

ALAMEDA COUNTY ASSESSMENT PRACTICES SURVEY

FEBRUARY 2022

CALIFORNIA STATE BOARD OF EQUALIZATION

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February 22, 2022

No. 2022/010

TO COUNTY ASSESSORS:

**ALAMEDA COUNTY
ASSESSMENT PRACTICES SURVEY**

A copy of the Alameda County Assessment Practices Survey Report is enclosed for your information. The State Board of Equalization (BOE) completed this survey in fulfillment of the provisions of sections 15640-15646 of the Government Code. These code sections provide that the BOE shall make surveys in specified counties to determine that the practices and procedures used by the County Assessor in the valuation of properties are in conformity with all provisions of law.

The Honorable Phong La, Alameda County Assessor, was provided a draft of this report and given an opportunity to file a written response to the findings and recommendations contained therein. The report, including the Assessor's response, constitutes the final survey report, which is distributed to the Governor, the Attorney General, and the State Legislature; and to the Alameda County Board of Supervisors, Grand Jury, and Assessment Appeals Board.

Fieldwork for this survey was performed by the BOE's County-Assessed Properties Division from March through July 2021. The report does not reflect changes implemented by the Assessor after the fieldwork was completed.

Mr. La and his staff gave their complete cooperation during the survey. We gratefully acknowledge their patience and courtesy during the interruption of their normal work routine.

Sincerely,

/s/ David Yeung

David Yeung
Deputy Director
Property Tax Department

DY:dcl
Enclosure

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INTRODUCTION

Although county government has the primary responsibility for local property tax assessment, the State has both a public policy interest and a financial interest in promoting fair and equitable assessments throughout California. The public policy interest arises from the impact of property taxes on taxpayers and the inherently subjective nature of the assessment process. The financial interest derives from state law that annually guarantees California schools a minimum amount of funding; to the extent that property tax revenues fall short of providing this minimum amount of funding, the State must make up the difference from the general fund.

The assessment practices survey program is one of the State's major efforts to address these interests and to promote uniformity, fairness, equity, and integrity in the property tax assessment process. Under this program, the State Board of Equalization (BOE) periodically reviews the practices and procedures (surveys) of specified County Assessors' offices. This report reflects the BOE's findings in its current survey of the Alameda County Assessor's Office.

The Assessor is required to file with the board of supervisors a response that states the manner in which the Assessor has implemented, intends to implement, or the reasons for not implementing the recommendations contained in this report. Copies of the response are to be sent to the Governor, the Attorney General, the BOE, and the Senate and Assembly; and to the Alameda County Board of Supervisors, Grand Jury, and Assessment Appeals Board. That response is to be filed within one year of the date the report is issued and annually thereafter until all issues are resolved. The Honorable Phong La, Alameda County Assessor, elected to file his initial response prior to the publication of our survey; it is included in this report following the Appendices.

OBJECTIVE

The survey shall "...show the extent to which assessment practices are consistent with or differ from state law and regulations."¹ The primary objective of a survey is to ensure the Assessor's compliance with state law governing the administration of local property taxation. This objective serves the three-fold purpose of protecting the state's interest in the property tax dollar, promoting fair treatment of taxpayers, and maintaining the overall integrity and public confidence in the property tax system in California.

The objective of the survey program is to promote statewide uniformity and consistency in property tax assessment by reviewing each specified county's property assessment practices and procedures, and publishing an assessment practices survey report. Every Assessor is required to identify and assess all properties located within the county – unless specifically exempt – and maintain a database or "roll" of the properties and their assessed values. If the Assessor's roll meets state requirements, the county is allowed to recapture some administrative costs.

SCOPE AND METHODOLOGY

Government Code sections 15640 and 15642 define the scope of an assessment practices survey. As directed by those statutes, our survey addresses the adequacy of the procedures and practices employed by the Assessor in the valuation of property, the volume of assessing work as measured by property type, and the performance of other duties enjoined upon the Assessor.

Pursuant to Revenue and Taxation Code² section 75.60, the BOE determines through the survey program whether a county assessment roll meets the standards for purposes of certifying the eligibility of the county to continue to recover costs associated with administering supplemental assessments. Such certification is obtained either by satisfactory statistical result from a sampling of the county's assessment roll or by a determination by the survey team – based on objective standards defined in regulation – that there are no significant assessment problems in the county.

This survey included an assessment sample of the 2019-20 assessment roll to determine the average level (ratio) of assessment for all properties and the disparity among assessments within the sample. The ideal assessment ratio is 100 percent, and the minimum acceptable ratio is 95 percent. Disparity among assessments is measured by the sum of absolute differences found in the sample, the ideal sum of absolute differences is 0 percent and the maximum acceptable number is 7.5 percent. If the assessment roll meets the minimum standards for ratio and disparity, the county is eligible to continue to recover the administrative cost of processing supplemental assessments.³

¹ Government Code section 15642.

