

CITY AND COUNTY OF SAN FRANCISCO  
CIVIL GRAND JURY

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BOARD OF SUPERVISORS  
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June 3, 2015

Ms. Angela Calvillo  
Clerk of the Board of Supervisors  
City Hall, Room 244  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

Dear Ms. Calvillo,

The 2014-2015 Civil Grand Jury will release a continuity report entitled, "Office of the Assessor-Recorder: Despite Progress, Still the Lowest Rated in the State" to the public on Monday, June 8, 2015. Enclosed is an advance copy of this report to be distributed to the Board immediately. Please note that by order of the Presiding Judge of the Superior Court, Hon. John K. Stewart, this report is to be kept confidential from the public until the date of release (June 8<sup>th</sup>).

California Penal Code §933 (c) requires a response to be submitted to the Presiding Judge no later than 90 days. California Penal Code §933.5 states that for each finding in the report, the responding person or entity shall indicate one of the following: (1) agree with the finding; or (2) disagree with it, wholly or partially, and explain why.

Further, as to each recommendation, your response must either indicate:

- 1) That the recommendation has been implemented, with a summary of how it was implemented;
- 2) That the recommendation has not been, but will be, implemented in the future, with a timeframe for implementation;
- 3) That the recommendation requires further analysis, with an explanation of the scope of that analysis and a timeframe for discussion, not more than six months from the release of the report; or
- 4) That the recommendation will not be implemented because it is not warranted or reasonable, with an explanation.

Please tell the Board of Supervisors to provide their response to Presiding Judge Stewart at the following address:  
400 McAllister Street, Room 008  
San Francisco, CA 94102-4512

Respectfully,

A handwritten signature in cursive script, appearing to read "Janice Pettey".

Janice Pettey, Foreperson  
2014 – 2015 Civil Grand Jury

City Hall, Room 488  
1 Dr Carlton B Goodlett Pl, San Francisco, CA 94102  
Phone: 415-554-6630

**Office of the Assessor-Recorder: Despite Progress, Still  
The Lowest Rated Office in the State**

*A Continuity Report*

**May 2015**



**City and County of San Francisco  
Civil Grand Jury, 2014-2015**

## **Members of the Civil Grand Jury**

Janice Pettey, Foreperson

Philip Reed, Foreperson Pro Tem

Anne M. Turner, Recording Secretary

Leonard Brawn

Morris Bobrow

Daniel Chesir

Matthew Cohen

Jerry Dratler

Herbert Felsenfeld

Allegra Fortunati

Mildred Lee

Marion McGovern

Fred A. Rodriguez

Gary Thackeray

Jack Twomey

Ellen Zhou

## THE CIVIL GRAND JURY

The Civil Grand Jury is a government oversight panel of volunteers who serve for one year. It makes findings and recommendations resulting from its investigations.

Reports of the Civil Grand Jury do not identify individuals by name.  
Disclosure of information about individuals interviewed by the jury is prohibited.  
California Penal Code, section 929

## STATE LAW REQUIREMENT California Penal Code, section 933.05

Each published report includes a list of those public entities that are required to respond to the Presiding Judge of the Superior Court within 60 to 90 days, as specified.

A copy must be sent to the Board of Supervisors. All responses are made available to the public.

For each finding the response must:

- 1) agree with the finding, or
- 2) disagree with it, wholly or partially, and explain why.

As to each recommendation the responding party must report that:

- 1) the recommendation has been implemented, with a summary explanation; or
- 2) the recommendation has not been implemented but will be within a set timeframe as provided; or
- 3) the recommendation requires further analysis. The officer or agency head must define what additional study is needed. The Grand Jury expects a progress report within six months; or
- 4) the recommendation will not be implemented because it is not warranted or reasonable, with an explanation.

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## Executive Summary

In 2006, the San Francisco Civil Grand Jury (CGJ) issued a report, *Office of the Assessor-Recorder: Reducing the 4-Year Backlog*, which contained forty recommendations and sub-recommendations. The 2014-15 CGJ decided to focus on six of them, including: compliance with the 2002 California State Board of Equalization (BOE) recommendations; appraiser performance standards; updated job descriptions; the data transfer from Department of Building Inspection (DBI); the need to fill vacant positions; and reporting of the backlog in the Annual Report. What progress has been made in implementing the 2005-06 CGJ recommendations, and why is the San Francisco's Office of Assessor-Recorder (OAR) still rated the lowest in the state?

The importance of the OAR cannot be exaggerated. Property taxes account for over 30% (\$1.1 billion in 2014) of the General Fund and go to support several local, regional, and state organizations. Since 2005-06, the OAR has been examined: by the 2006-07 Civil Grand Jury in a continuity report; by the Controller's Office in a 2009 audit, *Office of the Assessor-Recorder: The Office Continues to Improve its Operations*; and by the BOE in their surveys of assessment practices. All these reports have noted the improvements made by the OAR over the years, and we wish to join them in commending the Office. The 2002 BOE recommendations have generally been met, partially met, or are outside OAR jurisdiction. Appraiser performance standards have been established and put into effect. Auditor and Appraiser job descriptions have been updated. The data transfer from DBI has greatly improved. Vacant positions have been filled, and at least for a while, backlog reduction was highlighted in the OAR Annual Reports.

