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October 10, 2013

State Board of Equalization
Property and Special Taxes Department
ATTN: Ms. Sherrie Kinkle
P.O. Box 942879
Sacramento, California 94279-0064

Dear Mr. Kinkle:

**ASSESSORS' HANDBOOK SECTION 410,
ASSESSMENT OF NEWLY CONSTRUCTED PROPERTY**

As requested, our office has reviewed the fourth draft of proposed Assessors' Handbook Section 410, *Assessment of Newly Constructed Property*, and the matrix of comments received in response to the third handbook draft. After review, we have the following comments for your consideration.

COMMENTS

ATTACHMENT A - MATRIX ITEM 21, Example 2-1:

"...the example [2-1] is troubling, especially since it is noted that the new tenant improvements are similar to the original improvements. We are currently putting tenant improvements on the roll with a 2% trend each year when, in fact, the value of those improvements are declining at 10% to 15% per year on a straight line basis...when you apply this to oil refineries who might spend hundreds of millions each year on 'normal' maintenance, it could add up."

- District Appraisals

"Example 2-1 in the AH 410 with the new construction assessment of replacement office building tenant improvements seems to conflict with our assessment practices of 'NAVs' [no added value] on these types of permits...it would be a good idea to review the points the court made in a case...involving a major office building where the judge said that we could not add value for replacement tenant improvements, even if they are higher quality because they have the same utility..."

- District Appraisals

Assessors' Handbook Section 410
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The attached spreadsheet provides further comments regarding the third handbook draft matrix.

If you have any questions, please contact Matthew Herrera at MHerrera@assessor.lacounty.gov or 213.974.1594.

Sincerely,

Dale Hough
Chief Appraiser
Assessment Services Division

c: Sharon Moller, Chief Deputy Assessor
File - Appraisal Standards Section

AH 410 - MATRIX OF COMMENTS

Date: 10/3/2013

No.	Proposed change / comments	SBE Position	Opinion
1	Removal of all provisions that include "or portion thereof" with respect to major renovation.	Disagree See Section 71 & Section 463	Agree with SBE that handbook language is not contrary to law.
2	Consistency of terms used (e.g., new construction vs assessable new construction, appraised vs. assessed, appraisal vs assessable, etc.	Discussion item	Consistency of term usage will minimize reader confusion.
3	Add "assessable " to "new construction "	Accepted	Concur
4	Add "assessable " to "new construction "	Accepted	Concur
5	Add "assessable " to "new construction "	Accepted	Concur
6	Added sentence to clarify "assessable new construction "	Accepted	Concur
7	Add "assessable " to "new construction "	Accepted	Concur
8	Add paragraph to define "improvement "	Accepted	Concur
9	Add "assessable " to "new construction "	Accepted	Concur
10	Remove phrase "installation of"	Accepted	Concur
11	Add "assessable " to "new construction "	Accepted	Concur
12	Add "assessable " to "new construction " + added sentence to define/distinguish normal maintenance.	Accepted	Concur Good addition
13	Change sequence of new construction terms (e.g., replacement, repair, remodeling, etc).	Accepted	Concur
14	Add "assessable " to "new construction "	Accepted	Concur
15	Add "assessable " to "new construction "	Accepted	Concur
16	Add "assessable " to "new construction "	Accepted	Concur
17	Add "assessable " to "new construction "	Accepted	Concur
18	Add "assessable " to "new construction "	Accepted	Concur
19	Remove "fixture or any other" (word "improvement" already includes structures and fixtures)	Accepted / Rewrite	Concur
20	Revise sentence to explain assessable new construction	Not Accepted	Concur Existing sentence already revised
21	Added Example 2-1 (Assessable new construction due to Renovation)	Accepted - Attachment A	Concur For consistency, label factor "2010 CPI Factor"
22	SBE paragraph rewrite (remodeling, modernization, etc)	Rewrite	Concur
23	Change the word "structure" to "improvement"	Accepted	Concur See definition of "improvement"
24	SBE paragraph rewrite (normal maintenance)	Rewrite	Concur
25	Change the word "appraised" to "assessed"	Accepted	Concur

AH 410 - MATRIX OF COMMENTS

Date: 10/3/2013

No.	Proposed change / comments	SBE Position	Opinion
26	Move Change in Use section to later in chapter	Accepted	Concur
27	Rewrite paragraph and "Example 2-2" (Assessable new construction due to conversion of portion of an improvement)	Rewrite	Concur
28	How to designate mixed-use type structures, not currently covered by 5 basic use types.	Discussion item	Add "Mixed-Use" use type to existing list
29	Change the word "reappraisal" to "assessment"	Accepted	Concur
30	Change the word "reappraisal" to "assessment"	Accepted	Concur
31	Label unlabeled "Table 2-1" (List of Use Types)	Accepted	Concur
32	Remove redundant paragraph and table from "Change in Use" and "Property Use Types" sections.	Accepted	Concur
33	Add "assessable " to "new construction "	Accepted	Concur
34	Revised two bullets of Table 2-2 to describe "site improvements" (vs. on-site and off-site) to conform with Real Estate Appraisal dictionary.	Accepted	Concur
35	Add "assessable " to "new construction "	Accepted	Concur
36	Add "assessable " to "new construction "	Accepted	Concur
37	Add "assessable " to "new construction "	Accepted	Concur
38	Add "assessable " to "new construction "	Accepted	Concur
39	Add "assessable " to "new construction "	Accepted	Concur
40	Add "assessable " to "new construction "	Accepted	Concur
41	Change word "vacant" to "improved"	Accepted	Concur Sentence refers to improved properties not vacant
42	Add "assessable " to "new construction "	Accepted	Concur
43	Revise Example 3-4 to correct CPI trend factor used in calculation.	Accepted	Concur
44	Add "assessable " to "new construction "	Accepted	Concur
45	Add "assessable " to "new construction "	Accepted	Concur
46	Remove "Converting a garage into a living area" from Table 3-1 (Examples of Assessable New Construction)	Not Accepted	Concur Conversion of garage to living area qualifies as an assessable new construction activity
47	Revise Table 3-1 to add phrase "in new structures" to distinguish assessable from excluded fire protection systems.	Accepted	Concur