² Unless otherwise stated, all statutory references are to the California Revenue and Taxation Code and all rule references are to sections of California Code of Regulations, Title 18, Public Revenues.

³ For a detailed description of the scope of this program, please refer to the document entitled *Assessment Sampling Program*, which is available on the BOE's website at <http://www.boe.ca.gov/Assessors/pdf/assessmentsamplingprogram.pdf>.

Our survey methodology of the Alameda County Assessor's Office included reviews of the Assessor's records, interviews with the Assessor and his staff, and contacts with officials in other public agencies in Alameda County who provided information relevant to the property tax assessment program.

For a detailed description of the scope of our review of county assessment practices, please refer to the document entitled *Scope of Assessment Practices Surveys*, which is available on the BOE's website at <http://www.boe.ca.gov/Assessors/pdf/Scopemaster.pdf>. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

EXECUTIVE SUMMARY

This report offers recommendations to help the Assessor correct assessment problems identified by the survey team. The survey team makes recommendations when assessment practices in a given area are not in accordance with property tax law or generally accepted appraisal practices. An assessment practices survey is not a comprehensive audit of the Assessor's entire operation. The survey team does not examine internal fiscal controls or the internal management of an Assessor's office outside those areas related to assessment. In terms of current auditing practices, an assessment practices survey resembles a compliance audit – the survey team's primary objective is to determine whether assessments are being made in accordance with property tax law.

We examined the assessment practices survey of the Alameda County Assessor's Office for the 2019-20 assessment roll and followed up on recommendations from our prior survey of this county.

In our 2016 assessment practices survey of Alameda County, we made seven recommendations to address problems found in the Assessor's policies and procedures. Our review of these prior recommendations, responses, and current status are detailed in Appendix B.

During our current survey, we conducted reviews of the following areas:

- Administration

We reviewed the Assessor's administrative policies and procedures that affect both the real property and business property assessment programs. Specific areas reviewed include budget and staffing, workload, assessment appeals, disaster relief, and exemptions. In the area of administration, the Assessor is effectively managing the workload, assessment appeals, and disaster relief programs. However, we made a recommendation for improvement in the exemptions program.

- Assessment of Real Property

We reviewed the Assessor's program for assessing real property. Specific areas reviewed include properties having experienced a change in ownership, new construction assessments, and declines in value. In the area of real property assessment, the Assessor has effective programs for new construction and declines in value. However, we made recommendations for improvement in the change in ownership program.

- Assessment of Personal Property and Fixtures

We reviewed the Assessor's program for assessing personal property and fixtures. Specific areas reviewed include processing business property statements and business equipment valuation. In the area of personal property and fixtures assessment, the Assessor has effective programs for processing business property statements and business equipment valuation.

Despite the recommendations noted in this report, we found that most properties and property types are assessed correctly, and that the overall quality of the assessment roll meets state standards.

The Alameda County assessment roll meets the requirements for assessment quality as established by section 75.60. Our sample of the 2019-20 assessment roll indicated an average assessment ratio of 99.84 percent, and the sum of the absolute differences from the required assessment level was 0.76 percent. Accordingly, the BOE certifies that Alameda County is eligible to receive reimbursement of costs associated with administering supplemental assessments.

OVERVIEW OF ALAMEDA COUNTY

Alameda County is located in western California and encompasses a total area of 821.33 square miles, consisting of 739.02 square miles of land area and 82.31 square miles of water area. Alameda County is bordered by Contra Costa County to the north, San Joaquin County to the east, Santa Clara County to the south, and the San Francisco Bay to the west.



As of 2019, Alameda County had an estimated population of 1,671,329. There are 14 incorporated cities in Alameda County. Those cities include Alameda, Albany, Berkeley, Dublin, Emeryville, Fremont, Hayward, Livermore, Newark, Oakland, Piedmont, Pleasanton, San Leandro, and Union City. The county seat is Oakland.

The Alameda County local assessment roll ranks 5th in value of the 58 county assessment rolls in California.⁴

⁴ Statistics provided by the BOE's Table 7 – *Assessed Value of County-Assessed Property Subject to General Property Taxes*, for year 2019-20.

FINDINGS AND RECOMMENDATIONS

As noted previously, our review concluded that the Alameda County assessment roll meets the requirements for assessment quality established by section 75.60. This report does not provide a detailed description of all areas reviewed; it addresses only the deficiencies discovered.

Following is a list of the formal recommendations contained in this report.

