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September 28, 2001

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TO INTERESTED PARTIES:

UPDATE OF ASSESSORS' HANDBOOK SECTION 501
BASIC APPRAISAL

Letter To Assessors 2001/041, dated July 6, 2001, distributed a matrix containing proposed changes for an update of Assessors' Handbook Section 501, *Basic Appraisal*. Interested parties were asked to submit proposed revisions to the updated text. Staff has reviewed the comments and proposed revisions received and incorporated those that were deemed appropriate.

Enclosed is a matrix compiled from comments and suggestions received from interested parties in response to the July 6, 2001 matrix of proposed changes to AH 501. The matrix contains all proposed changes, originating from both interested parties and staff, together with staff's position in regard to each proposed change.

On October 16, 2001, staff will hold a meeting with interested parties to discuss proposed changes to AH 501 as identified on this matrix. The purpose of the meeting is to reach agreement on the final language for the handbook update. Interested parties should bring copies of the previously mailed July 6, 2001 matrix as well as this one. The meeting is scheduled to start at 9:30 a.m. in Room 122, Board of Equalization, 450 N Street, Sacramento.

After the interested parties meeting the project will proceed as follows:

- Staff will submit an issue paper and other required material for the Property Tax Committee meeting by December 19, 2001.
- The Board's Property Tax Committee will hear discussion of any unresolved issues at its January 9, 2002 meeting.

All documents relating to this project are available on the Board's Web site (www.boe.ca.gov) and can be accessed by way of the following links: (1) Property Taxes, (2) Property Tax Committee Work Plans, (3) Other Projects in Process 2001.

If you plan to attend the October 16 interested parties meeting, please contact Benjamin Tang at (916) 324-2720; e-mail at benjamin.tang@boe.ca.gov; or fax (916) 323-8765. Thank you for your continued interest in this project.

Sincerely,

Richard C. Johnson
Deputy Director
Property Taxes Department

RCJ:bt
Enclosure

ASSESSORS' HANDBOOK SECTION 501, BASIC APPRAISAL
Comments on July 6, 2001 update language.

ITEM NO.	JULY 6 MATRIX REF.	SEPTEMBER 1997 PAGE REFERENCE	SOURCE	COMMENTS/SUGGESTIONS/PROPOSED LANGUAGE	SBE STAFF POSITION
1.	5.	Foreword After last paragraph	James Bone Squar Milner (James Bone)	<p>The following language was proposed by staff in the July 6 matrix. Mr Bone's suggestion creates a new paragraph from the sentence "All citations ... " as shown below.</p> <p>Modified Language: <u>"Under Government Code sections 15606 et seq., the Board is charged with the duty of administratively enforcing and interpreting the statutes governing the local assessment function. While regulations adopted by the State Board of Equalization are binding as law, Board-adopted manuals are advisory only. Nevertheless, courts have held that they may be properly considered as evidence in the adjudicatory process.^(FN)</u></p> <p><u>All citations and legal references were current as of the writing of this publication."</u></p> <p><u>^(FN) Coca-Cola Co. v. State Board of Equalization (1945) 25 Cal.2d 918; Prudential Ins. Co. v. City and County of San Francisco (1987) 191 Cal.App.3d 1142; Hunt Wesson Foods, Inc. v. County of Alameda (1974) 41 Cal.App.3d 163."</u></p>	Accepted in concept. See item 2 for SBE rewrite.
2.	4. & 5.	Foreward End of 3 rd paragraph	State Board of Equalization Staff (SBE)	<p>Modified Language: <u>"The Board originally approved this particular manual in September 1997, and adopted this update on January 10, 2002. All citations and legal references were current as of the writing of this publication.</u></p> <p><u>Under Government Code sections 15606 et seq., the Board is charged with the duty of administratively enforcing and interpreting the statutes governing the local assessment function. While regulations adopted by the State Board of Equalization are binding as law, Board-adopted manuals are advisory only. Nevertheless, courts have held that they may be properly considered as evidence in the adjudicatory process.^(FN)</u></p> <p><u>^(FN) Coca-Cola Co. v. State Board of Equalization (1945) 25 Cal.2d 918; Prudential Ins. Co. v. City and County of San Francisco (1987) 191 Cal.App.3d 1142; Hunt Wesson Foods, Inc. v. County of Alameda (1974) 41 Cal.App.3d 163."</u></p>	Combined items 4 and 5 of the July 6, 2001 matrix.
3.	11.	Page 16	James Bone	Moved "its restricted value" to provide parallel construction.	Accepted.

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		2 nd paragraph after last sentence		Modified Language: "A property subject to open-space restrictions is now assessed at the lowest of: (1) <u>its restricted value</u> (its value determined by income capitalization with a nonmarket rate) its restricted value ; (2) its factored base year value; or (3) its current market value. <u>Legislation adopted in 1998 added a further reduction in assessment for land restricted by contract for a term of 20 years and designated as a 'farmland security zone' per section 423.4.</u> "	
4.	12.	Page 16 4 th & 5 th paragraphs	James Bone	Comment: I don't have time to do the research here, but perhaps this information should be incorporated into a table. The columns could be; Type of Property, Restricted Value Methodology, Code/Const. References, Date Implemented. As it's written, the focus is on the Legislature rather than on how each type of restricted-use property is valued.	Not accepted. The proposed change is unnecessary.
5.	13.	Page 17 4 th paragraph 2 nd sentence	Los Angeles County Assessor's Office (Los Angeles)	Add "qualified" before "nonprofit golf courses." Modified Language: "Thus, proper appraisal of <u>qualified</u> nonprofit golf courses means that not only are annual increases in assessed value limited to a maximum of 2 percent, but <u>also</u> the value to which those annual increases is applied is determined according to a restricted value standard."	Accepted with modified text. See item 7 for SBE rewrite.
6.	13.	Page 17 4 th paragraph 2 nd sentence	James Bone	Additional correction. However, the structure is still passive and could be improved. Modified Language: "Thus, proper appraisal of nonprofit golf courses means that not only are annual increases in assessed base year value limited to a maximum of 2 percent, but <u>also</u> the <u>market</u> value to which those annual increases is applied compared is determined according to a restricted value standard."	Accepted with modifications consistent with <i>Los Angeles Country Club et al v. Tax Assessor of the County of Los Angeles</i> (1985) 175 Cal.App.3d 278. See item 7 for SBE rewrite.

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7.	13.	Page 17 4 th paragraph 2 nd sentence	SBE	Modified Language: "Thus, proper appraisal of <u>qualified</u> nonprofit golf courses means that not only are annual increases in assessed-base year value limited to a maximum of 2 percent <u>under article XIII A</u> , but <u>also</u> the value to which those annual increases is applied is determined according to a restricted value standard <u>under article XIII</u> , section 10, rather than fair market value. ^(FN) ^(FN) <i>Los Angeles Country Club et al v. Tax Assessor of the County of Los Angeles</i> (1985) 175 Cal.App.3d 278	Modified in response to suggestions made in items 5 and 6. See items 5 and 6 for explanation.
8.	N/A	Page 20 1 st paragraph, 1 st sentence	James Bone	Correction Modified Language: "Taxable forms of real property include, but are not limited to, the following: land; improvements; fixtures; improvements located on tax exempt land; possessory interests <u>in tax exempt real property; timber, and mineral rights and timber;</u> and water rights."	Accepted with modifications consistent with rule 20. See item 9 for SBE rewrite.
9.	N/A	Page 20 1 st paragraph, 1 st sentence	SBE	Modified Language: "Taxable forms of real property include, but are not limited to, the following: land; improvements; fixtures; improvements located on tax exempt land; possessory interests <u>in publicly owned real property; timber, and mineral rights and timber;</u> and water rights."	Modified in response to suggestion in item 8. See item 8 for explanation.
10.	N/A	Page 20 1 st paragraph, 2 nd sentence	James Bone	In addition to the footnote in item 15 Modified Language: "These are discussed generally below. <u>Assessors' Handbook Section 504, Assessment of Personal Property and Fixtures</u> contains an expanded discussion of the classification of property for property tax purposes."	Accepted.
11.	16.	Page 21 3 rd paragraph 4 th sentence	Los Angeles	Correct quote. Replace "to" with the word "with." Modified Language: "Rule 122.5(b)(1) states that '[p]roperty is physically annexed if it is attached to, embedded in, or permanently resting upon land or improvements <u>in accordance to</u> with section 660 of the Civil Code, or by other means that are normally used for permanent installation.' Subdivision (b)(2) provides..."	Accepted.

