

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL

861.1

COUNTY PROPERTY TAX ASSESSMENT PRACTICES:
AN ANALYSIS OF THE POST-PROPOSITION 13
ASSESSMENT ROLL AND BASE VALUE OPTIONS

APRIL 1979



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

SENATORS
ALBERT RODDA
PAUL CARPENTER
JOHN NEJEDLY
ROBERT PRESLEY

ASSEMBLYMEN
RICHARD ROBINSON
DANIEL BOATWRIGHT
LEROY GREENE
BRUCE NESTANDE

□ STATE CAPITOL
SACRAMENTO 95814
(916) 323-1168

□ 925 L STREET
SUITE 750
SACRAMENTO 95814
(916) 445-0255

RICHARD ROBINSON
CHAIRMAN

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861.1

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's report analyzing county property tax assessment practices used in constructing the post-Proposition 13 tax assessment rolls. The report also analyzes the fiscal impact of three options which the Task Force on Property Tax Administration of the Assembly Revenue and Taxation Committee developed to establish greater uniformity in tax assessments.

The report identifies significant differences among counties in the interpretation and implementation of Proposition 13. Additionally, this study indicates that counties relied upon different appraisal cycles and methodologies to construct their tax rolls in 1975-76, which was designated as the base year for calculating tax assessments for properties which have not realized changes in ownership or other alterations since March 1, 1975. As a result of these factors and others, 1975-76 property valuations ranged from 76 to 99 percent of full market value in 21 counties surveyed. In some counties, these variations affected the 1978-79 tax assessment roll.

Different practices in constructing both 1975-76 and 1978-79 assessment rolls have created disparities in property valuations. For example, a home with a full market value of \$43,000 in 1975-76 could have a 1978-79 tax roll value of between \$35,000 and \$45,600, depending on a county's interpretation and execution of Proposition 13's mandates.

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The Auditor General and his staff also found that parcels with new construction were treated differently in different counties. In some counties, only the new additions to a property were revalued while in others the entire property was revalued. In yet another county, a parcel's new construction was revalued only if it exceeded a certain minimum value.

Implementation of any of the three Task Force options could achieve greater uniformity in tax assessment practices. However, the revenue impact of individual options ranges from an increase of \$10.1 million in property tax revenue to a decrease of \$9.4 million within the twelve counties analyzed.

This report should provide the Legislature and the public with valuable and timely information about post-Proposition 13 assessment practices. I commend it to you.

The auditors are Richard C. Mahan, Supervising Auditor; Robert T. O'Neill; Eileen Kraskouskas; Samuel D. Cochran; Cynthia M. Hoffart; Dore C. Tanner; Jacques M. Barber; Geraldine C. Heins; Lisa A. Kenyon; Harriet Kiyan; James H. McAlister; Richard B. Weisberg; Michael R. Dedoshka; and support staff is Ann R. MacAdam.

Respectfully submitted,



RICHARD ROBINSON
Assemblyman, 72nd District
Chairman, Joint Legislative
Audit Committee

Attachment

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SUMMARY

In June of 1978, California citizens voted in favor of Proposition 13 which added Article XIII(A) to the California Constitution. Article XIII(A) as amended (1) limits the maximum permissible property tax rate to one percent of full market value and (2) establishes the assessed value of each parcel on the basis of its full cash value on the 1975-76 tax bill, or thereafter, by its appraised value when a purchase, new construction or change in ownership occurs (see Appendix A for Article XIII(A) in its entirety).

Ambiguities in the wording of Proposition 13 and the limited availability of 1975-76 assessment data have caused county assessors to interpret and implement Article XIII(A) differently. Our study identified significant variations in the establishment of base year value for parcels appraised and those not appraised for the 1975-76 tax roll. For the 47 counties we reviewed, we found that:

- Twenty counties revalued all parcels except those reappraised for the 1975-76 tax roll (see page 21)

- Fifteen counties revalued all properties not at full cash value in 1975-76, including those reappraised for the 1975-76 tax roll, to their full market value as of March 1, 1975 (see page 22)
- Twelve counties adopted the actual assessed values recorded on the 1975-76 tax roll as the base year value for developing their 1978-79 tax rolls (see page 24).

Table 1 on page 20 indicates each county's interpretation of base year value.

Furthermore, counties significantly differed in their methods for revaluing properties which had realized changes in ownership and/or were subject to new construction from March 1, 1975 through February 28, 1978. For example, to handle changes in ownership some counties enrolled the parcel's sales price on the 1978-79 tax roll, while other counties either conducted conventional reappraisals, applied trending factors or reduced the sales price by a standard percentage factor (see page 25). In addition, assessors employed different methods for revaluing new construction, including: (1) appraising the value of the new construction separately from the value of the existing portion of the parcel, (2) trending the value of the new construction to the date of the construction, (3) placing minimum value limits on the

new construction considered for valuation and (4) revaluing the entire parcel including the existing and new construction (see page 27).

Varying practices used by counties to develop their 1975-76 tax rolls also affected the 1978-79 tax roll. The number of parcels which counties reappraised for the 1975-76 tax roll ranged from 14 to 100 percent of total parcels in individual counties (see page 43). The total number of properties not appraised, methodology used and schedule for properties which were appraised, as well as other factors prevented counties from enrolling all properties on the 1975-76 tax roll at 100 percent of full market value. Overall, estimated the actual levels achieved ranged from 76 to 99 percent of full market value (see page 54).

Because of counties' varying interpretations of Article XIII(A) and inconsistent assessment practices for constructing both the 1978-79 and 1975-76 tax rolls, disparities exist in the levels of assessed valuation which counties enrolled. In response to this problem, the Assembly Revenue and Taxation Committee Task Force on Property Tax Administration has proposed three options which attempt to clarify Article XIII(A) by suggesting different methods for establishing base year values. In Chapter IV of this study, we estimated the fiscal impact on property tax revenue of implementing each of these options in 12 counties comprising approximately 61 percent of the state's total

assessed valuation. We found that Option 1 would generate approximately \$10.1 million in additional property tax revenue, Option 2 would provide \$1.7 million and Option 3 would result in a revenue loss of \$9.4 million (see page 62). In the 12 counties analyzed, we found that 521,161 parcels would require revaluation if Option 1 was adopted. Option 2 would trigger revaluation of 790,414 parcels while Option 3 would require revaluation of 1,209,900 parcels (see pages 69, 76 and 83).

On the following pages, we have included a list of assessment terms and their definitions to preface the main body of this report. We strongly recommend that the reader review this section since it explains concepts necessary for understanding the entire study.

GLOSSARY OF TERMS

Practitioners at both the state and local levels have used various assessment terms interchangeably. Therefore, to enable the reader to accurately interpret the terms within this report, we have prepared the following glossary.

Appraisal/Reappraisal--A periodic or cyclical evaluation of a total parcel (land and improvements) to substantiate the assessor's judgment of its full market value or, when provided for by law, its restricted value for uniform assessment purposes. Counties appraise or reappraise parcels using various methodologies, such as conventional appraisals, computer-assisted appraisal programs or sophisticated trending techniques.

Appreciation--Increases in parcel value which result from inflation or from special supply and demand forces affecting the specific parcel.

Assessed Valuation--The amount resulting from county assessors assessing all locally secured real property at 25 percent of full market value.

Base Year/Base Year Value--A year designated for valuing specific properties. As a result of Proposition 13's passage, the assessment year 1975-76 serves as the original base year. Thereafter, any assessment year in which real property or a portion thereof is purchased, realizes new construction or changes ownership shall become the base year used in determining the parcel's full cash value, known as its base year value.

Cash Equivalency--An adjustment to a parcel's sales price, such as elimination of finance charges and personal property.

Changes in Ownership--A change in the method of holding title by voluntary or involuntary transfer or by operation of law. This change includes all transfers of property by grant, gift, devise, inheritance, trust, contract of sale, addition or deletion of an owner or property settlement.

Interspousal Transfer--A property transfer between a husband and wife to create or terminate a community property or joint tenancy interest. Transfers of this type do not require reappraisal because they are not considered a change in ownership.

Nonmonetary Transfer--A change in ownership for which cash was not exchanged. An example is the transfer of real property by gift.

Cluster--Parcels selected by a geographical area for appraisal according to the parcel's primary use (i.e., all single family residences in an area).

Computer-Assisted Appraisal Program (CAAP)--Generally a computer program for estimating market value of properties by multiple regression analysis, a statistical technique generally applied to residential parcels for estimating values of unsold properties using statistical data collected from sold properties.

Confirmed Sales--A sales price verified by a document, such as a signed sales letter received from the buyer.

Conventional Appraisal--A value estimate for an individual parcel determined by applying one or more of these basic methods--the sales comparison, income or cost approaches. This process generally involves a physical inspection of the parcel, an analysis of comparative sales data, an estimate of replacement cost less depreciation, and where appropriate, the capitalization of income. The correlation of these value estimates will generally produce the most accurate possible estimate of the market value of unsold properties.

Desk Review/Appraisal--A manual analysis of an individual parcel file to determine an appraised value for that parcel based upon the information contained in that file and other pertinent data. This technique is similar to a conventional appraisal but it does not involve a physical inspection of the parcel.

Equalize--To fix appropriate values for all parcels in a county by considering market values and relationships between parcels.

Escaped Property--Property which has not been assessed or which has been undervalued because of the owner's failure to file a property statement.

Full Cash Value/Fair Market Value*--The amount of cash or its equivalent which property would bring if exposed for sale in the open market based upon the buyer and seller's full knowledge of the property's potential or actual uses and purposes and any enforceable restrictions upon those uses and purposes.

Interim Adjustments--Across-the-board percentage factors, not based upon quantifiable data, which are applied to existing values to increase assessments on a group of properties. These adjustments generally produce interim values that are somewhat below actual market values.

Lien Date--The date when taxes for any fiscal year become a claim against the property. In California, tax liens attach annually as of 12:01 a.m. on the first day of March preceding the fiscal year for which the taxes are levied, except as otherwise specifically provided for in the Property Tax Laws.

Locally Assessed Secured Real Property Roll--Property on the assessment roll for which the taxes are a lien on real property and which the assessor considers sufficient to secure payment of the taxes. It is the county assessor's duty to assess these properties.

Open Space/Agricultural Preserve Parcels--Parcels comprised of:
(1) land within an agricultural preserve and subject to a contract or an agreement or (2) land subject to a scenic restriction and/or land subject to an open-space easement.

* Pursuant to the addition of Article XIII(A) to the California Constitution, the term "full cash value" is restricted under the terms of the Article. For purposes of this report the term "full market value" is synonymous with "fair market value."

Parcel/Property--For purposes of this report, "property" and "parcel" have been used interchangeably to mean an individual parcel designated by an assessor's parcel number.

Revaluation--A change to the total value of a property where the total property is not appraised to 100 percent of current full market value (a portion of the property may have been appraised at full market value). Revaluations may be caused by (1) an appraisal of only a new improvement to a property such as the addition of a room or swimming pool, (2) destruction of an improvement, (3) escape assessments and (4) interim adjustments. For purposes of this report, some references to revaluations for the 1978-79 tax roll include appraisals because we could not fully determine the sophistication of the varying appraisal techniques used.

Sales Ratio Studies--An analysis of the relationship between parcel full market values as compared to the appraised values in a given area (e.g., in a specific neighborhood a parcel is appraised at 80 percent of the full market value).

Tax Roll--For purposes of this report, "tax roll" refers to a county's assessment roll.

Trending--The method of increasing assessments on a group of parcels by applying an appropriate percentage derived from an analysis of quantifiable data. This technique generally produces interim values that are somewhat below actual market values.

Use Codes--Codes which identify both a parcel's primary or actual use and its highest-and-best use. For example, the primary use of a single family residence located on a commercially zoned lot would be single family residential while its highest-and-best use would be commercial.

CHAPTER I

INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee, we have surveyed the assessment practices counties used to develop their 1978-79 locally secured real property tax rolls. Additionally, we have gathered and analyzed information pertaining to three options being considered by the Assembly Revenue and Taxation Committee regarding the implementation of Proposition 13. This review was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code.

BACKGROUND

Prior to the passage of Proposition 13 in June of 1978, the California Constitution and statutes prescribed certain standards for the taxation of real property by both counties and the State Board of Equalization. Article XIII of the Constitution provides that all property except that specifically exempted is taxable and shall be assessed at the same percentage of fair market value. Section 401 of the Revenue and Taxation Code sets that percentage at 25 percent. In accordance with the directives of Article XIII, county assessors would annually assess all taxable property in the county, except for certain property which the State assessed. Based on the tax rates fixed

and levied by the board of supervisors, the county auditor computed the tax due on each parcel of property in the county and entered them on the tax roll.

Proposition 13 has not changed the State Board of Equalization's responsibility for appraising the property of public utilities and allocating assessed values to each local taxing jurisdiction in which such property is located. The Board also continues to issue rules governing assessment practices, periodically surveys all aspects of each assessor's appraisal practices and performs an inter-county equalization study in one-third of the counties each year. This study consists of determining the ratio of assessed value to full cash value for all locally assessed property. The Board may then equalize the appraisals in a surveyed county by increasing or lowering the entire valuation of locally assessed property on the assessment roll.

Article XIII(A) of the State
Constitution: Changes and Issues

The passage of Proposition 13 in June of 1978 added Article XIII(A) to the California Constitution. (This Article is reprinted in Appendix A.) The law as enacted contains two primary parts regarding property tax assessment procedures. First, Article XIII(A) sets a limit of one percent of full cash value as the maximum permissible property tax rate. The

requirement that real property be assessed at 25 percent of full value was unchanged by Article XIII(A). Therefore, the effective maximum tax rate became \$4 for every \$100 of assessed value.

Second, the assessed value of each parcel is now initially determined by the full cash value of the property as shown on the 1975-76 tax bill. Property is reappraised only if it has undergone a change in ownership or new construction. Property which had not been assessed up to the 1975-76 tax levels could be reassessed to reflect 1975-76 values. After the base year value is determined, this amount may be increased by no more than two percent per year to reflect the rate of inflation.

Article XIII(A) fundamentally changed the method of appraising and assessing property in California. Assessors were formerly required to appraise all taxable property at its full cash value and, to comply with this mandate, performed either annual or cyclical reappraisals to ensure that the value shown on the tax roll was accurate. However, Article XIII(A) allows assessors to perform reappraisals only when property undergoes a change in ownership or new construction, thereby terminating the cyclical reappraisal process.

The new appraisal system also necessitates that changes occur in the type of management information county assessors maintain. The Task Force on Property Tax Administration suggests that Article XIII(A) necessitates a system in which changes in

ownership and new construction are reported to the assessors. Additionally, it is necessary to maintain the base year values, continually update them to reflect inflation increases or events triggering a reappraisal.

Proposition 8

Proposition 8 was a legislative constitutional amendment which passed on the November 1978 ballot. This measure amended Article XIII(A) in three ways. First, Article XIII(A) as enacted stated that "all real property not already assessed up to the 1975-76 tax levels may be reassessed to reflect that valuation" (emphasis added). Proposition 8 changed "tax levels" to "full cash value." Second, Proposition 8 further amended Article XIII(A) to exempt property reconstructed after a disaster from the category of new construction if the fair market value of the rebuilt property is comparable to its value prior to the disaster. Third, the amendments allow a reduction in assessed valuation to reflect damage or other factors causing a decline in value.

Other Legislation Subsequent to Proposition 13

The Legislature enacted statutes after the June 1978 election to implement Article XIII(A). The major provisions of these measures included:

- The 1978-79 tax roll was defined as the 1975-76 tax roll increased by (1) reappraisals necessary to bring property up to its 1975-76 full cash value, (2) reappraisals for transfers and new construction and (3) the annual two percent maximum inflation factor
- Certain transfers were excluded as a change in ownership (e.g., interspousal) for 1978-79
- Every county is required to levy the entire tax rate of \$4 per \$100 of assessed valuation
- Article XIII(A) provides that the one percent property tax be collected by the counties and apportioned to the districts within the counties. Therefore, the Legislature developed a formula to determine the share of tax revenue each local entity in a county will receive.

