

File No. 100557

Committee Item No. 2

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Sub -Committee: Budget and Finance

Date: June 23, 2010

Board of Supervisors Meeting

Date: _____

Cmte Board

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OTHER

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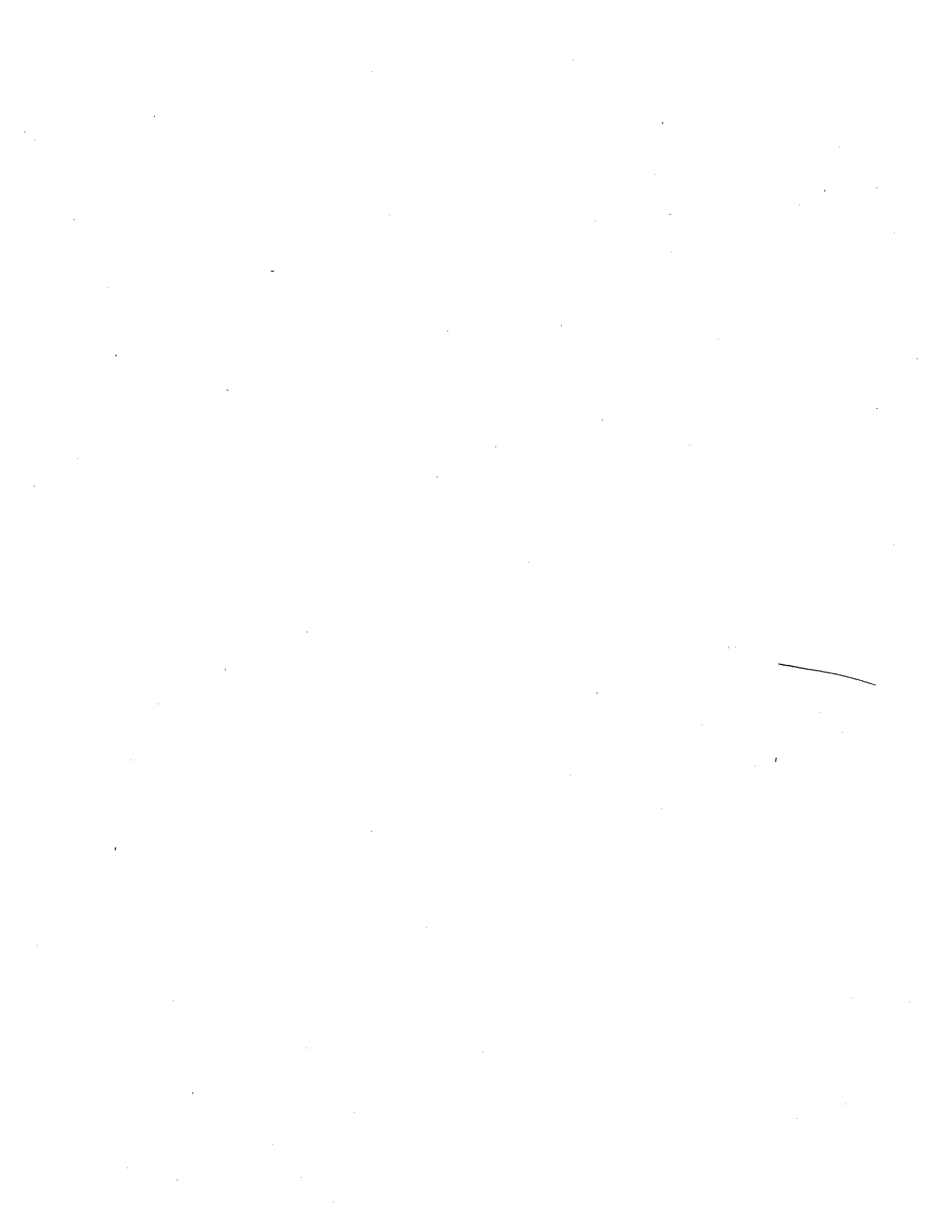
Completed by: Andrea S. Ausberry

Date Friday, June 18, 2010

Completed by: _____

Date _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.



1 [Assessment Appeals Board - Increasing Administrative Processing Fees, Adding Certain
2 Waivers, and Changing to an Hourly Rate for Findings of Fact Fees.]

