

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 1

A regular meeting of the Carson City Board of Equalization was scheduled for 10:00 a.m. on Tuesday, January 31, 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
Steve Walker, Property Appraiser
Heather Mandel, Property Appraiser
Kimberly Adams, Property Appraiser
Michael Suglia, Senior Deputy District Attorney
Kathleen King, Recording Secretary

NOTE: A recording of these proceedings is available, in the Clerk-Recorder's Office, for review 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 of the meeting is set forth as a transcript.

A. CALL TO ORDER, ROLL CALL AND DETERMINATION OF QUORUM (10:01:58) -
Chairperson Keating called the meeting to order at 10:01 a.m. Roll was called; a quorum was present.

B. ACTION ON APPROVAL OF MINUTES - January 17, 2006 and January 24, 2006 (10:02:18)
- Member Allen moved to accept the minutes, as presented. Member Lewis seconded the motion. Motion carried; Member Sanada abstaining with regard to the January 24, 2006 minutes.

C. PUBLIC COMMENT ON NON-AGENDIZED ITEMS (10:03:00) - None.

D. DISCUSSION AND ACTION ON PETITIONS FOR REVIEW OF ASSESSED VALUATION (10:03:19)

CHAIRPERSON KEATING: The next item is the specific petition by Carson-Tahoe Regional Healthcare regarding six parcels; however, the Assessor's Office has asked that I allow each party to, at least first before sworn testimony, make an opening statement. Would that be acceptable to you, Mr. Pavlakis?

MICHAEL PAVLAKIS: Yes, it would.

CHAIRPERSON KEATING: I have no, and I'll Mr. Suglia, is there a certain order that those comments should be made in?

MICHAEL SUGLIA: Yes, there is. I have a packet that I was given from the state board and it outlines the procedure that would be used.

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 2

CHAIRPERSON KEATING: Okay. I believe the members received, would this be included in the letter that we each received on January 4th?

MICHAEL SUGLIA: That big packet.

CHAIRPERSON KEATING: That big packet?

MICHAEL SUGLIA: Yes. It's got the 2006 procedures.

CHAIRPERSON KEATING: Right and if you could direct us to where, in there, that that direction is given.

MICHAEL SUGLIA: Page 2, I believe.

CHAIRPERSON KEATING: Right smack in the beginning. Okay. And it is my understanding that we are going to take a much more formal presentation today than we have in meetings past. So each person, as you speak, needs to go to the podium and use the microphone so we make sure it picks up.

MICHAEL SUGLIA: Right. And the procedure would be for the petitioner, the hospital, to give their opening statement first followed by the respondent, the Assessor's Office.

CHAIRPERSON KEATING: Okay. Thank you very much for that clarification. Okay, Mr. Pavlakis, I guess that would be you first. Oh, excuse me, Mr. Dawley had a comment.

DAVID DAWLEY: Madame Chair, thank you. Also, if we could, when we go through these parcels, go on a parcel by parcel basis, make a determination and move on.

CHAIRPERSON KEATING: You had asked that in the last meeting. I have no objection to that. That is traditionally how we review parcels is on a parcel by parcel basis. Okay, I'm sorry, Mr. Pavlakis, it's your turn now.

MR. PAVLAKIS: Thank you, Chairwoman Keating. It's a pleasure to appear before the Board. My name is Mike Pavlakis. I'm an attorney with the firm of Allison, MacKenzie, here in Carson City. I represent Carson-Tahoe Regional Healthcare. Carson-Tahoe Regional Healthcare is a Nevada non-profit corporation, formerly known as Carson-Tahoe Hospital. Effective December 3rd, with the opening of the new facility at the north end of town, the corporate name was changed. I have a copy of the certificate of amendment as filed with the Nevada Secretary of State this last year that shows the effective date of the name change as December 3rd. I also have a copy of a letter from the State Department of Taxation that I would like to have identified and marked in the

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 3

record, that grants the Carson-Tahoe Regional Healthcare tax exemption on a statewide basis.

CHAIRPERSON KEATING: Okay. Do you have copies for all the members here?

MR. PAVLAKIS: I do.

CHAIRPERSON KEATING: Okay. And just for clarification, are you requesting that we start marking these as Exhibit A, B, C, and so forth? Would that make it clearer?

MR. PAVLAKIS: I'm only introducing these just for your information in case there's any doubt about who is Carson-Tahoe Regional Healthcare. I would ask that a copy be kept with the minutes of this meeting.

CHAIRPERSON KEATING: Okay. Are you envisioning many more exhibits? I know that we each have a packet that we have been handed, I believe it came from your office, from the hospital?

MR. PAVLAKIS: That's correct. And I will be referring to those exhibits and they each have a tab. I think there are six tabs that we refer individually to the six parcels that have been identified by the assessor.

CHAIRPERSON KEATING: Okay. Are these the only two documents that you are going to present here today?

MR. PAVLAKIS: I have one copy of the certificate of amendment to the articles of incorporation that I would like to leave with the recording secretary if I may. You are free to examine it if you'd like.

CHAIRPERSON KEATING: Okay. I just want to make sure we've included all of the documents that you wanted presented here today.

MR. PAVLAKIS: Well, so far that's it.

CHAIRPERSON KEATING: Okay. All right. Go ahead.

MR. PAVLAKIS: With me today is Dawn Ellerbrock of our law firm, who has collated the material that you have before you and also Kurt Disney, who is the controller for Carson-Tahoe Regional Healthcare. I remember several of the faces from when we appeared before you a few years ago and, what I'm happy to report and hopefully as you all know, Carson-Tahoe Regional Healthcare now has two campuses, two hospital facilities. One campus is located at 775 Fleischmann Way. That facility is currently in the process of being renovated into a long-term acute care facility and it will also house certain outpatient modalities. Currently,

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 4

what's occurring inside that facility are the outpatient modalities. Its name is the Carson-Tahoe Speciality Medical Center. There still is a not-for-profit hospital facility being operated at that location.

CHAIRPERSON KEATING: And just so I understand. All of these physical locations are still under the corporate umbrella and assets owned by that corporation known as Carson-Tahoe Regional Healthcare?

MR. PAVLAKIS: Correct.

CHAIRPERSON KEATING: Okay.

MR. PAVLAKIS: My client is Carson-Tahoe Regional Healthcare, CTRH. It has two campuses. The old hospital facilities on Fleischmann Way now known as Carson-Tahoe Specialty Medical Center and the new facility which is at the north end of town called Carson-Tahoe Regional Medical Center. That's the name of the hospital site.

We are here before you today, pursuant to Chapter 361 of the Nevada Revised Statutes, on the basis that the county assessor has assessed a tax on certain properties that are owned by CTRH. And we are asking that you determine that these properties should not be taxed. No, we're not Wal-Mart. No, we're not an auto mall. No, we're not Costco. I'm asking you to consider your mission, which is to correct inequity and determine what value you place in this community, what value the hospital brings and whether, in light of your statutory charge, these properties should be exempted from taxation. The statutes at issue are fairly straightforward. We have two statutes, NRS 361.083 which provides that the property on which stands a hospital or other charitable asylum for the care or relief of orphaned children or the sick, infirm, or indigent persons, owned by a not-for-profit corporation, organized and existing pursuant to Chapter 82 of the Nevada Revised Statutes, together with the buildings, while occupied for those objects and purposes, is exempt from taxation. A related statute is NRS 361.140. And subsection 2 of that statute provides that all buildings, so 083 talks about the land, together with the buildings, if any, and 140 talks about the buildings. All buildings belonging to a corporation, defined in subsection 1, which includes a charitable hospital and other charitable organizations, together with the land actually occupied by the corporation for the purposes described and the personal property actually used in connection therewith, are exempt from taxation when used solely for the purposes of the charitable corporation.

The properties at issue here, there are two, again two locations. In the material that we've supplied, and I believe it's also in the material supplied by Mr. Dawley, under tab number 1, exhibit number 1, on the first page, this is the assessor's map that depicts what I refer to the as the old hospital campus. Parcels D1 and D2 are shown in yellow on Exhibit D1 and D2. This property consists ...

CHAIRPERSON KEATING: And just to make sure that your statement is correct, could you please read the tax roll assessor number for each of those properties so that we make sure we're talking about exactly what we're talking about here.

MR. PAVLAKIS: D1 is APN 001-201-15 and D2 is 001-201-16.

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 5

CHAIRPERSON KEATING: Okay.

MR. PAVLAKIS: They are commonly referred to as 608 and 610 West Washington Street. I didn't have occasion to drive by them on my way to the meeting today, but when I have driven by those properties, what those properties are used for is parking for the medical office buildings that are located on and near the Carson-Tahoe Hospital campus, the specialty medical center campus. That property has been, was purchased by Carson-Tahoe Hospital, as Mr. Dawley points out, in 1998, at a time when the hospital was county-owned. In 2002, the county supervisors transferred the assets of Carson-Tahoe Hospital, the county hospital to Carson-Tahoe Hospital, a Nevada non-profit corporation, pursuant to an assumption agreement that is dated July 19th of 2002. All of those assets were transferred by the county to the not-for-profit corporation with the charge that the not-for-profit corporation was going to use them for the not-for-profit purpose. And the not-for-profit purposes included providing indigent care or care to the indigent who resided within the county.

The assessor has never previously taxed that property. It is contiguous to the Sierra Professional Complex that houses a number of hospital-related facilities, including Mr. Disney's office, and there has been no change of use since 1998. As the regional, as the specialty medical center grows, there may be buildings constructed on that property but I don't read anything in NRS that says you have to construct a building, you have to occupy it and we are occupying. We're using it for our tax-exempt mission which includes the related Sierra Professional Complex. There's overflow parking on that facility I would say on a daily basis. The property inside of it, it used to be a residential parcel and so D2 is the residential property that is surrounded by D1. So that's the only property at the former hospital site, at the specialty medical center site that the assessor has decided that, for whatever reason, he wants to assess this time.

There are other parking lots that the assessor has not taxed. So, on an equity basis, on what basis was the decision made to impose a tax here? What about the other parking lots? There are no buildings on those parking lots. Why aren't those being taxed?

CHAIRPERSON KEATING: And Mr. Pavlakis, could you just answer a question real quick so I make sure I understand.

MR. PAVLAKIS: Sure.

CHAIRPERSON KEATING: On that map that shows it as parcels 15 and 16.

MR. PAVLAKIS: Yes.

CHAIRPERSON KEATING: Who has title to parcel 201? Is that the Ross and Gilbert and other buildings?