- RECOMMENDATION 1:** Apply late-filing provisions for welfare exemption claims that are not timely filed8
- RECOMMENDATION 2:** Improve the LEOP program by: (1) reassessing all properties owned by a legal entity undergoing a change in control, and (2) properly applying penalties in accordance with section 482(b)11

ADMINISTRATION

Exemptions

Article XIII, section 1 of the California Constitution sets forth the general principle that all property is taxable unless otherwise provided. Section 3 of article XIII authorizes exemption of certain types of property from property taxation and section 4 authorizes the Legislature to exempt certain other types of property from property taxation.⁵

Our review of the Assessor's exemptions program focused on the welfare exemption.

Welfare Exemption

Article XIII, section 4(b) of the California Constitution authorizes the Legislature to exempt property owned and used exclusively for religious, hospital, or charitable purposes by organizations formed and operated exclusively for those purposes. When the Legislature enacted section 214 to implement this constitutional provision, a fourth purpose (scientific) was added. Both the organizational and property use requirements must be met for the exemption to be granted.

The welfare exemption is co-administered by the BOE and County Assessors. The BOE is responsible for determining whether an organization is qualified for either an *Organizational Clearance Certificate* (OCC) or a *Supplemental Clearance Certificate* (SCC), while the Assessor is responsible for determining whether the use of a qualifying organization's property is eligible for the welfare exemption.

The Assessor may not grant a welfare exemption on an organization's property unless the organization holds a valid OCC or SCC. The Assessor may, however, deny an exemption claim based on non-qualifying use of the property, notwithstanding that the BOE has issued an OCC or SCC to the claimant.

RECOMMENDATION 1: Apply late-filing provisions for welfare exemption claims that are not timely filed.

We found several instances where the Assessor did not apply late-filing provisions to a property granted the welfare exemption, even though the welfare exemption claim form was filed late. The late filings found included both first filing claim forms that were filed for property acquired after the lien date, as well as annual filing claim forms.

Section 271(a) provides that a welfare exemption claim filed on property that was acquired after the lien date is considered timely filed if it is filed within 90 days from the first day of the month following the month in which the property was acquired or by February 15 of the following calendar year, whichever occurs earlier. If the claimant does not file within the prescribed time

⁵ For a detailed description of the scope of our review of this topic, please refer to the document entitled *Exemptions*, which is available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/exemptions_general.pdf.

period, but files late, 85 percent of any tax, penalty, or interest is cancelled or refunded. In addition, section 271(c) provides that any tax, penalty, or interest may not exceed \$250.

Section 255(a) provides that annual claims for the welfare exemption must be filed with the Assessor between the lien date, which is January 1, and 5:00 p.m. on February 15. Section 270(a) states that 90 percent of any tax, penalty, or interest will be cancelled or refunded if the claim is filed on or before the lien date in the calendar year next succeeding the calendar year in which the exemption was not claimed by a timely application. If a claim is filed after this specified time period in section 270(a)(1), then 85 percent of any tax, penalty, or interest shall be cancelled or refunded, as specified in section 270(a)(2). However, section 270(b) provides that any tax, penalty, or interest may not exceed \$250.

By not properly applying late-filing provisions for welfare exemption claims, the Assessor is not in compliance with statutory requirements.

ASSESSMENT OF REAL PROPERTY

Change in Ownership

Section 60 defines change in ownership as a transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee simple interest. Sections 61 through 69.5 further clarify what is considered a change in ownership and what is excluded from the definition of a change in ownership for property tax purposes. Section 50 requires the Assessor to enter a base year value on the roll for the lien date next succeeding the date of the change in ownership; a property's base year value is its fair market value on the date of the change in ownership.⁶

Legal Entity Ownership Program (LEOP)

Section 64 provides that certain transfers of ownership interests in a legal entity constitute a change in ownership of all real property owned by the entity and any entities under its ownership control. Rule 462.180 interprets and clarifies section 64, providing examples of transactions that either do or do not constitute a change in entity control and, hence, either do or do not constitute a change in ownership of the real property owned by the entity. Discovery of these types of changes in ownership is difficult for Assessors, because ordinarily there is no recorded document evidencing a transfer of an ownership interest in a legal entity.

To assist Assessors, the BOE's LEOP section gathers and disseminates information regarding changes in control and ownership of legal entities that hold an interest in California real property. On a monthly basis, LEOP transmits to each County Assessor a listing, with corresponding property schedules, of legal entities that have reported a change in control under section 64(c) or change in ownership under section 64(d). However, because the property affected is self-reported by the person or entity filing information with the BOE, LEOP advises Assessors to independently research each entity's property holdings to determine whether all affected parcels have been identified and properly reappraised.