Nevertheless, there are continuing problems. The San Francisco OAR is still rated the lowest in efficiency among the top ten counties in California by BOE standards, and indeed is rated the lowest in the entire state. Although there has been a significant reduction in the backlog, it is still one of the major recurring issues in BOE reports. Indeed, the backlog has led to delays in the receipt of General Fund monies, a loss of interest revenue for the County, and is a burden on taxpayers who might have to pay several years of back property tax at once. With the recent award of a State-County Assessors' Partnership Program grant of \$1.285 million, the OAR is positioned to virtually erase the backlog and become an exemplary department, but will need a staffing analysis, backlog reduction plan, and support for key administrative positions not funded under the grant guidelines. There continue to be issues of office efficiency regarding data transfer between DBI and OAR, and the OAR Annual Report fails to address the backlog and recommendations for reforms to office practices and procedures.

The 2014-15 Civil Grand Jury commends the OAR for its efforts in improving office performance and reducing the backlog. However, to ensure entire backlog elimination, the OAR needs to adopt the state requirement for assessing and enrolling property annually by the lien date. The City and County needs to support the OAR in this effort by

fully meeting its staffing needs and encouraging them to work with DBI in a more efficient manner. The OAR Annual Report needs to be more readable, acknowledge the backlog and its financial implications, and address efforts being made by the office in fulfilling recommendations made by outside agencies.

## Background

The 2005-06 San Francisco Civil Grand Jury (CGJ) Report, *Office of the Assessor-Recorder: Reducing the 4-Year Backlog*, focused on: the appraisal/assessment and assessment appeals backlogs; the low ranking of the San Francisco office by the California State Board of Equalization (BOE) which reviews the office and its procedures every five years; the lack of written office procedures and standards; staffing and personnel issues; and inadequate computer systems.

The 2005-06 report found that San Francisco's OAR was rated as the "least efficient" of the top ten counties in the state (based on assessable valuation of property) and had a "backlog" of 26,600 parcels, representing 14% of the total of approximately 190,000 parcels of property in San Francisco in 2006. By BOE standards, this is an unusually large backlog of properties. At the time, the Assessor-Recorder estimated that the City and County was losing, conservatively, \$2 million a year because of processing delays running into a four-year statute of limitations.

Other findings included: too many unfilled positions; out-of-date job descriptions for appraisers, auditors, and other staff; a lack of performance standards for appraisal positions; no manual of office procedures and processes; the lack of an adequate computer system linked to DBI to provide permit data and building plans to be transmitted electronically; and an inadequate method for determining the value of new construction. It also found that the OAR annual report, begun in 2005, did not include sufficient information about its backlog.

A year later, the 2006-07 Civil Grand Jury issued a Continuity Report on the 2005-06 OAR report findings and recommendations and concluded that progress had been made in implementing recommendations. It also commended the fact that the Controller's Office would soon conduct an audit of the OAR on its record of assessing new and transferred property and urged some future CGJ "to follow up on the ability of the Assessor-Recorder to expedite placing assessments of new or transferred properties on-line and reducing its backlog..."<sup>1</sup> The 2014-15 Jury wishes to echo that suggestion by urging a future CGJ to fully investigate the OAR before the end of FY16-17.

In the meantime, the Controller's Office tracked the implementation status of the 2005-06 CGJ report recommendations, on a yearly basis, until 2008, cataloging progress along the way or noting the final rejection of recommendations that the OAR ultimately deemed unreasonable. In 2009, the Controller's Office also issued an audit entitled,

*Office of the Assessor-Recorder: The Office Continues to Improve its Operations.* The purpose of that audit was "to determine whether the Office of the Assessor-Recorder efficiently and effectively performs its change in ownership and new construction assessments."<sup>2</sup> Many of its findings and recommendations reinforced and reiterated those of the original 2005-2006 CGJ Report.

The most relevant 2009 recommendations from the Controller's Office are:

- Recommendation 1. Comply with state law and enroll new construction-in-progress values at the lien date.<sup>3</sup>
- Recommendation 3. Hold DBI to its goal of providing electronic access to building plans by June 2009 to further increase the efficiency of providing such plans.<sup>4</sup>
- Recommendation 7. Collaborate with the Department of Human Resources to complete the classification study...<sup>5</sup>
- Recommendation 14. Enhance the department's performance measures by including specific, useful goals...<sup>6</sup>
- Recommendation 15. Ensure that its performance measures accurately measure achievement toward its stated goals.<sup>7</sup>

Significantly, former Assessor-Recorder Phil Ting took issue with Recommendation 1, stating that OAR was not required to meet the lien date suggested by the Controller's auditors. In a rebuttal, the auditors explained, "...California Revenue and Taxation Code Sections 71 and 50 require the assessor to appraise and enroll all construction-in-progress at each lien date. Furthermore, if the construction is not completed for a number of years, the City forgoes potential interest earnings resulting from the increased valuation of completed construction each year."<sup>8</sup>

