q Okay and you stated, then specifically to this building, then, these permits have not been issued.

A That's correct.

Q Well, what's holding up the construction permit?

A Currently, the building division is waiting on what we call special inspection and testing agreements from the contractor. Once we receive those documents, then we will be in a position where we can then issue the permit.

Q Is the hospital aware of the requirements?

A I have talked to the architect of record about this and I have talked to a person that represents himself as the general contractor.

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Q All right and this is something specific to the hospital, is it?

A No.

Q Okay and why do you need this special inspection and testing agreement? What types of buildings require this?

A Well, there's a lot of different types of buildings that can require this from dwellings on up; however, it depends on the type of construction and specific engineering requirements that are applicable to projects as to whether or not special inspection is required. This particular project does require it.

Q All right and you said you had a conversation with someone who purported to be the architect?

A I spoke with the architect of record. I don't recall his name and, in addition, I've talked to a gentleman from the general contracting firm and let him know as well.

Q Approximately when did you talk to the general contractor's firm?

A Within the last two months.

Q Okay and what, what was your impression after you talked to him? Did he expect to get this agreement back real quick or ...

A My impression was that they had been chosen for the project and that they would get the process moving to get the special inspection and testing agreement forms completed so that they could get the permit for the project.

Q Okay, but as of today, you've not seen it?

A That's correct.

Q All right and we had discussions about a shell building. To your knowledge, is this going to be a shell building?

A That's correct. As Mr. Stansbury said, it's a shell building with common areas included within the structure.

Q I don't have any further questions.

MR. PAVLAKIS: No questions.

CHAIRPERSON KEATING: Any questions of board members? Thank you very much.

MR. SUGLIA: That would be the end of our presentation.

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CHAIRPERSON KEATING: I did have a few questions for Mr. Dawley if that would be acceptable.

MR. SUGLIA: Certainly. I was going to offer, but I was trying to streamline this. I would just offer him for questions.

BY CHAIRPERSON KEATING: As I understand reading these two statutes, it requires both the land and the building being owned by the non-profit corporation. Is that correct? If I read this correctly. It says, the property on which stands a hospital  
...

MR. SUGLIA: May I present him with the statute?

CHAIRPERSON KEATING: Certainly. You know, or other charitable or asylum for the care and relief of orphaned children or the sick, infirm, and indigent persons owned by a non-profit organization is the requirement. And I believe it has very similar language in 140.

MR. DAWLEY: Yes, ma'am.

CHAIRPERSON KEATING: Okay. As of July 1, there was no building.

MR. DAWLEY: As of July 1, it was vacant, bare land.

Q Right. And at no point are you, or are you aware of any real or personal, real property, excuse me, in this parcel that was owned by someone other than the non-profit hospital?

A Correct.

Q Okay. So someday in the future, this may be an issue if this building is owned by someone other than the non-profit hospital.

A Correct.

Q Okay, but it certainly wasn't July 1<sup>st</sup>.

A Correct.

Q Okay. Explain to me why you felt this parcel needed to be added back to the tax rolls.

A Okay. Ma'am, as I've stated on the other three parcels. It's vacant. There's nothing there. There was just a road going through it creating it, but it's vacant.

Q You don't, a road, I'm still back to your definition of occupy which, one minute it's a building, now, last parcel, it was staging equipment. A road isn't an improvement and occupancy in your opinion?

A No, it's not.

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Q Okay. Any questions of any other members? Okay. All right, then I'd entertain ... Oh, Mr. Pavlakis?

MR. PAVLAKIS: Ms. Chairman, I would like to stress, (inaudible) off of this by way argument that I believe that the roadway is the improvement. Mr. Stansbury testified that, number one, this is privately owned. Number two that it's necessary to serve the emergency room of the hospital. I don't know what more we can do.

CHAIRPERSON KEATING: And I think I understood that that was, that's your representation.

MR. DAWLEY: Madam Chair, if I might. We sat down with Mr. Pavlakis and Mr. Disney back in August of last year and we told them that if they had not dedicated the roads to Carson City, if they had not split the parcels, if they got rid of all the parcels, we would make it one parcel. And at that point we would consider a campus which is what the hospital has been considering it. They've been dedicating the roads. They've been splitting the parcels. They've, just totally opposite of what we had told them that we would do and so I just wanted to get that on the record.

CHAIRPERSON KEATING: Is there a statutory definition of campus? Is it required that all the parcels be one parcel to be considered a campus?

MR. DAWLEY: Under 361.227, it says that they need to be parceled or valued on a parcel by parcel basis.

CHAIRPERSON KEATING: Right.

MR. DAWLEY: I believe that section 3, which says the assessor has the ability to combine them or tax them as one parcel if he so sees fit.

CHAIRPERSON KEATING: So it gives you the opportunity in the statute to take more than one parcel and consider that a campus.

MR. DAWLEY: Absolutely, but then ...

CHAIRPERSON KEATING: Not mandatory but you have the option.

MR. DAWLEY: Correct. But then what I fall back on is what you've been stressing all along. We're trying to tax everybody the same way. I'm not going to tax the hospital or combine all of their parcels if I'm not doing it for everybody else.

CHAIRPERSON KEATING: Okay. I understand that. Right.

MR. DAWLEY: And we're not doing it for everybody else.

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CHAIRPERSON KEATING:

Right, but I'm still struggling with you can use a lot and stage your equipment temporarily and be off the tax rolls but if you invest thousands of dollars, if not hundreds of thousands of dollars to build a roadway, that's not considered occupancy. I'm having a very difficult time with that.

MR. DAWLEY:

When this road is dedicated, it will split this parcel.

CHAIRPERSON KEATING:

I know, but I'm talking about the specific facts as they occurred to you on July 1<sup>st</sup>.

MR. DAWLEY:

Correct.

CHAIRPERSON KEATING:

And your definition of meeting occupy, you've already decided that you don't specifically have to have a hospital because you've allowed a parcel for equipment staging to be taken off.

MR. DAWLEY:

Correct.

CHAIRPERSON KEATING:

So we've already done that. Where is the line? This is back to my picking and choosing I'm having difficulty with. I believe if you just followed the state board's decision and I know that you disagree with it, it said significant improvements or significant steps. Short of actually building the building and paving the parking lots, I'm not sure where your line is and I guess I would think that that roadway is critical to this hospital to get patients to the emergency room and they're probably used for that purpose probably every day. And they certainly were improvements on July 1<sup>st</sup>. I'm just having some difficulty. That's my opinion and I'll let others jump in here any time.

MEMBER ALLEN:

Madam Chair, and to follow along with what you were just stating. I believe, in my opinion, that the roadway does constitute occupancy by the hospital. As she stated and as was stated in testimony earlier, that that is the, and I know from personal fact when I had to go there that that's the road I took to get to the emergency room. Therefore, it's an integral part of the hospital and therefore I believe that the parcel is being used and what happens down the road, whether there's a building built and it's leased and it's owned or it's not leased and it's sold, I mean, at that time is then when this issue should come back before this board at a time when we say, all right, well now we have to put it on the tax rolls because the use has changed and so on, so forth. But I believe personally that, at this point in time, that this parcel is a part of the "hospital" and is a necessary part of it so I'm prepared to **make a motion that this parcel be stricken from the tax rolls for the fiscal year of 2005 / 2006.**

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CHAIRPERSON KEATING: Is there a second? **I'll second that motion.**

VICE CHAIRPERSON SEMMENS: I just had a question for Ron. You're just talking on parcel F or are you talking on all four parcels?

CHAIRPERSON KEATING: I believe there's only parcel. On July 1<sup>st</sup>, this was one parcel.

MEMBER ALLEN: I am talking about parcel number 007-531-07.

CHAIRPERSON KEATING: Right. It is one parcel. And I will give someone else an opportunity to second if someone wanted to do that. If not, I would second the motion. Okay. Mr. Suglia?

MR. SUGLIA: Okay. I just asked for a second here too to discuss this with the board. We're talking about a 17 1/2 acre parcel and we've heard a lot of testimony that there's, the building doesn't even have approved plans yet much less under construction. There's a lot of questions about whether it will ever go up until a certain number of spaces are leased, the majority to private, outside entities, 75 percent. I would prefer this board for its decision back to the *Simpson* case where the church subdivided land into 25-acre parcels, cleared off one acre where they put some altars up and did their worship. The assessor, in that case, only gave them credit for the land actually used, actually occupied. I think, in this case, it would be a tremendous windfall to take 17 1/2 acres off the tax roll because there is a very narrow band of road which the hospital is contemplating dedicating. They've not decided that, but they've contemplated dedicating that to the city and, of course, then the city would have the responsibility to maintain it and to plow it and to make sure that it is usable to travel to the hospital. But I think going the entire 17 1/2 acres merely because there's a road on it that does lead to the hospital would be somewhat of an excessive exemption considering the amount of land used.