Sections 480.1, 480.2, and 482 set forth the filing requirements and penalty provisions for reporting legal entity changes in control under section 64(c)(1) and changes in ownership under section 64(d). A change in ownership statement must be filed with the BOE within 90 days of the date of change in control or change in ownership; reporting is made on BOE-100-B, *Statement of Change in Control and Ownership of Legal Entities*. Section 482(b) requires the County Assessor to impose a penalty if a person or legal entity required to file a statement under sections 480.1 and 480.2 does not do so within 90 days from the earlier of (1) the date of change in control or ownership or (2) the date of written request by the BOE. The BOE advises County Assessors of entities that are subject to penalty, so they can impose the applicable penalty to the entity's real property.

⁶ For a detailed description of the scope of our review of this topic, please refer to the document entitled *Change in Ownership*, which is available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/cio_general.pdf.

RECOMMENDATION 2: Improve the LEOP program by: (1) reassessing all properties owned by a legal entity undergoing a change in control, and (2) properly applying penalties in accordance with section 482(b).

Reassess all properties owned by a legal entity undergoing a change in control.

We found several properties owned by legal entities having undergone a change in control that had not been reassessed, even though the Assessor had been notified of the change in control for those legal entities by the BOE's LEOP Section.

Section 64(c)(1) provides that when a legal entity or any other person obtains control through direct or indirect ownership or control of more than 50 percent of the voting stock of any corporation, or obtains a majority ownership interest in any partnership, limited liability company, or other legal entity through the purchase or transfer of corporate stock, partnership, or limited liability company interest, the purchase or transfer of that stock or interest shall be a change of ownership of the real property owned by the legal entity in which the controlling interest was obtained.

By not reassessing properties owned by legal entities identified as having undergone a change in control, the Assessor may be enrolling incorrect assessments for those properties.

Properly apply penalties in accordance with section 482(b).

We found several instances where penalties were not applied when an entity had failed to file, or failed to file timely, a BOE-100-B, even though the Assessor had been notified by the BOE's LEOP Section that the penalty applied.

Section 482(b) states that if a legal entity required to file a statement described in sections 480.1 or 480.2 fails to do so within 90 days from the earlier of (1) the date of the change in control or the change in ownership of the legal entity, or (2) the date of a written request by the BOE, a specific penalty will be applied.

The BOE provides the Assessor with several reports, as well as copies of BOE-100-B filings, indicating whether a penalty applies. The Assessor should utilize these reports and the BOE-100-B filings to identify legal entities with late-filings, or failures to file, and apply the penalty accordingly.

By failing to apply the required penalty, the Assessor is not in compliance with statutory requirements.

APPENDIX A: STATISTICAL DATA

Table 1: Assessment Roll

The following table displays pertinent information from the 2019-2020 assessment roll.⁷

	PROPERTY TYPE	ENROLLED VALUE
Secured Roll	Land	\$96,928,087,715
	Improvements	\$202,156,809,305
	Fixtures	\$3,364,234,216
	Personal Property	\$2,385,811,983
	Total Secured	\$304,834,943,219
Unsecured Roll	Land	\$1,104,367,455
	Improvements	\$1,998,582,216
	Fixtures	\$4,452,219,802
	Personal Property	\$9,108,862,158
	Total Unsecured	\$16,664,031,631
Exemptions⁸		(\$11,022,144,601)
	Total Assessment Roll	\$310,476,830,249

Table 2: Change in Assessed Values

The following table summarizes the change in assessed values over recent years:⁹

YEAR	TOTAL ROLL VALUE	CHANGE	STATEWIDE CHANGE
2019-20	\$310,476,830,000	7.1%	6.1%
2018-19	\$289,940,802,000	7.0%	6.5%
2017-18	\$271,072,952,000	6.7%	6.3%
2016-17	\$254,050,302,000	7.0%	5.5%
2015-16	\$237,518,387,000	7.8%	6.0%

⁷ Statistics provided by BOE-822, *Report of Assessed Values By City, Alameda County* for year 2019.

⁸ The value of the Homeowners' Exemption is excluded from the exemptions total.

⁹ Statistics provided by the BOE's Table 7 – *Assessed Value of County-Assessed Property Subject to General Property Taxes*, for years 2015-16 through 2019-20.

Table 3: Gross Budget and Staffing

The Assessor's budget has grown from \$23,650,961 in 2015-16 to \$27,111,181 in 2019-20, with a reported high of \$27,181,495 in 2018-19.