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12.	16.	Page 21 3 rd paragraph 4 th sentence	Napa County Assessor's Office (Napa)	Suggestion: The sentence should probably read "in accordance with" rather than "in accordance to."	Accepted. See item 11 above.
13.	18.	Page 24 Footnote 28	James Bone	Comment: Is it necessary to put it in a footnote? Modified Language: "(FN) Assessors' Handbook Section 545, Valuation of Water Rights 542, Assessment of Water Companies and Water Rights, Part II." "The subject of water rights is complex. A discussion of the types of water rights and their valuation is set forth in another Part II of Section 542 of the Assessors' Handbook, <u>Assessment of Water Companies and Water Rights</u> ." ^(FN) "	Accepted.
14.	20.	Page 25 Footnote 30	James Bone	Comment: If rights are removed from taxable property, then the base year value (and possibly the current Prop. 8 value) must be adjusted – it's the same as negative new construction. The base year (and Prop. 8?) value of the acquiring property also must be increased for the same reason. Replace the words "may be" with "are." Modified Language: ^(FN) The fair market value of TDRs may be estimated using the comparative sales and/or the income approach. These approaches to value are discussed in Chapter 6. The base year values of both the seller's and the buyer's properties are may be affected by a transfer of such rights. See also <u>Mitsui Fudosan v. Los Angeles County</u> (1990) 219 Cal.App. 3d 525, Letter to <u>To Assessors 91/12</u> regarding transferable development rights."	Not accepted. Annotation No. 220.0155 has been revised. While conveyance of TDRs is a change in ownership requiring reappraisal of the interests transferred, the conveyance does not necessarily affect/reduce the base year value of a remaining property.
15.	22.	Page 25 Footnote 31	Los Angeles	Insert the word "in" before "Assessors' Handbook." Modified Language: ^(FN) The assessment of manufactured housing shares many of the concepts of real property assessment. See section 5800 et seq. The assessment of manufactured housing is discussed in Chapter 8 of <u>this handbook section</u> and in Assessors' Handbook Section 511, <u>Assessment of Manufactured Homes and Parks</u> ."	Accepted.
16.	22.	Page 25 Footnote 31	Madera County Assessor's Office (Madera)	Comment: By law, manufactured housing is personal property, unless affixed pursuant to H & S 18551(?). Why does the assessment of personal property mobile homes share many of the concepts of real property assessment? Delete the first sentence.	Not accepted. Section 5800 et seq. was added to provide for the assessment of manufactured homes similar to real property.

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				<p>Modified Language: ^(FN) The assessment of manufactured housing shares many of the concepts of real property assessment. See section 5800 et seq. The assessment of manufactured housing is discussed in Chapter 8 of this handbook section and Assessors' Handbook Section 511, <i>Assessment of Manufactured Homes and Parks.</i>"</p>	
17.	24.	Page 29 2 nd paragraph 3 rd sentence	Madera	<p>As stated in matrix: "Freehold estates generally include only present interests." Recommendation: Delete or modify this statement.</p> <p>Modified Language: Freehold estates generally include only present estates interests. Freehold interests are the equivalent of fee interests, which contain rights into perpetuity. As such, freehold interests include present and future rights, such as the right to future income, which is the basis of the income approach."</p>	Accepted with modified text. See item 18 for SBE rewrite.
18.	24.	Page 29 2 nd paragraph 3 rd sentence	SBE	<p>Modified Language: Freehold estates generally include only present estates interests. Freehold interests are the equivalent of fee interests, which constitute estates of inheritance. As such, they include the full present beneficial interests and rights, such as the right to the income of the property."</p>	See comments in item 17 for explanation.
19.	N/A	Page 29 3 rd paragraph 1 st & 2 nd sentences	James Bone	<p>Modified Language: "Present estates include: (1) fee simple <u>absolute</u> estates; (2) qualified, or defeasible, fee <u>simple</u> estates; and (3) life estates. The <i>fee simple absolute estate</i> (sometimes called the 'fee simple-absolute,' or simply the 'fee') is the most complete form of ownership allowed by law."</p>	Accepted with modifications to replace 1 st , 2 nd , and 3 rd sentences in 3 rd paragraph. See item 20 for SBE rewrite.
20.	N/A	Page 29 3 rd paragraph 1 st & 2 nd sentences	SBE	<p>Modified Language: "<u>Estates in fee simple (defined in Civil Code section 762 and sometimes called 'fee simple' or 'fee') and freehold estates (defined in Civil Code section 765) are the most complete forms of ownership allowed by law. Fee simple or freehold estates must: (1) possess absolute ownership unencumbered by any other interest, (2) be subject to the limitations imposed by government, and (3) be capable of inheritance.</u></p> <p>Present estates include: (1) fee simple <u>absolute</u> estates; (2) qualified, or defeasible, fee <u>simple</u> estates; and (3) life estates. The <i>fee simple estate</i> (sometimes called the 'fee simple,' or simply the 'fee') is the most complete form of ownership allowed by law. <u>Present estates are subject only to limitations imposed by government: taxation, eminent domain, police power, and escheat.</u>"</p>	Modified in response to suggestion in item 19. See item 19 for explanation.

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21.	N/A	Page 30 2 nd paragraph, 3 rd sentence	James Bone	<p>Insert the word "qualified" before "fee simple interest." Ref: California Civil Code section 680.</p> <p>Modified Language: "Generally, the grantor conveys a <u>qualified</u> fee simple interest to the grantee for the grantee's lifetime."</p>	Accepted.
22.	25.	Page 31 Last paragraph	James Bone	<p>Minor correction 'components ... are;' or 'appraisal ... is'</p> <p>Modified Language: "While most easements do not constitute separate property interests, some types of easements may be components of the taxable appraisal unit that are is recognized by the appraiser."</p>	Accepted.
23.	26.	Page 31 End of last paragraph	Los Angeles	<p>Replace the word "and" with "that would."</p> <p>Modified Language: "... recognized by the appraiser. <u>In order for the grant of an easement to qualify as a change in ownership and that would subject the property to reappraisal, it must satisfy the three-part definition in section 60.</u>"</p>	Not accepted. The grant of an easement must satisfy the three-part definition of section 60 to qualify as a change in ownership. The proposed change implies that there can be a change in ownership that does not meet the three-part definition in section 60.
24.	26.	Page 31 End of last paragraph	James Bone	<p>The sentence "[i]n order for the grant of an easement to qualify as a change in ownership and subject the property to reappraisal, it must satisfy the three part definition in section 60" was added by staff in the July 6 matrix. The proposal in this item deletes "and subject the property..." and adds the additional language beginning with "of the easement..." and an example for additional clarification.</p> <p>Modified Language: "... recognized by the appraiser. <u>In order for the grant of an easement to qualify as a change in ownership and subject the property to reappraisal, it must satisfy the three part definition in section 60 of the easement, it must 1) be recorded as an easement appurtenant on both the dominant and servient properties, 2) have a determinable value, and 3) be a right that would affect the market value of one or both properties.</u></p> <p><u>For example, assume the owner of parcel A paid the owner of parcel B \$50,000 for a recorded perpetual line-of-sight easement over a portion of parcel B, in order to preserve a whitewater ocean view from parcel A. The assessor would increase the assessed value of parcel A by \$50,000 (or the fair</u></p>	Not accepted. Revised language is not consistent with section 60, which defines a "change in ownership" and includes more detail than necessary or appropriate for this manual.

