

SAN FRANCISCO CITY AND COUNTY ASSESSMENT PRACTICES SURVEY

OCTOBER 2022

CALIFORNIA STATE BOARD OF EQUALIZATION

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October 4, 2022

TO COUNTY ASSESSORS:

No. 2022/047

**SAN FRANCISCO CITY AND COUNTY
ASSESSMENT PRACTICES SURVEY**

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

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

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

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

Sincerely,

/s/ David Yeung

David Yeung
Deputy Director
Property Tax Department

DY:dcl
Enclosure

TABLE OF CONTENTS

INTRODUCTION.....	1
OBJECTIVE	2
SCOPE AND METHODOLOGY	2
EXECUTIVE SUMMARY	4
OVERVIEW OF SAN FRANCISCO CITY AND COUNTY	6
FINDINGS AND RECOMMENDATIONS	7
ADMINISTRATION	8
EXEMPTIONS	8
ASSESSMENT OF REAL PROPERTY	10
NEW CONSTRUCTION	10
APPENDIX A: STATISTICAL DATA	11
TABLE 1: ASSESSMENT ROLL	11
TABLE 2: CHANGE IN ASSESSED VALUES	11
TABLE 3: GROSS BUDGET AND STAFFING	12
TABLE 4: ASSESSMENT APPEALS	12
TABLE 5: EXEMPTIONS – WELFARE	13
TABLE 6: CHANGE IN OWNERSHIP	13
TABLE 7: NEW CONSTRUCTION	14
TABLE 8: DECLINES IN VALUE	14
TABLE 9: AUDITS.....	15
APPENDIX B: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP	16
APPENDIX C: RELEVANT STATUTES AND REGULATIONS	17
ASSESSOR'S RESPONSE TO BOE'S FINDINGS	18

INTRODUCTION

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

The assessment practices survey program is one of the State's major efforts to address these interests and to promote uniformity, fairness, equity, and integrity in the property tax assessment process. Under this program, the State Board of Equalization (BOE) periodically reviews the practices and procedures (surveys) of specified County Assessors' offices. This report reflects the BOE's findings in its current survey of the San Francisco City and County Assessor-Recorder's Office.¹

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

¹ This review covers only the assessment functions of the office.

OBJECTIVE

The survey shall "...show...the extent to which assessment practices are consistent with or differ from state law and regulations."² The primary objective of a survey is to ensure the Assessor's compliance with state law governing the administration of local property taxation. This objective serves the three-fold purpose of protecting the state's interest in the property tax dollar, promoting fair treatment of taxpayers, and maintaining the overall integrity and public confidence in the property tax system in California.

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

SCOPE AND METHODOLOGY

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

Pursuant to Revenue and Taxation Code³ section 75.60, the BOE determines through the survey program whether a county assessment roll meets the standards for purposes of certifying the eligibility of the county to continue to recover costs associated with administering supplemental assessments. Such certification is obtained either by satisfactory statistical result from a sampling of the county's assessment roll or by a determination by the survey team – based on objective standards defined in regulation – that there are no significant assessment problems in the county.

This survey included an assessment sample of the 2020-21 assessment roll to determine the average level (ratio) of assessment for all properties and the disparity among assessments within the sample. The ideal assessment ratio is 100 percent, and the minimum acceptable ratio is 95 percent. Disparity among assessments is measured by the sum of absolute differences found in the sample; the ideal sum of absolute differences is 0 percent and the maximum acceptable number is 7.5 percent. If the assessment roll meets the minimum standards for ratio and disparity, the county is eligible to continue to recover the administrative cost of processing supplemental assessments.⁴

² Government Code section 15642.

³ Unless otherwise stated, all statutory references are to the California Revenue and Taxation Code and all rule references are to sections of California Code of Regulations, Title 18, Public Revenues.

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

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

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

EXECUTIVE SUMMARY

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

We examined the assessment practices of the San Francisco City and County Assessor's Office for the 2020-21 assessment roll.