As of the date of our survey, the Assessor had 173 budgeted permanent positions. These positions consist of the Assessor, Chief Deputy Assessor, 2 chiefs, 6 managers, 58 real property appraisers, 22 business property auditor-appraisers, 6 drafting/mapping technicians, 4 computer programmers/analysts/technicians, 8 other technical/professional staff, and 65 support staff.¹⁰

The following table identifies the Assessor's budget and staffing over recent fiscal years:¹¹

BUDGET YEAR	GROSS BUDGET	PERCENT CHANGE	PERMANENT STAFF
2019-20	\$27,111,181	-0.3%	173.00
2018-19	\$27,181,495	1.2%	173.00
2017-18	\$25,764,373	2.7%	173.00
2016-17	\$25,613,312	2.7%	175.00
2015-16	\$23,650,961	2.5%	175.40

Table 4: Assessment Appeals

The following table shows the number of assessment appeals filed in recent years:¹²

YEAR	ASSESSMENT APPEALS FILED
2019-20	2,201
2018-19	2,035
2017-18	2,130
2016-17	2,457
2015-16	2,841

¹⁰ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for year 2019-2020.

¹¹ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2015-2016 through 2019-2020.

¹² Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2015-2016 through 2019-2020.

Table 5: Exemptions – Welfare

The following table shows welfare exemption data for recent years:¹³

YEAR	WELFARE EXEMPTIONS	EXEMPTED VALUE
2019-20	1,455	\$9,431,448,106
2018-19	1,423	\$8,567,026,937
2017-18	1,272	\$7,568,359,126
2016-17	1,209	\$7,128,038,953
2015-16	1,346	\$6,592,975,318

Table 6: Change in Ownership

The following table shows the total number of transfer documents received and the total number of reappraisable transfers due to changes in ownership processed in recent years:¹⁴

YEAR	TOTAL TRANSFER DOCUMENTS RECEIVED	REAPPRAISABLE TRANSFERS
2019-20	53,083	22,536
2018-19	59,825	23,405
2017-18	67,479	23,438
2016-17	59,373	23,972
2015-16	55,271	24,209

¹³ Statistics provided by BOE-802, *Report on Exemptions*, for years 2015-16 through 2019-20.

¹⁴ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2015-2016 through 2019-2020.

Table 7: New Construction

The following table shows the total number of building permits received and the total number of new construction assessments processed in recent years:¹⁵

YEAR	TOTAL BUILDING PERMITS RECEIVED	NEW CONSTRUCTION ASSESSMENTS
2019-20	63,802	17,857
2018-19	66,604	16,178
2017-18	68,373	15,215
2016-17	56,266	11,354
2015-16	56,635	9,592

Table 8: Declines In Value

The following table shows the total number of decline-in-value assessments in recent years:¹⁶

YEAR	DECLINE-IN-VALUE ASSESSMENTS
2019-20	5,066
2018-19	7,931
2017-18	1,219
2016-17	17,809
2015-16	33,068

¹⁵ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Office* for years 2015-2016 through 2019-2020.

¹⁶ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Office* for years 2015-2016 through 2019-2020.

Table 9: Audits

The following table shows the minimum number of audits required to be conducted and the total number of audits completed in recent years.¹⁷

MINIMUM NUMBER OF AUDITS REQUIRED¹⁸	2019-20	2018-19	2017-18	2016-17	2015-16
Largest Assessments	193	194	193	194	193
All Other Taxpayers	194	193	194	193	194
Total Required	387	387	387	387	387
NUMBER OF AUDITS COMPLETED					
Total Audits Completed	385	387	387	387	387
Largest Assessments	192	193	194	193	193
Over/(Under) Required	(1)	(1)	1	(1)	0
All Other Taxpayers	193	194	193	194	194
Over/(Under) Required	(1)	1	(1)	1	0
CCCASE AUDITS					
Prepared for other county Assessors	9	16	31	14	17

¹⁷ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Office* for years 2015-2016 through 2019-2020.

¹⁸ See Letter To Assessors No. 2009/049, *Significant Number of Business Property Audits*, for the minimum number of annual audits required pursuant to the provisions of section 469.

APPENDIX B: PRIOR SURVEY RECOMMENDATIONS, RESPONSES, AND CURRENT STATUS

Following are the recommendations included in our November 2016 Assessment Practices Survey Report and the Assessor's response to each recommendation. After each recommendation, we report the current status of the Assessor's effort to implement the recommendation, as noted during our survey fieldwork.

California Land Conservation Act Property

RECOMMENDATION 1: Value and enroll newly created residential construction sites on restricted land in accordance with article XIII A.

Original Findings:

The assessor does not value newly created residential construction sites as unrestricted until the new construction is complete. Although the subject site under development is utilized for a purpose other than those allowed for restricted portions of properties, and the duration of construction extends beyond one or more lien date(s), the assessor allows the property owner to retain a restricted value until new construction is complete.

Original Assessor's Response:

We concur. We have changed our procedure to implement this recommendation. Home sites on CLCA property that have partially completed new construction will no longer be assessed as restricted land.

