



**COUNTY OF SAN MATEO**  
Inter-Departmental Correspondence  
County Counsel



**DATE:** October 3, 2011  
**BOARD MEETING DATE:** October 18, 2011  
**SPECIAL NOTICE/HEARING:** None  
**VOTE REQUIRED:** Majority

**TO:** Honorable Board of Supervisors

**FROM:** John C. Beiers, County Counsel

**SUBJECT:** Correction of Property Tax Roll: for APN 095-481-070 (Selco Service Corporation and Electronic Arts, Inc.) and for APNs 095-481-060 and 095-481-040 (Electronic Arts, Inc.); commonly known as 207-209 and 240-250 Shoreline Drive, Redwood City.

**RECOMMENDATION:**

Approve Property Tax Roll Corrections: 11-0834, 11-0836, 11-0837 and 11-0494 correcting the 2008, 2009, 2010 and 2011 annual secured property tax roll for APN 095-481-070; and the 2010 and 2011 annual secured property tax roll for APNs 095-481-040 and 095-481-060.

**BACKGROUND:**

Revenue and Taxation Code section 4831 allows for the correction of the tax roll where there has been an incorrect entry, error or omission by the Assessor. When the correction to the tax roll involves a refund, cancellation or correction in excess of \$50,000, Board of Supervisor's approval of that correction is required.

For property tax assessment purposes, a leasehold interest of 35 years or more is considered to be the equivalent of fee ownership of the property and it is therefore the tenant's interest that is assessed and taxed. Accordingly, when property is subject to a lease with a remaining term of 35 years or more, the transfer of the lessor's interest alone is not sufficient to trigger a reassessment; a change in the tenant's interest is required to trigger such a reassessment.

As part of a series of multi-parcel sales between 2000 and 2009, Selco Service Corporation acquired fee title to APN 095-481-070 and Electronic Arts, Inc, acquired fee title to APNs 095-481-060 and 095-481-040, and (later) 095-481-070. For all relevant times, APNs 095-481-040; 095-481-060 and 095-481-070 (the "subject properties") have been subject to a lease with a remaining term that exceeds 35 years.

**DISCUSSION:**

The requested correction arises as a result of a mistake in reassessing property based on a change in ownership where the land transferred was encumbered by a lease of

more than 35 years. The requested roll corrections seek to restore the pre-transfer assessed values for the subject properties.

On December 8, 2000, the Assessor reassessed the value of Selco Service Corporation's interest in APN 095-481-070, and the value of Electronic Arts Inc.'s interest in APN 095-481-070 and 095-481-060. Those reassessments were triggered by a change in ownership arising from the transfer of fee title to Selco Service Corporation and to Electronic Arts, Inc. It is now recognized that the change in fee ownership reassessments should not have occurred because the parcels were subject to a lease that exceeded 35 years, and therefore that the transfer of the fee ownership alone should not have triggered the reassessment. Because the applicable statutes limit the property tax refund amounts to the period four years prior to the date of discovery of the error, the roll correction requested for APN 095-481-070 is limited to the tax years 2008 through 2011. The roll corrections for APN 095-481-070 will result in a refund to Selco Service Corporation of \$157,987.12 for the 2008 tax year and of \$156,081.66 for the 2009 tax year; and to Electronic Arts, Inc. of \$460,495.73 for the 2010 tax year. The roll correction for APN 095-481-060 is for tax years 2010 and 2011 and will result in a refund to Electronic Arts Inc. of \$64,588.32 for the 2010 tax year. No refunds are due for the 2011 tax year because those taxes have not yet been paid.

Similarly, on July 13, 2009, the Assessor, reassessed the value of Electronic Arts, Inc.'s interest in APN 095-481-040 based on a change in fee ownership. The Assessor now recognizes that the change in fee ownership reassessment was made in error. The roll correction for APN 095-481-040 is for tax years 2010 and 2011 and will result in a refund to Electronic Arts Inc. of \$463,686.24 for the 2010 tax year. No refund is due for the 2011 tax year because those taxes have not yet been paid.

Authorizing these property tax roll corrections will contribute to the Shared Vision 2025 outcome of Collaborative Community by demonstrating fiscal accountability.

**FISCAL IMPACT:**

Refunds totaling \$157,987.12 for the 2008 tax year, \$156,081.66 for the 2009 tax year and \$988,770.29 for the 2010 tax year. No refunds are due for the 2011 tax year.