

# SANTA CLARA COUNTY ASSESSMENT PRACTICES SURVEY

September 2023

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## CALIFORNIA STATE BOARD OF EQUALIZATION

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September 12, 2023

TO COUNTY ASSESSORS:

**SANTA CLARA COUNTY  
ASSESSMENT PRACTICES SURVEY**

No. 2023/032

A copy of the Santa Clara 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 Lawrence E. Stone, Santa Clara 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 Santa Clara 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 January through May 2023. The report does not reflect changes implemented by the Assessor after the fieldwork was completed.

Mr. Stone and 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:lp  
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 Santa Clara 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 Santa Clara 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 Lawrence E. Stone, Santa Clara County Assessor, elected to file their 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."<sup>1</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>2</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 2021-22 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>3</sup>

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<sup>1</sup> Government Code section 15642.

<sup>2</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>3</sup> 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 Santa Clara County Assessor's Office included reviews of the Assessor's records, interviews with the Assessor and their staff, and contacts with officials in other public agencies in Santa Clara 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 of the Santa Clara County Assessor's Office for the 2021-22 assessment roll.

During our 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, and exemptions. In the area of administration, the Assessor is effectively managing the workload, assessment appeals, and exemptions programs.

- 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 an effective change in ownership program. However, we made recommendations for improvement in the new construction and declines in value 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, and business equipment valuation. In the area of personal property and fixtures assessment, the Assessor has effective programs for conducting audits and processing business property statements. However, we made a recommendation for improvement in the business equipment valuation program.

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

The Santa Clara County assessment roll meets the requirements for assessment quality as established by section 75.60. Our sample of the 2021-22 assessment roll indicated an average

assessment ratio of 99.41 percent, and the sum of the absolute differences from the required assessment level was 1.32 percent. Accordingly, the BOE certifies that Santa Clara County is eligible to receive reimbursement of costs associated with administering supplemental assessments.



## **OVERVIEW OF SANTA CLARA COUNTY**

Santa Clara County is located in western California, and is one of California's original 27 counties created in 1850. It is also one of the nine counties that make up the San Francisco Bay Area. The county encompasses a total area of 1,304.07 square miles, consisting of 1,290.10 square miles of land area and 13.97 square miles of water area. Santa Clara County is bordered by Alameda County to the north, Stanislaus and Merced Counties to the east, San Benito County to the south, and San Mateo and Santa Cruz Counties to the west.



As of 2021, Santa Clara County had an estimated population of 1,885,508. There are 15 incorporated cities in Santa Clara County. The county seat is San Jose.

The Santa Clara County local assessment roll ranks 4th in value of the 58 county assessment rolls in California.<sup>4</sup>

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<sup>4</sup> Statistics provided by the BOE's Table 7 – *Assessed Value of County-Assessed Property Subject to General Property Taxes*, for year 2021-22.

## **FINDINGS AND RECOMMENDATIONS**

As noted previously, our review concluded that the Santa Clara 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:** Improve the new construction program by:
  - (1) classifying wells as land pursuant to Rule 124, and
  - (2) obtaining required information prior to granting new construction exclusions. ....8
  
- RECOMMENDATION 2:** Include the value of excluded new construction in the full cash value estimate of a decline-in-value property. ....9
  
- RECOMMENDATION 3:** Properly value structural leasehold improvements reported on the business property statement (BPS). ....10

# ASSESSMENT OF REAL PROPERTY

## ***New Construction***

Section 70 defines newly constructed property, or new construction, as (1) any addition to real property since the last lien date, or (2) any alteration of land or improvements since the last lien date that constitutes a major rehabilitation of the property or converts the property to a different use. Further, section 70 establishes that any rehabilitation, renovation, or modernization that converts an improvement to the substantial equivalent of a new improvement constitutes a major rehabilitation of the improvement. Section 71 requires the Assessor to determine the full cash value of newly constructed real property on each lien date while construction is in progress and on its date of completion, and provides that the full cash value of completed new construction becomes the new base year value of the newly constructed property.<sup>5</sup>

**RECOMMENDATION 1:** Improve the new construction program by:  
(1) classifying wells as land pursuant to Rule 124, and  
(2) obtaining required information prior to granting new construction exclusions.

