



November 30, 2018

Mr. David Yeung, Chief
County-Assessed Properties Division
California State Board of Equalization
450 N. Street, MIC: 64
P.O. Box 942879
Sacramento, CA 94279-0064

RE: California Alliance of Taxpayer Advocates – 2017 Conference

Dear Mr. Yeung:

On behalf of the California Alliance of Taxpayer Advocates (“CATA”), I want to take this opportunity to thank you for the opportunity to work with the California State Board of Equalization (BOE) and the California County Assessor’s Association (CAA) in this Interested Parties (IP) Process pertaining to Confidential Information. We were asked to provide a written response based on the meeting held on 10/31/18 in Sacramento, CA.

We have provided your outline to the CATA Standards Committee and we have worked on this task as directed in your email communication to Mr. Marc Aprea of Aprea & Micheli who represents our organization, CATA. Please find our response(s) attached which addresses the topics, 1) Lease Data, 2) Data – Capitalization Rates, 3) Construction Costs – Real Property & Personal Property (Equipment & Fixtures).

We are available to discuss these topics or answer questions as needed. We thank you and the parties involved for their time and consideration in this matter.

Sincerely,

Sean P. Keegan
Board Chairman
California Alliance of Taxpayer Advocates

Attachment (CATA Response to Interested Parties – 10/31/18 Meeting)

cc: Senator George Runner, Chairman (w/Attachment)
Honorable Fiona Ma, Member (w/Attachment)
Honorable Diane Harkey, Member (w/Attachment)
Honorable Jerome Horton, Member (w/Attachment)
Honorable Betty T. Yee, State Controller c/o Deputy Controller, Yvette Stowers (w/Attachment)
Henry D. Nanjo, Chief Counsel, Legal Department (w/Attachment)
Joann Richmond-Smith, Chief, Board Proceedings Division (w/Attachment)
CATA Board of Directors

CALIFORNIA ALLIANCE OF TAXPAYER ADVOCATES (CATA)

REAL PROPERTY – INFORMATION NEEDED

CONFIDENTIAL INFORMATION (IP PROCESS)

In order to facilitate the cross-examination of confidential third-party information introduced and relied upon by an assessor during a hearing, the Assessment Appeals Board may allow the applicant to obtain from the assessor certain data relating to such confidential information.¹ The data the applicant may obtain from the assessor is discussed further below. It is presumed that any confidential third-party information used by the assessor at a hearing will have been de-identified in order to protect the secrecy of such information under Rev. and Tax. Code Sections 408, 451 and 481. The applicant may also request data regarding confidential third-party information used by an assessor prior to a hearing through a request under Section 408.

LEASE DATA

- 1) When was the lease agreement signed? When did the tenant move into the property?
- 2) What is the address or cross street? In what city and neighborhood is it located? How far is it from the subject property being valued or the property that is appealed?
- 3) What is the age of the improvement? Type of building? Physical Characteristics (square footage, number of buildings, number of units or stories, roof height & type, build out, etc.)?
- 4) Are there Restrictions on income such as Affordable Units? Restrictions on the land for building higher? Any government tenants?
- 5) What type of lease is it and what is the Rent per square foot? What type of property (land, improvements, equipment, other)? Is there Additional Rent paid for parking or other items? Is there any free rent?
- 6) What is the term of the lease or expiration? What is the remaining term of the lease? Any renewable options?
- 7) Any tenant improvement allowances or concessions given to the tenant?
- 8) Are there rent escalations throughout the term of the lease? What are they and when?
- 9) Is the lease agreement a ground lease with an exempt entity such as a City or County entity? Possessory Interest Assessments – additional questions.

¹ The procedure described here is advisory only. The proper handling of confidential third-party information by assessors was addressed by the California Court of Appeal in *Chanslor-Western Oil and Development Co. v. Cook* (1980) 101 Cal.App.3d 407 and *Trailer Train Company v. State Board of Equalization* (1986) 180 Cal.App.3d 565. The procedure described in this section does not supersede or supplant the Court of Appeal's decisions in those cases.

