

# Leasehold Improvements

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## General

Leasehold improvements are all improvements or additions to leased property that have been made by the tenant or lessee. Such improvements can be secured to the real property or assessed to the lessee on the unsecured assessment roll.

Commercial, industrial, and other types of income-producing properties require regular monitoring by the assessor because, as tenants change over time, they may add and/or remove improvements that may result in a changed use of the property. These changes must, by law, be reflected in the property's assessment if they qualify as new construction.

When real property is reported on BOE 571L, *Business Property Statement (BPS)*, coordination between the real property and business property divisions of the assessor's office is important. The reported cost should be examined by both an appraiser in the real property division and an auditor appraiser in the business property division. The divisions should determine the proper classification of the property to ensure appropriate assessment by each division and to avoid escape and double assessments. The assessor must determine whether costs are for repair and maintenance and are, therefore, not assessable, whether additions are properly classified as structural improvements or fixtures, and/or if additions are properly enrolled.

For additional information regarding the valuation of leasehold improvements, see Chapter 5 of [Assessors' Handbook Section 504, Assessment of Personal Property and Fixtures \(AH504\)](#).

## Scope of Review

The BOE's assessment practices survey team evaluates the assessor's practices and procedures with respect to the assessment of leasehold improvements.

The specific areas of review may include, but are not limited to, the following:

- **General Program Elements**
- **Discovery**
- **Coordination**
- **Classification**
- **Assessment**