### **(1) Classify wells as land pursuant to Rule 124.**

We found several examples where the Assessor classified wells as structural improvements.

Rule 124 requires that oil and water wells be classified as land. By not attributing value to the land for value added by the new construction of water wells, the Assessor is underassessing the land and overassessing the improvements, which may also result in incorrect special assessments.

### **(2) Obtain required information prior to granting new construction exclusions.**

We found several examples where the Assessor granted an exclusion from new construction assessment for seismic retrofitting components without obtaining the necessary claim form or documentation, as required under section 74.5.

Section 74.5 provides for a new construction exclusion for the addition of any seismic retrofitting components to existing buildings and structures. In order to receive this new construction exclusion, the property owner must notify the County Assessor prior to, or within 30 days of, completion of the project. Additionally, all documents needed to support the claim must be filed no later than six months after completion of the project. It is the responsibility of the property owner, contractor, engineer, or architect to certify to the building department which portions of the project are for seismic retrofitting components. Upon completion of the project, the building department is to report the costs of those portions of the project designated for seismic retrofitting components to the County Assessor. Section 74.5(d) requires that the BOE

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<sup>5</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *New Construction*, which is available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/newconstruction\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/newconstruction_general.pdf).

prescribe the manner and form for claiming the exclusion. The property owner must file a BOE-64, *Claim For Seismic Safety Construction Exclusion From Assessment*, along with any necessary supporting documentation, in order to qualify for the exclusion.

The Assessor's practice of excluding seismic retrofitting components without obtaining the required claim forms and supporting documentation is not in compliance with statute and may result in the Assessor granting exclusions for new construction that would otherwise be assessable.

### **Declines in Value**

Section 51 requires the Assessor to enroll on the lien date an assessment that is the lesser of a property's factored base year value (FBYV) or its current full cash value, as defined in section 110. Thus, if a property's full cash value falls below its FBYV on any given lien date, the Assessor must enroll that lower value. If, on a subsequent lien date, a property's full cash value rises above its FBYV, then the Assessor must enroll the FBYV.<sup>6</sup>

**RECOMMENDATION 2:** Include the value of excluded new construction in the full cash value estimate of a decline-in-value property.

We found that when analyzing a property for a decline in value, the Assessor is not considering the value of excluded new construction in the full cash value estimate. For example, we discovered properties containing excluded solar new construction assessments that the Assessor did not value as part of the full cash value estimate to be compared to the property's FBYV.

Section 51 provides that the Assessor is to annually enroll the lower of a property's FBYV or its full cash value as of the lien date. Section 110 provides that "full cash value" is the amount of cash or its equivalent that a property would bring if exposed for sale on the open market. Letter To Assessors No. 2009/024 provides that when a property with excluded new construction sells, the excluded new construction becomes assessable, along with everything else on the property. Since an estimate of full cash value for decline in value purposes is made as if the property was exposed for sale, the full cash value should not be reduced by the value of any excluded new construction.

By not considering all the components of the property when determining the full cash value estimate, the Assessor may be underestimating the current market value of the property, causing incorrect assessments to be enrolled.

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<sup>6</sup> For a detailed description of the scope of our review of this topic, please refer to the document entitled *Declines in Value*, which is available on the BOE's website at [http://www.boe.ca.gov/Assessors/pdf/declinesinvalue\\_general.pdf](http://www.boe.ca.gov/Assessors/pdf/declinesinvalue_general.pdf).

# 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>7</sup>

**RECOMMENDATION 3:** Properly value structural leasehold improvements reported on the business property statement (BPS).

