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#77/73

May 16, 1977

TO COUNTY ASSESSORS:

HEALTH AND SAFETY CODE SECTION 33673

The attention of those assessors faced with the task of assessing property in redevelopment projects is directed to Health and Safety Code Section 33673.

This section reads as follows:

> "Whenever property in any redevelopment project has been redeveloped and thereafter is leased by the redevelopment agency to any person or persons or whenever the agency leases real property in any redevelopment project to any person or persons for redevelopment, the property shall be assessed and taxed in the same manner as privately owned property, and the lease or contract shall provide that the lessee shall pay taxes upon the assessed value of the entire property and not merely the assessed value of his or its leasehold interest."

We have been asked whether the lessee of real property leased from a redevelopment agency for a specific purpose, e.g., a parking lot, should be assessed in accordance with the market value of the property based upon the lessee's restricted use or the market value of the property based upon its unrestricted highest and best use.

Our legal staff responded to the question as follows:

> "It appears reasonably clear that the intent of the law is that whenever redevelopment has proceeded and leases to this end are let, then the lessee shall be required to pay property taxes based upon a measure of market value (which is the value of the rights to the highest and best use of the property).
>
> "Highest and best use in this instance is qualified, in that it is that highest and best use to which the property can be put within the terms of the lease. In other words, the leased property is to be appraised as if owned in fee, except the appraiser shall consider the effect upon value of any enforceable restrictions to which the use of the land may be subjected (Section 402.1, Revenue and Taxation Code)."

Sincerely,

Jack F. Eisenlauer

Jack F. Eisenlauer, Chief
Assessment Standards Division

JFE:ebv