MR. PAVLAKIS: The Sierra Professional Complex?

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 6

- CHAIRPERSON KEATING: 19, excuse me. I'm just making sure I have in my mind.
- MR. PAVLAKIS: Carson-Tahoe Regional Healthcare owns not only what's shown in yellow on D1 and D2 but 19, which is Sierra Professional Complex, where the Ross ...
- CHAIRPERSON KEATING: That is owned by the hospital?
- MR. PAVLAKIS: It is a hundred percent owned by the hospital. And the APN 25 is also owned by the hospital.
- CHAIRPERSON KEATING: Are any of those properties, is property 19 subject to taxes?
- MR. PAVLAKIS: On the basis of, there's a statute that allows the assessor to collect tax on property that is leased to people who are not tax exempt. So, some of you may have dentists that work in that building, in those buildings. Some of you may go to Lee's Pharmacy. So, what the assessor has done, and my understanding is that this is done on the basis of hello? a telephone call, what's going on a Sierra Professional Complex? What percentage of, if there's a total of 40,000 square feet of space, and I don't know that that's the ...
- CHAIRPERSON KEATING: And honestly, we can get into that one on this, when we get to those specific parcels. I just wanted to make sure I understood where the hospital, the old hospital was compared to this lot and I was certain of the answer but I honestly didn't know who owned those medical complexes. So you can go on with your statement. I just wanted a clarification. Thank you.
- MR. PAVLAKIS: The hospital owns all of this parcel number 25. It owns of parcel 19. It also owns parcel 4, which is where the Adams House is and it also owns 15 and 16.
- CHAIRPERSON KEATING: Okay.
- MR. PAVLAKIS: None of those other properties at the old hospital location are involved in this matter. Parcel number 19, pursuant to an agreement between the hospital and the assessor's office, there's a proration for that portion of Sierra Professional Complex which is used for for-profit businesses if that makes sense. Pursuant to a specific statute that allows that.

The, under D4, 5, or 3, 4, 5, and 6 are properties located at the regional medical center campus. There is a, and you can pick whichever one you want to look at. Number, under tab number 3, I actually have color copies, small copies. Dawn, would you?

RON ALLEN: We're jumping to another parcel. We didn't ...

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 7

CHAIRPERSON KEATING: They're just making their opening statement.

MR. PAVLAKIS: I'd also like to introduce, if I might, Chairwoman Keating, I'd like to introduce Kevin Stansbury, who is the chief operations officer for Carson-Tahoe Regional Healthcare. I just, Ms. Ellerbock just handed out a small copy of what I call the campus plan. What is depicted on this board, just to help orient you is Eagle Valley Ranch Road and we now have a completed roadway. It is not yet dedicated to the City but the hospital has completed the, I don't, I hope I'm not being too obvious. The hospital has completed this roadway. The hospital has participated in the completion of Silver Oak Boulevard and there's a small spur off of Medical Parkway called Presti that provides access to the facilities of the Eagle Valley Children's Home. So, these roadway improvements have all been made by the hospital since the year 2002.

The property, I'd like to just kind of go through the acquisitions because I think that'll help orient you. If you can see on the drawing the creek. Eagle Valley Ranch Creek traverses the property from west to east and ends up in detention ponds. Eventually, the detention ponds will be deeded to the city but what the city actually owns right now is, crosses the creek and consists of about 8 acres that probably encompasses most of detention pond number 1, and a portion of detention pond number 2. The roadway probably is not on city property right now. So, the city's boundary right now occurs generally in that area. What's going to happen is that all of this is going to be deeded to the city and a portion of what the city now owns may be deeded back to the hospital. The relevance of that is, things change. Things change with time. What the hospital acquired from the Eagle Valley Children's Home, which itself is a Nevada non-profit corporation, it's technical name is Nevada Children's Foundation and it does business as Eagle Valley Children's Home, is 45 acres essentially north of the creek, excluding the detention pond. The first parcel, or the next parcel that the hospital purchased, the 45 acres was acquired in 2002. The next parcel the hospital purchased was 15 acres generally south of the creek that encompasses what's shown here as D and E. That consists of 15 acres and I believe that both of those parcels are the subject of an appeal, a petition for review with the district court. The State Board of Equalization determined all of those properties are exempt.

CHAIRPERSON KEATING: And let me make sure I clarify that. As I recall, in the last meeting we had, I believe it was 2003, that the hospital had stipulated with the assessor's office to at least one parcel that was going to house an office building, that would be subject to tax. Okay. Was that, is that parcel on there and is that subject to judicial review at this point or is that not on the table at this point?

MR. PAVLAKIS: Let me respond as best I can.

CHAIRPERSON KEATING: And maybe I'm not stating it correctly.

MR. PAVLAKIS: No, you're saying it exactly right. The 45 acres acquired from the children's home, I don't believe that that ever was taxed. I don't think Mr. Dawley ever tried to tax that. It's historically never been taxed. What was before you was this 15 acres below and I don't know that

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 8

there was a stipulation, but there was clearly a representation by me that this parcel E was going to be developed, hopefully, and it ultimately was as a specialty surgical hospital and it's now known as Sierra Surgery and Imaging and that property is on the tax roll. And there's no, I don't believe that that's before this board at this time but it is the subject of a petition in the district court brought by the city as a result of the State Board of Equalization determining that the property is exempt.

CHAIRPERSON KEATING: And that's what I wanted to clarify. I recall this board was locked 2-2 and didn't have an ultimate decision. If the State Board of Equalization decided that all of the property was exempt.

MR. PAVLAKIS: The State Board of Equalization decided the 15 acres was exempt because that's what was before it.

CHAIRPERSON KEATING: And, if I'm not mistaken, I thought the 15 acres at the time we met, that you represented you were not pursuing them at that point, tax exempt status at that point.

MR. PAVLAKIS: Well, if I may. Let me ...

CHAIRPERSON KEATING: And please feel free to refresh my memory to make sure I understand it correctly.

MR. PAVLAKIS: Our position before this board at that time was that all of the regional medical center property was tax exempt because we own it, we were occupying it, we were in the process of considering, as we are now, a number of uses. I think my position, and the hospital's position when we appeared before you is, if and when this property becomes the subject of a lease to a for-profit entity such as Sierra Professional Complex, then, at that time, this can clearly be taxable. But until there's a use that would provide the basis for taxing, that the property's exempt. And I believe, at least I hope that's what I represented to this board.

CHAIRPERSON KEATING: And you very well may have. I just needed the clarification. And it was with that position that the State Board of Equalization agreed?

MR. PAVLAKIS: Essentially, yes. That's ...

CHAIRPERSON KEATING: I have the opinion here, but I just need to make sure. And I'm not a real estate person or whatever. I just need to make sure I understand what it says.

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 9

MR. PAVLAKIS: Bottom line, State Board of Equalization said the 15 acres is tax exempt.

CHAIRPERSON KEATING: Okay.

MR. PAVLAKIS: As of the date of their decision. Subsequently, the building was completed. The assessor came out and looked at the building and saw that there's a commercial user and we're paying the tax on that building. That's not an issue before you today.

CHAIRPERSON KEATING: Okay. Thank you.

MR. PAVLAKIS: What is an issue, or what the issues are before you today, I'm going to start with the, do you want to start with the hard one or the easy one? Let's start with the easy one. The easy one, in my opinion, is the cancer center. The Carson-Tahoe Hospital Foundation, and a copy of its articles and a copy of its tax exempt letter is in the packet. I don't, if you haven't been hit up for money, they'll be here shortly to ask you for a charitable donation that you can take on your tax return as a tax deduction to build, it's basically a \$12 million center for the treatment of cancer care. The building is, the land is owned by Carson-Tahoe Hospital. The land was leased to the foundation. The foundation borrowed \$12 million to build the building and they're asking the community for donations to complete the building. How anyone could say that that's taxable is, I really can hardly wait to hear that. I can hardly wait. And that's shown as parcel J. That's an easy one.

Perhaps just as easy is the front door. And what I read over here a parcel B, D6 was the cancer center and that is parcel number 007-531-99. And it consists, according to the assessor, of 4.9 acres and it was purchased as part of the 45 acres from the Eagle Valley Children's Home that the assessor has never heretofore decided to tax. D5 consists of, that this is totally, it consists of 1.6 acres. It's referred to as parcel 007-531-15 and what I can tell you for sure is that it's behind the Ceramic Tile Center. It's behind Michael Hohl Subaru and it's behind the RV Center. But where the property lines are over and where it abuts the City property, I think it does something like this. And the assessor has decided that that should be taxed. He acknowledges in the material that I read this morning that it is landscaped. He didn't tell you that it has a sign saying, front door, Carson-Tahoe Regional Healthcare, turn here. I don't see a statute that says we have to build a building right there to satisfy the assessor. Again, if we were Costco, if we were Wal-Mart, if we were, maybe we need an auto mall here. Maybe then you'd be asking us or the assessor would be asking the hospital, what can we do for you? That property was, again, acquired in 2002. I believe that was part of the Silver Oak purchase, the 15 acres. So I believe it is encompassed by the decision of the State Board of Equalization.

The, D4, as the assessor has indicated, was acquired subsequent to the hearing before you in 2003 and it consists, it is identified as parcel number 007-531-07. And it consists, on this drawing, of parcels F, G, H, and I. So this area here is the subject of D4, and consists of 17 acres. What you will see, if you drive out there now, is a roadway, signs that say emergency room this way, a fence for a construction site for a

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 10

medical office building, land that the hospital will someday develop into additional buildings for health care related purposes. The land is occupied by this road and the related improvements that the hospital has made. That property was acquired in 2003 from Silver Oak. The last parcel that is on the assessor's, you know, it's interesting to me how, you know, the hospital's phone number hasn't changed and we used to be able to work things out through communication on how much of Sierra Professional Complex is occupied by for-profit users and how much isn't. But, what's interesting is that, for some reason, that hasn't occurred. What has occurred is that in 2004, the hospital acquired from Silver Oak this parcel G and, if you notice, there's a line right here.

MARY SANADA: Excuse me, do you mean parcel C?

MR. PAVLAKIS: I'm, yes, I do. Parcel C. There's a triangular portion that consists originally of approximately 1.25 acres that I don't believe the assessor has ever taxed. And what has happened now, is that now that the hospital purchased this land, Parcel C that's to the south for the 1.25 acres and that purchase occurred in 2004, none of these properties, 2003, 2004, these properties were not taxed to the hospital. This year, they are.