We found examples where the Assessor's value conclusion was derived 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 valuing structural leasehold improvements in a manner similar to business personal property and trade fixtures, the Assessor is depreciating and, thus, underassessing structural improvements. In addition, this practice results in inconsistent treatment of similar types of property. This will produce a significant valuation difference between similar improvements assessed as appreciating property on the secured roll and those assessed as depreciating property on the unsecured roll.

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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 *Business Equipment Valuation*, which is 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).

## APPENDIX A: STATISTICAL DATA

**Table 1: Assessment Roll**

The following table displays pertinent information from the 2021-22 assessment roll.<sup>8</sup>

	PROPERTY TYPE	ENROLLED VALUE
<b>Secured Roll</b>	Land	\$286,689,631,738
	Improvements	\$277,092,345,665
	Fixtures	\$2,950,671,724
	Personal Property	\$7,101,639,876
	Total Secured	\$573,834,289,003
<b>Unsecured Roll</b>	Land	\$76,408,223
	Improvements	\$5,646,828,998
	Fixtures	\$7,584,772,614
	Personal Property	\$21,095,329,125
	Total Unsecured	\$34,403,338,960
<b>Exemptions<sup>9</sup></b>		(\$31,333,367,608)
	<b>Total Assessment Roll</b>	\$576,904,260,355

**Table 2: Change in Assessed Values**

The following table summarizes the change in assessed values over recent years:<sup>10</sup>

ROLL YEAR	TOTAL ROLL VALUE	CHANGE	STATEWIDE CHANGE
2021-22	\$576,904,260,000	4.6%	4.1%
2020-21	\$551,542,708,000	6.9%	5.0%
2019-20	\$516,068,804,000	6.8%	6.1%
2018-19	\$483,248,439,000	7.3%	6.5%
2017-18	\$450,190,626,000	7.4%	6.3%

<sup>8</sup> Statistics provided by BOE-822, *Report of Assessed Values By City, County 43 Santa Clara* for year 2021.

<sup>9</sup> The value of the Homeowners' Exemption is excluded from the exemptions total.

<sup>10</sup> Statistics provided by the BOE's Table 7 – *Assessed Value of County-Assessed Property Subject to General Property Taxes*, for years 2017-18 through 2021-22.

**Table 3: Gross Budget and Staffing**

The Assessor's budget has grown from \$37,901,978 in fiscal year 2016-17 to \$43,310,122 in fiscal year 2020-21.

As of the date of our survey, the Assessor has 265 budgeted permanent positions. These positions consist of the Assessor, Assistant Assessor, 8 managers, 84 real property appraisers, 46 business property auditor-appraisers, 4 drafting/mapping technicians, 20 computer analysts, 27 other technical/professional categories, and 74 support staff.<sup>11</sup>

The following table identifies the Assessor's budget and staffing over recent fiscal years:<sup>12</sup>

<b>FISCAL YEAR</b>	<b>GROSS BUDGET</b>	<b>PERCENT CHANGE</b>	<b>PERMANENT STAFF</b>
2020-21	\$43,310,122	5.3%	265
2019-20	\$41,118,607	4.8%	269
2018-19	\$39,239,981	-2.7%	262
2017-18	\$40,334,504	6.4%	289
2016-17	\$37,901,978	1.7%	284

**Table 4: Assessment Appeals**

The following table shows the number of assessment appeals filed in recent fiscal years:<sup>13</sup>

<b>FISCAL YEAR</b>	<b>ASSESSMENT APPEALS FILED</b>
2020-21	3,426
2019-20	4,487
2018-19	2,796
2017-18	2,735
2016-17	3,611

<sup>11</sup> Statistics provided by *A Report on Budget, Personnel, and Appeals Data* for year 2020-21 & *Roll Data* for year 2021-22.

<sup>12</sup> Statistics provided by *A Report on Budget, Personnel, and Appeals Data* for years 2016-17 through 2020-21 & *Roll Data* for years 2017-18 through 2021-22.

