

October 5, 2012

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From: Richard N. Benson
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Re: Comments from Interested Parties
Draft Assessor Handbook Section 410, “Assessment of Newly Constructed Property,” version September 2012.

SPECIFIC COMMENTS & RECOMMENDATIONS

ITEM	SOURCE	PAGE	LINE	SPECIFIC COMMENTS & RECOMMENDATIONS
	All Marin County Assessor			
1				Various references: Consider reviewing text to improve consistency, where possible, of the terms: new construction, assessable new construction, appraised and appraisal versus assess, assessed, and assessable, improvement or structure, and the sentence position of the terms “or portion” and “portion thereof.”
2		5	3	<u>Original text:</u> “... include but are not limited to installation of:” <i>[Remove the words “installation of” as the following list includes descriptors that are different from installation of a component. Recommended text:</i> “ ... include but are not limited to: ”
3		8	3-6	<u>Original text:</u> “It is possible, however, that if enough components are altered or replaced in a relatively short amount of time, and these replacements substantially increase the value of the property, then major rehabilitation may have occurred and should be appraised.” <i>[To correct word choice from appraised to assessed.] Recommended text:</i> “It is possible, however, that if enough components are altered or replaced in a relatively short amount of time, and these replacements substantially increase the value of the property, then major rehabilitation may have occurred and should be assessed.”
4		9	Above line 1	This table needs a label. It should be labeled “Table 2-1 List of Use-Types”
5		11	13-16	<u>Original text:</u> “The following table lists general use types and sub-uses within each of the five general types. It is not intended as an all-inclusive list, but rather as an illustration <i>[Remove paragraph in its entirety. This text is included on page 8, lines 26-27.]</i>
6		11	After line 16	This table is redundant. It is the same table as shown on page 9 (see Item #3 above) and should be removed.

7		23	8	<u>Original text:</u> “Comparable vacant properties were selling for \$500,000.” [To correct from vacant to improved.] <u>Recommended text:</u> “Comparable improved properties were selling for \$500,000.”
8		24	15	<u>Original text:</u> “ 2005 market value of land \$100,000 <u>x 1.19071</u> 2010 factored base year value of land \$119,071 2010 market value of newly constructed home \$350,000 <u>119,071</u> 2010 factored base year value of land <u>\$469,071</u> ” [The example uses an erroneous inflation factor. The example states it is a 2005 land value to a 2010 factored base year value, however, the factor used is 2000 to 2010. Insert the correct factor.] <u>Recommended text:</u> 2005 market value of land \$100,000 <u>x 1.07985</u> 2010 factored base year value of land \$107,985 2010 market value of newly constructed home \$350,000 <u>107,985</u> 2010 factored base year value of land <u>\$457,985</u>
9		26	Table 3-1	<u>Original text:</u> “Converting a garage to living area” [This is not always true. For example, there are some areas where garaged parking has a greater value than, say, a 4 th bedroom or a den. In these cases, converting a garage could actually lower the market value of the improvements.] <u>Recommended text:</u> “Converting unfinished or semi-finished area to living area.”
10		27	Table 3-2	<u>Original text:</u> “EXAMPLES OF ACTIVITIES THAT ARE <u>NOT</u> ASSESSABLE NEW CONSTRUCTION” [Although the paragraph following the table explains that these are individual examples, and when performed in combination or collectively may become assessable, people referencing the examples may not take time to read the subsequent text. Add the word “individual” for clarification and to reinforce this point.] <u>Recommended text:</u> ““EXAMPLES OF INDIVIDUAL ACTIVITIES THAT ARE <u>NOT</u> ASSESSABLE NEW CONSTRUCTION”
11		29	18-19	<u>Original text:</u> “... \$400,000 \$350,00, with \$350,000 \$250,000 allocated for improvement and \$50,000...” [To correct typo.] <u>Recommended text:</u> “... \$400,000 \$350,000, with \$350,000 \$250,000 allocated for improvement and \$50,000...”
12		29	22	<u>Original text:</u> “Replacement and repair work falls under normal maintenance and is, therefore, excluded from assessment as new construction.” [Original text is in conflict with page 6, lines 28-29; “when replacements are as extensive and extreme as to make an improvement (or a portion) like new, then the work is considered new construction.”] <u>Recommended text:</u> “Replacement and repair work may fall under normal maintenance and may be excluded from assessment as new construction if the repairs and replacements are not as extensive and extreme as to make an improvement (or a portion) like new.”
13		30	2-6	<u>Original text:</u> “Although extensive work was done on the house, the majority of the work was maintenance as it merely replaced old and deteriorated items with new ones of like kind. The taxpayer did not add any redesigned features to the house, nor did he improve it to the point that it was the substantial equivalent of a new home. No reappraisal of the base year value would be warranted.” [Original text is in conflict with: (i) the concept of page 29 lines 11-14, “The intent is to prevent reassessment of property when minor additions or alterations are completed. Such minor additions or alterations generally would not convert (for assessment purposes)