As a general rule, all property within San Francisco must be appraised and enrolled, and its assessed value determined, by the lien date of January 1<sup>st</sup> of each year (California Revenue and Taxation Code Section 2192). During the year, the valuation date of completed new construction and changes in ownership is established as they happen. On July 1<sup>st</sup> of each year, a new final assessment roll is published. The first property tax installment is then due on November 1, and delinquent on December 10; the second installment is due February 1, and delinquent April 10. In the Controller's 2009 report, the Deputy Director of Real Property claimed "that the new construction backlog has since been reduced to approximately two years because of efficient leadership."<sup>9</sup> In that audit, the backlog was defined as "transactions that occurred during one fiscal year, but are assessed in a subsequent fiscal year,"<sup>10</sup> rather than in the year in which the change in ownership or new construction (whether completed or in-progress) took place.



Beginning in 2013 and continuing until June of 2014, the Implementation Review Committee (IRC) of the San Francisco Chapter of the California Grand Jurors' Association (an association of current and former Grand Jurors) chose to review the 2005-06 report. That body sent a letter, dated September 2, 2014, to this Jury urging issuance of a continuity report on the 2005-06 report. The 2014-15 CGJ Continuity Committee met with the IRC on September 22, 2014. The IRC had selected six out of the forty recommendations and sub-recommendations from the 2005-06 report, dealing with: compliance with BOE recommendations; appraiser performance standards; updated job descriptions; the data transfer from DBI; the need to fill vacant positions; and the reporting of the backlog in the Annual Report. We chose to focus on those recommendations in this Continuity Report.

## **Methodology**

The Jury interviewed staff and managers from the OAR, Assessment Appeals Board (AAB), DBI, and the Department of Technology. We consulted with the BOE. We also reviewed: prior Civil Grand Jury reports; an audit and reports of the Office of the Controller; sections of the California Revenue & Taxation and Government Codes; OAR Annual Reports for the years 2010 through 2014; various documents supplied by OAR staff; the June 2013 report from the BOE and the most current BOE reports of all the other California counties; and Auditor and Appraiser job descriptions from the Department of Human Resources (DHR) website.

## **Discussion**

### **The Work of the OAR**

The importance of the work of the Assessor-Recorder cannot be overemphasized. In 2014, property taxes provided approximately 30% (over \$1.1 billion) of general fund monies and partially funded the SF Unified School District, the Community College District, the Bay Area Air Quality Management District, BART, and the San Francisco Symphony. Many changes have taken place since the 2005-06 CGJ report was issued. Most particularly, San Francisco has a new Assessor-Recorder. Many staff members hope she will prove to be a stable, motivated, and engaged leader in a department that has seen many changes in recent years: in executive staff, in a real estate market where there has been significant fluctuations in housing values, and expansion in real estate development. These changes have ballooned staff workload.

According to the most current (2014) OAR Annual Report, part of the mission of the OAR is to find the taxable value, in a fair, equitable, and efficient way, of all property within San Francisco that is subject to taxation, and list all those properties on the assessment roll. These assessments include those triggered by changes in property ownership (CIO). When property is sold or transferred, it is generally subject to a reassessment under California law. These types of reassessments are generally straight-forward. Each requires that a determination be made that the sale is a fair transaction not made under duress. 98% of the time property sales become part of a direct enrollment program with the sales price used to set the new value. Sometimes, however, there are anomalies or outliers in declared value, such as in foreclosure sales, which are subject to a full appraisal. Some are subject to major delays, due to circumstances outside the control of the OAR. For instance, the settlement process of estates of deceased property owners can delay reporting. CIOs are generally the reassessments in the greatest danger of going beyond the four-year statute of limitations.

The more problematic area of assessment is new construction (NC). When a building construction permit is applied for at DBI, the OAR receives notification. In the simplest scenario, a reappraisal is required if the construction is a renovation, such as a room addition, but not for construction that is done to replace, repair or maintain existing property.<sup>11</sup> There is a rule-of-thumb used to determine whether a particular construction project constitutes a “renovation” or “repair.” This is called the 80% rule: a need for a reappraisal is triggered when 80% of a pre-existing structure is altered. When construction will take place over a number of years, the state requires that the OAR assess the property for the additional value added to the property each year, with a full appraisal conducted on the completion of the building project. OAR appraisers are not supposed to simply take the permit value as the value of the new construction, a practice that the BOE, in the past, has criticized the office for doing. To assist OAR staff, a cost estimator has been hired to update the cost manual used by staff that details residential construction costs of various types within San Francisco.

## **The Work of the BOE and San Francisco’s Rating**

The BOE is required to periodically conduct an Assessment Practices Survey in each county “to determine the adequacy of the procedures and practices employed by the county assessor in the valuation of property for the purposes of taxation and in the performance generally of the duties enjoined upon him or her.” (Government Code 15640) These surveys include sampling assessments to ensure that all classes of property are treated equitably. From these surveys, counties are assigned an “average assessment ratio,” a rating that will determine whether these counties will be able to recover administrative costs from the state. Each is required to have a rating of 95 or above. 100 is the ideal where BOE assessments match county assessor assessments.