State Board of Equalization
Guidance for Implementing
Proposition 13

On June 29, 1978, the Board of Equalization adopted Sections 460 through 471 of the California Administrative Code. These sections, designed to implement, clarify and interpret parts of the Revenue and Taxation Code, define terminology and provide guidance on issues raised by Article XIII(A). Specifically, the sections:

- Define "base year," "full cash value" and "inflation rate," terms crucial in establishing base year values
- Define the term "newly constructed"
- Establish which changes in ownership trigger reappraisal
- Clarify the application of property tax rates to property values less exemptions
- Discuss the valuation of special property types, such as golf courses and possessory interests.

After the enactment of Article XIII(A), the Board also issued to county assessors a series of letters answering specific questions regarding Article XIII(A). While the letters generally addressed issues such as business inventory exemptions and the valuation of unique property types, an August 1978 letter advised assessors to revalue those properties which had been reappraised for the 1975-76 tax roll but which did not reflect 1975 values.

Issues Requiring
Further Clarification

Despite the enactment of Proposition 8 and the passage of legislation to implement Article XIII(A), several matters crucial to interpreting the law still require clarification.

Among these matters are the issues of changes in ownership, new construction and determination of appropriate 1975-76 base year values.

Changes in Ownership

While changes in ownership trigger reappraisals under Article XIII(A), the new law does not specify what types of real property transfers constitute such changes. Chapter 292, Statutes of 1978 and Chapter 332, Statutes of 1978 provided that, with specified exceptions, any transfer of legal or equitable title (including leases in excess of ten years) is to be considered as a change in ownership. These provisions are only effective until July 1, 1979, after which time these terms will require re-definition.

New Construction

Article XIII(A) provides that new construction will also trigger a reappraisal, but does not define the term. To guide county assessors, the State Board of Equalization issued a regulation which defined new construction as any addition or improvement to land or alteration of an existing improvement which converts property to another use or which extends the economic life of the improvement. In addition, the Board specified other renovations which constituted routine maintenance and did not warrant reappraisal.

Determination of Appropriate
1975-76 Base Year Values

Varying opinions exist concerning what constitutes the appropriate 1975-76 base year value of real property for tax assessment purposes. Much of this controversy results from ambiguities in the language of Article XIII(A). One example is the troublesome phrase "full cash value." Article XIII(A) states that the maximum property tax cannot exceed one percent of the full cash value of a parcel. Full cash value is defined in that law as "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value'. . . ." However, Section 2611.5 of the Revenue and Taxation Code indicates that the term "full value" rather than "full cash value" be used on the tax bill. Therefore, in some counties the phrase "full cash value" may not even have appeared on the 1975-76 tax bills. Other ambiguities result from imprecise usage of key words. Article XIII(A) uses the term "appraisal" and "reassessment" interchangeably although the words have different meanings. "Assess" means to charge, levy or tax for value, while "appraisal" may be defined as an authorized person's estimate of the valuation of property.

Base year value is also an important issue that needs to be resolved since that is the value which (1) constitutes the primary valuation until a transfer or new construction occurs and (2) which determines the amount of property tax revenue that a

county will receive. The Legislature addressed this issue in part by adding to the Revenue and Taxation Code Section 110.1, which reads in part:

If property has not been appraised pursuant to Section 405.5 (which requires periodic appraisals) to its appropriate base year value, "full cash value" means the reappraised value of such property as of the base year lien date. Such reappraisals may be made at any time. . . (emphasis added).

However, on January 15, 1979 in the Alameda County Superior Court case of John W. Holmdahl vs. Donald J. Hutchinson, Assessor of Alameda County, No. H-55317-9, the court enjoined the Assessor from reappraising parcels which were revalued for the 1975-76 tax roll and declared that Article XIII(A) was "not intended to give the Assessor carte blanche to reassess every property" (court's emphasis).

The Assembly Revenue and Taxation Committee Task Force on Property Tax Administration believed that existing statutes need to be clarified to the extent permitted by the Constitution and the courts. The Task Force proposed three options to establish the 1975-76 base values and in Chapter IV we analyze the fiscal impact of these.

CHAPTER II

VARYING INTERPRETATIONS OF ARTICLE XIII(A) COUNTIES USED IN DEVELOPING THE 1978-79 TAX ROLL

Ambiguities in the wording of Proposition 13 and the limited availability of 1975-76 assessment data caused county assessors to interpret and implement Article XIII(A) differently. We identified significant variations in the treatment of parcels appraised and those not appraised for the 1975-76 tax roll. Of the 47 counties reviewed, 12 counties adopted the actual assessed values recorded on the 1975-76 tax roll as the base year value for developing their 1978-79 tax rolls. On the other hand, 15 counties revalued all properties, including those reappraised for the 1975-76 tax roll to provide a basis for constructing their 1978-79 tax rolls. Twenty other counties revalued all parcels except those reappraised for the 1975-76 tax roll.

Counties also significantly differed in methods for revaluing properties which realized changes in ownership and/or were subject to new construction after March 1, 1975. In the case of parcels with changes in ownership, counties enrolled the parcel's sales price on the 1978-79 tax roll; other counties adopted a percentage of the sales price, the roll value subsequent to the sale or a combination of methods. Among the methods counties used to revalue new construction were: (1) appraising the value of new construction separately from the

value of the existing portion of the parcel, (2) trending the value of the new construction backward or forward to the date of construction, (3) placing minimum value limits on the new construction considered for revaluation and (4) revaluing the entire parcel including the existing and new construction.

INTERPRETATIONS COUNTIES USED
TO DEVELOP 1978-79 TAX ROLLS

County assessors interpreted and implemented the section of Article XIII(A) pertaining to 1975-76 base year value in various ways. Generally, the interpretations for establishing the 1975-76 base year value for properties not changing ownership or receiving new construction from March 1, 1975 through February 28, 1978 fall into three major categories:

- Revalued all parcels except those reappraised for the 1975-76 tax roll
- Revalued all parcels which were not at full cash value in 1975-76 including those reappraised for the 1975-76 tax roll
- Adopted the assessed value as shown on the 1975-76 tax roll regardless of year of reappraisal.

Table 1 on the following page indicates which interpretation each of the 47 counties adopted.

TABLE 1

INTERPRETATIONS USED BY COUNTIES
TO DEVELOP THE 1978-79 TAX ROLL

<u>County</u>	Revalued All Parcels Except Those Reappraised for the 1975-76 <u>Tax Roll</u>	Revalued All Parcels Not at Full Cash Value Including Those Reappraised for the 1975-76 <u>Tax Roll</u>	<u>Adopted 1975-76 Assessed Value</u>
Alameda		X	
Amador	X		
Butte		X	
Calaveras	X		
Colusa	X		
Contra Costa		X	
Del Norte		X	
Fresno		X	
Glenn		X	
Humboldt		X	
Inyo	X		
Kern	X		
Kings		X	
Los Angeles	X		
Madera			X
Marin	X		
Mendocino		X	
Merced	X		
Modoc		X	
Mono			X
Monterey		X	
Nevada			X
Orange		X	
Placer			X
Plumas	X		
Riverside	X		
Sacramento	X		
San Bernardino		X	
San Diego			X
San Francisco			X
San Joaquin	X		
San Mateo		X	
Santa Barbara	X		
Santa Clara			X
Santa Cruz			X
Sierra	X		
Siskiyou	X		
Solano			X
Sonoma	X		
Stanislaus	X		
Sutter	X		
Tehama			X
Trinity		X	
Tulare			X
Ventura			X
Yolo	X		
Yuba	X		
	—	—	—
TOTALS	<u>20</u>	<u>15</u>	<u>12</u>

Counties Revaluing All Parcels
Except Those Reappraised
for the 1975-76 Tax Roll

Twenty of the 47 counties reviewed revalued all parcels to 1975-76 full cash values except those which had been reappraised for the 1975-76 tax roll and which had realized no subsequent changes in ownership or new construction. Although assessors employed similar methods to implement this interpretation within the counties we visited, some variations occurred.

Sacramento County was one of 20 counties which revalued only parcels not reappraised for the 1975-76 tax roll. The Sacramento County Assessor identified parcels needing adjustment to 1975-76 base year values and used sales data from homogeneous neighborhoods to determine new base year values. The base year values for parcels revalued to 1975-76 levels and those reappraised for the 1975-76 tax roll were then increased by the two percent per year inflation factor to yield the assessed values for the 1978-79 tax roll.

Although Sonoma County adopted the same interpretation of base year value as counties like Sacramento, it implemented the interpretation differently. Sonoma County revalued all parcels to 1975-76 values except those reappraised for the 1975-76 tax roll (which had realized no subsequent changes in ownership or new construction) by conventional and computer-assisted appraisal methods. All parcels reappraised for

the 1975-76 tax roll with other than conventional or computer-assisted appraisal techniques and all parcels not reappraised for the 1975-76 tax roll were revalued to determine 1975-76 tax roll values. These values were then increased by the two percent per year inflation factor to determine assessed value for the 1978-79 tax roll.

Counties Revaluing All Parcels
Not at Full Cash Value in 1975-76
Including Those Reappraised
for the 1975-76 Tax Roll

Fifteen of the 47 counties reviewed considered all parcels for revaluation, including those reappraised for the 1975-76 tax roll, in developing a 1975-76 tax roll that reflected full market value. In following this interpretation, counties assumed that some or all parcels, including those reappraised for the 1975-76 tax roll, were not enrolled at full cash value on the 1975-76 tax roll and needed to be adjusted up to full cash value.

While these 15 counties shared a general interpretation, they again differed in their methods for implementing it. For example, the Fresno County Assessor used sales ratio data to determine 1975-76 fair market values for parcels. Appraisers developed factors for mapbook areas and trended each parcel. The level of fair market value computed for

each parcel was reviewed for accuracy and adjusted if necessary. The two percent per year inflation factor was then applied to determine the assessed value on the 1978-79 tax roll.

San Bernardino County's method of establishing the 1975-76 base year value differed somewhat from Fresno County's method. Median and mean sales ratios were computed on a neighborhood-by-neighborhood basis. In areas where the sales ratios were low, staff computed a trending factor to adjust base year values to full cash values. Thus, while San Bernardino County considered all neighborhoods for revaluation, they only adjusted 1975-76 tax roll levels for neighborhoods with low sales ratios. The two percent per year inflation factor was then applied to determine the assessed value on the 1978-79 tax roll.

Contra Costa County combined several revaluation methods for different property types in developing an adjusted 1975-76 tax roll. This county trended single family residences to 1975-76 full market value using trend factors based on sales data for homogeneous neighborhoods. The Assessor's staff revalued multiple family parcels by factoring the 1975-76 tax roll value by ten percent. But to determine a 1975-76 base year value for commercial parcels, the Assessor identified the first appraisals before and after March 1, 1975, then prorated the difference in value between these appraisals to March 1, 1975 to yield a 1975-76 base year value. Finally, industrial parcels retained their 1975-76 tax roll value as did most rural and

agricultural parcels. The county then adjusted the base year values of all parcels for the two percent per year inflation factor.

Counties Adopting Assessed Value
Shown on the 1975-76 Tax Roll

To establish a 1975-76 base year value, 12 counties revalued only those parcels with changes in ownership or new construction from March 1, 1975 through February 28, 1978. All other parcels were enrolled on the 1978-79 tax roll at the value shown on the 1975-76 tax roll adjusted for the two percent per year inflation factor.

Each of these counties revalued parcels in a similar manner. For example, Santa Clara County revalued only those parcels with changes in ownership or new construction from March 1, 1975 through February 28, 1978. All other parcels were enrolled on the 1978-79 tax roll at the value shown on the 1975-76 roll adjusted for the two percent per year inflation factor.

METHODS USED FOR VALUING CHANGES
IN OWNERSHIP AND NEW CONSTRUCTION

Article XIII(A) requires the reappraisal of parcels undergoing changes in ownership or new construction. The assessed value of a property is set at appraised (or market)

value at the time of sale or new construction. Assessors used differing methods to establish values for parcels changing ownership or experiencing new construction.

Parcels with Changes in Ownership
after March 1, 1975

To determine the appropriate value for parcels changing ownership, counties attempted to verify the sales price or market value of the properties. However, if an assessor concluded that the sales price did not reflect true market value, he adjusted the assessed value of the parcel to an appropriate level. Counties used different methods to adjust assessed values to appropriate levels, such as adopting (1) the actual sales price, (2) a percentage of the sales price, (3) the roll value subsequent to the sale or (4) a combination of methods.

In Sacramento County, appraisers reviewed each sale to determine if it reflected true market value. If the sales price appeared realistic, staff adopted it as the base value for the parcel. For those parcels whose sales prices did not represent full market value, the appraiser determined the appropriate value using comparable sales or cost data.

San Diego County valued parcels with changes in ownership in essentially the same manner as Sacramento County but adjusted parcels to reflect cash equivalency. The Assessor valued parcels which were confirmed sales at the sales price for

land and improvements less ten percent to reflect a cash equivalency. The Assessor conducted an office appraisal for unconfirmed sales.

To establish a base year value for parcels which had realized changes in ownership through a sale, Santa Cruz County compared the sales price with the value the Assessor enrolled on the lien date subsequent to the sale. The lien date value was used as the base year value if it was greater than the sales price; if not, the sales price was adopted as the base year value. The Assessor then applied the two percent per year inflation factor adjustment to the base year value to determine the 1978-79 tax roll value.

Finally, Stanislaus County used a number of methods to revalue parcels with changes in ownership. The Stanislaus County Assessor revalued parcels based on sales price, a trending procedure or conventional appraisal. Appraisers reviewed the sales price to determine if it reflected fair market value. For those parcels whose sales price indicated fair market value, appraisers adopted the base value as the sales price. Within this review, appraisers compared the indicated sales price with the 1975-76 base value which was factored up to the date of sale by a computed appreciation rate. If the sales price was not at fair market value, the factored value became the base value. When neither value was acceptable, the Assessor conducted a conventional appraisal of the parcel.

Parcels with New Construction
after March 1, 1975

Assessors revalued parcels with new construction using a variety of methods; each of these methods affected the total value added to 1978-79 county tax rolls. The methods used by the counties include: (1) appraising the value of new construction separately from the value of the existing portion of the parcel, (2) trending the value of the new construction backward or forward to the date of construction, (3) placing minimum value limits on the new construction considered for revaluation and (4) revaluing the entire parcel including the existing and new construction.

Thirteen of the 21 counties visited identified all parcels with new construction after March 1, 1975 and established base year values for both the existing and newly constructed portions of parcels. For example, the Santa Cruz County Assessor valued the newly constructed portion and separately applied the two percent annual inflation factor to both the existing and new construction values. These adjusted values were then combined to determine a total assessed value for the 1978-79 tax roll for each parcel with new construction.

Kern County, on the other hand, used a trending method to determine assessed values for parcels with new construction. Prior to the passage of Proposition 13, Kern County added the value of a parcel's new construction to the last appraised value

of the parcel. This appraised value remained on the roll until the next cyclical appraisal. In developing the 1978-79 tax roll, the Assessor's computer program multiplied the most recent appraised value for parcels with new construction by a 1975 trend factor based on neighborhood sales data. These 1975-76 base year values were then trended to 1978-79 values using the two percent per year inflation factor. The Assessor anticipated that there would be errors because the computer program did not consider the date the new construction had occurred. For example, if the parcel had been appraised for the 1973-74 tax roll and received new construction in 1977, the computer took the value of the parcel and construction from 1977 and multiplied it by the appropriate 1975 factor to establish a 1975-76 base year. The parcel and the new construction were trended forward to 1978-79 values by the inflation factor. Appraisers reviewed print-outs for obvious errors and then relied on parcel owners to contact the office before correcting those errors which escaped notice.

