YOLO COUNTY
ASSESSMENT PRACTICES SURVEY

JANUARY 2000

CALIFORNIA STATE BOARD OF EQUALIZATION

JOHAN KLEHS, HAYWARD	FIRST DISTRICT
DEAN ANDAL, STOCKTON	SECOND DISTRICT
CLAUDE PARRISH, TORRANCE	THIRD DISTRICT
JOHN CHIANG, LOS ANGELES	FOURTH DISTRICT
KATHLEEN CONNELL, SACRAMENTO	STATE CONTROLLER

E. L. SORENSEN, JR., EXECUTIVE DIRECTOR

FOREWORD

The State Board of Equalization is required by law to conduct periodic surveys of local assessment practices and report the findings and recommendations that result from the survey. The surveys may include a sampling of assessments of the local assessment roll, and they must include research in the assessor's office to determine the adequacy of the procedures and practices employed by the assessor in the assessment of taxable property, compliance with state law and regulations, and other required duties.

Fieldwork for this survey report of the Yolo Assessor's Office was completed by the County Property Tax Division staff from February through July, 1998. This report does not reflect changes implemented by the assessor after the field work was completed.

The assessor was provided a draft of this report and given an opportunity to file a written response to the recommendations and other findings contained in the report. This report, together with the county assessor's response and the Board's comments regarding the response, constitute the final survey report which is distributed to the Governor, the Attorney General, both houses of the State Legislature, and the county's Board of Supervisors, Grand Jury, and Assessment Appeals Board.

The Honorable Alan B. Flory, the Yolo County Assessor, and his staff gave us their complete cooperation during the assessment practices survey. The new assessor, Honorable Richard Fisher, continued this cooperation during the balance of this survey. We gratefully acknowledge their patience and good spirit during the interruption of their normal work routine.

Charles Knudsen, Chief
County Property Tax Division
Property Taxes Department
California State Board of Equalization
January 2000

COUNTY PROPERTY TAX DIVISION SURVEY GROUP

YOLO COUNTY SURVEY

Survey Program Director:

Charles Knudsen	Division Chief

Field Sample Team Supervisor

Claudia Tendal	Supervising Property Appraiser

Field Sample Team Norwalk Field Office

Office Survey Team Supervisor

Claudia Tendal	Supervising Property Appraiser

Office Survey Team

Hadley Alger	Supervising Property Appraiser
Beverly Morrison	Associate Property Auditor Appraiser
Dave Dodson	Associate Property Appraiser
Les Morris	Associate Property Appraiser
Douglas Williams	Associate Property Appraiser
Tina Krause	Assistant Property Appraiser
Delia Garcia	Tax Technician

TABLE OF CONTENTS

FOREWORD i

COUNTY PROPERTY TAX DIVISION SURVEY GROUP ii

INTRODUCTION 1

FINDINGS 2

Executive Summary *2*
Recommendations and Suggestions *3*

ADMINISTRATION 5

Budget and Workload *5*
State-County Property Tax Administration Program *5*
Training *7*
Standards and Quality Control *8*
Assessment Appeals *8*
Low-Value Property Exemption *9*
Disaster Relief *10*
Assessment Roll Changes *12*
Supplemental Roll Assessments *12*

REAL PROPERTY VALUATION AND ASSESSMENT 14

THE APPRAISAL PROGRAM 14
Introduction *14*
Change in Ownership *14*
New Construction *17*
Declines in Value *17*
SPECIAL PROPERTY TYPES AND PROCEDURES 18
Agricultural Properties *18*
Taxable Government-Owned Properties *20*
Possessory Interests *21*
Manufactured Homes *23*
Sand and Gravel *24*
Pipeline rights-of-way *25*
PERS Owned Properties *25*

BUSINESS AND PERSONAL PROPERTY VALUATION AND ASSESSMENT 26

Introduction *26*
Audit Program *26*
Property Statements *28*
Tenant Improvements *28*
Leased Equipment *30*
Equipment Valuation Factors *30*
Vessels *31*
Aircraft *32*

APPENDIX 33

THE ASSESSMENT SAMPLING PROGRAM 33

INTRODUCTION

This report is the culmination of a review of the Yolo County Assessor's operation that began with research in the assessor's office and concluded with CPTD staff appraisals of sample properties from the county assessment roll. This survey was conducted according to the method mandated by Section 15642 of the Government Code.

The survey team conducted research in the assessor's office in February and March of 1998. The survey team reviewed the assessor's current operations to determine whether significant problems identified in the prior survey report (published July 1992) have been corrected. The team also reviewed numerous other operations that represent common challenges to California assessor's offices or that are of particular importance in Yolo County up to and as of March, 1998.

Revenue and Taxation Code section 75.60[1] requires the BOE to certify that a county is eligible to recover the administrative costs of processing supplemental assessments. In order to be eligible, a county assessor must achieve an average assessment level that is at least 95 percent of the assessment level required by statute. And, the sum of the absolute values of the differences must not exceed 7.5 percent of the total amount of the county's assessed value as determined by the BOE in its assessment survey. These data are developed by appraisal sample.

The appraisal sample was performed by CPTD's field appraisal team, who completed appraisals of 275 properties of all types assessed on the 1997-1998 Yolo County assessment roll. This roll contained a total of 51,904 assessments having a total enrolled value of $8,151,696,813. (For a detailed explanation of CPTD's assessment sampling program, see the Appendix at the end of this report.) Sampling data indicated the roll was composed by property type as follows:

Property **Type**	**No. of Assessments In County**	**Enrolled Value**
Residential	35,518	4,191,185,622
Rural	8,025	1,196,587,917
Commercial Industrial	8,194	2,738,690,477
Miscellaneous	167	25,232,797
Totals	51,904	8,151,696,813

[1]All section references pertain to the Revenue and Taxation Code unless otherwise noted.

FINDINGS

EXECUTIVE SUMMARY

Based upon BOE's sampling of the 1997-98 roll, Yolo County is eligible for reimbursement of the costs associated with administering supplement assessments. The county's expansion ratio indicated an average assessment level of 100.01 percent. The sum of the absolute values of the differences was calculated at 1.92 percent. This indicates that the assessor's program complies substantially with property tax statutes.

As directed by section 15642 of the Government Code, this report contains summaries of the volume and types of assessment work required of the Yolo County Assessor, the responsibilities devolving upon the assessor, and the extent to which assessment practices are consistent with or differ from state laws and regulations. Finally, the report focuses on problems identified by our survey team and includes recommendations and suggestions to help the assessor resolve those problems.

This survey report contains several recommendations and suggestions for improvement. The report also contains descriptions of those program elements that are particularly effective and efficient. It also notes areas of improvement since our last assessment practices survey and acknowledges the implementation of previous recommendations. For example, the assessor is now meeting his mandatory audit requirement, a nonmandatory audit program has been initiated, and he has made effective use of assessment support staff in the processing of business property statements. A comprehensive review was completed on low-value business accounts, and new controls have been implemented to ensure leased equipment is properly identified, valued, and assessed.

We repeat several recommendations from our previous survey stressing the need to use a capitalization premise appropriate to the shape of the income stream when valuing restricted vineyards and orchards, the need to value machinery and equipment using replacement cost factors that relate to the specific property being appraised, and the need to annually appraise pleasure boats at market value.

One of the most important areas of real property assessment – change in ownership – generated one recommendation. We note that the Change in Ownership Statement (COS) is not routinely used to acquire transfer information, nor are penalties assessed. We discuss the importance of obtaining the COS and recommend that it be sent to taxpayers whenever a Preliminary Change of Ownership Report has not been filed.

We recommend that a provision for the income attributable to unrestricted, nonliving vineyard improvements based on market yield rates be provided for when valuing restricted vineyards subject to assessment under the California Land Conservation Act valuation program. And, we suggest developing a market yield rate for agricultural property through the analysis of rural sales, and allocating more time for field inspections.

We suggest that written procedures on the assessment of possessory interests be developed, and we repeat a recommendation to assess all taxable possessory interests in county fair property.

Additional recommendations concern the assessment of all eligible manufactured home accessories, the proper classification, valuation, and supplemental assessment of structural improvements, and the annual valuation of aircraft at market value.

RECOMMENDATIONS AND SUGGESTIONS

This report contains both recommendations and suggestions for improvements to the operation of the Yolo County Assessor's Office.

Government Code section 15645 requires the assessor to respond in writing to the formal recommendtions contained in this report.[2] Our recommendations are reserved for situations where one or more of the following conditions exist:

- Existing practices do not conform to state constitutional provisions, statutes, BOE regulations, or case law
- Existing assessment practices result in property escaping assessment or generation of an incorrect amount of property tax revenue
- Existing appraisal practices do not conform to BOE -adopted appraisal methodologies.

Our suggestions are considered less formal than recommendations, and the assessor is not required to make any response to suggestions. Typically, suggestions are BOE staff opinions on ways the assessor can improve efficiency, product quality, or other matters that do not call for formal recommendations.

Here are the formal recommendations and suggestions contained in this report, arrayed in the order that they appear in the text. The page is noted where each recommendation and its supporting text may be found.

RECOMMENDATIONS

RECOMMENDATION 1: ***Utilize the Change in Ownership Statement when a Preliminary Change of Ownership Report (PCOR) has not been filed. 15***

RECOMMENDATION 2: ***Use a capitalization premise appropriate to the shape of the income stream when valuing restricted vineyards and orchards. 19***

[2]Government code section 15645 provides, in relevant part: "….Within a year after receiving a copy of the final survey report, and annually thereafter, no later than the date on which the initial report was issued by the board and until all issues are resolved, the assessor shall file with the board of supervisors a report, indicating the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations of the survey report, with copies of that response being sent to the Governor, the Attorney General, the State Board of Equalization, the Senate and Assembly and to the grand juries and assessment appeals boards of the counties to which they relate."

