

CARSON CITY BOARD OF EQUALIZATION

Minutes of the January 21, 2003 Meeting

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A regular meeting of the Carson City Board of Equalization was scheduled for 10:00 a.m. on Tuesday, January 21, 2003 in the City Hall Capitol Conference Room, 201 North Carson Street, Carson City, Nevada.

PRESENT: Chairperson Kevin Vukota
Ronald Allen
Mary Keating
Roy Semmens

STAFF: David Dawley, Assessor
Scott Loff, Chief Property Appraiser
Steve Walker, Property Appraiser
Jason Woodbury, Deputy District Attorney
Melanie Bruketta, Deputy District Attorney
Kathleen King, Recording Secretary

NOTE: A tape recording of these proceedings is on file in the Clerk-Recorder's Office and is available for review and inspection during regular business hours.

A. CALL TO ORDER, DETERMINATION OF A QUORUM (1-0001) - Chairperson Vukota called the meeting to order at 10:00 a.m. Roll was called; a quorum was present. Vice Chairperson Saulisberry was absent.

B. ACTION ON APPROVAL OF MINUTES - JANUARY 14, 2003 (1-0004) - Member Keating moved to accept the minutes. Member Semmens seconded the motion. Motion carried 4-0.

C. DISCUSSION AND ACTION ON PETITION FOR REVIEW OF ASSESSED VALUATION; 1381 EAST ROLAND STREET, APN 009-215-15 (1-0010) - Mr. Loff identified the property for the record. David Bean distributed a written summary to the Board members and staff, and provided a brief overview of the same. In response to a question, Mr. Loff advised there was no technical problem with Mr. Bean's petition although he had included no information under the "Owner's Opinion of Market Value" portion. Mr. Bean explained that he had no knowledge of the market value of the property and had simply listed what he paid for the land. Member Semmens advised Mr. Bean that he had paid a total of \$142,000 for the property. Mr. Bean advised he had been provided no data that the value of the property had changed since the time of purchase. The Board members acknowledged familiarity with the location of the property. Mr. Bean expressed the opinion that because his property is located closer to the sports complex and the future bypass, the same criteria used to value adjacent properties should not be used.

Mr. Bean advised that when he purchased the lot, the power line was supposed to be installed across the Native American reservation; and he signed a form acknowledging his understanding of the same. He indicated that "this did not bother [him] a bit because it was far away." He advised that "the other problem" is the Edmonds Sports Complex was not originally planned for its present location. He pointed out the location of the park and the proposed freeway bypass on a displayed map, and advised that there is "plenty of room for the freeway between the park and [his] property." He foresees a problem with drainage and expressed the opinion that once the soil is analyzed, the Nevada Department of Transportation ("NDOT") will realize the need for a larger foundation for the bypass. Mr. Bean expressed the further opinion that the drainage problem will eventually affect his lot. In response to a question, he indicated that if the value of his property increases, as projected, he will have the "criteria to ask for more money from NDOT" if they request to purchase his property for the freeway bypass.

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In response to a question, Mr. Bean reiterated that he did not know the value of his property but could not agree with the Assessor's Office valuation. Mr. Loff advised that there are very few acre lots in the area and that they have been selling for \$90,000 and up. The lots used to sell for \$55,000 which was the valuation used by the Assessor's Office for the reappraisal. Mr. Bean expressed a concern that the value would not "trade over so close to a sports complex." Mr. Loff explained that improvements in the area are selling for \$135 a foot. Mr. Bean's property was valued at \$108 a foot. Mr. Loff noted that Mr. Bean's concern over drainage problems, which could possibly be created by the freeway, is only speculation. He advised that NDOT's Project Manager, Jim Gallegos, informed him NDOT will be purchasing no additional property in the area. The freeway alignment has been fully designed; elevation is the only element which may be subject to revision. Mr. Bean discussed possible safety issues associated with the slope of the freeway bypass which may affect the park. Mr. Loff advised that a reappraisal will be conducted once the bypass is constructed, and that solutions to the existing drainage problems have been designed into the freeway bypass. Mr. Bean expressed the opinion that his property value will drop once the bypass is constructed.

