

Santa Cruz County Assessor's Office And Its Interaction with the Planning Department

Synopsis

The Assessor's Office is apparently not pursuing assessed value changes and escape assessments in Santa Cruz County in a timely fashion. The Grand Jury reviewed a year's worth of permits issued to correct "Red Tag" infractions, and one other permit that came to its attention. Many do not appear to have been correctly assessed. The description included in the Assessor's Office's records does not match the information on the permit. The Grand Jury also found that when the Assessor's Office finds an escape assessment it does not inform (and is apparently not required to notify) the Planning Department unless it notices safety or environmental concerns. This means that the Planning Department may not be able to ensure public safety of the un-permitted construction unless violations are obvious.

Definitions

Recognize As Built: A building permit that has been issued to recognize previous construction that was done without a building permit. This permit may be requested by the owner to mitigate illegal work done prior to the sale of the house.

Red Tag: A Stop Work Notice (actually a red paper tag) that is issued by the county Planning Department when it finds that un-permitted work is being or has been done. A permit must be issued to the owner or contractors to correct, remove and have inspected the un-permitted modifications.

Assessment: The cash value that the Assessor's Office places on houses and property.

Escape Assessments: A portion of the assessment on a property that was not properly evaluated. These might be the result of an error by the Assessor's Office or caused by new construction that was not reported to the county (done without a permit).

SFD: Single Family Dwelling.

Background

Enacted by voters in 1978, Proposition 13 changed the manner in which the Assessor's Office can arrive at the value of a property. Most reassessments are made at the time of an ownership change. Reassessments can also be made based on new construction that alters the habitable square footage of the residence. Converting the basement to a playroom, converting the garage to an extra bedroom or adding a guesthouse are all examples of new construction which would trigger reassessment. This new construction

is appraised at the present rate (value) while the existing portions of the improvements (home) and the property stay at their existing Proposition 13 value.

There are approximately 95,000 parcels on the Santa Cruz County Assessor's Roll. Estimates of illegal units existing in the county range into the thousands.

The Assessor's Office reports that there are very few escape assessments in the county. It believes that most people follow the law and that it isn't worth the money to pursue those who don't.

The Grand Jury was unable to find any ordinances or laws that would require or prohibit the Assessor's Office from reporting escape assessments to the Planning Department. It is the Assessor's Office's practice not to report modifications that it finds to the Planning Department unless safety or environmental issues are visible. This practice has been followed for many years.

Scope

This report looks at the processes and policies of the Assessor's Office and its interactions with the Planning Department. The Assessor's Office is instrumental in the funding of all local county government. The Grand Jury looked at the Red Tag permits that were issued during 2003. The Grand Jury also reviewed one other building permit that came to its attention.

Sources

Interviewed:

Santa Cruz County Assessor's office officials.
Santa Cruz County Planning Department officials.

Reviewed:

Assessor's Database.
Assessor's Handbook.
California Revenue and Taxation Code.
Planning Permits.

Findings

1. At the sale of a property the individual appraiser (in the Assessor's Office) reviews the Assessor's records and the final price to see if the description justifies the price for the property. If the appraiser is concerned, he will go out and review the property to see if the description is accurate.
2. The Assessor's process then relies on the individual appraiser in order to determine if justification exists for seeking escape assessments.
3. Property was regularly reappraised in Santa Cruz County until adoption of Proposition 13. As a result of Proposition 13, reappraisal to increase property valuation was generally limited to transfers of ownership and new construction.
4. Proposition 13 made regular property reviews less important because a review of building permits would identify new construction.
5. The Planning Department notifies the Assessor's Office of every building permit issued.
6. The Jury reviewed the 134 Red Tag permits issued during 2003 for this report.
7. Seventeen permits involved significant changes in the habitable square footage.
8. The following tables illustrate the discrepancies between the planning permits and the Assessor's Office's computer description for the 17 properties identified.