Ratings over 100 indicate that the County is overvaluing property, while a rating below 100 indicates undervaluation.

The 2005-06 Jury found that the City and County of San Francisco was rated as the least “efficient” of the top ten counties in the state. This year’s Jury decided to see if San Francisco is still at that level. Here are the results:<sup>12</sup>

AV Rank	County	2014-15 Local Assessment Valuation (in 000s)	Average Assessment Ratio
1	Los Angeles	1,199,771,991	100.03
2	Orange	471,599,807	100.10
3	San Diego	419,542,395	100.22
4	Santa Clara	357,339,710	99.94
5	Riverside	224,081,124	100.02
6	Alameda	220,351,333	100.41
7	San Francisco	179,736,713	97.59
8	San Bernardino	177,873,194	99.62
9	San Mateo	165,970,907	99.55
10	Contra Costa	159,518,758	99.88

We decided to research further and see where San Francisco ranks among all counties. All county reports can be found at <http://www.boe.ca.gov/proptaxes/apscont-reports.htm>. Of those 25 counties that currently have a ratio assigned to them (not required for counties not in the top ten), San Francisco is at the bottom of the entire state with the lowest ratio and the greatest deviation from the ideal of 100.

## Status of Selected 2005-06 CGJ Recommendations

### 1. Recommendation No. 1-3a: “Promptly comply with the recommendations from the BOE.”

According to the OAR staff, most of the 56 recommendations proposed in the 2002 BOE Assessment Practices Survey (based on fieldwork conducted in March through June 2001 and January through February 2002) have been implemented. However, based on BOE fieldwork conducted in August 2011, a few of the same problems still remain as reflected in the 34 recommendations and sub-recommendations of the 2013 BOE report, including the need to eliminate the backlog of assessable new construction. (See Appendices A and B.) The Jury looked more closely at all current BOE reports to see if any of the other California counties had significant backlog problems. “Backlog” is mentioned in only three other county reports. Only Trinity County seems to have any backlog problem, in their requests for informal review. Unlike San Francisco, no other county has a backlog severe enough to warrant a recommendation to eliminate it.

Part of the problem in researching this “backlog” was definitional. According to the BOE, there is no legal definition of a backlog. However, the OAR in March of 2006 had a 26,600 parcel backlog, 14% of the total volume of 190,000 parcels. Some of our interviewees have taken issue with this and prefer to call it a “pending workload,” always a moving target and difficult to pin down. By comparison, around February 2015, the “pending workload” was 16,852 (consisting of outstanding assessment appeals cases, changes in ownership, and new construction), 8% of a total of 208,130 parcels, representing a significant workload reduction. 7,588 involve new construction cases. This “workload” figure also includes a list of cases that might include duplicates and new construction ineligible for reassessment.

OAR staff members attribute their backlogs to the rise in appeals filed with the AAB, due to the economic downturn that led many property owners to believe property was overvalued. Dramatic though it is, from a low of 728 appeals in 2001-2002 to a high of 6,620 appeals in 2009-10, the increase cannot be a sufficient cause for the OAR backlog. Despite the relatively low number (728) of appeals filed during the period of the 2002 BOE survey, it was recommended that San Francisco needs to “[e]liminate the backlog of assessable new construction.” Despite the dramatic increase in filings (6,399) during the 2013 BOE survey, again the recommendation was to “[i]mprove the new construction program by: (1) eliminating the backlog of assessable new construction....”

OAR staff views the state requirement (for the assessment and enrollment of all property by January 1<sup>st</sup> of each year) as an “ideal,” not a necessity. From our interviews, we have concluded that the office standard currently is three or four years to complete an assessment. Of major concern is avoiding the four-year statute of limitations. BOE acknowledges that the requirement is undermined by allowing for “outs,” ways of prolonging the process with no penalty. Backlogs are caused by unstable leadership, an increase in the number of cases that are appealed, economic fluctuations, and a culture that sees no urgency to complete assessments. Not holding staff to the state requirement, even if imperfectly, creates backlogs.

**2. Recommendation No. 2-3a: “The OAR’s newly created Standards and Quality Control Group should develop performance standards to measure quality and productivity of individual appraisers.”**

Unfortunately, the Standards and Quality Control Group no longer exists. Nevertheless, performance standards, setting daily and weekly targets for individual appraisers, have been established. Periodically, an Appraisers’ Production Report is generated which includes these expectations along with measures of the average number of actual cases completed per day and the percentage of the targets met. From the documents we examined, on the whole, most teams generally exceed expectations, but some individual appraisers do not. The quality review is generally measured by the accuracy of

appraisals and assessments made, based on "anecdotal evidence." Staff performance is evaluated periodically, though OAR did not see much of a problem in terms of accuracy. Since these performance standards have been set, two appraisers have been terminated, and others have been placed on performance improvement plans, reprimanded, and suspended for a period of time.

