



October 10, 2016

Via Email to: arios@cochise.az.gov

Cochise County Board of Supervisors  
Clerk of the Board  
C/O Arlethe Rios  
1415 Melody Lane, Building G  
Bisbee, AZ 85603

*Re: Letter of Dissent - 2017 Tax Year Real Property NOV Hearing Officer's Decisions*

Dear Cochise County Board of Supervisors:

Thank you for providing Phelps's Dodge/Freeport McMoRan ("Taxpayer") the opportunity to lodge this taxpayer dissent to the 2017 tax year real property petition decisions. This letter is provided for record purposes and to notify the Cochise County Board of Supervisors of Taxpayer's dissent to various representations and the ending valuations as a result of the September 29 and October 6, 2016 hearings.

Property Tax Petitions ("Petitions") on a portion of Taxpayers significant property holdings in Cochise County, including land and obsolete improvements, were timely filed for the 2017 tax year in April 2016 for the following Cochise County parcels:

- |               |               |               |
|---------------|---------------|---------------|
| - 408-01-007  | - 408-31-006T | - 409-06-020D |
| - 408-18-025C | - 408-31-006V | - 611-05-119  |
| - 408-31-006C | - 408-31-006W | - 611-05-123  |
| - 408-31-006D | - 408-31-006X | - 611-05-130  |
| - 408-31-006F | - 408-31-006Y |               |
| - 408-31-006Q | - 408-31-022E |               |

In particular, parcels 408-31-022E, 611-05-119, 611-05-123 & 611-05-130 include land and improvements. The remaining parcels are valued as land. Collectively the parcels are referred to as "Subject Property" or specifically via individual parcel number designations. Taxpayer requested that overvalued, forty to seventy-five-year-old antiquated, unused or un-useable structures, office space and sheds be valued in their current use and condition,<sup>1</sup> that partially occupied improvement space should be allocated appropriate depreciation and obsolescence and further, that land should be valued based on the physical and actual characteristics and use of the subject land.

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<sup>1</sup> The vast majority of the structures are not connected to utilities, are not occupied/inactive and have been shuttered for decades. Remaining structures have limited use and none of the improvements are viable or suited for resuming active mining activities. Please see attached Exhibit A Affidavit of Taxpayer representative - Mr. Robert Quintanar.



## **I. Background**

The Petitions for the Subject Property were initially reviewed by the County Assessor from April 2016 through August 15, 2016 and included a joint property site visit in July 2016.

In September, the Taxpayers representative participated in a meeting at the Assessor's office to review the Assessor A-Level decisions. Taxpayer then compiled and submitted a letter request for adjustment for limited specific matters prior to the September 29, 2016 initial hearing date.

At the hearing on September 29, 2016, Taxpayer provided significant cost modeling and valuation methodology materials – including Marshall Valuation Systems considerations and marketplace constraints. Specific Assessor misunderstandings and representations against the Taxpayer were made known for the first time. Taxpayer endeavored to request a compromise on the improvement and land portions of the Subject Property.

After various hours of hearing the matter on September 29, 2016, the Hearing Officer indicated that the Taxpayer's provided information and representations were persuasive. The Hearing Officer encouraged the Assessor's representatives at the hearing to consider discussions and a possible compromise. After some discussion, the Hearing Officer recessed the hearing until October 6, 2016 to allow the Assessor's representatives to confer with the Assessor for compromise options.

On September 30, 2016 the Taxpayer submitted additional material on actual county land sales. After hours on October 5, 2016, the Assessor's representative provided Taxpayer with a limited valuation adjustment on a few subject property improvement matters. Taxpayer then attended the October 6, 2016 continuation of the September 29, 2016 hearing.

## **II. Dissent Specifics**

### **A. Land Matters –**

For parcels 408-01-007, 408-18-025C; and

For parcels 408-31-006C, 408-31-006D, 408-31-006F, 408-31-006Q, 408-31-006T, 408-31-006V, 408-31-006W, 408-31-006X and 408-31-006Y and 409-06-020D



Assessor land valuation and discussion included the Assessor's valuation of Taxpayer's other properties. No empirical evidence or reasoning was provided in support of the Assessor's position to generally allocate a land valuation at a base value of \$15,000 per acre.<sup>2</sup> Further, as stated on the record during the hearing, Taxpayer's petitioned value of \$500 (or other *de minimis* value) is a general place holder for vacant land submissions across the Arizona.<sup>3</sup>

Taxpayer provided in excess of 20 state-wide significant land sales. 12 in Cochise County with an average price per acre of less than \$500. Note, at least 6 submitted sales occurred within the last 24 months of the date of value.

## **B. Improvements<sup>4</sup> & Land Matters -**

For 408-31-022E

### **i. Improvements**

This parcel's structure improvements were discontinued as office and lab properties in the late 1970s and early 1980s. The condition and actual use of the improvements were not adequately considered. The former geological lab is 100% inoperable and defunct. The two former office properties are shuttered, are disconnected/ "inactive", lack amenities, and include significant water and roof damage. Again, none are viable or suited for resuming active mining activities.