Assessor/Planning Data Comparison

| APN | Date Last Anraised | Permit Date | Appraisal Reason | Permit Reason |
|------------------------------|--------------------|-------------|----------------------|---------------------------------|
| Parcel 1 | None Listed | 9/9/2003 | None Listed | Remove Bedroom |
| Parcel 2 | 10/18/2002 | 9/24/2003 | 100% Own Change | Remove Habitable Garage |
| Parcel 3 | 12/13/2003 | 4/18/2003 | Misc. Value Change | Remove 2nd Unit (Duplex to SFD) |
| Parcel 4 | 4/3/2003 | 9/11/2003 | 100% Own Change | Recognize Room Addition |
| Parcel 5 | 2/14/2003 | 2/6/2003 | 100% Own Change | Remove Room |
| Parcel 6 | 1/8/1997 | 9/3/2003 | 100% Own Change | Recognize Habitable Garage |
| Parcel 7 | 2/28/1994 | 10/20/2003 | Calamity Restoration | Sq. Ft. Addition |
| Parcel 8 | 7/19/2001 | 8/6/2003 | 100% Own Change | Remove 2nd Unit (Duplex to SFD) |
| Parcel 9 | 00/00/02 | 8/5/2003 | Roll Value Change | Recognize 2nd Story |
| Parcel 10 | 11/26/2002 | 1/1/2003 | 100% Own Change | Recognize Room Addition |
| Parcel 11 | 8/7/1998 | 4/23/2003 | 100% Own Change | Recognize Habitable Basement |
| Parcel 12 | 00/00/94 | 6/12/2003 | Roll Value Change | Recognize Room Addition |
| Parcel 13 | 2/24/1999 | 8/1/2003 | 100% Own Change | Recognize New House |
| Parcel 14 | 12/31/1998 | 1/7/2003 | 07(sic) | Replace SFD |
| Parcel 15 | 10/15/1999 | 8/25/2003 | 100% Own Change | Remove 2nd Unit (Duplex to SFD) |
| Parcel 16 | 12/20/2001 | 6/19/2003 | 100% Own Change | Recognize 2nd Story |
| Parcel 17 | 4/17/2003 | 4/25/2003 | 100% Own Change | Recognize Room Addition |
| SFD = Single Family Dwelling | | | | |

Table 1. Appraisal and permit information for 17 Red-Tagged parcels, 2003.

Source: Assessor's parcel database, Santa Cruz County Planning Department.

Assessor/Planning Data Comparison (continued).

| APN | Assessor Sq Ft Habitable | Assessor Bedrooms | Planning Bedrooms | Assessor Baths F/H | Planning Bath F/H |
|---|---|------------------------------|------------------------------|-------------------------------|------------------------------|
| Parcel 1 | 752 | 2 | 1 | 1 | 1 |
| Parcel 2 | 1802 | 4 | N/L | 2 | N/L |
| Parcel 3 | 1353 | 2 | 2 | 3 | 2 |
| Parcel 4 | 1439 | 3 | 3 | 2 | 2 |
| Parcel 5 | 1824 | 3 | N/L | 2 | N/L |
| Parcel 6 | 2007 | 4 | 3 | 2 | 2 |
| Parcel 7 | 2018 | 3 | N/L | 2/1 | N/L |
| Parcel 8 | 1120 | 3 | 3 | 1 | 1 |
| Parcel 9 | 1196 | 1 | 1 | 1 | 1 |
| Parcel 10 | 791 | 1 | 1 | 1 | 1 |
| Parcel 11 | 1051 | 3 | 3 | 1 | 2 |
| Parcel 12 | 1051 | 2 | 2 | 1/1 | 2 |
| Parcel 13 | 1500 | 3 | 2 | 2 | 2 |
| Parcel 14 | 1285 | 2 | 1 | 1 | 1/1 |
| Parcel 15 | 1543 | 3 | 3 | 2 | 2 |
| Parcel 16 | 374 | N/A | 2 | N/A | N/L |
| Parcel 17 | 1128 | 3 | 2 | 2 | 2 |
| Baths F = Full Baths Baths H = Half Baths N/A = Not Available in the Assessor's data base. N/L = Not listed in the permit. | | | | | |

Table 2. Comparison of property descriptions on the Assessor's database and the County of Santa Cruz Planning Department's records on 17 Red Tag parcels, 2003.

Number of Bedrooms and Bathrooms.

Source: Assessor's parcel database, Santa Cruz County Planning Department.

Assessor/Planning Data Comparison (continued).

| APN | Assessor Total # Rooms | Planning Total # Rooms | Assessor # of Units | Planning # of Units |
|---|---------------------------------------|---------------------------------------|--------------------------------|--------------------------------|
| Parcel 1 | 5 | 6 | 1 | 2 to 1 |
| Parcel 2 | 6 | N/L | 1 | 1 |
| Parcel 3 | 4 | 6 | 1 | 2 to 1 |
| Parcel 4 | 7 | 8 | 1 | 1 |
| Parcel 5 | 5 | N/L | 1 | 1 |
| Parcel 6 | 9 | 9 | 1 | 1 |
| Parcel 7 | 6 | N/L | 2 | 2 |
| Parcel 8 | N/A | 5 | 1 | 2 to 1 |
| Parcel 9 | 4 | 4 | 1 | 1 |
| Parcel 10 | N/A | 5 | 1 | 1 |
| Parcel 11 | 6 | 8 | 1 | 1 |
| Parcel 12 | 4 | 8 | 1 | 1 |
| Parcel 13 | N/A | 7 | 1 | 1 |
| Parcel 14 | 4 | N/L | 1 | 1 |
| Parcel 15 | 6 | 11 | 1 | 2 to 1 |
| Parcel 16 | N/A | N/L | 1 | N/L |
| Parcel 17 | 6 | 8 | 1 | 1 |
| N/A = Not Available in the Assessor's data base. N/L = Not listed in the permit. | | | | |

Table 3. Comparison of property descriptions on the Assessor's database and the County of Santa Cruz Planning Department's records on 17 Red Tag parcels, 2003.