CHAIRPERSON KEATING: I guess my comment to that, Mr. Suglia, is if I believed we were going back with the original definition of occupancy, literally building the building and having the hospital on it, then I would agree with you, but I believe the assessor has opened the door and has used occupancy to mean a variety of different things. In parcel 3, it chose staging of equipment to meet the definition of occupancy. In my mind, I have driven that road, I believe that parcel, I don't think there's anything in the statute that says, you know, you can only go ten feet on each side, a little tiny parcel can have a road but a large parcel can't have a road. It is one parcel. It was one parcel on July 1<sup>st</sup>. Good, bad, or indifferent, it was one parcel. In my opinion, it is occupied. It is an integral part of servicing that facility and, based upon the assessor's interpretation of occupancy, that could mean a variety of different things. Ultimately,

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I agree. I think a district court is going to decide what the definition of occupancy. I think we also have guidance from a state board made up of persons just like the persons on this committee that are looking at the activity and they said significant steps. I think a roadway through there is a significant step. So unless you're telling me that we have some legal prohibition of taking this motion, I think we need to move forward on the motion. It may or may not pass.

**MR. SUGLIA:**

You'd given counsel an opportunity to make an argument after presentation. That was my argument to you. It's not saying this board, this board certainly has the power to hear the facts and make a decision. Just wanted to point out the supreme court case.

**CHAIRPERSON KEATING:**

Okay. Thank you. And then ...

**VICE CHAIRPERSON SEMMENS:**

The one thing I wanted to point out, I said parcel F, well, we're talking, you're talking one parcel but the one parcel takes into consideration F, G, H, and I.

**CHAIRPERSON KEATING:**

It is one parcel.

**VICE CHAIRPERSON SEMMENS:**

Now see, I would be in favor of F parcel being cut out of that, yes. I agree. That's part of the hospital campus. But G, H, and I are their plan. So how do we make a determination to, I mean, I would exempt F but I don't want to exempt G, H, and I.

**CHAIRPERSON KEATING:**

I think you have to make your decision based upon the request here and what the facts are. The facts are that is one parcel and you have to decide yea or nay based upon that. So ...

**MEMBER ALLEN:**

Madam Chair? Do we have any kind of an idea as to how many square feet or acres or whatever the road encompasses out of that 17-acre piece? How wide is the road or the right-of-way actually? Do we know that?

**MR. PAVLAKIS:**

It's at least 60 feet.

**CHAIRPERSON KEATING:**

Whatever the standard is.

**MEMBER ALLEN:**

Yeah. By how long?

**MR. SUGLIA:**

I think Mr. Gattis may have some, may be able to make some estimation.

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MR. GATTIS:

If we knew the width of the roadway and the length of the roadway in the area in question, we could figure that out relatively easily but I don't have that information.

MEMBER ALLEN:

Thank you.

MR. SUGLIA:

Could I ask a question of Mr. Gattis just to assist the board? Would it be difficult for you to make some calls the building department to obtain that information?

MR. GATTIS:

I can do that.

MR. SUGLIA:

Could you do it, how long would that take approximately?

MR. GATTIS:

Probably ten to fifteen minutes.

CHAIRPERSON KEATING:

Okay. Member Sanada, do you have questions?

MEMBER SANADA:

Yeah, I just, I guess more of comments, my, you know, summation of the way I'm seeing things right now. You know, to me the road that leads to the emergency room was put there, I don't know why. There were other places the roads could have been put. Certainly, there is another way into the hospital and to the emergency room. And if we're going to, you know, you talk about setting precedence. If we're going to say that all you need to do is put a road through your property that that's going to make it all, make it being used and, therefore, exempt. I don't think that's a real good precedent. The only use on the property is a public thoroughfare. It sounds to me like I don't know why the road hasn't been dedicated to the city yet but it sounds like it will be dedicated to the city, that it will be city property. And I don't see that as a use, if the road through the 17-acre parcel makes the whole 17 acres a use then, you know, all the property along 395 leading up to Medical Parkway, then, is, should be exempt because it's all being used to get to the hospital. I just think that's a really, a really thin thing to hang your hat on to say that you should exempt 17 acres because there's a road through it and I don't find any other uses that would qualify for exemption on the property.

CHAIRPERSON KEATING:

Is there any other comments?

MEMBER LEWIS:

Yes, Madam Chairman. I would agree with our last board member's presentation. To say that putting a road through the property meets the definition, as required under 083 or 140, is a real stretch. I mean, you've really got to reach for that. So, I'm going to vote in favor of the city.

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**CHAIRPERSON KEATING:** Mr. Semmens, is getting this information critical for you to make a determination today?

**VICE CHAIRPERSON SEMMENS:** No, I'm going to vote for the city also.

**CHAIRPERSON KEATING:** Okay. Then, since it's not going to make a different, we'll take a roll call vote, please.

**MS. KING:** **Member Sanada?**

**MEMBER SANADA:** **Against the motion.**

**MS. KING:** **Member Allen?**

**MEMBER ALLEN:** **In favor of the motion.**

**MS. KING:** **Member Lewis?**

**MEMBER LEWIS:** **No. I'm sorry. Did you call Lewis? No.**

**MS. KING:** **Vice Chairperson Semmens?**

**VICE CHAIRPERSON SEMMENS:** No.

**MS. KING:** **Chairperson Keating?**

**CHAIRPERSON KEATING:** Yes. Again, Mr. Pavlakis, your client has a right to appeal this to the State Board of Equalization.

**MR. PAVLAKIS:** Thank you.

**CHAIRPERSON KEATING:** We will move on to parcel D5 [sic] which is 007-531-15.

**BY MR. PAVLAKIS:** Thank you. Mr. Stansbury? Mr. Stansbury, can you identify on our master plan, master development plan the area that is encompassed by this agenda item D5 [sic]?

**MR. STANSBURY:** I can. Starting to the north boundary of Medical Parkway running up this narrow strip and this portion of the (inaudible) almost forks out into these two areas here.

**MR. PAVLAKIS:** Okay. And how is that property currently being occupied?

**MR. STANSBURY:** The bulk of it is covered in landscaping. As we talked earlier this morning, there's key signage at this corner directing patients to either drive forward to the emergency room or turn right depending upon

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what their needs are. There's also landscaping that covers this strip here and, until just the last couple of days or so, this had been used for construction storage on the open area. And, as we talked about before, there are two large cottonwood trees on that larger area.

**Q** As of July 1<sup>st</sup> of 2005, do you recall any differences between parcel B, depicted on the master development plan, and parcel A on the master development plan?

**A** No.

**Q** Parcel A is tax exempt. Is that your understanding?

**A** That's my understanding.

**Q** Do you know why it is that parcel B is on the tax roll and parcel A is not?

**A** No.

**Q** Thank you.

**CHAIRPERSON KEATING:** Mr. Suglia?

**BY MR. SUGLIA:** Thank you. Mr. Stansbury, as of July 1, 2005, was that parcel landscaped?

**MR. STANSBURY:** I believe it was in the process of being landscaped. I couldn't say for sure whether or not it was completed.

**MR. SUGLIA:** What do you mean by in the process?

**MR. STANSBURY:** The landscapers would have been out, work would be done, there's conduit run down to illuminate the signs that are on this corner here. They would have been working around the curb and gutter and laying the, doing the rough grading work to prepare for landscaping. I'm not sure where they were at in the process.

**Q** So do you really know, on July 1, 2005, if someone went by there to look at the property, do you know if there would be crews of landscapers out there?

**A** I believe there would have been, yes. They would have been working on this (inaudible). It's difficult to say this section versus this section versus this section as they were working on the entire campus to landscape around the roadway.

**Q** Okay. And this, did the hospital need to get a sign permit for (inaudible)?

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A I believe we had to do a special permit for the monument sign that stands out here near the highway and I believe there was summary review by the planning commission and the building department for the rest of the signage, but I couldn't say specifically what was done.

Q I'm referring to the sign on parcel 15 now.

A That would have been done as part of the rest of the signage. The only special permit that I'm aware we had to do was the big sign. Everything else, I think was done as a package.

Q Would you know when the sign was installed on parcel 15?

A Not exactly, no.

Q You don't know if it was completed on July 1<sup>st</sup>?

A There would have been work being done on it. There was a lot of work being done that last summer in order to prepare for our (inaudible).

Q And the hospital dedicated the roadway which split off this parcel 15. Is that correct?

A Yeah. That's related to how the basins run and I believe the dedicated road runs across over here and up to somewhere in this area.

Q And when the hospital dedicated the road they were aware that it was split parcels?

A Yes, I believe so.

Q Now, on your development map and it's hard for me to see too.

A Want to borrow my glasses?

Q No. It says B on your little legend on the left. And if I look over to the right, it says 2400 square foot pharmacy.

A Again, as we put it together, that was one idea of what might be used in this (inaudible) area here was a possible retail pharmacy.

Q And who would own that?

A I don't know. That's, it was simply contemplated. Could be the hospital, could be another business that we'd invite into ...

Q Okay and your main hospital has a pharmacy in it?

A It does not have a retail pharmacy. It has a pharmacy that services inpatients only.

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Q Okay. So that would be desirable to have an outside pharmacy, a retail pharmacy as you call it?

A Yes.

Q Okay. And there's been no plans submitted to the city for that?

