

# SAN MATEO COUNTY ASSESSMENT PRACTICES SURVEY

**JULY 2020**

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July 10, 2020

No. 2020/031

TO COUNTY ASSESSORS:

**SAN MATEO COUNTY  
ASSESSMENT PRACTICES SURVEY**

A copy of the San Mateo County Assessment Practices Survey Report is enclosed for your information. The 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 Mark Church, San Mateo County Assessor/Recorder/Clerk, 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 San Mateo 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 April 2019. The report does not reflect changes implemented by the Assessor after the fieldwork was completed.

Mr. Church 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 San Mateo County Assessor's Office.<sup>1</sup>

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 San Mateo 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 Mark Church, San Mateo County's Assessor/Recorder/Clerk, elected to file his initial response prior to the publication of our survey; it is included in this report following the Appendixes.

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<sup>1</sup> This review covers only the assessment functions of the office.

## OBJECTIVE

The survey shall "...show...the extent to which assessment practices are consistent with or differ from state law and regulations."<sup>2</sup> 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 Code<sup>3</sup> 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 2018-19 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.<sup>4</sup>

Our survey methodology of the San Mateo County Assessor's Office included reviews of the Assessor's records, interviews with the Assessor and his staff, and contacts with officials in other

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<sup>2</sup> Government Code section 15642.

<sup>3</sup> 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.

<sup>4</sup> For a detailed description of the scope of this program, please refer to the document entitled *Assessment Sampling Program*, available on the BOE's website at <http://www.boe.ca.gov/Assessors/pdf/assessmentsamplingprogram.pdf>.

public agencies in San Mateo 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*, 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 practice 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 of the San Mateo County Assessor's Office for the 2018-19 assessment roll and followed up on recommendations from our prior survey of this county.

In our 2016 assessment practices survey report of the San Mateo County Assessor's Office, we made 11 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 the Assessor's budget and staffing, workload, staff property and activities, assessment appeals, and exemptions. In the area of administration, the Assessor is effectively managing staffing and workload, staff property and activities, and assessment appeals. However, we made recommendations 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 and new construction assessments, and certain properties subject to special assessment procedures, such as California Land Conservation Act (CLCA) property and mineral property. In the area of real property assessment, the Assessor has an effective program for new construction. However, we made recommendations for improvement in the change in ownership and mineral property programs.

- Assessment of Personal Property and Fixtures

We reviewed the Assessor's program for assessing personal property and fixtures. Specific areas reviewed include conducting audits, processing business property

statements, business equipment valuation, manufactured home assessments, and vessel assessments. In the area of personal property and fixtures assessment, the Assessor has effective programs for conducting audits, processing business property statements, and assessing vessels. However, we made recommendations for improvement in the business equipment valuation and manufactured homes programs.

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 San Mateo County assessment roll meets the requirements for assessment quality as established by section 75.60. Our sample of the 2018-19 assessment roll indicated an average assessment ratio of 100.04 percent, and the sum of the absolute differences from the required assessment level was 0.47 percent. Accordingly, the BOE certifies that San Mateo County is eligible to receive reimbursement of costs associated with administering supplemental assessments.

## **OVERVIEW OF SAN MATEO COUNTY**

San Mateo County is located in the western part of California and it is one of the nine counties that make up the San Francisco Bay Area. The county encompasses a total area of 740.96 square miles, consisting of 448.41 square miles of land area and 292.55 square miles of water area. Created in 1856, San Mateo County is bordered by San Francisco City and County to the north; Santa Clara County, San Francisco Bay, and Alameda County to the east; Santa Cruz County to the south; and the Pacific Ocean to the west.

As of the time of our survey, San Mateo County had a population of 771,410. There are 20 incorporated cities in San Mateo County. Those cities include Atherton, Belmont, Brisbane, Burlingame, Colma, Daly City, East Palo Alto, Foster City, Half Moon Bay, Hillsborough, Menlo Park, Millbrae, Pacifica, Portola Valley, Redwood City, San Bruno, San Carlos, San Mateo, South San Francisco, and Woodside. The county seat is Redwood City.

The San Mateo County local assessment roll ranks 8th in value of the 58 county assessment rolls in California.<sup>5</sup> The total assessed roll value has increased by an annual average of 7.3 percent over the last five years.<sup>6</sup>

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<sup>5</sup> Provided by BOE Annual Report Statistical Table 7– *Assessed Value of County-Assessed Property Subject to General Property Taxes*, 2018-19.

<sup>6</sup> Assessed value percent change is calculated using the average of five years from BOE Annual Report Statistical Table 7 – *Assessed Value of County-Assessed Property Subject to General Property Taxes*, from years 2014-15, 2015-16, 2016-17, 2017-18, and 2018-19.

## FINDINGS AND RECOMMENDATIONS

As noted previously, our review concluded that the San Mateo 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:** Do not apply penalties to properties acquired after the lien date when an application for exemption is timely filed, as provided in section 271. ....8

**RECOMMENDATION 2:** Remove penalty of perjury language from the *Beneficial Interest Statement*. ....10

**RECOMMENDATION 3:** Properly classify processing equipment of mineral property. ....10

**RECOMMENDATION 4:** Measure declines in value of mineral property as an appraisal unit, i.e., land, reserves, and improvements including fixtures as required by Rule 469. ....11

**RECOMMENDATION 5:** Improve the business equipment valuation procedures by: (1) properly valuing structural leasehold improvements reported on the business property statement (BPS), and (2) issuing supplemental assessments for all structural leasehold improvements on the unsecured roll. ....12

