AFFIDAVIT

of

Richard Almy

I, Richard Almy, have been asked by the Village League to Save Incline Assets to make this affidavit about what I heard in a meeting of members of the League and of the Nevada Department of Taxation on Thursday, November 17th, 2005 in Carson City. (I am a partner in the firm of Almy, Gloudemans, Jacobs & Denne, Property Taxation and Assessment Consultants, and I have been advising the League on land valuation and assessment matters.)

The meeting was convened at the behest of the League, which believed that there was a need to reappraise residential land near Lake Tahoe (and which had technical concerns about the special study of land values in Incline Village that the Department had been making). The League had concluded that deficiencies in the existing land appraisals were so great that they could not be cured by factoring, which was the usual vehicle that the Nevada Tax Commission uses to correct inequities among classes of property.

At the outset of the meeting, Ms Rubald of the Department stated that the Department had reached the conclusion that a reappraisal was needed. She was joined by Mr. Bixby, who stated that the underlying land appraisals were so inaccurate that factoring would be inappropriate. (The discussion then turned to how a reappraisal would be organized and paid for.)

In discussing the nature of the appraisal problem, Mr. Bixby took two surprising positions. First, land value for tax purposes in Nevada (*LV*) essentially was equal to full cash value (*FCV*) minus the replacement cost developed by applying the Marshall & Swift Residential Cost Handbook (*RCN*) plus statutory depreciation (*D*). (Open-market, arm's length sales are used as surrogates for *FCVs*.) The usual way of expressing this relationship algebraically is:

$$LV = FCV - (RCN - D)$$

RCN – D is improvement (building) value, and usually is shortened to *RCNLD*. This contention of Mr Bixby was surprising because it seemed to ignore the plain meaning of "taxable value" under Nevada statutes and regulations. Essentially this formulation assigns to *LV* any location premium properly ascribed to the *FCV* of the improvements, any construction costs not recognized in the Marshall & Swift handbook, and any additional depreciation allowable under the regulations. Thus, the formulation could overstate the taxable value, and indeed the FCV, of land.

Second, Mr. Bixby contended that *LV* essentially is proportional to *RCNLD*. He said that if three essentially equal land plots had progressively more valuable houses on them, their land values would increase proportionately. (This apparently was a defense for using a secondary land valuation technique that is known as the allocation method. Professional standards consider the method defensible only when the improved properties are homogeneous, a position that is reflected in the regulations.)

Richard Almy

Richard Almy

16 December 2005

Date

Subscribed and sworn to before me this 16th day of December 2005

"OFFICIAL SEAL"
BEVERLY J. NELSON
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 3-23-2008

Beverly J. Nelson