Number of Rooms and Units.

Source: Assessor's parcel database, Santa Cruz County Planning Department.

9. Twelve of the Red Tag permits show 100% change of ownership as the reason for the last reappraisal. One of the Red Tag permits showed an appraisal date after the permit issue date.
10. Thirteen Red Tag permits show significant discrepancies between the Assessor's description and the description from the Planning Department on the permit:

- Four initially reflect the added illegal rooms in the Assessor’s description but do not show the lower number of rooms when the permit required that the rooms be removed.
 - Seven show a lower total number of rooms on the Assessor’s description than are shown on the permit information.
 - Four show one unit on the Assessor’s description when the permit requires the removal of the kitchen fixtures taking the property from two units to one unit.
11. A property was reviewed that had a permit to recognize, as built, a new 2-story SFD that was built over 10 years earlier. This permit was taken out so that the property could be sold. The Assessor’s description of the house changed from a 600 square foot cabin to a 1,400 square foot, 2-story house at the time of sale. The new owner was correctly assessed for the fair market value of the property. The Assessor’s Office had not identified the escape assessments by the previous owners until the Grand Jury asked it to explain the assessment process on this property. This property did not show any reappraisal from the permit issuance.
12. The Assessor’s Office does not notify the Planning Department when it finds that modifications have been made to a structure unless there is a visible safety or environmental violation.
13. The Grand Jury was unable to discover whether any law requires or prevents this.
14. Part of the Planning Department’s purpose is to see that building construction and modifications meet the requirements for occupant safety.
15. The Assessor’s Office is allowed recovery of escape assessments, on real property, for four years prior to the date of discovery.
16. The Santa Cruz County Assessment Roll for 1968-69 amounted to just under \$1.2 billion. When Proposition 13 passed in 1978, the base year 1975-76 assessment roll amounted to just under \$2.5 billion. Today the assessment roll is over \$24 billion, with a \$1.5 billion increase last year.
17. The return to county government is a small percentage of the property tax revenue collected. The Assessor’s Office believes that it is hard to justify the expense of pursuing escape assessments.
18. Taxes that are collected based on the Assessor’s valuation are distributed in the following manner:
- 56% to schools.
 - 13% to the county General Fund.

- 12% to redevelopment agencies.
- 1% to libraries.
- 18% to other agencies.

Conclusions

1. Illegal construction in Santa Cruz County has led to an Assessor's database that is inaccurate and out of date.
2. The Assessor's Office is apparently not processing the permit information provided to it by the Planning Department in a timely manner. The Assessor's office may find these Red Tag permits sooner or later but the revenue that is postponed affects many county agencies.
3. County, school and library budgets are losing revenue because of the errors in the Assessor's database.
4. County, school and library budgets are losing revenue because of failure to more aggressively pursue escape assessments.
5. When the Assessor's Office does not notify the Planning Department about building modifications unless there are visible safety or environmental violations on buildings that do not match the Assessor's records, it is depriving the inhabitants of the protection of the Planning Department's safety review. If appraisers have no training in code enforcement inspections, then many safety or environmental hazards may go undetected. The question of liability should be considered.
6. An error as small as one percent in the Assessor's Roll would yield about \$400,000 per year in additional direct revenue to county government alone.

Recommendations

1. The Assessor should review every permit to ensure that all revenue due is collected as soon as possible. Particular attention should be paid to updating the Assessor's property description. Every time a property's records are accessed they should be reviewed for accuracy and a correct description.
2. Any change to the Assessor's description should be reviewed for escape assessments. These escape assessments should be recovered.
3. The Assessor's Office should report any discrepancies it may independently find to the Planning Department Code Enforcement section if no codes or laws prevent it.
4. The Assessor's Office should implement a program to update its database and review the parcel descriptions. This could require increased resources. Other counties have contracted with outside sources, paying a percentage of the recovered

assessments. A signed property statement for real property, as allowed under Section 441 (a) of the California Revenue and Taxation Code, might prove successful. This statement would ask property owners to describe their property. Failure to supply accurate information would be perjury. It may also be possible to prioritize properties, looking at those that have not been examined recently for other causes, such as sales or permits.

Responses Required

| Entity | Findings | Recommendations | Respond Within |
|---------------------------------------|---------------------------|------------------------|------------------------------------|
| Santa Cruz County Assessor's Office | 1 - 5, 7 - 13, 16 - 19 | 1 - 4 | 90 days (September 30, 2004) |
| Santa Cruz County Planning Department | 5 - 10, 12 - 14 | 3 | 60 days (August 30, 2004) |

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