Beginning this fiscal year, all OAR staff and managers received performance plans with targets for quantity and quality of work, including customer service. These plans are reviewed and evaluated with employees at the beginning of each year (or when an employee is hired) and mid-year, annually.

**3. Recommendation No. 2-5: "Bring job descriptions up to date. The OAR management staff should update descriptions internally and present them to the Department of Human Resources for approval...."**

Auditor and Appraiser job descriptions were updated on October 25, 2011 and May 31, 2012. Updated position descriptions include Real Property Appraiser (#4261), Senior Real Property Appraiser (#4265), Principal Real Property Appraiser (#4267), Personal Property Auditor (#4220), and Principal Personal Property Auditor (#4224).

**4. Recommendation No. 2-7: "The Department of Building Inspection should select a computer system that will transfer all needed data smoothly to the OAR in a timely manner. The Department of Building Inspection's computer system evaluation committee and the OAR's representative on the committee should ensure that selection criteria for a new computer system have the capability to handle such data transfer."**

In the past, the OAR received data from DBI through information loaded onto a CD and then downloaded onto an Excel spreadsheet. If they wanted to view any building plans, OAR staff would have to physically go over to DBI and copy them. Many years have been spent trying to improve this process, and significant changes have been made. Currently, every week a file data transfer is made from DBI to the OAR system. It includes information from the building permit management database. In addition, OAR staff has direct access to DBI's database. Building plans are now available to OAR through PaperVision; OAR has ten licenses for this system. At present, according to OAR staff, there is no existing computer system evaluation committee, and OAR has not been involved in serious discussions with DBI since 2007. The focus for DBI has been on the installation of a new permit tracking

database, Accela, linked only to the Planning Department and due to go-live before the end of this fiscal year.

Nevertheless, we have heard of problems with the information that comes from DBI. DBI assigns a unique application number for each permit. If there is a revision or renewal of that permit, new numbers are assigned. OAR spends too much time matching parcels with the different application numbers. Also, DBI differentiates types of new construction by requiring the use of different forms for new construction projects. Forms 1 and 2 are for new buildings; form 6 is for demolition; a single form is used for type 3 (major renovations) and type 8 (an over-the-counter permit) projects. Unfortunately, this conflation of 3 and 8 types of projects causes more work for OAR in sorting.

**5. Recommendation No. 4-1c: “As soon as possible, fill seven positions required to reduce backlogs of properties needing appraisal and reassessment.”**

The original CGJ report found that in the OAR only 112 of the 140 budgeted full-time equivalent (FTE) staff positions were filled. In the past, OAR filled positions for appraisers to reduce the backlog of assessment appeals cases. More recently, it has worked with the Controller, Assessment Appeals Board, and the Treasurer-Tax Collector to create a more streamlined and effective appeals process. These efforts have led to the creation of a third Assessment Appeals Board panel which meets in the evening. The AAB has also received funding for a clerk who works exclusively on residential appeals.

Recently, the OAR received a grant from the State-County Assessor’s Partnership Program (SCAPP) for \$1.285 million over a three-year period. This money is to be used exclusively in assessing and enrolling in-progress and completed new construction. For this grant, SCAPP required a dollar-for-dollar match from the County. The Mayor and Board of Supervisors have allocated monies, coming from DBI, for the match. Despite the large allocation of revenue, no long-term staffing analysis or plan has been developed for the grant period. What happens after the three years is unknown. According to OAR staff, the grant money and match do not support much needed key administrative staff.

Currently, OAR has a budgeted staff of 163.8 FTE with current hires of 138.8 FTE, leaving 25 vacancies. Nineteen of those vacancies are now being recruited or hired, with an expectation that by the end of the fiscal year, they will be filled.

**6. Recommendation No. 6-2: “Commencing with the 2005 Annual Report, publish a report annually and include backlog data, including the number and location of parcels, value, and length of time in system. Make this report available on the city’s Web site.”**

From 2006 through 2010, the OAR Annual Report discussed the problem of the backlog, clearly defining it, and from 2007 included a section on Backlog Reduction. In 2011 and 2012, no mention of a backlog appears in the Annual Reports, except for the Assessor-Recorder mentioning it as an achievement in his biography. In 2013 and 2014, under new leadership, there is no mention of it at all. The public is supposed to read between the lines in a discussion of supplemental and escape assessments. At no time did the backlog data ever include the number and location of parcels, value, or length of time in the system. No one from the public could possibly understand how much money the OAR is still leaving on the table each year, or that the OAR is rated so poorly by the BOE, or that over the years several agencies, including the BOE, the Controller, and the Civil Grand Jury, had recommended changes to OAR operations and improvements in procedures. In short, the Annual Report has become a document of limited value, not addressing significant problems within their own operations and undermining the general call for transparency.

## **Conclusions**

The Office of Assessor-Recorder has generally made good faith efforts to comply with the 2005-06 Civil Grand Jury recommendations. The development of performance measures and updating job descriptions has added clarity to effective work expectations within the OAR. The City and County, generally, and the OAR in particular, should be commended for the strides they have made toward improving overall office performance and in reducing the backlog. Nevertheless, continuing problems exist and need to be aggressively addressed.