A No.

Q But it's still being contemplated by the hospital?

A It would be something we would find desirable in the future.

Q To actually put a building on that piece of land.

A That's a possibility, yes.

Q And if it's a retail pharmacy, would the hospital contemplate owning a retail pharmacy?

A We might.

Q And what would be other options?

A To contract with another pharmacy provider to provide that service.

Q And it would be equally as possible the hospital might enter into some kind of agreement to have someone build that pharmacy?

A Yes.

Q And possibly lease the land?

A That is possible.

Q And it's still in the contemplation stage that the hospital could sell the property and that someone could build a pharmacy?

A No. We would not sell the property. Again, as we talked last time, the main areas that we've talked about selling as of this date are here and then the one offer that we had received from the children's home for the parcel I.

MR. PAVLAKIS: Please define along here, Mr. Stansbury.

MR. STANSBURY: Excuse me. The parcel C from the corner over west running to just east of the fault line and parcel I, as denoted on the master development plan map.

MR. SUGLIA: Okay, that's but as of today.

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MR. STANSBURY: Yes, but the direction we've received from the board is very firm. They do not want to sell any of the other property contiguous to our operation.

MR. SUGLIA: Does the hospital have other plans for pharmacy on this master development plan map than that one site, assessor parcel 15?

MR. STANSBURY: I don't believe there's anything specifically noted, no.

Q So, is it fair to say if you didn't put it there you wouldn't have a retail pharmacy?

A No, that's not fair to say.

Q It's fair to say that if you didn't put it on 15, you don't really have a plan as to where it would go?

A That's right.

Q I'll pass the witness.

BY MR. PAVLAKIS: Mr. Stansbury, when the, when was the road dedicated? Do you recall?

MR. STANSBURY: I honestly do not recall, no.

MR. PAVLAKIS: Do you know whether it was before or after July 1<sup>st</sup> of 2005?

MR. STANSBURY: I believe it was after July 1<sup>st</sup> of 2005, but I couldn't say for sure.

Q Okay. And when Mr. Suglia asked you were you aware that the road would split the parcel, would split the property, did you have any understanding whether or not the fact that the road is in place creates, by law, a separate, legal parcel of property?

A I personally did not, no.

Q Nothing further.

CHAIRPERSON KEATING: Any follow up, Mr. Suglia? Okay. Thank you. Any other witnesses, Mr. Pavlakis?

MR. PAVLAKIS: Thank you, Chairman Keating. I don't have any other witnesses on this parcel. I would like to just make a couple points of argument. This parcel, obviously, is the entrance to the hospital. It has been improved and is being occupied by the roadway and by landscaping and signage that's occurred. There has never been any different intent for the use of that property and the fact that there is a parcel A to the north of this that identifies larger buildings than potentially is a smaller building that could be located on this property again shows the disparate impact that the assessor is making in deciding that parcel B should be on the tax

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roll but parcel A should not. We submit that the property north of the Medical Parkway and certainly the entrance to the hospital ought to be considered tax exempt.

CHAIRPERSON KEATING: Okay. Thank you. Mr. Suglia?

MR. SUGLIA: I'm going to call Mr. Dawley.

CHAIRPERSON KEATING: Okay.

BY MR. SUGLIA: Mr. Dawley, to the best of your knowledge, would you tell me what was on assessor's parcel 15 as of July 1<sup>st</sup> of 2005.

MR. DAWLEY: As of July 1<sup>st</sup>, when my appraisers went out there or it was the end of June, there was nothing on this property.

MR. SUGLIA: Thank you. All right, and the hospital plan where they have a B on their map shows a building that could be a pharmacy and parking lot. Are any of those improvements on there?

MR. DAWLEY: No, they are not.

Q Okay. There was some discussion about a sign at the corner of Medical Parkway where you take that right to go into parcel 15. Was the sign there on July 1?

A No.

Q So when you say nothing on there, you didn't see any landscaping?

A No.

Q All right, so it's your testimony that this, as of July 1, 2005, was a piece of vacant land?

A Correct.

Q Now, there's some discussion and argument about parcel A on the hospital map. Is that tax exempt?

A Yes, it is.

Q And why is that?

A Parcel A as it is being referred is not a parcel. It is part of the original appeal that went to the state board in 2003. It has to be exempt until they split it. Once they put a road that will create a new parcel, separating it from the decision that was based by the state board.

Q That's all the questions I have.

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CHAIRPERSON KEATING: Any questions from any board members?

MEMBER ALLEN: I have, Mr. Dawley. Now, you said on July 1 when, or late June, whichever the case may be when you were out there, your appraisers were out there. Were, was there any kind of construction apparently going on? I mean, there may have not been grass or whatever, but was there, say, ditches for irrigation system or was there anything that would indicate that there was some kind of construction going on on that site?

MR. DAWLEY: Mr. Allen, I have no knowledge of that at all. I did not personally go out there.

MEMBER ALLEN: Is the appraiser that was out there, are they present?

MR. DAWLEY: Yes.

MEMBER ALLEN: Can I ask him?

MR. SUGLIA: Would you like me to swear the witness?

CHAIRPERSON KEATING: Please.

MR. SUGLIA: Please raise your right hand. Do you swear or affirm that the testimony you'll give in this matter will be the truth, the whole truth and nothing but the truth under penalty of perjury?

MR. WALKER: I do. When I went out there ...

CHAIRPERSON KEATING: Please state your name and your title, please.

MR. WALKER: My name is Steve Walker of the Assessor's Office. I'm an appraiser. Their land had been cleared, you know, the brush shrubbed. I don't remember a sign. I don't remember any construction of any type of the landscaping. What I can clearly remember and recall is landscaping being constructed in late October and through November, right before the opening of the hospital. I was spending a lot of time up there and they were, at that time, installing the landscaping.

MEMBER ALLEN: Thank you.

CHAIRPERSON KEATING: Mr. Semmens?

VICE CHAIRPERSON SEMMENS: Just a clarification for everyone here. I am on the planning commission and the monument signs that we are referring to did come before the board before a special use permit and we did

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approve those. I can't tell you the meeting that it was approved it but they did bring the drawings and the monument signs before us and we did approve them.

CHAIRPERSON KEATING: Any other questions? Okay. Any discussion? Any motion from the board members, please?

MEMBER ALLEN: Well, I'll follow suit as I seem to have done this whole day. I guess I've got a real problem here in that I don't, I mean the parcel is so small, so narrow, with the exception of that one little corner up there, the northeast corner of it that I don't see a purpose for this parcel as anything but landscaping and/or enhancement or whatever. In fact, I'm a little confused as to why the hospital didn't move the road way over to the boundary and, therefore, whomever is next door could have even used it as access and maybe that's why they didn't do it. They didn't want anybody else using the access, but that's neither here nor there. I'm prepared to **make a motion that this parcel be stricken from the tax rolls for the 2005 / 2006 year because it does clearly indicate now that it is used for hospital purposes.** It has the signs that direct you where to go. It has the landscaping and, in my mind, that is no different than the piece of lawn out in front of the hospital building itself or any other area around there. To me, it's all the same idea and that's the reason that I'm basing my decision to make the motion to take this off of the tax roll.

CHAIRPERSON KEATING: Is there a second to that motion?

VICE CHAIRPERSON SEMMENS: I'll second it, I'll second it if this property is not in litigation in the pending problem that we have from 2003.

CHAIRPERSON KEATING: I believe this parcel is still included in that so that won't, you need to look at your second again because this parcel is included.

VICE CHAIRPERSON SEMMENS: Okay, I'll cancel my second.

CHAIRPERSON KEATING: Okay. Anyone else want to make a second.

MEMBER SANADA: **I'll second the motion** on the basis that it appears to me that it meets the criteria of being used and that there were obviously plans beyond just drawings. There had been planning commission review and I know that doesn't happen overnight so I'm sure there was a landscape plan in place and signage and all that so, I'll second the motion.

CHAIRPERSON KEATING: Any other discussion?

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**MEMBER LEWIS:**

Yes, Madam Chairman. I'm troubled, like my fellow board member about that little parcel there that is developable. When this was laid out, I don't think the hospital was done a good service. Most of it there appears to be unusable except for landscaping but we have that one parcel. And I've been trying to maintain some consistency here and follow the state NRS and I don't see any other way than to be consistent here too.

**CHAIRPERSON KEATING:**

Okay. I appreciate that. I'm going to (inaudible) I have been for years. So, I think, Ms. King if you'd take a roll call vote.

**MS. KING:**

**Member Sanada?**

**MEMBER SANADA:**

**Support the motion.**

**MS. KING:**

**Member Allen?**

**MEMBER ALLEN:**

**Support the motion.**

**MS. KING:**

**Member Lewis?**

**MEMBER LEWIS:**

**No.**

**MS. KING:**

**Vice Chairperson Semmens?**

**VICE CHAIRPERSON SEMMENS:** **No.**

**MS. KING:**

**Chairperson Keating?**

**CHAIRPERSON KEATING:**

**Yes.** So, Mr. Dawley, I suppose you could appeal this to the state board. Okay, you want to take a quick, five minute recess before we do the last one? (1:20:10 to 1:27:13)

Okay, we'll get started with D6 [sic] which is parcel 007-531-99. They swapped seats. There he is. Okay. Go ahead, Mr. Pavlakis.

