

The State Board, having considered all evidence, documents and testimony pertaining to the valuation of the property in accordance with NRS 361.227, hereby makes the following Findings of Fact, Conclusions of Law and Decision.

FINDINGS OF FACT

- 1) The State Board is an administrative body created pursuant to NRS 361.375.
- 2) The State Board is mandated to hear all appeals of property tax assessments pursuant to NRS 361.360 and NRS 361.400.
- 3) The Taxpayer and the Assessor were given adequate, proper and legal notice of the time and place of the hearing before the State Board, and the matter was properly noticed pursuant to the Open Meeting Law at NRS 241.020.³
- 4) The subject property consists of land and improvements known as Sheri's Cabaret (gentlemen's club) located at 2580 Highland Drive, which is on the corner of Highland Drive and Sutter Ave just south of Sahara Ave in the central Las Vegas Valley. The subject parcel 162-09-110-021 has the club building on it which is 5,327 square feet (main floor) with a 2nd story office of 1,039 square feet and was built in 2006; subject parcel 162-09-110-035 has the parking lot for the club in Las Vegas, Clark County, Nevada.⁴
- 5) The Clark City Board of Equalization (County Board) ordered the total taxable value for the subject properties, APN 162-09-110-021 and 162-09-110-035 of \$929,360 be upheld on the 2014-2015 secured roll.⁵
- 6) The State Board found the Taxpayer presented sufficient evidence to support values different from that established by the County Board. The State Board found the property suffered from additional risk and uncertainty due to trying to obtain a liquor license and adult use operation, and starting up operations again.⁶ The State Board found the monthly rent per square foot

² See Tr., 6-23-14, p. 204, l. 24 through p. 205, l. 10:

24 MEMBER JOHNSON: I will make the motion in 25 Case 14-214 and 214, 215 that we allow in the new Page 205 I evidence, we give it weight we deem appropriate. 2 CHAIRMAN MESERVY: Any second? 3 MEMBER HARPER: Second. 4 CHAIRMAN MESERVY: Just comment on -- I'm not 5 going against it. Just last time. So any other 6 comment? All in favor? 7 THE BOARD PANEL: Aye. 8 CHAIRMAN MESERVY: Any opposed? It's 9 unanimous. We're going to let it in and give it its 10 due weight. So now we'll go forward.

³ See Record, SBE page 33 in case no. 14-214 and 14-215, Receipt of Certified Mail.

⁴ See Record, Case No. 14-214, SBE pages 14, Capitalization Summary, pages 22-24; Tr., 6-23-14, p. 203, ll. 9-18:

9 County Assessor's office. The subject property is 10 Sheri's Cabaret Gentlemen's Club, located at 2580 11 Highland Drive which is on the corner of Highland 12 Drive and just south of Sahara and central Las Vegas 13 valley. The subject parcel 16209110021 has a club 14 building on it which is a 5,327 square foot main 15 floor with a second-story office, totaling 1,039 16 square feet. It was constructed in 2006. The other 17 parcel ending in 035 is the parking lot for the 18 club. They operate together as one.

⁵ See Record, Case No. 14-214, SBE page 31, CBE Minutes.

⁶ See Tr., 6-3-14, p. 214, l. 16 through p. 216, l. 16:

16 MEMBER JOHNSON: Your point of view, obviously 17 you're very knowledgeable here. Is not having the 18 license impact value there is uncertainty there and 19 there is instability to get it again. It can be 20 very challenging, my understanding is. How much 21 does that impact value in the market? 22 MEMBER HARPER: Well, I mean, I think the 23 answer is somewhat in -- you know, it's my 24 understanding that the lender kind of dropped the 25 ball, so to speak, and let the licenses -- because Page 215 1 even if you got a vacant adult use operation, you 2 can open it like for 30 minutes every three months 3 in the city. I can't remember. One is three months 4 and one is six months. I think city is one you have 5 to open every three months, every 90 days, I 6 believe, to keep that suitability determination of 7 approved adult use. It is more difficult to get it 8 reinstated in the city than it is the county, 9 because the county has an adult use overlay area 10 which is basically south of this property when it's 11 in the county. 12 Now, it is my understanding and 13 based on his testimony and I heard this also that 14 there -- it was all nude, no liquor operation 15 before. And it's my understanding they are trying 16 to go for topless with liquor license, which the 17 whole issue of getting a full liquor license brings 18 in more expense and a longer time and more 19 background checks and things of that nature. But 20 the answer is kind of. And back in 2003, the Case No. 14-214 and 14-215, CNB fka BBN, LLC

estimated by the Assessor to determine the annual potential gross income (PGI) was not supported, and instead found the monthly rent per square foot to be the basis for the net operating income should be \$1.75 per square foot.⁷

- 7) The State Board found that a risk factor must be added to the capitalization rate to account for the expense of trying to get the licenses renewed and to maintain the property. The State Board found a net operating income of \$105,237 using a 12% capitalization rate results in a total taxable value of \$876,976.⁸
- 8) The State Board reduced the value from \$929,360 to \$876,976 for the two parcels with the obsolescence applied to the improvements.⁹
- 9) Any finding of fact above construed to constitute a conclusion of law is adopted as such to the same extent as if originally so denominated.