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

- Administration

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

- Assessment of Real Property

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

- Assessment of Personal Property and Fixtures

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

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

The San Francisco City and County assessment roll meets the requirements for assessment quality as established by section 75.60. Our sample of the 2020-21 assessment roll indicated an average assessment ratio of 99.92 percent, and the sum of the absolute differences from the required assessment level was 0.11 percent. Accordingly, the BOE certifies that San Francisco City and County is eligible to receive reimbursement of costs associated with administering supplemental assessments.

OVERVIEW OF SAN FRANCISCO CITY AND COUNTY

San Francisco City and County is the only consolidated city-county in California. Located at the northern end of the San Francisco Peninsula, it encompasses a total area of 231.89 square miles, consisting of 46.87 square miles of land area and 185.02 square miles of water area. San Francisco City and County is bordered by the Golden Gate Strait to the north, the San Francisco Bay to the east, San Mateo County to the south, and the Pacific Ocean to the west. San Francisco City and County includes within its boundaries several islands – Alcatraz, Treasure Island, Yerba Buena Island, and the Farallon Islands located 28 miles offshore in the Pacific Ocean. Small portions of Alameda Island, Red Rock Island, and Angel Island are also included within its boundaries.



San Francisco County was one of the original 27 counties established by the California Legislature in 1850, and it has held a consolidated city-county status since 1856. As of 2020, San Francisco City and County had an estimated population of 873,965.

The San Francisco City and County local assessment roll ranks 7th in value of the 58 county assessment rolls in California.⁵

⁵ Statistics provided by BOE's Table 7 – *Assessed Value of County-Assessed Property Subject to General Property Taxes*, for year 2020-21.

FINDINGS AND RECOMMENDATIONS

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

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

- RECOMMENDATION 1:** Properly apply late-filing provisions for welfare exemption claims that are not filed timely.....8

- RECOMMENDATION 2:** Obtain required information prior to granting new construction exclusions.....10

ADMINISTRATION

Exemptions

Article XIII, section 1 of the California Constitution sets forth the general principle that all property is taxable unless otherwise provided. Section 3 of article XIII authorizes exemption of certain types of property from property taxation and section 4 authorizes the Legislature to exempt certain other types of property from property taxation.⁶

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

Welfare Exemption

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

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

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

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

We found several instances where the Assessor did not properly apply the late-filing provisions to a property when a welfare exemption claim was not filed timely. In some instances, we found that the Assessor was allowing the full exemption of the property, even though the claim had been filed late. In other instances, the Assessor applied the late-filing provisions by issuing a \$250 direct assessment to the claimant's annual property tax bill rather than allowing only a partial exemption, which practice is contrary to statutory provisions.

Section 271(a) provides that a welfare exemption claim filed on property acquired after the lien date is considered filed timely if filed within 90 days from the first day of the month following

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

the month in which the property was acquired or by February 15 of the following calendar year, whichever occurs earlier. If the claimant does not file within the prescribed time period, but files late, then 85 percent of any tax, penalty, or interest is cancelled or refunded. In addition, section 271(c) provides that any tax, penalty, or interest imposed may not exceed \$250.

Section 255(a) provides that annual claims for the welfare exemption must be filed with the Assessor between the lien date, which is January 1, and 5:00 p.m. on February 15.

Section 270(a)(1) states that 90 percent of any tax, penalty, or interest will be cancelled or refunded if the claim is filed on or before the lien date in the calendar year succeeding the calendar year in which the exemption was not claimed by a timely application. If a claim is filed after this specified time period in section 270(a)(1), then 85 percent of any tax, penalty, or interest shall be cancelled or refunded, as specified in section 270(a)(2). However, section 270(b) provides that any tax, penalty, or interest may not exceed \$250.

