

MINUTE ITEM

This Calendar Item No. 33
was approved as Minute Item
No. 33 by the State Lands
Commission by a vote of 3
to 0 at its 8/26/82
meeting.

CALENDAR ITEM

33

8/26/82
Hager

SETTLEMENT OF APPEAL OF THE 1977 ASSESSMENT OF THE LONG BEACH UNIT

The participants in the Long Beach Unit, including the State Lands Commission, challenged the 1977 assessment of the Long Beach Unit made by the Los Angeles County Assessor by filing an application for reduction of the assessment. The 1977 assessment was the last assessment before the passage of Proposition 13. The Assessor placed on the assessment roll for 1977 a fair market value of \$674,511,000 for the Long Beach Unit. This roll value required a payment of \$16,444,880 in mining rights and personal property taxes, after allowances were made for exempt interests. The State pays indirectly the largest share (about 83%) of these taxes in the unit, in the form of reduced net profits from Tract 1. Because of the State's significant interest in the property taxation of the Unit, it has played a central role in the assessment appeal.

In January 1980, a hearing was begun before the Los Angeles County Assessment Appeals Board but was continued indefinitely because of a dispute between the Assessor and a third party over the use in the hearing by the Assessor

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of data obtained from the third party. Several months after the hearing was continued, settlement discussions began between the Assessor and his counsel and the Commission, its staff and the Attorney General's office. The discussions have finally produced a proposed settlement.

The settlement proposal is that the Unit participants and the Assessor stipulate before the Assessment Appeals Board to the original roll value as the 1977 fair market value. In addition, the Unit participants would receive a refund of \$333,472, plus interest at 9% from the date of the tax payments, representing the adjustment from the Los Angeles County assessment ratio of 25% to the intercounty equalization ratio of 24.5%. The refund would be distributed to the Unit participants in proportion to their participation interests in Unit taxes as provided by the Unit Agreements. The State's share would be about 83% or about \$276,000 plus interest.

The settlement has been discussed with the Unit's Ad Valorem Tax Committee. A recommendation for its approval by all Unit participants will be made to the Unit's Voting Parties Committee at its August meeting. If any Unit participant elects not to participate in the settlement, that participant will have to pursue the application for reduction on his own. It is not anticipated that any Unit participant will make such an election.

The staff and the Attorney General's office believe that the proposed settlement with the Los Angeles County Assessor is in the best interests of the State and recommend its approval by the Commission.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE SETTLEMENT OF THE LONG BEACH UNIT 1977 ASSESSMENT APPEAL AS OUTLINED ABOVE AND AUTHORIZE THE EXECUTIVE OFFICER AND THE OFFICE OF THE ATTORNEY GENERAL TO TAKE ALL NECESSARY STEPS TO COMPLETE THE SETTLEMENT.