What the hospital did is it purchased this land in bulk and through what's called the parcel map process filed, I'll go through the maps. There was one parcel map that created 1, 2, 3, 4, parcels. And then there was another parcel map that created 1, 2, 3, 4, parcels. So, I believe that's a total of three maps that we recorded that created these parcels. The hospital has reserved, if you'll notice there's a fault line right here and that fault line goes through the middle of what is identified in D3, D3 is previously 007-531-04. And that parcel, with the filing by the hospital of its parcel maps, has now been divided into 007-531-17, 18, and 19. The assessor decided that those properties are going to be taxed if they're to the left and the properties to the east are not going to be taxed. I don't believe anyone called either Mr. Stansbury, Mr. Disney, or anybody else at the hospital to, on what basis was that being done and what thinking went into that. But what I can tell you is that the hospital, it was just, it should have been done just the opposite. And, again, a phone call might have helped prevent this, at least this portion of the hearing.

The hospital divided these properties that front onto the golf course so that some of them could be sold to physicians for the development of medical office buildings, tax roll money, and the properties that the assessor did not impose a tax on are the ones that we sold. The ones that he did impose a tax on are the ones that we're reserving. The properties to the left or to the west of the fault line are reserved for future hospital use and it consists of one parcel. Technically, there is one parcel that is on the, that was created with these four parcels that have since sold and there is a parcel right where the C is that probably would be offered for sale. But the property the west of the fault line is reserved for hospital use. This property has been improved with a road, is being occupied by the hospital, the hospital is going to be putting up signs, medical office park south, and there are specific restrictions and reservations contained in all the deeds about restrictions on the use of these properties that would compliment the hospital use and ownership of the regional medical center campus.

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 11

The, it's not about the money. It's about the value. And the value that you place on hospital facilities, about what is equitable. There was an issue about the authority and the jurisdiction of this board. What I saw in the statute is the board exists to prevent inequity. On what basis, what basis can the assessor come to you and say, parcel A is exempt. No tax for parcel A, but parcel B, by God, that ought to be taxed. On what basis is that equitable? Thank you.

CHAIRPERSON KEATING: And I'll give the other committee members just an opportunity to ask. I just want to get some clarified questions.

MR. PAVLAKIS: Sure.

CHAIRPERSON KEATING: And I just want to tell the assessor's office, the question I'm going to ask you, I'm going to ask their opinion of the exact same question. You have provided in your packet the opinion of the State Board of Equalization and, if I heard you correctly earlier, it was their opinion, and if I'm reading it in their Findings of Fact and their Conclusions, but specifically in Finding of Fact on their second page, Finding of Fact number 4, because I believe the last time this board saw this issue, the issue of occupy is what caused the greatest concern for all of us. And if I read their answers, or at least their Finding, they felt that the action that had been taken, at least to date by the hospital, met the definition of occupy. And in their opinion, if I'm understanding it and I will ask the city to give me their understanding as well, they believe that all of the property that the hospital owned met the definition of occupy. So, even though there was some sort of an, of a deferral, I'll use that term of section E, they did agree that as long as the Carson-Tahoe Regional Healthcare owned that and the actions taken to date met the definition of occupy and required that all of those parcels owned and subject at that time were not subject to taxation. Let me ask you the next question.

MR. PAVLAKIS: May I just follow up?

CHAIRPERSON KEATING: Oh sure.

MR. PAVLAKIS: I think your understanding is correct. The issue before this board at the prior hearing, at least in the mind of the assessor, and he glommed onto this language about the buildings occupied and what we tried to argue, unsuccessfully to this board, was that we bought the land, it was pretty clear to everybody, especially the city that we were developing a campus because the city was talking about roadway improvements, utility improvements, the water improvements that were going to need to be made, and we had, I'm not sure whether we had done any grading but we had at least received some permits. And the big thing that we had was we had achieved financing. The city participated in the 2003 hospital bonds to finance the thing. And so for one arm of the city to

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 12

say, well, you're not occupying it yet and when you open for business on December 3rd and you have your first patient, well then that's when you'll occupy it. Well, I think that the state board didn't see it that way.

CHAIRPERSON KEATING: Okay. I just wanted to make sure. Now, my second question is and, again, I'll ask the city the same question. Once a decision is made by the state board and, I believe the next step is district court, and property is deemed by them to be non-taxable, what authority does the city have, the assessor have to take a parcel that had previously been determined as non-taxable, or am I missing it, even the old Fleischmann Way property or this property, and decide for this year I'm going to tax it. Where is their, if they're not bound by that until the court overturns it? I'm trying to understand, is that binding regulations? I know it's not court but I don't know if that binds the city where they can say, well, that's fine for that year but I'm bringing it back again the next year. I'm just trying to understand the authorities of what you can and cannot do.

MR. PAVLAKIS: Are you asking specifically with regard to parcel E?

CHAIRPERSON KEATING: I believe that would be one that would have been exempted under the state board decision that is back on the rolls and it's my understanding an issue of today.

MR. PAVLAKIS: It's not an issue of today.

CHAIRPERSON KEATING: Okay.

MR. PAVLAKIS: So, Parcel E is not an issue for today.

CHAIRPERSON KEATING: So any of the parcels that we're discussing today are not parcels that were included under that previous ...

MR. PAVLAKIS: I believe parcel B is.

CHAIRPERSON KEATING: I thought there was. Okay. All right. And I will ask the city that same question. Is there any reason to believe that or has a statute changed since it's been three years since we've been there that would change the facts and the laws of a decision made three years ago would be a different decision today? Has there been any law changes, and statute changes, and policy changes within the assessor's office, anything that would lead to a different conclusion today than what we did three years ago?

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 13

MR. PAVLAKIS: The law has not changed. The state board decision encompassed parcel B. It also encompassed parcel E. The, E is not an issue today as I think I've tried to make clear. Things change. And, when we were here in 2003, this was vacant land contiguous to the hospital building. We were going to build a hospital on parcel E, possibly lease it, possibly keep it, but ultimately we decided to lease it to Sierra Surgery and Imaging, the assessor has imposed a tax and there's, I don't, there's not a contest on that parcel.

CHAIRPERSON KEATING: Okay.

MR. PAVLAKIS: So the law has not changed.

CHAIRPERSON KEATING: So, let's talk specifically about parcel B. Is there anything and, again, this is the hospital's opinion, that binds the assessor to a decision of the Board of Equalization?

MR. PAVLAKIS: The decision of that board. There hasn't been a stay of that decision. There hasn't been any court that's overruled that decision. The decision is the decision.

CHAIRPERSON KEATING: Right, but it's my understanding, if I'm understanding this correctly, parcel B has been subject to tax for the '05 year and you are asking it to be so what authority to you have to have a Board of Equalization opinion and then, with no law change, nothing in the meantime, the next some time in the future they put that back on the tax rolls.

MR. PAVLAKIS: That's my argument. That's what I'm saying.

CHAIRPERSON KEATING: Okay. You don't believe there's authority to do that? Or you just want it taken back off for the other reasons that you've suggested?

MR. PAVLAKIS: To the extent that parcel B is part of the 15 acres that was before you previously, and to the extent that parcel B is encompassed by the decision of the State Board of Equalization, which is still the law, there hasn't been a stay, there hasn't been a change, your question is valid and, I think, appropriately answered by the district attorney for the reasons you've stated. There hasn't been a law change. That property should not be taxed. There hasn't been a change. The only thing that's happened, in terms of life changes, are that we've made improvements to it. We're occupying. We have a road, we have landscaping, we have utilities, we have a sign.

CHAIRPERSON KEATING: Okay. And I appreciate the city's indulgence for allowing me to just explore so I understood what the precedents are and what happened last time versus what happened this time and if any of the other committee,

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 14

board members have any questions of Mr. Pavlakis, I wanted to give you an opportunity. We will go, in detail, into each specific parcel. I just wanted to make sure I understand what that decision was and what it meant, at least from the hospital's standpoint. Again, I will ask the city the same thing.

MARY SANADA: Mr. Pavlakis, Mary Sanada and I have one clarification on the first parcel we talked about. The parking lot?

MR. PAVLAKIS: On Washington Street, yes.

MS. SANADA: Am I correct to understand that that parking lot is basically utilized by the for-profit building? Is that correct?

MR. PAVLAKIS: It's not a paved parking lot.

MS. SANADA: Okay.

MR. PAVLAKIS: It's land that the hospital owns that is used by occupants of the medical office buildings on, that surround it. Some of them probably are occupants of the 604 West Washington. I don't know whether we have any hospital folks in that building. We don't currently have hospital folks in that building, in the immediately adjoining building but the hospital owns the property immediately behind it which is the Ross Building where we have our outpatient imaging service. And I don't know whether employees use that for parking. I don't know.

MS. SANADA: But it's not paved? It's not a designated ...

MR. PAVLAKIS: It's not improved.

MS. SANADA: There's not improved parking on it.

MR. PAVLAKIS: I believe it's been used for snow storage. It is used for snow storage, snow removal from the Sierra Professional parking lot.

CHAIRPERSON KEATING: Okay. Does anyone else have any questions? Okay. Thank you very much.

MR. PAVLAKIS: Thank you.

CHAIRPERSON KEATING: Mr. Dawley? Mr. Suglia?

MICHAEL SUGLIA: Thank you. My name is Mike Suglia and, I guess to be honest, I'm wearing two hats today. I'm here to make sure that we follow the open meeting law and that's part of my duties to the board, but I'm also here

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 15

at the request of the assessor to act in the role of respondent and to respond to some of the arguments made by counsel, and also to be up front and recognize that what you're hearing today is just mostly legal argument. I don't know if we're going to hear actual testimony from the people in the hospital. I may call the assessor to answer some questions. And we'll put him under oath and then answer the questions of both counsel and the board. But it's mostly legal argument that you're going to be hearing today. I think that's pretty obvious from what you've heard so far.

We were given, you were offered an exhibit from the Department of Taxation and I wasn't given an opportunity to object to that. I'm going to do that right now and ask that you don't accept that as an exhibit. If you have an attorney that says this letter only applies to Nevada sales use tax does not provide exception from any other tax. I think it would be somewhat misleading if you were given this, a sales and use tax letter, and considered it to be an exemption for specific properties owned by the hospital. So I'm going to ask that you don't accept this an exhibit.

CHAIRPERSON KEATING: And just so I make sure I understood, and I will tell you, as one person, I never considered it for that purpose. It was my understanding this was just a tax exempt status for sales and use tax only and that the assessor's and this board would determine the actual property tax issue.

MR. SUGLIA: Well, I think it has no relevance and it also, it states right in the letter, it's not providing exemption for any other type of tax.