**BY MR. PAVLAKIS:**

Thank you. Now we (inaudible) D6 [sic] which is the, what we refer to as the cancer center parcel, parcel J. I'd like to call Mr. Stansbury. Mr. Stansbury, you've identified yourself as the chief operations officer of Carson-Tahoe Hospital, Carson-Tahoe Regional Healthcare. Is that correct?

**MR. STANSBURY:**

That's correct.

**MR. PAVLAKIS:**

What is Carson-Tahoe Hospital Foundation?

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MR. STANSBURY: Now known as Carson-Tahoe Regional Healthcare Foundation, it is a charitable foundation established for the sole benefit of Carson-Tahoe Regional Healthcare.

Q Is it, itself, a 501(c)(3) charitable organization?

A It is.

Q Does it exist solely in order to support the tax exempt mission of Carson-Tahoe Hospital or Carson-Tahoe Regional Healthcare?

A It does.

Q The property that is at issue in this case is a lease for a portion of parcel J and the parties to that lease are the hospital and the foundation. Is that your understanding?

A Yes.

Q Could you describe what is happening on parcel J? Well, first of all, as of July 1<sup>st</sup> of 2005, what was the condition of parcel J?

A At that time, I believe there would have been some excavation on the site. They had done some footings and foundation excavation for the construction of the cancer center.

Q When you say they, who is they?

A We had retained, through Hammes Company, who we talked at length about earlier Q&D Construction out of Reno, who was serving as the general contractor at that time.

Q Okay. The general contractor was Q&D Construction and the owner of the project was whom?

A Carson-Tahoe Regional Healthcare Foundation.

Q And Hammes' involvement was that in the role of assisting the foundation in certain respects?

A That's right. They were serving to help do the planning and to coordinate efforts on the construction with the general contractor.

Q Does Hammes, does anyone other than Carson-Tahoe Hospital or Carson-Tahoe Foundation have any ownership interest in parcel J?

A No.

Q And that applies to the land?

A Yes.

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Q And the buildings. Is that correct?

A Yes, that's correct.

Q Now, there is private financing, is there not that has been obtained by the foundation in order to (inaudible)?

A The foundation did finance, and that was another service that was provided by Hammes to help the foundation secure financing for construction of the building.

Q Okay. And parcel J is part of a larger parcel. Is that correct?

A That's my understanding, yes.

Q And it is part of parcel identified in the assessor's exhibit as ending in dash 12. Is that correct? Part of Carson City Assessor's Parcel Number ...

A Yes, that's correct.

Q ... 0531-12. Is that correct?

A That is correct.

Q As of July 1<sup>st</sup> of 2005, were there any other improvements other than the cancer center constructed on that property?

A As of that time, there would have been construction of the road that we've talked about. The road would not have yet been paved nor gutters in. I believe we just had compacted base for that part of the project. Also, at the very top of the loop road, in this area here, we had construction proceeding with the installation of the propane tank that provides back up energy for our boilers and emergency generators. That parcel looks like it loops around so, again, this construction of this roadway had gone in there and, as we talked before, there probably was the beginning of some landscaping work along that part of the roadway as well as signage.

**CHAIRPERSON KEATING:** Could I just get a clarification here. I am looking at the very last page in the packet and, okay, maybe I'm just stupid which probably the case. It lists a little triangle, 4.9 acres that is the subject. And you also refer to parcel 12. Are we talking about the entire parcel 12 or we are truly just talking about the little tiny triangle within parcel 12? 99.

**MR. PAVLAKIS:** The assessor has imposed a tax on parcel 99 that is a portion of parcel 12 and consists of 21.82 acres.

**CHAIRPERSON KEATING:** So is parcel 99 (inaudible), if I understand this it has a different parcel number so on the roll it is a different number. 12 is all around it, but the little triangle, 99, exists as its own parcel.

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MR. PAVLAKIS:

That's only because the assessor decided to do that. The hospital didn't do anything except record a memorandum of lease between the hospital and the Carson-Tahoe Hospital Foundation.

CHAIRPERSON KEATING:

And as a result of the lease, is that what created this parcel?

MR. DAWLEY:

Correct. It was requested of us to create this parcel so we did.

CHAIRPERSON KEATING:

Okay and they asked you to create a parcel? That was part of the petition filed by them?

MR. DAWLEY:

Yes, ma'am. It was taken through the escrow office.

CHAIRPERSON KEATING:

Okay. In addition, all of this area, if I read this correctly, is still part of that original decision in 2003?

MR. DAWLEY:

That is correct.

CHAIRPERSON KEATING:

Okay and it is the opinion of the district attorney's office that, by them filing that document, basically put a stay on that decision and (inaudible) this parcel subject to re-evaluation by the assessor and, ultimately, this board. Is that correct?

MR. DAWLEY:

Are you asking me?

CHAIRPERSON KEATING:

No, I'm asking the district attorney.

MR. SUGLIA:

I can't speak to the past. I can only ...

CHAIRPERSON KEATING:

I'm not talking to the past.

MR. SUGLIA:

Okay.

CHAIRPERSON KEATING:

If I understood you correctly last week, the opinion of the State Board of Equalization was still binding unless the court overturned it or there was a stay filed. And that was still, in my terminology, not a lawyer, that's the law of the land for these parcels as exist today. However, in the event an action is taken that changes that, such as the last parcel we heard and their filing of the lease on this parcel, that lifts the assessor from that decision allowing the assessor to re-evaluate that parcel and make a determination again whether or not its tax exempt or not. Is that correct?

MR. SUGLIA:

I believe there is other factors that come into play besides the twenty-year lease that would allow you to consider this kind of with a fresh look.

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CHAIRPERSON KEATING: Right. We're just trying to make sure we have the authority to look at this. We understand that there still is, and your advice to us or, in the district attorney's opinion, factors have occurred after the last decision which have allowed the assessor to re-evaluate the tax-exempt or not tax-exempt status of a portion of that, specifically parcel 99, which makes it then subject before us today.

MR. SUGLIA: I think that factor was the twenty-year lease.

CHAIRPERSON KEATING: Okay. All right. Any other questions?

MR. SUGLIA: I would, as I indicated at the very beginning though, like an opportunity, at some point, to address the board about why this is a different decision for today.

CHAIRPERSON KEATING: Okay.

MR. SUGLIA: Now or later in the meeting.

CHAIRPERSON KEATING: We'll let the applicant go forward and then you can do that. Okay. Go ahead. Sorry.

MR. PAVLAKIS: Thank you. Mr. Stansbury, other than, what's changed with regard to this piece of property since the issuance by the State Board of Equalization that the 45 acres is exempt from tax?

MR. STANSBURY: We initiated construction on the cancer center through the foundation and I think that's probably it.

MR. PAVLAKIS: What is the cancer center?

MR. STANSBURY: The cancer center is a approximately 30,000 square foot facility owned by the foundation for the purpose of providing cancer services to the community.

Q Will anyone other than the Carson-Tahoe Regional Healthcare Foundation own the building?

A No.

Q Does the Carson-Tahoe Regional Healthcare retain an option to purchase the property back when final payment on the financing is due?

A Yes.

Q And when does that occur? Five to seven years?

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A Yeah, it's some number of years out.

Q Does anyone other than the hospital entity have the option to purchase the property back?

A No.

CHAIRPERSON KEATING: Mr. Suglia?

BY MR. SUGLIA: Okay, Mr. Stansbury, my apologies. I didn't understand your role in the foundation. I know Mr. Pavlakis asked you.

MR. STANSBURY: The foundation had requested the hospital work with them to help with construction of the project. Due to the very wet winter we had last year, when they initially started construction, they, Hammes and Q&D, they ran into a lot of problems. A decision was made to go forward without Hammes. We were winding up the construction of the regional medical center which freed up time for our construction supervisor, a gentleman by the name of Roger Sedway, as well as myself to spend more time working on the cancer center projects so the foundation board had asked us to work on that project and administer it as well.

MR. SUGLIA: Okay. Are you a member of the foundation board?

MR. STANSBURY: No, I'm not.

Q Are you an officer of that corporation?

A No.

Q Are you speaking on their behalf today?

A As a representative for the construction of the cancer center, yes.

Q And the hospital foundation is an entity legally separate from the hospital?

A Yes.

Q And you've provided articles of incorporation for this board in the hospital packet?

A I believe we have. I'd have to defer to counsel.

Q Could I ask counsel to show the witness or I will.

MR. PAVLAKIS: I don't know that we provided the foundation articles. Is that what you want to show him?

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MEMBER ALLEN: Yeah, they're in here.

MR. SUGLIA: Mr. Stansbury, do you recognize these?

MR. STANSBURY: Yes.

MR. SUGLIA: Okay and that's the packet of information supplied by the hospital to this board?

MR. STANSBURY: It appears to be so, yes.