3 Ordinance amending Administrative Code Chapter 2B "Assessment Appeals Boards,"
4 by amending Section 2B.9 to increase the administrative processing fee per application
5 from \$30 to ~~\$45~~ \$90, by adding a fee waiver for any property assessed on the roll at a
6 value of \$7,500 or less, and by adding a fee waiver for any property where there is a
7 difference of \$7,500 or less between the taxpayer's opinion of value on the application
8 and the subject property's assessed value on the roll; and by amending Section 2B.11
9 to change the findings of fact fees from a sliding scale of \$100 to \$1,000, to an hourly
10 rate of \$215 with a maximum of 30 hours billed.

11 NOTE: Additions are single-underline italics Times New Roman;
12 deletions are ~~strike-through italics Times New Roman~~.
13 Board amendment additions are double-underlined;
14 Board amendment deletions are ~~strikethrough-normal~~.

15 Be it ordained by the People of the City and County of San Francisco:

16 Section 1. The San Francisco Administrative Code is hereby amended by amending
17 Section 2B.9, to read as follows:

18 Sec. 2B.9 - ~~FILING FEE~~ ADMINISTRATIVE PROCESSING FEE.

19 An applicant for a refund shall pay a ~~\$30~~ ~~\$45.00~~ \$90.00 nonrefundable administrative
20 processing fee to the Assessment Appeals Board at the time of filing an application with the
21 Board, for all applications filed on or after July 1, 2010. An applicant shall pay a separate filing
22 administrative processing fee for each application filed. The filing administrative processing fee
23 shall be waived where:

24 (a) The applicant would qualify for a waiver of court fees and costs pursuant to
25 California Government Code Section ~~68511.3~~ 68632; or

1 (b)(1) The application is accompanied by a stipulation pursuant to Revenue and
2 Taxation Code Section 1607 signed by the Assessor, the applicant, and the City Attorney,

3 (2) The applicant requests a reduction for the tax year following a tax year for which
4 the Assessment Appeals Board has reduced the assessed value at the time of filing the
5 application for the subsequent tax year, and

6 (3) The applicant's opinion of value is not less than the value determined by the Board
7 for the prior year plus any automatic increases allowed by law.

8 (c) The subject property is enrolled on the property tax roll at an assessed value of \$7,500 or
9 less, for the time period that is the subject of the application.

10 (d) There is a difference in value of \$7,500 or less, between the taxpayer's opinion of value as
11 stated on the application, and the assessed value of the subject property on the property tax roll for the
12 time period that is the subject of the application.

13
14 Section 2. The San Francisco Administrative Code is hereby amended by amending
15 Section 2B.11, to read as follows:

16 SEC. 2B.11 - FEE FOR FINDINGS OF FACT.

17 (a) The fee payable to the Assessment Appeals Board (~~AAB~~) to prepare findings of fact
18 pursuant to California Revenue and Taxation Code Section 1611.5 shall be \$215.00 per hour
19 for the time spent by the County with a total maximum of 30 hours billed, for all applications filed on or
20 after July 1, 2010, in accordance with the following schedule:

Where the property affected by the application is valued on the current assessment roll at:	Fee
\$ 0 - \$1,000,000	\$ 100.00
1,000,001 - 2,000,000	125.00
2,000,001 - 5,000,000	150.00
5,000,001 - 10,000,000	500.00
10,000,001 - 20,000,000	750.00
More than \$20,000,000	1,000.00

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SUPERVISOR AVALOS
BOARD OF SUPERVISORS

1 (b) Where an applicant files two or more applications at the same time affecting the
2 same appraisal unit for the same tax year, the applicant shall be liable for a single findings of
3 fact fee based on the sum of the current assessment roll values of all property contained in
4 the appraisal unit.

5 (c) Revenues generated by the findings fees shall be used exclusively to pay ~~the~~
6 ~~Assessment Appeals Boards' operating costs~~ expenses incurred by the County for producing the
7 findings of fact and conclusions of law. ~~Where the City Attorney assists a Board in preparing findings~~
8 ~~of fact, the revenues from the findings fee shall be paid to the City Attorney based on the actual amount~~
9 ~~of time expended by the City Attorney in advising the Board with respect to the findings.~~

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14 APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

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16 By: 
17 MARIE CORLETT BLITS
Deputy City Attorney

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SUPERVISOR AVALOS
BOARD OF SUPERVISORS