CHAIRPERSON KEATING: Okay.

MR. SUGLIA: So I think it has no relevance and I'll ask that you do not consider and accept it as an exhibit.

CHAIRPERSON KEATING: Okay, we'll allow Mr. Pavlakis an opportunity to respond.

MR. PAVLAKIS: We certainly weren't offering it to superimpose that decision for the decision you have to make. The purpose for which it was offered was to demonstrate that Carson-Tahoe Regional Healthcare is a tax exempt entity because the opening sentence in that says that we've been granted exemption from the IRS for income tax purposes. We also have exemption for sales tax purposes. The decision for you to make is whether or not certain properties are exempt. And if this letter was intended to mean that, then why would we even be here. So, it's ...

CHAIRPERSON KEATING: Maybe we can just resolve this quickly. Is there an issue, at least in regard to the city and the hospital, that Carson-Tahoe Regional Healthcare is a 501(c)(3) corporation and is not subject to federal income taxes, not subject to sales taxes, and not subject to use taxes? Is there an issue with that?

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 16

- MR. SUGLIA: Well, I would stipulate they are a 501(c)(3) from all I know.
- CHAIRPERSON KEATING: Okay, so this document then would get the appropriate weight. All right. Go ahead.
- MR. SUGLIA: Okay. I would also move at this time, you have a packet before you from the assessor and just as you accepted the hospital's packet, I would also move that this be an exhibit for this hearing.
- CHAIRPERSON KEATING: And I will do so. Could I just ask, just an indulgence prospectively and I'm sure probably won't be much of an issue. But I noticed after the agenda, there is a letter addressed to the Board of Equalization. And to be honest to you, sir, I didn't know who wrote that to me until I was probably three quarters of the way through the letter. And I think, for future board meetings, if it is intended to be a letter of transmittal from the assessor's office to the board, it would be helpful for me to at least have some kind of letterhead on there telling me whose letter I'm reading because it sure reads a lot like a legal brief because I think you're right, all we are discussing is legal issues today. For both parties, just put letterhead or something that tells me whose letter I'm reading. Thank you.
- MR. SUGLIA: That's an excellent suggestion. We appreciate that. When counsel left off as his opening statement, he left off with the opinion of the State Board of Equalization and I think that's a good place for me to start. That was a ruling we received in 2003 and it really discussed two specific parcels, 7-511-02 and 08-054-16. There's a question about the meaning of this and there are, a lot of this hearing had to do with jurisdiction, whether various boards could even hear exemptions. And the state board ruled that it could. And I don't, to be real honest, I don't really disagree with that because if you could say something is taxed, you can also say something is not going to be taxed.

But what they found, as the finding of fact, that the taxpayer, the hospital, had taken significant steps in the actual planning and development of the hospital site. They also noticed that occurred on July 18, 2003. That date may have some significance because that's the date when we make our tax assessment. That was a finding of fact. As a conclusion of law, the state board, and I'm not sure why they did this, but they looked to New York law. They didn't look at Nevada law even though we have some really good Nevada case law. They said, oh, we'll go look at New York law. I don't know what New York statutes look like regarding tax exemption but it was good enough for the state board and that's all right. That's what they based their opinion on. They found that the activities of 2003 were clearly beyond mere intention to convert the property for an exempt use and actually constituted development and adaptation for such use. And that's what they based, for those two parcels, their exemption.

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 17

I find something very interesting in that opinion and we had counsel come up, he read you two laws that he said are relevant, NRS 361.140, NRS 361.083. And if there's no objection from counsel, I copied these and put them together and I'd like to give these to the board right now if I could. Because it seems like we're in agreement today that these are the two applicable laws. I really don't know why the state board ignored one and focused on the other. I don't see anything in their decision that explains that to me. They just didn't mention 083, a very specific statute that relates to hospitals.

CHAIRPERSON KEATING: And, Mr. Suglia, I don't want to take you out of order of your statement.

MR. SUGLIA: That's fine.

CHAIRPERSON KEATING: I do, would like you to respond to the same questions I asked Mr. Pavlakis. What, if any, bindingness to the city or to the assessor's rolls does that decision of the State Board of Equalization have prospectively? Does it allow the next tax year for the assessor to not consider that issue for that tax year the decision was on the previous tax year? I'm just trying to understand what impact that decision has on future decisions of the assessor's office.

MR. SUGLIA: Okay. I'm going to address that.

CHAIRPERSON KEATING: Okay.

MR. SUGLIA: Well, specifically, we're not here talking about 007-511-02 and 008-054-16.

CHAIRPERSON KEATING: Okay. And then let's make sure we clarify then, so what the hospital represented as parcel B, as one of the items that is here today, are we in a dispute that that was previously included or not included in that decision? Are we not agreeing?

MR. SUGLIA: It was previously included as, I'm going to paraphrase counsel, things change. He's entirely right. Things did change when the roadway was dedicated. They split the parcel. They created a new parcel.

CHAIRPERSON KEATING: Okay. And that's what I wanted to understand.

MR. SUGLIA: So we are going to debate that today.

CHAIRPERSON KEATING: So creation of a new parcel then does not bind that new parcel even though it might have been part of the previous parcel under a decision of the state board. Once it becomes a new parcel, then it's, all bets are off and it's open again.

MR. SUGLIA: That's my position.

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 18

- CHAIRPERSON KEATING: Okay. All right. Just want to be sure I understand.
- MR. SUGLIA: And also I'll refer you to 361.3 ...
- VICE CHAIRPERSON SEMMENS: (Inaudible).
- CHAIRPERSON KEATING: Did you want to ask that question directly?
- VICE CHAIRPERSON SEMMENS: You can ask him.
- CHAIRPERSON KEATING: Well, that's not going to be my question so feel free to ask him.
- VICE CHAIRPERSON SEMMENS: Okay.
- CHAIRPERSON KEATING: Go ahead.
- VICE CHAIRPERSON SEMMENS: I just had a question. How can the State circumvent NRS on which we based our decision on in 2003? We followed the letter of the law at that time according to these NRS 361.083.
- MR. SUGLIA: I can't fully answer your question because I don't have the background as I did not go through all the minutes and transcript of that hearing. I just don't, what I have is just to look at the state decision. I don't know why they did not address 083. I was really surprised to see that, that they just took a very applicable, specific statute and failed to mention it. That's all I know. I don't know what that means, but what I'm going to tell this board today, and what counsel already told you is there are two laws that we need to look at. Not one but two and we need to apply both of those to this because these are the two laws that gives the hospital the right to say I want to claim an exemption. And, by the same token, these are the two laws that this board may find will tell the hospital, yes, you can claim an exemption but we're not going to grant you one because you don't squarely fit within the two laws that apply to you for an exemption.
- CHAIRPERSON KEATING: And, Mr. Suglia, to make sure that I understand. Is it the position of the city that you have to meet both of those statutes or can you just meet one of the statutes? Or does one statute have more specific instruction over another one or does not have a higher precedent than the other or how are they ranked? They're two statutes and does one drive more than the other or can you just meet one and don't have to meet the other?
- MR. SUGLIA: I think you have to read them together. And, like all tax statutes, you have to construe them strictly. You have to look at the words in each

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 19

statute and give meaning to the words that are applicable. Now, in 083, it talks about orphaned children. Well, obviously, we're not going to try to fit that into the hospital. That's not what they're about. But they do have some very specific language relating to the hospital.

In 361.140, they talk about all the things the hospital must do and must meet before you can get to part 2 where you look at the buildings, together with the land actually occupied. Now, I'm going to stress those words for you because they're real important words. Actually occupied by the corporation for the purposes of a hospital.

CHAIRPERSON KEATING: And just so I clarify, are 361.140, that was the statute that the state board relied upon in their decision?

MR. SUGLIA: That's correct.

CHAIRPERSON KEATING: And there has been no statutory change to this language from the last time until today?

MR. SUGLIA: It appears it was last amended in 1991. 140 and NRS 361.083 appears to have been added to the NRS in 1991.

CHAIRPERSON KEATING: So the language land actually occupied was the same standard in that year?

MR. SUGLIA: Yes.

CHAIRPERSON KEATING: Thank you.

VICE CHAIRPERSON SEMMENS: So, according to this then, the hospital did become exempt December of 2005 because the buildings were occupied at that time and doing business?

MR. SUGLIA: If that's how the assessor would, we're going to ask the assessor how he determines the tax year and when something in that tax year should be exempt or not. But, to me, actually occupied has a pretty plain and clear meaning. It means the building's ready to be used for the purpose of the charity. We're not really twisting words when we read actually occupied to have that meaning.

CHAIRPERSON KEATING: Are any of the other parcels, at any time, after that decision this board, as I recall, the property was taken off of the tax rolls, the assessor petitioned this board to put them back on the rolls, and this board was 2-2 and could not reach a decision is my understanding of what had happened. At that point, then, the assessor took it to the state board, maybe jointly with the hospital and the state board said, these are not taxable, that property. At any point, other than what's here today, has

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 20

any of that parcel been subject to taxation by the assessor's office?

MR. SUGLIA: I can't answer that question, but I will call the assessor as a witness when we have that portion of the hearing.

CHAIRPERSON KEATING: Okay, thank you.

MR. SUGLIA: May I continue?

CHAIRPERSON KEATING: I'm sorry.

MR. SUGLIA: Great. Okay. I think we need to take a step back about the tax law and this has been a learning experience for me also. But, we'll look at NRS 361.045. That's a, you don't have that before you. That's a very basic proposition that all property, of every kind and nature within the State of Nevada, is taxable. So I think we need to get a little philosophic for a minute. The basis on which we start is that everything in Nevada, all the property is taxable.

Now, every rule has exceptions, especially in the law. It says, except where otherwise provided by law. Now, that's where I gave you two exceptions that relate specifically to the hospital. So the general rule is everything's taxed except when we carve out some very narrow exceptions. Now, there's some rules, general rules to follow when you interpret tax law and I heard Mr. Pavlakis talk about the value of the hospital to the community. I'm not going to dispute that for a minute. That's a wonderful thing. That's not something you need to consider today. What you need to consider is that, as a general rule, a tax exemption, which are these statutes are very strictly construed because there's a presumption that the state's not intending to give an exemption except where they very narrowly and strictly carve one out.

Now, the person that's claiming an exemption is a person that has to show you why it applies. It's not the assessor's job. I heard a little attack on the assessor. Well, he used to call us up and talk to us about this. He doesn't have to do that. The people that are coming to you for exemption have to tell you why they're entitled to one. That's their burden. It's not our burden. If there's a doubt about the applicability of an exemption, you construe it against the hospital. You don't construe it in their favor. These are the rules that we have to look at.