<sup>13</sup> Statistics provided by *A Report on Budget, Personnel, and Appeals Data* for years 2016-17 through 2020-21 & *Roll Data* for years 2017-18 through 2021-22.

**Table 5: Exemptions – Welfare**

The following table shows welfare exemption data for recent roll years:<sup>14</sup>

<b>ROLL YEAR</b>	<b>WELFARE EXEMPTIONS</b>	<b>EXEMPTED VALUE</b>
2021-22	1,714	\$11,863,069,709
2020-21	1,819	\$11,947,887,169
2019-20	1,819	\$11,110,261,645
2018-19	1,764	\$12,271,136,980
2017-18	1,742	\$11,820,333,868

**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 roll years:<sup>15</sup>

<b>ROLL YEAR</b>	<b>TOTAL TRANSFER DOCUMENTS RECEIVED</b>	<b>REAPPRAISABLE TRANSFERS</b>
2021-22	59,130	19,457
2020-21	65,112	20,173
2019-20	62,075	22,163
2018-19	80,334	23,741
2017-18	72,993	23,153

<sup>14</sup> Statistics provided by BOE-802, *Report on Exemptions* for years 2017-18 through 2021-22.

<sup>15</sup> Statistics provided by the Assessor for roll years 2020-21 and 2021-22. All other statistics provided by *A Report on Budget, Personnel, and Appeals Data* for years 2016-17 through 2018-19 & *Roll Data* for years 2017-18 through 2019-20.



**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 roll years:<sup>16</sup>

<b>ROLL YEAR</b>	<b>TOTAL BUILDING PERMITS RECEIVED</b>	<b>NEW CONSTRUCTION ASSESSMENTS</b>
2021-22	19,563	6,990
2020-21	24,641	8,526
2019-20	25,968	8,119
2018-19	28,603	7,870
2017-18	36,462	7,417

**Table 8: Declines In Value**

The following table shows the total number of decline-in-value assessments in recent roll years:<sup>17</sup>

<b>ROLL YEAR</b>	<b>DECLINE-IN-VALUE ASSESSMENTS</b>
2021-22	7,696
2020-21	10,629
2019-20	1,843
2018-19	2,645
2017-18	6,646

<sup>16</sup> Statistics provided by *A Report on Budget, Personnel, and Appeals Data* for years 2016-17 through 2020-21 & *Roll Data* for years 2017-18 through 2021-22.

<sup>17</sup> Statistics provided by *A Report on Budget, Personnel, and Appeals Data* for years 2016-17 through 2020-21 & *Roll Data* for years 2017-18 through 2021-22.

**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 fiscal years.<sup>18</sup>

<b>MINIMUM NUMBER OF AUDITS REQUIRED<sup>19</sup></b>	<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>
Largest Assessments			337	338	337
All Other Taxpayers			338	337	338
<b>Total Required</b>			<b>675</b>	<b>675</b>	<b>675</b>
<b>NUMBER OF AUDITS COMPLETED</b>					
<b>Total Audits Completed</b>	<b>711</b>	<b>752</b>	<b>841</b>	<b>856</b>	<b>867</b>
Largest Assessments	347	325	344	348	339
<b>Over/(Under) Required</b>			<b>7</b>	<b>10</b>	<b>2</b>
All Other Taxpayers	364	427	497	508	528
<b>Over/(Under) Required</b>			<b>159</b>	<b>171</b>	<b>190</b>
<b>CCCASE AUDITS</b>					
Prepared for other county Assessors	0	53	57	50	58

<sup>18</sup> Statistics provided by *A Report on Budget, Personnel, and Appeals Data* for years 2016-17 through 2020-21 & *Roll Data* for years 2017-18 through 2021-22.