Because of deadlines to complete the 1978-79 tax roll, San Francisco County placed a limitation on the value of new construction considered for revaluation. The Assessor identified and revalued parcels with major new construction. The Assessor defined major new construction as residential parcels with new construction valued over approximately \$5,000 and major commercial/industrial parcels with new construction valued over approximately \$50,000. Appraisers added the value of new construction to the value of existing improvements and trended

these values by applying an appropriate inflation factor. This resultant value was added to the land's value, which had been increased by the two percent per year inflation factor, to yield a total 1978-79 tax roll value.

Finally, Sonoma County employed conventional appraisals and actual cost methods to revalue parcels with new construction. For parcels with additional construction to existing structures, Sonoma County only revalued the total parcel when the additional construction added either a 100 percent increase to the square footage of the property or a 100 percent increase to the parcel's value, in which case the land, existing structure and the improvement were reappraised to a full market value for the year of the new construction.

HYPOTHETICAL COST ANALYSIS OF IMPACT
OF VARYING INTERPRETATIONS OF
ARTICLE XIII(A)

Due to the unique characteristics of individual counties, it is difficult to compare them or to quantify the cost impact of their varying practices. However, by conducting a hypothetical cost analysis, we were able to illustrate the effect varying interpretations of Article XIII(A) had upon counties statewide. For example, the cost impact of each county's method of implementing Proposition 13 depends on numerous factors including total number of parcels, the number and value of changes in ownership, the amount of new construction, the appreciation rate of property and the assessment practices and

value levels parcels achieved before passage of Proposition 13. On the following pages we provide examples using base year value, change in ownership and new construction to illustrate various parcel assessment levels resulting from different assessment practices.

Base Year Value

Three methods of establishing base year values for parcels with no changes in ownership or new construction from March 1, 1975 to February 28, 1978 are illustrated below. To conduct this analysis, we constructed a table showing a property appreciating at one percent per month in full market value.*

TAX ROLL AND FULL MARKET VALUE OF PROPERTY

<u>Lien Date</u>	<u>Tax Roll Value** (Reappraised Every Three Years)</u>	<u>Tax Roll Value** (Reappraised Annually)</u>	<u>Full Market Value</u>
1973-74	\$33,500	\$33,500	\$34,300
1974-75	\$33,500	\$37,500	\$38,400
1975-76	\$33,500	\$42,000	\$43,000
1976-77	\$47,000	\$47,000	\$48,200
1977-78	\$47,000	\$52,600	\$54,000
1978-79	-	-	\$60,500

* Calculations are rounded to nearest hundred dollars of assessed valuation.

** The appraised value is based on an average market value from June of one year to June of the following year. This averaging technique results in a time lag in value of from two to four percent of the parcel's full market value.

CASE A: Adopted the Reappraised 1975-76 Tax Roll Value

METHOD: The actual assessed value on the 1975-76 tax roll is multiplied by the annual inflation factor (assuming parcel was revalued for 1975-76 tax roll).

1975-76 tax roll value	\$42,000
Annual inflation factor (3 years)	X <u>1.0612</u>
1978-79 tax roll value	<u>\$44,600</u>

CASE B: Parcel is Revalued to a Full Market Level, Even if Reappraised for the 1975-76 Tax Roll

METHOD: The full market value as of March 1, 1975 is adjusted by the annual inflation factor.

Full market value at March 1, 1975	\$43,000
Annual inflation factor (3 years)	X <u>1.0612</u>
1978-79 tax roll value	<u>\$45,600</u>

CASE C: Accepted the Actual Assessed Value on the 1975-76 Tax Roll

METHOD: The actual assessed value on the 1975-76 tax roll is multiplied by the annual inflation factor (assuming parcel was last revalued for 1973-74 tax roll).

1975-76 tax roll value	\$33,500
Annual inflation factor (3 years)	X <u>1.0612</u>
1978-79 tax roll value	<u>\$35,500</u>

The above cases illustrate the variance in assessed values which result from applying different methods. In the cases presented, the base year value varied as much as 28 percent between the 1978-79 tax roll values. The lowest assessment level, represented by Case C, resulted from accepting the 1975-76 tax roll value when the parcel had not been reappraised for several years. Of course, the cost impact may have been greater had the reappraisal cycle been longer. The next lowest assessment level, that of Case A, results from adopting the reappraised 1975-76 tax roll value. Thus, the methodology of the appraisal determines the appraisal value. In our example, the assessed value is based on an average market value from June 1974 to June 1975. This averaging technique may have resulted in a time lag in value. And the cost impact may have been greater had

older market data been used. Finally, the highest appraisal resulted from determining the full market value of the parcel as of March 1, 1975.

Changes in Ownership

Three methods of establishing base year values for parcels which realized changes in ownership on June 1, 1976 are illustrated below. Again, our examples are based upon a parcel appreciating at one percent per month in full market value.*

TAX ROLL AND FULL MARKET VALUE OF PROPERTY

<u>Date</u>	<u>Tax Roll Value (Revalued Annually)</u>	<u>Full Market Value</u>
March 1, 1975	\$42,000	\$43,000
March 1, 1976	\$47,000	\$48,200
June 1, 1976	-	\$49,700
March 1, 1977	\$52,600	\$54,000
March 1, 1978	\$59,000	\$60,500

CASE A: Sales Price Used for the Base Value of the Parcel

METHOD: The sales price is adjusted by the annual inflation factor.

Sales price	\$49,700
Annual inflation factor (1 year)	<u>X 1.02</u>
1978-79 tax roll value	<u>\$50,700</u>

* Calculations are rounded to nearest hundred dollars of assessed valuation.

CASE B: Adjusted Sales Price Used for the Base Value of the Parcel

METHOD: The sales price is reduced for cash equivalency by ten percent and then adjusted by the annual inflation factor.

Sales price	\$49,700
Less ten percent for cash equivalency	<u>- 4,970</u>
Adjusted sales price	<u>\$44,700</u>
Annual inflation factor (1 year)	<u>X 1.02</u>
1978-79 tax roll value	<u><u>\$45,600</u></u>

CASE C: Roll Value Subsequent to the Sale Used for the Base Value of the Parcel

METHOD: The roll value subsequent to the sale is adjusted by the two percent annual inflation factor.

1977-78 tax roll value	\$52,600
Annual inflation factor (1 year)	<u>X 1.02</u>
1978-79 tax roll value	<u><u>\$53,700</u></u>

The various methods of determining assessed value of properties with changes in ownership resulted in variances in valuation of up to 17.8 percent in the above cases. The lowest appraisal results from the adjusted sales price method. However,

the cost impact would have been greater if the sales price was higher. The highest appraisal resulted from using the tax roll value subsequent to the sale.

New Construction

Four methods of establishing base year values for parcels which had additions to existing structures and which had original construction completed by June 1, 1976 are illustrated below. Two methods are used to illustrate both additions to existing structures and original construction. These examples are based upon a property appreciating at one percent per month which has not undergone a change in ownership since February 28, 1975.*

Addition to Existing Structures

These examples are based upon a parcel with an existing structure completed in June 1976 with a cost of \$3,000 and full market value (value added) of \$5,000. The addition is added to the tax roll at an unadjusted full market value on March 1, 1977. The hypothetical cases are based on the following table of values:

* Calculations are rounded to nearest hundred dollars of assessed valuation.

TAX ROLL AND FULL MARKET VALUE OF PROPERTY

<u>Date</u>	<u>Tax Roll Value</u>	<u>Full Market Value</u>
March 1, 1975	\$42,000	\$43,000
March 1, 1976	\$47,000	\$48,200
June 1, 1976	-	\$54,700
March 1, 1977	\$57,600	\$59,600
March 1, 1978	\$64,500	\$66,800

CASE A: New Construction Appraised Separately from the Value
of the Existing Portion of the Parcel

METHOD 1: The 1975-76 tax roll value of the existing structure is adjusted by the annual inflation factor. The full market value of the addition is then adjusted by the annual inflation factor and added to the adjusted value of the existing structure.

1975-76 tax roll value of existing structure	\$42,000
Annual inflation factor (3 years)	X <u>1.0612</u>
Adjusted existing structure value	<u>\$44,600</u>
Full market value of addition	\$ 5,000
Annual inflation factor	X <u>1.02</u>
Adjusted addition value	<u>\$ 5,100</u>
Adjusted existing structure value	\$44,600
Adjusted addition value	<u>\$ 5,100</u>
1978-79 tax roll value	<u><u>\$49,700</u></u>

METHOD 2: The 1975-76 tax roll value of the existing structure is adjusted by the annual inflation factor. The cost of the addition is adjusted by the annual inflation factor, then added to the adjusted value of the existing structure.

1975-76 tax roll value of existing structure	\$42,000
Annual inflation factor (3 years)	X <u>1.0612</u>
Adjusted existing structure	<u>\$44,600</u>
Cost of addition	\$ 3,000
Annual inflation factor (1 year)	X <u>1.02</u>
Adjusted addition value	<u>\$ 3,100</u>
Adjusted existing structure value	\$44,600
Adjusted addition value	<u>3,100</u>
1978-79 tax roll value	<u><u>\$47,700</u></u>

CASE B: Limitation on Value of New Construction

METHOD: The \$5,000 addition is below the minimum assessment level, therefore is not assessed any value.

1975-76 tax roll value	\$42,000
Annual inflation factor	X <u>1.0612</u>
1978-79 tax roll value	<u><u>\$44,600</u></u>

As Case B illustrates, the lowest appraisal results from placing value limits on the new construction considered for revaluation. The assessment level achieved by valuing the existing portion of the parcel separately from the addition depends on whether cost or market data is used to value the addition.

Original Construction

The following cases are based upon a parcel whose original structure was completed on vacant land in June 1976. The cost of the improvement was \$30,000. The full market value of the improvement is \$45,000. The improvement was partially completed on March 1, 1976, and the 1976-77 tax roll value reflects this partial completion. The hypothetical examples are based on the following table of values:

TAX ROLL VALUE AND FULL MARKET VALUE OF PROPERTIES

<u>Date</u>	<u>Tax Roll Value</u>	<u>Original Construction Full Market Value</u>	<u>Similar Existing Structures Full Market Value</u>
March 1, 1975	\$ 6,000	\$ 6,000	\$45,100
March 1, 1976	\$16,000	\$16,800	\$50,500
June 1, 1976	-	\$52,000	\$52,000
March 1, 1977	\$55,100	\$56,600	\$56,600
June 1, 1977	-	\$58,200	\$58,200
March 1, 1978	\$61,700	\$63,400	\$63,400

CASE A: 1978-79 Pre-Proposition 13 Roll Value Trended to the Date the New Construction is Completed (The trend factor is based upon full market values at March 1, 1976 and March 1, 1977. The factor for June is computed from March 1976 and March 1977 factors. Each of these factors is derived from full market values of similar existing structures.)

METHOD: The 1978-79 pre-Proposition 13 tax roll value is trended back to the date of construction and adjusted by the annual inflation factor. Examples of trending factors a county may have developed are:

Factor for March 1, 1976	.842
Factor for June 1, 1976	.861
Factor for March 1, 1977	.917
1978-79 pre-Proposition 13 roll value	\$61,700
June 1976 factor	<u>X .861</u>
Trended value	<u>\$53,100</u>
Annual inflation factor (1 year)	<u>X 1.02</u>
1978-79 tax roll value	<u><u>\$54,100</u></u>

CASE B: Entire Parcel Value Revalued for the New Construction

METHOD: The tax roll value subsequent to the completion of the new construction is adjusted by the annual inflation factor.

1977-78 tax roll value	\$55,100
Annual inflation factor (1 year)	<u>X 1.02</u>
1978-79 tax roll value	<u>\$56,200</u>

The assessment level the trend factor achieves depends upon the nature of the data used for comparative purposes and the precision of mathematical techniques. The higher appraisal resulted from using the subsequent tax roll value to the completion of new construction.

The hypothetical examples have illustrated the variation in assessment levels that can result from counties employing differing assessment practices. Such variations occurred in the establishment of base year value and the treatment of changes in ownership and new construction.

CHAPTER III

COUNTY ASSESSMENT PRACTICES USED IN DEVELOPING THE 1975-76 TAX ROLL

Article XIII(A) of the State Constitution established 1975-76 full cash value of property, as defined, as the valuation base for future tax purposes. Because of the integral relationship between the 1975-76 and 1978-79 tax rolls, the practices and methods used to develop the 1975-76 tax roll could affect the level of assessed value achieved in 1978-79.

The 21 counties reviewed varied in developing their 1975-76 tax rolls primarily in the following areas:

- County Reappraisal Activity--The number of parcels counties reappraised for the 1975-76 tax roll ranged from 14 to 100 percent of total parcels in individual counties
- Appraisal Methods Used in Counties--Counties used a variety of appraisal methods to construct their 1975-76 tax rolls, including conventional appraisals, computer-assisted appraisals, trending and interim adjustments
- Level of Full Market Value Achieved--Due to the variation in the amount of reappraisal activity and methods used, in addition to other factors,

the overall estimated level of full market value counties achieved varied from 79 to 91 percent in the 12 counties for which sufficient data was available. In one specific category of property, the variation ranged from 63 to 100 percent.

COUNTY REAPPRAISAL ACTIVITY
FOR THE 1975-76 TAX ROLL

Section 405.6 of the Revenue and Taxation Code required each county assessor to file a plan for cyclical appraising of all property within the county with the State Board of Equalization by March 1, 1978. The law further required that the plan (1) provide for reappraisal of each property at least once every five years and (2) specify the geographical areas and/or property classification to be appraised. Prior to March 1, 1978, county assessors were not required to reappraise property based upon a specifically defined cycle. As a result, methods for identifying properties for reappraisal and the percentage of total properties reappraised for the 1975-76 tax roll varied significantly among counties.

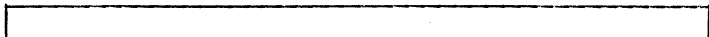
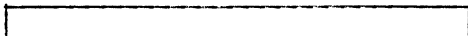
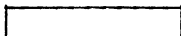
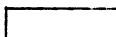
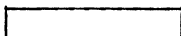
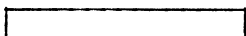
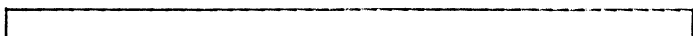
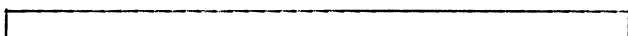
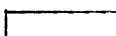
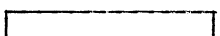
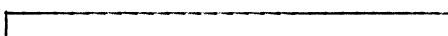
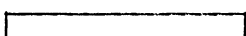
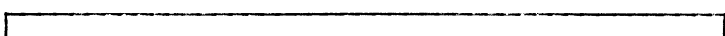

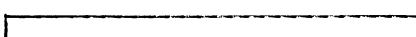
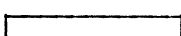
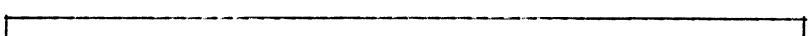

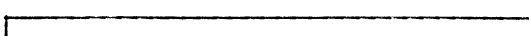
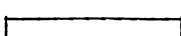
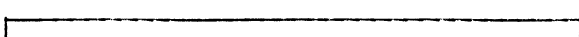
For the 1975-76 tax roll, counties generally selected either neighborhoods, clusters or mapbook areas for reappraisal based upon (1) sales ratio studies identifying areas with the largest value dispersion, (2) the number of years since the last reappraisal was conducted and (3) annual reappraisal schedules. Although 17 of the 21 counties visited used sales ratio studies

to identify parcels for reappraisal, only one county selected parcels with the oldest last appraisal. Three counties appraised all property on either a two, three or seven-year appraisal cycle. Not only methods of selecting parcels for reappraisal, but also availability of staff and computer resources affected the number of parcels counties reappraised for the 1975-76 tax roll.