Now, in your packet, there's a very good Nevada Supreme Court case and I'm sure you read it. I'd like to just take a minute to talk about it.

CHAIRPERSON KEATING: Can you just direct us to where in the packet it is?

MR. SUGLIA: It's in the legal material. The case is *Simpson v. International Community of Christ* case. I don't know if the pages are numbered.

CHAIRPERSON KEATING: I see where it's referred to in Brenda Erdoes' letter. Maybe I'm just not finding it.

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 21

MR. SUGLIA: May I approach?

CHAIRPERSON KEATING: Certainly.

MR. SUGLIA: In your packet, it's not numbered, I apologize. About ten pages in, it's case law.

CHAIRPERSON KEATING: All right. I found it. Thank you very much.

MR. SUGLIA: Now, we don't have a lot of Nevada Supreme Court cases about tax law, but I think since we do, we ought to take a look at it. I think it's applicable here. One reason it's applicable is because one of the statutes that the Nevada Supreme Court looked at and interpreted was 361.140, the same one that counsel and I agree applies here.

Now, there's another one that just relates to churches, 361.125. That's not really relevant to what we're doing today but I think it's important that our Nevada Supreme Court looked at the two that applied to churches in that case. Just as I'm asking this board to look at the two that apply to hospitals.

Now, in the *Simpson* case, very briefly I want to explain the facts because there's some really important things that we can take in this case. The church owned two parcels of land and they were five miles apart. They subdivided the north parcel and the south parcel into over forty acre tracts. So they subdivided. Within the forty-acre tract, they would clear off a one-acre spot and put a communion table or some kind of worshiping altar. So you have a forty-acre parcel with one acre that had been cleared off. Now, that wasn't really a building but the Washoe County Tax Assessor said, you know what? I'm going to give you that. Where you cleared off an area specifically for your worship, it's not a building, but you have a spot there for your worship, I'm going to give you the tax exemption. However, on the rest of the forty acres, I'm not going to give it to you because you haven't done anything to the land.

So, there's about 1300 acres at stake here. Washoe County Assessor said, I'll give you 147 acres for exemption. The district court said to the Assessor, you're wrong. They get a 1300-acre exception. Went up the Nevada Supreme Court and they looked at it and they found, sure it's a religious organization, they do have a specific statute, they're entitled to some exemption, but there had to be some improvement and actual use on the land before they could claim it for religious use. The Nevada Supreme Court told the assessor, you're right. They're going to get their 146 acres but not the 1300. So just because you have a piece of land and you do something on a little piece of it doesn't mean the whole land is tax exempt. And that's when you do something to it. When it's just sitting there vacant, we're going to apply these statutes and we're going to find it's probably not exempt at all.

So, again, strict construction to each word of the statute. The hospital has the burden of proof. Reasonable doubt is construed against the taxpayer. I noticed there was a question about have things changed. Since the time of that last hearing, there was an opinion by the Legislative Counsel Bureau, also in your packet, along with the *Simpson* case. And I think that is very, very instructive and it talks about 083 and NRS 140 and I think it's consistent with the argument that I'm making today.

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 22

Now, let's take a close look at 140. Now, I was asked in the beginning if I'm disputing that the hospital is a 501(c)(3) corporation and I'm really not and the Legislative Counsel Bureau, they also analyzed the specific records of the hospital and they agreed that NRS 361.140 does apply. That portion which would be 1b, they found that the hospital is a corporation prohibited by its articles of incorporation from declaring or paying dividends and the money received is devoted to the general purpose of charity and no portion of the monies committed inure to the benefit of a private person, except they can give them reasonable compensation, and where indigent persons without regard to race or color may receive medical care and attention without charge or cost. So that's really not going to be disputed today. The Legislative Counsel Bureau found that. It seemed like the state board found that. We'll probably have some dispute in interpretation of the second part of that, though, because all buildings belonging to the corporation, together with the land occupied by the corporation for these charitable purposes and the personal property used in connection.

We've talked a lot about the state board decision and I've read it very carefully. Not only have they omitted 361.083. I read it a couple times and I don't see any reference to the word campus. I've heard a lot of talk already today about the word campus, a hospital campus, as if there's a hospital there then all the land around it, no matter how, if it's a separate parcel or anything else, it's almost like you're saying, well, then, that must be tax exempt land but there's no reference to campus in that decision. They're not looking at that any more than the Nevada Supreme Court looked at a 25-acre parcel with one area cleared off and said well, that's, you're using that parcel for religious purposes, you get the whole darn thing exempted. So, I don't think, I think campus is a little bit misleading here because there's nothing in the law that says you have to consider something a campus and that affects the tax exemption. There's nothing in 083, there's nothing in 140, there's nothing in the state board opinion.

What I'm going to ask this board to do is that when we get to the very specific parcels, and I'm not going to argue them right now. I'm going to wait until we go parcel by parcel, even though we already started to get into certain parcels. I'm just going to wait for my opportunity when we're getting them one by one. I'm going to ask you to first take a look at NRS 361.140. We can take 140 first because you have to read them together. I don't care which one you take first. I think you need to look, is there a building on the parcel that belongs to the corporation, on each parcel, is there a building belonging to the corporation? If there is a building, is it actually being occupied for the purposes of the corporation? Are they providing the treatment that they said they would under 140 where they may provide medical care and attention without charge or cost regardless of race or color and, if we look at 083, or I'm sorry let's stick with 140. So we're just going to ask those questions. And then, then let's take the state board decision because they put in another requirement at 140 that's not in the law but it's here, we have it before you. If there's no building on the property when the hospital is claiming exemption, have they taken significant steps in planning and developing and obtaining finance and have they put down infrastructure, roadways and utilities? And then you've done the analysis under 140. But I think you really have to ask those three questions before you can decide if they're entitled to the exemption because that's what the law says that's what the state board opinion says.

So when you get to a vacant lot and they say, well, there's some cars parked on it, I don't think you've met the test of 140 because there's been absolutely no development there. It's kind of hard to stop people from parking on a piece of dirt but if that's all you've done, you haven't even paved the darn thing, it's pretty hard to say that you've met the test of NRS 140.

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 23

Then, you go to 361.083, is there a hospital on the building [sic]? And, if there is a hospital, is it occupied, providing treatment to sick, infirm, or indigent persons? Now, if you're looking at a parking lot somewhere, well, it doesn't meet that test either because there's no hospital on the building [sic]. And because you're construing these strictly and against the taxpayer, just like the law says you have to do. So that's all I'm going to ask you to do is when you come up here, parcel by parcel, to take 083 and 140 in either order and break down the statute. It tells you to look at certain things and ask yourself, are they there? And then, if not, take the state board opinion and see what have they really done there. How far along is this project? And then finally, 083. Is there a hospital standing there? Is it providing the care they say they're going to provide? If your answer is no, then you have to affirm the determination of the assessor. You have to say, you know, it's a wonderful thing you're doing. I can't give you an exemption because the law won't let me do that.

CHAIRPERSON KEATING: I had just a couple questions, but I would like to give everybody opportunity to ask questions.

VICE CHAIRPERSON SEMMENS: Well, just one thing I wanted to ask is on 083, it says certain property and buildings. It doesn't specify any particular. It says certain and that implies one piece or a dozen pieces.

MR. SUGLIA: My understanding of the statutory interpretation is that the bold headings above the statute are not part of the statute. You need to look at the actual words of the statute. That's really not a part of the statute.

MEMBER SANADA: Madam, I had a question also. Could you address the issue that was raised about equity and why certain parcels are not taxed, that according to Mr. Pavlakis, are similar in nature to the ones that are on the rolls?

MR. SUGLIA: Okay. I don't know about the specific places he's talking about. I think in taxing, of course, we try to tax all people equally. And now if there's a different type of charitable organization with a different type of improvement, I think I would prefer to address that through testimony of the assessor so that we can be very, very specific as to which property we're talking about and then look and see if there are differences in that property. And I think testimony of witnesses would be the best way because I don't have that knowledge at my fingertips.

CHAIRPERSON KEATING: And Mr. Suglia, I'd really like to explore that because I believe that really became and issue the last time of policies implemented in the assessor's office and the equity of a policy. If it applies to one, it applies to all that meet that definition. So if any of your witnesses could explore with us the different exemptions. As I understand it, everybody is subject to tax. They have to prove they're exempt, but if entity A proves it based upon a certain set of facts and those same set of facts apply to entity B, logic would tell me entity B gets the same benefit if certain things are done. And that's what part of what I think

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 24

our responsibility, at least mine is, is to make sure that however we're interpreting the word occupy, and so forth, we're interpreting it the same way for all taxpayers. Thank you. Okay, would that be the end of your closing [sic] statement then?

MR. SUGLIA: Yes.

CHAIRPERSON KEATING: Okay. We're going to be here for a while. I didn't know if anyone wanted to take a quick ten minute break real quick and then we'll come back at 11:30 and we'll start with the very specific parcel, parcel D1. Okay. Thank you.

... this room at 12:30, is that correct? They've booked another meeting at 12:30 so.

MEMBER ALLEN: We're not going to have enough time.

CHAIRPERSON KEATING: We're going to trudge away as best we can and try to get through these as best we can, but I did have one more question for Mr. Suglia if you wouldn't mind answering it. And I do understand that the district attorney's office kind of walks a, you're representing us and you're representing the city at the same time, but I'm asking you a question as representing us. Is it law or opinion or something, the state board, is that a decision that this board should consider as precedent or guidance and direction in making our decision today?

MR. SUGLIA: Yes. As I explained, I think you should apply it when you make a determination that even though there's not a building or not a hospital on the land, you can use that to ask yourself have there been significant steps into the development of land. And I think that's the real applicability of that, when you do your analysis under 140, not under 083, but under 140 because that's the law they applied and that was their decision. And also I think it has administrative *res judicata*. It applies to this board ...

CHAIRPERSON KEATING: Okay and just to help the non lawyers.

MR. SUGLIA: Oh, I was going to explain it.

CHAIRPERSON KEATING: Okay.

MR. SUGLIA: Because we had the same parties involved, we had the same areas involved, the same issues involved and, in one case, what was then the same land but has now been split into separate parcels. So that's why it is applicable but to the extent of their findings of fact, conclusions of law, where they created an exception by looking at what development

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 25

is actually on the land at the time it went to the hearing. I think you should apply that in your analysis.