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				<u>market value of the easement if not \$50,000). The assessor would also decrease the assessed and base year values of parcel B based upon the amount the appraiser determined was appropriate to reflect the existence of the line-of-sight easement."</u>	
25.	27.	Page 32 1 st paragraph 2 nd sentence	Los Angeles	Correction. Modified Language: "The essential element of a license, whether <u>it</u> is it verbal or written, is that is <u>it</u> must be assented to by the property owner, the licensor."	Accepted.
26.	N/A	Page 32 5 th paragraph last sentence	James Bone	Comment: Water rights and mineral rights are valued separately. Also, significant recorded permanent dominant and servient easements are recognized, primarily because the market also recognizes such easements if they have any effect on market value. (This issue is raised in items 20 and 28 of the July 6, 2001 matrix.) Modified Language: " In the vast majority of assignments, t The property tax appraiser estimates the value of the <u>fee simple interest in the full</u> bundle of rights <u>that are legally associated with the subject property.</u> "	Not accepted. Change is outside the scope of this update; subject is covered in other manuals.
27.	28.	Page 33 3 rd paragraph 1 st sentence	James Bone	Replace "estate" with "in the subject property and identified property rights." Modified Language: "Generally, the value of <u>the entire fee simple estate interest in the subject property and identified property rights</u> is assessed to the owner of record."	Accepted with modifications. See item 28 for SBE rewrite.
28.	28.	Page 33 3 rd paragraph 1 st sentence	SBE	Modified Language: "Generally, the value of <u>the entire fee simple estate or interest in the subject property and identified property rights</u> is assessed to the owner of record."	Modified in response to suggestion in item 27.
29.	N/A	Pages 33–34	Orange County Assessor's Office (Orange)	Suggestion: Effective July 1, 2001, the form of ownership "Community Property with Right of Survivorship" became operative in California Civil Code Section 682.1. The proposed AH 501 manual addresses "Forms of Ownership" on pages 33 and 34, but does not address the recent change in the law. We would like to recommend that the subject be covered in this revision.	Accepted. See item 30 for SBE rewrite.

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30.	N/A	Page 34 5 th paragraph	SBE	<p>Modified Language: "Nine states, including California, recognize a form of ownership between husband and wife known as <i>community property</i>. In these states, all property acquired during marriage is considered property of the 'marriage community.' <u>Under Family Code section 438, p</u>Property ownership is <u>presumed to be owned in undivided interests</u> between the husband and wife, and the consent of both marital partners <u>spouses</u> is <u>generally</u> required to transfer community property. 'Community property,' as defined in Civil Code section 687 and Family Code section 760, may include the 'right of survivorship.' Under Civil Code section 682.1, if any transfer instrument <u>created/recorded on or after July 1, 2001 expressly declares on its face that when one spouse dies the property will pass to the survivor, then the property interest of the deceased spouse will transfer to the surviving spouse without estate administration – subject to the same procedures applicable to joint tenancy.</u> Under certain conditions, one spouse may hold property that is not subject to the interest of the other spouse; this is termed 'separate property.' For example, property acquired before marriage or by gift or inheritance may be considered separate rather than community property."</p>	Addition of footnote under "Community Property" is necessary due to enactment of Civil Code section 682.1 under Stats. 2000, Ch. 645 (AB 2913).
31.	34.	Page 36 1 st paragraph Last sentence	James Bone	<p>Insert the word "cumulatively" before the phrase "acquires more than 50 percent" and before "transfer more than 50 percent...."</p> <p>Modified Language: "A change in control in the ownership of legal entities may be a change in ownership for property tax purposes, requiring the <u>which a transferee cumulatively acquires more than 50 percent of the interests in a legal entity, or a change in ownership in which the transferors are "original co-owners" who cumulatively transfer more than 50 percent of their original legal entity interests, requires reappraisal of the real property owned by the entity, unless an exclusion applies.</u>" (no change to footnote 43)</p>	See item 33 for rewrite.
32.	34.	Page 36 1 st paragraph Last sentence	Napa	<p>Comment: To follow the actual code section 64(d), do you want to add: or a change in ownership in which the transferors are "original co-owners" who transfer more than a cumulative 50 percent.</p> <p>Add the words "a cumulative" before the phrase "50 percent of the legal entity interests."</p> <p>Modified language: "A change in control in the ownership of legal entities may be a change in ownership for property tax purposes, requiring the <u>which a</u></p>	Accepted with slight modification. See item 33 for rewrite.

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				<u>transferee acquires more than 50 percent of the interests in a legal entity, or a change in ownership in which the transferors are "original co-owners" who transfer more than a cumulative 50 percent of the legal entity interests, requires reappraisal of the real property owned by the entity, unless an exclusion applies.</u> " (no change to footnote 43)	
33.	34.	Page 36 1 st paragraph Last sentence	SBE	Modified language: "A change in control <u>under section 64(c), in the ownership of legal entities may be a change in ownership for property tax purposes, requiring the</u> which a transferee acquires more than 50 percent of the interests in a legal entity, or a change in ownership under section 64(d), in which transferors are "original co-owners" transfer more than 50 percent of the legal entity interests, requires reappraisal of the real property owned by the entity, unless an exclusion applies." (no change to footnote 43)	Changed in response to suggestions in item 32.
34.	N/A	Page 43 7 th paragraph	James Bone	Add the following sentence and reference the Mola case. Addition: " <u>Physical changes such as contamination can also impair or eliminate a property's utility and value. (FN Mola)</u> "	Accepted with modification. Added at the end of 2 nd paragraph of p.44. The Mola court case is cited later in items 47 and 49 of this matrix. See rewrite in item 35.
35.	35.	Page 44 1 st paragraph Last sentence	James Bone	Comment: By definition, offsite improvements on nontaxable property are not new construction: "Section 71. The assessor shall determine the new base year value for the portion of any taxable real property which has been newly constructed." Modified Language: " While the The added productivity of property as a result of off-site improvements must be considered in light of the economic obligation assumed in standard fair market value appraisals. However, some off-site improvements on nontaxable property may are not be treated as assessable new construction. See Chapter 6 of Assessors' Handbook Section 502, <i>Advanced Appraisal</i> ."	Accepted with modification. See item 37 for SBE rewrite.

