CALIFORNIA STATE BOARD OF EQUALIZATION

SUMMARY DECISION UNDER REVENUE AND TAXATION CODE SECTION 40

In the Matter of the Petition for
Reassessment of the 2014 Unitary Value for:

CROWN CASTLE NG WEST, INC. (7982)

Petitioner

Appeal No.: SAU 14-017
Case ID No.: 836972

Nonappearance Hearing date:
November 19, 2014

Representing the Parties:

For the Petitioner: W. Ted Clark, Representative
Jennifer Zisman, Representative

For the Respondent: Amanda B. Jacobs, Tax Counsel
Attorney for State-Assessed Properties Division

Ken Thompson, CEA II
State-Assessed Properties Division

Counsel for Appeals Division: Dana R. Brown, Tax Counsel III (Specialist)

VALUES AT ISSUE

	Value	Penalty	Total
2014 Board-Adopted Unitary Value	$121,500,000	$0	$121,500,000
Petitioner's Requested Unitary Value	$60,750,000	$0	$60,750,000
Respondent's Recommendation On Appeal	$121,500,000	$0	$121,500,000

LEGAL ISSUE

Whether petitioner has shown that the 2014 Board-adopted unitary value failed to account for all depreciation and obsolescence in the ReplCLD Value Indicator.

FINDINGS OF FACT AND RELATED CONTENTIONS

Crown Castle NG West, Inc. (petitioner), a wholly-owned subsidiary of Crown Castle USA, was founded in 2001 and is based in San Jose, California. Petitioner is a wireless infrastructure company that builds and leases distributed antenna systems in prime markets for wireless communications. Petitioner serves residential and urban areas nationwide, including in California. The 2014 Board-adopted unitary value of $121,500,000 is based on 100-percent reliance on the Replacement Cost Less Depreciation (ReplCLD) value indicator.

Petitioner contends that the 2014 Board-adopted unitary value for its property is overstated because its property has suffered income losses over the past five years. Accordingly, petitioner requests a 50-percent reduction in the Board-adopted unitary value, from $121,500,000 to $60,750,000, "due to the income not supporting the assets." With the petition letter, petitioner submitted a two-page document dated December 31, 2013, titled "Financial Statement California Only," consisting of an "Income Statement" listing income and expense items and amounts and a "Balance Sheet" listing assets, liabilities, and equity items and amounts.

In its reply to respondent's analysis, petitioner states that the "attached prior years' Income Statements show a negative income trend for 4 of the 5 prior years." Attached to the reply are (1) the above-mentioned "Financial Statement California Only," (2) an untitled one-page document listing liability items and amounts for an unidentified year, and (3) three documents titled "NEXTG NETWORKS, INC. AND SUBSIDIARIES Consolidated Statements of Operations" for the years ended December 31, 2009, December 31, 2010, and December 31, 2011. Each of the Consolidated Statements of Operations lists the following items and amounts: revenue, operating expenses, operating income or loss, interest income and expense, income or loss before income taxes, provision for income taxes, and net income or loss.

Respondent asserts that petitioner has not provided sufficient evidence to warrant a reduction of the 2014 Board-adopted unitary value for petitioner's property due to obsolescence. Respondent contends that when claiming obsolescence, the Board's *Guidelines for Substantiating Additional Obsolescence for State-Assessed Telecommunications Properties* (April 2009) (Guidelines) state that petitioner should set forth the issues involved, identify the measurement methods used, and provide documentation and evidence to support its claims. Respondent notes that the only evidence petitioner presented, however, is petitioner's historical income statements, which respondent asserts are insufficient because petitioner has failed to provide any explanation as to how its income losses are related to any obsolescence factor. Respondent also asserts that petitioner has failed to provide any information identifying the method it used to determine its requested 50-percent reduction in unitary value and how petitioner calculated its requested reduction.

Respondent also notes that petitioner appears to request that some weight be given to the Capitalized Earnings Approach (CEA) value indicator. Respondent asserts, however, that the reliability of the CEA value indicator is dependent on a predictable and reliable income stream, and would be inappropriate here because petitioner's income is unstable. Respondent further asserts that petitioner has not provided its own CEA indicator calculation, nor has petitioner made any specific assertions of error with respect to respondent's 100-percent reliance on the ReplCLD value indicator.

APPLICABLE LAW AND APPRAISAL PRINCIPLES

ReplCLD Value Indicator

Property Tax Rule 6,[1] subdivision (a) provides, in pertinent part, that: "The reproduction or replacement cost approach to value . . . is preferred when neither reliable sales data . . . nor reliable income data are available . . ." In general, the ReplCLD valuation methodology is estimated by applying appropriate trend factors, including the application of "current prices to the labor and material components of a substitute property capable of yielding the same services and amenities, with appropriate additions . . ." (Property Tax Rule 6, subd. (d).) The resulting adjusted cost amount is "reduced by the amount that such cost is estimated to exceed the current value of the reproducible property by reason of physical deterioration, misplacement, over- or underimprovement, and other forms of depreciation or obsolescence. The percentage that the remainder represents of the reproduction or replacement cost is the property's percent good." (Property Tax Rule 6, subd. (e).)

ANALYSIS AND DISPOSITION

The Board is presumed to have correctly determined the value of the property at issue, and petitioner bears the burden of proving otherwise. (Cal. Code Regs., tit. 18, § 5541, subd. (a).) Here, petitioner requests a 50-percent reduction in the 2014 Board-adopted unitary value, from $121,500,000 to $60,750,000, due to obsolescence. Petitioner asserts that the company has a history of

---

[1] All references to Property Tax Rules are to sections of title 18 of the California Code of Regulations.

income losses over the past five years, but petitioner has not provided any evidence quantifying the impairment to its unitary property. While petitioner provided income statements showing net losses, petitioner has failed to provide an explanation as to how those losses are related to the claimed obsolescence. Petitioner also failed to provide any information identifying the methods used to determine that a 50-percent reduction in unitary value is appropriate. Accordingly, petitioner has not met its burden of proof by providing sufficient evidence to support the requested obsolescence adjustment to its 2014 Board-adopted unitary value.

DECISION

Accordingly, the petition for reassessment is denied and the 2014 Board-adopted unitary value is affirmed.*

Jerome E. Horton, Chairman

Michelle Steel, Member

Betty T. Yee, Member

George Runner, Member

* The decision was rendered in Sacramento, California on November 19, 2014. This summary decision document was approved on December 18, 2014, in Sacramento, California.