RECOMMENDATION 3: ***Develop a market yield rate for agricultural property through the analysis of rural sales and make a provision for the income attributable to unrestricted, nonliving vineyard improvements based on the market yield rate.*** ***19***

RECOMMENDATION 4: ***Assess all taxable possessory interest in county fairground property.*** ***22***

RECOMMENDATION 5: ***Assess all eligible manufactured home accessory improvements.*** ***24***

RECOMMENDATION 6: ***Revise the assessment of unsecured tenant improvements by: (1) ensuring that structural improvements are properly classified and valued; and, (2) making supplemental assessments.*** ***29***

RECOMMENDATION 7: ***Use the factors from Assessors' Handbook Section 581 as intended.*** ***30***

RECOMMENDATION 8: ***Annually appraise pleasure boats at market value.*** ***31***

RECOMMENDATION 9: ***Annually appraise aircraft at market value.*** ***32***

SUGGESTIONS

SUGGESTION 1: ***Establish written procedures for the valuation of properties that have been damaged through misfortune or calamity.*** ***10***

SUGGESTION 2: ***Obtain fire department reports and screen them for eligible calamities.*** ***11***

SUGGESTION 3: ***Allocate more time for field inspections and interviews with agricultural producers.*** ***20***

SUGGESTION 4: ***Develop written procedures for the possessory interest program.*** ***22***

SUGGESTION 5: ***Require the use of an audit checklist in every audit.*** ***27***

ADMINISTRATION

BUDGET AND WORKLOAD

Since the 1990-91 roll year, the total assessed value of county-assessed property in Yolo County has increased as follows:[3]

Year	Total Value	Increase	Statewide Increase
91-92	6,366,814	11.2	8.4
92-93	6,871,898	7.9	5.4
93-94	7,173,957	4.4	3.1
94-95	7,447,787	3.8	1.3
95-96	7,717,590	3.6	0.7
96-97	7,864,984	1.9	1.3

For the fiscal year 1996-97 the Yolo County assessor prepared an assessment roll containing 55,400 assessments on an approved budget of $1,171,160, which is approximately the same as the last two years' budgets. This budget funded 24 full time positions.[4]

The real property workload for the 1996-97 assessment year in Yolo County included about 2,650 sales and other transfers, approximately 1,750 reassessments resulting from new construction discovered through building permits or other means, and approximately 6,800 reviews for decline in value assessments. The assessor's staff processed approximately 3,300 properties restricted by the California Land Conservation Act, and they processed 100 property splits and 750 new subdivision lots. The real property section also performed many other tasks, including assessment appeals and assessment of properties affected by misfortune or calamity.

For the 1996-97 assessment year, the business property section processed approximately 5,000 business property assessments, and they valued 170 general aircraft and 1,360 vessels. In addition, the business property section completed 180 mandatory and 112 nonmandatory audits.

The professional staff budgeted to handle real and business property consists of one chief appraiser, six real property appraisers, and two auditor-appraisers. Additional funds provided by the State-County Property Tax Administration Program, discussed below, provided one additional real property appraiser and two auditor-appraisers.

STATE-COUNTY PROPERTY TAX ADMINISTRATION PROGRAM

Section 95.31 provides that upon the recommendation of the assessor and the county board of supervisors, the county may elect to participate in the State-County Property Tax Administration Program (PTAP). This program is commonly referred to as "AB 818" after the assembly bill that created the State administered program in 1995. The majority of California counties participate in the program.

[3] Table source: State Board of Equalization Annual Reports, Table 7, P. A-7.
[4] Source Document: State Board of Equalization "A Report of Budgets, Workloads, and Assessment Appeal Activities in California Assessors' Office,", 1996-97.

To participate, a county must enter into a loan agreement or contract with the State Department of Finance to enhance its property tax administration system, reduce backlogs of reassessments, and maximize enrollment capabilities. The loan cannot be used to supplant the assessor's current level of funding, and the county must maintain a base funding level, independent of the loan proceeds, that is equal to the levels in the 1994-95 fiscal year.

Each contract contains performance measures that must be met in order to have a loan amount forgiven. The completion of these measures would, in theory, generate property tax revenue to schools greater than, or equal to, the loan amount.

In January 1996, the Yolo County Board of Supervisors, upon the recommendation of the assessor, elected to participate in the State-County Property Tax Administration Program for a three-year period beginning with the 1995/96 fiscal year.

Under the contract, the State agreed to loan the county $278,309 for fiscal years 1995/96, 96/97 and 97/98. Yolo County agreed to maintain staffing and total general fund levels equal to or exceeding those of the 1994-95 fiscal year. Yolo County agreed to use these funds to reduce backlogs in all of the following assessment categories:

- mandatory business audits
- assessment appeals
- declines in value
- assessable new construction on rural properties
- rural properties restricted by the Williamson Act
- natural gas property assessments
- gravel deposit assessments
- business property statement assessment reviews
- supplemental billing

For the initial loan, the assessor proposed fund allocations for the recruitment of appraisal staff, consulting services for gravel assessments, expert witness fees for assessment appeals, maintenance of appraisal contracts, additional computer hardware and software and supporting office modification, and automobiles. In addition, funds were allocated to assist in the processing of supplemental tax bills.

Yolo County's contract specifies the performance measures required to have the loan amount forgiven. The assessor must report the actual workload, the number of reassessments completed, and the average increment of assessed value change generated by the assessment. Under the contract terms, the county's auditor-controller must verify the assessor's reported figures and the

calculations. The assessor reported, and the auditor-controller verified by audit, that the required "percentage of success," as defined in the contract, was achieved for each of the assessment categories, as shown in table below.

1996/97 Yolo County performance results, per contract.

Assessment Category	*Contract performance meansure*	*Number of Assessments Completed*	*Assessed Value from Assessments*
Mandatory Audits	16	16	$26,101,267
Non-Mandatory Audits	95	112	$15,493,322
Prop 8 Declines in Value	12,000	14,393	$712,204,841
Assessment Appeals	324	324	$196,644,236
Rural New Construction	300	434	$710,531
Natural Gas Work	112	112	$16,329,577
Property Statement 501 Reviews	36	74	$3,450,871

TRAINING

The Revenue and Taxation Code contains specific educational and training requirements that must be met and maintained for a person to perform the duties of a county property appraiser for property tax purposes. Section 670 provides that no person may perform the duties of an appraiser for property tax purposes unless he or she holds a valid certificate issued by the BOE. Section 671 further provides that all appraisers shall complete at least 24 hours of approved training each year in order to retain a valid appraiser's certificate. Advanced appraisers need only 12 hours of training each year. The BOE is charged with ensuring that these requirements are met.

To qualify for an advanced appraiser's certificate, an appraiser must have a minimum of six BOE courses with at least two courses classified as advanced. Outside courses that can be substituted for a BOE advanced course include an Appraisal Institute course lasting longer than three days, or a college appraisal course.

Many assessors provide funding for appraisal staff to obtain the necessary continuing education. The Yolo County Assessor's Office training budget has increased from $65 in the 1993/94 fiscal year to $1,753 for the 1997/98 fiscal year. The budget provides for paid time off, tuition, books, and fees.

The Yolo County Assessor's Office certificated staff includes 12 appraisers and auditor-appraisers. We found that one appraiser has a training deficit of 38 hours, while three appraisers have a training deficit of 16 or fewer hours. The responsibility for compliance with section 671 training requirements ultimately falls on the individual appraiser, but action should be taken by the assessor to ensure that these deficits are reduced and do not become serious. Currently there is no formalized plan for these appraisers to reduce their training deficit.

While the training deficits of these four employees are not considered serious, prompt action should be taken to avoid a more serious situation. The training status of these employees should

be monitored and a plan developed to ensure that all employees meet the continuing education requirements of section 671.

STANDARDS AND QUALITY CONTROL

Standards and quality control functions ensure the consistency and quality of the appraisal product or taxpayer services through the development and maintenance of appraisal and operating standards. Other duties of a standards and quality control unit may include training, legal interpretations, or data processing coordination.

The chief appraiser and assistant assessor carry out these functions in the Yolo County Assessor's Office. The chief appraiser is responsible for the training of the certificated staff and ensuring that valuation procedures are standardized, current, and implemented by all appraisal staff. Consistency and quality control is maintained through his review of all business property audits and all complex real property appraisals. The assistant assessor is responsible for all roll preparation procedures, and he has implemented tight controls to ensure that appraisal values, data processing, and assessment roll procedures are efficient, timely, and well monitored.

Another effective way to ensure appraisal consistency is to develop and maintain current procedure manuals. Procedure manuals provide specific standards and uniform procedures to assist the assessor's staff in the preparation of appraisal reports, as well as other technical work products. Up-to-date manuals can help ensure that the work is consistent with approved policies and practices.

The chief appraiser is responsible for the development and maintenance of procedure manuals. In 1996, formal procedure manuals were developed for procedures applicable to the entire staff and procedures applicable to the real property appraisers. These included descriptions and explanations of various appraisal forms and processes in the appraisal of new construction, change in ownership, rural, commercial/industrial, and apartment properties. Both real property and business property valuation methods are transmitted to staff through memos, staff training, BOE handbooks, the Revenue and Taxation Code, and appraisal review by the chief appraiser.