CONCLUSIONS OF LAW

- 1) The Taxpayer timely filed a notice of appeal, and the State Board accepted jurisdiction to determine this matter.
- 2) The Taxpayer and the Assessor are subject to the jurisdiction of the State Board.
- 3) The State Board has the authority to determine the taxable values in the State.
- 4) The subject property is appraised at the property taxable value as adjusted, in accordance with NRS 361.227.
- 5) Any conclusion of law above construed to constitute a finding of fact is adopted as such to the same extent as if originally so denominated.

small **1** before-building was partitioners who had \$2.5 **22** million, because it had all of the adult use **23** approvals and was operational versus, you know -- **24** yeah. I know it's a trustee sale, but anyone else **25** interested in trying to get an adult use operation **Page 216 1** going again could have showed up at the trustee sale **2** and bid more than \$515,000. So, you know, they have **3** taken some risk here in getting these licenses back. **4** And then the question becomes from an as is **5** viewpoint on our data value here is what, you know, **6** what would somebody really have paid for vacant **7** property that had some vagrancy issues and damage **8** and pretty much everything had been taken out of it. **9** So, you know, it's a difficult question. **10** I don't know that I can totally **11** buy the \$2.25 a square foot rent just because of the **12** risk involved from taking over a vacant property and **13** trying to get the licenses and getting it back up **14** and running. But that being said, running it at **15** \$1.75 on the club and a dollar on the office, I **16** mean, I'm still coming up around \$900,000.

⁷ See Tr., 6-23-14, p. 220, ll. 3-22:

3 MEMBER HARPER: Again, I think the \$2.25 a **4** square foot rent for the club portion of the **5** building is just not supported and not even -- **6** unfortunately supported by the data that the **7** assessor's office has supplied. That being said, I **8** kind of ran -- I ran the club portion at \$1.75 a **9** square foot. I'm basing that on my knowledge of **10** some other adult use properties and non-adult use **11** properties in that immediate area, because I do **12** think we still need to reflect and even the taxable **13** value needs to reflect that there is a possibility **14** that they can get it back up and running as an adult **15** use nightclub. So using the \$1.75 on the club, the **16** dollar on the office, I think is very **17** well-supported. Eight percent vacancy collection **18** loss which I agree with. Their eight percent taxes **19** which I agree with. I'm calculating an NOI of **20** \$105,237. And I'm using a 12 percent cap rate, and **21** I come out with a value, total taxable value of **22** \$876,976.

⁸ Ibid.

⁹ See Tr., 6-23-14, p. 221, l. 16 through p. 222, l.4:

16 MEMBER JOHNSON: I'm going to convert what **17** Keith said into a motion based on his reasoning on **18** 14-214. I think my motion is for \$876,976, the two **19** parcel. The assessor to allocate the value between **20** the two parcels, taking obsolescence off the **21** improvements on the improved parcel and based on our **22** discussion herein. **23** CHAIRMAN MESERVY: Do we have a second? **24** MEMBER HARPER: Second. **25** CHAIRMAN MESERVY: Any more comments? All in **Page 222 1** favor? **2** THE BOARD PANEL: Aye. **3** CHAIRMAN MESERVY: Any opposed? Looks like **4** it's unanimous. Okay. Any other cases before us?

DECISION

The Petition of the Taxpayer is granted based on the above Findings of Fact and Conclusions of Law. The Clark County Comptroller is instructed to correct the assessment roll by adjusting the assessed valuation of the subject property as follows:

2014-2015 Secured Roll

Parcel Number APN 162-09-110-021; 162-09-110-035	Taxable Value		Assessed Value	
	Established by County Board of Equalization	Revised By State Board	Established by County Board of Equalization	Revised by State Board
Land	\$135,037	\$135,037	\$47,263	\$47,263
Improvements	\$794,323	\$741,939	\$278,013	\$259,679
TOTAL	\$929,360	\$876,976	\$325,276	\$306,942

The Clark County Comptroller is instructed to certify the assessment roll of the county consistent with this decision.

BY THE STATE BOARD OF EQUALIZATION THIS 30th DAY OF SEPTEMBER, 2014.


Christopher G. Nielsen, Secretary
CGN/ter