Current Status:

We found that the Assessor has implemented this recommendation. The Assessor values newly created residential construction sites as unrestricted on the first lien date following commencement of new construction.

Taxable Possessory Interests

RECOMMENDATION 2: Improve the assessment of taxable possessory interests by: (1) including a property tax component when developing the capitalization rate when appropriate, and (2) properly issuing supplemental assessments for taxable possessory interests upon a change in ownership.

(1) Include a property tax component when developing the capitalization rate when appropriate.

Original Findings:

Section 104.13 of the Streets and Highways Code designates the State Department of Transportation (CalTrans) as agent for payment of possessory interest taxes due from lessees of CalTrans owned property. The county receives annually a listing from CalTrans designating those possessory interests in Alameda County on which CalTrans will pay the property taxes. We found a number of taxable possessory interests on the list where the assessed value was calculated without the inclusion of a property tax component in the capitalization rate.

Original Assessor's Response:

We concur. It is our policy to include a tax component in the capitalization rate when like on this case, CalTrans pays the property taxes. Our policy in this case was not properly followed. Additional staff training in this area has been implemented.

Current Status:

We found that the Assessor has implemented this recommendation. The Assessor calculates the assessed value of taxable possessory interests with the inclusion of a property tax component in the capitalization rate when appropriate.

(2) Properly issue supplemental assessments for taxable possessory interests upon a change in ownership.

Original Findings:

Upon a change in ownership, due to renewal with the same tenant involving a taxable possessory interest, the assessor establishes a new base year value. However, we found that the assessor does not issue supplemental assessments on taxable possessory interests when there is a change in ownership resulting from a renewal of the possessory interest.

Original Assessor's Response:

We concur. Our practice has been to not issue supplemental assessments upon a renewal of a possessory interest with the same tenant. We have changed our policy to conform with this recommendation.

Current Status:

We found that the Assessor has implemented this recommendation. Upon a change in ownership, due to renewal with the same tenant involving a taxable possessory interest, the Assessor establishes a new base year value. Additionally, we found that the Assessor issues supplemental assessments on taxable possessory interests when there is a change in ownership resulting from a renewal of the possessory interest.

Restricted Historical Property

RECOMMENDATION 3: Calculate separate income streams and properly apply the individual risk rate component as provided in sections 439.2(b)(2) and (c)(2) when determining the total restricted value of mixed use property.

Original Findings:

We found the assessor applied the correct risk rate component in the capitalization rate when valuing enforceably restricted historical property as provided in section 439.2(b)(2) and (c)(2). However, when valuing "mixed used" restricted historical properties that are both owner occupied and non-owner occupied, the assessor calculates the restricted value using a single income stream and a capitalization rate that includes a 4% risk component. According to section 439.2(b), the 4% historical property risk component is reserved for use with owner-occupied single family dwellings.

Original Assessor's Response:

We concur. We have implemented this recommendation on the proper method of assessing "mixed use" historical properties.

Current Status:

We found that the Assessor has implemented this recommendation. The Assessor calculates separate income streams and properly applies the individual risk rate component, as provided in sections 439.2(b)(2) and (c)(2), when determining the total restricted value of mixed-use property.

Mineral Property

RECOMMENDATION 4: Determine the current market value of the petroleum appraisal unit and adjust the base year value to account for depletion of petroleum reserves.

Original Findings:

There were no indications in the records reviewed that the assessor makes a current estimate of market value of petroleum properties as required by Rule 468(c)(4)(A). Also, there was no adjustment to the base year value of the mineral rights to reflect annual production from the petroleum properties as required by Rule 468(c)(2).

Original Assessor's Response:

We concur. There are five such properties in Alameda County and will be assessed to conform with this recommendation.

Current Status:

We found that the Assessor has not implemented this recommendation. The Assessor does not enter the prior year's reserves into the calculations for the base year valuation of the one petroleum property they have in the county. Instead, reserves are treated as new reserves each year by the Assessor, negating provisions of article XIII A of the California Constitution, which provides that real property receives a base year value and can only be increased by a limited amount each year.

Petroleum prices can fluctuate significantly each year and treating reserves from prior years as new reserves each year is in direct conflict with article XIII A of the California Constitution and Rule 468.

By not adjusting the base year value of petroleum properties each year to account for the depletion of petroleum reserves, the Assessor may be enrolling incorrect assessments.

Audit Program

RECOMMENDATION 5: Improve the audit program by: (1) performing the minimum number of audits of professions, trades, and businesses pursuant to section 469, and (2) enrolling all escape assessments discovered during the course of an audit.

(1) Perform the minimum number of audits of professions, trades, and businesses pursuant to section 469.