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36.	35.	Page 44 1 st paragraph Last sentence	Madera	Suggestion: I don't think the language clarifies: The words: "economic obligation assumed." What does this mean? Please do the plain English version, such as, "the owner assumes a special assessment obligation," or "the owner assumes a special assessment [obligation] bond."	See item 37 with the words "economic obligation" deleted and clarifying language added.
37.	35.	Page 44 1 st paragraph Last sentence	SBE	Modified Language: While the The added productivity of property as a result of off-site improvements must be considered in light of the economic obligation assumed what the owner paid in standard fair market value appraisals. However, some most off-site improvements may are not be treated as assessable new construction. See Chapter 6 of Assessors' Handbook Section 502, <i>Advanced Appraisal</i> ."	Changed in response to suggestion in items 35 and 36.
38.	N/A	Page 44 End of 2 nd paragraph	SBE	Addition: <u>"Some on-site improvements may result in negative physical effects, such as contamination can impair a property's utility and value."</u>	Added in response to suggestion in item 34.
39.	36.	Page 47 1 st full quotation	Madera	Comment: Why would you put a parenthesis or brackets around a single letter. This is too minute.	The text is correctly quoted.
40.	N/A	Page 48 Next to last paragraph	James Bone	<p>Add general comments on restricted-use properties</p> <p>Addition: <u>"Enforceable Contractual Land Use Restrictions</u></p> <p><u>California voters have authorized the Legislature to define open space land devoted to recreation, enjoyment of scenic beauty, use or conservation of natural resources, or production of food or fiber. When such land is enforceably restricted under a statutorily authorized contract between the property owner and a governmental or qualified agency, the property tax appraisers must value the property only on a basis that is consistent with its restrictions and uses.^(FN)</u></p> <p><u>Property of historical significance is also valued on a basis consistent with its restrictions and uses if the owner has entered into an enforceable land use restriction contract with an appropriate governmental or other agency.</u></p> <p><u>See Assessors' Handbook Section 521, <i>Assessment of Agricultural and Open-</i></u></p>	Subtitle accepted; other proposed changes repeat similar information on pages 16-17; therefore unnecessary and not accepted.

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				<p><u>Space Properties</u> for more information on the valuation and assessment of these types of properties.</p> <p>Section 401.4 places an additional restriction on the valuation of certain single-family residential properties as discussed in Chapter 2.</p> <p>(FN) See also Chapter 2, page 16</p> <p><u>(also delete paragraph on page 49 beginning, "Section 402.1(a)(8) ..."</u></p>	
41.	N/A	Page 49 4 th paragraph Last sentence	James Bone	<p>Add the following language: "and excluded from the value..." AH 502, page 131.</p> <p>Modified Language: "The value of the land and/or improvements allocated to the dedicated strip of land should be deducted from the area of the parcel through which it passes, <u>and excluded from the value of other parcels in the development.</u>"</p>	Not accepted. Staff disagrees.
42.	N/A	Page 49 Before 5 th paragraph	James Bone	<p>Add additional heading to pick up easements, leases, possessory interests and CC&R's.</p> <p>Addition: "<u>Other Contractual Restrictions</u>"</p>	The proposed changes are outside the scope of this update.
43.	41.	Page 49 5 th paragraph 2 nd sentence	James Bone	<p>Highest and best use probably isn't the most appropriate place to discuss the change in ownership.</p> <p>Modified Language: "There are no property tax statutes or rules dealing specifically with the private grant of an easement or right of way from one landowner to another. <u>However, the courts have determined that a recorded permanent transfer of a property right from one parcel to another is a reassessable event. (Footnote: Mitsui Fudosan). As a result, recorded permanent appurtenant grants of easement must be considered when determining the legally permissible highest and best use for property tax appraisal purposes. Other restrictions, including short term easements, private deed restrictions, easements in gross that are not reflected in the assessed value of another parcel, leases, loan restrictions, and any other type of private contractual agreement that affects a property's use are not recognized for property tax appraisal purposes.</u></p> <p>Since an easement or right of way is generally not a fee or leasehold estate in</p>	Not accepted. The proposed change is outside the scope of this update and discussion of highest and best use.

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				land for change in ownership purposes, it generally does not constitute 'a transfer of value substantially equivalent to the fee' upon transfer to the benefited person it is intended to benefit, as discussed in Chapter 3. Therefore, it remains taxable at full value to the property owner. An exception occurs when the language contained in the particular grant of easement or right of way effectively transfers the underlying fee to the grantee and, thus, qualifies as a change in ownership under section 60. In such a case, the proportional base year value of the underlying fee interest should be removed from the total base year value of the grantor's property and transferred to the total base year value of the grantee's property in the year that the easement was created."	
44.	42.	Page 49 6 th paragraph Last sentence	James Bone	Insert the word "nontaxable." Modified Language: "...interest, where the restriction on use constitutes a <u>nontaxable</u> property right retained by a public entity, whose property rights are exempt from taxation."	Not accepted. The property right may be assessed to the public entity property owner (taxable government-owned real property).
45.	43.	Page 50 1 st paragraph Last sentence	Los Angeles	Insert the word "both" between "reflects" and "the existence...": Modified Language: "However, if the CC&Rs are <u>actually effectively</u> enforced by the association, the market will tend to value <u>the</u> properties <u>subject to CC&Rs</u> in a manner that reflects <u>both</u> the existence of these restrictions <u>and the maintenance of effective land use planning, similar to that described in section 402.1(g).</u> "	Accepted.
46.	43.	Page 50 1 st paragraph Last sentence	James Bone	Market recognition is not the reason – it's the similarity in effect to zoning. Add the sentence starting with "[a]s a result...." Modified Language: "However, if the CC&Rs are <u>actually effectively</u> enforced by the association, the market will tend to value <u>the</u> properties <u>subject to CC&Rs</u> in a manner that reflects the existence of these restrictions <u>and the maintenance of effective land use planning, similar to that described in section 402.1(g).</u> As a result, property tax appraisers should recognize these types of <u>restrictions.</u> "	Not accepted. The explicit language of the proposed sentence is unnecessary and is not applicable in cases where the market does not recognize the restrictions.
47.	44.	Page 51 1 st paragraph Last sentence	James Bone	Add the following new section: "<u>Contaminated Property</u> <u>Appraisers must consider the condition of a contaminated property and the price it would bring in that condition when determining its market value.</u> <u>"...improvements has been subtracted).</u> ^(FN) ^(FN) In <i>Mola Development Corporation v. Orange County Assessment Appeals</i>	Not accepted. Unnecessary.

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				<u>Board No.2 (2000) 80 Cal.App.4th 309., the condition of a contaminated property and the price it would bring in that condition must be considered in determining its resultant value."</u>	
48.		Page 58 Last section	James Bone	<p>The text discusses both rights and interests. Add "and Interests" to the heading. See AH 501 page 28</p> <p>Modified Language: "Property Rights and Interests Involved The appraiser must obtain a precise definition of the property rights to be valued. In most cases, an appraisal for property tax purposes reflects the value of <u>the full fee simple unencumbered interest of the property, premised on the property's highest and best use."</u></p>	Accepted.
49.	48.	Page 66 Footnote 63	James Bone	<p>Revise footnote.</p> <p>Addition to end of Footnote 63: ^(FN) In <i>Mola Development Corporation v. Orange County Assessment Appeals Board No.2 (2000) 80 Cal.App.4th 309</i> <i>Firestone Tire & Rubber Co. v. County of Monterey (1993) 12 Cal.App.4th 634</i>, the court held that when a taxpayer makes the assessor aware that must recognize the cost of toxic waste cleanup <u>which</u> has reduced the fair market value of the property, it may form the basis for a reduction in that property's assessed valuation - under section 110. However, the court did not apply section 402.1 in finding that toxic waste cleanup costs must be considered in determining the value of the property. See also <i>Dominguez Energy, L.P. v. County of Los Angeles (1997) 56 Cal.App.4th 839</i>; and <i>Firestone Tire & Rubber Co. v. County of Monterey (1993) 12 Cal.App.4th 634</i> <i>Mola Development Corporation v. Orange County Assessment Appeals Board No.2 (2000) 80 Cal.App.4th 309.</i></p>	Accepted.
50.	49.	Pages 69 and 70	James Bone	<p>Reconfigure the language and delete the paragraph starting with "[t]he nominal sales price...."</p> <p>Modified Language: "Bonds Under the 1911, 1913, or 1915 Acts <u>According to subdivision (b) of section 110 '[t]here is a rebuttable presumption that the value of improvements financed by the proceeds of an improvement bond resulting in a lien imposed on the property by a public entity is reflected in the total consideration, exclusive of that lien amount, involved in the transaction. This presumption may be overcome if the assessor establishes by a preponderance of the evidence that all or a portion of the value of those improvements is not reflected in that consideration.'</u> For example, otherwise similar properties may sell for the same sale price regardless of the existence or</p>	Not accepted. Staff disagrees in that the paragraph deleted paraphrases Board approved language in LTA No. 99/12 and accurately presents the definition of "purchase price" contained in section 110 (b).