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

ASSESSMENT OF REAL PROPERTY

New Construction

Section 70 defines newly constructed property, or new construction, as (1) any addition to real property since the last lien date, or (2) any alteration of land or improvements since the last lien date that constitutes a major rehabilitation of the property or converts the property to a different use. Further, section 70 establishes that any rehabilitation, renovation, or modernization that converts an improvement to the substantial equivalent of a new improvement constitutes a major rehabilitation of the improvement. Section 71 requires the Assessor to determine the full cash value of newly constructed real property on each lien date while construction is in progress and on its date of completion, and provides that the full cash value of completed new construction becomes the new base year value of the newly constructed property.⁷

RECOMMENDATION 2: Obtain required information prior to granting new construction exclusions.

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

Section 74.5 provides for a new construction exclusion for the addition of any seismic retrofitting components to existing buildings and structures. In order to receive this new construction exclusion, the property owner must notify the County Assessor prior to, or within 30 days of, completion of the project. Additionally, all documents needed to support the claim must be filed no later than six months after completion of the project. It is the responsibility of the property owner, contractor, engineer, or architect to certify to the building department which portions of the project are for seismic retrofitting components. Upon completion of the project, the building department is to report to the County Assessor the costs of those portions of the project designated for seismic retrofitting components. Section 74.5(d) requires that the BOE prescribe the manner and form for claiming the exclusion. The property owner must file BOE-64, *Claim For Seismic Safety Construction Exclusion From Assessment*, along with any necessary supporting documentation, in order to qualify for the exclusion.

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

⁷ For a detailed description of the scope of our review of this topic, please refer to the document entitled *New Construction*, which is available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/newconstruction_general.pdf.

APPENDIX A: STATISTICAL DATA

Table 1: Assessment Roll

The following table displays pertinent information from the 2020-21 assessment roll.⁸

	PROPERTY TYPE	ENROLLED VALUE
Secured Roll	Land	\$145,520,492,593
	Improvements	\$145,413,814,289
	Fixtures	\$3,215,324,871
	Personal Property	\$920,604,121
	Total Secured	\$295,070,235,874
Unsecured Roll	Land	\$1,439,256,681
	Improvements	\$4,335,416,980
	Fixtures	\$10,388,490,886
	Personal Property	\$5,358,855,867
	Total Unsecured	\$21,522,020,414
Exemptions⁹		(\$18,249,608,184)
	Total Assessment Roll	\$298,342,648,104

Table 2: Change in Assessed Values

The following table summarizes the change in assessed values over recent years:¹⁰

ROLL YEAR	TOTAL ROLL VALUE	CHANGE	STATEWIDE CHANGE
2020-21	\$298,342,648,000	7.3%	5.0%
2019-20	\$278,028,598,000	8.4%	6.1%
2018-19	\$256,575,159,000	10.9%	6.5%
2017-18	\$231,459,606,000	10.7%	6.3%
2016-17	\$209,070,083,000	8.8%	5.5%

⁸ Statistics provided by BOE-822, *Report of Assessed Values By City, County 38 San Francisco*, for year 2020.

⁹ The value of the Homeowners' Exemption is excluded from the exemptions total.

¹⁰ Statistics provided by the BOE's Table 7 – *Assessed Value of County-Assessed Property Subject to General Property Taxes*, for years 2016-17 through 2020-21.

Table 3: Gross Budget and Staffing

The Assessor's budget has grown from \$21,288,350 in 2015-16 to \$26,812,948 in 2019-20.

As of the date of our survey, the Assessor had 150.51 budgeted permanent positions. This included the Assessor, 13 managers, 56.93 real property appraisers, 17.65 business property auditor-appraisers, 5.25 computer programmers/analysts/technicians, 24.36 other technical/professional categories, and 32.32 support staff.