Overall, we found that the assessor maintains appraisal quality, consistency, and adherence to standards based on sound appraisal theory and statutory requirements.

ASSESSMENT APPEALS

The assessment appeals function is required by article XIII, section 16 of the California Constitution. Sections 1601 through 1641.1 are the statutory references to guide county boards of supervisors in the appeals function. Government Code section 15606(c) directs the BOE to prescribe rules and regulations to govern local boards of equalization, and the BOE has adopted Property Tax Rules 301 through 326[5] regarding assessment appeals.

[5]All property tax rule references pertain to sections in Title 18, Public Revenue, California Code of Regulations.

Assessment appeal activity dramatically increased during the recession of the early to mid 1990's. Declining real estate values resulted in increased filings based on section 51, which requires that real property – with a few exceptions – be annually assessed at the lower of its factored base year value or current market value. Appeal activity tapered off in 1995, then increased when the real estate market began to recover in 1996 and 1997. The recovery has resulted in some current market values exceeding factored base year values; as a result, assessments that were previously lowered were increased back up to their factored base year values.

The number of assessment appeals in Yolo county was 384 in 1995, 304 in 1996, and about 400 in 1997. Of these, approximately 30 to 40 percent were resolved by stipulation, 38 to 42 percent were withdrawn, 4 to 6 percent were applicant failures to appear at a scheduled hearing, with only 12 to 20 percent actually presented to the assessment appeals board. In 1995 and 1996, 16 assessments, or 2.3 percent of the total assessment appeal applications, were reduced by the assessment appeals board.

We found the assessment appeals program to be efficient and timely. There is no backlog of assessment appeal applications. The assessor's appraisal staff presented clear and well-documented cases to the assessment appeals board, and they followed accepted appraisal methods with values well supported by market data.

LOW-VALUE PROPERTY EXEMPTION

Section 155.20 authorizes the county board of supervisors to exempt real property with a base year value and personal property with a full value so low that, if not exempt, the total amount collected in taxes, special assessments, and any applicable subventions is less than the cost of assessing and collecting them.

In determining the level of exemption, the board of supervisors must determine at what level the costs of processing assessments and collecting taxes exceeds the funds collected, and establish the exemption level uniformly for different classes of property. The base year value or full value exempted may not exceed $5,000, but this limitation is increased to $50,000 in the case of a possessory interest for a temporary and transitory use in a publicly owned fairground, fairground facility, convention facility, or cultural facility.

In August 1991, the Yolo County Board of Supervisors amended their low-value resolution to exempt all personal property with a full value and real property with a base year value of two thousand dollars ($2,000) or less. The resolution also lists a few exceptions to the low-value exemption; exceptions which are in compliance with section 155.20.

In Yolo County, properties are typically not enrolled if their value is below the low-value exemption threshold. These low-value properties, primarily business accounts, are identified by a use code "8." In our prior survey, we recommended that the assessor periodically review or field

canvass these low-value business accounts to determine if these properties continue to be eligible for the low-value exemption.

The assessor has implemented our recommendation. The latest review of the low-value code "8" accounts was made in the fall of 1994. This comprehensive review consisted of checking telephone book listings, making telephone calls, field canvassing, and sending letters to taxpayers with low-value business accounts. Based on this review, the assessor's staff identified and deleted 384 business accounts, most due to business closures. In the future these comprehensive reviews will take place every five years.

We commend the assessor for implementing our previous recommendation to periodically review the low-value business accounts.

DISASTER RELIEF

Section 170 allows a county board of supervisors to adopt an ordinance that would provide property tax relief to assessees whose properties have been damaged or destroyed through no fault of their own. The ordinance is also applicable to a major misfortune and calamity within a region that has been declared a state of disaster by the governor, as well as any other misfortune or calamity. The ordinance may specify a period of time within which the ordinance shall be effective, or it may remain in effect until it is repealed.

To obtain relief under an ordinance of this type, assessees must make a written application to the assessor requesting reassessment within 60 days of the misfortune or calamity. However, if no application is made and the assessor is aware of a property damaged by misfortune or calamity within the previous six months, the assessor must provide the last known assessee with an application for reassessment.

To be eligible for disaster relief, the property must suffer a loss in value of at least $5,000. The assessor must calculate the percentage of full cash value lost and that percentage must then be applied to the values appearing on the assessment roll.

The assessee is liable for a prorated portion of the taxes that would have been due on the property had the misfortune or calamity not occurred, plus a proration of the tax due on that property as reassessed in its damaged condition. Any taxes paid in excess of the total taxes due must be refunded to the assessee as an erroneously collected tax, or by order of the board of supervisors without the necessity of a claim being filed by the taxpayer.

The local ordinance code provides for disaster relief in sections 1, 2, and 3.402 by Ordinance 1051 that was officially adopted in April 1987. This ordinance conforms to the requirements of section 170.

SUGGESTION 1: Establish written procedures for the valuation of properties that have been damaged through misfortune or calamity.

In our last survey we recommended that the assessor develop written guidelines for misfortune or calamity reappraisals. During our current survey, we found that the assessor still has not developed written procedures for such reappraisals.

Based on our review of the few properties currently in disaster relief status, we found that proper assessment procedures were followed in the processing of disaster relief. Even though the assessor's staff seems to be processing this relief correctly, it is still important to have written procedures. A procedures manual will promote standardization among appraisers and can be used as a training tool for new employees.

We suggest that the assessor establish written procedures for the valuation of properties that have been damaged through misfortune or calamity.

SUGGESTION 2: Obtain fire department reports and screen them for eligible calamities.

The appraisal staff usually discovers calamities through building permits issued for repairs, newspaper articles, taxpayer notification, or field investigation. Another valuable source of discovery is fire reports prepared by the various city and county fire departments.

In our previous survey, we suggested the assessor obtain fire department reports to assist in identifying properties that may qualify for tax relief. In our current review, we found that the assessor's staff is still not obtaining fire reports.

Currently, none of the fire departments in Yolo County send reports of fires to the assessor's office. This lack of notification of actual calamities no doubt allows some disasters to go unnoticed by the assessor, since many property owners are not aware of the disaster relief provisions and thus may fail to contact the assessor.

During our review, we contacted three city fire departments and found that fire reports could be made available to the assessor upon request. The reports we reviewed list the address of the property and the amount of the value loss. It would be worthwhile to use this information to help identify misfortune and calamity damaged properties.

Section 170 (d) requires the assessor to provide the last known owner with an application for reassessment whenever it is determined that a property has suffered damage caused by misfortune or calamity within the preceding six months. Receiving periodic reports from fire departments would help the assessor contact property owners who may qualify for tax relief for their damaged properties.

We suggest the assessor make arrangements to obtain fire department reports and screen them for eligible calamities.

ASSESSMENT ROLL CHANGES

Pursuant to section 4831, roll changes or corrections can be made when an error or escaped assessment is discovered after the roll is closed. The change may be made any time after the roll is delivered to the auditor but shall be made within four years, with a few exceptions, of the making of the assessment that is being corrected.

The assessor processed 1,403 roll changes for the 1996-97 roll year. Of these, 708 were on the secured roll and 695 were on the unsecured roll.

Roll changes usually originate with the appraisers. Occasionally, the assessment technicians may discover an error and initiate a correction.

Roll changes are recorded on a *Secured/Unsecured Adjustment Record* which must be reviewed and approved by the chief appraiser. The assessment technician then reviews the adjustment record and prepares assessment transmittals depending on whether the change is an escape or a refund. Additional approvals for refunds are then obtained from the assessor and county counsel. Next the assessment technician inputs the changes into the computer databank. Copies of these are then sent to the auditor-controller's office.

Assessees are notified by mail only when there is an increase in value. A form letter, *NOTICE OF PROPOSED ESCAPE ASSESSMENT*, clearly displays the assessment year, classification of property, values, and a person to contact if there are any questions concerning the proposed assessment. The assessees are given 15 days to respond if they wish to question the proposed assessment.

We reviewed a number of secured roll changes. All procedures and Revenue and Taxation Code citations appeared to be correct. Overall, the assessor's roll change system appears to be operating quite effectively.

SUPPLEMENTAL ROLL ASSESSMENTS

Section 75.10 provides that whenever a change in ownership occurs, the assessor shall appraise the property changing ownership at its full cash value on the date the property changed ownership.

The county's supplemental tax system has been automated for about a year and refinements are still being made. A tax technician processes about 50 supplemental assessments a day. Changes in ownership are first worked by the appraisers, who document the supplemental assessment on the appraisal record, then code and number the supplementals for the technician to process. A loose-leaf notebook of memos is the technician's procedures manual.

Small supplemental assessments are enrolled and forwarded to the tax collector. The tax collector does not send tax bills for any amount less than five dollars and has the authority from the board of supervisors to cancel any tax bill less than twenty dollars. Refunds are made if the assessment results in a negative value.

We found that the assessor is doing a good job with supplemental assessment processing. We examined 25 randomly selected transactions, and in every instance, the supplemental calculations were correct and properly entered on the correct roll.

REAL PROPERTY VALUATION AND ASSESSMENT

THE APPRAISAL PROGRAM

INTRODUCTION

Under California's present property tax system, county assessor's programs for assessing real property include the following elements:

- Revaluation of properties that have changed ownership;
- Valuation of new construction;
- Annual revaluation of certain properties subject to special assessment procedures such as land subject to California Land Conservation Act (CLCA) contracts and taxable government-owned land; and
- Annual review of properties having declining values (assessments authorized by section 2(b) of article XIII A).

