OF CALIFORNIA

ATE BOARD OF EQUALIZATION
sment Standards Division
Street, MIC: 64, Sacramento, California
Box 942879, Sacramento, CA 94279-0064)

hone: (916) 445-4982
FAX: (916) 323-8765

170.0018

JOHAN KLEHS
First District, Hayward

DEAN F. ANDAL
Second District, Stockton

ERNEST J. DRONENBURG, JR.
Third District, San Diego

BRAD SHERMAN
Fourth District, Los Angeles

KATHLEEN CONNELL
Controller, Sacramento

E. L. SORENSEN, JR.
Executive Director

September 9, 1996

Honorable Dick Frank
San Luis Obispo County Assessor
County Government Center, Room 100
San Luis Obispo, CA 93408

Dear Mr. Frank:

This is in response to your letter of July 17, 1996, regarding a situation involving a combination of several parcels and subsequent parcel split.

According to your letter, a taxpayer purchased a vacant parcel. In August 1988, the taxpayer purchased an adjoining six-unit apartment complex. Since then the taxpayer purchased two additional vacant parcels. The three vacant parcels do not have water allocations. For the 1995-96 assessment roll, the taxpayer requested a review of the apartment complex assessment. You agreed that the market value had declined below the factored base year value of $415,600, and you enrolled a Proposition 8 assessment of $345,000 ($200,000 land value and $145,000 improvements value).

For the 1997-98 roll, the owner has requested that you combine the four parcels into a single parcel. The taxpayer intends to remove the improvements and use the six water allocations from the apartment units to develop six single-family residences on six separate lots. You asked three questions regarding this situation. We will discuss each question separately.

QUESTION 1: **We believe when the improvements are removed, the reduction from the assessment roll will be $145,000 (current market value) and not the Proposition 13 base value plus indexing of $248,019. Is this correct?**

ANSWER: This is correct assuming the value on the roll will be the Proposition 8 assessments at the time the improvements are removed. Since the value on the roll is the Proposition 8 value, you will remove the Proposition 8 value (current market value) allocated to the improvements when the improvements are removed. At the same time, though, you will also remove the improvement allocation (Proposition 13 base value plus indexing) from the total base year value.

QUESTION 2: When we combine the properties into a single parcel, we intend to combine the $200,000 current land value (which includes six water allocations) with the Proposition 13 base values plus indexing from the three vacant properties which do not have water allocations. Consequently, we will end up with a single parcel with six water allocations. This will now become the base value for the combined parcels. Is this correct?

ANSWER: We do not agree. The base year value is a control figure against which you compare the current market value for Proposition 8 purposes. You should combine the base year values for all parcels, not the Proposition 8 value for one parcel and the base year values for the others. The method proposed in Question 2 would result in a reassessment (i.e., a new base year value) of a portion of the property without justification. The ownership of these parcels has not changed. Thus, the base year value of the four parcels must remain the same.

QUESTION 3: When the assessee splits the parcel into six individual lots, each parcel will have a water allocation and probably be worth in the vicinity of $150,000 each. However, as long as they remain in the ownership of the current assessee, we believe our only alternative is to take the values we have used from the combined parcel and allocate 1/6 of the total value to each lot, assuming that each lot is reasonably identical. Is this correct?

ANSWER: Yes, assuming you are referring to the base year value. As long as the ownership has not changed, the base year value from the combined parcel is to be reasonably allocated to each lot (i.e., equal allocation if lots are split equally) when the parcel is split. Again, tracking the base year value is important as this value is a control figure against which you compare the current market value for Proposition 8 purposes.

I hope this information answers your questions. If you have any further questions, please contact our Real Property Technical Services Section at (916) 445-4982.

Sincerely,

Charles G. Knudsen
Principal Property Appraiser
Assessment Standards Division

GS:jm

cc: Legal Section

Dfrank.doc