Member Semmens provided an overview of his rough calculations of the value of Mr. Bean's land and residence. He pointed out that according to the aerial view of the proposed bypass route, Mr. Bean's residence will be more than 300 feet from the bypass once it is constructed. Mr. Bean advised that the house may be 300 feet from the proposed freeway route, but the lot will be closer. He discussed the importance of the lot to his health in that he walks his acre daily. Mr. Dawley acknowledged that Mr. Bean was provided an explanation as to how assessed valuations are calculated. He further acknowledged that the same methodology was used for all Mr. Bean's neighbors. Mr. Loff advised that the valuation of lots in the area is under market value, and that the Assessor's Office attempts to control increases for reappraisals. Mr. Dawley acknowledged that Mr. Bean could come before the Board each and every year as construction of the freeway progresses. **Member Keating moved to leave the assessed valuation of the property as recorded in the Assessor's Office. Member Allen seconded the motion. Motion carried 4-0.** Chairperson Vukota advised Mr. Bean of his right to appeal to the State Board of Equalization by March 10, 2003. Mr. Bean discussed safety concerns associated with the freeway bypass. [Chairperson Vukota recessed the meeting at 10:21 a.m. and reconvened at 10:28 a.m.]

D. DISCUSSION AND ACTION ON THE PETITION OF THE CARSON CITY ASSESSOR'S OFFICE TO ADD PROPERTY OWNED BY CARSON-TAHOE HOSPITAL LOCATED ON EAGLE VALLEY RANCH ROAD, APNs 008-054-16 AND 007-511-02, TO THE 2002/2003 REAL PROPERTY TAX ROLL (1-0399) - At the request of Chairperson Vukota, Mr. Woodbury, Michael Blair, and Mike Pavlakis introduced themselves for the record. Mr. Loff identified the parcel for the record, provided background information on this item, and reviewed the materials included in the agenda packets. In response to a question, Mr. Dawley explained the reason the property was removed from the tax roll and the reason the Assessor's Office is petitioning to have the property returned to the tax roll.

Mr. Pavlakis distributed copies, to the Board members and staff, of a November 15, 2002 letter addressed to Mr. Blair, and reviewed the same. He explained the transference of Carson-Tahoe Hospital's corporate status from that of a City entity to a Nevada non-profit corporation. He pointed out, on a displayed map, the boundaries of the ±45 acres acquired by Carson-Tahoe Hospital from the Eagle Valley Children's Home Foundation, and the 15-acre site acquired from the Silver Oak Development. He advised that the 45-acre property has always been exempted from real property tax, and that the Silver Oak Development paid taxes on the 15-acre parcel. He advised that the hospital is "actively using and occupying the property." Plans to build a regional medical center have been announced, and Mr. Pavlakis referred to displayed drawings of the same. He discussed NDOT's involvement in removing fill dirt from the property

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for use in constructing portions of the freeway. In addition, the hospital will incorporate design and architectural features in detention basins to be constructed as part of the freeway drainage facilities.

In response to a question, Mr. Pavlakis advised that in order to construct the hospital, the City issued economic development revenue bonds in March 2002. Economic development revenue bonds are only issued to tax exempt entities for tax exempt purposes. \$15 million was allocated to acquisition of the property. Immediately following the acquisition and the hospital's agreement to care for all indigents of Carson City, a team of City staff was assembled representing the Engineering Division, the Streets Department, Development Services Department, the City Manager, etc. to assist in facilitating development of the property. Earth movers will begin clearing the site and creating detention basins in the spring. Signage has been installed advising that the property will be developed as a hospital. Members of the Carson-Tahoe Hospital non-profit corporation have been informed of the general design. Mr. Pavlakis advised that the bonds require 100% of the property to be used for tax exempt purposes. In contrast the 15-acre parcel will be used for development of medical office buildings to be leased to physicians. Mr. Pavlakis has indicated to the District Attorney's Office that since the 15-acre parcel will be held for investment, it is probably subject to real property tax. He reiterated that the 45-acre parcel has never been on the tax roll, and that the City is actively working with Carson-Tahoe Hospital representatives to develop a regional medical center which, except for City approvals, would be underway. He emphasized that there is no question the 45-acre parcel has been identified and will be developed as the medical center. He suggested that the City is in an "awkward position" having issued bonds, entered into an agreement for the care of all people regardless of their ability to pay, and assembled the team of City staff to assist in development of the medical center.

