May 15, 2002

The scheduled meeting of the Cleveland County Equalization Board was called to order this 15th day of May, 2002, in the conference room of the County Office Building by Chairman Walter J. Morris. Roll was called by Dorinda Harvey, County Clerk/Secretary and those present were:

Walter J. Morris, Chairman
Pat Thompson, Vice-Chairman
Pat Ross, Member
Dorinda Harvey, Secretary

Others present were: Denise Heavner, David Tinsley, James P. Kelley, and Dirk O'Hara.

Pat Thompson moved, seconded by Pat Ross, to table the approval of the minutes of the meeting of May 10, 2002.

Chairman Morris called for Continental Resources, Inc., represented by Donna Henthorn, P. O. Box 1032, Enid, OK 73702 for 5-9N-2W, Heitz Saltwater Disposal, 1998, 1999, 2000, 2001. Pat Thompson asked if the Assistant District Attorney had given an opinion that had been requested at the last meeting on omitted or undervalued property.
Denise Heavner stated she had called and he is ill.
Pat Thompson moved, seconded by Pat Ross, to table Continental Resources, Inc., represented by Donna Henthorn, P. O. Box 1032, Enid, OK 73702 for 5-9N-2W, Heitz Saltwater Disposal, 1998, 1999, 2000, 2001.
The vote was: Walter J. Morris, yes; Pat Thompson, yes; Pat Ross, yes.
Motion carried.

Chairman Morris called for Sunny Properties, L.L.C., represented by James P. Kelley, 211 N. Robinson, Suite 800, Oklahoma City, OK 73102 for OCC2 10 3W 8037 Part of the NE/4, Section 8, Township 10, Range 3West. Mr. Kelley stated he was able to gather some information from the property manager and he wanted to share it with the Board and gave the Board a document (which was the rent roll). Mr. Kelley stated that the only item he would mention was the base rate and analyzing the occupied square footage at $5.66, with cam-pacts as insurance at $6.57 and taking all of the 80,000 square feet you end up with figures of $5.09 base and $5.91. He told the Board about the Bowling Ally with a base rate of $4.20, and that lease is locked until June 2011.
Mr. Morris asked if he had an overage on it and Mr. Kelley did not.
Mr. Kelley doesn't think that his shopping center has the same value as shopping centers in Norman or North Oklahoma City.
Pat Thompson stated that he needs time to look at the document and that this information should have been provided to the Assessor's Office a month ago.
Mr. Morris stated that the numbers are about what he thought they would be and asked David Tinsley with the Assessor's Office if 3.7 million is what the Assessor had it appraised for.
Mr. Morris stated that he thought it should be around 3.6 million. Mr. Morris asked if Mr.

Kelley would like to sit down with the Assessor's Office and see if they would work something out.
David Tinsley stated that he would like to know if the information Mr. Kelley received from the other shopping centers is from the same place he received his information. Mr. Tinsley stated that this had no reflections upon anyone but it is dishearting to gather this information and it's always wrong. A discussion took place as to the amount of rent for space in shopping centers.
Mr. Morris again stated that this information should have been provided to the Assessor earlier.
Pat Thompson moved, seconded by Pat Ross, to table Sunny Properties, L.L.C., represented by James P. Kelley, 211 N. Robinson, Suite 800, Oklahoma City, OK 73102 for OCC2 10 3W 8037, part of the NE/4, Section 8, Township 10, Range 3 West.
The vote was: Walter J. Morris, yes; Pat Thompson, yes; Pat Ross, yes.
Motion carried.

Chairman Morris stated that Health Care Property Investors, represented by Charles Pennington, c/o CB12 P. O. Box 35527, Tulsa, OK 74153 for MC2 10 3W 13008 Part of the NW/4, Section 13, Township 10, Range 3 West, had withdrawn their letter of protest.