Original Findings:

We found that the assessor failed to meet the "significant number of audits" thresholds in four of the most recent five years. The assessor is required to conduct 193 audits (194 in alternating years) from the pool of largest business property owners, but completed 182 audits during the 2012-2013 roll year, and 188 audits during the 2013-2014 roll year. Of the remaining 50 percent of required audits, the assessor completed 162 of 194 audits for the 2010-2011 roll year, and 187 for the 2014-2015 roll year.

Original Assessor's Response:

We concur. We have either met or exceeded the annual number of completed audit requirements (387) over the latest five year period. However, we have not entirely complied with Section 469 by not completing 50% of those audits from a pool of our largest businesses in fiscal year 2012-13 and 2013-14. Where 194 audits of this category should have been completed each year, only 182 (94%) in 2012-13 and 188 (97%) were actually completed.

Similarly, for fiscal years 2010-11 and 2014-15, only 162 (84%) and 181 (93%) of the audits completed respectively were comprised from the smallest 50% of businesses. We have enhanced our audit program to effectively track and process the adequate category of audits in the future.

Current Status:

We found that the Assessor has implemented this recommendation. For roll years 2015-2016 through 2019-2020, we found that the Assessor has consistently conducted the "significant number of audits" required in accordance with section 469. For each of these roll years, the Assessor has conducted at least 193 audits (194 in alternating years) from the pool of largest business property owners and at least 194 audits (193 in alternating years) from the pool of all other taxpayers, as prescribed in section 469.

(2) Enroll all escape assessments discovered during the course of an audit.

Original Findings:

The assessor does not enroll escape assessments that amount to \$5,000 or less. Section 531.9 allows a county board of supervisors to adopt an ordinance to prohibit the assessor from making an escape assessment of an appraisal unit where the assessment would result in an amount of taxes due which is less than the cost of assessing and collecting the tax. However, Alameda County does not have such an ordinance in place.

Original Assessor's Response:

We concur. Even though Alameda County has passed an ordinance to exclude from assessment property valued at \$2,000 or less because the cost of assessing and collecting the tax is higher than the tax amount, the escape assessments in question would be amounts added to existing property with values in excess of \$2,000 and should be enrolled.

Current Status:

We found that the Assessor has implemented this recommendation. We reviewed several accounts involving low-value escape assessments from audits and found that the Assessor properly enrolled those escapes when appropriate.

Business Equipment Valuation

RECOMMENDATION 6: Improve business equipment valuation procedures by: (1) valuing taxable business property for non-filers by applying more accurate business specific valuation factors, (2) correctly classifying fixtures enrolled on service station assessments, and (3) using a maximum price index factor when valuing older equipment as prescribed in Assessors' Handbook section 581.

(1) Value taxable business property for non-filers by applying more accurate business specific valuation factors.

Original Findings:

We found that when a business property statement (BPS) is not returned, the assessor estimates the assessed value of the property based on information reported in prior years, then applies an 8.9 percent factor to account for an estimated increase in fixture value when making a value estimate under the provisions of section 501. The assessor has conducted a study that has yielded industry specific factors for various business property classifications. Rather than applying the appropriate factor by industry, the assessor uses a single trended factor of 8.9 percent to all previously enrolled values, regardless of the type of business property. The 10 percent late penalty is then added to this value.

Original Assessor's Response:

We concur. These recommendations will be implemented.

Current Status:

We found that the Assessor has implemented this recommendation. We reviewed several accounts and found that the Assessor values taxable business property for non-filers by applying accurate business specific valuation factors, as appropriate.

(2) Correctly classify fixtures enrolled on service station assessments.

Original Findings:

We found the assessor is not accurately classifying fixtures associated with service station assessments. We observed instances where identified fixtures were enrolled as personal property and cases where machinery and equipment reported in bulk, likely including fixed equipment, were classified entirely as personal property.

Original Assessor's Response:

We concur. These recommendations will be implemented.

Current Status:

We found that the Assessor has implemented this recommendation. We reviewed several accounts and found that the Assessor correctly classifies reported fixtures and properly allocates the value reported for machinery and equipment purchased in bulk between personal property and fixtures.

(3) Use a maximum price index factor when valuing older equipment as prescribed in Assessors' Handbook section 581.

Original Findings:

We found that the longer service life business equipment valuation tables in use by the assessor do not reflect the correct establishment of a maximum equipment price index factor as prescribed in the Assessors' Handbook section 581, *Equipment and Fixtures Index, Percent Good and Valuation Factors* (AH 581).

Original Assessor's Response:

We concur. These recommendations will be implemented.

Current Status:

We found that the Assessor has implemented this recommendation. We reviewed several accounts and found that the Assessor applies the Board-recommended maximum price index factor, as appropriate, when estimating the average service life of business equipment.