The following table summarizes the percentage of properties reappraised for the 1975-76 tax roll for each county visited. It is significant that 9 of the 21 counties we visited reappraised less than 30 percent of their total parcels for the 1975-76 tax roll while 7 counties reappraised more than 70 percent of their total parcels for that roll.

TABLE 2

ESTIMATED PERCENT OF PARCELS
REAPPRAISED OR REVALUED IN COUNTIES
FOR THE 1975-76 TAX ROLL

<u>County</u>	<u>Percent of Total Parcels</u>											<u>Total Parcels on the 1975-76 Tax Roll</u>
	0	10	20	30	40	50	60	70	80	90	100	
ALAMEDA												301,792
CONTRA COSTA												197,288
FRESNO												174,360
KERN												279,569
LOS ANGELES												1,884,882
MARIN												81,443
MONTEREY												82,877
ORANGE												458,182
RIVERSIDE												318,077
SACRAMENTO												221,565
SAN BERNARDINO												485,157
SAN DIEGO												491,460
SAN FRANCISCO												153,564
SAN JOAQUIN												99,606
SAN MATEO												183,673
SANTA BARBARA												84,389
SANTA CLARA												323,964
SANTA CRUZ												78,065
SONOMA												110,369
STANISLAUS												73,218
VENTURA												142,768

APPRAISAL METHODS USED BY
COUNTIES FOR THE 1975-76 TAX ROLL

To appraise the full market value of a property's land and improvements for the 1975-76 tax roll, county assessors relied primarily upon conventional appraisals, computer-assisted appraisals and/or trending methodologies.* Each of the 21 counties we visited conducted conventional reappraisals which accounted for only about 30 percent of the total parcels reappraised in these counties. Furthermore, county assessors within the 21 counties trended almost 42 percent of the parcels to a March 1, 1975 lien date and used computer-assisted appraisal programs to reappraise another 19 percent of the total properties reappraised in those counties.

The property appraisal process involves a systematic collection and analysis of data which appraisers synthesize to arrive at a final estimate of full market value. Appraisers determine full market value through either (1) a market approach comparing sales of similar properties in the area, (2) a cost approach in which land and the depreciated replacement cost of improvements are individually valued and/or (3) an income approach capitalizing potential net income into value. County

* Some assessors used these techniques for conducting maintenance appraisals where only certain property improvements (e.g., swimming pools and room additions) were appraised. Additionally, some assessors applied interim adjustment factors to some parcels to prevent values from falling further behind current full market value. Because the total property was not being reappraised to current full market value in these cases, we categorized them as revaluations and not reappraisals. See the Glossary of Terms for further clarification.

assessors used varying methods to analyze data to appraise different types of properties to full market value. On the following pages we have catalogued the primary appraisal methods which assessors employed.

Conventional Appraisal

Each county visited reappraised at least a portion of their properties by conventional appraisal--a process during which an appraiser either physically reviews each individual property and/or manually analyzes all pertinent data to arrive at a full market value. Conventional reappraisals may be used to conduct a market, cost and/or income appraisal approach.

In eight counties, assessors conventionally reappraised over 50 percent of the parcels they appraised for the 1975-76 tax roll. In Riverside County all parcels appraised for the 1975-76 tax roll were reappraised conventionally. Alameda County, on the other hand, conventionally reappraised only three percent of the total parcels appraised for the 1975-76 tax roll.

While some counties conventionally reappraised a portion of all property types, rural/agricultural and commercial/industrial properties generally received conventional reappraisals. For example, 79.5 percent of rural/agricultural and 96.2 percent of commercial/industrial property in 21 counties

visited were conventionally reappraised for the 1975-76 tax roll, while only 22.5 percent of single family residential properties received conventional reappraisals.

Computer-Assisted Appraisal

For the 1975-76 tax roll, ten counties reappraised at least a portion of their single family residential properties through a computer-assisted appraisal program (CAAP). Through CAAP, assessors conducted multiple regression market analyses. The computer correlated data on each single family residence's size, quality of construction, location and other characteristics with the selling prices of parcels of the same type and location to arrive at an appraised value as of a certain date. CAAP enabled assessors to accurately appraise a large number of single family residences in the county with a limited number of appraisers.

CAAP systems, used solely in counties with computer capabilities, reappraised single family residential properties.* Only 10 of the 21 assessors visited used CAAP systems for appraising parcels for the 1975-76 tax roll. Nevertheless, about 19 percent of the total parcels appraised by 21 counties for the 1975-76 tax roll were reappraised by a CAAP system.

* A few counties have also used CAAP systems for reappraising multiple family parcels.

The property make-up of a county, reappraisal cycle and length of experience with CAAP contributed to its varying use by assessors. While San Mateo County utilized CAAP to appraise 92 percent of the parcels reappraised for the 1975-76 tax roll, Monterey County used CAAP for only 6 percent of its reappraisals for that year.

Trending

Almost 42 percent of the parcels the 21 counties reappraised for the 1975-76 tax roll were trended. Trending involves (1) analyzing sales ratio data on similar properties in specific areas of a county and (2) computing factors which are applied to adjust a property's value closer to current full market value.

The accuracy of trending depends upon the nature of the data used and variables analyzed. That is, the amount of sales ratio data on a particular neighborhood of properties directly affects the factors computed. Neighborhoods with numerous sales over a specific period of time may yield more accurate trending factors than those with only a few sales. Additionally, the homogeneity and size of the particular appraisal area may affect the accuracy of the factors. For instance, it may be possible to compute more accurate trending factors for a neighborhood comprising only four different models of tract homes than for a mapbook area consisting of homes, businesses and vacant land.

Five counties visited trended over 50 percent of the total parcels they appraised for the 1975-76 tax roll, including San Francisco and Orange Counties, which trended over 90 percent of their reappraised properties. On the other hand, San Diego trended only 12 percent and San Mateo 4 percent of the parcels reappraised for 1975-76.

Although some counties trended a portion of all parcel types, single and multiple family residential parcels were generally trended. For example, 43.6 percent of single family and 68 percent of multiple family parcels in 21 counties visited were trended for the 1975-76 tax roll. On the other hand, only 4.4 percent of rural and 2.7 percent commercial/industrial parcels were reappraised by a trending methodology.

Interim Adjustment

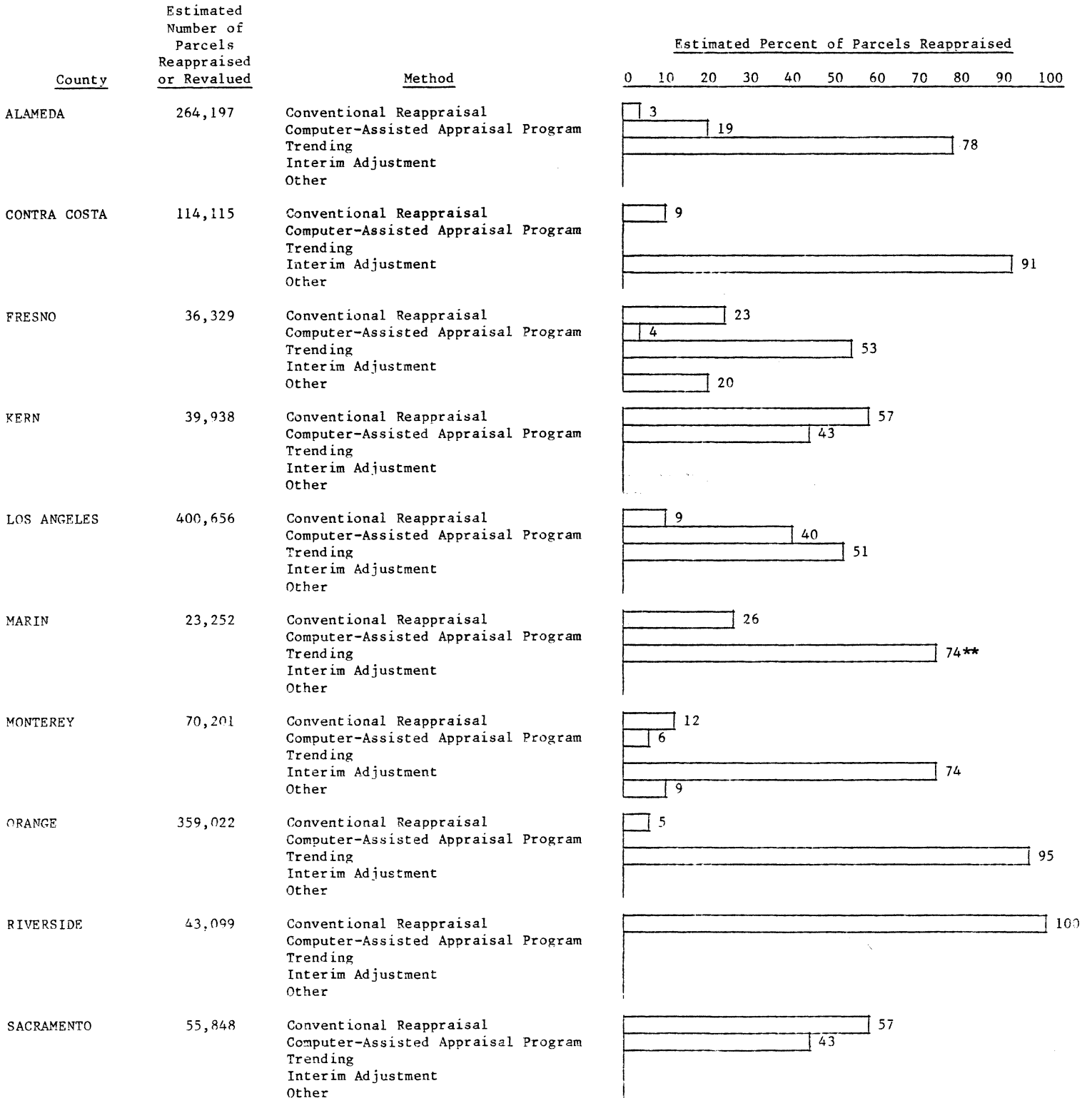
For the 1975-76 tax roll, four counties visited adjusted the values on some parcels by applying an interim adjustment factor. These across-the-board factors were based upon either sales ratio data or the assessor's judgment. Interim adjustment factors were not based upon sophisticated sales ratio data for specific areas or any other quantification of data. In some cases, interim adjustment factors were applied to prevent property values from falling further behind current full market value.

While only four counties visited applied interim adjustment factors, from 14 to 91 percent of their total parcels received such adjustments for the 1975-76 tax roll. Monterey and Santa Cruz Counties employed this method, applying interim adjustment factors to over 73 percent of their total parcels revalued for the 1975-76 tax roll.

The following table summarizes reappraisal methodologies and their frequency of use according to each county visited.

TABLE 3

METHODS OF REAPPRAISING AND REVALUING PROPERTIES
FOR THE 1975-76 TAX ROLL*



* Interim adjustments and use of other methods are considered revaluations in this review.

** Marin County refers to this method of appraisal as an interim adjustment.

TABLE 3 (continued)

METHODS OF REAPPRAISING AND REVALUING PROPERTIES
FOR THE 1975-76 TAX ROLL*

County	Estimated Number of Parcels Reappraised or Revalued	Method	Estimated Percent of Parcels Reappraised									
			0	10	20	30	40	50	60	70	80	90
SAN BERNARDINO	266,400	Conventional Reappraisal	65									
		Computer-Assisted Appraisal Program	31									
		Trending	4									
		Interim Adjustment	4									
SAN DIEGO	141,872	Conventional Reappraisal	51									
		Computer-Assisted Appraisal Program	37									
		Trending	12									
		Interim Adjustment	Other									
SAN FRANCISCO	137,653	Conventional Reappraisal	10									
		Computer-Assisted Appraisal Program	90									
		Trending	Other									
		Interim Adjustment	Other									
SAN JOAQUIN	26,338	Conventional Reappraisal	30									
		Computer-Assisted Appraisal Program	54									
		Trending	16									
		Interim Adjustment	Other									
SAN MATEO	93,113	Conventional Reappraisal	4									
		Computer-Assisted Appraisal Program	92									
		Trending	4									
		Interim Adjustment	Other									
SANTA BARBARA	17,522	Conventional Reappraisal	100									
		Computer-Assisted Appraisal Program	Other									
		Trending	Other									
		Interim Adjustment	Other									
SANTA CLARA**	323,964	Conventional Reappraisal	100									
		Computer-Assisted Appraisal Program	Other									
		Trending	Other									
		Interim Adjustment	Other									
SANTA CRUZ	70,000	Conventional Reappraisal	14									
		Computer-Assisted Appraisal Program	13									
		Trending	73									
		Interim Adjustment	Other									
SONOMA	71,753	Conventional Reappraisal	26									
		Computer-Assisted Appraisal Program	15									
		Trending	59									
		Interim Adjustment	Other									
STANISLAUS	15,785	Conventional Reappraisal	100									
		Computer-Assisted Appraisal Program	Other									
		Trending	Other									
		Interim Adjustment	Other									
VENTURA	102,511	Conventional Reappraisal	15									
		Computer-Assisted Appraisal Program	77									
		Trending	8									
		Interim Adjustment	Other									

* Interim adjustments and use of other methods are considered revaluations in this review.

** Santa Clara used conventional reappraisals and manual desk reviews to reappraise parcels, but no breakdown was available on the number reappraised using each method.

Overall, counties most commonly appraised properties for the 1975-76 tax roll using conventional reappraisals. Specifically, each of the 21 counties visited reappraised some portion of their parcels by applying this method. However, conventional reappraisals accounted for only 30 percent of the total parcels reappraised that year. On the other hand, only 11 county assessors trended 41.7 percent of the total parcels reappraised in 21 counties. Another 10 assessors used CAAP systems to reappraise 19 percent of the total parcels reappraised for the 1975-76 tax roll in the 21 counties.

The above table and analysis excludes all parcels which were reappraised for the 1975-76 tax roll and which required no change in value. While it was not possible to determine how many properties fell into this category, the Fresno Assessor estimated that his staff reviewed but did not adjust about 10,000 parcels that year in his county.

LEVEL OF FULL MARKET VALUE
COUNTIES ACHIEVED
FOR THE 1975-76 TAX ROLL

None of the 21 counties visited achieved 100 percent of full market value (25 percent assessed value) in establishing values for all properties enrolled on the 1975-76 tax roll. Overall, the estimated level achieved ranged from 76 percent in San Joaquin County to 99 percent in Santa Clara County. The actual level achieved depended upon (1) the total number of properties reappraised for the 1975-76 tax roll, (2) the

methodology used and schedule for reappraisal, (3) whether appraisal estimates were adjusted for time lags in the reappraisal process and (4) other factors such as the appreciation of properties not reappraised for the 1975-76 tax roll.

California statutes state that properties will be assessed at 25 percent of the full cash value as of a March 1 lien date. To equitably treat all parcels, an assessor would have to value all parcels as of March 1 each year. However, due to limited resources and data, it is difficult to both reappraise all parcels in a county each year and estimate each parcel's value as of March 1.

Parcels Appraised for
the 1975-76 Tax Roll

The level of full market value actually achieved for properties reappraised for the 1975-76 tax roll depended primarily upon the methodologies used and scheduling for parcel reappraisals. At least eight counties began their reappraisal work up to seven months prior to the March 1 lien date. If the county conducted conventional reappraisals, many parcels may have been completed during the various months preceding March 1, and had their reappraisals based upon comparable sales data from an earlier period in time. As a result, parcels may have received appraisals which did not reflect appreciation occurring between the date of appraisal and March 1, 1975 or appreciation occurring

between the cut-off date for collection of comparable sales data and the date of appraisal. The composite time lag may have reflected a value lower than full market as of March 1, 1975.