### **ii. Land**

Assessor land valuation and discussion included the Assessor's valuation of Taxpayer's other properties. No empirical evidence or reasoning was provided in support of the Assessor's position to generally allocate a land valuation at a base value of \$15,000 per acre.<sup>5</sup> Further, as stated on the record during the hearing, Taxpayer's petitioned value of \$500 (or other *de minimis* value) is a general place holder for vacant land submissions across the Arizona.<sup>6</sup>

Taxpayer provided in excess of 20 state-wide significant land sales. 12 in Cochise County with an average price per acre of less than \$500. Note, at least 6 submitted sales occurred within the last 24 months of the date of value.

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<sup>2</sup> Note, a few land parcels do have a 'blended rate' applied depending on the pits, piles and ponds thereon.

<sup>3</sup> *De Minimis* values are placed on land based on agricultural and other special valuation opportunities. This prevents copious amended petitions and other technical matters.

<sup>4</sup> Disputed improvement values are on four parcels - 408-31-022E, 611-05-119, 611-05-123 and 611-05-130.

<sup>5</sup> Note, this land parcels does have a 'blended rate' applied.

<sup>6</sup> *De Minimis* values are placed on land based on agricultural and other special valuation opportunities. This prevents copious amended petitions and other technical matters.



For 611-05-119

- i. Improvements  
Notice value was not adjusted by Assessor at A-Level. Value adjustment took place verbally at the October 6, 2016 hearing by the Assessor's representatives.
- ii. Land  
Taxpayer stated that in the nature of a compromise in valuation which appeared in process at the time, that it would accede to a land argument for this tax year assuming the improvement value was reduced to salvage or other *De Minimis* level. See previous land sections.

For 611-05-123

- i. Improvements  
At the Hearing, the mobile office pod on the property was stated to be personal property. The mobile remains at issue and its value appears to be improperly included in the NOV hearing decision. The valuation of the mobile value is the majority of the approximately \$167,817 improvement value on this parcel.
- ii. Land - See previous land sections.

For 611-05-130

- i. Improvements  
Assessor representative provided a valuation reduction late on October 5, 2016. This valuation reduction included adjusting the cost method application to a higher cost model criteria and increasing three values. As the hearing officer reports, the improvements are not being used serve no economic purposes. They are disconnected/"inactive", lack amenities, and none are viable or suited for resuming active mining activities.
- ii. Land  
Taxpayer stated that in the nature of a compromise in valuation which appeared in process at the time, that it would accede a land argument for this tax year assuming the improvement value was reduced to salvage or other *De Minimis* level. See previous land sections.



### III. Summary

Taxpayer respectfully submits this letter of dissent to the Cochise County Board of Supervisors. Taxpayer has been and remains a significant business contributor to Cochise County. We want you to know that the Hearing Officer spent considerable time ‘flushing’ through the submitted and oral materials. Taxpayer is now aware of some information desired by the Hearing Officer going forward to better represent Taxpayer’s position. This will allow the Hearing Officer’s remaining concerns for a downward valuation adjustment to be addressed in the future. We respectfully dissent to the decisions based on the above and reserve Taxpayer’s Rights for appeal.

If you have any questions, please contact me.

Thank you for your time and attention.

Very Truly Yours,

A handwritten signature in black ink, appearing to read "JAB", is placed over a light purple rectangular background.

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Jodi A. Bain

Exhibit A

September 26, 2016

Re: Cochise County – Property Tax Appeals

To Whom It May Concern:

My name is Robert Quintanar and I am the manager of the Copper Queen Branch operation for Freeport Minerals Corporation.

I have executed the below Affidavit attached hereto as Exhibit A. The attached Affidavit addresses the following Cochise County parcels for property tax purposes:

408-01-007	408-31-006T	409-06-020D
408-18-025C	408-31-006V	611-05-119
408-31-006C	408-31-006W	611-05-123
408-31-006D	408-31-006X	611-05-130
408-31-006F	408-31-006Y	408-31-22D
408-31-006Q	408-31-022E	

If you have any questions or concerns, please feel free to contact me.

Sincerely,



Robert Quintanar  
Copper Queen Branch

**AFFIDAVIT OF  
ROBERT QUINTANAR  
REGARDING THE COCHISE COUNTY PARCELS  
SET FORTH BELOW**

I, Robert Quintanar, on information and belief, hereby affirm as follows:

1. I am over eighteen and I am competent to make this Affidavit.
2. The statements herein are based upon my knowledge and experience as manager of the Copper Queen Branch operation for Freeport Minerals Corporation. and I am authorized to speak for and on behalf of this taxpayer.
3. The "Subject Property" consists of Cochise County Parcels:

408-01-007		
408-18-025C	408-31-006T	
408-31-006C	408-31-006V	409-06-020D
408-31-006D	408-31-006W	611-05-119
408-31-006F	408-31-006X	611-05-123
408-31-006Q	408-31-006Y	611-05-130
	408-31-022E	408-31-22D

4. The Subject Property is comprised of land and improvements; the majority of improvements built or constructed between 1924 and 1974.
5. The various sheds and barn like structures are not in day-to-day active use. Most are marked inactive.
6. The structures have been allowed to remain to represent and preserve the heritage and historic view shed for area tourism purposes.
7. None of the improvements existing on the Subject Property are viable or suited for resuming active mining activities.

FURTHER AFFIANT SAYETH NOT.

  
 Robert Quintanar

9/27/16  
 Date

STATE OF ARIZONA            )  
   )  
 County of Cochise            )        ss.

The instrument was acknowledged before me this 27 day of Sept., 2016, by ROBERT QUINTANAR.

  
 Notary Public

My Commission Expires:

Feb. 3, 2017

