



## STATE BOARD OF EQUALIZATION

1520 N STREET, SACRAMENTO, CALIFORNIA  
 (P.O. BOX 942879, SACRAMENTO, CALIFORNIA 94279-0001)

(916) 445-4982

See LTA 97/71

September 1, 1992

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 Executive Director  
 No. 92/58

TO COUNTY ASSESSORS:

ADJUSTMENTS TO COST FACTORS

Recently we have received inquiries regarding the cost factors contained in our Assessors' Handbook Sections 531, 532, 533, and 534 with regard to the increasingly large number of special assessments being experienced throughout California. Appraisers should be aware that not all costs can be reflected in the handbook sections and appropriate adjustments must be made.

Revenue and Taxation Code Section 401.5 charges the Board with issuing data relating to costs of property throughout California to promote uniformity. Section 401.5 clarifies that "[t]hese data shall be adapted to local conditions and may be considered by the assessors together with other factors as required by law in the assessment of property for tax purposes." As stated in the introduction sections of our four cost handbooks, all costs should be tempered with local costs pertinent to each area since construction costs may vary among as well as within each county.

Particular notice should be given to the costs associated with permits, utility hook-ups, and contingencies. These components are included in the values in our handbooks for normal conditions. Information we have received from various counties include building permit costs that range from \$20,000 to \$35,000; sewer and water connections that have a \$20,000 hook-up fee and/or five or six year assessment; and lump sum school assessments within specific areas that encompass thousands of dollars. It is necessary for each county to become aware of and adjust for these special assessments.

With the fluctuation and uncertainty of the real estate market, many purchasing incentives have been created which include cash discounts, new cars, vacations, furnishing allowances, etc. Again, the appraiser should be aware of these incentives and make adjustments utilizing cash equivalency procedures.

Please note that all the cost handbooks include allowances for construction interest. The AH 531 residential handbook also includes allowances for entrepreneurial profit, but the other three handbooks do not. The assessor should consider appropriate additions for entrepreneurial profit for non-residential construction projects.

TO COUNTY ASSESSORS

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September 1, 1992

If you have any questions regarding cost adjustments, please contact our Cost Section at (916) 445-4982.

Sincerely,

A handwritten signature in cursive script that reads "Verne Walton".

Verne Walton, Chief  
Assessment Standards Division

VW:sk