

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

2003 – 2004 Santa Cruz County Grand Jury
Final Report and Responses

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.

Response: Santa Cruz County Assessor's Office AGREES.

2. The Assessor's process then relies on the individual appraiser in order to determine if justification exists for seeking escape assessments.

Response: Santa Cruz County Assessor's Office AGREES.

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.

Response: Santa Cruz County Assessor's Office AGREES.

4. Proposition 13 made regular property reviews less important because a review of building permits would identify new construction.

Response: Santa Cruz County Assessor's Office PARTIALLY DISAGREES.

Property reviews are an important tool for the Assessor. Unfortunately, current staffing levels prevent the Assessor from conducting any mass property reviews in the County. Prior to the passage of Proposition 13 the Assessor had an appraisal staff of 20+. Currently the appraisal staff is at 11. With the number of changes of ownership and number of permits issued annually we can barely complete our work and turn the roll over to the Auditor by July 1st as required in Section 616 of the California Revenue and Taxation Code.

5. The Planning Department notifies the Assessor's Office of every building permit issued.

Response: Santa Cruz County Assessor's Office AGREES.

Response: Santa Cruz County Board of Supervisors AGREES.

Furthermore, the Assessor's Office is given a copy of the plans for the new construction.

6. The Jury reviewed the 134 Red Tag permits issued during 2003 for this report.

Response: Santa Cruz County Board of Supervisors AGREES.

7. Seventeen permits involved significant changes in the habitable square footage.

Response: Santa Cruz County Assessor's Office DISAGREES.

This finding is not supported by any reference to parcel numbers or addresses or any other evidence which would assist this Office in addressing this issue. Therefore, while the Assessor disagrees with this finding, it is impossible to further comment.

Response: Santa Cruz County Board of Supervisors NEITHER AGREES NOR DISAGREES.

The finding is not supported by any reference to parcel numbers or addresses or any other evidence that would assist the County in evaluating the accuracy of the finding. In the form the data has been presented in the Grand Jury Report, the Planning Department cannot tell which records correlate with the data presented to the Grand Jury by the County.

8. The following tables illustrate the discrepancies between the planning permits and the Assessor's Office's computer description for the 17 properties identified.

2003 – 2004 Santa Cruz County Grand Jury
Final Report and Responses

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.

Response: Santa Cruz County Assessor's Office **DISAGREES.**

Again, the seventeen items are not identified by either their parcel number or address so it is impossible to comment on your findings.

Response: Santa Cruz County Board of Supervisors **NEITHER AGREES NOR DISAGREES.**

The finding is not supported by any reference to parcel numbers or addresses or any other evidence that would assist the County in evaluating the accuracy of the finding. In the form the data has been presented in the Grand Jury Report, the Planning Department cannot tell which records correlate with the data presented to the Grand Jury by the County.

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.

Response: Santa Cruz County Assessor's Office NEITHER AGREES NOR DISAGREES.

It is unclear of the finding's relevance.

Response: Santa Cruz County Board of Supervisors NEITHER AGREES. NOR DISAGREES.

The finding is not supported by any reference to parcel numbers or addresses or any other evidence that would assist the County in evaluating the accuracy of the finding. In the form the data has been presented in the Grand Jury Report, the Planning Department cannot tell which records correlate with the data presented to the Grand Jury by the County.

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.

Response: Santa Cruz County Assessor's Office PARTIALLY DISAGREES.

The number of rooms is not as important to the Assessor as is the correct square footage of the structure. While attempts are made to determine the room count it is not always possible to gain access or talk to the property owner to obtain the

information. When making an appraisal of the property, the value is determined by multiplying a dollar cost per square foot by the square footage of the structure to determine the value. What the Planning Department calls a bedroom may be an office, a den or have other use designation in the Assessor's records.

Response: Santa Cruz County Board of Supervisors NEITHER AGREES NOR DISAGREES.

The finding is not supported by any reference to parcel numbers or addresses or any other evidence that would assist the County in evaluating the accuracy of the finding. In the form the data has been presented in the Grand Jury Report, the Planning Department cannot tell which records correlate with the data presented to the Grand Jury by the County.

Furthermore, the number of rooms is not as important to the Assessor as is the correct square footage of the structure. Assessor staff does not always have access to the property or the property owners and may use different criteria for identifying rooms and bedrooms than the criteria used by the Planning Department. For instance, the Planning Department may identify a bedroom where the Assessor records indicate an office, den or other use. Each department collects data needed for its own purposes, and discrepancies are not always relevant.

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.

Response: Santa Cruz County Assessor's Office PARTIALLY DISAGREES.

The property referred to in this finding is - APN 091-141-69. The Assessor met with the Grand Jury specifically regarding this property and at that time explained that the permit issued on July 29, 2002 to "recognize as-built 2 story single family dwelling 1 bedroom, 2.5 bath, covered porches ..." had actually in part been picked up by our office and placed on the assessment rolls on March 11, 1981, with additional square footage picked up on January 2, 1983. The property sold on December 20, 2002 and unfortunately the appraiser overlooked yet another addition constructed since our last visit in 1983. We have now gone back and levied the escape assessments for prior years.

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.

Response: Santa Cruz County Assessor's Office AGREES.