<sup>19</sup> See Letter To Assessors (LTA) No. 2009/049, *Significant Number of Business Property Audits*, for the minimum number of annual audits required pursuant to the provisions of section 469 for fiscal years 2016-17 through 2018-19. Effective January 1, 2019, section 469 was amended to give Assessors more flexibility in completing the required number of annual audits by allowing for the four-year total of required annual audits to be completed within a four-year period of time, rather than annually, beginning with the 2019-20 fiscal year. For more information on the amendments to section 469, see LTA No. 2018/067.

## **APPENDIX B: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP**

### ***Santa Clara County***

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

David Yeung

#### ***Survey Program Director:***

Holly Cooper

Principal Property Appraiser

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

Gary Coates

Supervising Property Appraiser

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

Vida McIsaac

Senior Specialist Property Appraiser

Artemis Oestreich

Senior Specialist Property Appraiser

Jeffrey Arthur

Senior Specialist Property Auditor Appraiser

Nicole Grady

Associate Property Appraiser

Kat Santora

Associate Property Appraiser

Hanju Lee

Assistant Property Appraiser

Lydia Vannarattanarat

Assistant Property Appraiser

## APPENDIX C: 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 Santa Clara County Assessor's response begins on the next page. The BOE has no comments regarding the response.

# Office of the Assessor

County of Santa Clara

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Lawrence E. Stone, Assessor

August 18, 2023

David Yeung, Deputy Director  
Property Tax Department  
State Board of Equalization (SBE)  
450 N Street, P.O. Box 942879  
Sacramento, CA 94279-0064

Dear Mr. Yeung:

Thank you for the opportunity to respond to the recommendations contained in the August 2023 Santa Clara County Assessment Practices Survey. Pursuant to Section 15645 of the California Government Code, enclosed is my written response to your findings and recommendations.

I strongly believe the independent audit conducted by the SBE provides a critical, professional examination of the appraisal practice and assessment procedures in an assessor's office, and is designed not only to protect the integrity of the property tax system, but to encourage standardization in assessment procedures among county assessors. In addition, failure to meet these standards carries severe financial consequences.

I wish to express my appreciation to the SBE survey team, led by Gary Coates, for the professional manner in which the survey was conducted. Their cooperative and professional attitude throughout the process was acknowledged by all members of my management team. Their constructive comments regarding our assessment practices are much appreciated.

I also want to thank and acknowledge the employees of the Santa Clara County Assessor's Office for their dedication and commitment to excellence. Throughout the survey, comments by the SBE audit team about the efficiency of our assessment programs, and our overall operation, is a direct testament to the professionalism and performance of our employees.

Sincerely,

Lawrence E. Stone  
Assessor

LES:lcl

SANTA CLARA COUNTY ASSESSOR'S OFFICE  
RESPONSE TO RECOMMENDATIONS

RECOMMENDATION 1: Improve the new construction program by (1) classifying wells as land pursuant to Rule 124, and (2) obtaining required information prior to granting new construction exclusions.

RESPONSE: (1) We agree with this recommendation and have changed our classification of wells as land, per Rule 124.

(2) We agree with this recommendation and will implement procedures to ensure proper forms have been completed and filed before granting new construction exclusions.

RECOMMENDATION 2: Include the value of excluded new construction in the full cash value estimate of a decline-in-value property.

RESPONSE: We agree with this recommendation and will implement it as time and resources become available.

RECOMMENDATION 3: Properly value structural leasehold improvements reported on the business property statement (BPS)

RESPONSE: We partially agree with this recommendation and will implement it as time, systems capability and resources become available.

Ideally, per the recommendation, our office would compare the trended cost of leasehold structural improvements to the factored base year value; however, our current system does not automatically set or track base year values of structural leasehold improvements annually and we are not staffed sufficiently to manually calculate these values and enroll the lesser.

Currently, these improvements are enrolled at their trended costs which we believe are reflective of their market value due to the transitory use of each leaseholder who has unique requirements for their specific occupancy. We contend that the characterization of these improvements as underassessed is therefore speculative.