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				<p><u>nonexistence of 1911, 1913, or 1915 Act bonds. If this is the case, the appraiser may conclude that the fair market value of the subject property encumbered with a 1911, 1913, or 1915 Act bond is equal to its nominal sale price and not its adjusted sale price that includes the fair market value of the 1911, 1913, or 1915 Act bond.</u></p> <p>The nominal sale price of a property encumbered by an outstanding 1911, 1913, or 1915 Act improvement bond is not the 'purchase price' of the property as defined in section 110(b). Since purchase price is defined as 'the total consideration provided by the purchaser or on the purchaser's behalf, valued in money, whether paid in money or otherwise,' where this type of improvement bond is present, the total consideration provided by the purchaser is in part 'paid in money' and in part 'paid otherwise.' The 'paid otherwise' consideration in the case of a property that sells subject to a 1911, 1913, or 1915 Act bond is the fair market value of the outstanding improvement bond.</p> <p>A bond, until retired, remains an encumbrance against the property. The existence of the bond may influence the sale price, and, as a result, the sale price may not reflect the property's market value. The appraiser should be aware of this when considering the sale price as an indicator of market value or when selecting comparables in areas where this type of financing is used.</p> <p>Rule 4(a) requires that the appraiser 'convert a noncash sale price to its cash equivalent by estimating the value in cash of any tangible or intangible property other than cash which the seller accepted in full or partial payment for the subject property and adding it to the cash portion of the sale price....' As an application of this general requirement, the sale price of a property encumbered by a 1911, 1913, or 1915 Act bond must be adjusted to reflect the fair market value of the outstanding bond. The fair market value of the outstanding improvement bond to be added to the sale price, if any, may be determined by the following methods: (1) reference to sales of comparable properties; or (2) by discounting the bonds to a cash equivalent amount. The adjusted sale price is arrived at by adding the market value of the improvement bond to the sale price of the property. The sale price so adjusted is the 'purchase price' of the property as defined in section 110(b).</p> <p><u>This does not mean, however, that the adjusted sale price must be enrolled as market value in all cases. According to subdivision (b) of section 110 'It here is a rebuttable presumption that the value of improvements financed by the proceeds of an improvement bond resulting in a lien imposed on the property</u></p>	

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				<p>by a public entity is reflected in the total consideration, exclusive of that lien amount, involved in the transaction. This presumption may be overcome if the assessor establishes by a preponderance of the evidence that all or a portion of the value of those improvements is not reflected in that consideration.' For example, otherwise similar properties may sell for the same sale price regardless of the existence or nonexistence of 1911, 1913, or 1915 Act bonds. If this is the case, and can be supported with market data, the appraiser may conclude that the fair market value of the subject property encumbered with a 1911, 1913, or 1915 Act bond is equal to its nominal sale price and not its adjusted sale price that includes the fair market value of the 1911, 1913, or 1915 Act bond."</p>	
51.	N/A	Page 70	James Bone	<p>Modified text for clarification, section 110(b).</p> <p>Modified Language: "Mello-Roos Bonds</p> <p>In contrast to 1911, 1913, or 1915 Act improvement bonds, <u>appraisers should never include the value of Mello-Roos bond obligations as an adjustment to the purchase price of property should not be included in the value of land subject to Mello-Roos encumbrances."</u></p>	Not accepted; inconsistent with LTA No. 89/68.
52.	49.	Page 70 4 th paragraph	Madera	<p>Line 8, take out the word "otherwise." End the last sentence by saying, "the appraiser may conclude that the nominal sales price is equal to the fair market value."</p> <p>Modified Language: "This does not mean, however, that the adjusted sale price must <u>is to be</u> enrolled as market value in all cases. <u>According to subdivision (b) of section 110 "[t]here is a rebuttable presumption that the value of improvements financed by the proceeds of an improvement bond resulting in a lien imposed on the property by a public entity is reflected in the total consideration, exclusive of that lien amount, involved in the transaction. This presumption may be overcome if the assessor establishes by a preponderance of the evidence that all or a portion of the value of those improvements is not reflected in that consideration." For example, otherwise similar properties may sell for the same sale price regardless of the existence or nonexistence of 1911, 1913, or 1915 Act bonds. If this is the case, and can be supported with market data, the appraiser may conclude that the fair market value of the subject property encumbered with a 1911, 1913, or 1915 Act bond is equal to its nominal sale price and not its adjusted sale price that includes the fair market value of the 1911, 1913, or 1915 Act bond <u>the appraiser may conclude that the nominal sales price is equal to the fair market value."</u></u></p>	Not accepted. The additional language would be redundant and inconsistent with the Board approved language in LTA No. 99/12.

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53.	N/A	Page 73 2 nd paragraph	James Bone	<p>Add reference to new information available after original publication of AH 501.</p> <p>Modified Language: "INTRODUCTION</p> <p>In the cost approach, the value of an improved property is estimated by adding the estimated land (or site) value and the estimated cost new of the improvements less depreciation. The cost approach can also be used to estimate the value of personal property. <u>Appraisers should refer to Assessors' Handbook Section 504, Chapter 6, for additional information about the use of the cost approach to estimate the assessable value of new construction.</u></p> <p>Staff Rewrite: <u>"Appraisers should refer to Chapter 6 of Assessors' Handbook Section 502, Advanced Appraisal, for additional information about the use of the cost approach to estimate the assessable value of new construction."</u></p>	Accepted in concept. See staff's rewrite in this item.
54.	55.	Page 82 5 th paragraph	Los Angeles	<p>Replace "be reflected by" with the word "cause."</p> <p>Modified Language: "Capitalization of Rental Loss <u>Technique</u></p> <p>The capitalization of rental loss method <u>technique</u> may be used to measure loss of value from any cause. This method <u>technique</u> is based on the premise that any loss in value of the property would also be reflected by <u>cause</u> a loss in either the amount or duration of rental income (actual or imputed) to the property. To use this method <u>technique</u>, the appraiser must identify the actual cause of depreciation and estimate the loss of rental income due to this cause of depreciation."</p>	Not accepted. Loss in value is not a "cause" for a loss in the amount or duration of income. The relationship is inverse as explained in AH 502, <i>Advanced Appraisal</i> , p. 67-71.
55.	56.	Page 83 Insert after the 1 st paragraph	Los Angeles	<p>Delete "discussed below. The techniques discussed are" and insert "technique" after "cost to cure" and "rental loss."</p> <p>Modified Language: "<u>Breakdown Method</u></p> <p><u>The breakdown method is a comprehensive and detailed way to measure depreciation. The breakdown method is used to measure all items of depreciation individually (i.e., physical, functional, and external). In this method, total depreciation is determined by adding together all the individual estimates of depreciation. Several techniques used to calculate the different types of depreciation in the breakdown method are discussed below. The techniques discussed are the cost to cure technique and the capitalization of rental loss technique."</u></p>	Accepted in concept. See the following item for alternative language.

