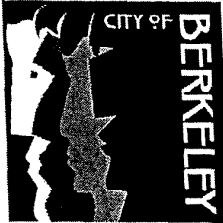


**ATTACHMENT A**



Finance Department  
Office of the Director

**26**

October 24, 2003

TO: Honorable Mayor and  
Members of the City Council

FROM: Weldon Bunker, City Manager

SUBJECT: Gaia Building and Tax Assessments

This memo is in response to questions that were raised during the special council meeting on October 21, 2003, regarding the City assessed taxes for the Gaia Building located at 2116 Allston Way (parcel 57-2030-2); and raising the allegation that the owners of the Gaia Building did not pay Berkeley assessments since the issuance of the Temporary Certificate of Occupancy (TCO). The allegation is accurate and staff was working on the matter prior to last Tuesday.

Properties escape the annual tax roles for a variety of reasons, and they always will no matter what billing or control system is implemented. It should be noted that the taxable status of a property, or the increased taxable square footage must be communicated from the City to the County in order to update the County records, from which the tax bills are generated. Although the City provides that information to the County, only the City uses the square footage information to calculate our own tax assessment amounts. We are dependant upon the County to update land use codes correctly, particularly since they determine if a property is an exempt agency (e.g., COB, UC, BUSD, BART, etc).

Generally, when a property is developed, its building square footage and land use code are updated in the City's land database when a final Certificate of Occupancy (CO) is issued. This information is then used to calculate the various taxes and assessments, and is communicated to the County in a regular process. The following taxes and assessments are based on the square footage of improvements on the parcel: Parks, Library, Street Lighting, Paramedic, Severely Disabled, Mello Roos, and School taxes.

Quite a few years ago, staff implemented a process for internal notification for property assessment – and the software based on that policy – to capture new square footage upon the issuance of a final

CO. However, it is a common practice to issue a TCO when a building is almost complete and safe to occupy, but when minor modifications are still required to fully comply with the building code and/or zoning ordinance. The original policy and resulting procedure had not yet been modified to reflect TCO's.

Prior to this last Tuesday, the Finance, Planning, and Information Technology departments were already working together to modify our process to capture properties issued a TCO, as well as identify any other ways in which the process can be improved to ensure timely and complete assessments. And, as part of the regular post tax review, staff had already identified the Gaia property as being eligible for taxation, and the Finance Department was in the process of billing the property for the current tax year, and applicable past years as well.

Staff is constantly reviewing properties, many of which are back billed for taxes as appropriate. Despite our best efforts, the County tax process and our staff do not always identify each and every escaped property each year. For example, as part of this citizen process, an additional property has been brought to our attention: the Berkleyan LLC property located at 1910 Oxford Street. Taxes should have started to be assessed effective 7/1/01, but were not. This property will also be back billed immediately.

This situation is only one of a variety of reasons why a property might escape City of Berkeley taxes and assessments for a few years. There are likely other buildings and properties besides the two identified herein. Staff from all three involved departments is working to develop cost-effective techniques to identify escaped assessments in a more timely fashion. We will return to Council by March 2004 with a more complete report defining the extent of the problem and our implemented solution. In the meantime, staff will continue to identify and capture escaped properties as part of the regular post-tax roll process and the on-going improvement of the processes as described herein.

I'd like to thank Ms. Barbara Gilbert and Ms. Vicki Tamaradze for their diligent work in reviewing the City's escaped assessments, as well as reviewing the properties within the City that have a tax exemption from the County. The City always welcomes the constructive review and participation of its concerned and very talented citizens.

cc: Ann Marie Hogan, City Auditor  
Frances David, Director of Finance  
Chris Mead, Director of Information Technology  
Dan Marks, Director of Planning  
Sherry Kelly, City Clerk  
Manuela Albuquerque, City Attorney