**RECOMMENDATION 6:** Use the correct Board-prescribed percent good factors from tables 5 and 6 of the Assessors' Handbook Section 581, *Equipment and Fixtures Index, Percent Good and Valuation Factors (AH 581)*, when valuing construction and agricultural mobile equipment. ....13

**RECOMMENDATION 7:** Use the Board-prescribed factor tables as intended when valuing biopharmaceutical equipment and fixtures. ....14

**RECOMMENDATION 8:** Assess manufactured homes at the lesser of factored base year value or current market value, as required by section 5813. ....14

## 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.<sup>7</sup>

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 itself is eligible for the welfare exemption and for issuing either *Organizational Clearance Certificates* (OCCs) to qualified organizations or *Supplemental Clearance Certificates* (SCCs) to limited partnerships, which have a qualified organization as the managing general partner, that own and operate low-income housing. The Assessor is responsible for determining whether the use of a qualifying organization's property is eligible for the welfare exemption and for approving or denying those exemption claims.

The Assessor may not grant a welfare exemption on an organization's property unless the organization holds a valid OCC or SCC issued by the BOE. 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.

In San Mateo County, the welfare exemption program is administered by a senior appraiser and an assessment recorder technician, with managerial oversight and review by a chief appraiser.

**RECOMMENDATION 1:** Do not apply penalties to properties acquired after the lien date when an application for exemption is timely filed, as provided in section 271.

We found examples where the Assessor applied late-filing penalties on properties newly acquired after the lien date when claims were timely filed.

Revenue and Taxation Code section 271(a) provides that if an appropriate application for exemption is filed within 90 days from the first day of the month following the month in which

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<sup>7</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *Exemptions*, available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/exemptions\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/exemptions_general.pdf).

the property was acquired or by February 15 of the following calendar year, whichever occurs earlier, any tax or penalty or interest imposed upon: (1) Property owned by any organization qualified for college, cemetery, church, religious, exhibition, veterans' organization, tribal housing or welfare exemption that is acquired by that organization during a given calendar year, after the lien date but prior to the first day of the fiscal year commencing within that calendar year, when the property is of a kind that would have been qualified for college, cemetery, church, religious, exhibition, veterans' organization, tribal housing, or welfare exemption if it had been owned by the organization on the lien date, shall be cancelled or refunded. Additionally, the combined tax, penalty, and/or interest imposed on the eligible property shall not exceed \$250.

By applying a penalty to properties when a claim is timely filed, 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.<sup>8</sup>

In the Assessor's Office, the change in ownership program is administered by a principal appraiser, two appraisers, two assessor-recorder technicians, and one office services supervisor.

**RECOMMENDATION 2:** Remove penalty of perjury language from the *Beneficial Interest Statement*.

The Assessor uses a *Beneficial Interest Statement* (BIS) that contains penalty of perjury language in conjunction with a BOE-502-A, *Preliminary Change of Ownership Report* (PCOR), to request additional information from a taxpayer.

Section 441(d) allows the Assessor to request additional information for assessment purposes; however, the statute does not allow for penalty of perjury language.

The use of a county-developed BIS with penalty of perjury language is in conflict with statute.

### ***Mineral Property***

By statute and case law, mineral properties are taxable as real property. They are subject to the same laws and appraisal methodology as all real property in the state. However, there are three mineral-specific property tax rules that apply to the assessment of mineral properties. They are Rule 468, *Oil and Gas Producing Properties*; Rule 469, *Mining Properties*; and Rule 473, *Geothermal Properties*. These rules are interpretations of existing statutes and case law with respect to the assessment of mineral properties.<sup>9</sup>

**RECOMMENDATION 3:** Properly classify processing equipment of mineral property.

We reviewed the Assessor's valuation of business property associated with mineral properties and found that all business property is classified as personal property. Some of the property consists of conveyors and other processing equipment. This processing equipment is misclassified and should be classified as fixtures.

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<sup>8</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *Change in Ownership*, available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/cio\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/cio_general.pdf).

<sup>9</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *Mineral Property*, available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/mineralprop\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/mineralprop_general.pdf).

Rule 122.5 defines fixtures as "an item of tangible property, the nature of which was originally personalty, but which is classified as realty for property tax purposes because it is physically or constructively annexed to realty with the intent that it remain annexed indefinitely. "Annexed indefinitely" means the item is intended to remain annexed until worn out, until superseded by a more suitable replacement, or until the purpose to which the realty is devoted has been accomplished or materially altered." The processing equipment associated with mineral appraisal units typically remains in the same place until operational needs require it to be moved somewhere else. As a fixture, this property has two values associated with it, the current market value and an adjusted base year value.

By not properly classifying processing equipment as fixtures, the Assessor will not be able to determine the value of the fixture as part of the appraisal unit.

**RECOMMENDATION 4:** Measure declines in value of mineral property as an appraisal unit, i.e., land, reserves, and improvements including fixtures as required by Rule 469.

Our review of the appraisal methods for mineral properties in San Mateo County indicate that the Assessor does not properly include fixtures as part of the appraisal unit when measuring for declines in value.

In accordance with article XIII A of the California Constitution, all real property receives a base year value and, on each lien date, the taxable value of the real property unit is the lesser of its adjusted base year value or current market value. Section 105 defines fixtures as a type of improvement and, hence, as real property.

For most properties, fixtures are treated as a separate appraisal unit for the purpose of determining a decline in value. Mineral properties, however, are treated differently. Rule 469(e)(2)(C) specifically defines the appraisal unit of a mineral property to include land, improvements including fixtures, and reserves. Proper procedure is to determine the current market value of the appraisal unit and compare it to the adjusted base year value of the appraisal unit. The lower of the two aggregate values is enrolled. The Assessor should use this unit to measure a possible decline in value.

