AMENDMENT OF THE WHOLE AS AMENDED IN COMMITTEE – 1/25/06
FILE NO. 051759
ORDINANCE NO. 28-06

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

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

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

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

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

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

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

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

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

Supervisors Alioto-Pier, Peskin, Daly, Duffy, Maxwell, Mar, Kwan, Miranda, Mar
BOARD OF SUPERVISORS
(2) exacerbating the already disproportionate property tax burden on newly
constructed properties when compared to existing properties; and
(3) exacerbating the already disproportionate property tax burden upon
residential property when compared to commercial and industrial properties because
residential properties rarely escape reassessment upon a change in ownership;
(4) imposing a disproportionate burden on commercial and industrial property
owners who are paying property taxes as required by law; and
(5) undermining the willingness of property owners to comply with the law
and make full disclosures of transfers of commercial properties due to the perception that the
system can be manipulated and the City does nothing about it.
(d) Therefore, it is the intent of the Board to adopt policies and programs to ensure
that all real property is assessed at fair market value when that real property undergoes a
change in ownership.
Section 2. The San Francisco Administrative Code is hereby amended by adding
Section 10.177-2 to read as follows:
SEC. 10.177-2. REWARD FOR INFORMATION CONCERNING UNDERPAYMENTS OF
TAX.
(a) The Assessor of the City and County of San Francisco is hereby authorized to
recommend a reward to be paid by the Board of Supervisors from the general fund for information
leading to the detection of an underpayment of property tax owing to the City and County of
San Francisco when the underpayment results from a change of ownership (as defined in Revenue and
Taxation Code § 60 et seq.) that was not reported as required under Division 1, Part 2, Chapter 3,
Article 2.5 of the Revenue and Taxation Code.
(b) For purposes of this section, the term "real estate watchdog" means a person providing information leading to the detection of an underpayment of property tax owing to the City and County of San Francisco.

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

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

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

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

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

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

(1) reposes in the discretion of the Assessor;

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

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

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

(5) may not be less than five thousand dollars ($5,000.00) or more than five hundred thousand dollars ($500,000.00); and
will be paid as soon as administratively feasible after approval by the Board of Supervisors.

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

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

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

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

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

SECTION 10.177-3. PAYMENT.

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

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

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

By: Carol A. Boardman
Deputy City Attorney
Ordinance amending Chapter 10 of the San Francisco Administrative Code by adding Sections 10.177-2 and 10.177-3, authorizing the Assessor to recommend rewards for information related to the detection of underpayment of tax owed to the City and County of San Francisco.

January 31, 2006 Board of Supervisors — PASSED ON FIRST READING
Ayes: 10 - Alioto-Pier, Ammiano, Daly, Dufty, Elsbernd, Ma, Maxwell, Mirkarimi, Peskin, Sandoval
Absent: 1 - McGoldrick

February 7, 2006 Board of Supervisors — FINALLY PASSED
Ayes: 11 - Alioto-Pier, Ammiano, Daly, Dufty, Elsbernd, Ma, Maxwell, McGoldrick, Mirkarimi, Peskin, Sandoval
I hereby certify that the foregoing Ordinance was FINALLY PASSED on February 7, 2006 by the Board of Supervisors of the City and County of San Francisco.

Gloria L. Young
Clerk of the Board

Date Approved

2.16.06

Mayor Gavin Newsom