## **Findings**

- F1. The Office of Assessor-Recorder has made progress in clearing up the backlog, and as of February 2015, only 39 properties had exceeded the four-year statute of limitations. Nevertheless, a severe backlog problem remains.
- F2. The lag in issuing assessments delays the receipt of tax revenue, leads to a loss in interest earnings on property tax revenue, and puts a burden on taxpayers who “are entitled to timely notification of assessments.” (2013 BOE Survey)

- F3. The funding from SCAPP and the matching monies from the City and County provide an opportunity to eliminate the Office of Assessor-Recorder backlog and raise their BOE rating.
- F4. The funding from SCAPP is limited in time and does not cover other OAR personnel needs, including key administrative positions that can keep the backlog reduction momentum going.
- F5. OAR does not have a written staffing analysis and plan to reduce the remaining backlog of unassessed properties.
- F6. There is still a need to communicate with the Department of Building Inspection about OAR needs in terms of the flow of information between the two departments, which has the potential for greater efficiencies for the OAR.
- F7. There is a disconnect between the OAR Annual Report and the recommendations that have come from Civil Grand Jury, Controller, and State Board of Equalization reports. The Annual Report fails to clearly address the progress made, or the lack thereof, in its operations that stem from the recommendations that come from these outside agencies.

## **Recommendations**

- R1. The Office of Assessor-Recorder should raise the bar by meeting the state requirement and clear the backlog by the end of FY16-17.
- R2. The Office of Assessor-Recorder needs to conduct a written staffing analysis and generate an aggressive long-term plan to maintain a backlog-free OAR before the end of CY2015.
- R3. The City and County needs to provide General Fund money (from the expected increase in revenue from property taxes due to a more productive OAR) in the FY15-16 budget to support new funding for key administrative positions and on-going funding for OAR positions after the expiration of the three-year grant.
- R4. The Office of Assessor-Recorder should regularly meet with staff from DBI to transfer data more efficiently between the departments before the end of CY15.
- R5. The 2015 and on-going OAR Annual Reports need to be written in a more explicit, consumer-friendly, jargon-free fashion, highlighting and clearly defining any efforts made in reducing the backlog, discussing the financial implications for not doing so, and addressing any progress made, or obstacles encountered, in fulfilling the recommendations for office improvements.



## Response Matrix

Findings	Recommendations	Responses Required
<p>1. The Office of Assessor-Recorder has made progress in clearing up the backlog, and as of February 2015, only 39 properties had exceeded the four-year statute of limitations. Nevertheless, a severe backlog problem remains.</p> <p>2. The lag in issuing assessments delays the receipt of tax revenue, leads to a loss in interest earnings on property tax revenue, and puts a burden on taxpayers who “are entitled to timely notification of assessments.” (2013 BOE Survey)</p>	<p>1. The Office of Assessor-Recorder should raise the bar by meeting the state requirement and clear the backlog by the end of FY16-17.</p>	<p>Mayor</p> <p>Assessor-Recorder</p>
<p>3. The funding from SCAPP and the matching monies from the City and County provides an opportunity to eliminate the Office of Assessor-Recorder backlog and raise their BOE</p>	<p>2. The Office of Assessor-Recorder needs to conduct a staffing analysis and generate an aggressive written long-term plan to maintain a backlog-free OAR before the</p>	<p>Mayor</p> <p>Assessor-Recorder</p> <p>Board of Supervisors</p>

<p>rating.</p> <p>4. The funding from SCAPP is limited in time and does not cover other OAR personnel needs, including key administrative positions that can keep the backlog reduction momentum going.</p> <p>5. OAR does not have a written staffing analysis and plan to reduce the remaining backlog of unassessed properties.</p>	<p>end of CY2015.</p> <p>3. The City and County needs to provide General Fund money (from the expected increase in revenue from property taxes due to a more productive OAR) in the FY15-16 budget to support new funding for key administrative positions and on-going funding for OAR positions after the expiration of the three-year grant.</p>	
<p>6. There is still a need to communicate with the Department of Building Inspection about OAR needs in terms of the flow of information between the two departments, which has the potential for greater efficiencies for the OAR.</p>	<p>4. The Office of Assessor-Recorder should regularly meet with staff from DBI to transfer data more efficiently between the departments before the end of CY15.</p>	<p>Mayor</p> <p>Assessor-Recorder</p>
<p>7. There is a disconnect between the OAR Annual Report and the recommendations that have come from Civil Grand Jury, Controller, and State Board of</p>	<p>5. The 2015 and on-going OAR Annual Reports need to be written in a more explicit, consumer-friendly, jargon-free fashion, highlighting and clearly defining any</p>	<p>Mayor</p> <p>Assessor-Recorder</p>

<p>Equalization reports. The Annual Report fails to clearly address the progress made, or the lack thereof, in its operations that stem from the recommendations that come from these outside agencies.</p>	<p>efforts made in reducing the backlog, discussing the financial implications for not doing so, and addressing any progress made, or obstacles encountered, in fulfilling the recommendations for office improvements.</p>	
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Reports issued by the Grand Jury do not identify individuals interviewed. Penal Code section 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Grand Jury.