Failure to properly determine the decline in value of a mineral property using the entire mineral property appraisal unit could result in an underassessment of the mineral rights.

## ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

### **Business Equipment Valuation**

Assessors value most machinery and equipment using business property valuation factors. Some valuation factors are derived by combining price index factors with percent good factors, while other valuation factors result from valuation studies. Under this methodology, value for taxation purposes is established by multiplying a property's historical cost by an appropriate valuation factor.<sup>10</sup>

In the Assessor's Office, the business division is administered by two principal auditor-appraisers, six senior auditor-appraisers, and five auditor-appraiser IIs.

**RECOMMENDATION 5:** Improve the business equipment valuation procedures by: (1) properly valuing structural leasehold improvements reported on the business property statement (BPS), and (2) issuing supplemental assessments for all structural leasehold improvements on the unsecured roll.

### **Properly value structural leasehold improvements reported on the BPS.**

We found instances where the Assessor calculated a value conclusion by applying business equipment valuation tables to structural leasehold improvements reported in column 1 of Schedule B of the BPS.

Cost data reported in column 1 of Schedule B of the BPS often relate to structural improvements made by the tenant or lessee. Structural improvements, whether paid for by the tenant or the landlord, should be assessed in the same manner as other real property. A base year value should be established and factored each subsequent roll year by the annually-determined inflation factor in accordance with article XIII A of the California Constitution.

By depreciating structural improvements in a manner similar to business personal property and trade fixtures, the Assessor is underassessing structural improvements. In addition, the practice results in inconsistent treatment of similar types of property. This will produce a significant valuation difference between similar improvements assessed on secured real property parcels versus those assessed on unsecured business property accounts.

### **Issue supplemental assessments for all structural leasehold improvements assessed on the unsecured roll.**

We found that the Assessor does not issue supplemental assessments when structural leasehold improvements reported on Schedule B of the BPS are enrolled by the business division. We

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<sup>10</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *Business Equipment Valuation*, available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/businessequipval\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/businessequipval_general.pdf).

observed no cases where supplemental assessments were issued following the enrollment of reported structural leasehold improvements by the business division.

Section 75.14 provides that all property subject to the assessment limitations of article XIII A of the California Constitution shall be subject to supplemental assessment. Section 75.11 provides that supplemental assessments shall be issued following a change in ownership or completed new construction. Structural leasehold improvements, which are real property, are subject to supplemental assessment, regardless of whether they are enrolled on the secured or unsecured roll.

The Assessor's failure to issue supplemental assessments for structural leasehold improvements is contrary to statute and may result in underassessments.

**RECOMMENDATION 6:** Use the correct Board-prescribed percent good factors from tables 5 and 6 of the Assessors' Handbook Section 581, *Equipment and Fixtures Index, Percent Good and Valuation Factors* (AH 581), when valuing construction and agricultural mobile equipment.

We found that the Assessor does not distinguish between mobile agricultural harvesting equipment and non-harvesting equipment. We also found that the Assessor uses the average percent good factors for all construction and agricultural mobile equipment, even when there is evidence substantiating that the reported equipment was purchased new or used.

AH 581 includes separate percent good factor tables for harvesters and non-harvesters under agricultural mobile equipment. The percent good factors indicated in AH 581 are based on an exclusive set of market parameters. Accurate assessments depend on the proper application of these tables. Non-harvester percent good factors will likely lead to inaccurate value conclusions when applied to harvesters, since harvesters depreciate at a faster rate than non-harvester agricultural mobile equipment.

Section 401.16(a)(2) allows the Assessor to average the new or used percent good factors for both construction and agricultural mobile equipment when the property owner does not indicate on the BPS whether the equipment is first acquired new or used. However, section 401.16(a)(1) states that when the condition is known, the Assessor may not average the published factors and apply the average factors to both classes of new and used property. Mobile equipment depreciates at different rates depending on its condition when purchased. To ensure the most accurate value indicator possible, appropriate valuation tables should be used when sufficient information is available. When the condition is known, the Assessor must apply the appropriate percent good factors.

By not distinguishing between mobile harvesting equipment and mobile non-harvesting equipment, and using average percent good factors on all mobile equipment, regardless of whether the condition at the time of purchase is known, the Assessor is not complying with statute and may be enrolling incorrect assessments.

**RECOMMENDATION 7:** Use the Board-prescribed factor tables as intended when valuing biopharmaceutical equipment and fixtures.

We found that the Assessor does not utilize the *Biopharmaceutical Industry Equipment and Fixture Valuation Factors* published and prescribed by the BOE to value biopharmaceutical equipment and fixtures. Instead, the Assessor uses trended valuation tables, which are prescribed by the BOE for use in valuing generic industrial equipment, to value biopharmaceutical equipment and fixtures.

Pursuant to section 401.5, the BOE issues valuation factors developed specifically for the valuation of biopharmaceutical industry machinery and equipment; tools, molds, dies, and jigs; and fixtures. These valuation factors are published annually and are in Table 9 of AH 581. In addition, the California Assessors' Association (CAA) annually adopts and publishes the Board-prescribed biopharmaceutical equipment and fixture valuation factors.

The Board-prescribed valuation tables are supported by industry specific market behavior and should be used by all Assessors in the interest of consistent valuation determinations among the counties. The Assessor's use of generic industrial valuation tables may lead to incorrect assessments and loss of tax revenue.