Mr. Pavlakis suggested there are a number of other issues associated with the City's petition, such as implications for the Boys and Girls Club, church organizations, etc. In response to a question, Mr. Pavlakis advised that the Carson Ambulatory Surgery Center will be relocated to the new property adjacent to the medical office buildings. Mr. Loff acknowledged that the 45-acre parcel was previously part of the Eagle Valley Children's Home parcel.

In response to a question, Mr. Dawley advised that the vacant parcel adjacent to St. Teresa's Catholic Church was recently exempted because of recent upgrades and proof of use. He further advised that the church is subject to a different statute. In response to a question, Mr. Woodbury advised that very little case law exists which addresses the issue of when a property is actually occupied. He discussed his interpretation of the words "actual occupation," and explained that unless there is a specific exemption, property is taxable. Property becomes tax exempt when a charitable corporation actually occupies lands for the purpose of its organization. In response to a further question, Mr. Woodbury advised that "any physical invasion of the ground" would be considered actual occupation as long as it was a good faith effort to construct the intended facility. He explained the purpose of the statute to prevent a charitable corporation from holding tax exempt land for investment purposes. He acknowledged that financing, contracts, architectural and engineering, etc. has to take place prior to actual construction. He further acknowledged that Carson-Tahoe Hospital is actively pursuing the goal of construction. He advised that physical alteration of the property would serve the purpose of the statutory scheme to protect the City against a charitable corporation going through the planning stages of construction without actually constructing anything.

In response to a question, Mr. Woodbury advised that the statutes are somewhat different for certain organizations. He explained that NRS 361.135 addresses a certain type of charitable organization, and he reviewed the criteria. Mr. Woodbury advised that Carson-Tahoe Hospital does not meet the definition of a charitable organization under NRS 361.135. The provision which applies to Carson-Tahoe Hospital is

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found in NRS 361.140. Mr. Dawley advised that St. Teresa's Catholic Church was taxed until their first service was held. At that point, they became tax exempt. The adjacent parcel was not being used and, therefore, taxable until December 14, 2002.

Member Semmens read a portion of NRS 361.083 into the record, and noted there is no hospital, building, or construction taking place on the land. Mr. Pavlakis acknowledged that the hospital is relying on NRS 361.140. Discussion took place regarding the points of law upon which the District Attorney's opinion is based. Mr. Pavlakis responded to questions regarding the time line for commencement of construction. In response to a question, Mr. Woodbury advised that under NRS 361.140, actual occupation would be considered once grading begins. Mr. Dawley acknowledged that the property would become tax exempt once grading begins.

Mr. Blair advised that the City assisted Carson-Tahoe Hospital in obtaining the tax exempt financing to purchase the land based on the hospital being a charitable organization. He suggested that taxing the property would be contrary to the purpose of issuing the bonds. In response to a question, Mr. Pavlakis advised that bond counsel has yet to be consulted with regard to possible problems resulting from taxing the property. He advised that the hospital shares the City's bond counsel. He responded to questions regarding the property boundaries depicted on the displayed map. In response to a further question, he advised that the hospital has offered to agree to real property tax on the 15-acre parcel as a compromise. He acknowledged that the 15-acre parcel was purchased with cash, not bond proceeds. Discussion took place with regard to requesting an opinion from bond counsel regarding the status of the bonds in the event the 45-acre parcel was considered taxable. Mr. Blair and Mr. Pavlakis responded to questions regarding the construction timeline and anticipated issuance of permits.