				<p><i>a slightly improved property into one that is substantially equivalent to new.</i></p> <p><i>(ii) Because this work done was extensive, the value and timing tests of page 7 should be applied. According to page 7, lines 21-36, the example fails to apply the handbook’s own suggestions of applying a value added test and a timing test as a consideration to formulating a judgment “to determine whether construction constitutes assessable new construction”.</i></p> <p><i>(iii) Pursuant to page 8, lines 3-6, the example fails to apply the handbook’s own suggestions of applying a value added test and a timing test as a consideration to formulating a judgment “to determine whether construction constitutes assessable new construction”.</i></p> <p><i>(iv) From page 5 of the draft: “Normal maintenance is the action of continuing, carrying on, preserving, or retaining real property or fixtures in proper condition. Maintenance performed on real property is normal when it is regular, standard, and typical.” This example identifies a house that was in poor condition with numerous elements of deferred maintenance. Had the improvement experienced “normal maintenance” its value would not have been lower than the selling price of comparatively sized homes. From page 6, lines 28-29; “when replacements are as extensive and extreme as to make an improvement (or a portion) like new, then the work is considered new construction.” Because the construction work was characterized as “extensive” it may not have constituted minor alterations and should be evaluated using the timing and value tests described above.] Recommended text: “Extensive work was done on the house, while some of the work was maintenance as it replaced old and deteriorated items with new ones the work was not regular, standard and typical. As stated on pages 6 and 25, when replacements are as extensive, extreme, or in combination as to make an improvement (or a portion thereof) substantially equivalent to new, then the work is considered assessable new construction. Because an appraiser must use judgment to determine whether any construction constitutes assessable new construction, as discussed on page 7, this determination and measurement indicates an appraisal of the improvement immediately before and after the new construction to estimate the value added, along with an estimate of the value of a comparable new improvement to determine if the value of the improvement (or portion) after new construction is substantially equivalent to the value of a comparable new improvement (or portion). After consideration of the value and timing tests, if enough components are altered or replaced in a relatively short amount of time, and these replacements substantially increase the value of the property, then major rehabilitation may have occurred and should be assessed. Determining when construction is substantially equivalent to new requires both appraisal judgment and evaluation on a case-by-case basis.”</i></p> <p><i>[Alternate text options which would better characterize a non-assessable determination would be: (a) Changing the scenario with respect to timing, by either having the alterations carried out over a longer period of time to more realistically reflect normal, ongoing repairs and maintenance. (b) Changing the scenario with respect to value, by either having a newer improvement in average condition in which the value of the improvement after construction is substantially equivalent to the value prior to construction. (c) Describe less “extensive” and valuable new construction components which would not conflict with the timing and value added tests.</i></p>
14		39	2 11-12	<p>Original text: “...cost of construction reported by the owner for 2002 (\$100,000) was lower ...” <i>[this is a bit unclear as the prior paragraph mentioned January 2003 and the following paragraph states: Original text “...cost reported by the owner to date for improvements was \$100,000 in 2003 and \$150,000 in 2004 ...” for clarification purposes, although the cost mentioned on line 2 is for the calendar year 2002, it was reported as of the Lien Date 2003. The following is suggested.] Recommended text: “... cost of construction reported by the owner for Lien Date 2003 (\$100,000) ... cost reported by the owner to date for improvements was \$100,000 for Lien Date 2003 and \$150,000 for Lien Date 2004 ...”</i></p>

15	40	1-3	<p><u>Original text:</u></p> <ul style="list-style-type: none"> • Acquisition of land in 2001 \$200,000 • Land improvements <u>\$41,000</u> • 2001 base year value of land <u>\$241,000</u> <p><i>[The land improvements were completed as of January 1, 2002 (page 37, line 26) and therefore do not have a 2001 base year value, but rather a 2002 base year value.]</i> Recommended text:</p> <ul style="list-style-type: none"> • 2001 base year value of land \$200,000 • 2002 base year value of land improvements \$41,000 																																		
16	40	12-25	<p><u>Original text:</u></p> <p>The base year value of land and improvements was enrolled as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">2001 base year value of land</td> <td style="text-align: right;">\$241,000</td> </tr> <tr> <td></td> <td style="text-align: right;">\$241,000</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>x1.05980</u></td> </tr> <tr> <td>Adjusted base year value of land in 2004</td> <td style="text-align: right;">\$255,412</td> </tr> <tr> <td>2004 base year value of improvements</td> <td style="text-align: right;">\$500,000</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>-50,000</u></td> </tr> <tr> <td>Current market value of improvements to land</td> <td style="text-align: right;">\$450,000</td> </tr> <tr> <td></td> <td style="text-align: right;">\$255,412</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>+\$450,000</u></td> </tr> <tr> <td>Total Assessed Value</td> <td style="text-align: right;"><u>\$705,412</u></td> </tr> </table> <p>The assessor enrolled a base year value of \$705,400 <u>\$705,412</u> for the property as of the date of completion of the new construction, April 1, 2004. The allocation was \$450,000 for improvements and \$255,400 <u>\$255,412</u> for land.</p> <p><i>[Due to the error noted above (#15), the following adjustment needs to be made:]</i> <u>Recommended text:</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">2001 base year value of land</td> <td style="text-align: right;">\$ 200,000</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>x1.05980</u></td> </tr> <tr> <td></td> <td style="text-align: right;">\$ 211,960</td> </tr> <tr> <td>2002 base year value of land</td> <td style="text-align: right;">\$ 41,000</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>x1.03904</u></td> </tr> <tr> <td></td> <td style="text-align: right;">\$ 42,601</td> </tr> <tr> <td>Adjusted base year value of land in 2004</td> <td style="text-align: right;">\$ 254,561</td> </tr> </table>	2001 base year value of land	\$241,000		\$241,000		<u>x1.05980</u>	Adjusted base year value of land in 2004	\$255,412	2004 base year value of improvements	\$500,000		<u>-50,000</u>	Current market value of improvements to land	\$450,000		\$255,412		<u>+\$450,000</u>	Total Assessed Value	<u>\$705,412</u>	2001 base year value of land	\$ 200,000		<u>x1.05980</u>		\$ 211,960	2002 base year value of land	\$ 41,000		<u>x1.03904</u>		\$ 42,601	Adjusted base year value of land in 2004	\$ 254,561
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