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## Glossary

AAB: Assessment Appeals Board

BOE: State Board of Equalization

CGJ: San Francisco Civil Grand Jury

CIO: Changes in Ownership

DBI: Department of Building Inspection

DHR: Department of Human Resources

FTE: Full-Time Equivalent

NC: New Construction

OAR: Office of the Assessor-Recorder

SCAPP: State-County Assessors' Partnership Program

## Appendix A

Status of the Fifty-six Recommendations from the 2002 BOE Report, Document from the OAR:

<b>Recommendation</b>	<b>Status</b>
Fill vacant assessment positions	Implemented
Request that the board of supervisors repeal the resolution imposing an assessment appeal filing fee	Not implemented, filing fees are actually collected by a separate department (Board's Assessment Appeal Board) to recover their cost of services; AAB should provide direction for filing fees given direct impact on their budget
Request that the board of supervisors revise the disaster	Implemented

<b>Recommendation</b>	<b>Status</b>
relief ordinance to conform to section 170	
Grant disaster relief to all qualifying personal property	Implemented
Bring the mandatory audit program to current status as required by section 469	Implemented
Complete and audit checklist for each audit	Implemented
Process separate escape assessments and roll corrections for each year under audit	Implemented
Include nonprofit organizations that meet the requirements of section 469 in the mandatory audit program	Not implemented, State BOE provided guidance not to include non-profits in the audit program
Audit taxpayers that fail to file property statements for three or more consecutive years	Implemented
Screen business property statements with electronically prepared attachments to ensure the statement is complete and fully executed pursuant to section 441.5	Implemented
Accept only appropriately signed property statements as required by rule 172	Implemented
Exclude accounts that have business property at multiple locations from the direct billing program	Implemented
Send business property statements to direct billing accounts every fourth year	Implemented
Annually review the BOE's listing of equipment leased to state assesses	Implemented
Apply the 10 percent penalty for the failure to file or late-filing of BOE-prescribed Vessel Property Statement as required by section 463	Implemented
Annually appraise pleasure boats at market value	Implemented
Correctly calculate the assessment of documented vessels as required by section 275.5 when vessel owners submit late-filed affidavits	Implemented
Revise the Affidavit for 4 Percent Assessment of Certain Vessels to include the correct filing deadline established by section 225	Implemented
Enroll supplemental assessments for all tenant improvements as required by section 75.11	In process
Refer all reported structural and land improvement costs from the annual business property statement to the commercial property appraiser in the real property division for review	Implemented
Develop formal procedures for the discovery and assessment of apartment personal property	Implemented

<b>Recommendation</b>	<b>Status</b>
Properly assess service station fixture improvements as improvements	Implemented
Report information regarding homeowners' exemption claims to the BOE as required by section 218.5 in a timely manner and in the proper format	Implemented
Process homeowners' exemptions in a timely manner	Implemented
Legibly date-stamp welfare exemption claims when received	Implemented
Thoroughly review each welfare exemption claim and supporting documents before granting the exemption	Implemented
Apply the welfare exemption to qualified business personal property	Implemented
Task the assessment standards section with the responsibilities of standards and quality control	Implemented
Develop a comprehensive policies and procedures manual	Implemented
Submit BOE-prescribed form checklists	Implemented
Implement a system to control access to appraisal records	Implemented
Grant disaster relief to property owners only when they submit timely applications pursuant to section 170	Implemented
Revise the Notice of Proposed Escape Assessment to include all of the information required by section 531.8(b)	Implemented
Cite the proper Revenue and Taxation Code section when making roll corrections	Implemented
Eliminate the backlog of assessable new construction	Implemented, a new construction team was created to address backlog - significant work will continue in this area
Develop formal procedures for processing, valuing, and enrolling assessable new construction	Implemented
Improve communications with agencies that issue building permits	Implemented
Eliminate internal building permit tracking numbers	n/a - DBI process
Appraise all construction in progress on the lien date	Implemented
Improve documentation pertaining to new construction	Implemented
Enroll all supplemental assessments	Implemented
Use the BOE-prescribed Notice of Supplemental Assessment as required by section 75.31(g)	Implemented
Assess timeshares at the lesser of their factored base year values or the current market values	Implemented
Develop written procedures for the valuation of major	Implemented