Item 5
File 10-0557

Department(s):
Assessment Appeals Board (AAB)

EXECUTIVE SUMMARY

Legislative Objective

- Ordinance amending Chapter 2B, Sections 2B.9 and 2B.11 of the City's Administrative Code to (a) increase and change the title for a nonrefundable administrative processing fee per application from \$30 to \$45, (b) add fee waivers for any property assessed at \$7,500 or less, or where there is a difference of \$7,500 or less between the taxpayer's opinion of assessed value and the Assessor's assessed value, (c) change the findings of fact fees from a sliding scale of \$100 to \$1,000 to an hourly rate of \$215 with a maximum of 30 billable hours, and (d) revise the finding of fact fee language to specify paying expenses incurred to produce the findings of fact and conclusions of law.

Key Points

- The proposed ordinance complies with language from a recent Superior Court ruling regarding Assessment Appeals Board fees and the additional fee waivers guarantees access to assessment appeals hearings for those taxpayers whose Property Taxes are not significant. The proposed increase from \$30 to \$45 for the administrative processing fee reflects the annual CPI adjustments for this fee since FY 1994-1995, when the fee was last increased. The proposed revisions to the findings of fact fee more accurately reflects the actual average cost for the Assessment Appeals Board to prepare such findings of fact.

Fiscal Impacts

- Over the past four years, the number of applications filed with the Assessment Appeals Board has varied considerably, such that the application filing fee revenues and findings of fact fee revenues have fluctuated considerably. All revenues generated by the Assessment Appeals Board accrue to the City's General Fund and the Assessment Appeals Board is fully funded by the City's General Fund.
- The proposed \$15 fee increase from \$30 to \$45 for the administrative processing fee is projected to generate an additional \$60,000 in FY 2010-2011. Due to a surge of applications over the past two years, there is currently a backlog of approximately 12-18 months from the time a new appeal application is filed until the Assessment Appeals Board actually conducts the hearing and collects the findings of fact fees. As a result, the new findings of fact fees are not anticipated to generate revenues until FY 2011-2012.

Recommendations

- Amend the proposed ordinance to reflect that the proposed new findings of fact fee of \$215 per hour would be effective for applications filed after July 1, 2010.
- Approval of the proposed ordinance, as amended, is a policy decision for the Board of Supervisors.

MANDATE STATEMENT AND BACKGROUND

Mandate Statement

San Francisco Administrative Code Chapter 2B, Section 2B.9 currently provides that applicants requesting a reassessment of their property value must pay a \$30 nonrefundable application filing fee to the Assessment Appeals Board, at the time an application is filed with the Assessment Appeals Board.

In addition to the nonrefundable \$30 application filing fee, Section 2B.11(a) of the City's Administrative Code currently provides that an applicant must pay the fees shown in Table 1 below, to the Assessment Appeals Board to receive findings of fact¹, pursuant to California Revenue and Taxation Code Section 1611.5.

**Table 1: Fees Currently Due to the Assessment Appeals Board
for Findings of Fact**

Where the property affected by the application has an assessed valued on the current assessment roll at	Fees Based on a Sliding Scale Currently Due in accordance with Section 2B.11(a) of the City's Administrative Code
\$0 to \$1,000,000	\$100
\$1,000,001 to \$2,000,000	125
\$2,000,001 to \$5,000,000	150
\$5,000,001 to \$10,000,000	500
\$10,000,001 to \$20,000,000	750
More than \$20,000,000	1,000

Section 2B.11(c) states that the revenues generated from these findings of fact fees must be used exclusively to pay the Assessment Appeals Boards' operating costs, including the actual costs of the City Attorney to assist the Assessment Appeals Board in preparing the findings of fact.

However, Section 2B.9 of the City's Administrative Code also provides that applicants can qualify for a waiver of the application filing and finding of fact fees, (a) pursuant to California Government Code Section 68632, which provides financial waivers if the applicant requesting the Property Tax refund is impoverished, (b) if the application is accompanied by a stipulation pursuant to California Revenue and Taxation Code Section

¹ Findings of fact are written legal summaries of the Assessment Appeals Board's hearing and the specific findings on which the Assessment Appeals Board based their decision. Findings of fact, which are prepared by the Assessment Appeals Board's attorney, are not required for all applicants, but are necessary if the applicant requesting the Property Tax refund intends to seek judicial review of an adverse Assessment Appeals Board decision.