Manufactured Homes

RECOMMENDATION 7: Provide evidence of the installation of a manufactured home on an approved foundation system.

Original Findings:

We found instances where manufactured homes were classified as real property without proper documentation or confirmation in the assessor's records that the foundation system met the requirements of Health and Safety Code section 18551.

Original Assessor's Response:

We concur. We have implemented a procedure to obtain and retain copies of HCD form 433A from the county recorder, and retain HCD form 433B from owners prior to assessing manufactured homes as real property.

Current Status:

We found that the Assessor has implemented this recommendation. We reviewed several property records of manufactured homes on permanent foundations and found that the Assessor properly obtains evidence of the installation of the manufactured home on an approved foundation system, which meets the requirements of Health and Safety Code section 18551.

APPENDIX C: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP

Alameda County

Chief

Patricia Lumsden

Survey Program Director:

Holly Cooper

Manager, Property Tax Department

Survey Team Supervisor:

David Dodson

Supervisor, Property Tax Department

Survey Team Leader:

Tina Salazar

Senior Specialist Property Appraiser

Survey Team:

James McCarthy

Senior Petroleum and Mining Appraisal Engineer

Gary Coates

Senior Specialist Property Appraiser

Isaac Cruz

Senior Specialist Property Auditor-Appraiser

Lee Coleman

Associate Property Appraiser

Jennifer Prince

Associate Property Appraiser

Laura Ruiz

Associate Property Appraiser

Alexander B. Fries

Associate Property Auditor-Appraiser

Dany Lunetta

Associate Governmental Program Analyst

Alyssa Centeno

Staff Services Analyst

APPENDIX D: RELEVANT STATUTES AND REGULATIONS

Reference	Description
<i>Government Code</i>	
§15640	Survey by board of county assessment procedures.
§15641	Audit of records, appraisal data not public.
§15642	Research by board employees.
§15643	When surveys to be made.
§15644	Recommendations by board.
§15645	Survey report, final survey report, Assessor's report.
§15646	Copies of final survey reports to be filed with local officials.
<i>Revenue and Taxation Code</i>	
§75.60	Allocation for administration.
<i>Title 18, California Code of Regulations</i>	
Rule 371	Significant assessment problems.

ASSESSOR'S RESPONSE TO BOE'S FINDINGS

Section 15645 of the Government Code provides that the Assessor may file with the Board a response to the findings and recommendations in the survey report. The survey report, the Assessor's response, and the BOE's comments regarding the Assessor's response, if any, constitute the final survey report.

The Alameda County Assessor's response begins on the next page. The BOE has no comments regarding the response.



OFFICE OF ASSESSOR COUNTY OF ALAMEDA

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PHONG LA
ASSESSOR

January 24, 2022

David Yeung
Deputy Director
Property Tax Department
State Board of Equalization
P.O Box 942879
Sacramento, CA 94279-0064

Dear Mr. Yeung,

In accordance with Section 15645 of the California Government Code, attached is my response to the recommendations made in the Alameda County Assessment Practices Survey conducted by the State Board of Equalization, dated January 2022. Please include my response in your final survey report.

As we were the first county to be surveyed during the pandemic, I am appreciative of the collaboration, resilience, and hard work from both our staffs for this survey to be completed. I would like to thank the survey team for the professional and courteous way they conducted the survey.

The survey team's report found the Alameda County Assessor's Office successfully meets the requirements for assessment quality established by section 75.60 of the Revenue and Taxation Code.

Finally, I want to acknowledge and thank the staff of the Alameda County Assessor's Office. Our goal is to work as a team, to provide exceptional customer service, and fair and equitable assessment. It is a pleasure to see that this survey affirms their hard work commitment and dedication.

Sincerely,

Phong La
Alameda County Assessor

Attachment

cc: Ms. Patricia Lumsden Chief, Property Tax Department
Ms. Holly Cooper, Manager, Property Tax Department
Mr. David Dodson, Supervisor, Property Tax Department

**RESPONSE TO STATE BOARD OF EQUALIZATION
ALAMEDA COUNTY ASSESSMENT PRACTICES SURVEY
JANUARY 2022**

Recommendation 1: Apply late-filing provisions for welfare exemption claims that are not timely filed.

Response: We concur and have already taken steps to implement this recommendation.

Recommendation 2: Improve the LEOP program by: (1) reassessing all properties owned by a legal entity undergoing a change in control, and (2) property applying penalties in accordance with section 482(b)

Response: We agree

Prior Survey Recommendation, Responses, and Current Status

Recommendation 4: Determine the current market value of the petroleum appraisal unit and adjust the base year value to account for depletion of petroleum reserves.

Response: We agree and will value the five such properties in Alameda County in accordance with this recommendation.