

7.E-1

December 8, 2003

**Subject**

Appeals Against the General Improvement District 1-64 Assessments for Fiscal Year 2003-04

**Recommendation**

Staff recommends accepting the revised appraised values in those cases in which the City and the property owners have agreed to a reduced value. Staff also recommends that the proposed revised appraised value in the appeal by Mr. Fred Countryman be accepted.

**Background**

District History: In 1959, the City annexed lands known as the Redwood Peninsula (Redwood Shores) and Bair Island. In 1964, this area was constituted as General Improvement District No. 1-64 (GID 1-64). District landowner elections authorized a series of general obligation bonds (issued under the City's charter authority) for facilities and reclamation purposes. These bonds are general obligations of the district only and not the entire city. Facilities projects include construction of local streets and highways, wastewater treatment works, sewer mains, transmission lines, pumping facilities, collection systems, water transmission lines, storage facilities and park facilities. Reclamation projects include construction of levee works, and filling and grading necessary to drain and reclaim land within the district. Between 1966 and 1979, the district issued a total of about 18.5 million dollars of facilities bonds and about 9.5 million dollars of reclamation bonds.

The Council is required by the terms of the bond documents to apportion debt service (principal and interest) of the bonds issued for GID 1-64 improvements on the basis of the current assessed values of land and improvements. Annual bond service is currently about two million dollars. Facilities bonds are funded by property taxes levied on assessed value of all real property; reclamation bonds are funded from property taxes levied on the assessed value of land. To determine the assessed value, an independent appraiser is engaged to provide current assessed values. These values will differ from the assessed values utilized by the County of San Mateo Assessor for general property taxes. The County must assess based on historical value as required by Proposition 13; the improvement district bases assessments on market value. The City has established a Board of Equalization to formally accept the assessed values furnished by the appraiser through the District Assessor (Finance Director) and to hear appeals presented by any property owners who disagree with the appraised values proposed by the District Assessor.

**7.E-2**

City Council members by virtue of their office also serve as members of the Board of Equalization.

The Director of Finance and Financial Planning, acting as the District Assessor, contracted with Charles Warren, ASA, to appraise the properties in the assessment district. Mr. Warren derives the assessed valuations using the statistical mass appraisal method as developed by the California State Board of Equalization. The appraisal of market value is predicated on valuation of property at its highest and best use. The methodology for commercial and apartment properties emphasizes the income approach. Mr. Warren surveys actual rental income and operating costs in the district and uses available statistical sources to derive estimated income for each property. This is then used to establish the assessed values. For residential properties, Mr. Warren relies heavily on the sales comparison approach, interpreted statistically using multiple regression analysis. Adjustments are made for location, water orientation, overall desirability and the quality and desirability of the projects compared to each other.

Land is valued as though available for development to its highest and best use. Similar land sales are investigated and comparative analysis is made. The cost to bring raw land to a buildable state is taken into consideration. New construction is appraised using cost or market depending on the stage of completion.

Current Year Actions: On July 14, 2003, the Council, sitting as the Board of Equalization, accepted the assessment roll for the General Improvement District No. 1-64. After the acceptance, the property owners have the right to appeal the assessment; they must provide the District Assessor with evidence that supports a different assessed value for their property. The assessed value of property for the purpose of debt service is based on 25% of current appraised market value as of January 1, 2003.

Appeals: There were 4,324 parcels appraised and approximately 500 parcels inspected. Four property owners have filed appeals. The District appraiser, Mr. Warren, has investigated the appeals and has agreed that three of the appeals have merit; compromise valuations were reached in these three appeals and stipulations as to the reduced appraised values have been received for these appeals. In the fourth appeal, Mr. Countryman asserts that his property should have an appraised value of \$595,000 and does not agree with the recommended reduction from \$700,000 in value to \$690,000. The additional appraisal work performed on this parcel does not substantiate the appellant's claim, and therefore, staff recommends the \$10,000 reduction only.

If the Board of Equalization approves the changes in value, an explanatory letter will be sent to the property owners, and the County Assessor will issue a corrected tax bill.