Chairman Morris called for Brookhaven Gardens, L. L. C., represented by Dirk O'Hara, 1050 Rambling Oaks Drive, Norman, OK 73072 for NC29 SPS14 1 2001, Lot 2 Block 1, Springbrook, Sec. 14. Mr. Morris explained how the equalization board works since this was the first time Mr. O'Hara had ever appeared before them.
Mr. O'Hara stated that Brookhaven Gardens operates under the name of Brookhaven Extensive Care a licensed nursing home. In looking up the statute and seeing how they are to be assessed it seems like it is by fair market value and Mr. Tinsley is using somewhat of an income approach that he (Mr. O'Hara) didn't quite understand. The nursing home industry is very volatile the government controls it almost completely. The government controls the staffing ratios, the licenses, they can shut a nursing home down anytime and they can let a nursing home continue to operate at anytime because the people are leery of getting into it and it is difficult to get into. Because of staffing ratios the tendency in the last ten (10) to fifteen (15) years is to get homes that have more beds in them and nursing homes are valued by the bed. This applies to all homes whether it be, an eighty (80), one hundred (100) or one hundred twenty-five (125) bed home. You must have certain staff whether there are twenty (20) people in the building or one hundred and twenty (120) in the building. Labor is the biggest expense and because of that you try to get bigger homes and the smaller homes have been devalued because you can't spread your cost out over those ratios. If you talk to anyone in the industry you will find that anything under eighty (80) beds the value has really fallen off. Mr. O'Hara took every nursing home that has been sold in the last two (2) years and he listed them on a spreadsheet (which he presented to the Board). Mr. O'Hara explained the spreadsheet saying there are eighteen (18) nursing homes the top two (2) are pending and the rest where it says approved is when the homes were approved by the health department. When you sell a nursing home it must be approved by the health department. The name of the home and the location of the home is the next item, the number of beds (this list how many beds they are licensed for), and the cost that the homes sold for. He then divided that out per bed. Down in the bold type of the spreadsheet under the first group he took an

average of all facilities, which was $14,900.00. He took an average of the fifty (50) to seventy (70) bed facilities, which was $8,700.00 and he took an average of the eighty (80) plus bed facilities, which was $17,297.00 and this is public information of every nursing home that was sold in the state. He then took the appraised value for every nursing home in Cleveland County and once again went over the spreadsheet. The average for all facilities for Cleveland County Nursing Homes was $16,132.00, which was just a little above the over-all state average. Fifty (50) to seventy (70) bed facilities $8,400.00, which was slightly below the over-all state value and the eighty (80) plus beds was $18,064.00 just a little above what they had sold for in the state. The appraised value seems to be about what they have been selling for. At the bottom of the spreadsheet he listed what his nursing home had appraised for $2,304,229.00 and it's licensed for fifty-two (52) beds but can only use forty-eight (48) because of limitations. His assessed value is $44,312.00, two and a half (2 ½) times the average and over five (5) times the average of nursing homes the size of his. He has asked that his value be $18,000.00 per bed which would put it at the average of eighty (80) plus bed facilities still more than twice the average of the fifty (50) to seventy (70) bed facilities and would put it at a value of $936,000.00.

David Tinsley stated that the value, which was not all cost but a lot was cost, straight market cost was 2.5. The total square footage was basically the same as one with ninety (90) beds, so per room you take the square footage divide it by the number of beds, you've got about four hundred ninety-nine square feet per bed whereas most of the nursing homes are two hundred eighty-nine square feet. This is a new facility and it's not depreciated, whereas a lot of the other ones are nearly twenty (20) years olds and most of them are twenty (20) years old. The age of the three comparisons that Mr. Tinsley had were built in 1985. Mr. Tinsley struggled to find anyone who knew anything about nursing homes.

Mr. Morris stated to Mr. O'Hara that he was giving more square footage per room to his patience's and ask how does his rates compare to some of the others.