### ***Manufactured Homes***

A "manufactured home" is defined in Health and Safety Code section 18007, and statutes prescribing the method of assessing manufactured homes are contained in sections 5800 through 5842. A manufactured home is subject to local property taxation if sold new on or after July 1, 1980, or if its owner requests conversion from the vehicle license fee to local property taxation. Manufactured homes should be classified as personal property and enrolled on the secured roll.<sup>11</sup>

**RECOMMENDATION 8:** Assess manufactured homes at the lesser of factored base year value or current market value, as required by section 5813.

The Assessor is inconsistent in his treatment of manufactured homes concerning declines in value. If a taxpayer requests a review of their manufactured home assessment, the Assessor has developed a program to annually review the assessment, so that declines in value are evaluated. The program contains a sampling of manufactured homes in the county. The properties enrolled in the program are valued annually using the National Automobile Dealers Association *Manufactured Homes Valuation Guide* (NADA) and the values are maintained on a spreadsheet. From this sampling, the Assessor determines a percentage of value to adjust the rest of the manufactured homes that are in decline-in-value status and does not apply a NADA valuation method to individual manufactured homes. For manufactured home assessments for which the

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<sup>11</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *Manufactured Homes*, available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/mhomes\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/mhomes_general.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>.

taxpayer did not request a review, the Assessor re-enrolls the same value each year and does not adjust the base year value.

Section 5813 requires that manufactured homes be assessed at the lesser of the factored base year value or current market value.

The Assessor's methods of valuing manufactured homes may result in incorrect assessments and inconsistent treatment of taxpayers.

## APPENDIX A: STATISTICAL DATA

**Table 1: Assessment Roll**

The following table displays pertinent information from the 2018-2019 assessment roll.<sup>12</sup>

|                                | PROPERTY TYPE                | ENROLLED VALUE     |
|--------------------------------|------------------------------|--------------------|
| <b>Secured Roll</b>            | Land                         | \$104,714,299,543  |
|                                | Improvements                 | \$110,243,043,242  |
|                                | Personal Property            | \$ 1,550,721,843   |
|                                | Total Secured                | \$216,508,064,628  |
| <b>Unsecured Roll</b>          | Land                         | \$ 434,540,868     |
|                                | Improvements                 | \$ 4,898,859,576   |
|                                | Personal Property            | \$ 7,350,031,637   |
|                                | Total Unsecured              | \$ 12,683,432,081  |
| <b>Exemptions<sup>13</sup></b> |                              | (\$ 5,752,826,500) |
|                                | <b>Total Assessment Roll</b> | \$223,438,670,209  |

**Table 2: Change in Assessed Values**

The following table summarizes the change in assessed values over recent years:<sup>14</sup>

| YEAR    | TOTAL ROLL VALUE  | CHANGE | STATEWIDE CHANGE |
|---------|-------------------|--------|------------------|
| 2018-19 | \$223,438,670,000 | 7.8%   | 6.5%             |
| 2017-18 | \$207,178,709,000 | 7.8%   | 6.3%             |
| 2016-17 | \$192,141,739,000 | 7.6%   | 5.5%             |
| 2015-16 | \$178,626,427,000 | 7.6%   | 6.0%             |
| 2014-15 | \$165,970,907,000 | 5.5%   | 6.2%             |

<sup>12</sup> Statistics provided by BOE-822, *Report of Assessed Values By City*, San Mateo County for year 2018.

<sup>13</sup> The value of the Homeowners' Exemption is excluded from the exemptions total.

<sup>14</sup> State Board of Equalization Annual Report, Table 7.

**Table 3: Gross Budget and Staffing**

The Assessor's budget has grown from \$11,842,283 in 2014-15 to \$18,997,215 in 2018-19.

As of the date of our survey, the Assessor had 88 budgeted permanent positions. These positions consist of the Assessor, assistant assessor, 3 managers, 44 real property appraisers, 14 business property auditor-appraisers, 3 drafting/mapping technicians, 5 computer programmers/analysts/technicians, and 17 support staff.<sup>15</sup>

The following table identifies the Assessor's budget and staffing over recent years:<sup>16</sup>

| BUDGET YEAR | GROSS BUDGET | PERCENT CHANGE | PERMANENT STAFF |
|-------------|--------------|----------------|-----------------|
| 2018-19     | \$18,997,215 | 17.6%          | 88              |
| 2017-18     | \$16,148,827 | 18.1%          | 86              |
| 2016-17     | \$13,674,708 | 5.5%           | 83              |
| 2015-16     | \$12,957,308 | 9.4%           | 83              |
| 2014-15     | \$11,842,283 | 3.0%           | 78              |

**Table 4: Assessment Appeals**

The following table shows the number of assessment appeals filed in recent years:<sup>17</sup>

| YEAR    | ASSESSMENT APPEALS FILED |
|---------|--------------------------|
| 2018-19 | 751                      |
| 2017-18 | 542                      |
| 2016-17 | 739                      |
| 2015-16 | 877                      |
| 2014-15 | 857                      |

<sup>15</sup> Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for year 2018-19.

<sup>16</sup> Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2014-15 through 2018-19.

<sup>17</sup> Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2014-15 through 2018-19.