1607 signed by three parties: the Assessor, the applicant and the City Attorney, (c) the applicant requests a reduction for the tax year following a tax year for which the Assessment Appeals Board has reduced the assessed value at the time of filing the application for the subsequent tax year, and (d) the applicant's opinion of the assessed value is not less than the value determined by the Assessment Appeals Board for the prior year plus any automatic increases allowed by law.

Background

Residential and commercial Property Taxes are based on the property's assessed value, as determined by the San Francisco County Assessor's Office. If a property owner disagrees with the Assessor's determination of the assessed value, the property owner can appeal the amount of the assessed value to the Assessment Appeals Board. The Assessment Appeals Board is an independent body under the Board of Supervisors, comprised of three-member Board panels that hear and decide each applicant's request for a reassessment of their property value. Assessment Appeals Board members are appointed by the Board of Supervisors and must have a minimum of five years professional experience as either a certified public accountant, licensed real estate broker, attorney, or property appraiser accredited by a nationally recognized professional organization.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend Chapter 2B, Sections 2B.9 and 2B.11 of the City's Administrative Code to (a) increase and change the title of the current \$30 nonrefundable application filing fee by \$15, or 50 percent, to a \$45 nonrefundable administrative processing fee, (b) add fee waivers for any property assessed by the Assessor at a value of \$7,500 or less, or for any property where there is a difference of \$7,500 or less between the taxpayer's opinion of the assessed value on the application and the subject property's assessed value by the Assessor, (c) change the Assessment Appeals Board findings of fact fees from a sliding scale of \$100 to \$1,000, as shown in Table 1 above, to an hourly rate of \$215 with a maximum of 30 billable hours, and (d) revise the language for how finding of fact fee revenues can be used from paying the Assessment Appeals Board's operating costs, including City Attorney costs, to paying expenses incurred by the County for specifically producing the findings of fact and conclusions of law.

According to Ms. Dawn Duran, the Administrator of the Assessment Appeals Board, the revised language in the proposed ordinance is intended to comply with language from a recent Superior Court ruling regarding Assessment Appeals Board fees and the additional fee waivers are to ensure that procedural due process guarantees access to assessment appeal hearings for those taxpayers whose potential Property Taxes are not significant. Ms. Duran advises that the proposed increase to the application

administrative processing fee reflects the annual Consumer Price Index² (CPI) adjustments since this fee was last increased in FY 1994-1995. In addition, Ms. Duran advises that the proposed revisions to the findings of fact fee from the current sliding scale of \$100 to \$1,000 depending on the assessed value of the property to a rate of \$215 per hour up to 30 billable hours more accurately reflects the actual average cost for the Assessment Appeals Board to prepare each findings of fact.

FISCAL IMPACTS

FY 2009-2010 Assessment Appeals Budget

The Assessment Appeals Board budget for FY 2009-2010 is \$443,041 and includes funding for three permanent full-time staff: one Administrator and two clerical positions. In FY 2009-2010, due to the significant increases in applications filed, the Clerk of the Board of Supervisors reassigned an additional temporary clerk to the Assessment Appeals Board. In FY 2009-2010, the Assessment Appeals Board was budgeted to receive \$50,000 of application filing fees and \$9,000 of findings of fact fees.

Analysis of Past Four Years of Assessment Appeals Board Applications Filed and Revenues Generated

As shown in Table 2 below, over the past four years, the number of new appeal applications filed with the Assessment Appeals Board has varied considerably, ranging from a low of 988 applications in FY 2007-2008 to 6,289 applications filed during the first ten months of the current fiscal year. As a result, the current \$30 application filing fee has resulted in fluctuating revenues, generating \$26,490 in FY 2007-2008 to \$181,000 for the first ten months of FY 2009-2010. The current sliding scale findings of fact fees have also fluctuated, generating revenues of between \$250 in FY 2008-2009 to \$16,375 in FY 2007-2008. All revenues generated by the Assessment Appeals Board accrue to the City's General Fund and the Assessment Appeals Board is fully funded by the City's General Fund.