### **Alternatives**

The Board can (1) deny the appeals; (2) accept the values proposed by the appellants; and/or accept the compromise values recommended by the appraiser.

**Fiscal Impact**

**7.E-3**

Should the Board accept the recommendation of staff, the reduction in appraised values will result in a decrease in GID 1-64 property tax revenue of approximately \$29 (negligible as a percentage of total revenue).



**Brian J. Ponty**  
**District Assessor and**  
**Finance Director**



**Alison Freeman**  
**Financial Services Manager**



**Edward P. Everett**  
**City Manager**

Exhibit 1 – Summary of Appeals Filed and Recommended Disposition

**SUMMARY OF APPEALS FILED AND RECOMMENDED DISPOSITION**

1. John Martin Bartel Parcel No. 111-160-160 Appraised Value \$455,000

This property is a condominium airtlot parcel in Marlin Subdivision 7 with water frontage. The improvements on the subject property are a condominium unit with four rooms: bedroom, den, living, kitchen, and one bath, with 987 square feet. The appellant believes that the property should be valued at \$415,000.

Mr. Warren identified four comparable sales. These four sales ranged from \$377,500 to \$450,000. Last year this property was appraised at \$410,000. Given the above information, the recommendation is to decrease the appraised value from \$455,000 to \$425,000 to recognize the appellant's claim, while maintaining the integrity of the appraised values for the District. The appellant has agreed to this revised appraised value.

2. Marguerite Gauvin Parcel No. 112-790-290 Appraised Value \$680,000

This property is a condominium airtlot parcel in the Regatta development with water frontage. The improvements of this property consist of a condominium unit with two bedrooms, two and one-half baths and 1,653 square feet. The appellant believes that the property should be valued at \$660,000.

Mr. Warren identified five comparable sales ranging from \$660,000 to \$712,000, with the lower part of the range more accurately reflecting this parcel. Last year this property was appraised at \$680,000, a figure that may have been a little high given the refined appraisal work performed pursuant to the appeal. Given the above information, the recommendation is to decrease the appraised value from \$680,000 to \$660,000. The appellant has agreed to this revised appraised value.

3. Miotel Corp. Lessee Parcel No. 095-233-180 Appr. Value \$45,000,000

This property, also known as The Hotel Sofitel, is a nine-story, 419 room, Class A, French hotel. The room total reflects an increase of 95 rooms in a new wing. Additionally, the parking structure was also expanded in 1999. The above valuation has been adjusted to reflect the general slump in the hotel sector, with last year's value reflecting \$50,000,000. The appellant believes that the property should be valued at \$31,086,400. After discussions between Mr. Warren and Miotel Corp., both parties agreed upon a value of \$42,000,000.

Given the above information, the recommendation is to decrease the appraised value from \$45,000,000 to a mutually agreed upon \$42,000,000, with a slight redistribution of value between land and improvements. Although the total appraised value is recommended to decline by \$3,000,000, the redistribution of value between land and improvements results in no change in assessment revenue.

4. Fred Countryman

Parcel No. 112-610-150

Appraised Value \$700,000

7.E-5

This property is a condominium airtlot parcel in "The Manors" with water frontage. The property's improvements consist of a condominium unit with three bedrooms, two and one-half baths, six rooms, and 1,874 square feet. The appellant believes that the property should be valued at \$594,696.

Mr. Warren identified three comparable sales with water frontage ranging from \$685,000 to \$730,000.

History – For the January 1, 2001 lien date, this property was appraised at \$750,000. This value was appealed by Mr. Countryman, and the Board approved a revised value of \$690,000. Last year as of the January 1, 2002 lien date, this property was appraised at \$570,000, a lower appraisal reflecting the impact of the recession. As of the January 1, 2002 lien date, there was an across the board decline in all residential categories, with greater decreases experienced in the higher end homes. During the period leading up to the current lien date of January 1, 2003, the properties in the District almost fully recovered from the post-recession decline. Given the above information, the recommendation is to decrease the appraised value from \$700,000 to \$690,000 to recognize the appellant's claim, while maintaining the integrity of the appraised values for the District. The \$690,000 value reflects the lower end of the comparable sales range. The appellant has not agreed to this revised appraised value.