

New Construction

Value completed new construction at its fair market value.

[Section 71](#) requires that new construction in progress be appraised at its full value as of the lien date and each lien date thereafter until the date of completion. At such time of completion, the appraiser shall reappraise the entire portion of property which is newly constructed at full value. The value reported on permits is typically based on published cost factors derived from a building journal and only reflects average costs throughout various regions in California; the values are not necessarily representative of construction costs in the county. Moreover, these estimates cannot account for variations in construction costs resulting from differences in square footage, construction quality, complexity of proposed projects, or revisions to project plans. Thus, the values reported on the permits are not likely to represent fair market value. In order to develop an accurate indicator of value for completed new construction, the appraiser must determine its fair market value using the cost, comparative sales, and/or income approaches.

The assessor's current practice is not in compliance with [section 71](#) and results in inequitable treatment of taxpayers, as well as inaccurate assessments.

Enroll construction in progress (CIP) at its fair market value for each lien date.

Pursuant to [section 71](#), the assessor shall determine the new base year value for the portion of any taxable real property having been newly constructed. New construction in progress on the lien date shall be appraised at its full value on such date and each lien date thereafter until the date of completion, at which time the entire portion of property which is newly constructed shall be reappraised at its full value.

The assessor's failure to assess CIP at fair market value on the lien date is contrary to statutory provisions and allows CIP to escape assessment, causing a loss in revenue and inaccurate assessments.

Classify wells as land pursuant to Rule 124.

It is the assessor's policy to classify wells as structural improvements. [Rule 124](#) provides that wells are land. By not attributing any value to the land for value added by the new construction of water wells, the assessor is underassessing the land and overassessing the improvements. This may also result in incorrect special assessments.

Grant new construction exclusions for claims for disabled access improvements only upon compliance with sections 74.3 and 74.6.

[Section 74.3\(a\)](#) provides that "newly constructed" does not include the construction, installation, or modification of any portion or structural component of an existing single- or multiple-family dwelling that is eligible for the homeowner's exemption as described in [section 218](#), if the construction,

installation, or modification is for the purpose of making the dwelling more accessible to a severely and permanently disabled person who is a permanent resident of the dwelling. In order for this exclusion to apply, the following conditions must be met: (1) the construction, installations, or modifications must be completed on or after June 6, 1990, on an existing dwelling, (2) the dwelling must be eligible for the homeowners' exemption, and (3) the work performed must be for the purpose of making the dwelling more accessible to a severely and permanently disabled person who is a permanent resident of the dwelling.

In order to receive the exclusion, the disabled person, their spouse, or their legal guardian must submit to the assessor the following: (1) a statement signed by a licensed physician or surgeon, of appropriate specialty, certifying the person is severely and permanently disabled as defined in [section 74.3\(b\)](#), and identifying specific disability-related reasons why the accessibility improvements or features are needed, and (2) a statement by the claimant identifying the construction, installation, or modification necessary to make the dwelling more accessible to the disabled resident.

For buildings other than owner-occupied dwellings, [section 74.6](#) provides that "newly constructed" and "new construction" does not include the construction, installation, removal, or modification of any portion or structural component of an existing building or structure to the extent that it is done for the purpose of making the building or structure more accessible to, or more usable by, a disabled person. In order for this exclusion to apply, the following must be met: (1) the construction, installation, removal, or modification must be completed on or after June 7, 1994, to an existing building, (2) the work performed must be for the purpose of making the building more accessible to, or more usable by, a disabled person, and (3) the construction must not qualify for the construction exclusion provided by [section 74.3\(a\)](#).

In order to receive the exclusion, the following shall be submitted to the assessor: (1) notification by the property owner prior to, or within 30 days of, completion of any project that the property owner intends to claim the exclusion for improvements making the building or structure more accessible to, or usable by, a disabled person, (2) a statement from the property owner, primary contractor, civil engineer, or architect identifying those portions of the project making the building or structure more accessible to, or usable by, a disabled person, and (3) all documents necessary to support the exclusion, filed by the property owner, no later than six months after the completion of the project.

Use of [BOE-63, Disabled Persons Claim for Exclusion of New Construction](#) and [BOE-63-A, Claim for Disabled Accessibility Construction Exclusion from Assessment](#) facilitates this process. Both forms guide the property owner in providing the assessor the statements and certifications necessary to receive the exclusion. If the information required by [sections 74.3](#) and [74.6](#) is not provided, the assessor is not authorized to exclude new construction from assessment for improvements intended to provide accessibility or usability for a disabled person. Failure to obtain the necessary information required by [sections 74.3](#) and [74.6](#) may cause the assessor to grant exclusions for new construction that would otherwise be taxable.

Enroll all assessable new construction.

[Section 155.20\(e\)\(1\)](#) provides that a county board of supervisors does not have the authority to exempt new construction from property taxation, unless the new total base year value of the property, including the new construction, is \$10,000 or less. Therefore, when part of a larger structure, low-value new construction should be valued and enrolled.

The assessor's practice of not enrolling all assessable new construction may result in escaped assessments of certain low-value projects and cause unequal treatment of taxpayers.

Obtain copies of permits from the environmental health department.

[Section 72](#) requires county or city agencies to furnish copies of building permits to the assessor. To ensure the assessor discovers all qualifying new construction, a copy of every approved building permit must be received. Well and septic system permits can indicate further development and assist the assessor in discovering new construction that might otherwise go undetected. By not obtaining these permits from the environmental health department, the assessor may be missing potential new construction, which may result in escaped assessments.

Expand appraisal record documentation.

Documentation supporting the value conclusion is a necessary element of any appraisal. When using the cost approach to value new construction, the appraiser should indicate the source of the costs being used and, if the appraiser uses the taxpayer's reported costs, the appraiser should demonstrate how those costs represent market value. Proper application of the cost approach requires appraisers to document the source of costs used in their appraisals. The practice of entering unsubstantiated costs can lead to improper valuation of partially completed or completed new construction. Proper documentation not only facilitates appraisal review, but also provides the means with which to defend values.