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755.0125 Transfer to Local Roll. A transfer of a lease that was for an original term of less than 35 years by a state assessee to a non-state assessee requires that the leased property be locally assessed at its 1975 fair market value adjusted by the annual inflation factor. C 8/29/85.



STATE BOARD OF EQUALIZATION
PROPERTY TAX DEPARTMENT
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Controller, Sacramento

DOUGLAS D. BELL
Executive Secretary

August 29, 1985

Redacted

Dear Redacted

Base Year of 1075 Front Street

This letter is in response to your letter to James Delaney, dated August 23, 1985, in which you request our opinion on the appropriate base year value for property transferred from the State Board of Equalization's roll to the local roll. The facts as outlined in your letter are as follows.

The Estate of Redacted and his widow, Redacted, have owned commercial property located at 1075 Redacted Street in San Francisco from 1960 to the present. In July 1965, the property was leased to Pacific Telephone and Telegraph for a term of 20 years. The lease expires on September 15, 1985. During this tenancy, the State Board of Equalization assessed the property as public utility property. Therefore, the property has been reassessed for each year since 1975. In 1984, the Pacific Telephone and Telegraph leasehold interest was assigned to AT&T as part of the antitrust divestiture of AT&T. At this time, the property was transferred from the State Board of Equalization's roll to the assessment roll of the City and County of San Francisco.

For March 1, 1984 lien date, the assessor assessed the property using a base year value reflecting 1984 market data. You believe that because there has been no change in ownership of the property since 1960, there is no basis for assessing this property at its 1984 value. You contend that the correct base year is 1975 and the 1984 assessment should be based upon the 1975 value adjusted by the annual inflation factor.

Article XIII A of the California Constitution provides that property shall be valued at its 1975-76 full cash value unless there has been a change in ownership of new construction. An exception to this general rule is public utility property which is assessed by the state at its current fair market value each year. (ITT World Communication, Inc. v. City and County of San Francisco (1985) 37 Cal.3d 859. In the present case, the property was leased to Pacific Telephone and Telegraph, and, therefore, used by a public utility and subject to state assessment. (California Constitution, Article XIII, § 19.) When the lease was assigned to AT&T, the property was transferred to the local

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assessment roll. We assume that the property was transferred to the local assessment roll because the transfer was to a non-utility company owned by AT&T which is outside the State Board of Equalization's assessment jurisdiction. The assignment of the lease to AT&T did not constitute a change in ownership because the remaining time on the lease was less than 35 years. (Rule 462(f) (2) (A) (ii).) The termination of the lease on September 15, 1985 will not be a change in ownership because it will be terminating a leasehold interest which has an original term of less than 35 years. (Rule 462(f) (2) (A) (iii).)

Because there has been no change in ownership since 1975 and because the property is no longer leased by a public utility and is now assessed on the local roll, it is our opinion that there is no basis for assigning a 1984 base year value to the property. The property should be reassessed at its 1975 fair market value adjusted for the annual inflation factor.

This opinion is advisory only and binding on the assessor of any county. If you have any questions or wish to discuss this further, please contact me.

Sincerely,

Michele F. Hicks
Tax Counsel

MFH:cb

cc: Mr. James J. Delaney
Mr. Samuel Duca
San Francisco County Assessor
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bc: Mr. Gordon P. Adelman
Mr. Robert H. Gustafson
Mr. Verne Walton