Q Okay and you've seen those before?

A Yes.

Q And the document I'm referring to, Articles of Incorporation of Carson-Tahoe Hospital Foundation, NRS Chapter 82. Do you have that document in front of you?

A I do.

Q And the primary purpose of the hospital foundation is to solicit, receive, and maintain gifts and funds and property of every kind and to distribute the funds and property to the hospital. Is that a fair statement?

A Yes.

Q Is there anywhere in here where the foundation would be leasing land? That's what they're doing here. Is that right?

A I'm not sure I understand the question.

Q Is the foundation, they're leasing the land for the cancer center from the hospital?

A There is a separate document that leases land and, consistent with the approach the board has directed we take to not sell any property, the hospital is leasing land to the foundation for the purpose of the foundation constructing the cancer center on that leased land.

Q And then the foundation's building the cancer center?

A Yes.

Q And they're leasing that back to the hospital?

A That is correct.

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Q And then, in article 9 of the incorporation document, that's on page 4 of that document, it says all the properties, monies, and assets of this corporation are irrevocably dedicated to charitable purposes and shall not inure to the benefit of any private individual. Do you see that?

A Yes.

Q Okay. And that's remarkably similar to language out of NRS 361.140 where it says money you receive by the corporation is devoted to the general purposes of the charity and no portion is permitted to inure to the benefit of any private person. Were you aware of those two similarities?

A No.

Q Let me ask you, in the articles of incorporation, is there any provision in the foundation where one of their purposes is that indigent persons, without regard to race or color, may receive medical care and attention without charge or cost?

A I don't know that.

Q Do you want to take a few minutes and review this and see if you can find a section similar to that?

A Counsel advises me that it's not in there which wouldn't be a surprise since the foundation doesn't, itself, deliver healthcare.

Q All right. Thank you. Well, Madam Chair, at this point, given that testimony, I would like to ask this board to make a preliminary determination that NRS 361.140 does not apply to the hospital foundation and they are not (inaudible) with corporation. And the significance of that is the ruling from the state board was based solely on NRS 361.140 without reference to NRS 361.083.

**CHAIRPERSON KEATING:** And I understand that, but I'm not understanding, you have to help me understand the relevance of the lease since the lease happened after July 1<sup>st</sup>. It said, the building permit, or excuse me, the lease was prior to that. I believe, if I understood this, the document that we were provided says that the burden, none of what the foundation was doing with this property, at least the building permit, was not issued until after the July 1<sup>st</sup> date and nowhere in the petition, in the documents, am I seeing that the foundation had, is, maybe you need to clarify. I don't see where the foundation itself is a party here. And so, that ...

**MR. SUGLIA:**

The foundation is, I'm sorry. My understanding, from the testimony we just had is that the foundation is actually going to be building the cancer center on land leased from the hospital and then leasing it back to the hospital. So they're clearly a party and they're the party here asking for the exemption.

**CHAIRPERSON KEATING:** Am I missing something? Because the party listed here is Carson-Tahoe Regional Healthcare. I completely understand the issue

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prospectively once that's done and operated. I also understand that type of activity happens all the time. The state doesn't own all of its own buildings. It has private investors own them and we lease them back from them, but they're still considered state buildings. It's a financing mechanism. I see it happen all the time so I'm still, I'm at a loss for where I have to add in the foundation because I don't see the foundation listed here or maybe someone else can clarify that for me. Go ahead, Mr. Pavlakis.

**MR. PAVLAKIS:**

Ms. Chairman, you're exactly right. The petition, in this case, was filed on behalf of Carson-Tahoe Regional Healthcare which is the owner of the land and the lease essentially provides that, again, that this is a financing, the lease arrangement with the foundation is a financing mechanism to assist the hospital in the development of the building.

**CHAIRPERSON KEATING:**

And let me ask you a question. In that vein, will the hospital consider this as a capitalized lease since it has the option to buy it at the end?

**MR. PAVLAKIS:**

No.

**CHAIRPERSON KEATING:**

It's going to be an operating lease?

**MR. PAVLAKIS:**

It's specifically an operating lease. It's specifically not part of our long-term debt. And, in addition, because it's an operating lease, the hospital will bear the burden of any taxes that are imposed here. So, our position is that the, both entities are wholly tax exempt. This building being built for a tax-exempt purpose. The hospital lease will require that the hospital, that all the patients, our contract with the city where we acquired the hospital assets requires us to treat all patients, regardless of their ability to pay and regardless of their payer source and regardless of their status as recipients of state or federal medical benefits.

**CHAIRPERSON KEATING:**

So nowhere here today, maybe in the future, is the foundation asking for any type of exemption. This today is just the hospital.

**MR. PAVLAKIS:**

Regional healthcare, correct.

**CHAIRPERSON KEATING:**

Okay. Am I missing something, Mr. Suglia. I know what's happening but I don't see that as a petition here today.

**MR. SUGLIA:**

Okay, I would point out this lease was entered into December 30 of 2004.

**CHAIRPERSON KEATING:**

So are you representing then the wrong party has asked for this exemption? Should the party be the foundation, then?

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MR. SUGLIA:

Well, in the, seems like the party that's building the center is the one seeking the exemption for the center not just the party that owns the land. But if clarification from counsel is it's the hospital. I think it's significant, though, that this arrangement and, I'll tell you what, I will explore this arrangement further. I think it's important for the board to know and understand.

CHAIRPERSON KEATING:

And I think we all grasp that there is a relationship but for us to move on this specific petition, I need to know if this is a valid petition, whether it's filed in error, the wrong party filed or is this something now, as counsel to us, that we can go forward with because, as I see this, the only petitioner here is the hospital, not the foundation.

MR. SUGLIA:

Oh, I think we should go forward with it.

CHAIRPERSON KEATING:

Okay.

MR. SUGLIA:

And I think we should explore the relation of the parties. But it seems to me that the hospital is alienating its land for a twenty-year period.

CHAIRPERSON KEATING:

I'm sorry, the hospital what with the land?

MR. SUGLIA:

Alienating it, leasing it. I'll continue on with my questions.

CHAIRPERSON KEATING:

Okay. Go ahead.

MR. SUGLIA:

Mr. Stansbury, would you explain to the board why the hospital is entering into this lease agreement?

MR. STANSBURY:

As a tax exempt entity, we have limited ways to raise funds for capital projects. The foundation had approached us several years ago with a desire of raising funds for the cancer center. We certainly welcomed that because of the need for the community. The foundation offered to arrange its own financing, raise funds to pay for the financing and also to lease the building to use once it got constructed.

MR. SUGLIA:

And this arrangement was only entered into regarding the cancer center?

MR. STANSBURY:

That's correct.

Q And why not for some of the other buildings constructed, the hospital itself?

A I can't, I don't know, but we had to arrange financing for the construction of the rest of the hospital. The cancer center has been a special project to the foundation for some time, something that I think really means a lot to them.

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Q And in this, at least the copy I have of the ground lease, it says tenants responsible for payment of taxes pursuant to section 3.3 of the lease. The lease itself has never been recorded. Is that correct?

A I don't know whether it has or hasn't.

Q Okay. You don't know if there's a ground lease that's been recorded or a memorandum of ground lease been recorded?

A I don't know whether it's been recorded or not. I know there is a ground lease.

Q Okay, do you know what that provision is in the memorandum of ground lease regarding payment of taxes? Do you know why that's in there?

A I don't know.

Q And then there's a master lease being entered into. Do you know anything about that?

A Yes, the hospital is leasing the entire building back from the foundation.

Q What are the terms of that lease?

A I'm not familiar with the specific terms.

Q Okay. On this parcel 99, what was on that parcel as of July 1, 2005?

A As previously testified, there would have been quite a bit of dirt work done. They would have excavated and possibly poured some of the foundations and footings. The contractor would have occupied the site. There was a fence around the site and the trailer.

Q Okay and the application for building permits was made by the foundation?

A It probably would have been made either by the foundation, the general contractor, Q&D Construction, or a (inaudible).

Q And Hammes was just retained by the foundation for the development of this?

A Yes. Hammes assisted the foundation in securing financing, helping in the design process, helping as well with the initial selection of the contractor.

Q And Hammes did that just for a flat fee?

A I can't say what the fee arrangement was. There was some fee that the foundation paid the hospital, or excuse me the foundation paid Hammes.

Q Was there any ownership interest?

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A No.

Q And how is it we know that the cancer center, that indigent persons without regard to race or color may receive medical care and attention without charge or cost? How is it we know that?

A The hospital will be operating the cancer center and providing the care that's provided. The foundation's role is to own the building and to raise funds for the building.

Q So the hospital will now operate this building (inaudible)?

A The hospital will move into the building when it's complete and will provide services out of the building. I'm not sure what you mean by operate the building. As I testified earlier, as we completed construction on the regional medical center and, because of the wet winter, they were having problems with the construction, the foundation asked the hospital, Roger Sedway, and I to work on the construction of the cancer center so we're now overseeing that construction.

Q Well, Mr. Stansbury, made the testimony that the hospital operated the building. So I assume you knew what we meant by operate the building so I guess I'll ask you what do you mean by the hospital will operate the building?