**Table 5: Exemptions – Welfare**

The following table shows welfare exemption data for recent years:<sup>18</sup>

| <b>YEAR</b> | <b>WELFARE EXEMPTIONS</b> | <b>EXEMPTED VALUE</b> |
|-------------|---------------------------|-----------------------|
| 2018-19     | 1,362                     | \$4,416,871,898       |
| 2017-18     | 1,322                     | \$3,566,455,438       |
| 2016-17     | 1,260                     | \$3,490,884,446       |
| 2015-16     | 1,251                     | \$3,697,179,392       |
| 2014-15     | 1,154                     | \$3,309,460,164       |

**Table 6: Change in Ownership**

The following table shows the total number of transfer documents received and the total number of reappraisals due to changes in ownership processed in recent years:<sup>19</sup>

| <b>YEAR</b> | <b>TOTAL TRANSFER DOCUMENTS RECEIVED</b> | <b>REAPPRAISABLE TRANSFERS</b> |
|-------------|------------------------------------------|--------------------------------|
| 2018-19     | 32,207                                   | 11,161                         |
| 2017-18     | 32,417                                   | 10,173                         |
| 2016-17     | 31,590                                   | 10,833                         |
| 2015-16     | 31,744                                   | 11,633                         |
| 2014-15     | 34,611                                   | 12,375                         |

<sup>18</sup> Statistics provided by BOE-802, *Report on Exemptions*, for years 2014 through 2018.

<sup>19</sup> Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2014-15 through 2018-19.

**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:<sup>20</sup>

| YEAR    | TOTAL BUILDING PERMITS RECEIVED | NEW CONSTRUCTION ASSESSMENTS |
|---------|---------------------------------|------------------------------|
| 2018-19 | 27,579                          | 3,883                        |
| 2017-18 | 26,013                          | 3,874                        |
| 2016-17 | 26,206                          | 3,331                        |
| 2015-16 | 23,624                          | 2,894                        |
| 2014-15 | 16,607                          | 2,707                        |

**Table 8: Declines In Value**

The following table shows the total number of decline-in-value assessments in recent years:<sup>21</sup>

| YEAR    | DECLINE-IN-VALUE ASSESSMENTS |
|---------|------------------------------|
| 2018-19 | 1,457                        |
| 2017-18 | 2,294                        |
| 2016-17 | 3,994                        |
| 2015-16 | 9,364                        |
| 2014-15 | 16,535                       |

<sup>20</sup> Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2014-15 through 2018-19.

<sup>21</sup> Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2014-15 through 2018-19.

**Table 9: Audits**

The following table illustrates the Assessor's audit production during recent years:

| <b>MINIMUM NUMBER OF AUDITS REQUIRED</b> | <b>2018-19</b> | <b>2017-18</b> | <b>2016-17</b> | <b>2015-16</b> | <b>2014-15</b> |
|------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Largest Assessments                      | 109            | 108            | 109            | 108            | 109            |
| All Other Taxpayers                      | 108            | 109            | 108            | 109            | 108            |
| <b>Total Required</b>                    | 217            | 217            | 217            | 217            | 217            |
| <b>NUMBER OF AUDITS COMPLETED</b>        |                |                |                |                |                |
| <b>Total Audits Completed</b>            | 159            | 274            | 257            | 232            | 225            |
| Largest Assessments                      | 86             | 131            | 117            | 114            | 114            |
| <b>Over/(Under) Required</b>             | N/A            | 23             | 8              | 6              | 5              |
| All Other Taxpayers                      | 63             | 143            | 140            | 118            | 111            |
| <b>Over/(Under) Required</b>             | N/A            | 34             | 32             | 9              | 3              |
| <b>CCCASE AUDITS</b>                     |                |                |                |                |                |
| Prepared for other county Assessors      | 20             | 20             | 38             | 40             | 39             |

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

Following are the recommendations included in our January 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.

### **Staff Property and Activities**

**RECOMMENDATION 1:** Develop written procedures for the assessment of staff-owned property.

#### **Original Findings:**

We found the Assessor does not have written procedures that address the assessment of real and personal property in which staff in the Assessor's office holds an interest. While the Assessor has taken an initial step of maintaining a list of employees who own real property within the county, the Assessor should pursue a clearly defined policy that establishes employee responsibilities regarding the assessment of staff-owned properties and a well-defined review process for such properties. The policy should enable the Assessor to accurately track and document all events with potential assessment implications for staff-owned property. Although our review revealed no problems when assessing staff-owned property, detailed written procedures addressing the assessment of not only staff-owned property, but also property owned by a spouse, a family member, or a dependent child is considered sound management and is recommended. Development of and adherence to written procedures would promote an acceptable level of oversight regarding the assessment of staff-owned property. Without established procedures, there is risk that property owned by an employee or an employee's relative could be assessed by the employee, which would result in the appearance of impropriety and the possibility of inaccurate value conclusions.

#### **Assessor's Original Response:**

*We agree. Written policies and procedures have been developed which will take effect this fiscal year.*

#### **Current Status:**

This recommendation has been implemented. The Assessor has developed procedures dealing with staff-owned property, which includes initial and annual reporting, assessment process, review responsibility, and consequences for non-compliance. Although the procedures and the Assessor's Employee Property Activity Report (EPAR) do not specifically address outside employment that may cause a conflict of interest,

including any consequences for non-compliance, the Assessor must pre-approve all outside employment and the Assessor disallows any outside employment associated with real estate. This includes real estate activity outside the county.

### **Exemptions**

**RECOMMENDATION 2:** Develop and implement uniform policies and procedures for the maintenance of welfare exemption records to ensure that all records are organized, archived, and updated on a regular basis.

### **Original Findings:**

We found that the Assessor's welfare exemption claim records are not properly maintained. The welfare exemption program is in the process of electronic conversion. Since 2008, all welfare exemption claim files have been placed into separate categories by claim year. As a result, the once complete claim files have been separated into different piles that are waiting to be scanned and converted into electronic documents. The scanning project was anticipated to begin in 2008 but has not started. This has caused a pile-up of files that increases annually, making it more difficult to access, update, maintain, and evaluate annual claims to ensure eligibility of the property.