The statistics derived from the CPTD's assessment survey of the 1997-98 Yolo County local assessment roll indicates the overall quality of the roll for that year. CPTD's sampling of roll entries included 251 assessments of real property other than trade fixtures. Of these, 35 were appraised by CPTD staff at values different from the values determined by the assessor's appraisal staff (21 were underassessed and 14 were overassessed). These sample item differences, expanded by statistical measurement to represent all real property assessed on the local 1997-98 local roll, indicates underassessments of approximately $64,441,657 and overassessments of approximately $40,803,267.

The significance of these statistics is limited by the purposes for which they were created. In order to determine the total roll value, random samples were selected from three value strata. Expansion factors are then derived by dividing the number of roll units in a value group by the number of samples selected from that group. This is a statistical technique that is designed to accurately estimate the total roll value from a few sample appraisals. However, since the expansion process targets the total roll, rather than its components, we have less confidence in these expansion factors when they are applied to groups within the total roll.

CHANGE IN OWNERSHIP

Document Processing

The discovery of properties experiencing changes in ownership is generally accomplished through the recorded document process. The assessor's office is electronically connected to the recorder's optical imaging system and receives all recorded documents almost instantaneously.

Assessment technicians are responsible for document analysis. The assessment technicians will review all recorded documents to identify those documents that indicate a property transfer. The technicians print a hard copy of the document and retrieve the corresponding Preliminary Change of Ownership Report (PCOR). The assessment technician then analyzes the deed to determine if the event is reappraisable and the percentage of ownership transferred. The appraisal file and related documents are then assigned to the appraisers for valuation and documentation of the appraisal record.

During the 1997 assessment year, the assessment technicians processed 6,238 recorded documents. The assessment technicians estimate that deeds are processed, analyzed, and sent to the appraisers within about two weeks of recordation. Once valued and enrolled, the appraisal file is refiled and deeds are filed in a separate file cabinet to be kept for approximately two years.

The assessor does not have a direct enrollment program. With the amount of transfers being processed, the appraisal staff has been able to value all transfers in an accurate and expedient manner.

The recorder's office maintains a list of recorded Certificates of Death received from the Department of Health and maintains a list of pending death certificates that have not yet been recorded. The assessor's staff receives a list of recorded Certificates of Death and periodically checks the recorder's list of pending death certificates in order to discover transfers due to deaths.

Change in Ownership Statements

Blank PCOR forms are provided by the assessor's office to the recorder's office, title companies, attorney's offices, and to anyone upon request. The recorder's office requires PCOR's for the recordation of certain types of documents. A $20 penalty is applied to the recording fee for these documents when not accompanied by a completed PCOR. In 1997, the recorder's office assessed penalties for failure to file a PCOR in 90 cases.

RECOMMENDATION 1: Utilize the Change in Ownership Statement when a Preliminary Change of Ownership Report (PCOR) has not been filed.

The assessor does not routinely send a Change in Ownership Statement (COS) when a transfer document is received without the accompanying PCOR. In the past, the assessor's staff sent out a COS under the prescribed statutory guidelines when a PCOR was not filed. However, staff found that after going through the effort of sending COSs and applying penalties, the appeals board often forgave the penalties on appeal.

The assessor's staff has found it more effective to get answers to transfer questions by directly contacting the transferee, either by letter or telephone. Or, individual appraisers may request a COS to be sent when they feel it may lead to the receipt of useful information.

Section 480 states that when a change in ownership occurs the transferee shall file a signed COS (or PCOR) with the county recorder or assessor. This section goes on to describe the deadlines and penalties related to late or non-filing of change in ownership statements. In addition to facilitating a means for obtaining more complete transfer information, the COS filing requirement also serves to begin the running of the statute of limitations timetable for filing assessment appeals on base year values. Therefore, regardless of an appraiser's perceived need for transfer information, it is imperative to pursue the receipt of change in ownership statements.

We recommend the assessor utilize the COS when the PCOR has not been filed.

Legal Entity Ownership Program (LEOP)

Since 1983, the BOE's Legal Entity Ownership Program (LEOP) has informed county assessors of changes in control or ownership of legal entities owning real property in California. The LEOP unit learns of these unrecorded changes in ownership, occurring through stock purchase or acquisition, from responses to questions appearing on corporate and partnership tax returns filed with the Franchise Tax Board (FTB). Often, these types of changes in ownership are not recorded at the local county recorder's office and may go undiscovered by the county assessor's office.

The LEOP unit obtains this preliminary information from the FTB and sends the acquiring and acquired entities a questionnaire requesting the date of transfer, manner of change in control, and a list of all California sitused real property involved. Responses are accumulated, sorted by county, and forwarded to the appropriate assessor's offices. This provides the assessor's staff important information on unrecorded transfers of real property that may otherwise be overlooked. Because some of the acquiring entities cannot furnish specific information, the assessors are advised to thoroughly review the parcels listed to determine with certainty which are subject to appraisal.

An additional source of discovery for changes in control is the BOE form 571, *Business Property Statement* (BPS). This statement contains a question designed to discover changes in control of legal entities. Our review of several BPS's that reflected changes in control indicated that the change in control information had been appropriately referred to the transfer section for processing and valuation by the real property section. All LEOP reported changes in control, as well as those reported on the BPS, were found to have been analyzed and assessed in a timely manner.

Two-Year Transfer Listing

As required in section 408.1, the Yolo County Assessor maintains a two-year transfer list containing those elements required by section 408.1(b). A $10 fee is charged to the public for the

use of the transfer list, as provided by section 408.1(d). Property characteristics are available to the public for a fee of $4, as allowed under section 408.3(c).

NEW CONSTRUCTION

California law requires that assessable newly constructed real property be valued as of the date construction is complete. In Yolo County, the primary source for discovering assessable new construction is building permits issued by various agencies. In addition, information occasionally supplied on the BPS can also be a means of discovery. Building permits are issued by the county planning department and four major cities: West Sacramento, Woodland, Davis, and Winters. Copies of building permits are sent to the assessor's office.

In 1996-97, 5,500 permits were issued in the county; of these, 1,700 were assigned to an appraiser for reappraisal. All permits are numbered and tracked. An office technician verifies that all building permits received are based on the permit numbering system. The chief appraiser determines which permits qualify as new construction requiring appraisal and which do not.

Permits requiring appraisal action are sorted by area of responsibility (geographic and/or property type) and distributed to the appraisers. The office technician creates a computer file for each building permit requiring reassessment. We reviewed 31 appraisal files with new construction and found that all permits were accounted for under the assessor's system.

The assessor has a self-reporting new construction program in which new construction questionnaires are mailed to building permit holders. When the new construction questionnaire is not returned to the assessor's office, an appraiser visits the property.

DECLINES IN VALUE

Section 51 requires the assessor to value taxable real property at the lesser of either its base year value, adjusted annually for inflation, or the current market value, as defined in section 110.

Whenever a property's current market value declines, for any reason, below its factored base year value, that lower value must be enrolled as the taxable value for the years of the decline. Any value enrolled as a decline in value requires annual review. When the property's market value exceeds the factored base year value on the lien date, then the factored base year value resumes as the taxable value.

The Yolo County Assessor currently reviews residential properties once a year for declines in value. Current sales are analyzed and formulated into market indicators such as price per square foot for homes of differing size, type, quality, and location. This information is then compared to a computer-generated list of sales that have occurred since July 1, 1989. This analysis has indicated a relatively stable real estate market in recent years, with home values declining by less than 1 percent annually. We reviewed 16 decline in value residential appraisal files and found that the appraisal staff had appropriately reviewed each parcel yearly.

Commercial and rural properties are reviewed for declines in value only at the property owner's request, or if a decline in value should be discovered. Once identified as a decline in value, values are tracked by computer and reviewed annually.

We found the assessor's decline in value assessment program to be effective with decline in value assessments being reviewed annually until the property's current market value exceeds the factored base year level.

SPECIAL PROPERTY TYPES AND PROCEDURES

AGRICULTURAL PROPERTIES

Agriculture is a major industry in Yolo County with revenues of over $312 million in 1996. Primary uses for agricultural property are vegetable crops, field crops, fruit and nut crops, seed crops, livestock, and poultry.

Agricultural property presents many assessment problems because of the number of commodities grown and the variety of different property rights. Examples include properties encumbered by the Conservation Reserve Program (CRP) and properties located in the Yolo Bypass (bypass properties are intentionally flooded during high rainfall years to relieve pressure on the Sacramento River Levee system). The assessor and his staff have tried to address these problems by gathering and analyzing data on commodities, production, rents, and establishing a sales data bank that includes a section for CRP and bypass properties.

The appraisal staff is knowledgeable, with sufficient expertise. They utilize the sales comparison approach supported by a good sales data bank. New construction is valued by the cost approach using BOE cost handbooks and in-house studies. Completion dates are noted and construction in progress is valued annually until completion, when a base year is established. Inflation indexing is correctly applied.

The California Land Conservation Act properties

An agricultural preserve is established by contract between a landowner and the county pursuant to the California Land Conservation Act of 1965 (CLCA, Williamson Act). Lands under contract are valued on the basis of agricultural income-producing ability, including any compatible use income (e.g. hunting or communication facilities), and are assessed at the lowest of this restricted value, the current market value, or the factored base year value as defined in article XIII A of the California Constitution. Sections 421 through 430.5 deal explicitly with the valuation of lands subject to agricultural preserve contracts. For the 1997-98 lien date, Yolo County had 473,28l acres encumbered by CLCA contracts covering 3,336 parcels.