A We'll be providing services out of the building once the building's open for all of our patients, for cancer patients.

Q Okay. You'll staff the building with hospital employees?

A Yes sir.

Q Okay. And that won't occur until the building is fully completed and ready for occupancy?

A For health care services. That's correct.

Q Okay. I'll pass the witness.

CHAIRPERSON KEATING: Any redirect?

BY MR. PAVLAKIS: Mr. Stansbury, you were not directly involved in the financing transaction with the lender. Is that correct?

MR. STANSBURY: That's correct.

MR. PAVLAKIS: I will represent to you that the memorandum of lease was required by the lender. Do you understand that?

MR. STANSBURY: Yes.

Q Do you understand why the lender would require a document to be recorded?

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A Yes.

Q Is that in order to facilitate, in the event the cancer center or the foundation is unable to repay the loan that the lender wants the ability to foreclose on a piece of property?

A Yes.

Q Does that change the nature or character of the use of that property by any means?

A No, it does not. It's, the goal here was to be able to provide a cancer center for the community. That's long been the goal of both the foundation and the hospital and it's a matter of working together to accomplish that goal.

Q Do either the foundation or the hospital earn profits?

A We don't, while we earn excess margin, the amount of revenue we generate over our expenses for the hospital, we don't distribute a profit to any shareholders. That gives us our not for profit status. Those monies, instead, are reinvested into the facility, such as the campus that we've generated here. Again, our whole mission is to provide healthcare to the community for years to come. By being non-profit, we're able to invest more funds back into that future rather than distributing those profits to shareholders. As far as the foundation goes, they generate funds through their charitable fund raising efforts. Those funds then go to the hospital to support our charitable efforts.

Q And by whom, can you identify the governing board of the foundation?

A Yes.

Q Not by name but generally who are the people?

A They are representatives of the community who volunteer to support the activities of both the foundation and the hospital.

Q And that group approached the hospital asking for permission to proceed, basically, with the project, specifically a cancer center that could be for the purpose of the foundation's contribution to this. Is that correct?

A That's correct.

Q And (inaudible) tax exempt status, by not pay the tax, real property tax and not paying certain other taxes, does that allow both the hospital and the foundation to reinvest additional funds and make other improvements that wouldn't be made by a for-profit entity?

A Well, that's exactly right. Similar to the fact that we don't distribute profits to shareholders, money that we don't pay on taxes allows us to reinvest into the future of the healthcare in the community which allowed us to develop this facility out on the north end of town and look at other programs that provide care, often below cost to make sure that that stuff is provided to the community.

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Q Thank you.

CHAIRPERSON KEATING: Mr. Suglia?

BY MR. SUGLIA: Are you coming before this board asking for an exemption for both the land and the building on behalf of the hospital and the hospital foundation.

MR. PAVLAKIS: If I may jump in. The issue was are we asking for an exemption for property as it existed July 1<sup>st</sup> of '05 and the answer is yes.

MR. STANSBURY: That's correct. It was the land that was being developed.

MR. SUGLIA: Okay and that's the land owned by the hospital?

MR. STANSBURY: Owned by the hospital.

Q Being developed by a separate entity?

A Being developed by the foundation, whose sole purpose is to support the operation of the hospital for the benefit of the hospital.

Q I'll pass the witness.

CHAIRPERSON KEATING: Mr. Pavlakis, did you have any other witnesses?

MR. PAVLAKIS: No, I just would like to make a brief summation on this particular parcel. I think it's clear from Mr. Stansbury's testimony that what we have is, it's almost no good deed will go unpunished. The foundation, which is a group of volunteer individuals, probably much like this board, came together, as a group, to the hospital and said, we would like a project. It takes money to develop a project. The money was going to be raised by the foundation. The hospital said we can't add this to our debt capacity and, therefore, whatever you do is going to have to be an operating lease. The foundation solicited the assistance of Hammes to, what is an operating lease and where do we go find \$11 million or \$12 million (inaudible) for our building. Hammes assisted them with that process. The lender says, yes we will lend the foundation \$12 million to build this building. The hospital, if the hospital signs a lease promising to pay back all of the money for that building and we, the foundation, then proceeded with the development activity that was occurring on July 1<sup>st</sup>. That was for the benefit of Carson-Tahoe Regional Healthcare, as part of its tax-exempt mission.

The, Mr. Stansbury indicated the hospital does have the option and I can represent to you that it will be exercised certainly by the time that the balance of the loan comes due at the end of five to seven years. But,

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in the meantime, there is this financing mechanism that is taking the form of an operating lease for that property. As of July 1<sup>st</sup>, the lay of the land was that the hospital owned all the land, the hospital had entered into a lease agreement with the foundation for the construction of a building and that's what was of public record and that hasn't changed.

CHAIRPERSON KEATING: Mr. Suglia.

MR. SUGLIA: I call Mr. Kevin Gattis.

BY MR. SUGLIA: Mr. Gattis, are you familiar with the hospital's cancer center project?

MR. GATTIS: Yes, I am.

MR. SUGLIA: All right, and there was some talk earlier about some cottages related to this cancer center. Are you familiar with that project also?

MR. GATTIS: Yes sir.

Q And, as for the cottages ...

MR. PAVLAKIS: I don't want to be adversarial, but I'm just wondering, I'll represent that as of July 1<sup>st</sup>, there was nothing of record with regard to the cottages. They are not part of the parcel 99 which is the subject of this petition and so I just question the relevance.

MR. SUGLIA: Okay. If they weren't there, that's fine. I'll move on. Let's go back to the cancer center then. Do you recall when plans were submitted to the city for the cancer center?

MR. GATTIS: For the building?

MR. SUGLIA: Yes.

MR. GATTIS: I can look that up.

Q Okay, would you do that, please?

A The submittal date on the application is December 29, 2004.

Q And when was the building permit issued?

A September 26<sup>th</sup> '05.

Q Okay and, as of July 1, 2005, was there, do you know the status of the project?

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A As of July 1, there had been a substantial amount of earthwork done there, excavation and so forth, if you will, prior to the issuance of a building permit. They did have a grading permit.

Q Okay and then what's a grading permit permits someone to do?

A The grading permit was so, as we talked earlier, was so that they could get started on the project prior to getting the building permit approved for the structure. There's a lot of unique issues, if you will, with that parcel due to dewatering and so forth. And that's why they got started earlier is my assumption.

Q What were some of those dewatering issues?

A It's a somewhat unique parcel within Carson City because, as, it's my understanding it happened with the hospital itself, there was a large amount of dewatering that had to take place.

CHAIRPERSON KEATING: For those of us that are non surveyors, could you just tell me what dewatering is so I can follow along? Sorry.

MR. GATTIS: The site itself is very moist, if you will, and they have to figure out a way to get into the site and remove water from the site so that they can then proceed with construction.

CHAIRPERSON KEATING: Pretty much just like it sounds. Okay.

MR. SUGLIA: All right, so there was some, as of July 1, 2005, there was grading work and that's preliminary to construction?

MR. GATTIS: Yes sir.

MR. SUGLIA: Okay, with a grading permit, can an entity lay a foundation?

MR. GATTIS: Not unless it was inclusive of, in the grading permit, which this one was not.

Q Okay. So there was no right to lay a foundation as of July 1, 2005?

A Correct.

Q And they didn't do that either?

A Correct.

Q They just did some grading work and got, took care of some of the water problems?

A Yes.

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Q And do you have any idea when the building might be complete so that the hospital, as they said, can start their operation of the building?

A My understanding is this fall sometime.

Q No further questions.

CHAIRPERSON KEATING: Mr. Pavlakis?

BY MR. PAVLAKIS: Thank you. Mr. Gattis, we met just at the commencement of this hearing and congratulations on your new position.

MR. GATTIS: Thank you.

MR. PAVLAKIS: Were you involved with the cancer center project beginning in December of '04?

MR. GATTIS: No sir.

Q Okay. Were you aware of the project?

A No sir.

Q When were you first aware of the cancer center project?

A It would have been in March or April. That's when I went to work for Carson City.

Q Okay. As of March or April, what was going on at the cancer center site if you know?

A I don't know.

Q When did you first become aware of what was going on at the cancer center site?

A It would have been in the spring of '05.

Q Okay and what were, what did you become aware of in the spring of '05?

A Initially, I became aware of the cancer center project because, in talking with our site inspector at the time, he had taken me to the hospital to show me around, show me what was going on and I then helped with some of the inspections there. And that's how I became aware of the cancer center project.

Q Okay and Mr. Suglia said that, under the grading permit, and is it at all unusual that a builder will get a grading permit and then get the construction permit later?

A No, that's not unusual.

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Q Okay and does that have to do with payment of fees? Do you know why a builder might wait?

A Well, there's several reasons. It may be because of fees. It may be that they want to expedite the process and that there are circumstances that the building plans themselves are not complete, if you will; however, the geotechnical report and so forth can be completed enough to where they can go ahead and start grading on the project.

Q Okay and so, at least one scenario is that they wanted to get an early start and that's why they commenced construction in the winter.

