



California Property Tax Reduction Opportunities

Property taxes are often one of a company's largest recurring operating expenses. Duff & Phelps specializes in identifying property tax savings opportunities by helping our clients to determine which properties are over-assessed, the factors leading to over-assessment, and pursuing assessment reductions.

For organizations that believe their property tax values are excessive and should be reviewed and appealed, Duff & Phelps will perform a complimentary review of their real estate or personal property portfolio.

Property tax assessments in California can be confusing even for the most experienced real estate investor. County valuations can contain duplicative real and personal property assessments due to improper reporting by the owner coupled with assessment techniques used by the assessor. Generally, a change in ownership or new construction of real property results in a base year reassessment as to the portion of the property which underwent a change in ownership or experienced new construction.

California Appeal Opportunities:

- Base year assessment, (Prop 13)
 - > Duplicative assessments can occur during initial construction, such as when tenants install substantial tenant improvements or when second generation tenant improvements are installed.
 - > Review new construction to ensure the proper classification is enrolled (fixtures are often assessed separately when they are actually part of the real estate)
 - > While personal property is not subject to base year assessment or reassessment, understanding recent 4-year audits and escaped assessments may lead to an opportunity to open additional real property years closed if not previously appealed
 - > Review the taxable value as the purchase price is often blindly enrolled as the new taxable value
- Temporary declines in value (Prop 8)

California Case Spotlight

Duff & Phelps achieved tax savings in excess of \$5.2 million for a 320,000 square foot tenant located in San Francisco's Foundary Square. Another \$3 million in tax savings was later identified for the same building. Engagement highlights include:

- Reviewed owner's construction costs, tenant improvement allowances, and tenant construction costs and itemized detailed costs into real property, fixture and personal property buckets.
- Identified duplicative assessments in each bucket and identified items that are exempt from property taxation.
- Persistence when working with assessor representatives in both the real property and personal property divisions. Site visits, meetings and substantial analysis were involved in resolution.
- Challenge the base year enrollment after a change of ownership occurred following construction.

Important items to be aware of when reviewing your property tax liabilities:

1. Exclusions from change in ownership;
2. Exclusions from new construction;
3. Base year assessments;
4. Real and personal property definitions; and
5. Personal Property audit cycles.

Duff & Phelps Experience

Our property tax professionals have extensive experience representing clients across industries including airlines, communications, manufacturers, real estate developers, retailers, oil & gas, and utility owned property. Our drive for results nets our clients on average approximately 15% to 20% in property tax liability reductions.

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