The CLCA program is computerized with current values and appraisal calculations readily available. Changes to valuation components such as rents or capitalization rates can easily be made. The program has fields for the calculation of land values by type, interest rates, tree and

vine capitalization rates and values, CRP land values, and non-renewal calculations. There is a value recap field that calculates the total value of the varying types of land included on the parcel. The program also triggers the mailing of questionnaires every other year for purposes of obtaining current information.

The assessor has developed a good CLCA data bank. Taxpayer response to the CLCA questionnaires runs 67 percent and the rent survey is updated annually. Risk rates and remaining economic lives used are reasonable.

RECOMMENDATION 2: Use a capitalization premise appropriate to the shape of the income stream when valuing restricted vineyards and orchards.

Our prior survey recommended the use of a capitalization premise appropriate to the shape of the income stream when valuing restricted vineyards and orchards. We found that the appraisal staff continues to use a straight-line declining income premise when appraising vineyards and orchards, so we repeat our prior recommendation.

A straight-line decline premise assumes that the net income declines in equal amounts each year during an orchard or vineyard's productive life. Typically, the income stream for trees and vines is a three-part curve reflecting inclining production in the early years, level production at maturity, then a short period of declining production. Not recognizing the shape of the income stream may result in the undervaluation of trees and vines in early to mid life. This is discussed in Assessors' Handbook Section 521 (AH 521), *Assessment of Agricultural and Open-Space Properties.*

We recommend the assessor use a capitalization premise appropriate to the shape of the income stream when valuing restricted vineyards and orchards.

RECOMMENDATION 3: Develop a market yield rate for agricultural property through the analysis of rural sales and make a provision for the income attributable to unrestricted, nonliving vineyard improvements based on the market yield rate.

Currently the assessor's CLCA program makes a provision for the "return of" the investment in nonliving vineyard improvements, but it has no provision for the "return on" the investment. This practice tends to overvalue the vines.

AH 521 states that once the net income attributable to land, living, and nonliving improvements has been estimated, this income must be allocated among the three elements. To calculate the "return on" the investment, a market yield rate must be developed.

The assessor's staff currently does not develop market yield rates for agricultural property. The elements for yield derivation are readily available in the agricultural sales data bank, rent studies, and CLCA questionnaires.

Developing a market yield rate will enable proper appraisal techniques to be employed when allocating incomes attributable to unrestricted improvements and for valuing unrestricted properties by the income approach.

We recommend that a market yield rate be developed for agricultural property and that it be used to make a provision for income attributable to unrestricted, nonliving vineyard improvements.

SUGGESTION 3: Allocate more time for field inspections and interviews with agricultural producers.

We found the biggest weakness in the agricultural appraisal program is in the area of field inspections. On several CPTD samples we discovered a number of improvements that escaped assessment.

Field inspections are the surest way to discover escapes. Agricultural properties often are made up of large acreage, produce several different commodities, and have a wide variety of improvements. The very nature of agriculture requires the appraiser spend a great deal of time in the field. Fieldwork is important for much more than discovery or the inspection of improvements. The interchange with producers and the observance of the latest agricultural methods are invaluable to the well-informed agricultural appraiser.

The assessor has recognized this important function and has allocated a portion of funds available from PTAP (State-County Property Tax Administration Program) to field review agricultural properties for the purposes of inspecting unreported new construction, changes in use, and other changes.

We suggest the assessor allocate more time for the agricultural appraisers to conduct field inspections and interact with the producers.

TAXABLE GOVERNMENT-OWNED PROPERTIES

Article XIII, section 1 of the State Constitution mandates that all property is taxable and shall be assessed. Various types of property are, however, specifically exempted from taxation because of federal law or State Constitution provisions. Examples include public schools, government-owned properties, libraries, and other properties. Exempt government-owned properties are identified by deed analysis.

The Constitution of the State of California exempts from taxation property owned by a local government, except lands and the improvements thereon that are located outside its boundaries

and that were subject to taxation at the time of acquisition (article XIII, sections 3 and 11). These lands are commonly referred to as section 11 properties.

Taxable government-owned lands must be assessed at the lowest of (1) the 1966 or 1967 assessed value adjusted by a factor annually supplied by the BOE, (2) current fair market value, or (3) the factored base year value.

Improvements subject to assessment under section 11 that were taxable when acquired by the government agency, or their replacements, must be assessed at the lowest of (1) current market value, (2) full cash value as defined by article XIII of the California Constitution, or (3) the highest value ever used for taxation for the replaced improvements. Except for replacements, improvements newly constructed subsequent to acquisition are exempt.

In Yolo County, government-owned properties are discovered by deed analysis. The assessor keeps a computerized list of all taxable government-owned properties. The list includes: owners' name, assessor's parcel number, current market value, factored base year value, 1967 assessed value, Phillips factor, restricted value, and the lowest of market, Phillips, restricted, or factored base year value.

Appraisal staff compare ownership entities with maps to determine if properties are located outside the agency's boundary and are therefore taxable. The assessor's staff keeps a current list of the controlling agencies. The properties are periodically canvassed for indications of possessory interests.

Currently, there are 39 section 11 properties in Yolo County. We reviewed ten section 11 appraisal files. All files we reviewed indicated that these properties had been properly identified and valued.

POSSESSORY INTERESTS

A taxable possessory interest is a private right to possession or use in constitutionally tax-exempt real property. The user of the less than a freehold property right is responsible for taxes based on the value of the portion of rights being used. The assessor must identify and assess possessory interests in accordance with section 107 of the Revenue and Taxation Code.

One appraiser does all possessory interest appraisals in Yolo County, with the exception of a few large cable television and landfill operations. The appraiser maintains a list of all government agencies that report possessory interests in Yolo County.

The assessor sends request letters for possessory interest information to government agencies on an as needed basis. Many of the agencies are cooperative and automatically send reports on new possessory interests, as required by section 480.5. Responses are collected, analyzed, and maintained by the possessory interest appraiser. With the relatively small number of possessory

interests in Yolo County, the appraiser is able to keep track of the lease renewals and the changes in lease terms.

A review of randomly selected possessory interest files confirmed that the possessory interest program is being well administered. Most files clearly document the relevant information used in the possessory interest appraisal. The methodology was easy to understand and the files reviewed appeared current. Support documents, including leases and correspondence, could also be found in the files. The possessory interest appraiser maintains the agencies mailing list, ongoing correspondence, and market information at his desk.

Our prior survey noted some inconsistencies in the appraisal of land and improvement possessory interests at marinas in Yolo County. Our current review found the appraisal staff is valuing both land and improvements in the marinas in a consistent manner.

SUGGESTION 4: Develop written procedures for the possessory interest program.

We found that there are insufficient written procedures for the appraisal of possessory interests. The appraiser assigned to the valuation of possessory interests utilizes a collection of resources obtained from the BOE 's possessory interest course. However, there are no formal written procedures specifically applicable to the possessory interest appraisal program in Yolo County.

Written procedures are necessary to maintain continuity and consistency in the valuation of possessory interests. Although we found the current program well organized, written procedures would ensure that the quality of the possessory interest appraisal program be maintained in the event of a change in appraisal staff or reassignments.

We suggest that written procedures for the possessory interest assessment program be developed.

RECOMMENDATION 4: Assess all taxable possessory interests in county fairground property.

In our 1992 survey, we recommended the assessor assess all possessory interests at the Yolo County Fairgrounds. In the assessor's written response he stated that the carnival at the fairground appeared to be the only assessable possessory interest at that time and that in the future he would reevaluate the fairground concessionaires for possible possessory interest assessments. Our current review found that the assessor still does not enroll possessory interest assessments for small operators using the fairgrounds.

We reviewed the 1997 Yolo County Fair Concession Audit Report obtained from the fairground operator. The report contained information indicating that several concessionaires produced income at a level sufficient to warrant assessment even in light of the county's low value ordinance. Although many of these uses may be eligible for exemptions, the possessory interests should first be valued, and then exempted. Any concessionaire producing enough income to create an assessable possessory interest should be valued to determine if the value exceeds the low-value threshold.

Recent changes to section 155.20 have enabled county boards of supervisors to adopt an ordinance exempting possessory interests for a temporary and transitory use in a publicly owned fairground facilities with a value of $50,000 or less. It is likely that most of the concessionaires at the fairgrounds are small operators and that their possessory interest assessments would fall under the low-value ordinance.

We recommend the assessor assess all taxable possessory interests at the fairgrounds. Lacking an ordinance exempting low-value possessory interests in fairgrounds, the assessor has no statutory authority to exempt small operators from a possessory interest assessment. The assessor could request the board of supervisors to pass such an ordinance if he determines that there is a need to exempt low-value fairground possessory interests.

MANUFACTURED HOMES

In Yolo County, manufactured homes are classified as personal property and entered on the secured roll according to section 5830. They are treated, in most respects, under the same standards as real property subject to article XIII A.

A manufactured home becomes subject to local property taxation when first sold new on or after July 1, 1980, or by the owner's request for conversion from vehicle license fee to local property taxation. A manufactured home is defined in sections 18007 and 18008 of the Health and Safety Code, and statutes prescribing the valuation and assessment of manufactured homes are found in sections 5800 through 5842.

A manufactured home, classified as personal property, is exempt from taxation under the following conditions:

- If held for sale or lease by a dealer;
- If owned by military personnel on active duty;
- If owned by a bank, insurance company, or financial corporation;
- If owned by a government agency but held by a person or legal entity.

