

November 6, 2013

Cochise County Board of Equalization
1415 Melody Lane, Building G
Bisbee AZ 85635

RE: Recommended Decision of Hearing Officer in Appeal of Notice of
Change for Parcel Nos: 105-04-128 and 105-04-424 S

After conducting a Hearing on the appeal of the Notice of Change for the above parcels,
it is my recommended decision that the following values and classification be
established:

105-04-128	105-04-424 S	Legal Class for
FCV: \$8,197,558.00	FCV: \$541,703.00	both parcels: 1.12
LPV: \$7,855,121.00	LPV: \$519,074.00	

The basis for my decision is as follows: At the hearing the Appellant advised that, as to both parcels, there was no objection to the Assessor's recommended values for the land and the legal classification. The only dispute was as to the Assessor's recommended values for the improvements. Both parties relied on Marshall & Swift and submitted recommended values based on the cost approach. The most substantial difference between the values recommended by the parties is the depreciation rate. The Appellant argues that depreciation of 70% is appropriate while the Assessor argues that his rate of 28% is more appropriate. In support of the 70% depreciation, the Appellant argued that the present hospital will cease to have value as a hospital and will be replaced as soon as the new hospital has been completed and that the expectation is that this will happen in approximately two years. In response the Assessor submitted that while the current hospital is open and doing business as an acute care hospital, it must be valued as such, without factoring in the probability that it will cease to have value in the next couple of years. The Assessor is correct that the expectation that a new hospital will be built and will replace the current facility is not absolutely certain. A number of economic variables may intervene and cause this expectation to not be realized or at the very least be substantially delayed. In support of the cost values submitted by the Assessor, one sale comparable and four equity comparables were also submitted. While the Assessor relied primarily on the cost approach, the comparables cited serve to validate the cost value that was submitted. Having considered the totality of evidence presented by both parties, it appears that the Assessor's recommended values are more reasonable and correct and should therefore be approved.

Thank you,

James Riley, Hearing Officer