A That may have been a reason. I don't know that to be actual.

Q Well, what you know for sure is they ran into problems with the water. Is that correct?

A That's my understanding.

Q And Mr. Suglia said that they did some grading. There was more than grading done, wasn't there? Was there a hole that was dug?

A Yeah and I would consider that grading. I mean, that's where the found, that's where the structure sits.

Q Right and it's when they dug that hole that water kept pouring into the hole. Is that correct?

A That's my understanding. I was not up there to witness it.

Q Okay. Do you have any idea how much money was spent dealing with this dewatering issue?

A No idea.

Q Do you know when the last day that Q&D performed work or services on the cancer center project?

A I have a letter in my file from Q&D requesting that they be removed from the permit application.

Q And did they indicate to you when they last performed work?

A No.

Q Okay, was it around June 22<sup>nd</sup> of '05?

A I don't know that without doing further research.

Q Okay. As of July 1<sup>st</sup> of '05, the, what I call the hole or the foundation area had been excavated and the parties were still dealing with this dewatering issue. Is that correct?

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A I know that the hole had been excavated where the structure permanently sits or what there is of the structure and there, again, to answer your question would be hearsay on my part.

Q Okay and having plans submitted for the actual building in September of '05, could those plans reasonably have been, gone from zero to here's a set of final plans between July 1<sup>st</sup> and September 26<sup>th</sup> of '05?

A Could you rephrase the question or ask the question again?

Q Do you have any knowledge or basis for telling this board the time period that would have had to have been involved in order to develop plans that were presented to you and for which your office issued a permit on September 26<sup>th</sup> of 2005?

A I'm not following your question.

Q Your office submitted or your office issued a building permit for the actual building September 26<sup>th</sup> '05. Prior to that, the issuance of that permit, was there some back and forth between the hospital, its architect, its contractor and your office as to finalization of those plans?

A I can't answer that without going back to the plan review comments.

Q Is there a process for plan review comments?

A Yes, there is.

Q And would that have occurred in this instance?

A It may have.

Q Okay and prior to the preparation of those comments, there would have been some time period required for the hospital and the foundation and its contractor to develop the plans that would be submitted in the first place to get some comments. Is that correct?

A Yes. As I said, the plans were initially submitted in December 29 of '04.

Q For the actual building?

A Yes sir.

Q Okay. So both the plans and the, for both the hospital and the cancer center building and the grading permit were issued in December of '04. Is that correct?

A I can tell you when the grading permit was issued and I don't believe that the date on that was the same as the plan submittal for the structure. I can look that up if you'd like.

Q Okay. When was the grading permit issued?

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A There was a grading permit issued to Q&D Construction, 11/08/04.

Q And the building plans were submitted by Q&D?

A Excuse me. The application shows the owner as Carson-Tahoe Hospital Foundation and the contractor is Q&D which was later changed.

Q The contractor was changed?

A Yes.

Q And those plans were submitted 12/29/04. Is that correct?

A Per the records, yes.

Q And the actual permit for that, on that application was issued 09/26/05?

A Yes sir.

Q So during this nine month period, was there construction going on in terms of the development of the foundation, the pad?

A There was construction going on as far as rough grading, not of the foundation or, the pad was in preparation of getting there, yes.

Q Nothing more than was done than would have been allowed under the permit.

A Under the grading permit. Correct.

Q And then, at the same time, the developer was working with your office to get the permit issued for the ultimate building. Is that correct?

A Yes sir and I would have to do some additional research to see when the plan review was actually completed versus the time the permit was issued because sometimes there can be substantial lag time there.

Q I have nothing further. Thank you, Mr. Gattis.

BY MR. SUGLIA: Just to clarify. You stated earlier there was no building permit issued until September 26, 2005.

MR. GATTIS: Yes.

MR. SUGLIA: And then any, any work done on that site would have been associated with earthwork and grading.

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MR. GATTIS: Correct.

MR. SUGLIA: That's all I have.

CHAIRPERSON KEATING: We're just going to take two minutes real quick. Roy has to make a phone call.

MEMBER ALLEN: Can I ask a question while Roy's gone? Is that in order?

CHAIRPERSON KEATING: I think he just didn't want to make sure he missed anything. He'd like to hear the answer. (2:15:15 to 2:18:35)

MR. SUGLIA: Okay, thank you. Actually, I was done with Mr. Gattis and I pass (inaudible). And I'll call Mr. Dave Dawley.

CHAIRPERSON KEATING: Okay. Anybody have any questions? Thank you very much.

BY MR. SUGLIA: Mr. Dawley, would you explain how this parcel 99 was created?

MR. DAWLEY: Parcel 99 was created by a record of survey that was recorded January 11, 2005. At that point, Carson-Tahoe Regional Medical Center stayed the legal owner and the lease itself created the Carson-Tahoe Hospital Foundation as the assessed owner.

MR. SUGLIA: And is it common practice of the assessor's office to, if there's a leasehold then you would treat that differently from the rest of the surrounding property?

MR. DAWLEY: No.

Q Okay. So you had a copy of this lease and you also had a record of survey and is that what you used to create 99?

A Yes, it is.

Q Okay. Who provided the record of survey?

A The record of survey was, you may have a copy of it, by Carson City, Carson-Tahoe Hospital which was recorded on the (inaudible) of January.

Q All right. When you received that document, did it appear to you to be a request from the hospital to carve out a parcel?

A Yes, yes it did.

Q And you've done that for other entities?

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A Yes.

Q Based upon similar receipt of similar information?

A Yes.

Q Now, are there, is there a method that a party claiming to be exempt can, before the July 1 lien date, request an exemption?

A Yes.

Q Explain that to the board, how that works.

A Because not all 501(c)(3)s are automatically exempt, there's no provision in 361 that states that, there is a statute, and it's 361.155, which says that all people and organizations that are requesting exemptions on property complete those by June 15<sup>th</sup>.

Q Okay, did you ever receive one from the hospital foundation for this cancer center?

A No.

Q And are other exempt entities, like veterans, do they have to make request for exemptions?

A Correct. On a yearly basis.

Q So even though a person's been a veteran from the military, they would still have to ask for it every year?

A Correct.

CHAIRPERSON KEATING: Can I just clarify? In the event that they do not, do they still have this opportunity to come back later because we forgot, we did it wrong?

MR. DAWLEY: If you, we can give it to them for their personal property, yes, but not on their real property.

MR. SUGLIA: Could you tell us the date, then, when those exemptions have to be received?

MR. DAWLEY: June 15<sup>th</sup> of each year.

Q Okay, now going back to this specific parcel that you say was carved out at the hospital's request, what was going on on that land on July 1 of 2005?

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A As far as the appraiser is, when we drove by it, all the parcels were vacant. There may be a hole on this. The appraiser can't remember for sure but they were all vacant. There were no buildings on them.

Q Okay, there's no doubt in your mind there was no building on there as of July 1, 2005?

A Correct.

Q Okay. I'll pass the witness.

BY MR. PAVLAKIS: Thank you, Mr. Dawley. With regard to this record of survey, is that something that was filed with your office?

MR. DAWLEY: It's recorded at the Recorder's Office.

MR. PAVLAKIS: Is that your office?

MR. DAWLEY: No.

Q Okay, is that in a different building than your office?

A Yes, it is.

Q Was there anything filed with your office?

A No.

Q Was there any request filed with your office to create this other parcel?

A There was a verbal request from the title company, yes.

Q A verbal request from the title company?

A Correct, but we also get the copy of the record of survey and, at that point, we have to create it because it breaks the parcel off.

Q Did either the hospital or the foundation make any request of your office to create a parcel?

A Not that I'm aware of.

BY MR. SUGLIA: What entity was taxed here, Mr. Dawley?

MR. DAWLEY: Carson-Tahoe Hospital Foundation was the name the tax bill went out.

MR. SUGLIA: Did anyone ever tell you that you taxed the wrong entity?

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MR. DAWLEY: No.

Q Why did you send it to the foundation?

A Because that was, they are the lease, people who are holding the lease. We do that with all lease holds.

Q Does it matter that, in this case it's a twenty-year lease, would you do that for shorter leases too?

A Yes.

Q Similar situation? So if this board were to rule in favor of one of the hospital entities, it would be the foundation that would receive the tax break?

A Yes.

Q Or I'm sorry the tax exemption. Okay. That's all the questions I have.

BY MR. PAVLAKIS: Mr. Dawley, Mr. Suglia questioned you about hospital leases. The Sierra Professional Complex is all hospital-owned property. Is that correct?

MR. DAWLEY: Yes, it is.

MR. PAVLAKIS: And a portion of that property is leased to for-profit entities. Is that correct?

MR. DAWLEY: That's correct.

Q Do you send one tax bill to Carson-Tahoe Regional Healthcare?

A As far as that parcel is concerned, yes.

Q Now, with regard to the parcel that this 99 is the subject of item D-6 [sic], is this parcel owned by Carson-Tahoe Hospital?

A They own the land, yes.

Q Thank you.