There are approximately 881 manufactured homes in Yolo County. The assessor's primary method of discovery is through the Department of Housing and Community Development's (HCD) listing of sales reported by dealers.

The appraisal staff has developed a system for the valuation of manufactured homes. Newly acquired manufactured homes are inspected by an appraiser and usually valued at the sale price.

In addition, sales of manufactured homes in the county are used to develop a price per square foot for varying sizes, ages, and types of manufactured homes. These value indicators are compared to those shown in Assessors' Handbook Section 531 (AH 531), *Residential Building Costs,* as a means of cross checking or supporting the market derived value indicators. Typically these two value indicators are within 5 percent of each other. There is no deduction made from selling price for in-park site value. The assessor has determined there is no evidence that manufactured home parks in Yolo County contribute an incremental value to the selling price of manufactured homes.

Manufactured homes are reviewed annually for declines in value using the staff's price per square foot valuation system. We looked at 30 manufactured home appraisal records and found that all but two had been reviewed during the last three years.

RECOMMENDATION 5: Assess all eligible manufactured home accessory improvements.

The appraisal staff does not value and assess manufactured home accessories added after a change in ownership, such as carports, sheds, or covered decks. Accessories are assessable under section 5803(a). They should be described on the appraisal record and valued using an appraisal guide or other accepted methodology.

We recommend the appraisal staff assess all eligible manufactured home accessories. Use of value guides, as mentioned by section 5803 (b), will standardize appraisal methodology and at the same time allow for the valuation of accessories.

SAND AND GRAVEL

A new ordinance has been adopted, by initiative, in Yolo County to restrict mining in environmentally sensitive channels and to control subsurface mining, usually on private land. The Off-Channel Mining Plan, adopted July 30, 1996 requires mining companies to have county permits issued to mine sand and gravel. The permits will restrict both the location of mining operations and the amount of product that can be mined each year. Additionally, the permits will require operators to pay a surcharge based on the amount of product sold to cover the operating costs of the office of the resource coordinator and for the restoration of the channels. Once a permit is issued, it will create a mineral reserve in the property, which can then be assessed.

Yolo County has contracted with a private appraisal organization to value those mineral reserves as they are established. Historically, there have been five operators mining sand and gravel in Yolo County. All five operators have now entered into permit contracts under this new ordinance.

Previously, mineral reserve assessments were enrolled when purchased by mining operators or otherwise identified. Prior mineral assessments are being left on the roll at their trended base-year values. With the new permit process and the contract with the private appraisal firm to value

the new reserves, it appears that the Yolo County Assessor has a program in place to adequately assess the sand and gravel reserves.

PIPELINE RIGHTS-OF-WAY

Intercounty pipeline rights-of-way were assessed by the Valuation Division of the BOE from about 1982 until 1993, when an appellate court ruled that such assessments were outside the BOE's constitutional authority. (*Southern Pacific Pipe Lines Inc. v. State Board of Equalization* (1993) 14 Cal.App.4th 42.) The court ruled that while the pipelines themselves are properly assessed by the BOE, the county assessor must locally assess the pipeline right-of-way. Consequently, beginning with the 1995-96 fiscal year, assessors have been required to assume assessment responsibilities for the valuation of intercounty pipeline lands and rights-of-way.

Five different companies have pipeline rights-of-way in Yolo County. A business property statement is sent to these companies each year. The assistant assessor is assigned the duty of assessing these rights-of-way and indicates that the pipeline companies are cooperative and helpful in responding to the assessor's request for information.

For purposes of valuing pipeline rights-of-way, during the 1980's the BOE established three density classifications: high, transitional, and low. The rights-of-way in Yolo County are all low density.

In 1996, the Legislature added section 401.10 to the Revenue and Taxation Code (Ch. 801, Stats. 1996). Among other things, section 401.10 establishes a rebuttable resumption that low-density pipeline rights-of-way had a 1975 base year value of $9,000 per mile.

We found that all pipeline rights-of-way in Yolo County are being valued in accordance with sections 401.8 through 401.12. We commend the assessor for his effort in establishing a well-organized program for tracking and assessing these properties.

PERS OWNED PROPERTIES

Two properties owned by the California Public Employees Retirement System (PERS) were identified in Yolo County. The appraisal records for both of these parcels indicate that the properties are in exempt status. In accordance with section 7510(b)(1) of the Government Code, possessory interests are being assessed to the tenants occupying these PERS-owned properties.

The appraiser who values PERS-owned properties tracks and monitors these properties in the same manner as other possessory interests. By using the recorded document system for identifying newly acquired PERS-owned properties, the new construction permit and Business Property Statement reporting system for identifying new construction, and maintaining contact with the PERS agencies regarding lease renewals, we believe that the PERS-owned properties are being appropriately discovered and assessed.

BUSINESS AND PERSONAL PROPERTY VALUATION AND ASSESSMENT

INTRODUCTION

The business property section of the Yolo County Assessor's Office is responsible for annually valuing 5,805 business accounts, 178 aircraft, and 1,330 pleasure boats and documented vessels. Four auditor-appraisers and four assessment technicians, along with the part-time assistance from one real property appraiser and support staff, carry out the assessment functions of the business and personal property section.

The CPTD sampling of the assessment roll for the 1997-98 assessment year included 24 unsecured business property assessments. CPTD appraisals disagreed with the county enrolled values in nine of the 24 sampled items. The local assessment roll values exceeded CPTD's appraised values in five of the sampled items, while CPTD's appraised values were higher in four cases. Expanded to represent the total assessment roll, these sampled items indicate that the county made overassessments of $37,967,486 and underassessments of $13,292,759.

AUDIT PROGRAM

Staffing

There are four auditor-appraisers in the Yolo County Assessor's Office. Two of the positions are funded with PTAP funds. The assessor's priority for the auditor-appraiser staff is to complete the mandatory audits timely and to continue the nonmandatory audit program that has been initiated. The assessment technicians consult with the auditor-appraisers and a real property appraiser as to the selection of valuation lives and factors, the resolution of problem assessments, classification issues, and the coordination of structural improvement assessments with real property. The chief appraiser monitors and reviews the processing of the business property statements to ensure correct procedures are being followed.

The chief appraiser serves as the audit supervisor. He assigns and reviews the audits and evaluates the production and overall performance of the auditor-appraisers. At the present time, the auditor-appraisers are averaging the completion of one audit per week, or approximately 50 audits per year. The chief appraiser has established a productivity goal of two audits per week or approximately 100 audits per year but realizes that additional training and experience is needed before this goal can be accomplished.

Mandatory Audits

Section 469 and Property Tax Rule 192 requires an audit of the books and records of taxpayers at least once each four years when the taxpayers' locally assessable trade fixtures and tangible personal property have a full value of $300,000 or more for four consecutive years.

In Yolo County, there are approximately 220 business accounts that meet the mandatory audit criteria. We found the assessor is current in meeting the mandatory audit requirement. At the time of our survey fieldwork, all mandatory audits for 1997-98 had either been completed, or were in progress and expected to be completed by the end of the assessment year. When an audit cannot be completed by the deadline, the auditor-appraisers make every effort to obtain a waiver of the statute of limitations, as prescribed by section 532. We commend the assessor and the audit-appraisal staff for their success in meeting the mandatory audit production requirement.

We reviewed selected audits and found that they included fixed asset listings that were well documented and comprehensive but found the audit narrative portion to be very brief.

SUGGESTION 5: Require the use of an audit checklist in every audit.

The auditor-appraisers seldom include an audit checklist with their audit workpapers. Because of the brevity of their audit narrative, it becomes increasingly important to use a checklist to ensure that such topics as change in ownership, capitalization policy, as well as others are addressed in the audit process.

Whether simple or complex, there are certain procedures to follow during an audit to ascertain the validity of reported figures and other data. A checklist details the pertinent points to cover during the audit. It acts both as a reminder for the auditor-appraiser and as documentation to the reviewer that all pertinent points were covered during the audit. The checklist, along with the audit narrative, provides valuable information for further questions, audit review, and future audit preparation.

We suggest that the auditor-appraisers complete a checklist on every audit, both mandatory and nonmandatory. The inclusion of an audit checklist with the workpapers will improve the thoroughness and consistency of the audits.

Nonmandatory Audits

Our prior survey recommended the assessor initiate a nonmandatory audit program. To initiate a nonmandatory audit program, the assessor used funds received from the State-County Property Tax Administration Program (PTAP) to hire additional auditor-appraisers for auditing nonmandatory accounts.

The assessor's initial goal for the 1995-96 assessment year, the first year under the contract, was to complete 35 nonmandatory audits, then 95 audits the second year, and 95 the third year. We found that the auditor-appraiser staff has met these goals. In 1996-97, 112 nonmandatory audits were completed, exceeding their goal by 17 audits. Based on our review, we found the assessor should meet, if not exceed, the performance goal of 95 audits for the 1997-98 assessment year.

The assessor established the following criterion for selection of nonmandatory business accounts for audit:

- Business accounts that were known non-filers of the BPS;
- Business accounts reflecting a large variance in reported costs from one lien date to the next;
- Business accounts with reported costs between $200,000 and $300,000 that were previously audited and found not in compliance;
- Business accounts with known reporting problems.

PROPERTY STATEMENTS

Business Property Statement Processing

Processing of the *Business Property Statements* (BPS) is accomplished by four assessment technicians. Two technicians review the BPS for completeness, signatures, and address changes, and the other two enter the taxpayer's reported costs by equipment category into the computer program that computes the value of the reported machinery and equipment.