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

FISCAL YEAR	GROSS BUDGET	PERCENT CHANGE	PERMANENT STAFF
2019-20	\$26,812,948	5.5%	150.51
2018-19	\$25,421,068	5.3%	148.45
2017-18	\$24,147,780	4.4%	149.05
2016-17	\$23,130,441	8.7%	152.82
2015-16	\$21,288,350	1.6%	148.34

Table 4: Assessment Appeals

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

FISCAL YEAR	ASSESSMENT APPEALS FILED
2019-20	1,408
2018-19	1,253
2017-18	1,609
2016-17	1,499
2015-16	1,602

¹¹ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices 2015-16* and *A Report on Budget, Personnel, and Appeals Data* for years 2016-17 through 2019-20 & *Roll Data* for years 2017-18 through 2020-21.

¹² Statistics provided by Joaquín Torres, Assessor, for fiscal year 2018-19. Remaining statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices 2015-16* and *A Report on Budget, Personnel, and Appeals Data* for years 2016-17, 2017-18, and 2019-20 & *Roll Data* for years 2017-18, 2018-19, and 2020-21.

Table 5: Exemptions – Welfare

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

ROLL YEAR	WELFARE EXEMPTIONS	EXEMPTED VALUE
2020-21	1,940	\$16,201,342,710
2019-20	1,727	\$13,870,912,530
2018-19	1,597	\$10,967,981,740
2017-18	1,453	\$7,516,967,146
2016-17	1,419	\$6,333,890,348

Table 6: Change in Ownership

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

ROLL YEAR	TOTAL TRANSFER DOCUMENTS RECEIVED	REAPPRAISABLE TRANSFERS
2020-21	24,478	9,179
2019-20	26,431	14,350
2018-19	28,546	11,165
2017-18	29,524	9,794
2016-17	29,499	10,127

¹³ Statistics provided by BOE-802, *Report on Exemptions*, for years 2016-17 through 2020-21.

¹⁴ Statistics provided by *A Report on Budget, Personnel, and Appeals Data* for years 2016-17 through 2019-20 & *Roll Data* for years 2017-18 through 2020-21.

Table 7: New Construction

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

ROLL YEAR	TOTAL BUILDING PERMITS RECEIVED	NEW CONSTRUCTION ASSESSMENTS
2020-21	27,174	3,828
2019-20	34,886	5,312
2018-19	34,390	6,240
2017-18	32,694	3,083
2016-17	32,122	2,986

Table 8: Declines In Value

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

ROLL YEAR	DECLINE-IN-VALUE ASSESSMENTS
2020-21	2,699
2019-20	3,266
2018-19	4,601
2017-18	6,997
2016-17	6,884

¹⁵ Statistics provided by *A Report on Budget, Personnel, and Appeals Data* for years 2016-17 through 2019-20 & *Roll Data* for years 2017-18 through 2020-21.

¹⁶ Statistics provided by *A Report on Budget, Personnel, and Appeals Data* for years 2016-17 through 2019-20 & *Roll Data* for years 2017-18 through 2020-21.

Table 9: Audits

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

MINIMUM NUMBER OF AUDITS REQUIRED¹⁸	2019-20	2018-19	2017-18	2016-17	2015-16
Largest Assessments		151	152	151	152
All Other Taxpayers		152	151	152	151
Total Required		303	303	303	303
NUMBER OF AUDITS COMPLETED					
Total Audits Completed	323	340	315	298	223
Largest Assessments	173	165	157	144	99
Over/(Under) Required		14	5	(7)	(53)
All Other Taxpayers	150	175	158	154	124
Over/(Under) Required		23	7	2	(27)
CCCASE AUDITS					
Prepared for other County Assessors	5	0	3	14	23

¹⁷ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices 2015-16* and *A Report on Budget, Personnel, and Appeals Data* for years 2016-17 through 2019-20 & *Roll Data* for years 2017-18 through 2020-21.

¹⁸ See Letter To Assessors (LTA) No. 2009/049, *Significant Number of Business Property Audits*, for the minimum number of annual audits required pursuant to the provisions of section 469 for fiscal years 2015-16 through 2018-19. Effective January 1, 2019, section 469 was amended to give Assessors more flexibility in completing the required number of annual audits by allowing for the four-year total of required annual audits to be completed within a four-year period of time, rather than annually, beginning with the 2019-20 fiscal year. For more information on the amendments to section 469, see LTA No. 2018/067.