Mr. O'Hara stated that no matter what size your nursing home is the Medicaid rate was the same. The way nursing homes work is most people spend down their assets and get on Medicaid, Medicaid pay $2,700.00 a month, then you back out the tax that is in there, so it is roughly about $2, 500.00 per month. On a private scenario the average of the homes, are around $3,000.00 for a semi-private and close to $4,000.00 for a private and he charges about the same thing. In his nursing home for semi-private it is about $3,000.00 to $3,200.00, and $3,900.00 for a private room.

Pat Thompson asked about the discrepancies in some of the figures of other nursing homes in Noble and Lexington.

David Tinsley stated that you do the price per square foot and then depreciate. One built in 1960 verses one built in 1987.

Mr. Morris stated that if the homes are being maintained he doesn't know where the depreciation was coming from.

Denise Heaver stated that a nursing home that was built in the 1960's opposed to one built in the 1980's or last year there could be a difference in the price. You would think that a brand new nursing home would sell for more then one that was built in 1960.

Pat Thompson asked Mr. Morris if he had been in a nursing home lately and stated that there is a world of difference.

Mr. O'Hara stated he wouldn't debate that his was worth more, his debate was that it's not worth 5 ½ times more when there's a fixed income coming in and all nursing homes are purchased by the bed. No matter what the square footage is or what year it was built.
Mr. Morris asked Mr. O'Hara if he was willing to submit to an income stream appraisal on his property and Mr. O'Hara stated that would be up to the rest of his partners.
Mr. Morris stated that the Assessor's Office is doing a replacement cost on his property because it is new, but if he wants an income stream analysis, that means he is going to have to stay with it until he sells. He can't go back and forth.
Mr. O'Hara stated he would want to submit to the replacement cost because he thinks it is much more fair, he doesn't think income is a fair value because it is too volatile.
Mr. Morris asked when Mr. O'Hara sells his property what will it be based upon and he replied it would be at a per bed market value and right now no matter what his income is no one would pay him more than $20,000.00 per bed.
Mr. Morris stated that this building is 25,000 square feet and looking at the Grace Living Center which is 42,000 feet and it's only worth 1.8 million he doesn't understand why Mr. O'Hara's is so high.
David Tinsley stated because of depreciation.
Mr. Morris, Mr. Tinsley, and Denise Heavner discussed depreciation and appreciation.
Denise Heavner stated that you are going to look at depreciation because of the age of the nursing home and Mr. Morris wanted to know why it is not being done on regular houses.
Ms. Heavner stated it is but you also look at the sales and have to put adjustments in.
David Tinsley wanted to know why there was such a range on the nursing homes.
Mr. Morris stated that the comparisons that Mr. O'Hara gave were all over the board and that is sure not equalization.
Denise Heavner stated that on most houses or condos there are sales to look at, but on this type of property (nursing homes) there are not any sales, she is trying to assess by replacement type cost.
Mr. Thompson asked Mr. O'Hara if all of the sales on the spreadsheet were arm length sales and Mr. O'Hara explained how the selling of nursing homes work and that they are all over.
Mr. Morris and Mrs. Thompson discussion nursing homes as far as new ones, old ones, and legitimate arm length sale of nursing homes.
Mr. Morris stated that the Assessor's Office has Mr. O'Hara property assessed at over $80.00 a square foot.
David Tinsley stated that the new system on the cost side is pure Marshal-Swift and it came in at 2.something. (could not understand the total amount.)
Mr. Morris wanted to know what Marshal-Swift was and Mr. Tinsley replied it was an international cost manual guidelines.
Mr. Morris asked Mr. O'Hara if he was familiar with Marshal-Swift and he replied he was somewhat, but he doesn't understand how they come up with their calculations.
David Tinsley explained Marshal-Swift.
Mr. O'Hara stated that if you look at replacement cost a lot of these homes are going to increase in value, because their replacement cost are not going to be any different then his. It doesn't matter if the building is one hundred (100) years old when it is replacement, the value is severely going to increase. The difficult thing about nursing homes is that the building is not the greatest cost and Mr. O'Hara explained to the Board the other costs.