For example, in August 1974, Kern County began a seven-month schedule of conventional reappraisals. Appraisers based their appraisals on 1 to 36 months of comparable sales data ending on July 1, 1974. Appraisers applied no adjustment factors for the time lag. The Kern County Assessor estimated that properties reappraised for the 1975-76 tax roll achieved 80 to 95 percent of March 1, 1975 full market value (depending on property type).

Appraisal methodology and scheduling enabled some assessors to adjust their values for time lag. For example, Sacramento County used a CAAP system to reappraise single family residences for the 1975-76 tax roll. As part of the computer program, monthly appreciation rates calculated for individual neighborhoods were used to arrive at an appraised value as of March 1, 1975.

Overall, 7 of the 21 county assessors visited estimated that properties reappraised for the 1975-76 tax roll achieved between 95 and 100 percent of full market value. Four of the assessors estimated values between 77 and 85 percent of full market value although most counties fell between 85 and 94 percent. The following table summarizes parcels' weighted

average full market values which the 21 counties we reviewed on-site achieved. Appendix B summarizes the county levels by property type.

TABLE 4

ASSESSOR ESTIMATES OF
FULL MARKET VALUE OF PARCELS
APPRAISED FOR THE 1975-76 TAX ROLL
(weighted averages)

<u>County</u>	<u>Percent of Full Market Value</u>										
	0	10	20	30	40	50	60	70	80	90	100
ALAMEDA	[Bar from 0 to 86]										86
CONTRA COSTA	[Bar from 0 to 92]										92
FRESNO	[Bar from 0 to 82]										82***
KERN	[Bar from 0 to 90]										90***
LOS ANGELES	[Bar from 0 to 99]										99
MARIN	[Bar from 0 to 94]										94
MONTEREY	[Bar from 0 to 77]										77
ORANGE**	[Bar from 0 to 92]										92
RIVERSIDE	[Bar from 0 to 100]										100
SACRAMENTO*											
SAN BERNARDINO	[Bar from 0 to 93]										93
SAN DIEGO	[Bar from 0 to 92]										92***
SAN FRANCISCO	[Bar from 0 to 86]										86
SAN JOAQUIN	[Bar from 0 to 82]										82***
SAN MATEO	[Bar from 0 to 85]										85***
SANTA BARBARA	[Bar from 0 to 96]										96***
SANTA CLARA	[Bar from 0 to 99]										99
SANTA CRUZ	[Bar from 0 to 86]										86
SONOMA	[Bar from 0 to 92]										92***
STANISLAUS	[Bar from 0 to 100]										100
VENTURA	[Bar from 0 to 100]										100

* Sacramento data not available.

** This figure includes values for parcels appraised and not appraised for the 1975-76 tax roll.



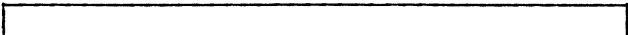
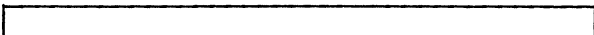

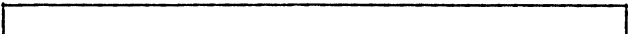
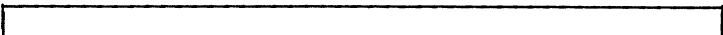

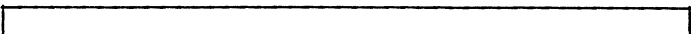
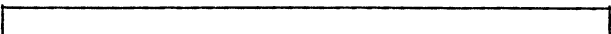

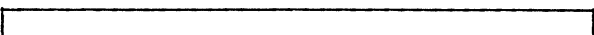
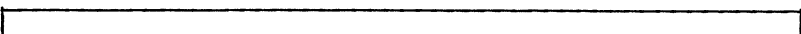
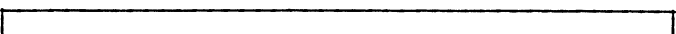
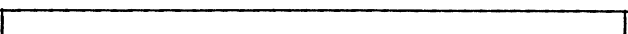
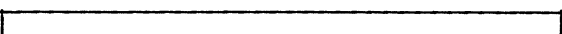
*** Percentage shown was computed using the midpoint of the estimated range of full market value levels provided by the assessor.

Properties Not Appraised
for the 1975-76 Tax Roll

As previously discussed, counties operated on different reappraisal schedules for the 1975-76 tax roll and reappraised varying percentages of total properties. As a result, counties varied significantly in (1) the percentage of properties not reappraised for 1975-76 and (2) the time span between parcel appraisals. These factors each affected the levels of full market value achieved for properties not reappraised. The following table summarizes assessor estimates of actual levels of full market value for parcels not reappraised for 1975-76.

TABLE 5

ASSESSOR ESTIMATES OF
FULL MARKET VALUE OF PARCELS
NOT APPRAISED FOR THE 1975-76 TAX ROLL
(weighted averages)

<u>County</u>	<u>Percent of Full Market Value</u>										
	0	10	20	30	40	50	60	70	80	90	100
ALAMEDA											88
CONTRA COSTA											85
FRESNO											78**
KERN*											
LOS ANGELES											73
MARIN											83
MONTEREY*											
ORANGE*											
RIVERSIDE*											
SACRAMENTO											77
SAN BERNARDINO											90
SAN DIEGO											74**
SAN FRANCISCO											85
SAN JOAQUIN											76**
SAN MATEO											74
SANTA BARBARA											73
SANTA CLARA											99
SANTA CRUZ											83
SONOMA											77**
STANISLAUS											70
VENTURA*											

* Data for Ventura, Riverside, Orange, Monterey and Kern is not available.

** Percentage shown was computed using the midpoint of the estimated range of full market value levels provided by the assessor.

As the table displays, the 21 counties reviewed estimated levels of full cash value ranging from 70 to 99 percent. Most counties, however, fell between 73 percent and 78 percent. Levels achieved for individual property types also varied. In Alameda County rural property was estimated at 75 percent while multiple family property received a 94 percent estimate. Appendix C summarizes levels of full market value by property type for parcels not reappraised for the 1975-76 tax roll.

CHAPTER IV

ANALYSIS OF 1975-76 BASE YEAR VALUE OPTIONS PROPOSED BY THE TASK FORCE ON PROPERTY TAX ADMINISTRATION

As illustrated in Chapters II and III, counties adopted inconsistent interpretations and practices to value properties for both the 1978-79 and 1975-76 tax rolls. As a result, disparities exist among the levels of assessed valuation which counties enrolled on the 1978-79 tax roll. In response to this problem, the Task Force on Property Tax Administration presented to the Assembly Revenue and Taxation Committee three options to clarify the concept of base year value within existing statutes.

As a basis for analyzing these three options, we examined data from 12 of the 21 counties visited, since only these 12 counties maintained readily available data sufficient for an analysis. These counties comprise approximately 61 percent of the state's total locally secured assessed valuation. Based on the information we gathered on the composition of the 1975-76 tax roll and the interpretations and methods used to construct the 1978-79 tax roll, we (1) analyzed the fiscal impact each option has on revenue,* (2) determined the types of parcels requiring revaluation in each county, (3) calculated the number

* Only effects on revenue could be analyzed. Costs in administering each of the three options were not evaluated.

of parcels in each county requiring revaluation under each option and (4) discussed the advantages and disadvantages of each option. Certain counties have already implemented various options; therefore, these counties would not realize any revenue increases. While the enactment of each option will generate additional revenue in some counties, implementation of certain options would cause a revenue loss since it would require other counties to restore values enrolled on the 1975-76 tax roll.

To estimate the fiscal impact of the various options and to compensate for limited availability of data in some counties, we made certain assumptions:

- Properties reappraised by conventional appraisals, computer-assisted appraisals and trending methods were considered reappraisals for the purpose of this analysis. In some counties, parcels trended may not have achieved full cash value and therefore may also require adjustment under certain options. It was not possible for us to identify these counties or analyze the fiscal impact. Properties which were revalued using interim adjustments or other methods were not considered reappraisals because the entire property was not reappraised to full market value

- The value added to assessed valuation by new construction was not included in this analysis for two reasons: (1) the value which new structures added was generally considered when these parcels changed ownership and (2) insufficient data was available in counties to determine the value added by additions to existing structures. However, based on our review, the overall impact of the value of additions to existing structures relative to total assessed valuation is minimal
- Those properties reappraised for the 1978-79 tax roll were assumed to be reappraised at 100 percent of full market value
- Five of the 12 counties analyzed provided ranges in the ratios of full market values for categories of property type; in such instances, the mid-point of the range was used for computational purposes.

Following is an analysis of each of the three Task Force options. It is important to note that this analysis is based on the impact in 12 counties comprising 61 percent of the State's assessed valuation. Since the composition of county assessment rolls varies considerably, the totals derived in this analysis cannot be extrapolated to determine a statewide impact.

OPTION 1

Option 1 defines full cash value as the acquisition value or the buyer's cost in purchasing a property as of March 1, 1975. Where values on the 1975-76 tax roll are not true March 1, 1975 acquisition values, full cash value means the reappraised value to the March 1, 1975 acquisition value. Under the provisions of this option, assessors would need to reappraise all property that was not at full cash value as of March 1, 1975 to acquisition value as of March 1, 1975.

Five of the 12 counties constructed their 1978-79 tax roll according to an interpretation similar to that of Option 1. Therefore, seven of these assessors would need to increase the assessments for some parcels appraised and not appraised for the 1975-76 tax roll. Parcels reappraised for the 1975-76 tax roll would not require as great an increase in assessed valuation as parcels not reappraised for the 1975-76 tax roll, since those parcels reappraised were presumably enrolled at a higher percentage of full market value.

Table 6 shows the counties and specific property types requiring revaluation for Option 1.

TABLE 6

PROPERTY TYPES REQUIRING REVALUATION
IN COUNTIES IF OPTION 1 IS ADOPTED

County	Property Reappraised for 1975-76 Tax Roll Which Requires Increase in Assessment Levels to Acquisition Value as of March 1, 1975					Property Not Reappraised for 1975-76 Tax Roll Which Requires Increase in Assessment Levels to Acquisition Value as of March 1, 1975					
	Single Family	Multiple Family	Vacant Residential	Rural/ Agricultural	Commercial/ Industrial	Single Family	Multiple Family	Vacant Residential	Rural/ Agricultural	Commercial/ Industrial	Other
CONTRA COSTA				X	X		X	X		X	
MARIN	X	X	X	X	X	X	X	X	X	X	X
SAN DIEGO	X	X	X	X	X	X	X	X	X	X	X
SAN FRANCISCO	X	X				X	X				X
SANTA BARBARA	X	X	X	X	X	*	*	*	*	*	*
SANTA CRUZ	X	X	X	X	X	X	X	X	X	X	X
SONOMA				X	X			X	X	X	

* Santa Barbara reappraised parcels in all property categories, however, approximately 6,000 to 8,000 parcels that were not reappraised for 1975-76 still need to be revalued.

Three of the seven counties shown in Table 6 would be required to revalue all parcel types for parcels reappraised and not reappraised for the 1975-76 tax roll. The remaining four counties would only be required to revalue parcels in certain categories of property type. For example, under this Option, Sonoma would have to revalue rural/agricultural and commercial/industrial parcels which were reappraised for the 1975-76 tax roll at less than full market value. These parcels would have to be adjusted to 1975-76 full market value for 1978-79. In addition, rural/agricultural and commercial/industrial parcels not reappraised for 1975-76 also were not adjusted to a 1975-76 full market value for the 1978-79 tax roll.

As a result of the varying types and numbers of parcels revalued by certain counties in developing 1975-76 and 1978-79 tax rolls, the adoption of Option 1 would affect the assessed valuation and property tax revenue generated by each county differently. No counties would need to decrease assessments, while increases in assessments and revenues will vary among counties. The estimated fiscal impact of implementing Option 1 in the 12 counties analyzed is shown in Table 7. The table includes only seven counties, since Alameda, Fresno, Los Angeles, San Bernardino and San Mateo counties would realize no fiscal impact from adopting Option 1.

TABLE 7

FISCAL IMPACT ANALYSIS OF OPTION 1

<u>County</u>	<u>Estimated Assessed Value Added</u>	<u>Estimated Total Full Market Value Added</u>	<u>Estimated Additional Property Tax Revenue Generated (Before Exemptions)</u>
CONTRA COSTA	\$ 19,036,923	\$ 76,147,692	\$ 761,477
MARIN	26,779,134	107,116,536	1,071,165
SAN DIEGO	143,764,182	575,056,728	5,750,567
SAN FRANCISCO	41,629,207	166,516,828	1,665,168
SANTA BARBARA	1,022,229	4,088,916	40,889
SANTA CRUZ	14,951,597	59,806,378	598,064
SONOMA	<u>6,377,383</u>	<u>25,509,532</u>	<u>255,095</u>
TOTAL	<u>\$253,560,655</u>	<u>\$1,014,242,620</u>	<u>\$10,142,425</u>

Of the remaining 35 assessors either visited or contacted by mail, 10 assessors also reported constructing their 1978-79 tax rolls using interpretations similar to that of Option 1. Sixteen counties not analyzed on the above tables revalued only parcels not reappraised for the 1975-76 tax roll and therefore would be required to revalue parcels reappraised for the 1975-76 tax roll to 100 percent of full market value. Finally, nine other counties simply adopted the values shown on the 1975-76 tax roll and would therefore need to revalue some parcels.

As illustrated by Table 6, the implementation of Option 1 will result in the revaluation of certain parcels in various counties. Table 8 shows the estimated number of parcels that would require revaluation in the 12 counties analyzed if Option 1 were enacted. The five counties not included in this table would not need to revalue their parcels.

TABLE 8

ESTIMATED NUMBER OF PARCELS
NEEDING REVALUATION WITH ADOPTION OF OPTION 1

<u>County</u>	<u>Estimated Total Number of County Parcels in 1978-79</u>	<u>Estimated No. of Parcels Reappraised in 1975-76 Needing Revaluation</u>	<u>Estimated No. of Parcels Not Reappraised in 1975-76 Needing Revaluation</u>	<u>Estimated Total No. of Parcels Needing Revaluation</u>
CONTRA COSTA	214,444	2,054	5,108	7,162
MARIN	83,559	4,442	54,004	58,446
SAN DIEGO	530,753	76,012	203,519	279,531
SAN FRANCISCO	154,497	98,220	12,191	110,411
SANTA BARBARA	88,328	11,832	0	11,832
SANTA CRUZ	81,504	11,235	35,331	46,566
SONOMA	<u>116,986</u>	<u>1,326</u>	<u>5,887</u>	<u>7,213</u>
TOTAL	<u>1,270,071</u>	<u>205,121</u>	<u>316,040</u>	<u>521,161</u>

According to the Task Force on Property Tax Administration, there are advantages to adopting Option 1. It would set a uniform and equal statewide standard for property taxation for 1975-76, the beginning base year under

Proposition 13. This established standard would in turn provide an identifiable basis for taxpayer appeals and for tax administrators in revising values. We estimate that Option 1 would generate approximately \$10.1 million of additional property tax revenue in 7 of the 12 counties comprising 61 percent of the state's total assessed valuation.

The Task Force stated that the major disadvantage to Option 1 is that it may require counties to revalue parcels not presently assessed at 1975-76 acquisition value, including some properties previously reappraised for 1975-76. In the 12 counties we analyzed, 521,161 parcels would require revaluation, including 205,121 parcels that were previously appraised in 1975-76.

OPTION 2

Option 2 would require each assessor to (1) accept the value for properties reappraised for the 1975-76 tax roll and (2) to revalue all properties not reappraised for the 1975-76 tax roll to their March 1, 1975 full cash values. Thus, properties not reappraised for the 1975-76 tax roll would require reappraisal.

If Option 2 were adopted, 11 of the 12 counties analyzed would need to revalue parcels. Four counties that revalued parcels reappraised for the 1975-76 tax roll would have

to reduce assessments on those parcels to 1975-76 levels. The five counties which did not revalue parcels not reappraised in 1975-76 would need to increase assessments to full cash value as of March 1, 1975. Two counties which adjusted assessment values of parcels appraised and not reappraised for 1975-76 would be required to decrease assessments on parcels previously reappraised in 1975-76 and increase assessments on parcels not reappraised in 1975-76.