APPENDIX B: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP

San Francisco City and County

Chief

Patricia Lumsden

Survey Program Director:

Holly Cooper

Principal Property Appraiser

Survey Team Supervisor:

Gary Coates

Supervising Property Appraiser

Survey Team:

Amanda Lopez

Senior Specialist Property Appraiser

Artemis Oestreich

Senior Specialist Property Appraiser

Jeffrey Arthur

Senior Specialist Property Auditor Appraiser

Alexander B. Fries

Senior Specialist Property Auditor Appraiser

Nicole Grady

Assistant Property Appraiser

Hanju Lee

Assistant Property Appraiser

Dany Lunetta

Associate Governmental Program Analyst

APPENDIX C: RELEVANT STATUTES AND REGULATIONS

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

ASSESSOR'S RESPONSE TO BOE'S FINDINGS

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

The San Francisco City and County Assessor's response begins on the next page. The BOE has no comments regarding the response.



August 17, 2022

David Yeung
Deputy Director, Property Tax Department
State Board of Equalization
Property Tax Department
PO Box 942879
Sacramento, California 94279

RE: SAN FRANCISCO ASSESSMENT PRACTICES SURVEY

Dear Mr. Yeung:

On behalf of the San Francisco Office of the Assessor-Recorder, I wish to express our deep appreciation to the State Board of Equalization (BOE) survey team for their professionalism and proactive exchange of information throughout the survey process. We believe that the independent audit conducted by the BOE provides a critical, invaluable, and constructive evaluation of the appraisal practice and assessment procedures in an Assessor's Office. Pursuant to Section 15645 of the California Government Code, I have attached our response to the BOE's 2022 Assessment Practices Survey Report for the City and County of San Francisco.

The 2022 Assessment Practices Survey Report reflects the significant progress made by the committed staff of the Office of the Assessor-Recorder. Over the last several years, our office's focus on supporting our staff, advancing technology and transparency, and delivering excellent customer service has delivered outsized accomplishments that build on the successful closing of our assessment roll on time in 2019 for the first time in 25 years and maintaining this high level of proactive and responsive service throughout the challenges presented by the COVID-19 pandemic. This progress continues to be made possible by the hard work of dedicated staff committed to realizing the necessary efficiencies, innovation, and excellence in providing high quality services to best meet the public's expectations and needs.

Our office has successfully reversed a decades-old backlog of assessments and appeals, increased access to data and services online, launched a centralized property records system, transitioned data analytics to Power BI, and launched Phase 1 of our property tax system project - a multi-agency, multi-year effort that will improve customer service, increase productivity, and better secure our critical data. We've also invested heavily in creating a standards division to ensure uniform practices and provided career growth opportunities through a new appraiser trainee program. As a result, our total assessment roll increased 64% from \$200 billion in 2015 to \$325 billion in 2022. The work of the office ensures that San Francisco's financial stability and security continues during a time of unprecedented challenges. As we look ahead, we continue to focus our efforts on strengthening our core operations with investments in people, our systems and the tools needed to get the job done.

Focus on Staffing

Our staff is our greatest asset towards achieving our goals and each person plays an integral part in realizing our mission. By supporting their capacity, development and work experience, we are confident we will continue to succeed. During the budget process, we successfully advocated for investments to hire more staff in the coming year. As a result, we'll hire new staff to the Standards and Business Personal Property divisions, build up our Racial Equity team, and fully re-staff our Transactions team to respond to significant turnover due to promotions and retirements. Along with new hires, our focus on professional development, training and the recruitment and retention of staff will continue.

As diversity is a key source of organizational strength, our work continues to advance it. By analyzing five years of historical data for our office's recruitments, we've seen that Black and Latinx applicants comprise the smallest number of applicants. To increase diversity in our workplace, we expanded our list of recruitment contacts to include local schools and universities as well as community-based organizations, and amplified our recruitment efforts.