Response: Santa Cruz County Board of Supervisors AGREES.

13. The Grand Jury was unable to discover whether any law requires or prevents this.

Response: Santa Cruz County Assessor's Office AGREES.

Response: Santa Cruz County Board of Supervisors AGREES.

14. Part of the Planning Department's purpose is to see that building construction and modifications meet the requirements for occupant safety.

Response: Santa Cruz County Board of Supervisors AGREES.

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.

Response: Santa Cruz County Assessor's Office AGREES.

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.

Response: Santa Cruz County Assessor's Office DISAGREES.

It is the duty of the Assessor to discover all assessable property in the County. Appraisers are assigned a geographic portion of the County and it is part of their responsibility to identify illegal construction and place it on the assessment rolls. When non-permitted construction is discovered, the appraiser must determine what year it was constructed and who was the owner at the time. If the construction was done ten years ago we must use the construction cost for that time period and factor the value forward and enroll the last four years as escaped assessments. If the property has sold, which could be multiple times, the task of identifying the responsible party and their whereabouts is even more difficult. If a property has

sold the construction is included in the sale price and assessed from that point forward. Also the costs of preparing a roll correction costs the County approximately \$50.00 per correction plus the costs of collection by the Tax Collector. It is correct that we do not run escaped assessments on all illegal construction because the cost of preparation and collection may exceed the amount of taxes collected. Santa Cruz County has also had a low value ordinance in place since 1982. The current Board of Supervisors resolution is 480-99, "Resolution Exempting From Property Tax Certain Property With An Assessed Value For Which Property Taxes Would Amount To Less Than The Cost Of Assessing And Collecting The Tax". This ordinance is provided for in Revenue and Taxation Code Section 155.20.

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.

Response: Santa Cruz County Assessor's Office AGREES.

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.

Response: Santa Cruz County Assessor's Office AGREES.

The recommendation has been implemented since at least 1975.

Every permit issued has always been reviewed to ensure that a proper assessment is made. As for the collection of revenue, the Assessor has no control over the collection of taxes. Supplemental tax bills are mailed monthly and regular tax bills are mailed in late October and the two installments are delinquent December 10th and April 10th. See Assessor's response in Recommendation #4 below to the statement about updating records.

2. Any change to the Assessor's description should be reviewed for escape assessments. These escape assessments should be recovered.

Response: Santa Cruz County Assessor's Office AGREES.

The recommendation has been implemented since at least 1975.

It has always been the practice of the Assessor to pick up escapes as they are discovered. As I stated in finding #17 the cost to process the escape may exceed the taxes recovered and in those cases the change is noted in the records. If the property has transferred the value of the escape is included in the sales price. If it is new construction and the value falls under the guidelines of the low value ordinance the value is added to the current assessment roll.

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.

Response: Santa Cruz County Assessor's Office DISAGREES.

The recommendation will not be implemented because it is not reasonable.

It is not the duty of the County Assessor to report building code violations to the Planning Department. The Assessor is only responsible for the proper assessment of taxable property within Santa Cruz County. The Assessor's Office has no authority in the code enforcement legislative scheme, since that is a function of the Planning Department.

Response: Santa Cruz County Board of Supervisors DISAGREES.

This recommendation will not be implemented.

The Assessor is responsible for the proper assessment of taxable property within Santa Cruz County and has no responsibility for reporting building code violations to the Planning Department. While there may be benefits to such an approach, it is likely that such a program would in the long run simply result in lower levels of accessibility by the Assessor to sites, thereby reducing the County's overall property tax revenues and the effectiveness of the Assessor's activities.

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.

Response: Santa Cruz County Assessor's Office DISAGREES.

The recommendation will not be implemented because it is not reasonable.

The Assessor has an ongoing program of updating property characteristics. Each time we visit a property the file is reviewed and updated to the extent possible. As stated in my response to finding #10, oftentimes the property owner is not available when we visit a property and it is not possible to obtain all of the interior information.

I have been in the Assessor's office almost thirty years. I have been involved in the Chief Appraiser's Association and a member of the California Assessor's Association and I do not know of any county who has contracted with outside sources who are being paid on a percentage of the recovery. If someone could be hired to do contract work they would have to have an appraisal certification issued

2003 – 2004 Santa Cruz County Grand Jury
Final Report and Responses

from the State Board of Equalization and would have to be an employee of an Assessor's office, Revenue and Taxation Code, Section 670.

The final part of this recommendation contains many mischaracterizations of applicable law. First, Section 441 of the California Revenue and Taxation Code pertains to business property not real property. Second, any form that could be created to accomplish this scheme would have to be approved by the State Board of Equalization. Third, costs to produce any such form, envelopes, processing and postage could exceed \$93,000 for a mailing to each property in this county. Finally responses would then have to be tracked along with additional mailings to non-filers. The Assessor's Office does not have sufficient staff to make a field check of the non-filers and from past experiences the response rate to questionnaires is very low.

Responses Required

Entity	Findings	Recommendations	Respond Within
Santa Cruz County Assessor's Office	1 - 5, 7 - 13, 16 - 18	1 - 4	90 days (September 30, 2004)
Santa Cruz County Planning Department	5 - 10, 12 - 14	3	60 days (August 30, 2004)