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56.	56.	Page 83 Insert after the 1 st paragraph	James Bone	<p>Change to include a discussion of the breakdown method. Items 54 and 55 to follow this paragraph.</p> <p>Modified Language: "<u>Breakdown Method</u>"</p> <p><u>The breakdown method is a comprehensive and detailed way to measure depreciation. The breakdown method is used to measure all items of depreciation individually (i.e., physical, functional, and external). In this method, total depreciation is determined by adding together all the individual estimates of depreciation. Several techniques used to calculate the different types of depreciation in the breakdown method include the cost to cure technique and the capitalization of rental loss technique, which are discussed below. The techniques discussed are the cost to cure and the capitalization of rental loss.</u></p>	Accepted. Consistent with AH 502, p. 26 and AH 504 p. 75.
57.	N/A	Page 85 3 rd paragraph	James Bone	<p>As worded the phrase is not an indicator of a non-market transaction – it simply requires an adjustment for the difference.</p> <p>Modified Language: "In many transactions, the above conditions are not completely met; in such cases, sales prices may not be indicative of market value. Consider the following examples: A seller may sell hastily in order to raise money; a purchaser may be forced to buy an adjoining lot to continue present operations; an uninformed buyer may pay a price in excess of the property's market value; a purchaser may give the seller a second deed of trust as partial consideration, and the cash equivalent value of such financing may differ substantially from its nominal value; or, finally, a property may transfer between relatives, and, due to 'love and affection' or other factors, the sale price may not represent market value."</p>	The proposed change is unnecessary and deletes an example that adds clarity to the discussion.
58.	N/A	Page 85	James Bone	<p>"SALES DATA COLLECTION AND ANALYSIS</p> <p>A sale price represents an agreement between two or more parties at a particular instant of time. As provided by section 110 and rule 2, a sale price of real property (except a possessory interest), as measured in cash or its equivalent, is rebuttably presumed to be the fair market value of the property <u>unless it is established by a preponderance of the evidence that the real property would not have transferred for that purchase price in an open market transaction if the terms were negotiated under conditions reflecting an open market transaction.</u> The purchase price shall, however, be rebuttably presumed to be the "full cash value" or "fair market value" if the terms of the transaction were negotiated at arms length between a knowledgeable transferor and</p>	The proposed change is unnecessary and outside the scope of this update

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				<p>transferee neither of which could take advantage of the exigencies of the other. (Under section 110(c), this rebuttable presumption does not apply where a taxpayer has failed to provide certain information about the conditions of the transaction.)</p> <p>Accordingly, the circumstances of each sale must be investigated before the sale price can be used as a value indicator for the subject property. This applies to sales of both the subject and comparable properties. For the sale to be an open market transaction, the following conditions must be satisfied:</p> <ul style="list-style-type: none"> Exposed for sale in the open market Both parties seeking to maximize their gains Neither party taking advantage of the exigencies of the other Reasonable time allowed to find a buyer Reasonable knowledge of the property's uses, present and prospective, by both buyer and seller No collusion or 'love and affection' between the parties Consideration in cash or its equivalent⁷⁴ <p>In many transactions, the above conditions are not completely met; in such cases, sales prices may not be indicative of market value. Consider the following examples: A seller may sell hastily in order to raise money; a purchaser may be forced to buy an adjoining lot to continue present operations; an uninformed buyer may pay a price in excess of the property's market value; a purchaser may give the seller a second deed of trust as partial consideration, and the cash equivalent value of such financing may differ substantially from its nominal value; or, finally, a property may transfer between relatives, and, due to "love and affection" or other factors, the sale price may not represent market value.</p> <p>If any of the open market conditions identified in the definition of fair market value is absent for a comparable sale, that sale cannot be used as a comparable sale for the subject property <u>the presumption that the sale price represents fair market value may be rebutted.</u> Thus, sales not meeting the conditions of an open market transaction are not required to be assessed at the sale price.</p> <p>If it is established that the property would not have sold for that the nominal sales price in an open market transaction, the sale price may be disregarded and the property assessed at its fair market value as estimated using other value indicators. Such a sale is also not valid as an indicator of value for other properties, and it should not be used in the comparative sales approach <u>the</u></p>	

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				<p><u>appraiser may utilize other sales to estimate the fair market value of the subject property.</u></p> <p><u>However, note that it is not necessary for the sale of the subject property to be an 'open market' sale. Section 110(b) provides that, where the sale was negotiated at arms length between a knowledgeable transferor and transferee neither of which could take advantage of the exigencies of the other, the sale still has a presumption that the price represents fair market value even though the transaction may not meet all the criteria listed above for a 'market' transaction.</u></p> <p><u>Also, even where market data indicate the property would probably have sold at a different price, there is no provision for exclusion of the transaction itself. As a result, the appraiser should be aware of the details of the sale of the subject property and consider any appropriate information when estimating its value."</u></p>	
59.	57.	Page 85 Last paragraph 3 rd sentence	James Bone	<p>See above and 110(b). Delete the following sentence.</p> <p>Delete: "If it is established that the property would not have sold for that price in an open market transaction, the sale price may be disregarded and the property assessed at its fair market value as estimated by using other value indicators, including other comparable sales."</p>	The proposed change is unnecessary.
60.	57.	Page 85 Last paragraph 3 rd sentence	Los Angeles	<p>Too restrictive, may preclude income or cost approach. Delete "including other comparable sales."</p> <p>Modified Language: "If it is established that the property would not have sold for that price in an open market transaction, the sale price may be disregarded and the property assessed at its fair market value as estimated by using other value indicators, including other comparable sales."</p>	Accepted.
61.	57.	Page 85 Last paragraph 3 rd sentence	Madera	<p>Should there be a footnote referring to <i>Dennis v. Santa Clara County</i>?</p> <p>Addition: "... estimated using other value indicators.^(FN)</p> <p>^(FN)<u><i>Dennis v. Santa Clara</i> 215 Cal.App.3d 1019"</u></p>	Accepted.
62.	58.	Page 87 3 rd paragraph 3 rd sentence	Madera	<p>Change "desirable," to "needed?"</p> <p>Modified Language: "An inspection of the property is also statutorily authorized and may be desirable <u>needed</u> to determine physical condition, locational influences, and visual appeal."</p>	Accepted.

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63.	61.	Page 88 Add paragraph after 1 st paragraph	Los Angeles	<p>Insert "comparable" before the word "sale." Moved from second paragraph of page 91.</p> <p>Modified Language: "... should be made in the same order in which the elements of comparison are listed above.</p> <p><u>The degree of comparability between a comparable sale and the subject property determines which adjustments are necessary and the size of the adjustments. Typically, adjustments for each characteristic are made as dollar amounts or as percentages. The appraiser adjusts the sales prices of the comparables upward or downward in order to make them comparable to the subject property. Adjustments may be measured using a variety of quantitative and qualitative techniques.</u>^(FN)</p> <hr/> <p>^(FN) See Assessors' Handbook Section 502, <i>Advanced Appraisal</i>."</p>	Accepted.
64.	N/A	Page 93 End of last paragraph	James Bone	<p>Cross-reference. Also, should this type of statement appear in the cost and comparative sales sections of this chapter?</p> <p>Addition: "<u>In addition to the following discussion, see Chapter 4 of Assessors' Handbook Section 502, <i>Advanced Appraisal</i>, for information on advanced issues in the income approach.</u>"</p>	Accepted.
65.	63.	Page 100 1 st paragraph Last sentence	Los Angeles	<p>Replace "contain discussions of deriving" with "discuss the derivation of."</p> <p>Modified Language: "The following sections contain discussions of deriving <u>discuss the derivation of</u> an overall capitalization from comparables sales and valuing a subject property using direct capitalization with an overall rate."</p>	Accepted.
66.	N/A	Page 100 End of 3 rd paragraph	James Bone	<p>Move from footnote to text to reflect the importance of the method and the source of the information.</p> <p>Modified Language: (Delete footnote 87)</p> <p><u>"Yield capitalization is discussed more thoroughly in Chapter 4 of the Assessors' Handbook Section 502, <i>Advanced Appraisal</i>."</u></p>	Accepted.
67.	64.	Page 109 1 st paragraph	Los Angeles	<p>Replace the word "merely" with the word "only."</p> <p>Modified Language: "...taxation of tangible personal property is discretionary with the Legislature."^(FN)</p>	Accepted.