Table 2: Assessment Appeals Board FY Applications Filed and Revenues Received in FY 2006-2007 through FY 2009-2010

Fiscal Years	Number of New Appeal Applications Filed	Application Filing Fee Revenues	Findings of Fact Revenues
FY 2006-2007	1,367	\$38,910	\$9,150
FY 2007-2008	988	26,490	16,375
FY 2008-2009	2,476	66,590	250
FY 2009-2010*	6,289	181,010	1,675
Total	11,120	\$313,000	\$27,450
Average Annual	2,780	\$78,250	\$6,863

*Through April 30, 2010.

² Annual Consumer Price Index is for all urban consumers in the San Francisco-Oakland- San Jose, California region, as determined by the US Department of Labor.

As noted above, the FY 2009-2010 budget included \$50,000 of revenues from application filing fees and \$9,000 from findings of fact fees. However, as shown in Table 2 above, the actual revenues from the application filing fees has generated \$181,000 over the first ten months of FY 2009-2010, or \$131,000 more than the budgeted amount of \$50,000. Conversely, as shown in Table 2 above, the actual revenues from the findings of fact fees has only generated \$1,675 over the first ten months of FY 2009-2010 or \$7,325 less than the budgeted amount of \$9,000.

According to Ms. Duran, the revenues generated from the findings of fact are considerably less than the application filing fees, because most applicants do not request findings of fact. In addition, Ms. Duran advises that the findings of fact revenues do not coincide with the number of new appeal applications filed because the findings of fact are completed and charged to the applicants when the hearings are held, not when the applications are filed. According to Ms. Duran, due to the surge of applications over the past two years, the Assessment Appeals Board currently has a backlog of approximately 12-18 months from the time a new appeal application is filed until the Assessment Appeals Board actually conducts the hearing and collects the findings of fact fees.

Proposed Revenues to be Received

Ms. Duran advises that, if the proposed ordinance is approved, the new \$45 administrative processing fee would be effective in July of 2010 for new applications that are filed with the Assessment Appeals Board. The Board of Supervisors FY 2010-2011 budget, which includes the Assessment Appeals Board, assumes \$180,000 in revenues from the proposed nonrefundable \$45 administrative processing fee would be realized, based on 4,000 new applications being filed in FY 2010-2011. If the proposed \$45 administrative processing fee is not approved, the existing \$30 filing fee would result in approximately \$120,000 of revenues, based on the assumed 4,000 new applications to be filed in FY 2010-2011. Therefore, the proposed \$15 fee increase from \$30 to \$45 is projected to generate an additional \$60,000 in FY 2010-2011. As noted above, all of the Assessment Appeals Board revenues accrue to the City's General Fund, and the Assessment Appeals Board is fully funded by the City's General Fund.

As discussed above, due to the surge of applications filed with the Assessment Appeals Board over the past two years, there is currently a backlog of approximately 12-18 months from the time a new appeal application is filed until the Assessment Appeals Board actually conducts the hearing and collects the findings of fact fees. As a result of the backlog, Ms. Duran does not anticipate that any new revenues will be generated for the Assessment Appeals Board until FY 2011-2012 from the proposed finding of fact fee adjustment. Given the large fluctuation in finding of fact fee revenues shown in Table 2 above and that such revenues would not be realized until at least FY 2011-2012, Ms. Duran cannot accurately estimate such revenues from these fees.

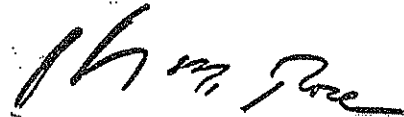
Ms. Duran advises that the proposed ordinance needs to be amended to reflect that the findings of fact fees payable to the Assessment Appeals Board at the proposed new rate of \$215 per hour would be effective July 1, 2010 for newly filed applications, not for previously filed applications. Ms. Duran advises that an Amendment of the Whole is

being prepared, which will be introduced at the June 2, 2010 Budget and Finance Subcommittee meeting to reflect these necessary changes.

RECOMMENDATIONS

Amend the proposed ordinance to reflect that the proposed new findings of fact fee of \$215 per hour would be effective for applications filed after July 1, 2010.

Approval of the proposed ordinance, as amended, is a policy decision for the Board of Supervisors.



Harvey M. Rose

cc: Supervisor Avalos
Supervisor Mirkarimi
Supervisor Elsbernd
President Chiu
Supervisor Alioto-Pier
Supervisor Campos
Supervisor Chu
Supervisor Daly
Supervisor Dufty
Supervisor Mar
Supervisor Maxwell
Clerk of the Board
Cheryl Adams
Controller
Greg Wagner

