

1 [Rewards to Informants (Real Estate Watchdogs) for Information Related to the Detection of
2 Underpayment of Property Tax.]

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4 **Ordinance amending Chapter 10 of the San Francisco Administrative Code by adding**
5 **Sections 10.177-2 and 10.177-3, authorizing the Assessor to recommend rewards for**
6 **information related to the detection of underpayment of tax owed to the City and**
7 **County of San Francisco.**

8 Note: Additions are *single-underline italics Times New Roman*;
9 deletions are *strikethrough italics Times New Roman*.
10 Board amendment additions are double underlined.
Board amendment deletions are ~~strikethrough normal~~.

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

12 Section 1. Findings. The San Francisco Board of Supervisors (the "Board") hereby
13 makes the following findings:

14 (a) For ad valorem property taxation purposes, the California Constitution generally
15 limits annual increases in the assessed taxable value of real property to 2 percent of the
16 property's adjusted base year value, but requires that real property be reassessed at its full
17 cash value when that real property undergoes a change in ownership.

18 (b) Because of difficulties in identifying changes of ownership of certain properties,
19 namely nonresidential commercial and industrial properties, some properties often escape
20 reassessment at full market value upon a change in ownership.

21 (c) Failure to capture the rising land values of nonresidential commercial and
22 industrial properties that have undergone a change in ownership has a range of negative
23 consequences, including but not limited to:

24 (1) Hampering the ability of local governments to build new infrastructure and
25 provide vital services;

1 (2) exacerbating the already disproportionate property tax burden on newly
2 constructed properties when compared to existing properties;

3 (3) exacerbating the already disproportionate property tax burden upon
4 residential property when compared to commercial and industrial properties because
5 residential properties rarely escape reassessment upon a change in ownership;

6 (4) imposing a disproportionate burden on commercial and industrial property
7 owners who are paying property taxes as required by law; and

8 (5) undermining the willingness of property owners to comply with the law
9 and make full disclosures of transfers of commercial properties due to the perception that the
10 system can be manipulated and the City does nothing about it.

11 (d) Therefore, it is the intent of the Board to adopt policies and programs to ensure
12 that all real property is assessed at fair market value when that real property undergoes a
13 change in ownership.

14 Section 2. The San Francisco Administrative Code is hereby amended by adding
15 Section 10.177-2 to read as follows:

16 **SEC. 10.177-2. REWARD FOR INFORMATION CONCERNING UNDERPAYMENTS OF**
17 **TAX.**

18 (a) The Assessor of the City and County of San Francisco is hereby authorized to
19 recommend a reward to be paid by the Board of Supervisors from the general fund for information
20 leading to the detection of an underpayment of property tax owing to the City and County of
21 San Francisco when the underpayment results from a change of ownership (as defined in Revenue and
22 Taxation Code § 60 et seq.) that was not reported as required under Division 1, Part 2, Chapter 3,
23 Article 2.5 of the Revenue and Taxation Code.

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1 (b) For purposes of this section, the term "real estate watchdog" means a person providing
2 information leading to the detection of an underpayment of property tax owing to the City and County
3 of San Francisco.

4 (c) In order for a real estate watchdog to qualify for a reward:

5 (1) The Assessor must certify that the unreported change of ownership will result in
6 a re-assessment leading to the actual collection of the tax or a lien or other device that is reasonably
7 likely to result in the collection of the tax;

8 (2) the watchdog must not have participated in the unreported transfer;

9 (3) the information furnished must be information unknown to the Assessor; and

10 (4) the watchdog must file an application for reward along with supporting
11 documentation in the Office of the Controller for the City and County of San Francisco.

12 (d) The Controller shall forward all applications and supporting documentation received
13 pursuant to this section to the Assessor for investigation and evaluation. The Assessor shall make a
14 determination on every application filed and, if in his discretion a reward is warranted, recommend an
15 amount of reward to the Board of Supervisors. Rewards are entirely in the City's discretion and there is
16 in no circumstance the right to an award. The amount of the recommended reward on an application:

17 (1) reposes in the discretion of the Assessor;

18 (2) is subject to approval by the Board of Supervisors;

19 (3) will be determined based on the usefulness of information furnished,

20 (4) may be up to ten percent of the increase in tax due from the date of the
21 unreported change in ownership to the date the information is provided that is or would be collected
22 because of the information provided;

23 (5) may not be less than five thousand dollars (\$5,000.00) or more than five hundred
24 thousand dollars (\$500,000.00); and

1 (6) will be paid as soon as administratively feasible after approval by the Board of
2 Supervisors.

3 (e) The authority provided for in this section to recommend a reward to be paid from the
4 general fund for information leading to the detection of an underpayment of property tax owing to the
5 City and County of San Francisco when the underpayment results from a change of ownership (as
6 defined in Revenue and Taxation Code § 60 et seq.) that was not reported as required under Division 1,
7 Part 2, Chapter 3, Article 2.5 of the Revenue and Taxation Code shall be available to and may be
8 exercised by the Assessor for a period of five years from the effective date of this Section.

9 (f) The Assessor shall submit an annual report to the Board of Supervisors for each year for
10 which the reward program authorized under this Section is in existence that sets forth any identifiable
11 increases in property tax assessments resulting from information obtained due to this program.

12 (g) The Controller shall submit an annual report to the Board of Supervisors for each year
13 for which the reward program authorized under this Section is in existence that sets forth any
14 identifiable increases in property tax revenues resulting from information obtained due to this
15 program.

16 (h) Not later than six months prior to the expiration of the Assessor's authority as provided
17 in subsection (d) above, the Controller and the Assessor shall confer and recommend to the Board of
18 Supervisors whether the Assessor's authority to recommend rewards under this ordinance should
19 continue for an additional period.

20 Section 3. The San Francisco Administrative Code is hereby amended by adding
21 Section 10.177-3 to read as follows:

22 **SECTION 10.177-3. PAYMENT.**

23 The Controller shall pay out of any appropriation created for the purpose any reward authorized
24 pursuant to Section 10.177-2 above, provided that an application for such reward is filed in the
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1 Controller's office, the Assessor has recommended an amount of reward be paid on the application,
2 and the recommended reward is approved by the Board of Supervisors.

3 Section 4. Unless the Board of Supervisors amends this ordinance to continue its
4 operation prior to the sunset of the Assessor's authority to recommend rewards, this
5 ordinance shall expire and the City Attorney shall cause it to be removed from the City's
6 codes.

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

10 By: _____
11 Carol A. Boardman
12 Deputy City Attorney

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