### **Assessor's Original Response:**

*We agree. We will update our policies and procedures for the maintenance of welfare exemption records. In the next few months, we will upgrade our current imaging system. This will allow for electronic storage of our exemption records, which will enable us to maintain all records more efficiently on a regular basis.*

### **Current Status:**

The Assessor has implemented this recommendation. The welfare exemption claim records we reviewed evidenced the Assessor has organized and scanned into the electronic database all welfare exemption claims for the 2016-17, 2017-18 and 2018-19 fiscal years. All welfare exemption files, including hard copies and electronic filings, were well-organized and easily obtained when requested. However, the scanning project has been postponed until the Assessor's entire electronic database upgrade is finalized.

### **Change in Ownership**

**RECOMMENDATION 3:** Apply appropriate penalties as required by section 482(b) if a BOE-100-B, *Statement of Change in Control and Ownership of Legal Entities*, is not filed timely.

#### **Original Findings:**

The BOE reviewed a sample of records and discovered penalties required by section 482(b) were not applied when statements were filed late. The BOE provides the Assessor a report titled, *Entities Indicating a Change in Control or Change in Ownership – By County*. The report lists legal entities that have undergone a change in control or ownership and identifies due dates and actual filing dates of the BOE-100-B for each entity. Additionally, a copy of the envelope bearing the postmark accompanies BOE-100-Bs as evidence of the filing date included in the report.

#### **Assessor's Original Response:**

*We agree and will implement this process in conjunction with the County Controller and County Tax Collector.*

#### **Current Status:**

The Assessor has implemented this recommendation. We reviewed several properties that required a penalty and found that all penalties were properly applied starting in 2018.

### **California Land Conservation Act Property**

**RECOMMENDATION 4:** Use an appropriate income stream for capitalizing restricted tree and vine income.

#### **Original Findings:**

The Assessor capitalizes the net income of living improvements without taking into consideration the economic life of the living improvements.

#### **Assessor's Original Response:**

*We agree. We will modify our analysis and valuation process per recommendation.*

#### **Current Status:**

The Assessor has not implemented BOE's recommendation to capitalize living improvements (trees and vines income) using discounted cash flow, which recognizes the economic life and stage of production of living improvements. Instead, the Assessor continues to value the trees and vines using the direct capitalization method, which is contrary to guidance provided in Assessors' Handbook Section 521, *Assessment of*

*Agricultural and Open-Space Properties.* Since guidance has been provided in the prior survey and properties under restricted use are in non-renewal status, we will not repeat this recommendation.

### **Leasehold Improvements**

**RECOMMENDATION 5:** Consistently issue supplemental assessments for all structural improvements added to the unsecured roll.

#### **Original Findings:**

We found instances where the Assessor did not issue supplemental assessments for structural leasehold improvements reported on Schedule B of the Business Property Statement (BPS). When a taxpayer completes Schedule B and reports the cost of building improvements or leasehold improvements, the business property division completes an analysis of all costs reported on the BPS and enrolls a value. Although the business property division enrolls structural leasehold improvements when they are reported on the BPS, the Assessor has not issued supplemental assessments for all of those improvements.

#### **Assessor's Original Response:**

*We agree. We will update our procedures and put more emphasis in our training to address this issue.*

#### **Current Status:**

The Assessor has not implemented this recommendation. Refer to the Business Equipment Valuation topic for the current recommendation on this issue.

### **Mineral Property**

**RECOMMENDATION 6:** Estimate the current market value of the mineral appraisal unit and measure declines in value for mineral properties using the entire appraisal unit as required by Rule 469.

#### **Original Findings:**

Based on the review of mineral property appraisals and discussions with the appraiser who does the mineral value estimates, we found that the Assessor does not make an annual estimate of the current market value of the mineral property appraisal unit. The Assessor only makes depletion adjustments for the prior year's production and an index adjustment to the base year mineral right value. The adjusted base year value of the mineral right is then enrolled, and the current market value of the fixtures associated with the appraisal unit is enrolled.

**Assessor's Original Response:**

*We agree. We will be expanding our training program relating to mining property appraisals to increase the experience and knowledge base of such properties.*

**Current Status:**

The Assessor has implemented change to the appraisal of mineral properties to include the calculation of the current market value of the minerals. The Assessor is using either a full discounted cash flow analysis of the property or using the royalty method to determine the leased fee value of the mineral estate.

However, the Assessor has not implemented the second portion of the recommendation regarding measuring declines in value on the entire mineral appraisal unit. The Assessor does not coordinate the values for the business property to be included as part of the appraisal unit. Refer to the Mineral Property topic of the survey for the current recommendation on this issue.

**Audit Program**

**RECOMMENDATION 7:** Improve the audit program by: (1) modifying the audit selection procedure to correctly develop the pool of largest audit accounts as defined by Rule 192 and (2) removing language advising taxpayers of their right to appeal from the *Notice of Proposed Refund Assessment* in cases where no escape assessment was discovered in audit.

**(1) Modify the audit selection procedure to correctly develop the pool of largest audit accounts as defined by Rule 192.**

**Original Findings:**

When comparing the audit tracking schedules to the pool of largest assessments, we found that a number of completed audits listed on the audit tracking schedule were erroneously classified as "all other" assessments. As a result, the Assessor completed too many audits of the largest assessments and not enough audits from "all other" assessments. For roll years 2012-2013 and 2010-2011, the Assessor completed 129 and 126 audits from the pool of largest assessments, respectively. This is well above the required number of audits that need to be completed from the pool of largest assessments. While completing more than the required number of audits from the pool of the largest assessments for these two years, the Assessor failed to complete the required minimum number of audits from "all other" assessments.