A If I might, this is a similar lease to property out at the airport where Carson City owns the property but they do not own the building. And so, therefore, we send a tax bill to the owner of the building, who has a lease on the land.

Q As of July 1<sup>st</sup>, I believe you testified there was no building on this property. Is that correct?

A That's correct.

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Q And as of July 1<sup>st</sup>, when you indicated that you received this record of survey for (inaudible) Carson City (inaudible) hospital?

A Correct.

Q Do you know what Carson City's involvement is in this parcel?

A I have no idea.

Q Did you send a tax bill to the city?

A No, they don't own the property.

Q Why was the map submitted on behalf of Carson City and Carson-Tahoe Hospital?

A Mr. Pavlakis, I can't answer that. I have no idea.

MR. SUGLIA: I have nothing further.

CHAIRPERSON KEATING: Any committee, board members have any questions of Mr. Dawley?

MEMBER ALLEN: Now, you said that there was a ground lease executed and that's what precipitated the parcel map. Is that correct.

MR. DAWLEY: That's correct.

MEMBER ALLEN: I thought and this is directed at you, I thought that during your testimony that it was stated that there was no ground lease.

MR. PAVLAKIS: That was with regard, well, I believe Mr. Stansbury can testify but his testimony was that for the cancer center there is a ground lease between the hospital and the cancer center for the foundation, for the development of the cancer center and then the hospital has a master lease that was testified to back from the foundation that will include the land and the building once the building is built. Does that answer your question?

MEMBER ALLEN: Sure. It's as clear as mud.

MR. SUGLIA: I have copies that were recorded with the city of the memorandum of ground lease. I'd be happy to provide those to the board.

CHAIRPERSON KEATING: If anyone would like to have a copy, we can pass that around. I'm not sure if that'd make the mud any better. Go ahead, Mr. Stansbury, you want to clarify something?

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MR. STANSBURY:

Perhaps further clarification. Reference to no ground lease related, in my recollection, to the medical office building not the cancer center. We've had a ground lease in place with the cancer center for some time. There is no ground lease, as of this moment, on the medical office building.

CHAIRPERSON KEATING:

Okay. Either parties have any other information to provide? Okay, hearing none, I have some opinions on this but I'm sure others do too, so I'll let others go first.

MEMBER ALLEN:

Madam Chair, the, it appears to me, based on all the information that I've received and I think I'm putting probably more weight on the articles of incorporation than on most of the other maybe materials that we have. But those articles of incorporation show me that there's no question that the foundation and the hospital are more or less one entity. I mean, the 501(c)(3) foundation only exists and can only do what is necessarily beneficial to the hospital. In other words, they can't go out somewhere else and buy a piece of property and build a McDonald's. Or they can't go into business even owning a McDonald's or something else. It doesn't matter what it is. They are clearly stated, in their own articles, that their only reason for existence is to support the hospital in any manner, shape, or form that the hospital deems necessary and can use their assistance. Therefore, it appears to me that, you know, I mean, you're talking about maybe cutting one leg off of a two-legged person or something. It just doesn't make sense to me.

The other point, I guess, that I'm confused on is, it doesn't, in my mind, it doesn't make any sense whether there's a lease back after twenty years and/or before if the note's paid off in five to seven years or whatever the case may be, that it's clearly still "a hospital used piece of property." I don't know what else, the other thing is I don't know what else a cancer center would be used for. I don't think I'd like to go there just to spend the night, you know, and say I did something different. I don't think there's very many people that would do something like that. So it's clearly a medical facility and, as long as it's under the control of the hospital, to me, it makes sense that it's also their, it's under their control as to they'll accept the indigent and the so on and so forth, any race, creed, and color. So, with that, I'm going to **make a motion that this parcel be stricken from the rolls for the 2005 / 2006 tax year.**

CHAIRPERSON KEATING: I have a motion. Is there a second?

MEMBER SANADA:

**I will second the motion** and I guess I'll just add to what my colleague said that, you know, I'm very familiar with 501(c)(3)s and supporting organizations. It's a major part of my accounting practice, as a matter of fact, and what he said was absolutely true. They filled out some forms in order to get their status. They registered as a supporting organization. Were they to do anything else, they'd have to report that to the IRS and see if they were to still qualify for that status. Supporting organizations exist typically for hospitals, for libraries, for

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universities, museums, a lot of these organizations that really aren't going to stand on their own and they're going to need a little help and I think it's great that a foundation came into being to finance this. Obviously, the hospital has a limited amount of borrowing capacity with the big, new building and everything. I see them as substantially the same thing, and I guess I believe that our job here is to bring equity to situations and I'm not a judge, I'm not an attorney, but as a reasonable man approach, I agree. It's obviously, a cancer center is being built. It's not a for-profit partner which could taint things. It's a not for profit that is organized as a supporting organization for the hospital and I think that I, I think it meets the criteria of use based on the interpretation that use means there's something more than intentions going on. And I believe there is something more than intentions going on so I'll second the motion.

**CHAIRPERSON KEATING:** Any other comments?

**MEMBER LEWIS:** Just one question of clarification. The relationship between the foundation and the hospital, do any of the members of the hospital or the foundation work for or associate financially with the hospital?

**MR. PAVLAKIS:** The executive director is a hospital employee and there are representatives of the hospital board that also serve as representatives of the foundation board.

**MEMBER LEWIS:** But foundation members don't work there?

**MR. PAVLAKIS:** Correct.

**MEMBER LEWIS:** Thank you.

**CHAIRPERSON KEATING:** Any other comments?

**MEMBER SANADA:** I would just add that that arrangement where the director of the supported organization also serves as a director of the supporting organization is typical in the industry too.

**CHAIRPERSON KEATING:** Okay, Mr. Dawley, this one was probably the one that caused me the most heartburn. There, in my mind, is no doubt that this is going to be a non-profit entity and I know that documents were filed. I think you're going to find that more and more as time goes on, making financing off balance sheets seems to be the way of the future. Governmental entities are using them right and left. You will find property in this city that is owned by governmental entity that the building is owned by someone totally different. That is the nature of the world today.

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I think, you know, when we look at this case specifically, you had a state decision that had already said tax exempt and it's in the process of being reviewed. But, without that review, I think you have to sit back and make a decision, is there something to be gained by taking this issue on. And I'm not sure, at the end of the day, whether we, I hope it was worth it. I hope you got what you were looking for because we put a lot of hours and a lot of legal money into probably way more than the taxes would be on this lot. I'm sure we're way beyond that. I don't see, nothing's changed in the statutes. I think the opinions that you provided are on point. I agree, but there's probably not a lot of opinions about hospitals because I don't think we do this a lot. I don't think this issue comes up a lot, and so forth. So, it's been very frustrating to me. I don't think, in my mind, there's any doubt that that is going to be run as a non-profit. Those five acres or 4.9 acres for a non-profit, you know, activity. We have choices to make. I would just hope when we do these, the choices that we pick, there's a benefit for them at the of the day. And I hope for you, for this one, at least, that that turns out to be whatever it is that you wanted. So, okay, Kathleen, if you wouldn't mind taking a roll call vote.

**MS. KING:** **Member Sanada?**

**MEMBER SANADA:** **Yes.**

**MS. KING:** **Member Allen?**

**MEMBER ALLEN:** **Yes.**

**MS. KING:** **Member Lewis?**

**MEMBER LEWIS:** **Yes.**

**MS. KING:** **Vice Chairperson Semmens?**

**VICE CHAIRPERSON SEMMENS:** **No.**

**MS. KING:** **Chairperson Keating?**

**CHAIRPERSON KEATING:** **Yes.** Again, Mr. Dawley, you can appeal that to the state. That's the last item on our agenda. As I told you, this is my eighth year. I'm done. I did want to thank the assessor's office. Over the years, you've been very accommodating, very helpful, Dave and your staff and Kit previously and I appreciate all of that. I think you do an excellent job and I wish you all the best in the future and thank you very much. And thanks to the rest of you who volunteered your time. Didn't probably quite know what you were getting into when you did it; however, I would say, other than these issues, these meetings have gone relatively quickly and are pretty straightforward. So, thank you. Is there any other item or anything, any other petition or anything else we need to worry about?

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MR. SUGLIA: I'd like to thank the board for all their time and patience, and I appreciate your ability to listen to the facts and the arguments and make a decision. (Inaudible).

CHAIRPERSON KEATING: Thank you.

MR. PAVLAKIS: Ms. Chairman, if this is your last meeting, ...

CHAIRPERSON KEATING: It is.

MR. PAVLAKIS: I would like to, on behalf of Carson-Tahoe Regional Healthcare, not only thank you for your service, but all the board members. I hope that nothing that I said or did, in terms of (inaudible). I appreciate, too, the service that you provide to our community and thank you very much.

CHAIRPERSON KEATING: Okay, if that's it, I would take a motion for adjournment.

MEMBER ALLEN: **So moved.**

CHAIRPERSON KEATING: Is there a second?

VICE CHAIRPERSON SEMMENS: **Second.**

CHAIRPERSON KEATING: All in favor, say aye.

BOARD MEMBERS: **Aye.**