In response to a question, Mr. Woodbury advised that his opinion was based on the language of the statute which may or may not have ramifications with regard to the City's participation in the bond process. Mr. Pavlakis advised that to the extent the bond holders "get upset, ... [the hospital's] position would be that we went down kicking and screaming." Member Allen suggested that an opinion regarding the bond issue should be rendered prior to the Board taking action. Member Keating expressed a preference for supporting the City in ensuring that tax exempt property is used for its intended purpose. She expressed understanding for the process required to construct a hospital prior to ever "turning a shovelful of dirt." Member Allen commented that he had no problem with the property never having been on the tax roll because it was previously part of the Eagle Valley Children's Home property. In response to a question regarding case law, Mr. Pavlakis referred to an Attorney General's Opinion regarding property held by a tax exempt corporation for investment. Mr. Dawley advised that the AG's Opinion was interpreting a different statute.

In response to a question, Mr. Woodbury read a portion of NRS 361.135 into the record. Member Allen inquired as to whether the work already done to secure bonds and financing qualifies as actual occupation. Member Keating inquired as to whether considering the tax exempt status of the bonds influences the previously issued opinion. Member Semmens inquired as to whether a completed building is required pursuant to NRS 361.083. Mr. Woodbury reiterated that he had not rendered his opinion based on NRS 361.083 but on NRS 361.140(2); he provided an overview of the same. Mr. Woodbury advised that NRS 361.140 does not require a building to be present on the land. In response to a question, he advised that he had been aware of the collaborative efforts of the City with the hospital at the time he rendered his opinion. He acknowledged that the City's opinion is the land must be physically altered based on the phrase "actual occupation." In response to a question, Mr. Woodbury clarified that he was aware of the bond but did not consider the issue raised in this meeting. He advised he would be happy to consider the

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issue and determine what effect, if any, a decision to tax the property will have. **Member Keating moved to defer action on this item until the next meeting. Member Allen seconded the motion. Motion carried 4-0.**

E. DISCUSSION REGARDING ASSESSED VALUATION OF THE ORMSBY HOUSE, 600 SOUTH CARSON STREET, CARSON CITY, NEVADA, APNs 3-092-02; 3-093-05; 3-096-04; AND 4-061-02 (1-1238) - Member Keating advised that she had read Mr. Loff's written comments included in the agenda materials. She inquired as to whether the Board could request the Ormsby House owners to be present at the next meeting. Mr. Loff responded to questions regarding his attempts to contact the property owners, and acknowledged that they could be invited to the next meeting at the request of the Board. He further acknowledged that the opinion of the Assessor's Office is the existing values are fair. He reviewed the values assigned in 2001. Mr. Dawley advised that all four parcels are on the tax rolls. Mr. Loff acknowledged that the land values are on the tax rolls at their actual valuation; the buildings are on the rolls for their current value in their current state. Mr. Loff advised that he would continue in his attempts to contact the owners. Chairperson Vukota requested a construction time line. Member Allen provided information on unanticipated problems encountered during the renovation. He expressed the opinion that it's fine for the property to be on the tax roll at its current value. Discussion took place regarding previous discussions with the property owners over the past two years. Mr. Loff offered to invite the owners to the next meeting or to request them to provide a letter regarding the status of the renovation.

F. PUBLIC COMMENT ON NON-AGENDIZED ITEMS (1-1397) - None.

G. STAFF REPORTS (1-1398) - Mr. Loff advised that three appeals are scheduled for the February 4th meeting. He responded to questions regarding the nature of the petitions, and discussion took place regarding the anticipated length of the meeting.

H. ACTION ON ADJOURNMENT (1-1450) - Member Allen moved to adjourn the meeting at 11:21 a.m. Member Keating seconded the motion. Motion carried 4-0.

Respectfully submitted this 27th day of February, 2003.

ALAN GLOVER, CLERK-RECORDER

By:

Kathleen M. King, Deputy Clerk/
Recording Secretary to the Board of Equalization