

**NEVADA COUNTY ASSESSMENT APPEALS BOARD MEETING
MINUTES**

May 18, 2020

REGULAR MEETING: 9:00 a.m.

Call to order.

ACTION TAKEN: Chair Bushore called the meeting to order at 9:07 a.m.

The following Board Members attended by remote:

Gerald Bushore (Chair)
James Rees
James Dal Bon

Pledge of Allegiance.

ACTION TAKEN: Pledge of allegiance held.

Corrections and/or deletions to the agenda.

ACTION TAKEN: Ms. Lelia Loomis, Deputy Clerk, noted a correction in Agenda item #2: the amount reported as \$6,226.080 should be \$6,226,080.

Public Comment:

ACTION TAKEN: None.

CONSENT CALENDAR

1. 18/19 Regular Assessment #18-021: Receivership Estate Over Specific Assets of Kenmawr Nevada City, LLC, et al, Applicant. Trevor Chapman, Cushman & Wakefield Western, Inc., Agent. APN 005-100-092. Property located at Providence Mine Road, Nevada City. Applicant's opinion of value \$4,500,000. Assessor's value \$18,957,220. The Clerk of the Board of the County of Nevada has requested to move the appeal in response to the COVID-19 pandemic from the April 20, 2020 hearing date to September 16, 2020 hearing date. Request to approve 2-year Waiver to Extend Hearing on Application for Changed Assessment. Findings of Fact are not requested.

Requested Action: Approval of the two-year waiver. (Approved.)

2. 18/19 Regular Assessment #18-024: Grass Valley SH LLC, Applicant. Ryan LLC, Agent. APN#035-480-015. Property located at Olympia Park Road, Grass Valley. Assessor's current value on the roll: \$6,226,080. Request for a written stipulation between the Assessor and Applicant for a new stipulated value: \$1,030,000 land, \$4,320,000 for improvements, and \$554,080 for personal property, for a total value of \$5,904,080. Findings of Fact are not requested.

Requested Action: Approval of the stipulated value. (Pulled from consent.)

3. Acceptance of minutes for February 24, 2020. (Accepted.)

ACTION TAKEN: Chair Bushore introduced the consent calendar. Mr. Rees pulled Agenda Item #2 from the Consent Calendar.

MOTION: Motion made by Mr. Rees, seconded by Mr. Dal Bon, to approve the consent calendar less Agenda Item #2. On a roll call vote, the motion passed unanimously.

ITEMS PULLED FROM CONSENT:

2. 18/19 Regular Assessment #18-024: Grass Valley SH LLC, Applicant. Ryan LLC, Agent. APN#035-480-015. Property located at Olympia Park Road, Grass Valley. Assessor's current value on the roll: \$6,226,080. Request for a written stipulation between the Assessor and Applicant for a new stipulated value: \$1,030,000 land, \$4,320,000 for improvements, and \$554,080 for personal property, for a total value of \$5,904,080. Findings of Fact are not requested.

Requested Action: Approval of the stipulated value. (Approved.)

ACTION TAKEN: Mr. Rees asked for clarification on how the intangibles were calculated. Mr. Dal Bon asked about the third paragraph under valuation, the third or fourth sentence: "the then operating expenses of 77.1 excluding property taxes and management were deducted from (inaudible) to achieve a \$593,940 net operating income of the going concern" and then below, in the next paragraph, it says "the intangible assets value was derived from the management expense as a percentage of net operating income attributable to the proprietary earnings of the business for a total of \$109,475. He was not clear what the relationship was between the \$593,940 of net operating income of the going concern that results in the total of \$109,475 as the net operating income attributable to the proprietary earnings of the business. Mr. Dal Bon asked if they were applying the 5½ percent expense as a percentage of net operating income, or applying that to the \$593,940 of net operating income to the going concern?"

Ms. Karen Park, Temporary Chief Appraiser, replied that the 5½ percent is applied to the adjusted gross income and from there the Assessor derives the net operating income of \$593,940 and that percentage is the management expense of the NOI (Net Operating Income), which is approximately 24.2 percent. From there Assessor caps it with the higher business value cap range of 17 percent and that is what comes out to be the \$109,475. Ms. Park further explained that in the management operating expense is not included in the \$593,940. It is a hybrid between apartments and hotels, because the income has apartment rental fees but also a huge care component, and those two components can't be separated out in the operating expenses. When these properties are sold it is usually "all in" meaning the real estate, business property and the intangible are mixed together. The Assessor's office is trying to give them a component that you could basically think of as their management expenses capped at a higher rate for the overall expenses of the property.

Mr. Dal Bon asked if there is an explanation of the disparity between the original reported purchase price that the Applicant submitted at the time of the change of ownership? They submitted a certain purchase price and then an appraisal was discovered, which was significantly different. He wondered what the actual final purchase price was.

Ms. Park responded that the final purchase price was \$7 million. She reported that the Assessor's office agreed with the applicant's appraisal, which allocated \$5.6 million to land and improvements, business personal property of \$5 million, and intangible assets at \$900,000. Basically, the difference between that value and the reason they filed an appeal, was that the appraisal submitted by the owner shows a higher net operating income than what was actually achieved in 2017. Because these properties are heavily dependent on their income approach, it was agreed that a small reduction in value would be appropriate.

Mr. Dal Bon asked about the market activity on these kinds of properties in 2016, and if there was a change in the way the properties were taxed or some other reason.

Ms. Park replied that it was a result of the economy starting to turn around, so a lot of operators started selling when the economy started turning around.

MOTION: Motion made by Mr. Dal Bon, seconded by Mr. Rees, to approve the stipulated value of \$1,030,000 land, \$4,320,000 for improvements, and \$554,080 for personal property, for a total value of \$5,904,080. On a roll call vote, the motion passed unanimously

ADJOURNMENT:

ACTION TAKEN: Chair Bushore adjourned the meeting at 9:37 a.m.

David R. Bushore

Chair of the Assessment Appeals Board

ATTEST:

By:

Lelia Loomis
Lelia Loomis, Deputy Clerk to the Board