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		1 st sentence		<u>(FN) The information covered in this chapter is merely only a brief summary of the appraisal issues regarding personal property; for a thorough analysis, see Assessors' Handbook Section 504, Assessment of Personal Property and Fixtures.</u>	
68.	68.	Page 110 2 nd paragraph last sentence & footnote 91	James Bone	Delete "although," "a discussion of these is," and "is recommended." Add "that are" and "contains a comprehensive discussion of situs." Modified Language: " Although There are numerous special situations regarding situs, a discussion of these is that are beyond the scope of this manual, and reference to Chapter 3 of other section of the Assessors' Handbook Section 504, <i>Assessment of Personal Property and Fixtures</i> is recommended contains a comprehensive discussion of situs." ^(FN) (FN) Refer to Assessors' Handbook Section 221, Tax Situs of Property.	Accepted.
69.	71.	Page 112 – 113 Entire "Trade Level" discussion	Los Angeles	Divide the 4 th sentence of the 1 st paragraph on page 27 into two sentences. Modified Language: "Consumer trade level includes sales tax, freight and installation charges and the . The property is valued in accordance..."	Not accepted. Staff's proposed language is consistent with pages 60-61 of the AH 504, which was revised June 2000.
70.	71.	Page 112 – 113 "Trade Level" discussion	James Bone	Suggestion: Recommend placing the Trade Level discussion after the "Appraisal Methods for Personal Property and Fixtures" See modifications to attached Appendix A.	Not accepted. Staff's proposed language is consistent with pages 60-61 of the AH 504, which was revised June 2000.
71.	72.	Page 114 1 st paragraph 1 st sentence	Los Angeles	Add "and determine" after the phrase "on a case by case basis." Modified Language: "Banks and financial corporations are also exempt from personal property taxation pursuant to section 23182." ^(FN) <hr/> <u>(FN) Beginning in 2000 state-chartered credit unions are exempt from paying the bank and corporate in-lieu franchise tax (section 23701y). As such, assessors need to independently evaluate, on a case by case basis, and determine whether these entities qualify as a financial corporation for assessment purposes. The personal property of those qualifying as financial corporations remain exempt from property tax."</u>	Accepted with modified text. See item 72 for SBE rewrite.

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72.	72.	Page 114 1 st paragraph 1 st sentence	SBE	<p>Modified Language: "Banks and financial corporations are also exempt from personal property taxation pursuant to section 23182.^(FN)</p> <hr/> <p>^(FN) <u>Beginning in 2000 state-chartered credit unions are exempt from paying the bank and corporate in-lieu franchise tax (section 23701y). As such, assessors need to independently evaluate, on a case by case basis, and determine whether these entities are shown on the "Confidential List of Banks and Financial Corporations" (in a CAO) and are qualified by the Franchise Tax Board (Corporate Audit Section) as a bank or financial corporation for assessment purposes. The personal property of those qualifying as financial corporations remain exempt from property tax."</u></p>	Changed footnote in response to comment in item 71.
73.	78.	Page 116 2nd paragraph Last sentence	Madera	<p>Question: Should this include a reference to Section 501?</p>	The paragraph begins by referencing section 501. However, an additional reference to section 502 is appropriate. See item 75 for SBE rewrite.
74.	78.	Page 116 2 nd paragraph Last sentence	Los Angeles	<p>Replace "based on such estimate" with "on the basis of the estimate."</p> <p>Modified Language: "... appraiser shall estimate the value of the property, and based on such estimate <u>on the basis of the estimate</u>, shall promptly assess <u>the property.</u>"</p>	Accepted with modified text. See item 75 for SBE rewrite.
75.	78.	Page 116 2nd paragraph Last sentence	SBE	<p>Replace "based on such estimate" with "on the basis of the estimate."</p> <p>Modified Language: "... appraiser shall estimate the value of the property, and based on such estimate <u>on the basis of the estimate</u>, shall promptly assess <u>the property and add a 25 percent penalty to any assessment made under section 502.</u>"</p>	Changed in response to comments in items 73 and 74.
76.		Page 120	James Bone	<p>Add reference to AH 502 under heading "Appraisal of New Construction."</p> <p>Modified Language: "When real property, or a portion thereof, is being constructed, the assessor must determine the fair market value of the portion of the property that is under construction at each lien date. When the construction is complete, the assessor determines the fair market value of the newly constructed property. <u>The following is a brief discussion of this complex issue.</u></p>	Accepted with modified text shown in this item.

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				<p><u>For an expanded discussion, see Chapter 6 of AH 502.</u></p> <p>SBE rewrite: "When real property, or a portion thereof, is being constructed, the assessor must determine the fair market value of the portion of the property that is under construction at each lien date. When the construction is complete, the assessor determines the fair market value of the newly constructed property. <u>The following is a brief discussion of this complex issue. For an expanded discussion, see Chapter 6 of AH 502, <i>Advanced Appraisal</i>.</u>"</p>	
77.	85.	Page 124 5 th paragraph 2 nd sentence	Madera	<p>Replace the word "allocated" with the word "apportioned."</p> <p>Modified Language: "The tax proceeds resulting from the basic rate are general revenues that are allocated <u>apportioned</u> among local jurisdictions (e.g., counties, cities <u>cities</u>, special districts, and school districts) according to a statutory formula."</p>	Accepted.
78.	86.	Page 125 5 th paragraph Last sentence	Los Angeles	<p>Replace the word "employing" with "and requires the application of."</p> <p>Modified Language: "The third objective, property valuation and assessment, involves detailed analyses and employing <u>and requires the application of</u> considerable knowledge and skill."</p>	Accepted.
79.	90.	Page 128 2 nd paragraph 1 st sentence	Napa	<p>Suggestion: Suggest adding same language as in 32 above: "or any original co-owner(s) who transfers more than a cumulative 50 percent."</p>	See item 83 for SBE rewrite.
80.	90.	Page 128 2 nd paragraph 1 st sentence	James Bone	<p>Replace "who" with "or entity that." Delete "or" following "manufactured home." Add "cumulatively" following the word "who." Add "original co-owners" and retain "that owns real property."</p> <p>Modified Language: "The statutes require that any person <u>or entity that</u> who acquires real property, a manufactured home, or a controlling interest (more than 50 percent) <u>is-in a legal entity that owns real property, or any 'original co-owner' who cumulatively transfers more than 50 percent of the original co-owners' interests in a legal entity, that owns real property that owns real</u> property, that owns real property that owns real <u>property,</u> must file a change in ownership statement <i>within 45 days</i> of the date of transfer."</p>	See item 83 for SBE rewrite.
81.	90.	Page 128	Los Angeles	<p>Suggestion: The word "is" should be "in." On the following line, the word</p>	See item 83 for SBE rewrite.