The following table identifies the counties and specific property types requiring revaluation if Option 2 is adopted.

TABLE 9

PROPERTY TYPES REQUIRING REVALUATION
IN COUNTIES IF OPTION 2 IS ADOPTED

County	Property Reappraised for 1975-76 Tax Roll Which has been Subsequently Revalued and Requires Reduction to Assessment Level on 1975-76 Tax Roll					Property Not Reappraised for 1975-76 Tax Roll Requiring Increase in 1975-76 Assessment Levels to Full Cash Value as of March 1, 1975						
	Single Family	Multiple Family	Vacant Residential	Rural/ Agricultural	Commercial/ Industrial	Other	Single Family	Multiple Family	Vacant Residential	Rural/ Agricultural	Commercial/ Industrial	Other
ALAMEDA	X	X	X	X	X	X						
CONTRA COSTA	X	X	X				X		X	X		
FRESNO	X	X	X	X	X							
MARIN							X	X	X	X	X	X
SAN BERNARDINO	X	X	X	X	X	X						
SAN DIEGO							X	X	X	X	X	X
SAN FRANCISCO							X	X				X
SAN MATEO	X	X	X	X	X	X						
SANTA BARBARA							*	*	*	*	*	*
SANTA CRUZ							X	X	X	X	X	X
SONOMA	X	X	X						X	X	X	

* Santa Barbara reappraised parcels in all property categories, however, approximately 6,000 to 8,000 parcels that were not reappraised for 1975-76 still need to be revalued.

As illustrated in Table 9, the types of properties requiring revaluation would vary among counties if Option 2 is enacted. While some counties revalued to full market value all parcels not appraised for the 1975-76 tax roll, other counties completed similar revaluation for only certain property types. For example, in constructing the 1978-79 tax roll, Sonoma County revalued single family, multiple family and vacant residential parcels which had been reappraised for the 1975-76 tax roll. The assessment values of parcels in these property types would have to be reduced to 1975-76 levels. However, Sonoma County did not reappraise rural/agricultural and commercial/industrial parcels for the 1978-79 tax roll which had not been reappraised for the 1975-76 tax roll. Under Option 2, the value of these parcels would have to be increased to full cash value as of March 1 1975.

Of the 12 counties analyzed, Los Angeles County is the only county that would not need to revalue parcels if Option 2 is adopted. In constructing their 1978-79 tax roll, the Los Angeles County Assessor revalued to full cash value only those parcels not reappraised for the 1975-76 tax roll and, therefore, has already implemented Option 2.

Due to the varying types and numbers of parcels revalued in constructing the 1975-76 and 1978-79 tax rolls, implementation of Option 2 would affect each county's total assessed valuation and revenue differently. The following table

estimates the fiscal impact of Option 2 in the 12 counties analyzed. Again, since Los Angeles County has in effect implemented this option, it would realize no fiscal impact.

TABLE 10

FISCAL IMPACT ANALYSIS OF OPTION 2

<u>County</u>	<u>Estimated Assessed Value Added</u>	<u>Estimated Total Full Market Value Added</u>	<u>Estimated Additional Property Tax Revenue Generated (Before Exemptions)</u>
ALAMEDA	(\$83,687,698)	(\$334,750,792)	(\$3,347,508)
CONTRA COSTA	16,106,980	64,427,920	644,279
FRESNO	(8,942,094)	(35,768,376)	(357,684)
MARIN	25,272,204	101,088,816	1,010,888
SAN BERNARDINO	(13,213,848)	(52,855,392)	(528,554)
SAN DIEGO	128,531,280	514,125,120	5,141,251
SAN FRANCISCO	2,081,352	8,325,408	83,254
SAN MATEO	(31,841,032)	(127,364,128)	1,273,641
SANTA BARBARA	0	0	0
SANTA CRUZ	11,319,055	45,276,220	452,762
SONOMA	(3,654,965)	(14,619,860)	(146,199)
TOTAL	<u>\$41,971,234</u>	<u>\$167,884,936</u>	<u>\$1,678,848</u>

Of the remaining 35 assessors either visited or contacted by mail, 16 assessors also reported constructing their 1978-79 tax rolls using interpretations similar to Option 2. Ten counties revalued all parcels including those reappraised in

1975-76 and, therefore, would have to restore the original 1975-76 tax roll value on some properties. And since nine counties simply adopted the values shown on the 1975-76 tax roll, they would need to revalue some of their parcels (see Table 1, page 20).

As previously discussed, enactment of Option 2 will trigger the revaluation of certain parcels within counties. Table 11 identifies the estimated number of parcels that would need to be revalued in the 11 counties affected under Option 2.

TABLE 11
NUMBER OF PARCELS NEEDING REVALUATION
WITH ADOPTION OF OPTION 2

<u>County</u>	<u>Estimated Total Number of County Parcels in 1978-79</u>	<u>Estimated No. of Parcels Reappraised in 1975-76 Needing Revaluation</u>	<u>Estimated No. of Parcels Not Reappraised in 1975-76 Needing Revaluation</u>	<u>Estimated Total No. of Parcels Needing Revaluation</u>
ALAMEDA	310,273	182,891	0	182,891
CONTRA COSTA	214,444	999	5,108	6,107
FRESNO	187,168	17,432	0	17,432
MARIN	83,559	0	54,002	54,002
SAN BERNARDINO	509,244	160,550	0	160,550
SAN DIEGO	530,753	0	203,519	203,519
SAN FRANCISCO	154,497	0	12,191	12,191
SAN MATEO	187,787	61,237	0	61,237
SANTA BARBARA	88,328	0	0	0*
SANTA CRUZ	81,504	0	35,331	35,331
SONOMA	<u>116,986</u>	<u>49,881</u>	<u>5,887</u>	<u>55,768</u>
TOTAL	<u>2,464,543</u>	<u>472,990</u>	<u>316,038</u>	<u>789,028</u>

* Santa Barbara reappraised parcels in all property categories, however, approximately 6,000 to 8,000 parcels that were not reappraised for 1975-76 would need to be revalued.

The Task Force on Property Tax Administration stated that the advantage of Option 2 is that it sets a standard for property not reappraised for the 1975-76 tax roll. Thus, only those properties not reappraised for the 1975-76 tax roll would require reappraisal. Our analysis indicated that adopting this

option would also generate an estimated \$1.7 million in additional property tax revenue in 11 of the 12 counties examined.

A major disadvantage in implementing Option 2, according to the Task Force, is that it would cause disparities in the 1975-76 base year property values in counties where 1975-76 reappraisals were at less than full cash value. Additionally, there may be disputes among counties regarding what constitutes a reappraisal because of the divergent 1975-76 assessment practices which we earlier described. For example, if a parcel realized a value change for the 1975-76 tax roll due to interim adjustments, it may not be eligible for revaluation. We determined that implementing Option 2 would necessitate the reappraisal of 789,028 parcels in the 12 counties analyzed.

OPTION 3

Option 3 establishes full cash value as the assessors' appraised value for properties appraised for the 1975-76 tax roll. Full cash value for properties not reappraised for the 1975-76 tax roll would be set at the same percentage of market value by class of property appraised for the 1975-76 tax roll. This option would require assessors to revalue properties not appraised for the 1975-76 tax roll.

Nine of the 12 counties would need to revalue some parcels if Option 3 is adopted. Six counties would have to adjust the assessed values of parcels reappraised and not reappraised for the 1975-76 tax roll, while three counties would need to adjust the assessed values of parcels not reappraised for the 1975-76 tax roll. Counties revaluing parcels reappraised for the 1975-76 tax roll would need to reduce assessment levels to the level of full market value of property appraised in 1975-76 in the same class. For those parcels not appraised in 1975-76, counties would need to increase assessed value on parcels not subsequently revalued, and decrease the assessed value of properties subsequently revalued.

Table 12 shows the counties and specific property types that would need revaluation if Option 3 is enacted.

TABLE 12

PROPERTY TYPES REQUIRING REVALUATION
IN COUNTIES IF OPTION 3 IS ADOPTED

County	Property Reappraised for 1975-76 Tax Roll Which has been Subsequently Revalued and Requires Reduction to Assessment Level on 1975-76 Tax Roll					Property Not Reappraised for 1975-76 Tax Roll Which May Require Increase or Decrease in Assessments to Level of Full Market Value of Properties of Same Class					
	Single Family	Multiple Family	Vacant Residential	Rural/ Agricultural	Commercial/ Industrial	Single Family	Multiple Family	Vacant Residential	Rural/ Agricultural	Commercial/ Industrial	Other
ALAMEDA	X	X	X	X	X	X	X	X	X	X	X
CONTRA COSTA	X	X	X			X	X	X	X	X*	
FRESNO	X	X	X	X	X	X	X	X	X	X	
SAN BERNARDINO	X	X	X	X	X	X	X	X	X	X	X
SAN DIEGO						X	X	X	X	X	X
SAN MATEO	X	X	X	X	X	X	X	X	X	X	X
SANTA BARBARA						X	X	X	X	X	X
SANTA CRUZ						X	X	X	X	X	X
SONOMA	X	X	X			X	X	X	X	X	X

* In Contra Costa County, only industrial parcels are included in this category.

As illustrated in Table 12, the types of properties needing revaluation would vary if Option 3 is adopted. Three of the 12 counties would not need to revalue parcels if Option 3 is adopted because of their methods in constructing the 1975-76 and 1978-79 tax rolls. For example, San Francisco County revalued 90 percent of the parcels in the county for the 1975-76 tax roll. Those parcels not reappraised were valued at the same level of full market value as the reappraised parcels. In constructing the 1978-79 tax roll, the assessor made no changes to the 1975-76 tax roll base year values. Therefore, since all parcels in each category of property type were at the same level of full market value, they require no revaluation under Option 3.

Since counties do vary in the types and numbers of parcels revalued in constructing the 1975-76 and 1978-79 tax rolls, the adoption of Option 3 would have differing impact on each county's total assessed valuation and the amount of tax revenue generated. Table 13 illustrates Option 3's fiscal impact within the 12 counties. Los Angeles, Marin and San Francisco counties would realize no fiscal impact and are thus excluded from Table 13.

TABLE 13

FISCAL IMPACT ANALYSIS OF OPTION 3

<u>County</u>	<u>Estimated Assessed Value Added</u>	<u>Estimated Total Full Market Value Added</u>	<u>Estimated Additional Property Tax Revenue Generated (Before Exemptions)</u>
ALAMEDA	(\$116,320,000)	(\$465,280,000)	(\$4,652,800)
CONTRA COSTA	(53,525,824)	(214,103,296)	(2,141,033)
FRESNO	(45,266,911)	(181,067,644)	(1,810,677)
SAN BERNARDINO	(26,490,188)	(105,960,752)	(1,059,608)
SAN DIEGO	90,055,277	360,221,108	3,602,211
SAN MATEO	(68,339,610)	(273,358,440)	(2,733,584)
SANTA BARBARA	(6,927,922)	(27,711,688)	(277,117)
SANTA CRUZ	1,419,874	5,679,496	56,795
SONOMA	(<u>9,852,841</u>)	(<u>39,411,364</u>)	(<u>394,114</u>)
TOTAL	(<u><u>\$235,248,145</u></u>)	(<u><u>\$940,992,580</u></u>)	(<u><u>\$9,409,927</u></u>)

As Table 13 outlines, seven counties will lose some assessed valuation and revenue while two counties will increase their assessed valuation and generate additional revenue. The net effect for the 12 counties is a revenue loss of approximately \$9.4 million.

Among the remaining 35 assessors visited or contacted by mail, nine assessors reported adopting the assessed values on their 1975-76 tax rolls to construct 1978-79 tax rolls. Ten counties reported revaluing all parcels including those

reappraised for the 1975-76 tax roll, thus requiring revaluation of all properties for 1975-76 values. The 16 other counties reported that they revalued all parcels except those reappraised for the 1975-76 tax roll. These counties would need to revalue properties not appraised for the 1975-76 tax roll at the same levels of full market value as parcels in comparable classes of property.

Enactment of Option 3 will trigger revaluation of certain parcels in various counties. The estimated number of parcels requiring revaluation in the 12 counties, excluding Los Angeles, Marin and San Francisco Counties whose parcels are not affected by Option 3, is illustrated in Table 14.

TABLE 14

ESTIMATED NUMBER OF PARCELS
NEEDING REVALUATION WITH ADOPTION OF OPTION 3

<u>County</u>	<u>Estimated Total Number of County Parcels in 1978-79</u>	<u>Estimated No. of Parcels Reappraised in 1975-76 Needing Revaluation</u>	<u>Estimated No. of Parcels Not Reappraised in 1975-76 Needing Revaluation</u>	<u>Estimated Total No. of Parcels Needing Revaluation</u>
ALAMEDA	310,273	182,891	33,686	216,577
CONTRA COSTA	214,444	999	96,101	97,100
FRESNO	187,168	17,432	69,806	87,238
SAN BERNARDINO	509,244	160,550	169,664	330,214
SAN DIEGO	530,753	0	203,519	203,519
SAN MATEO	187,787	61,237	63,435	124,672
SANTA BARBARA	88,328	0	41,558	41,558
SANTA CRUZ	81,504	0	35,331	35,331
SONOMA	<u>116,986</u>	<u>49,881</u>	<u>23,810</u>	<u>73,691</u>
TOTAL	<u>2,226,487</u>	<u>472,990</u>	<u>736,910</u>	<u>1,209,900</u>

The Task Force on Property Tax Administration states that, an advantage of Option 3 is that it would provide relative uniformity within individual classes of property within each county. Additionally, it would not require another reappraisal of property previously reappraised for the 1975-76 tax roll. Overall, we determined that Option 3 would result in a reduction of an estimated \$9.4 million in revenues for the 12 counties analyzed.

According to the Task Force, there are also disadvantages in adopting Option 3. First, it would preserve differences between classes of property within a county since these categories may have been at different levels of full market value in 1975-76. Additionally, Option 3 would maintain nonuniform assessment levels among counties, forcing the State to develop compensation factors if bail-out funds are predicated upon local assessment levels or tax collections. Option 3 would not provide an identifiable standard for assessing county properties. This failure may result in confusion and appeals on the part of taxpayers.

Finally, if Option 3 were implemented, it would require the reappraisal of 1,209,900 parcels in the 12 counties analyzed. Implementing this option would involve gathering data on the full market value of properties within counties. We found that this information is unavailable in many counties and developing it would require significant time, effort and expense.

The analysis of the three options has shown the varying impact that would result in each of the 12 counties reviewed regarding (1) the fiscal impact each option has on revenue, (2) the types of parcels requiring revaluation, (3) the number of parcels requiring revaluation and (4) the advantages and disadvantages of each option.

CHAPTER V

CHANGES IN ASSESSORS' OPERATIONS DUE TO IMPLEMENTATION OF PROPOSITION 13

Enactment of Proposition 13 has changed administrative and management procedures in some county assessor offices. These changes are largely due to Proposition 13's impact on traditional assessment practices. We identified three areas in which changes have occurred--staffing levels, administrative procedures and management information systems.

Parcels without changes in ownership or new construction, for example, no longer need reappraisals unless their values decrease.* Although a computer can update these parcels by applying a maximum annual inflation factor of two percent to their succeeding year's tax roll values, an assessor's annual workload may have increased because the total number of parcels annually affected by changes in ownership or new construction may outnumber those reappraised as part of a cycle. On the following pages changes in staffing levels, administrative procedures and management information systems are described.

* Values can decrease for numerous reasons. Among them are decline in neighborhood desirability, moratorium (e.g., sewer, water) on vacant land and/or damage.