In addition, every year after the processing season the assessment technicians undertake various review projects. For example, the technicians may review equipment, call taxpayers who have not responded to questionnaires, or review a portion of the direct billed or low-value exempt accounts to determine if changes have occurred. The chief appraiser closely supervises these technicians and determines what special projects should be undertaken each year.

We found the assessment technicians to be well trained and very knowledgeable. Clear written procedures detail processing procedures and ensure consistency. We commend the assessor for the efficient and effective use of assessment support staff.

TENANT IMPROVEMENTS

Tenant improvements are real property items that are owned and installed by a lessee on leased real property. Typically, tenant improvements are found in retail stores or office buildings. Tenant improvements may also be known as foreign improvements. Because the owner of the tenant improvements does not own the total real property, discovery of tenant improvements can be difficult.

Assessment of tenant improvements requires tracking of base years and ownership, and close cooperation between the business property and real property sections.

The most common methods of discovery for tenant improvements are the BPS and building permits that are processed by the real property section. A section of the BPS deals specifically with real estate owned by the occupants of premises housing business enterprises. Such taxpayers are annually required to list additions or deletions of real property.

The business property section refers all reported structural costs on the BPS to the commercial appraiser in the real property section for review. He determines if the new structural improvement costs reported on the BPS are assessable new construction. When the business account is secured, the assessable new construction is assessed directly to the owner of the land and building with a base year value and supplemental billing. When the business account is unsecured, the appraiser determines if any of the structural amount should be assessed to the owner of the building; otherwise, the structural costs are referred back to the business property section for assessment.

RECOMMENDATION 6: Revise the assessment of unsecured tenant improvements by (1) ensuring that structural improvements are properly classified and valued and (2) making supplemental assessments.

Ensure structural improvements are properly classified and valued

For a secured business account, the commercial appraiser will appropriately classify and value new construction as a structural improvement with a base year value. In subsequent years, this base year value will be factored by the current consumer price index (CPI) factor. When the business account is unsecured, structural new construction is classified as a fixture, assigned a 12 to 15-year service life, and assessed to the unsecured business owner.

The assessor's procedure produces a significant valuation difference between similar improvements assessed on real property accounts versus the business property account. Thus, the same tenant improvements, if assessed on a real property account, would probably not be depreciated at all but would be increasing in taxable value each year under section 51.

We recommend that the assessor treat all structural tenant improvements uniformly with regard to economic life and classification.

Make supplemental assessments on unsecured tenant improvements

The assessor does not issue supplemental assessments on unsecured tenant improvements. Although the assessor is properly enrolling supplemental assessments for secured improvements, no supplemental assessments are enrolled when tenant improvements are unsecured and assessed on the tenant's business account.

Value added for the construction of new tenant improvements, whether secured or unsecured, is subject to the provisions of section 75.11. Supplemental assessments must be levied for value increases due to change in ownership or completion of new construction.

We recommend that the assessor make supplemental assessments on unsecured structural additions as required.

LEASED EQUIPMENT

In our previous survey, we recommended the assessor upgrade leased equipment assessment procedures and delegate the administration of leased equipment assessment to one person.

We now find that controls have been implemented to ensure leased equipment is properly identified, valued, and assessed. Staff has made a concentrated effort to review all of the leasing company accounts for discovery and proper assessment. Unreported items discovered during the review are enrolled and assessed.

The BOE's Valuation Division notifies the local assessor of leased equipment that is leased by state assessees such as public utilities and railroads which is not part of the unitary assessment and is subject to local assessment. This information is transmitted to the county assessors on the V-600B form. We found that the assessment technicians are utilizing this information for discovery and verification of leased equipment in Yolo County.

EQUIPMENT VALUATION FACTORS

RECOMMENDATION 7: Use the factors from Assessors' Handbook Section 581 as intended.

The assessor's staff uses information from Assessors' Handbook Section 581 (AH 581), *Equipment Index Factors,* to develop their factors for appraising machinery and equipment, but it is not used in the manner intended. This was the source of a recommendation in our prior survey, and their method of computing valuation percent good factors has not changed.

The method used is to average all 12 of the factor tables provided for various types of commercial property into one for use in valuing commercial equipment. The same method is applied to the six industrial classes of businesses or equipment. Unless specific tables are applied, differences in categories of businesses and types of equipment will not be recognized, causing excessively high or low valuations.

Taxable values for machinery and equipment are generally computed from historical costs through the use of combined valuation factors. The combined valuation factors are the product of the price index and percent good factors. Accurate assessments depend on the proper choice and application of these tables. Since the computed taxable value begins with the replacement cost of a particular item, the factor should also reflect, as nearly as possible, the particular property being appraised.

We recommend that the assessor adopt the use of the factors as they are presented in the AH 581. This would result in assessed equipment values that are more consistent with values of similar types of equipment throughout the state and that more accurately reflect the depreciation of equipment used in different types of businesses.

Computer Valuation

The assessor's business property staff properly uses the composite valuation factors provided by the BOE in their valuation of non-production computers.

VESSELS

For the 1997-98-tax roll the assessor assessed 1,330 vessels. The primary methods of discovering assessable vessels are Department of Motor Vehicles (DMV) reports, harbor master's marina reports, and referrals from other counties. The assessor's staff does not routinely field canvass or "dock walk" any of the seven marinas located in Yolo County.

RECOMMENDATION 8: Annually appraise pleasure boats at market value.

In Yolo County the initial appraisal of a pleasure boat is based on the purchase price of the boat less a first year depreciation factor, usually 20 percent if the boat was purchased new, or 5 percent if the boat was purchased used. Once appraised, these values are enrolled and depreciated in subsequent years by a fixed 5 percent each year. This factor is uniformly applied to all boats regardless of class as long as the boat remains in the same ownership. When the value computed in this fashion falls below $2,000, the craft becomes exempt under the county's low-value resolution and no further tax bills are generated.

The initial appraisal of pleasure boats, new or used, should be based on market value as determined by the selling price or published boat value guides. Once the initial value is set, future assessments should reflect current market value. While the assessor's methodology simplifies the assessment process, it assumes a consistent and fixed depreciation rate for each boat that may or may not reflect market value. The use of a fixed depreciation rate for boats for the initial appraisal and subsequent assessment years is arbitrary and not supported by research, study, or market survey.

A more valid method would be to first categorize all boats into two major groups (new and used) and, within each group, six subgroups (cruiser/powerboat, sailboat, inboard, onboard, inboard/outboard and jet ski). Second, calculate trends in market values for these subgroups by comparing a sample of each subgroup in published boat valuation guides for the current year and previous year. Finally, apply the trend factors to all boats within each subgroup.

This approach is much more sound from an appraisal viewpoint than having a fixed depreciation rate applied to all boats regardless of type or age because a closer approximation of values will be attained and uniformly applied to a group of boats.

In the 1992 survey report of Yolo County, we recommended the assessor revise the boat valuation procedures to more accurately reflect current market conditions. We again recommend that the assessor revise his boat valuation methods to ensure boats are assessed at market value.

AIRCRAFT

Section 5363 states that the market value of aircraft shall be determined in accordance with the standards and guides to the market value of aircraft as prescribed by the BOE. Previous to the 1997 lien date, the BOE had published aircraft valuation data each year in Assessors' Handbook Section 587 (AH 587), *Aircraft Valuation Data*. The BOE no longer publishes this handbook and recommends that counties determine market value by referring to a commercially published aircraft price guide.

On January 8, 1997, the BOE approved the *Aircraft Bluebook Price Digest* as the primary guide for valuing general aircraft. In cases where aircraft are not listed in this price guide, the BOE approved use of the *Vref Aircraft Value Reference*. The BOE further directed that the listed average retail values shall be reduced by 10 percent to provide reasonable estimates of fair market value for aircraft in truly average condition on the lien date.

RECOMMENDATION 9: Annually appraise aircraft at market value.

When an aircraft is discovered to have situs in Yolo County, the aircraft owner is mailed an aircraft owner's report. Information requested includes type and year of aircraft, purchase price, engine hours, and additional equipment. Staff typically uses the purchase price of the aircraft as the initial enrolled value. No further information is requested from the aircraft owner in subsequent years as to condition, engine hours, or additional equipment.

The assessor's staff enrolls the value listed for the aircraft in the *Aircraft Bluebook Price Digest* as described above. We found that no adjustment is made for the condition of the aircraft or additional equipment, and that very few aircraft values had been adjusted for engine hours. The value for any given airplane is likely to be substantially different from the value suggested by the value guide depending on the overall condition, the equipment installed, the hours since a major overhaul, and the total hours on the airplane and engine/s. Adjustments for overall condition of the aircraft, additional or special equipment, airframe hours, and engine hours since the last overhaul must be made to these book prices to determine the correct market value. The values of newer aircraft are most affected by the presence or lack of optional equipment, while the values of older aircraft are influenced more by the condition of the aircraft.

We recommend that the assessor's staff annually appraise aircraft at market value. Staff should annually request that aircraft owners provide essential information needed for a current market appraisal such as current engine hours, condition of the aircraft, and optional equipment.

APPENDIX

THE ASSESSMENT SAMPLING PROGRAM

The need for compliance with the laws, rules, and regulations governing the property tax system and related assessing[6] activities is very important in today's fiscally stringent times. The importance of compliance is twofold. First, the statewide maximum tax rate is set at 1 percent of taxable value. Therefore, a reduction of local revenues occurs in direct proportion to any undervaluation of property. (It is not legally allowable to raise the tax rate to compensate for increased revenue needs.) Secondly, with a major portion of every property tax dollar statewide going to public schools, a reduction in available local property tax revenues has a direct impact on the State's General Fund, which must backfill any property tax shortfall.