AH 410 - MATRIX OF COMMENTS

Date: 10/3/2013

No.	Proposed change / comments	SBE Position	Opinion
48	Change title of table 3-2	Not Accepted	Concur Existing title is already clear as it is
49	Revise Table 3-1 to distinguish assessable from excluded fire protection systems.	Accepted	Concur
50	Add "assessable " to "new construction "	Accepted	Concur
51	Rewrite sentence regarding the use of appraisal judgment and determination on a case-by-case basis	Rewrite	Concur
52	Add "assessable " to "new construction "	Accepted	Concur
53	Label "Land Value" in calculation Example 3-8	Accepted	Concur
54	Request to change section title to "Normal Maintenance <u>or Renovation</u> "	Not Accepted	Concur Section is primarily to discuss Normal Maintenance.
55	Revise sentence to indicate that replacement and repair work may or may not be excluded from assessment.	Not Accepted See also Rule 463 (b)(4)	Concur Section is primarily to discuss Normal Maintenance.
56	Revise Example 3-10 to remove perception of conflict regarding Normal Maintenance vs. assessable new construction	Rewrite	Concur
57	Correct typo in Example 3-10 (from \$350,00 to \$350,000)	Accepted	Concur
58	Add sentence to indicate that installation of items that were not in the house at time of purchase are assessable new construction + normal maintenance and repairs collectively may be sufficient to make the house substantially equivalent to new	Accepted	Concur
59	Add "assessable " to "new construction "	Accepted	Concur
60	Question on whether Example 3-12 (assessable new construction) was in the right section	Example was purposely placed in Normal Maintenance section for contrast	Concur Example 3-12 addresses some of the gray areas
61	Add "assessable " to "new construction "	Accepted	Concur
62	Add footnote to Example 3-14 to define use of CPI trend factor)	Accepted	Concur
63	Request to change word "structure" to "office building improvement"	Not Accepted	Concur
64	Request to change word "structure" to "improvement"	Not Accepted	Concur See definition of "improvement"

AH 410 - MATRIX OF COMMENTS

Date: 10/3/2013

No.	Proposed change / comments	SBE Position	Opinion
65	Rewrite Case Study section including examples to make it clearer.	Rewrite	Concur
66	Correct typo from "a" to "an"	Accepted	Concur
67	Add " <i>assessable</i> " to " <i>new construction</i> "	Accepted	Concur
68	Add " <i>assessable</i> " to " <i>new construction</i> "	Accepted	Concur
69	Change word "structure" to "improvements"	Accepted	Concur See definition of "improvement"
70	Add " <i>assessable</i> " to " <i>new construction</i> "	Accepted	Concur
71	Change word "reappraised" to "reassessed"	Accepted	Concur
72	Add word "structure" to sentence	Accepted	Concur
73	Add word "structure" to sentence	Accepted	Concur
74	Change upper case to lower case letter	Accepted	Concur
75	Add word "structure" to sentence	Accepted	Concur
76	Add sentence to clarify excluded new construction under Proposition 110 & 177 (exclusions for disabled person)	Accepted	Concur
77	Correct typo from "a" to "an"	Accepted	Concur
78	Add " <i>assessable</i> " to " <i>new construction</i> "	Accepted	Concur
79	Change word "reappraised" to "reassessed"	Accepted	Concur
80	Revise sentence to explain excluded new construction for active solar energy system	Accepted	Concur
81	Move "Contaminated Properties" section from Chapter 6 to Chapter 5	Accepted	Concur
82	Add " <i>assessable</i> " to " <i>new construction</i> "	Accepted	Concur
83	Add " <i>assessable</i> " to " <i>new construction</i> "	Accepted	Concur
84	Add " <i>assessable</i> " to " <i>new construction</i> "	Accepted	Concur
85	Revise sentence to indicate Proposition 8 decline in value eligibility of contaminated properties	Rewrite	Concur
86	Add " <i>assessable</i> " to " <i>new construction</i> "	Accepted	Concur
87	Update notification time requirement from 30 days to six months for completion of newly constructed replacement property	Rewrite Law change effective Jan 1, 2012 (SB947)	Concur
88	Change paragraph to explain transfer of base value for replacement dwelling	Rewrite	Concur
89	Add Contaminated Properties section to Chapter 6	Accepted	Concur
90	Change word "reappraisal" to "reassessment"	Accepted	Concur
91	Revise sentence to define off-site improvements to conform with Real Estate Appraisal dictionary	Accepted	Concur
92	Add word "taxable" to "possessory interest"	Accepted	Concur

AH 410 - MATRIX OF COMMENTS

Date: 10/3/2013

No.	Proposed change / comments	SBE Position	Opinion
93	Change word "reappraisal" to "reassessment"	Accepted	Concur
94	Add "assessable " to "new construction "	Accepted	Concur

SUMMARY:

1. Revision of contents =	27
2. Consistency of terminologies =	51
3. Typo/Label/Grammar Corrections =	11
4. Move / Rearrange Sections =	5
Total =	94