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JEFFREY PRANG
ASSESSOR

December 9, 2014

Chairman Jerome E. Horton
Fourth District
State Board of Equalization
450 N Street, MIC: 72
Sacramento, CA 95814

Dear Chairman Horton:

**SUPPORT FOR RE-ADOPTION OF RULE 474,
PETROLEUM REFINING PROPERTIES**

The Los Angeles County Assessor's Office wishes to reiterate its support for the State Board of Equalization's pursuit to re-adopt California Code of Regulations, title 18, section (Rule) 474, *Petroleum Refining Properties*. As the home of six of the eleven large petroleum refineries in the State of California, we advocate the Board's efforts to promote fairness and uniformity in the assessment of petroleum refineries in the State for the purpose of measuring declines in value.

Rule 474's original adoption was ruled procedurally invalid by the California Supreme Court in *WSPA v. BOE* solely because the Board failed to provide an adequate statement of economic impact as required by the Administrative Procedure Act. More importantly, the Court affirmed the policy enacted in Rule 474 that the performance of "decline-in-value" appraisals of petroleum refinery properties should be based on the unit that persons in the marketplace commonly buy and sell. This market based approach ensures that reductions in property values are measured according to fair market value.

Land, improvements and fixtures and other machinery and equipment classified as improvements for a petroleum refining property are rebuttably presumed to constitute a single appraisal unit for determining declines in value because petroleum refineries are commonly bought and sold as a unit in the marketplace. Rule 474 still allows assessors the flexibility to consider evidence that shows that land, improvements and fixtures did not transfer as an economic unit when such circumstances present themselves.

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Rule 474 is consistent with current assessment practice being employed in the County of Los Angeles. The re-adoption of Rule 474 would clarify for county assessors that petroleum refinery land, improvements and fixtures constitute a single appraisal unit which is consistent with RTC section 51 (d) as opposed to petroleum refinery fixtures constituting a separate appraisal unit as provided in Rule 461.

Los Angeles County Assessor's Office has provided economic data to the Board to assist it in completing the economic impact assessment. We believe the Board's assessment as reflected in the Initial Statement of Reasons is in accordance with the APA and *WSPA v. BOE*. The study makes a reasoned estimate of all the cost impacts of the proposed rule on the affected parties.

In conclusion, we support the re-adoption of Rule 474 which will assist assessors by clarifying the appraisal unit to be used when valuing petroleum refining properties for declines in value. This practice is consistent with what is observed in the marketplace and has been affirmed by the California Supreme Court. The economic impact assessment has been completed as required by the APA and *WSPA v. BOE*.

We appreciate the Board taking steps to proceed with the readopting of Rule 474. My Office stands ready to advocate in support of this action and to provide expert testimony in this process.

Thank you for your consideration of this request.

Sincerely,



JEFFREY PRANG

Assessor