Mr. Thompson stated that was his point, that if you get a twenty (20) year old nursing home you are going to have to replace everything.
Mr. Morris addressed the Assessor and stated that there is not personal property included in this assessment, this is just the building itself and Denise Heavner answered in the affirmative.
Mr. O'Hara did not know how much the building cost to build.
Mr. Morris told Mr. O'Hara that he has heard the concerns of the Board and that the Board wants to help but the only way the Board is going to help is that Mr. O'Hara is going to have to say that he is willing to go on an income stream and then sit down with David Tinsley and show that and let them tell him how they are determining the cost per square foot and if that's the way he wishes it to be done, then he would have to argue his case if he disagreed with those numbers.
Mr. O'Hara stated that he could not submit to a replacement cost.
David Tinsley stated that the building permit says 1.8 million and he does not know if that is right or wrong.
Mr. Morris stated that one of the problems that this Board has is people not getting back in touch with the Assessor. On Mr. O'Hara's form it says no information was received as of May 2nd.
Mr. O'Hara stated the reasons he did not get back with the Assessor.
Again the Board went over the spreadsheet that Mr. O'Hara had given them.
Chairman Morris moved, seconded by Pat Thompson, to table Brookhaven Gardens, L. L. C., represented by Dirk O'Hara, 1050 Rambling Oaks Drive, Norman, OK 73072 for NC29 SPS14 1 2001, Lot 2 Block 1, Springbrook, Sec. 14.
The vote was: Walter J. Morris, yes; Pat Thompson, yes; Pat Ross, yes.
Motion carried.
Chairman Morris asked the Assessor's Office if the spreadsheet that Mr. O'Hara had presented gave enough information to get this standardized on how nursing homes are assessed.
Mr. Tinsley stated that they could put them (nursing homes) on for $20,000.00 a bed and say that's it, but these twenty (20) year old nursing homes would go up from one million to five million, but in actuality if its $20,000.00 a bed then it should be on for that.
Pat Thompson stated fair cash value is fair cash value.
Mr. O'Hara stated with the mitigating factors it's got to be a certain size home. When Mr. O'Hara and his group goes looking to buy homes they won't pay anymore than $20,000.00 a bed and it's got to be at least eighty (80) beds. Because they are afraid that the government is going to lower rates next year, raise rate this year, or occupancy will go down or go up.
More discussion to place as to the spreadsheet and the different amounts on it and again Mr. Morris stated that it would be in Mr. O'Hara's interest if he would do an income stream appraisal.
Mr. O'Hara stated that currently he would love an income stream appraisal, because he would be begging for a refund from last year, which he knows he would never get. For the next five years it would be good, but six or seven years from now he doesn't want to be penalized by an income approach by paying the highest taxes.
Mr. Morris stated he wouldn't be paying higher taxes, because everyone is paying equal. Anybody that is on an income stream would be equal, because everyone is being reconciled to where the income stream is pretty much regulated by your reimbursement.

Denise Heavner stated that obviously Mr. O'Hara knows a lot about this industry and asked that with the population becoming older are there going to be more nursing homes built? Mr. O'Hara stated that you can't go out and built new nursing homes. It is a protected industry. In Oklahoma you can't build the nicest nursing home in the world unless you meet occupancy requirements and other things that you can't meet because of the laws passed in the 1970's. He got this nursing home by purchasing the operations and then he replied for the licenses for Morningside Nursing Home, that is why some of the figures on the spreadsheet are all over because sometimes you are buying a licenses, (still get the building,) but then they value the building at nothing. Sometimes you may get a descent building that has new stock and pay up to $20,000.00. He thinks the industry will grow in the future, but the problem right now is the government pays for eighty (80) percent of all people in long-term care. The government will go bankrupt if they continue to do this. Mr. O'Hara is going to the Capital right after this meeting and lobby for nursing homes and explained why.

There being no further business to come before the Board, Pat Thompson moved that the meeting be adjourned. Pat Ross seconded the motion.
The vote was: Walter J. Morris, yes; Pat Thompson, yes; Pat Ross, yes.
Motion carried.