STAFFING LEVELS

At least 7 of the 21 counties visited experienced staff reductions in assessor's offices. For example, in Contra Costa County 48 out of 204 positions in the Assessor's office were vacant as of February 21, 1979. San Joaquin County lost 20 percent of its appraisers while Monterey County's staff was reduced from 84 to 57, a reduction of 27 positions.

Staff reductions have not always been made in proportion to post-Proposition 13 workloads. Two counties--Santa Clara and Sacramento--plan to use computers to help with increased workloads resulting from personnel cuts.

Future personnel cuts may force counties to rely increasingly on computerized appraisal information. Santa Barbara County is considering a major system overhaul should time and funding constraints permit. This new system would include a computerized market analysis using multiple regression techniques to assist the Assessor's staff in reappraising parcels affected by new construction, decreases in value (such as moratorium-affected properties) and changes in ownership (both sales and nonsales). Staff could cross-reference data on one type of activity to arrive at an appraised value for a parcel undergoing another type of activity. For example, cross-referencing a March 1978 and a February 1979 sale could aid in determining a time-adjusted value for a parcel involved in a

July 1978 nonsale transfer. The Assessor believes this system could reduce staffing costs while maintaining appraisal integrity.

ADMINISTRATIVE AND
APPRAISAL PROCEDURES

Administrative procedures are also changing in county assessor offices. While at least 3 of the 21 assessors we visited stated they had made no changes, others reported they have made (or are in the process of making) substantial ones. For example, Santa Cruz County is reorganizing its Standards Division in order to systematically process, review and control all permits and deed changes. Los Angeles County is improving assessment appeals procedures by incorporating a system for automated processing and control of Assessment Appeal Board applications, hearings and results. This Appeals Board appraisal support system will provide on-line capability for a comparable sales search for subject property. Additional procedural changes include the following:

- At least four counties have ceased using computer-assisted appraisals (CAAP), but at least one other has begun using CAAP
- At least one county is eliminating appraiser specialization by property type, while another is increasing specialization by property type

- In Marin County, the Assessor will obtain monthly completion notices for new construction from each of the county's 11 cities. Because of this change in procedure, effective in July 1979, appraisals initiated by new construction will be completed on a monthly basis

- Los Angeles County is developing a computerized mailing program which will provide for an automated follow-up letter for sales and for the necessary information processing.

MANAGEMENT INFORMATION SYSTEMS

Another result of Proposition 13's passage is that assessors have significantly modified the types of data maintained in their property records. Many counties we visited are altering their property records to include information on parcel base years, types of new construction (e.g., remodeling versus additions and alterations) and types of changes in ownership (e.g., transfers requiring reappraisals versus those not). This information is designed to help office management personnel more readily identify those activities requiring reappraisals and inflation adjustments. To efficiently compile management information, some county assessors have incorporated these new procedures:

- At least 8 of the 21 counties visited are adopting or are planning to adopt more specific coding for identifying changes in ownership. Los Angeles County, for example, will code all transfers according to three categories: those needing appraisals, those not needing appraisals and those requiring further review

- At least 11 of the 21 counties visited are recording or are planning to record parcel base years. Kern County, for instance, plans to have its EDP system automatically determine the base year when a parcel's transfer date is input

- At least 5 of the 21 counties visited are compiling more detailed information on new construction activities. Ventura County, for example, has modified its input document forms to include the value added by new construction to a parcel's base year value.

In addition to creating the above changes, Proposition 13 has triggered other management information changes. At least 10 of the 21 counties visited reported they have begun compiling summary reports. Many of these reports pertain to appraiser workloads and are designed to help management schedule appraiser activities. In addition, at least five counties are preparing reports which will detail value added to the tax roll by new construction and changes in ownership.

CHAPTER VI

CONCLUSIONS

In developing the 1978-79 post-Proposition 13 tax roll, counties interpreted Article XIII(A) differently to (1) establish a base year value for parcels appraised and not appraised for the 1975-76 tax roll, (2) establish a base year value for parcels realizing a change in ownership after March 1, 1975 and (3) value new construction subsequent to March 1, 1975. As a result, apparent disparities exist among the levels of assessed valuation which counties enrolled.

Within the 47 counties reviewed which established base year values for parcels in the above categories, we found:

- Twelve counties adopted the actual assessed values recorded on the 1975-76 tax roll as the base year values for developing their 1978-79 tax rolls
- Fifteen counties revalued all properties not at full cash value in 1975-76, including those reappraised for the 1975-76 tax roll, to their full market value as of March 1, 1975
- Twenty counties revalued all parcels except those reappraised for the 1975-76 tax roll.*

* Only 47 counties reported data sufficient for analysis of their interpretation of Article XIII(A).

Assessors also used a number of different methods to determine the assessed value of properties undergoing changes in ownership after March 1, 1975. They established tax roll values using (1) the actual sales price, (2) a percentage of the sales price, (3) the roll value subsequent to the sale and (4) a combination of methods.

Finally, counties appraised new construction by:

- Appraising the value of new construction separately from the value of the existing portion of the parcel
- Trending the value of the new construction to the date of construction
- Placing minimum value limits on the new construction considered for revaluation
- Revaluing the entire parcel including the existing and new construction.

Since the 1975-76 tax roll became the basis for developing a county's 1978-79 tax roll, county practices and methods in developing the 1975-76 tax roll were important factors in determining the level of assessed value achieved in 1978-79. The 21 counties visited differed significantly in the frequency and methods of reappraising parcels for the 1975-76 tax rolls. As a result, the overall level of full market value achieved for

the 1975-76 tax roll ranged from 76 to 99 percent in the 21 counties visited. Thirteen counties we visited partially transferred the disparities inherent in these varying levels into their 1978-79 tax rolls as a result of their interpretation and implementation of Article XIII(A).

After recognizing these disparities, the Task Force on Property Tax Administration proposed three options to establish 1975-76 base values for counties. We determined the fiscal impact of each of these options in 12 counties comprising 61 percent of the state's total assessed valuation. We estimated that Option 1 would generate approximately \$10.1 million in additional property tax revenue; Option 2 would provide \$1.7 million; and Option 3 would result in a loss of \$9.4 million.

Furthermore, in the 12 counties analyzed, we found that approximately 521,161 parcels would require revaluation if Option 1 is adopted. Option 2 would trigger revaluation of 789,028 parcels while Option 3 would require the revaluation of 1,209,900 parcels.

CHAPTER VII

SCOPE AND METHODOLOGY

This study (1) documented county assessment practices used in constructing the 1975-76 and 1978-79 tax rolls, (2) determined the actual level of full market value of properties appraised and not appraised for the 1975-76 tax roll and (3) analyzed the fiscal impact of each of the three base year value options outlined in the Assembly Revenue and Taxation's Task Force Report on Property Tax Administration.

The audit team developed a comprehensive questionnaire which probed:

- The elements of a county's 1975-76 locally secured real property tax roll
- The county's approach to establishing the 1978-79 post-Proposition 13 tax roll
- The elements of the 1978-79 locally secured real property tax roll
- The assessors' estimated 1979-80 workload
- Administrative changes due to enactment of Proposition 13.

After field-testing this instrument in San Mateo and Sacramento Counties, audit teams administered it on-site in another 19 counties. These 21 counties comprise 90 percent of the state's total assessed value. Our staff gathered supporting documentation whenever possible. Finally, we sampled approximately 100 parcels in each county and conducted a case analysis to validate answers to certain questions. Each assessor or his representative reviewed and signed completed questionnaires.

We mailed a version of this instrument to the remaining 37 counties in the State. Assessors were asked to answer the questions and provide supporting documentation whenever possible. A total of 33 counties responded to the request; however, 7 of these counties responded too late and their data is not included, and another 3 were unable to provide data sufficient for analysis. Four counties failed to respond.

Audit staff analyzed and summarized the methods used to develop both the 1978-79 and the 1975-76 tax rolls. The computer assisted in analyzing numerical data collected from the counties. Based upon the data collected, the audit staff projected the fiscal impact of the three base value options for the 12 counties which comprise about 61 percent of the state's assessed value.

The audit teams which administered the questionnaires in the counties prepared individual summaries of the data they collected. County assessors reviewed the summaries; their comments are incorporated into the final report where appropriate. The audit staff also wrote summaries on counties responding to the mail-out questionnaire, and assessors reviewed these for accuracy. All county summaries are presented as a catalog supplemental report (Report No. 861.2).

Limitations to Data

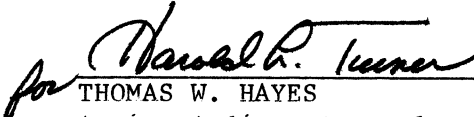
The information collected in our review of county tax assessment practices was limited due to constraints on the availability of pertinent data and the varying degree of the accuracy of information provided. As a result, we deferred analyzing some counties in particular areas and operated under certain assumptions in conducting portions of the analysis.

The data-gathering instrument was the tool used to collect information on county assessment practices. Since the types of information readily available in counties differed, the information collected included actual figures taken from county assessor records, derived estimates based on some actual data and estimates provided from the assessors and their staffs based upon their knowledge and experience. Some counties cited information collected by the State Board of Equalization in completing portions of the data-gathering instrument.

The major portion of the analysis for this review is based upon the information collected from the 21 counties visited. Within these counties, data sometimes was insufficient to conduct analysis. One example of insufficiency of data is found in the analysis of the fiscal impact of the three options proposed by the Task Force on Property Tax Administration, in which only 12 counties could be analyzed. In some instances it was necessary to make assumptions in interpreting data provided by the counties. The text, however, indicates each instance where assumptions were made to conduct an analysis.

We would like to thank the 47 County Assessors and officers of the County Assessors' Association with whom we dealt for their cooperation and assistance.

Respectfully submitted,


THOMAS W. HAYES
Acting Auditor General

Date: April 16, 1979

Staff: Robert T. O'Neill, Supervising Auditor
Eileen Kraskouskas
Samuel D. Cochran
Cynthia M. Hoffart
Dore C. Tanner, CPA
Jacques M. Barber
Geraldine C. Heins
Lisa A. Kenyon
Harriet Kiyan
James H. McAlister
Richard B. Weisberg
Michael R. Dedoshka
Ann R. MacAdam

ARTICLE XIII(A) OF THE CALIFORNIA CONSTITUTION

That Article XIII A is added to the Constitution to read:

Section 1.

(a) The maximum amount of any ad valorem tax on real property shall not exceed one percent (1%) of the full cash value of such property. The one percent (1%) tax to be collected by the counties and apportioned according to law to the districts within the counties.

(b) The limitation provided for in subdivision (a) shall not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on any indebtedness approved by the voters prior to the time this section becomes effective.

Section 2.

(a) The full cash value means the county assessors valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. All real property not already assessed up to the 1975-76 tax levels may be reassessed to reflect that valuation.

(b) The fair market value base may reflect from year to year the inflationary rate not to exceed two percent (2%) for any given year or reduction as shown in the consumer price index or comparable data for the area under taxing jurisdiction.

Section 3.

From and after the effective date of this article, any changes in state taxes enacted for the purpose of increasing revenues collected pursuant thereto whether by increased rates or changes in methods of computation must be imposed by an Act passed by not less than two-thirds of all members elected to each of the two houses of the Legislature, except that no new ad valorem taxes on real property, or sales or transaction taxes on the sales of real property may be imposed.

Section 4.

Cities, counties, and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district, except ad valorem taxes on real property or a transaction tax or sales tax on the sale of real property within such city, county, or special district.

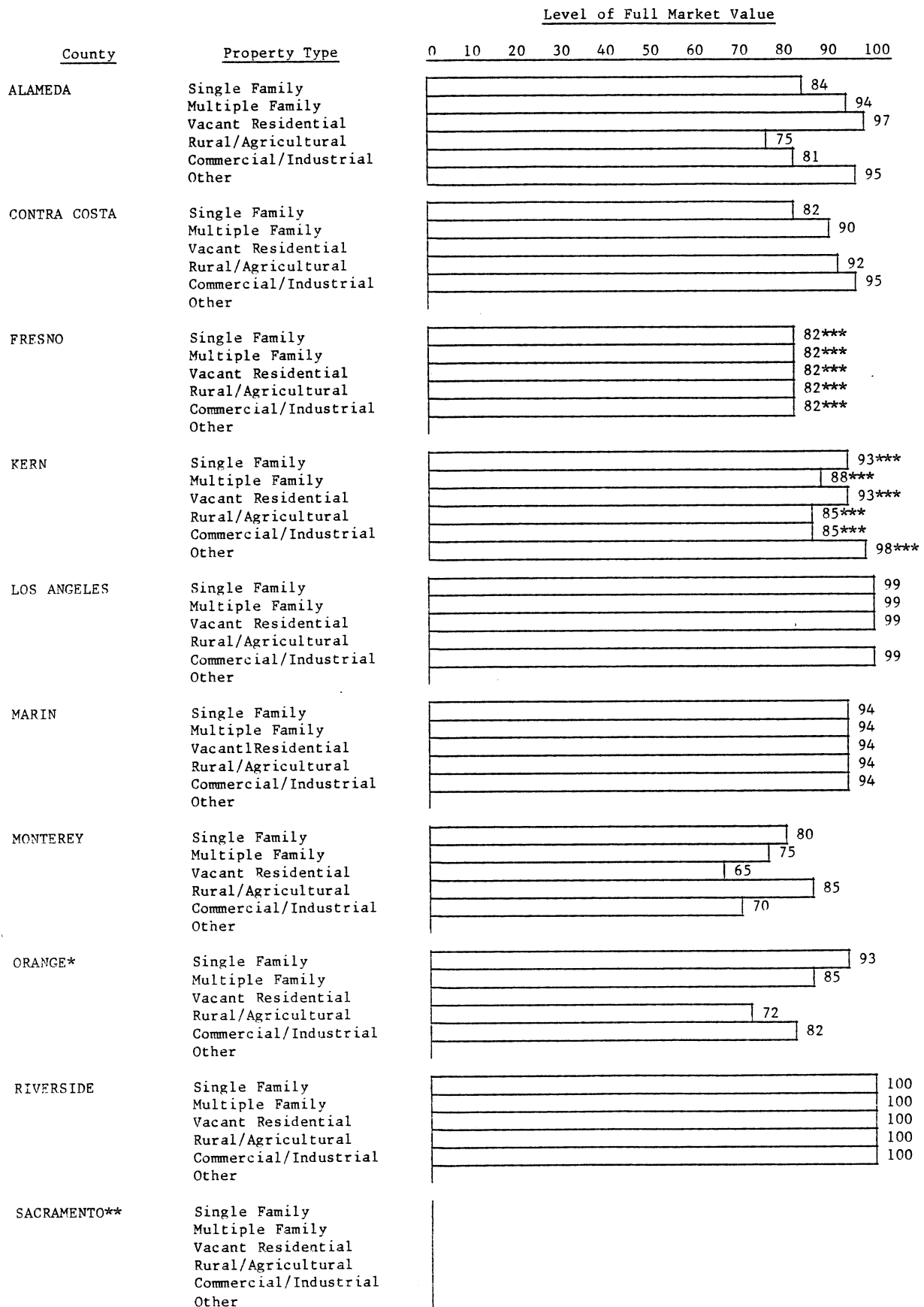
Section 5.

This article shall take effect for the tax year beginning on July 1 following the passage of this Amendment, except Section 3 which shall become effective upon the passage of this article.

Section 6.

If any section, part, clause, or phrase hereof is for any reason held to be invalid or unconstitutional, the remaining sections shall not be affected but will remain in full force and effect.

COUNTY ASSESSOR ESTIMATES OF FULL MARKET VALUE
FOR PARCELS APPRAISED FOR 1975-76 BY PROPERTY TYPE



* Data provided is for all parcels in county. Data was not available on level of full market value for parcels reappraised and not reappraised.