The Board of Equalization (BOE) in order to meet its constitutional and statutory obligations, focuses the assessment sampling program on a determination of the full value of locally taxable property and eventually its assessment level. The purpose of the BOE's assessment sampling program is to review a representative sampling of the assessments making up the local assessment rolls, both secured and unsecured, to determine how effectively the assessor is identifying those properties subject to revaluation and how well he/she is performing the valuation function.

The assessment sampling program is conducted by the BOE's County Property Tax Division (CPTD) on a five-year cycle for the 11 largest counties and cities and counties and on either a random or as needed basis for the other 47 counties. This sampling program is described as follows:

1. A representative random sampling is drawn from both the secured and unsecured local assessment rolls for the counties to be surveyed.

2. These assessments are stratified into 18 value strata (nine secured and nine unsecured).[7]

3. From each stratum a random sampling is drawn for field investigation, sufficient in size to reflect the assessment level within the county.

4. For purposes of analysis, the items will be identified and placed into one of five categories after the sample is drawn:

    a) **Base year properties.** Those properties the county assessor has not reappraised for either an ownership change or new construction during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling.

[6] The term "assessing" as used here includes the actions of local assessment appeals boards, the boards of supervisors when acting as boards of equalization, and local officials who are directed by law to provide assessment-related information.

[7] The nine value strata are $1 to $99,999; $100,000 to $199,999; $200,000 to $499,999; $500,000 to $999,999; $1,000,000 to $1,999,999; $2,000,000 to $19,999,999; $20,000,000 to $22,999,999; $100,000,000 to $249,999,999; and $250,000,000 and over.

b) **Transferred properties**. Those properties last reappraised because of an ownership change that occurred during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling.

c) **New construction.** Those properties last reappraised to reflect new construction that occurred during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling.

d) **Non-Proposition 13 properties**. Those properties not subject to the value restrictions of article XIII A, or those properties that have a unique treatment. Such properties include mineral-producing property, open-space property, timber preserve property, and taxable government-owned property.

e) **Unsecured properties.** Those properties on the unsecured roll.

5. From the assessment universe in each of these 18 value strata (nine strata on both secured and unsecured local rolls), a simple random sampling is drawn for field investigation which is sufficient in size to reflect the assessment practices within the county. A simple nonstratified random sampling would cause the sample items to be concentrated in those areas with the largest number of properties and might not adequately represent all assessments of various types and values. Because a separate sample is drawn from each stratum, the number of sample items from each category is not in the same proportion to the number of assessments in each category. This method of sample selection causes the raw sample, i.e., the "unexpanded" sample, to overrepresent some assessment types and underrepresent others. This apparent distortion in the raw sampling is eliminated by "expanding" the sample data; that is, the sample data in each stratum are multiplied by the ratio of the number of assessments in the particular stratum to the number of sample items selected from the stratum. Once the raw sampling data are expanded, the findings are proportional to the actual assessments on the assessment roll. Without this adjustment, the raw sampling would represent a distorted picture of the assessment practices. This expansion further converts the sampling results into a magnitude representative of the total assessed value in the county.

6. The field investigation objectives are somewhat different in each category, for example:

a) **Base year properties** -- for those properties not reappraised during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling: was the value properly factored forward (for the allowed inflation adjustment) to the roll being sampled? was there a change in ownership? was there new construction? or was there a decline in value?

b) **Transferred properties** -- for those properties where a change in ownership was the most recent assessment activity during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling: do we concur that a reappraisal was needed? do we concur with the county assessor's new value? was the base year value trended forward (for the

allowed inflation adjustment)? was there a subsequent ownership change? was there subsequent new construction? was there a decline in value?

c) **New construction** -- for those properties where the most recent assessment activity was new construction added during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling: do we concur that the construction caused a reappraisal? do we concur with the value enrolled? was the base year amount trended forward properly (for the allowed inflation adjustment)? was there subsequent new construction? or was there a decline in value?

d) **Non-Prop 13 properties** -- for properties not covered by the value restrictions of article XIII A, or those properties that have a unique treatment do we concur with the amount enrolled?

e) **Unsecured properties** -- for assessments enrolled on the unsecured roll, do we concur with the amount enrolled?

7. The results of the field investigations are reported to the county assessor, and conferences are held to review individual sample items whenever the county assessor disagrees with the conclusions.

8. The results of the sample are then expanded as described in (5) above. The expanded results are summarized according to the five assessment categories and by property type and are made available to the assessment practices survey team prior to the commencement of the survey.

The primary use of the assessment sampling is to determine an assessor's eligibility for the cost reimbursement authorized by Revenue and Taxation Code section 75.60. During the course of the sampling activity, the assessment practices survey team may also discover recurring causes for the differrences in the opinion of taxable value that arise between the assessor and the County Property Tax Division. These discoveries may lead to recommendations in the survey report that would not have otherwise been made.

ASSESSOR'S RESPONSE TO BOARD'S FINDINGS

Section 15645 of the Government Code provides that the assessor may file with the Board a response to the findings and recommendation in the survey report. The Yolo County Assessor's response begins on the next page. The Board has no comments on the response.

County of Yolo

OFFICE OF THE COUNTY ASSESSOR 625 COURT STREET Woodland, California 95695 (530) 666-8135
From: West Sacramento (916) 375-6496
From: Davis (530) 666-8135
FAX Number (530) 666-8213

DICK FISHER
COUNTY ASSESSOR

RECEIVED
OCT 07 1999
County Property Tax Division
State Board of Equalization

October 1, 1999

Richard C. Johnson
Deputy Director
Property Tax Department
State Board of Equalization
P.O. Box 942879
Sacramento, CA 94279-0063

Dear Richard:

Pursuant to Section 15645 of the Government Code, attached is our response to the State Board of Equalization Assessment Practices Survey of Yolo County.

I want to commend and thank your staff for the professional, courteous, and constructive manner in which the survey was conducted. I also want to thank you and all the other State Board of Equalization employees who have been helpful over the years.

Over the years many of the recommendations and suggestion have been implemented. We shall continue to strive to implement the recommendations and suggestions of the survey team. However, we can only do that with in limits of costs, funding, and staff.

Special thanks are due to the field sample team, Hadley Alger, Claudia Tendal, and Charles Knudsen.

Very truly yours,

Dick Fisher

Dick Fisher
Yolo County Assessor

Attachment

OCT - 6 1999

Response to Survey

Recommendation 1: **Utilize the Change of Ownership Statement when a Preliminary Change Of Ownership report (PCOR) has not been filed.**

Response: Most transfers include a PCOR, when a PCOR is not included our staff makes every effort to confirm the purchase price. They call buyer, sellers, and brokers or use other sources for the information. These methods enable this office to expeditiously complete the supplemental assessment for the transfer and speed the collection of supplemental taxes. Sending a Change of Ownership Statement would delay the enrollment of the supplemental assessment. However, when we are unable to confirm the purchase price by other means, on large and complex properties we will send a Change of Ownership Statement.

Recommendation 2: **Use a capitalization premise appropriate to the shape of the income Stream when valuing restricted vineyards and orchards.**

Response: We have recognized this minor flaw in our Williamson Act Assessments Program for sometime. Efforts have not been made to correct this problem because the value difference is so small and the cost to cure the problem so great that it is not at this time practical to make a change. Also we believe that our Williamson Act Assessment are fair and reasonable and changing those procedures would not produce valuations significantly different from our current values.

Recommendation 3: **Develop a market yield rate for agricultural property through the analysis of rural sales and make a provision for the income attributable to unrestricted, nonliving vineyard improve based on the market yield rate.**

Response: Our office commits a very high percentage for staff time to appraisal of agricultural property and much of that time is spent analyzing sales, income and expense data, reports from the agricultural department, and from the University. We believe based on all available data that this office is using the proper yield rate. As to portion of the recommendation dealing with the valuation of Williamson Act vineyard properties with nonliving improvements our response is the same as recommendation 2.

Recommendation 4: **Assess all eligible manufactured home accessory improvements.**

Response: We agree and to the extent feasible, this will be implemented.

Recommendation 5: **Revise the assessment of unsecured tenant improvements by (1) ensuring that structural improvements are properly classified and valued and (2) making supplemental assessments.**

Response: We agree and to the extent feasible, this will be implemented.

Recommendation 6: **Use the factors from Assessors' Handbook Section 581 as intended.**

Response: Because of a lack of empirical data depreciation tables for machinery and equipment has been a controversial debate between county and state appraisal staff. We contend that our method for estimating depreciated replacement cost allows for faster processing of business property values and results in only minor differences between state and county figures.

Recommendation 7: **Annually appraise pleasure boats at market value.**

Response: Boats are appraised annually at market value. Our procedure of annually depreciating boat values from their purchase price provides reasonable values and is a procedure that is cost effective to administer. Boats account for less than a quarter of a percent **(0.25%)** of the total assessed value and the average value of a boat is less than $9,000. We do believe that value difference between the state's method and the County's method would not justify the added costs for the program.

Recommendation 8: **Annual appraise aircraft at market value.**

Response: We recognize a minor flaw in the appraisal of aircraft but do not believe that it creates any major under or over assessments. Aircraft on the local roll represents just slightly more than a tenth of a percent **(0.1%)** with an average value of approximately $65,000. Efforts have not been made to correct this problem because the value difference is so small and the cost to cure the problem so great that it is not at this time practical to make a change.