CHAIRPERSON KEATING: So, in our analysis of the term occupy which, from everything I see, will be once again a pivotal decision deciding, they have given us their guidance that we should follow and their findings of fact from paragraph 4 as to what they believe that means.

MR. SUGLIA: I can't tell you differently. That's just a correct statement of the law.

CHAIRPERSON KEATING: Okay, so the traditional term of occupy and I use that word loosely means the building's there and you're actually serving a patient or holding a service or doing some action. That is not the binding at this point. They have interpreted it to mean, I want to use their words, significant steps. So the state board determined significant steps had been taken by the taxpayer in the actual planning and development of a hospital site. That would be a standard that we would look at when reviewing this?

MR. SUGLIA: Yes, but you have to apply your interpretation of significant steps.

CHAIRPERSON KEATING: I understand that. I'm just asking is this guidance that we should be following?

MR. SUGLIA: Yes. When you analyze it under NRS 361.140, I think that's a third determination you need to make.

CHAIRPERSON KEATING: Okay. All right. Thank you very much.

VICE CHAIRPERSON SEMMENS: Can we make the determination on this subject property due to the fact that the original property is still in litigation? We're awaiting a ruling from the court on that. And this is part, the property that is attached to this hearing today is a part of that original property, although some has been bought after our determination in 2003.

MR. SUGLIA: The state board ruled on two specific properties.

VICE CHAIRPERSON SEMMENS: Right, but I believe there's still a court hearing on part of that property, is there not?

MR. SUGLIA: Yes, but until then, you know, my suggestion is that you apply their decision using the significant step test when you do have a parcel that is being developed.

CHAIRPERSON KEATING: Okay, but just specifically, to follow up on Roy's question, if I believe

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 26

part of parcel B is subject to that judicial review. And is that something that this board can decide on at this point because it is subject to judicial review?

MR. SUGLIA: My opinion is yes and the reason why is because the hospital went and they got what I consider to be an early exemption because they didn't actually have a building that they had completed and occupied. Now, since that time, as Mr. Pavlakis had told you, things change. Now, what changed? They dedicated a roadway and they split their own land. If they had taken a little a piece of the parcel that they state board had ruled on and sold it to Kentucky Fried Chicken, I'd tell you the same thing. Yeah, things have changed and now you can rule on that parcel.

CHAIRPERSON KEATING: Okay. Just wanted to make sure I understand. Okay.

MR. SUGLIA: While I have the floor, before we get started on the specific parcels, I would ask if there were witnesses, if it's your pleasure, I could swear them in now.

CHAIRPERSON KEATING: That would be great. And as soon as you said that, it made me think of one last question for you to direct us. Should this board take any notice or consideration that the state board felt that they could make their decision entirely on 361.140 and did not believe they had to also look at 361.083?

MR. SUGLIA: I can't tell you why they did that.

CHAIRPERSON KEATING: I understand that and I understand we are not asking that, but they did do that. That's a fact.

MR. SUGLIA: They did.

CHAIRPERSON KEATING: Should we consider that as direction, at least from them that they felt one statute is sufficient and you don't have to meet both statutes?

MR. SUGLIA: I wouldn't recommend that.

CHAIRPERSON KEATING: Okay. Please explain.

MR. SUGLIA: Because I think it's an error of law and it would clearly be, everything I know about interpretation of statutes, it would be a clear error of law to just say I'm just not going to look at one that clearly applies. And that's, I could never advise this board to do that, to enter into what I feel is plain error.

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 27

CHAIRPERSON KEATING: If the definition of occupy, as given to us in the findings of fact by the state board, using 361.140, should we use a different definition of occupy when we look at 361.083?

MR. SUGLIA: Because they did not discuss that statute, I think you are free to interpret 083 as you see fit.

CHAIRPERSON KEATING: Okay. All right. Thank you. Okay and I'll give Mr. Pavlakis an opportunity to respond to those questions. I'm trying to give you each a chance to give me your opinions.

MR. PAVLAKIS: Thank you, Ms. Keating. I appreciate the line that Mr. Suglia is trying to walk as both counsel to the board and advocate for the city and I just want to clarify my understanding of statutory interpretation and just highlight a little bit of a difference that I have with what Mr. Suglia has said. First of all, I think that, and I know at least a couple of you routinely apply statutes. And, what you do when you apply statutes is you try to give meaning to both statutes. The state board didn't say we're going to ignore statute and apply the other one. They didn't say that. That's no where in the opinion. What you need to try to do is harmonize the law. There's a presumption that the legislature knew about 083 when they enacted 140 and that they intended both laws to have meaning.

If you look at 083, 083 says the property on which stands a hospital. In 2003, there was no hospital standing on the regional medical center site. There was no hospital standing there. 083 didn't apply or it possibly applied on the basis that, well, since there's no hospital and it's not being occupied. 140 did apply because it says that the, talked about buildings belonging to a corporation, together with the land actually occupied for its tax exempt purposes, are exempt from tax. And the focus of our analysis is that we were proceeding hand in hand with the city through the issuance of the tax exempt bonds and obtaining the building entitlements and those entitlements to construct the regional medical center. And so that was the focus. And that's my way of trying to help you read and give meaning to both of those statutes.

Where I really strongly disagree is if you adopt a definition of the word occupy and say, well, yeah, we're going to apply it here but we're not going to apply that definition here, I think that's just wrong unless there's some clear definition that tells you that the purposes of these two different statutes which are both part of the same statutory scheme that the same word has different meaning in two subsections. I think that's just wrong. So, with that clarification, and Ms. Keating, what I also want to make sure that I understand is previously when you addressed the equity argument, I was analogizing the differences between A and B. A is not being taxed and B is taxed and the only thing that separates them is a property line. And parcel B was, in fact, part of the 15 acres that was the subject of the state board's ruling, the prior ruling.

CHAIRPERSON KEATING: All right. Thank you both very much. Okay, we will start with parcel number 001-201-15. And let me ask the assessor's, I believe 15, let me get my map, and 16 are, is there significant of a reason to do these

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 28

separately. I mean they just are so together that a person couldn't tell. Okay, the assessor is shaking his head no. So, if it would be acceptable to both parties, we could do 15 and 16 together.

MR. PAVLAKIS: That's great.

MR. SUGLIA: I agree.

CHAIRPERSON KEATING: Any objection on anybody?

MR. SUGLIA: No.

CHAIRPERSON KEATING: Okay. So parcel 15 is 001-201-15 and the second one in your packet is 001-201-16 and we will hear both of those at the same time. In the past, the assessor has, or the taxpayer has gone first. And I believe Mr. Suglia, what we had agreed is that you would swear any testimony in by any witnesses and so forth. So, Mr. Pavlakis, why don't you kind of just describe what you intend to do so we know how to proceed.

MR. SUGLIA: Could I just ask if we have any witnesses, I could just swear them in and sit down.

CHAIRPERSON KEATING: Okay. That works.

MR. SUGLIA: I could swear all the witnesses in right now at once to speed this along.

CHAIRPERSON KEATING: All right. That works.

MR. PAVLAKIS: And probably Mr. Disney as well. Mr. Stansbury and Mr. Disney.

MR. SUGLIA: Do each of you swear or affirm the testimony you will give in this matter will be the truth, the whole truth, and nothing but the truth under penalty of perjury.

MR. STANSBURY: I do.

MR. DISNEY: I do.

MR. DAWLEY: I do.

MR. SUGLIA: Thank you.

CHAIRPERSON KEATING: Okay and if the three parties would just identify themselves for the record so it's clear which three parties were sworn in.

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 29

MR. STANSBURY: My name is Kevin Stansbury, chief operating officer of Carson-Tahoe Regional Healthcare.

MR. DAWLEY: I'm Dave Dawley, Carson City Assessor.

CHAIRPERSON KEATING: Thank you.

MR. DISNEY: I'm Kurt Disney, Controller at Carson-Tahoe Regional Healthcare.

CHAIRPERSON KEATING: And thank you very much. Okay, Mr. Pavlakis, you can go forward.

MR. PAVLAKIS: Ms. Keating, is there a special place you want the witness, either at a chair or here by me?

CHAIRPERSON KEATING: I don't mind if they stand by you or if it's more convenient for them and their records to sit at the desk, it really is, they probably will need to stand by you so we can make sure it gets on the recorder.

BY MR. PAVLAKIS: I'll hold it. Okay. This is Mr. Kevin Stansbury and he's the chief operations officer for Carson-Tahoe Hospital. Mr. Stansbury, can you identify the property that is the subject of D1 and D2? And for the members of the commission, the first page under tab D1 and D2 identify the parcels.

MR. STANSBURY: Yes.

MR. PAVLAKIS: Please tell the members of the commission, the board, how those are presently being used and occupied.

MR. STANSBURY: The property is used contiguous to the hospital property for storage, snow removal, there are various parking lots that surround that area. We also occasionally use it for storage of maintenance items, vehicles or other large tools and equipment as we do work on that, there's a campus of medical office buildings in that area that we occasionally have to do work on and we'll store our equipment on that site.

Q How long has the hospital owned 608 and 610 West Washington Street?

A For as long as I, I'm not sure of the answer to that question. A long time.

Q Since 1998, Mr. Disney, is that correct?

A That is my recollection.

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 30

MR. SUGLIA: Wait a minute. I'm going to object to the tag teaming of witnesses. I think we need to have one person testify and then, when they're done, they would be subject to a cross-examination. It's real hard to do if we having two witnesses come up.

CHAIRPERSON KEATING: And I would agree. Mr. Pavlakis, just do one at a time.

MR. PAVLAKIS: Okay.

CHAIRPERSON KEATING: If that person doesn't know the question, answer, we can wait until the next person comes.

MR. PAVLAKIS: Okay. Since 1998, has this property been taxed?

MR. STANSBURY: Not in my knowledge, no.

MR. PAVLAKIS: Has the use changed?

MR. STANSBURY: Not to my knowledge, no.

Q Why do you claim that there is an exemption for 608 and 610 West Washington?

A For us, it's a matter of predictability. It's been treated that way for a number of years. We use the property as part of our overall campus at our Fleischmann location and we believe it's equitable to do so, to maintain the exemption.

Q Thank you. Are there any questions from members of the board?

CHAIRPERSON KEATING: I think at this point, we'll allow Mr. Suglia an opportunity to ask any questions if he has any.

BY MR. SUGLIA: Thank you. Mr. Stansbury, there's a, I'm going to call these parcels 15 and 16. You know, I have a map here that your counsel provided us and I'll put that in front of you and the board has a map in front of them also. There was a representation made by your counsel that 15 and 16 are parking lots. Did you hear that?