**Assessor's Original Response:**

*We disagree. Our audit selection procedure correctly develops the pool of largest audit accounts as defined by Rule 192. Rule 192 requires this county to complete at*

*least 217 audits per year, which we have done, and to also audit the top 432 companies at least once every four years, and that has also been done. The BOE is currently reviewing the language of Rule 192 to address this issue. Rule 192 only requires the significant number of audits as the minimum of audits required, which does not prevent us from auditing additional accounts.*

**Current Status:**

The Assessor has implemented this recommendation. The Assessor now runs a report indicating the top business property assessments, ranked by order of value, on an annual basis. These reports are utilized to identify and assign audits from the pool of largest accounts.

**(2) Remove language advising taxpayers of their right to appeal from the *Notice of Proposed Refund Assessment* in cases where no escape assessment was discovered in audit.**

**Original Findings:**

We found that the Assessor includes language advising taxpayers of their right to appeal in all *Notice of Proposed Refund Assessment* letters. This is true even in cases where the audit did not find any evidence of escape assessment for any of the years under audit.

**Assessor's Original Response:**

*We agree. We now have two refund letters, one that includes appeal rights for those audits including escapes, and the straight refund letter, that does not include appeal rights.*

**Current Status:**

The Assessor has implemented this recommendation. The Assessor maintains separate *Notice of Proposed Changed Assessment* letters available for use depending upon the audit findings. The specific letter utilized by the Assessor in cases where the audit findings involve discovered refunds and no escaped property does not include appeal rights language.

***Business Property Statement Program***

**RECOMMENDATION 8:** Ensure that business property statements contain authorized signatures in accordance with Rule 172.

**Original Findings:**

Our review found several BPSs that were not signed by a qualified person, and the required assessee's written authorization was not on file with the Assessor.

**Assessor's Original Response:**

*We agree. We have initiated sending agency authorization forms with all business property statements. We will also put more emphasis in our training to address this issue.*

**Current Status:**

BOE has temporarily suspended the review of this recommendation pending possible future legislation.

**Business Equipment Valuation**

**RECOMMENDATION 9:** Improve the valuation of business equipment by: (1) using the Board-prescribed factor tables as intended when valuing agricultural and construction mobile machinery and equipment and (2) ensuring that pollution control equipment financed by state bonds does not escape assessment.

**(1) Use the Board-prescribed factor tables as intended when valuing agricultural and construction mobile equipment.**

**Original Findings:**

The Assessor does not identify agricultural and construction mobile equipment as purchased "new" or "used." In addition, the Assessor does not distinguish between agricultural mobile-except harvesters equipment and agricultural mobile-harvesters equipment. Instead, the Assessor applies the "average" factor to agricultural mobile-except harvesters equipment and the "new" factors to construction mobile equipment.

**Assessor's Original Response:**

*We agree. We have identified the three harvesters located in our county and will value them using the BOE tables as prescribed.*

**Current Status:**

The Assessor has not implemented this recommendation. Refer to the Business Equipment Valuation topic for the current recommendation on this issue.

**(2) Ensure that pollution control equipment financed by state bonds does not escape assessment.**

**Original Findings:**

During calendar year 2010, two businesses were identified as having entered into a multi-million dollar contract with the CPCFA that have interest in San Mateo County. Information about these contracts was furnished to the Assessor in CAO No. 2011/007. We reviewed the Assessor's record on one of the two businesses that has an active account and did not find a copy of the contract with CPCFA or any evidence that an effort was made to procure the contract. The Assessor's staff confirmed that the Assessor's office did not act on the CAO No. 2011/007 letter by requesting contracts from the companies identified in the letter as having procured a contract with activity in San Mateo County.

**Assessor's Original Response:**

*We disagree.*

- a. Two companies are listed on the 2011 CAO letter attachment for Companies Entering into Contracts with the California Pollution Control Financing Authority.*
- b. For one of the companies, the report lists one amount for 21 cities in 10 counties. That company reports and is audited for all locations in our county. There should not be any pollution control equipment that is not assessed.*
- c. The other company lists one amount for 4 cities in 4 counties. We have not been able to find a business location for this company in our county.*

**Current Status:**

The Assessor has implemented this recommendation. Three of the five CAO letters issued within our review period listed companies entering into contracts with the California Pollution Control Financing Authority within San Mateo County. The Assessor conducted full audits of each of these companies.

**Manufactured Homes**

**RECOMMENDATION 10:** Improve the Assessor's manufactured homes assessment program by: (1) obtaining required proof of recordation of the notice of affixation before classifying a manufactured home on a permanent foundation as a real property improvement pursuant to Health and Safety Code section 18551 and (2) assessing manufactured homes at the lesser of factored base year value or current market value as required by section 5813.

**(1) Obtain required proof of recordation of the notice of affixation before classifying a manufactured home on a permanent foundation as a real property improvement pursuant to Health and Safety Code section 18551.**

**Original Findings:**

We found that manufactured homes were classified as real property without documentation that the foundation system met the requirements of Health and Safety Code section 18551. We also found that the Assessor does not require proof that the affixation has been recorded (HCD Form 433A).

**Assessor's Original Response:**

*We agree. We will strengthen our documentation process for manufactured homes classified as real property and standardize the method of valuing manufactured homes and discovering such properties that may have declined in value.*

**Current Status:**

The Assessor has implemented this recommendation. The Assessor classifies manufactured homes as real property after obtaining documentation that the foundation system meets the requirements of Health and Safety Code section 18551.