We will continue to invest in our appraiser trainee program. The program provides an internal career onramp and pathway for employees interested in a career in appraising real property. We are proud to have increased the diversity of this year's class of appraiser trainees, increasing Black representation in the program. All six trainees recently passed their State BOE certification exam and are completing the combination of classroom and supervised on-the-job training.

We have also launched our Equity Professional Development Program to increase internal mobility and professional development for Black, Indigenous, and People of Color (BIPOC). The goal of the program is to offer professional growth to all employees while prioritizing enrollment for the most marginalized in our office and to remove barriers that inhibit that growth. During our first application cycle, we had 22 diverse staff members apply and benefit from trainings that were 100% paid for by the office. Additionally, we are restructuring our office to strengthen supports for our business divisions, and to continue increasing efficiencies in production and improving customer service. We have consolidated our service teams under Public Service to better coordinate these resources to support the entire organization and our customers. The Standards Division is being elevated to an independent division that will support data and training needs of the entire organization.

Using Technology to Promote Efficiency and Transparency

Technology plays a key role in how efficiently staff perform their work and how they feel about their day-to-day experience at the office. We pursue technology upgrades and digital experiences to drive meaningful change in the staff and customer experience. As we pursue systems changes, we consider the needs of everyone who works and engages with our office.

In 2020, our new recorder system, Records Manager, was launched to replace an obsolete system. Our office records approximately 150,000 documents annually, and to minimize recording errors and omissions, we needed a system to increase operational efficiency and better support staff.

Last year, we launched Phase 1 of SMART to secure the County's property tax assessment system under a more resilient technology platform to achieve more efficient operations, reduce revenue at risk, improve customer service, and provide greater transparency and reporting. We are on track to go live with SMART Phase 2 for Real Property in the coming year.

Additionally, our goal for the year ahead is to upload an additional 3.7 million records to Records Manager covering the years 1980-2000, and to advance other steps to remove barriers to online public access to our records.

The Role of Data and Partnerships

With the backlog being reduced in previous years, focus has shifted to improving data, primarily assessment data submitted for enrollments. Led by our Standards team, cleanup has already been completed on tens of thousands of records. This includes but is not limited to class codes, event dates, permits, ownership history, value screen entries, lease information, and property characteristics. Our analyst team has developed a wide range of audits and reports to provide better insights to our data, allowing staff to efficiently review and correct issues before items are enrolled. The result is that much less changes are needed to be made after Roll Close. This clean-up and use of data will ultimately provide a better service to our taxpayers.

Another major accomplishment, again related to data cleanup, has been all the complex work for our Tenants in Common (TIC) properties. Staff has been putting the puzzle pieces together to accurately reflect ownership, base year values, and unit characteristics. This work tested every aspect of an appraiser's training, and every team member stepped up to the challenge. Our TIC property data has never been as accurate as it is, and we are excited to see the results when SMART goes live. We are continuing to apply our real estate regression tool in new areas, including most recently in reviewing our Prop 8 adjustments and in establishing fair market value for Prop 19. The regression tool analyzes available market data on recent transactions relevant to an event date and creates a strategically significant range of likely market values given a property's characteristics and location. The tool allows the office to more quickly confirm whether property sales prices are within the expected range of market value given their sales in the marketplace.

Our Standards team provides a wide range of support to our Real Property Division ranging from workload management to quality assurance, and reporting and visualization to process improvements. This year we've restructured to make Standards a standalone division in order to expand its scope to provide this full suite of services to all our business units.

The pandemic and resulting economic challenges have had repercussions on our workload. Our office is seeing an increase in assessment appeals that we must defend. Appeals filed with the Assessment Appeals Board (AAB) increased by 69% in 2020-2021 and 4% in 2021-2022 with 2,399 new applications in 20-21, and 2491 new applications in 21-22. To efficiently manage this workload, we are beginning a new partnership to deepen our coordination with the AAB, beginning with a new initiative to inform scheduling to limit staff waiting times and minimize no-shows. This will not only help us get through this peak in cases but will help ensure that future peaks have less of an impact.