MR. STANSBURY: Yes.

MR. SUGLIA: Okay, now, to your knowledge does the public park on those or is it a parking lot for hospital vehicles?

MR. STANSBURY: Both. Staff employees park there, public occasionally parks there, and hospital vehicles occasionally park there.

Q So anyone that wants to can park on there?

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 31

A I don't believe there's any restrictions to that.

Q Okay and would you describe the parcel 15, would you tell me what the condition of the land is right now.

A I believe it's unimproved land.

Q And by unimproved, is it just a dirt lot?

A Yes.

Q And how about parcel 16? How would you describe that, condition of that?

A The same.

Q All right. There's no buildings on it?

A No.

Q No hospital on there?

A No.

Q No one receives medical treatment on that parcel?

A No.

Q Is there a shortage of parking for the hospital facility?

A At times, there is, yes.

Q Are there times when someone may use those 15 and 16 and go to see a private physician in an office that we've heard today is being taxed?

A I couldn't say.

Q Okay. When someone parks there, you really don't know what they're doing there or why they're there?

A No.

Q Was there a time when the hospital was a county hospital?

A Yes.

Q And then has that, what year is that changed?

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 32

A 2002, my understanding.

Q That's because you just asked your counsel that question?

A I came to Carson City in 2003 so I (inaudible) in 2002.

Q There's been a change of status in the hospital's ownership from county-owned to becoming a private corporation.

A I understand that.

Q Are there plans to pave parcel 15 and 16?

A Not that I'm aware of, no.

Q No further questions.

CHAIRPERSON KEATING: Does anyone on the board have a question for Mr. Stansbury? Okay, hearing none, thank you very much. Mr. Pavlakis, did you have any other witnesses?

MR. PAVLAKIS: Not on that parcel, on those two parcels.

CHAIRPERSON KEATING: All right. Mr. Suglia, did Mr. Dawley have any presentation or Mr. Walker, whomever from the assessor's office?

MR. SUGLIA: Could I have a moment, please?

CHAIRPERSON KEATING: Sure.

MR. SUGLIA: I would have a few questions for Mr. Dawley.

CHAIRPERSON KEATING: Okay. Go ahead.

BY MR. SUGLIA: Okay, please state your name for the record and tell this board what you do.

MR. DAWLEY: Dave Dawley, Carson City Assessor. I value and put all the taxable parcels on the tax roll.

MR. SUGLIA: Okay, Mr. Dawley, we're talking about what I'll call parcel 15 and 16. Have you actually been to those parcels?

MR. DAWLEY: I have not. My appraisers did and, in June, before they were put on the tax roll.

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 33

Q You've heard the, have you ever had occasion since you've lived in Carson City to drive by these parcels?

A Absolutely. I drive them almost on a daily basis.

Q Okay. Now, you heard the condition of parcel 15 described as vacant land. Are you in agreement with that description?

A Yes, I am.

Q Okay. Is there any improvements whatsoever on this land that you're aware of?

A There are no improvements except for a six foot fence that separates this parcel from the hospital-owned parcel that would be number 19.

Q Okay and I'm going to ask you to hold up this map here and show the board where that fence is located.

A Right along this line right here.

CHAIRPERSON KEATING: Okay and just to clarify, that fence is the entire length?

MR. DAWLEY: I believe it is.

MR. SUGLIA: All right, and when you said, right here, you were pointing to the northern end of parcel 15. Is that correct?

MR. DAWLEY: That's correct.

Q And would that, in your opinion, would that fence facilitate the movement of people from this alleged parking lot to the hospital facilities or would it impede their movement?

A I believe it would impede their movement.

Q And as to parcel 16, is that, was that description accurate to the basis of your knowledge that there's nothing on there?

A Correct. It's vacant land.

Q Okay. And, to your knowledge, it's never been paved.

A Correct.

Q I have no other questions. Perhaps Mr. Pavlakis would.

MR. PAVLAKIS: Thank you.

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 34

BY MR. PAVLAKIS: Mr. Dawley, do you know who owns the parcel identified as number 26?

MR. DAWLEY: Yes, it's Carson-Tahoe Hospital.

MR. PAVLAKIS: Is that on the tax roll?

MR. DAWLEY: No.

Q Why not?

A Because it's a minor parcel. It's not a buildable parcel.

Q And so ...

CHAIRPERSON KEATING: Okay, wait, wait, wait, wait. Where's 26?

MR. PAVLAKIS: It's immediately to the north of parcel 15.

CHAIRPERSON KEATING: I'm sorry.

MR. PAVLAKIS: The area to the, as I'm holding up the page to the right of parcel 14, do you know how that is used?

MR. DAWLEY: I believe that is a driveway into the Ross Building.

Q Okay. And do you see the area that's identified with a 20 that abuts the driveway?

A Yes.

Q Do you know whether there's a fence ...

CHAIRPERSON KEATING: Wait, wait, wait, wait, wait, wait, wait. Okay, where are you again?

MR. PAVLAKIS: On parcel number 15.

CHAIRPERSON KEATING: Okay.

MR. PAVLAKIS: The, I'm going to call the panhandle.

CHAIRPERSON KEATING: All right, where the number 20 appears?

MR. PAVLAKIS: Correct.

CHAIRPERSON KEATING: All right. Okay. Go ahead.

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 35

MR. PAVLAKIS: Do you know whether there's a fence along that area?

MR. DAWLEY: I believe there is a retaining wall and a two-rail or split-rail fence along that boundary.

Q Do you know whether people who park on the area identified as 15 can walk across the area identified with the 20 to get into those spaces?

A And climb over the fence, sure.

Q Not over the fence, but through the area that abuts the driveway.

A I, I, again, I don't know if there's a fence on that twenty-foot section. I know there is a fence along the rest of this, the parcel.

Q And has parcel 15 or 16 ever previously been taxed?

A It has not.

Q Why not?

A It has not because it was previously, it was owned by the county. In 2002, it became a private entity. At that time, the ruling that I received from the district attorney said that I should not add that parcel or any vacant parcels to the tax roll, but has since said that I should add the vacant parcels which is what I've done.

Q So other people have told you that you should add this property/

A I have been given an opinion from the D.A.'s office, yes.

Q And is that in evidence before this board?

A It's not written, no.

Q Thank you. I have nothing further.

BY CHAIRPERSON KEATING: Okay. And I have a couple questions. Parcel 19, I believe, is where the Ross Gilbert, those buildings are?

MR. DAWLEY: Correct.

CHAIRPERSON KEATING: While the city, did the city ever own these buildings? Was that part of the hospital?

MR. DAWLEY: Correct.

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 36

Q And while the city owned it, were they leased to private persons?

A Yes, they were.

Q Okay. And at no time was 15 or 16 subject to tax during the entire time or at least in recent history that the hospital owned parcels 25, the county hospital, excuse me, owned all those parcels. They were not subject to tax.

A Chairman Keating, I can't be one hundred percent sure on that one.

Q Okay, but at least prior to the transition of ownership from the City of Carson to the hospital non-profit, parcels 19, 15 and 16 were included as part of that transfer.

A Correct.

Q And parcel 19 has the Ross, Gilbert and the other buildings on it.

A Correct.

Q Okay and the usage of those buildings has not significantly changed when, from when the city owned that parcel and when the Carson-Tahoe Regional Healthcare owned that parcel.

A That's correct.

Q Okay, so really the people parking there when the city owned it might be the same people parking there today.

A Could be.

CHAIRPERSON KEATING: Does anyone else have questions of the assessor regarding these two parcels?

MEMBER ALLEN: Yes.

BY MEMBER ALLEN: When, is this the first year now that these parcels have been added to the tax roll?

MR. DAWLEY: Yes sir.

MEMBER ALLEN: And that was at the direction of the district attorney. When was that direction given?

MR. DAWLEY: I can't give you a specific month but it was prior to July 1st which is the lien date in the State of Nevada.

Q So this would have been your first opportunity to place these two?

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 37

A Correct. Yes.

Q Okay. Thank you.

CHAIRPERSON KEATING: And just to follow up, Mr. Dawley, we just have, you were just having a verbal conversation with the district attorney's office?

MR. DAWLEY: That's correct.

CHAIRPERSON KEATING: We have nothing in writing?

MEMBER SANADA: Could I?

CHAIRPERSON KEATING: Go ahead.

MEMBER SANADA: Just to follow up on that, Mr. Dawley. You didn't have a written opinion on taxing them. Did you have a written opinion on not taxing them when you left them off the roll or was that also just a verbal opinion?

MR. DAWLEY: What happened in 2002 originally, when the hospital was purchased, we received an e-mail and I was not assessor at the time. I was the chief deputy at that time, but the assessor was corresponding with the district attorney's office and we do have a written e-mail which said that they were tax exempt. And then we went further. It was after July 1st, we questioned them again and, at that point, they did issue a formal, written opinion which is part of your package which says that the vacant property, owned by the hospital itself is not, I'm sorry, is taxable. That would be the first written opinion other than the e-mail we received prior to that July 1st date. Because it was after July 1st, when we received that opinion, it was too late to put it on the tax roll because once it had transferred to the treasurer's office, we cannot make adjustments. The Board of Equalization would have to make the adjustments and that's why we brought it to you.

CHAIRPERSON KEATING: So this is the first year that you've actually had any opinions from the district attorney's office advising you to put this parcel specifically on the tax roll.

MR. DAWLEY: Correct. All vacant parcels. Correct.

CHAIRPERSON KEATING: All vacant parcels, okay. In your opinion, Mr. Dawley, has the use of this land been any different from when the city owned it as a county hospital and Carson-Tahoe Regional Healthcare owns it?

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 38

- MR. DAWLEY: The use has not changed. The ownership has changed. It has gone from a county-owned hospital to a privately-owned hospital.
- Q Okay, but if the same employee worked in one of those buildings before and now still works there, the potential for that person to still park there is no different?
- A Correct, but everything has changed.
- Q I understand that. I understand the ownership of the land has changed.
- A The ownership has changed. The imaging that was there in that particular location has moved to the hospital. All of those functions have moved to the old hospital.
- Q Right, but those buildings I specifically asked about, the Ross and the Gilbert building ...
- A Correct.
- Q ... were leased to private persons ...
- A Correct, and still are.
- Q ... when the city owned it versus when they owned it.
- A Correct.
- Q So the potential for those employees to park there was no different than when the city had it versus when the hospital has it.
- A Correct, correct. And we did take a picture. Again, prior to July 1st, the lien date in the State of Nevada, we went through, we physically looked at all these parcels to see which parcels were being used. There were no vehicles on these parcels and we have a picture in the package that shows there were, and this was during the day. There were no vehicles on it. There was nothing on these parcels to indicate that they were being used.
- Q Are you telling me that if you drive by that parcel every single day, you've never seen a car there?
- A I'm not saying that I've never seen a car there.
- Q Maybe on the day you took the picture.
- A My children's physician was there a couple years ago. So I remember, I even had to park there when everything was there. So I know that there was parking there.
- Q There are people that park there.