**(2) Assess manufactured homes at the lesser of factored base year value or current market value as required by section 5813.**

**Original Findings:**

The Assessor is inconsistent in his treatment of manufactured homes concerning declines in value. If a taxpayer requests a review of their manufactured home assessment, the Assessor has developed a program to annually review the assessment to ensure that declines in value are recognized accurately and consistently. However, for manufactured home assessments for which the taxpayer did not request a review, the Assessor re-enrolls the same value each year and does not adjust the base year value by the annual inflation factor.

**Assessor's Original Response:**

*We agree. We will strengthen our documentation process for manufactured homes classified as real property and standardize the method of valuing manufactured homes and discovering such properties that may have declined in value.*

**Current Status:**

The Assessor has not implemented this recommendation. Refer to the Manufactured Homes topic for the current recommendation on this issue.

**Vessels**

**RECOMMENDATION 11:** Use Board-prescribed BOE-576-D, *Vessel Property Statement*.

**Original Findings:**

The Assessor uses a county-developed form *Boat (Vessel) Report of Personal Property, County of San Mateo*, in lieu of the Board-prescribed BOE-576-D, *Vessel Property Statement*, for new vessels and for vessels that are new to the county.

**Original Assessor's Response:**

*We agree. This recommendation has recently been implemented.*

**Current Status:**

The Assessor has implemented this recommendation. The Assessor utilizes the Board-prescribed BOE-576-D, *Vessel Property Statement*, for new vessels and vessels that are new to the county, as well as for previously enrolled accounts, as required.

## APPENDIX C: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP

### **San Mateo County**

#### ***Deputy Director***

David Yeung

#### ***Survey Program Manager:***

Diane Yasui

Manager, Property Tax

#### ***Survey Team Supervisor:***

Andrew Austin

Supervisor, Property Tax

#### ***Survey Quality Control:***

Michael Dean Saunders

Senior Specialist Property Appraiser

#### ***Survey Team Leader:***

Gary Coates

Senior Specialist Property Appraiser

#### ***Survey Team:***

James McCarthy

Senior Petroleum and Mining Appraisal Engineer

Tammy Aguiar

Senior Specialist Property Appraiser

Jeff Arthur

Associate Property Auditor-Appraiser

Alexander Fries

Associate Property Auditor-Appraiser

Tina Baxter

Associate Property Appraiser

Christine Bradley

Associate Property Appraiser

Lauren Keach

Associate Property Appraiser

Amanda Lopez

Associate Property Appraiser

Artemis Oestreich

Assistant Property Appraiser

Dany Lunetta

Associate Governmental Program Analyst

## APPENDIX D: RELEVANT STATUTES AND REGULATIONS

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

## **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 San Mateo County Assessor's response begins on the next page. The BOE has no comments regarding the Assessor's response.



OFFICE OF  
**ASSESSOR-COUNTY CLERK-  
RECORDER & ELECTIONS**  
COUNTY OF SAN MATEO

**MARK CHURCH**  
ASSESSOR-COUNTY CLERK-  
RECORDER & CHIEF ELECTIONS OFFICER

January 27, 2020

David Yeung, Chief County Assessed Properties Division  
State Board of Equalization  
P.O. Box 942879  
Sacramento, CA 94279-0064

Dear Mr. Yeung:

Thank you for the opportunity to respond to your January 2020 San Mateo County Assessment Practices Survey. Pursuant to Government Code § 15645, I have included responses to your recommendations and ask that you include my responses in the published survey.

I would like to thank your survey team, led by Andrew Austin, for the professional and courteous way they conducted the survey. These recommendations are appreciated as we continually work towards improving our assessment program.

In closing, I would like to thank my staff for their dedication, professionalism and commitment to serving the citizens of San Mateo County.

Sincerely,

Mark Church

Chief Elections Officer & Assessor-County Clerk-Recorder

**San Mateo County Assessor**  
**Responses to California State Board of Equalization**  
**January 2020 Assessment Practices Survey**

**RECOMMENDATION 1:** Do not apply penalties to properties acquired after the lien date when an application for exemption is timely filed as provided in section 271.

**RESPONSE:** We have implemented this recommendation.

**RECOMMENDATION 2:** Remove penalty of perjury language from the Beneficial Interest Statement.

**RESPONSE:** We have implemented this recommendation.

**RECOMMENDATION 3:** Properly classify processing equipment of mineral property.

**RESPONSE:** We concur and will implement this recommendation as time and resources permit.

**RECOMMENDATION 4:** Measure declines in value of mineral property as an appraisal unit, i.e., land, reserves, and improvements including fixtures as required by Rule 469.

**RESPONSE:** We concur and will implement this recommendation as time and resources permit.

**RECOMMENDATION 5:** Improve the business equipment valuation procedures by: (1) Properly valuing structural leasehold improvements reported on the BPS, and (2) issuing supplemental assessments for all structural leasehold improvements on the unsecured roll.

**RESPONSE:** We concur and will implement these recommendations as time and resources permit.

**RECOMMENDATION 6:** Use the correct Board-prescribed percent good factors from tables 5 and 6 of the AH 581 when valuing construction and agricultural mobile equipment.

**RESPONSE:** We have implemented this recommendation.

**RECOMMENDATION 7:** Use the Board-prescribed factor tables as intended when valuing biopharmaceutical equipment and fixtures.

**RESPONSE:** We have implemented this recommendation.

**RECOMMENDATION 8:** Assess manufactured homes at the lesser of factored base year value or current market value as required by section 5831.

**RESPONSE:** We concur and will implement this recommendation as time and resources permit.