** Sufficient data was not available.

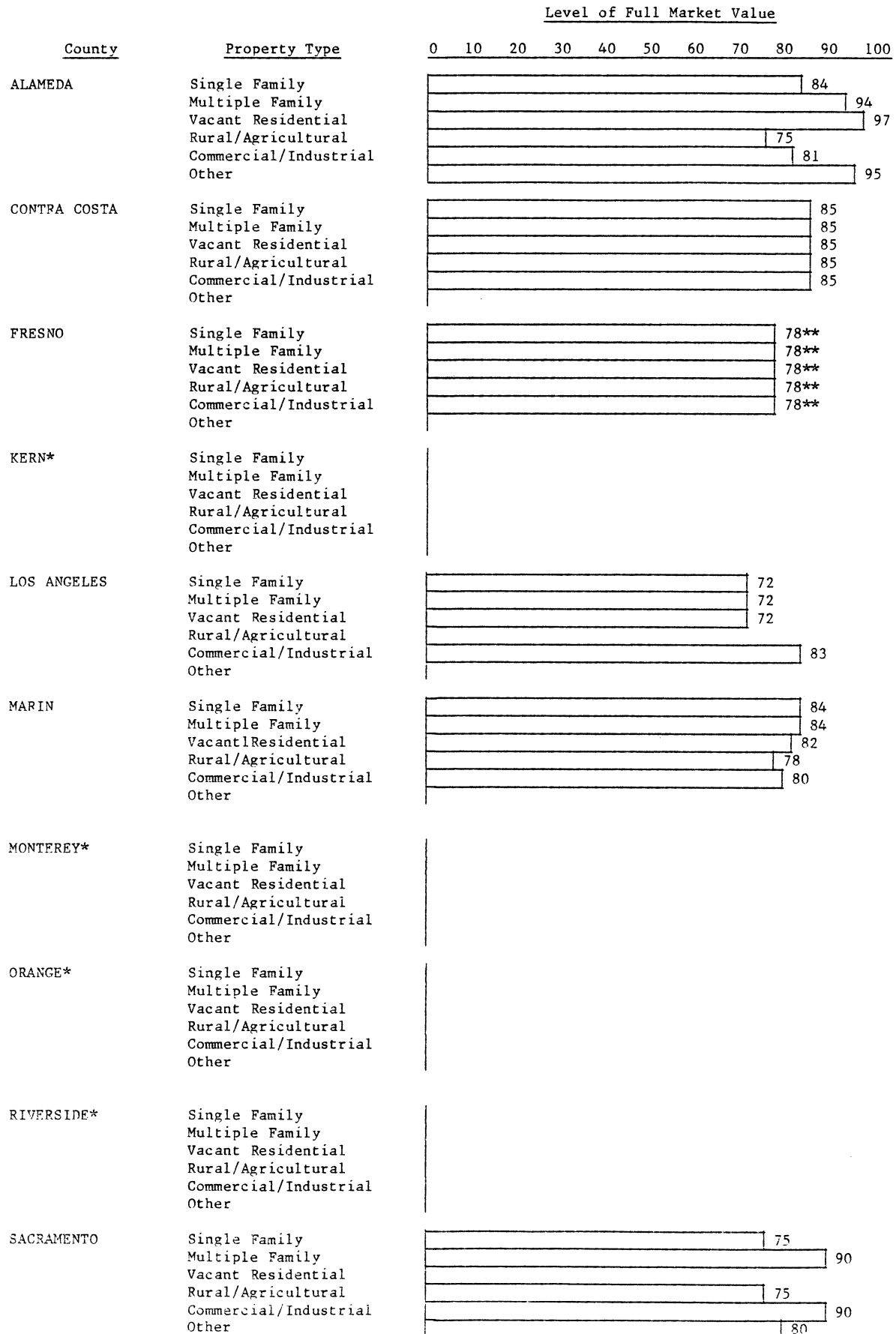
*** Percentage shown is the midpoint of the estimated range of full market value levels provided by the assessor.

Level of Full Market Value

<u>County</u>	<u>Property Type</u>	0	10	20	30	40	50	60	70	80	90	100
SAN BERNARDINO	Single Family	92										
	Multiple Family	92										
	Vacant Residential	96										
	Rural/Agricultural	90										
	Commercial/Industrial	86										
	Other											
SAN DIEGO	Single Family	92										
	Multiple Family	93										
	Vacant Residential	89										
	Rural/Agricultural	91										
	Commercial/Industrial	94*										
	Other	89										
SAN FRANCISCO	Single Family	83										
	Multiple Family	90										
	Vacant Residential											
	Rural/Agricultural											
	Commercial/Industrial	100										
	Other											
SAN JOAQUIN	Single Family	82*										
	Multiple Family	82*										
	Vacant Residential	82*										
	Rural/Agricultural	82*										
	Commercial/Industrial	82*										
	Other	100										
SAN MATEO	Single Family	85*										
	Multiple Family	85*										
	Vacant Residential	85*										
	Rural/Agricultural											
	Commercial/Industrial											
	Other											
SANTA BARBARA	Single Family	94										
	Multiple Family	96										
	Vacant Residential	100										
	Rural/Agricultural											
	Commercial/Industrial	96										
	Other	100										
SANTA CLARA	Single Family	99										
	Multiple Family	99										
	Vacant Residential	99										
	Rural/Agricultural	99										
	Commercial/Industrial	99										
	Other	99										
SANTA CRUZ	Single Family	87										
	Multiple Family	87										
	Vacant Residential	87										
	Rural/Agricultural	63										
	Commercial/Industrial	75										
	Other											
SONOMA	Single Family	93*										
	Multiple Family	88*										
	Vacant Residential	93*										
	Rural/Agricultural	88*										
	Commercial/Industrial	90										
	Other											
STANISLAUS	Single Family	100										
	Multiple Family	100										
	Vacant Residential	100										
	Rural/Agricultural	100										
	Commercial/Industrial	100										
	Other	100										
VENTURA	Single Family	100										
	Multiple Family	100										
	Vacant Residential	100										
	Rural/Agricultural	100										
	Commercial/Industrial	100										
	Other											

* Percentage shown is the midpoint of the estimated range of full market value levels provided by the assessor.

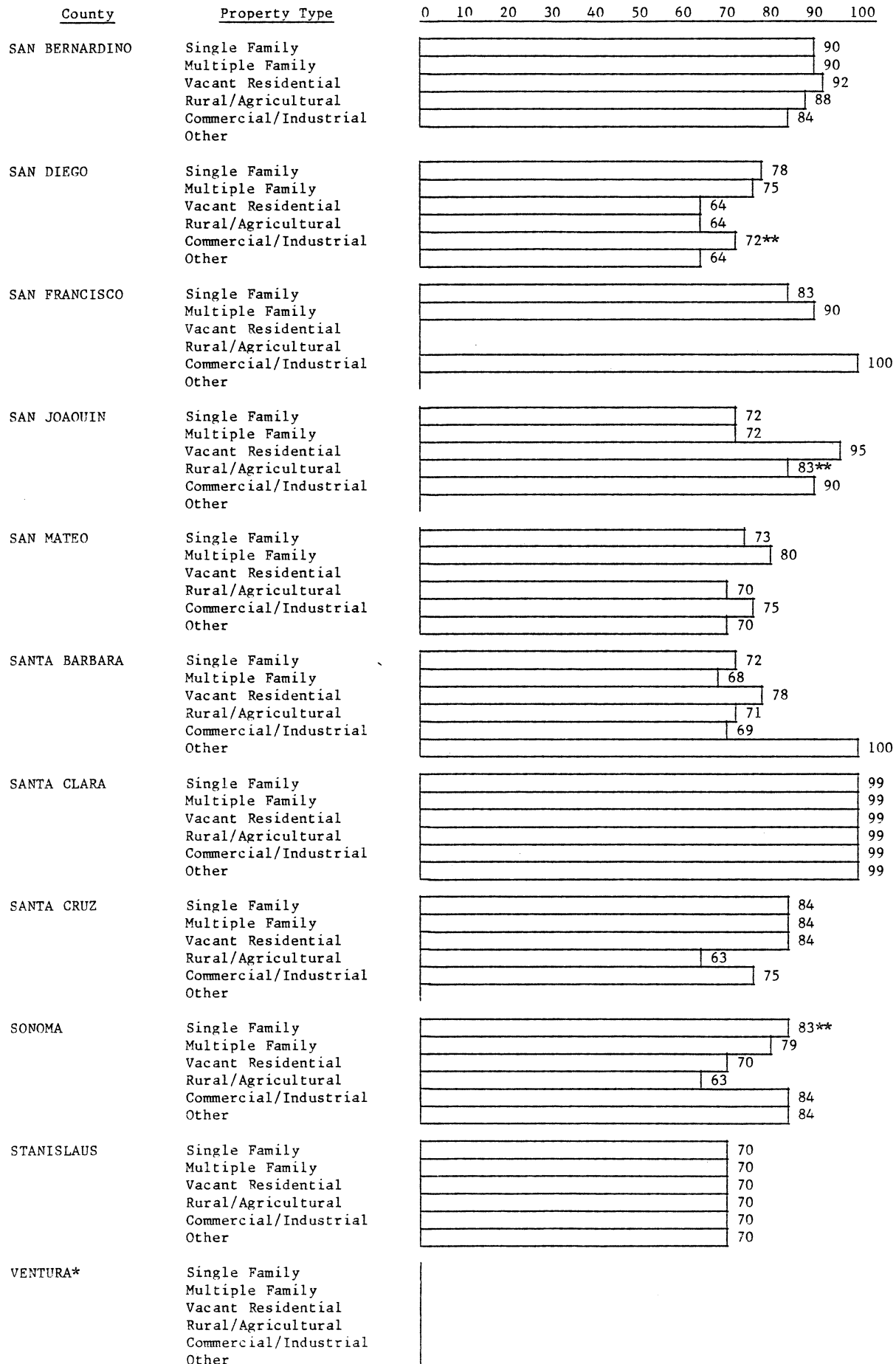
COUNTY ASSESSOR ESTIMATES OF FULL MARKET VALUE
FOR PARCELS NOT APPRAISED FOR 1975-76 BY PROPERTY TYPE



* Sufficient data was not available.

** Percentage shown is the midpoint of the estimated range of full market value levels provided by the assessor.

Level of Full Market Value



* Sufficient data not available.

** Percentage shown is the midpoint of the estimated range of full market value levels provided by the assessor.

METHODOLOGY USED TO COMPUTE
FISCAL IMPACT OF OPTIONS

OPTION 1

This option defines full cash value as the acquisition value of a parcel as of March 1, 1975. Where values on the 1975-76 tax roll are not true March 1, 1975 acquisition values, full cash value means the reappraised value to the March 1, 1975 acquisition value.

We applied the following methodology to analyze the fiscal impact of Option 1:

- Step 1: Determine total number of parcels reappraised and not reappraised in each county for the 1975-76 tax roll
- Step 2: Deduct the proportionate number of parcels with changes in ownership from the total number of parcels reappraised and not reappraised (assumed normal distribution of changes in ownership)
- Step 3: Identify or compute the assessed valuation of parcels with no changes in ownership which were reappraised and not reappraised for the 1975-76 tax roll
- Step 4: Review counties' actions in developing the 1978-79 tax roll and determine which counties have not increased assessed value of parcels to acquisition value

Step 5: Compute the assessed valuation added to the tax roll if parcels reappraised for the 1975-76 tax roll were revalued to reflect March 1, 1975 acquisition value (computation involves revaluing parcels reappraised for the 1975-76 tax roll based on levels of full market value assessors estimated or reported for the 1975-76 tax roll)

Step 6: Compute the assessed valuation added to the tax roll if parcels not reappraised for the 1975-76 tax roll were revalued to reflect March 1, 1975 acquisition value (computation involves revaluing parcels not reappraised for the 1975-76 tax roll based on levels of full market value assessors estimated or reported for the 1975-76 tax roll)

Step 7: Determine the total full market value added to the tax roll by increasing parcel values to acquisition value as of March 1, 1975

Step 8: Determine the additional revenue generated in counties affected based on one percent of full market value.

OPTION 2

Option 2 establishes full cash value as the assessors' appraised value for property appraised for the 1975-76 tax roll. Full cash value for property not reappraised in 1975-76 is a property's value as of March 1, 1975. Option 2 allows counties to reappraise properties to establish March 1, 1975 values.

The following methodology was used to analyze the fiscal impact of Option 2:

Step 1: Determine the total number of parcels reappraised and not reappraised in each county for the 1975-76 tax roll

- Step 2: Deduct the proportionate number of parcels with changes in ownership from the total number of parcels reappraised and not reappraised (assumed normal distribution of changes in ownership)
- Step 3: Identify or compute the assessed valuation of parcels with no changes in ownership which were reappraised and not reappraised for the 1975-76 tax roll
- Step 4: Review counties' actions in developing the 1978-79 tax roll and determine whether counties have increased or maintained assessed valuation of various property types for properties reappraised and not reappraised for the 1975-76 tax roll
- Step 5: Determine those parcels reappraised for the 1975-76 tax roll which were not revalued for the 1978-79 tax roll (These parcel values will not provide additional assessed valuation to the roll under Option 2)
- Step 6: Compute the assessed valuation reduced from the 1975-76 tax roll as a result of restoring properties reappraised in 1975 (but subsequently revalued) to their 1975-76 assessed valuation
- Step 7: Compute the assessed valuation added to the tax roll if parcels not reappraised for the 1975-76 tax roll were revalued to reflect the parcels' value as of March 1, 1975 (computation involves revaluing parcels not reappraised for the 1975-76 tax roll based on levels of full market value assessors estimated or reported for the 1975-76 tax roll)
- Step 8: Determine the total full market value added or subtracted from the tax roll by implementing Option 2
- Step 9: Determine the impact on revenue generated in counties affected by this Option.

OPTION 3

This option defines full cash value as the assessors' appraised value for properties appraised for the 1975-76 tax roll. Full cash value for properties not reappraised for the 1975-76 tax roll equals the same percentage of market value as properties in the same class which were reappraised for the 1975-76 tax roll.

We applied the following methodology to analyze the fiscal impact of Option 3:

- Step 1: Determine the total number of parcels reappraised and not reappraised in each county for the 1975-76 tax roll
- Step 2: Deduct the proportionate number of parcels with changes in ownership from the total number of parcels reappraised and not reappraised (assumed normal distribution of changes in ownership)
- Step 3: Identify or compute the assessed valuation of parcels with no changes in ownership which were reappraised and not reappraised for the 1975-76 tax roll with no change in ownership
- Step 4: Review counties' actions in developing the 1978-79 tax roll and determine whether counties have increased or maintained assessed valuation of various property types for properties reappraised and not reappraised for the 1975-76 tax roll
- Step 5: Determine those parcels reappraised for the 1975-76 tax roll which were not revalued for the 1978-79 tax roll (These parcel values will not provide additional assessed valuation to the roll under Option 2)

- Step 6: Compute the assessed valuation reduced from the 1975-76 tax roll as a result of restoring properties reappraised in 1975, (but subsequently revalued), to their 1975-76 assessed valuation
- Step 7: Compute the assessed valuation added to the tax roll if parcels not reappraised for the 1975-76 tax roll (which have not been subsequently revalued for the 1978-79 tax roll) were reappraised to reflect the same percentage of full market value as parcels in the same class for the 1975-76 tax roll (computation involves revaluing parcels not reappraised for the 1975-76 tax roll based on levels of full market value assessors estimated or reported for the 1975-76 tax roll)
- Step 8: Compute the assessed valuation subtracted from the tax roll if parcels not reappraised for the 1975-76 tax roll (which have subsequently been revalued for the 1978-79 tax roll) were reappraised to reflect the same percentage of full market value as parcel values in the same class for the 1975-76 tax roll (computation involves revaluing parcels not reappraised for the 1975-76 tax roll based on levels of full market value assessors estimated or reported were achieved for the 1975-76 tax roll)
- Step 9: Determine the total full market value added or subtracted from the tax roll by implementing Option 3
- Step 10: Determine the impact on revenue generated in counties affected by this Option.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
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