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 39

A But they didn't, we weren't at the hospital, we weren't at that professional complex. We were at the building next to it. There is no sign, there's nothing to indicate.

Q Okay so you were visiting parcel 14?

A Correct. There is nothing on this parcel to indicate that this is any type of parking for the hospital or the Sierra Professional Complex. There is nothing there. It's just completely vacant.

Q And just one follow up real quick. And I mentioned early on, what's very important to me is that we treat all taxpayers the same.

A Correct.

Q If there is a parcel of land that is owned by, let's say, another governmental entity and there's no signage that's says only employees of that entity can park there and other employees of private businesses park there every day, would you consider that possibly subject to taxation?

A It's a governmental entity. They follow a different statute.

Q So the governmental entity drives that?

A Correct.

Q But if it was owned by a non-profit, 501(c)(3) company, corporation, then you would suggest that that is subject to taxation?

A Correct, correct. If it's used by a taxable entity, then yes, we would consider it, under 361.155, I believe.

Q And does that same statute apply to religious organizations?

A That is 361.125.

Q Okay.

A And we have done that with two parcels in Carson City. They are vacant parcels. There are signs which say they are used for overflow parking. We have seen cars during Sunday services over there and so we have no problem with exempting them and we would have no problem doing the same with these parcels. But there is nothing to indicate that these are even owned by the hospital.

Q So, although when the city owned the hospital and owned the Ross and Gilbert buildings and that was leased to private persons, that has no bearing, but because the land now is owned by a 501(c)(3) company, corporation, that changes that entirely. My question is, I'm not seeing any difference. Building number, on lot number 14 was the same building that when the city owned the lot 15 and 16 that it is today. So most likely the people who park in 15 and 16 are either visiting office 11, which I doubt because there's a lot of parking there. Most likely, they're visiting the office in building 14. Would you agree?

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 40

A Correct. I would agree.

Q So that's no different from when the city owned that land versus the hospital owning it now.

A Correct.

Q So the fact that it's, when it was owned by the city, even though for-profit entities were allowing their employees and patrons to park there, that exemption is different than if a 501(c)(3), who may use it for their purposes too, but also allow for-profit business employees and citizens to use it, that changes it. That exemption no longer applies.

A Yes, ma'am. There is no statute under 361, which says a 501(c)(3) is a tax exempt entity for real estate taxes.

Q I understand that. So, is the requirement that that parking lot, is there a requirement that a parking lot because I believe there's plenty of parking lots around the hospital, is that parking lot, is there a requirement that parking lot be exclusively used from them, there's no opportunity for a private business to park there?

A If they were paying a monthly fee or something to park there, then I would say, at that point, there's absolutely cut and dry, it's taxable. But, you're right. There is no saying that anybody cannot just park on that property.

Q So, around the hospital building right now, there's nothing to say that a for-profit entity's employees might park there.

A Correct.

Q And that still would stay exempt? I believe there are physicians, who are not employees of the hospital that are contractors to the hospital and Mr. Pavlakis or one of his employees could, or one of the hospital employees could clarify that, that actually lease space in the hospital building, and their employees park in that parking lot.

A Okay. That could very well be.

Q I'm pretty positive that's true. So, I'm just trying to understand ...

A CASCI, which is now being leased out to Matty Vazzeen.

Q All right. As well as in the hospital, I believe your pathology department are not employees. They are under contract and they have employees who park in the regional medical center parking lot. I just want to make sure we treat everybody the same.

A And I agree.

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 41

Q And that's what's most important. I don't see that, in my opinion, that there are people who park in the new Carson-Tahoe Regional campus, north of town, who are not hospital employees, who work for private businesses that are housed in the hospital and that parking lot is not exempt when, at the same time, that parking lot is exempt, you're asking that this parking lot be subject to tax and it's the same type of situation.

A But that parking lot is paved and it's used for the hospital. There's nothing else up there. If you go and visit that hospital or visit anything in that hospital, you're using that parking place. You're using that parking lot.

Q There's a requirement that a parking lot has to be paved?

A No, but this is what ...

Q Have they used this land for anything other than a parking lot? Has 15 and 16 been used for anything other than a parking lot?

A No.

Q Okay. So paved or not paved, in my mind, is irrelevant. It has always been a parking lot.

MEMBER ALLEN: Chairman, I guess I'm confused here in that, are there signs on either one of these two parcels that indicate that it is okay for either hospital employees or anybody to park there; that it is considered a parking lot or, well, answer the first question. Are there any signs that indicate that parking is available there?

MR. DAWLEY: To the best of my knowledge, there are no signs.

MEMBER ALLEN: Okay, now, so there's, so there also are no signs then that indicate that this is overflow parking for the hospital.

MR. DAWLEY: Correct.

Q Okay. Now, there's also no signs that indicate that it is not overflow parking then for the private concerns around there. Is there correct?

A That's correct.

Q Okay. Thank you.

VICE CHAIRPERSON SEMMENS: Mr. Dawley, these are just two pieces of unimproved property. Correct?

MR. DAWLEY: Correct.

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 42

CHAIRPERSON KEATING: Okay, is there any other questions from any other board members? Okay. Any discussion amongst the board members? Anybody want to throw a topic out for discussion?

MEMBER ALLEN: Yeah. I personally believe that these two parcels should be on the tax rolls because of all of the reasons that have just been explained to us by both parties, as a matter of fact, that there is no designation that indicates that, you know, that, I mean, I could own these two parcels and, as far as everybody in that neighborhood, there'd be no difference in the ownership. To me, I do not see where the hospital believes that this is tax exempt property because it's, you know, it's a fact that they might park something there or someone may park there and go to a visiting facility, maybe even across the street. Therefore, **I make a motion that we retain the taxability on these two parcels.**

MEMBER LEWIS: **I second the motion.**

CHAIRPERSON KEATING: Okay. All right. Before we take a vote, is there any other conversation or anybody have any other discussions. Okay, I think what we'll do is just do it individually because I think, at least, I know I am one person voting no. Okay, go ahead, we'll start on this end. This is whether you agree or disagree with the motion.

MEMBER SANADA: Agree.

CHAIRPERSON KEATING: And I disagree.

VICE CHAIRPERSON SEMMENS: I agree.

CHAIRPERSON KEATING: I guess the hospital has the right to appeal this to the State Board of Equalization. I just want to explain my reasoning. My reasoning has been the same all along from the last time. The purpose of this property has not changed. When the city owned it, it was a parking lot and anybody can use it. The hospital owns it, it's a parking lot and anybody can use it. And as I understand what the state board has said, that it is all under that umbrella and, therefore, I do not agree that it should be added to the tax rolls at this point.

MR. DAWLEY: Madam Chair, we need verbal from every board member.

CHAIRPERSON KEATING: Okay. I'm sorry. A yes or no from each person. Go ahead.

MEMBER SANADA: Yes.

MEMBER ALLEN: Yes.

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 43

CHAIRPERSON KEATING: No.

VICE CHAIRPERSON SEMMENS: Yes.

MEMBER LEWIS: Yes.

CHAIRPERSON KEATING: Okay thank you. Does that work? Okay. We will, let me ask the parties, we have approximately twenty minutes left. Is there any parcel that we believe we can discuss in twenty minutes? I would really like to get as much of this done as possible and so forth. I have no objection of moving forward and then we'll just have to defer and start again next week I believe is the only thing we can do.

MR. PAVLAKIS: I think that what I call the easier discussions would probably involve cancer center parcel J and parcel B, which are D5 and D6.

CHAIRPERSON KEATING: Okay. Just remind me again where parcel 4 is.

MR. PAVLAKIS: Oh, D4 consists of F, G, H, and I.

CHAIRPERSON KEATING: Okay. All right.

MR. PAVLAKIS: And D3 is C and 5 is B and 6 is J.

MEMBER ALLEN: That's as clear as mud.

CHAIRPERSON KEATING: If there's no objection and I'll let the city, I'd like to do parcel 5. I think that might be the easier one.

MR. SUGLIA: I would agree with that.

CHAIRPERSON KEATING: That's the piece B on the end.

MR. SUGLIA: (Inaudible).

MEMBER LEWIS: Madam Chairman, if I might suggest, rather than hurry through this, we're not going to get through them all, we're going to have to do this again next week. Why don't we delay the whole thing and do it all next week when we can take our time.

CHAIRPERSON KEATING: And I don't object to that. I was just trying to get as much done as we could.

MEMBER LEWIS: That way we don't have to hurry through it and we can listen to it thoroughly. Does that make sense?

CARSON CITY BOARD OF EQUALIZATION
Minutes / Transcript of the January 31, 2006 Meeting
Page 44

- CHAIRPERSON KEATING: And I don't want to hurry anybody. Okay. All right. Well, then I guess at this point we will then continue this hearing until 10:00 next Tuesday which, I don't have a calendar in front of me. February 7th.
- MEMBER ALLEN: Can I make a recommendation that, either this room, or wherever that hearing be scheduled that we make sure that we have more than ample time; that we're not up against the same fence again.
- CHAIRPERSON KEATING: And I was going to say the same thing.
- MR. DAWLEY: We have until 4:30 next week.
- CHAIRPERSON KEATING: Okay. All right, so we will continue this hearing until 10:00 a.m. on Tuesday, February 7th in this room, unless there's some hold up and then everybody will be notified right away. All right, thank you very much.
- MR. SUGLIA: We need a motion to adjourn.
- CHAIRPERSON KEATING: Yeah, I wasn't going to because I wasn't really adjourning, I was continuing.
- MS. KING: I believe you need to adjourn this meeting.
- CHAIRPERSON KEATING: Okay. All right. Is there a motion?
- VICE CHAIRPERSON SEMMENS: I make a motion to adjourn to the continuance of February 7th meeting.
- MEMBER ALLEN: I'll second that.
- CHAIRPERSON KEATING: Okay. All those in favor, say aye.
- BOARD MEMBERS: Aye.
- CHAIRPERSON KEATING: Anyone opposed? Okay. Thank you.