CALIFORNIA ALLIANCE OF TAXPAYER ADVOCATES (CATA)

REAL PROPERTY – INFORMATION NEEDED

CONFIDENTIAL INFORMATION (IP PROCESS)

CAP RATE DEVELOPMENT – DATA REQUIRED

- 1) What month and year was the real property sale that was used for the cap rate in question? What was the purchase price of the unit of comparison?
- 2) What is the address or cross street? In what city and neighborhood is it located? How far is it from the subject property being valued or the property that is appealed?
- 3) What is the age of the improvement? Type of building? Physical Characteristics (square footage, units, parking, etc.)? Is it single or multi-tenant property at the time of sale?
- 4) What type of lease(s) agreement(s) or what are the terms of the lease(s) (income data)? What type of property sold (land, improvements, equipment, other)? What was included in the sale?
- 5) Restrictions on income? Restrictions on the land or building?
- 6) Is it a reported Cap Rate or determined from actual data (1. Is it a broker reported Cap Rate based on a market sale confirmed by a reporting service such as Costar or another source? 2. Is it an Assessor derived Cap Rate after a market sale using information attained by the County?) If so, what is the source of the Cap Rate information?
- 7) If the Cap Rate was calculated by the County, did you receive this information on the Change in Ownership Statement (COS) or the PCOR Form? Which information did you rely on? Which information did you estimate in the NOI calculation (i.e. Concessions, V&C, Expenses, etc.)? Did you rely on Reported Information, if so, when was it received by the County?
- 8) What is the source of the gross potential income and the expenses utilized? Concessions?
- 9) Was the information source or the calculation of the rate derived from the subject property (a) Budget Proforma, if so, for which year? Current year or forward year(s)? (b) Sale Proforma (for the date of transfer)? Or (c) Historical Proforma for the subject property? The Historical Proforma information relied upon is for which year or year(s)?
- 10) What is the gross potential income and the expenses utilized in the calculation of net operating income?*
- 11) What is the net operating income utilized in this cap rate? Reserves or replacement allowances deducted? Property taxes deducted?
- 12) *What is the source of the gross potential income? Average Rents, Market Rents, or other? What type of lease? When were the leases signed? What is the term of the lease?
- 13) What is the remaining term of the lease? Any renewable options?
- 14) Did the Assessor build their cap rate? What Investment Data and the information source were utilized?

CALIFORNIA ALLIANCE OF TAXPAYER ADVOCATES (CATA)

REAL PROPERTY – INFORMATION NEEDED

CONFIDENTIAL INFORMATION (IP PROCESS)

CONSTRUCTION COST DATA

- 1) What is the source of the Cost Data? Do the costs provided include both Hard & Soft costs?
- 2) What month and year was the improvement constructed? The certificate of occupancy issued on what date?
- 3) What is the address or cross street of the improvement or unit of comparison? What city and neighborhood is it located? How far is from the subject property being valued or the property that is appealed?
- 4) What is the age of the improvement? Type of building? Number of Buildings, Physical Characteristics (Square footage, construction type, number of stories, roof height & type,)?
- 5) What type of improvement does the cost estimate or information apply to (land improvements, improvements, equipment, other)? Do the costs apply to only the building?
- 6) If Cost Manual Utilized, what is the Class, Condition, etc.
- 7) What is the Replacement Cost New Estimate for the subject property or the unit of comparison?
- 8) What is the economic life assigned to the subject property or the unit of comparison?
- 9) Any adjustments for Age, Condition, Depreciation, or Obsolescence?
- 10) Were there Change orders approved? If so, for what and at what cost?
- 11) If the Cost Information of the subject property or the unit comparison were provided by a taxpayer or a contractor, do the costs provided include costs for land or tenant build out?

CALIFORNIA ALLIANCE OF TAXPAYER ADVOCATES (CATA)

PERSONAL PROPERTY – INFORMATION NEEDED

CONFIDENTIAL INFORMATION (IP PROCESS)

COST DATA

- 1) What is the source of the Cost Data?
- 2) What month and year was the equipment / fixture constructed? When was the equipment / fixture installed? Is it operational today? How long has it been in operation? Was this a prototype?
- 3) Is this a Special Use Property? If so, how does it compare to the subject property?
- 4) What is the address or cross street of the equipment or the unit of comparison? What city is it located? How far is it from the subject property being valued or the property that is appealed?
- 5) What are the Make, Model, & Capacity? What are the Physical Characteristics and the Condition?
- 6) What is the effective age of the unit of comparison (equipment, line or manufacturing plant)?
- 7) What Economic Life was assigned to the equipment or the unit of comparison? If the asset is not new, which CAA Trend Table, County Life Table, or BOE Percent Good Table were utilized for the comparable?
- 8) Any adjustments for Age, Condition, Depreciation, or Obsolescence? Is the comparable unit subject to any forms of obsolescence?
- 9) How were the adjustments derived? What are the details for the adjustments?
- 10) Was the information derived from the Taxpayer's Fixed Asset Detail?
- 11) Were the capitalized costs for the equipment relied upon (from the Taxpayer or another party) by the Assessor inclusive or including freight, sales tax, installation, & other?
- 12) Are the fixtures included or excluded in the overall cost being compared to the subject property?
- 13) Are there any fixture costs or fixture items assessed as real property in the sale transaction or the sale comparable?