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		2 nd paragraph 1 st sentence		"interests" may be better in the singular form "interest."	
82.	90.	Page 128 2 nd paragraph 1 st sentence	Orange	Suggestion: The word "is" should be "in." On the following line, the word "interests" may be better in the singular form "interest."	See item 83 for SBE rewrite.
83.	90.	Page 128 2 nd paragraph 1 st sentence	SBE	Modified language: "The statutes require that any person who acquires real property, a manufactured home, or a controlling interest (more than 50 percent) in a legal entity, <u>or any 'original co-owner' who cumulatively transfers more than 50 percent of the legal entity interests, that owns real property</u> must file a change in ownership statement <i>within 45 days</i> of the date of transfer."	Rewrite based on suggestions contained in four previous suggestions (items 79-82).
84.	94.	Page 128 4 th paragraph 1 st sentence	Madera	Suggestion: Please define "person affected," as to whether it includes a person who sold their property and carried the [loan] paper, had to foreclose after two years, found that the taxes went unpaid during the defaulter's ownership period, and now believes the property assessment was too high. Can this person file an appeal?	Not accepted. See Property Tax Rule 301(g) for a definition of "person affected." See item 85 below for rewrite.
85.	94.	Page 128 4 th paragraph 1 st sentence	SBE	Modified Language: "Property owners may appeal assessments ^(FN1) appearing on the regular assessment roll by filing an application for change in assessment-with the county appeals board (either the board of supervisors sitting as a county board of equalization or an assessment appeals board appointed by the board of supervisors to replace the county board of equalization) <i>between July 2 and September 15.</i> ^(FN2) ^(FN1) See the <i>Assessment Appeals Manual</i> (Revised September 2000) for detailed discussion of assessment appeals. ^(FN2) <u>If September 15 falls on a Saturday, Sunday, or a legal holiday, an application that is mailed and postmarked on the next business day shall be deemed to have been filed within "the time period between July 2 and September 15. Additionally, effective January 1, 2002, the deadline is extended from September 15 to November 30 for property on the secured roll if the assessee did not receive notice prior to August 1 of the same year."</u>	Revert to language of September 1997 handbook with the exception of the addition of two footnotes. 1 st footnote references the <i>Assessment Appeals Manual</i> and the 2 nd footnote modified to include a discussion of the filing extension pursuant to changes to sections 469 and 1603 under Stats. 2001, Ch. 238 (AB 645).
86.	95.	Page 129 Last	Los Angeles	Capitalize "article" and insert "California" before "Constitution." Modified Language: "...creation of a Article XIII A (Proposition 13) but are	Not accepted.

ITEM NO.	JULY 6 MATRIX REF.	SEPTEMBER 1997 PAGE REFERENCE paragraph Last sentence	SOURCE	COMMENTS/SUGGESTIONS/PROPOSED LANGUAGE provided under a Article XIII of the <u>California</u> Constitution."	SBE STAFF POSITION
87.		Page 133 2 nd bullet Last sentence	James Bone	Change for clarification: Modified Language: "The value that reflects the annual inflation indexing is known as the <i>adjusted</i> , or <i>factored</i> , <i>base year value</i> . <u>Each year, the adjusted base year value is the maximum assessable amount for the property for that year.</u> "	Accepted.
88.		Page 134 2 nd bullet	James Bone	Clarification, but the Prop. 8 information is included later. I also recommend providing the jargon names for the parent/child and over-55 base year value transfers since they're the titles used in assessors' offices. The division into two bullet points and clearer explanation will help separate the two assessment issues. Modified Language: "Property assessments are reviewed each year for a decline in value. If the current market value of a property is below its adjusted base year value, the property is temporarily reassessed to reflect the lower value, that is, current market value. (Section 51(a).) <u>This type of reduction is frequently referred to by the original proposition number approved by the voters, or a 'Proposition 8' adjustment.</u> (New Bullet Point) At some <u>In any</u> future year, when if the property's current market value exceeds its adjusted base year value <u>for that year</u> , the <u>assessor will enroll the</u> adjusted base year value is restored to <u>as the assessment roll for that year.</u> "	The proposed changes are unnecessary and not accepted except for the reference to Proposition 8 – which is accepted as shown in the following item.
89.		Page 134 2 nd bullet	SBE	Modified Language: "Property assessments are reviewed each year for a decline in value. If the current market value of a property is below its adjusted base year value, the property is temporarily reassessed to reflect the lower value, that is, current market value. (Section 51(a).) <u>This type of reduction is frequently referred to by the original proposition number approved by the voters, or a 'Proposition 8' (or Prop 8) adjustment.</u> "	Changed in response to comments in item 88.
90.	102.	Page 137 Last bullet	Madera	Suggestion: The code language is tortuous. I think you should explain each component sentence, especially items 2) and 3) and the last sentence, by saying in each case: "Example: This means that..." After all, this is supposed	Not accepted. Outside the scope of this manual.

ITEM NO.	JULY 6 MATRIX REF.	SEPTEMBER 1997 PAGE REFERENCE	SOURCE	COMMENTS/SUGGESTIONS/PROPOSED LANGUAGE	SBE STAFF POSITION
				to be a clarifying document, which is often used as a training device for new appraisers, and the language is confounding.	
91.	106.	Page 147 Glossary	Los Angeles	Change the word "by" to "then." Modified Language: " Sale Price Adjustments... A procedure for deriving a value indicator by comparing the property being appraised to similar properties recently sold, by <u>then</u> adjusting the sale prices of <u>each</u> the comparables using elements of comparison. The following ..."	Not accepted. The definition is consistent with the definition contained in recently revised AH 502.
92.		Glossary	James Bone	Correction Modified Language: " Assessed Value The taxable value, <u>before any exemptions are deducted</u> , of a property against which the tax rate is applied."	The proposed change is unnecessary and outside the scope of this update. The existing definition is consistent with definition contained in the recently revised AH 502 and AH 504.
93.		Glossary	James Bone	Correction Modified Language: " Base Year Value In accordance with section 110.1, a <u>taxable</u> property's base year value is its fair market value as of either the 1975 lien date or the date the property was last purchased, newly constructed, or underwent a change in ownership after the 1975 lien date."	The proposed change is unnecessary and outside the scope of this update. The existing definition is consistent with definition contained in the recently revised AH 502 and AH 504.
94.		Glossary	James Bone	Correction Modified Language: " Change in Ownership A <u>reassessable</u> transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee interest."	The proposed change is unnecessary and outside the scope of this update. The existing definition is consistent with definition contained in the recently revised AH 502 and AH 504.

ITEM NO.	JULY 6 MATRIX REF.	SEPTEMBER 1997 PAGE REFERENCE	SOURCE	COMMENTS/SUGGESTIONS/PROPOSED LANGUAGE	SBE STAFF POSITION
95.		Glossary	James Bone	<p>The original text mixed rights and interests. There is no such thing as 'unrestricted fee simple rights.'</p> <p>Modified Language: "Sale Price Adjustments</p> <p>A procedure for deriving a value indicator by comparing the property being appraised to similar properties recently sold, by adjusting the sale prices of the comparables using elements of comparison. The following adjustments are made, in the order presented:</p> <p>(1) <i>Rights Conveyed.</i> If the value of property rights other than the unrestricted fee simple subject property's assessable rights, or any deed restrictions or similar items, affect the sale price of real property, then in a property sell, the sale price must be adjusted for the value of the such rights or other items must be adjusted to the value of the unrestricted fee simple rights in order to use the sale as an indicator of value for property tax purposes.</p> <p>(2) <i>Interests Conveyed.</i> If the value of ownership interests, other than the unrestricted fee simple absolute interest, affects the sale price of a property, then the sale price must be adjusted for the value of such ownership interests in order to use the sale as an indicator of value for property tax purposes.</p> <p>(3) <i>Cash Equivalence.</i> Fair market value..."</p>	<p>The proposed change is unnecessary and outside the scope of this update. Additionally, the existing definition is consistent with definition contained in the recently revised AH 502.</p>
96.		Glossary	James Bone	<p>Correction/clarification</p> <p>Modified Language: "Taxable Value</p> <p>For real property subject to article XIII A of the California Constitution, the base year full value adjusted for any given lien date as required by law or the full cash value for the same date, whichever is less, as set forth in section 51(a), <u>before reduction for any exemptions. For personal property and state-assessed property, the fair market value for any given lien date before reduction for any exemptions.</u>"</p>	<p>The proposed change is outside the scope of this update. Additionally, existing language is consistent with the provisions of section 51.</p>