Recommendation	Status
income-producing properties	
Reassess timeshare projects when the cumulative interest and value transferred meets the requirements of section 65.1	Implemented
Improve the program for the discovery of taxable possessory interest	Implemented
Use market rents when valuing possessory interest in yacht harbors	Implemented
Cease the assessment of possessory interest on property owned by the California School of Mechanical Arts	Implemented
Require that all recorded documents conveying title to real property contain the assessor's parcel number pursuant to section 11911.1	Implemented
Cite the notation required by section 533 when enrolling escape assessments	Implemented
Maintain a transfer list that meets the requirements of section 408.1	Implemented
Use the date of death as the date of transfer as required by section 63.1 (c)(1)	Implemented
Distinguish between the transfer of principal residences and the transfer of property other than principal residences for parent/child and grandparent/grandchild transfers.	Implemented
Submit quarterly reports of base year value transfers to the BOE, as required by section 69.5(b)(7)	Implemented
Utilize the BOE-prescribed Change in Ownership Statement	Implemented
Ensure that all LEOP changes in control receive timely reappraisal	Implemented

## Appendix B

Thirty-Four Recommendations and Sub-Recommendations from the 2013 California State Board of Equalization, *San Francisco City and County Assessment Practices Survey*

**RECOMMENDATION 1:** Ensure appraisers meet the annual training requirements of section 671.

**RECOMMENDATION 2:** Improve the assessment appeals program by making consistent representations of sales data to the AAB.

**RECOMMENDATION 3:** Improve the administration of the church and religious exemptions by: (1) not requiring the claimant to provide a state or federal tax exemption letter in order to qualify for the church exemption, (2) ensuring that only qualifying properties are granted the church exemption, and (3) allowing the church exemption on leased property only if the exempt use occurs on lien date.

**RECOMMENDATION 4:** Improve the administration of the welfare exemption by: (1) pre-printing the maximum income allowed on low-income housing claim forms, (2) not accepting incomplete and/or improper claim forms filed by claimants, (3) verifying a claimant's continued eligibility for certificates issued by the BOE, (4) properly notifying claimants when a portion of the property is denied the welfare exemption, (5) not granting an exemption on property that is not held in the name of the claimant, and (6) not accepting claim forms filed before the lien date.

**RECOMMENDATION 5:** Improve the administration of the disabled veterans' exemption by: (1) applying the provisions of section 276 for disabled veterans' exemption claims that are not filed timely, (2) granting the disabled veterans' exemption on a prorated basis in accordance with sections 276.1 and 276.2, (3) granting the full exemption to the extent of the interest owned pursuant to section 205.5(d), and (4) requiring documentation that the claimant has been honorably discharged.

**RECOMMENDATION 6:** Improve the administration of the exemptions program by (1) properly applying the late-filing provisions of sections 270 and 271 when applicable, and (2) maintaining complete files on all exemption claims.

**RECOMMENDATION 7:** Improve the LEOP program by timely reassessing all properties owned by a legal entity undergoing a change in control or ownership.

**RECOMMENDATION 8:** Improve the new construction program by: (1) eliminating the backlog of assessable new construction, (2) expanding appraisal record documentation, (3) enrolling construction in progress at its fair market value for each lien date, and (4) valuing completed new construction at its fair market value.

**RECOMMENDATION 9:** Develop a comprehensive appraisal program for review of properties that experience a decline in value.

**RECOMMENDATION 10:** Improve the taxable possessory interest program by: (1) discovering and enrolling all taxable possessory interests, (2) documenting and tracking all taxable possessory interest assessments, (3) periodically reviewing all taxable possessory interests with stated terms of possession for declines in value, (4) reappraising taxable possessory interests in compliance with section 61, (5) assessing only private uses on publicly-owned real property in accordance with Rule 20, and (6) properly issuing supplemental assessments.



**RECOMMENDATION 11:** Improve the leasehold improvement program by: (1) properly valuing structural improvements reported on the BPS, and (2) issuing supplemental assessments for structural leasehold improvements on the unsecured roll.

**RECOMMENDATION 12:** Modify the audit production report to better track the pool of largest audit accounts as defined by Rule 192.

**RECOMMENDATION 13:** Improve the business equipment valuation program by correctly classifying machinery and equipment reported on the BPS.

**RECOMMENDATION 14:** Annually assess vessels at current market value.

## ENDNOTES

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<sup>1</sup> Superior Court of California, County of San Francisco, 2006-2007 San Francisco Civil Grand Jury, *Continuity Report: Have City Agencies Done What They Said They Would Do After the Civil Grand Jury of 2005-2006 Issued Its Reports*, p. 10.

<sup>2</sup> City and County of San Francisco, Office of the Controller – City Services Auditor, *Office of the Assessor-Recorder: The Department Continues to Improve its Operations*, August 26, 2009, unnumbered page.

<sup>3</sup> *Ibid.*, p. 11.

<sup>4</sup> *Ibid.*, p. 12.

<sup>5</sup> *Ibid.*, p. 18.

<sup>6</sup> *Ibid.*, p. 29.

<sup>7</sup> *Ibid.*, p. 29.

<sup>8</sup> *Ibid.*, p. C-1.

<sup>9</sup> *Ibid.*, p. 8.

<sup>10</sup> *Ibid.*, footnote 7, p. 8.

<sup>11</sup> Other types of non-assessable new construction include seismic upgrades, solar panels, and disability access improvements.

<sup>12</sup> Adapted from a table supplied by the BOE. The Jury added the average assessment ratio from the counties' most current BOE reports.