Customer Service and Community Engagement

Embedded in these operational upgrades is a commitment to serving the public good and to ensuring that government services are accessible, particularly to under-served and under-resourced communities. As the last year has taught us, the push for equity must be forefront and constant. Where we have opportunities to advance conversations about racial equity, we do so, in the office and in community. And as our work with a racial equity consultant begins this year, we look forward to furthering an environment that equitably serves the interest of our constituents. Property tax laws are complex, and we aim to increase access to our resources and engagement with community with a focus on providing excellent, accessible customer service online and in person, at our City Hall office, and in community.

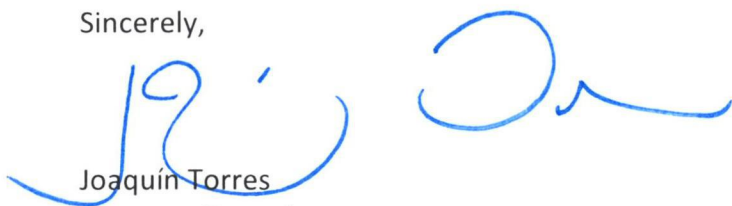
Beyond strengthening the public's understanding of and access to the functions of our office, we connect diverse communities to programs that support their economic security and mobility. In my first year as Assessor-Recorder, I facilitated the launch of an Estate Plan Program, providing 100 estate plans, free for low-income San Franciscans, and up to \$400 for moderate-income households in the historically under-resourced neighborhoods of San Francisco. The program provides the resources to help build generational wealth for San Francisco families that may not have access to such financial tools.

We also continue to prioritize services for immigrant, low-income, and monolingual communities. Our office's signature Family Wealth Series has been expanded online to continue bringing together non-profit partners, attorneys, and our knowledgeable staff to provide educational programming and one-on-one assistance to San Francisco families.

Finally, I would like to commend the dedication, expertise, and hard work of the staff of San Francisco Office of the Assessor-Recorder. Through their efforts, we continue to improve the quality of our work and deliver the customer service our taxpayers deserve.

We look forward to our continued partnership with the Board of Equalization to protect the integrity of the property tax system and achieving standardization in assessment procedures among all assessors in California.

Sincerely,



Joaquin Torres
Assessor-Recorder

City and County of San Francisco



Attachment 1: Assessor's Response to BOE 2022 Survey Recommendations

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

RESPONSE: The Assessor agrees with this recommendation and is taking steps to improve performance in this area. Due to technical limitations in our current property tax assessment system, there is not a satisfactory approach to apply the partial exemptions according to the statutory requirements. Going forward, ASR is working with the team developing our new property tax assessment system to remove these limitations. This improvement will be informed through consultation with other county assessors identified by the BOE as having exemplary performance in this area, as well as with our non-profit stakeholders. Our goal is to maximize on-time filings, and we will implement new systems for tracking and monitoring performance in this area.

RECOMMENDATION 2: Obtain required information prior to granting new construction exclusions.

RESPONSE: The Assessor agrees with this recommendation and will take steps to improve performance in this area. At present, the San Francisco Department of Building Inspection (DBI) does not require property owners to certify which portions of projects are for seismic retrofitting components nor is their practice to report seismic costs to ASR. ASR will reengage with DBI to strengthen processes for certifying and reporting the addition of any seismic retrofitting components to existing buildings and structures. At present, ASR requires documentation of costs of those portions of the project designated for seismic retrofitting components to ensure we are not excluding new construction assessments that would otherwise be assessable. ASR also uses independent cost reporting manuals to help validate seismic construction costs. Going forward, ASR will take steps to improve processes for timely obtaining BOE-64, including tracking and monitoring, working with DBI, and property owners.