

L.E. BACA

CONSTRUCTION

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D O C U M E N T S



New Construction and Property Tax Liabilities

Alameda County

I asked the question to the Alameda County Tax Assessor ***“What are the tax liabilities for adding New Construction ADU or Additions”*** and received the following information on ***October 27, 2021***

However to be perfectly clear things change over time so it is extremely important that you contact the County Assessor directly before relying on any published information including the below.

Dear Mr. Baca,

For an overview of New Construction and its implications, please click on the following link to our website - www.acassessor.org/homeowners

We do not give out estimates of the tax liability for new construction for many reasons, but the foremost is that new construction is appraised at its market value, not construction costs, on the date of its completion. If construction begins and is not completed by January 1st (lien date), the percent complete is assessed and added to your January 1 lien date value. As you know, our housing market values are subject to constant change. To forecast the market value of new construction completed 6 months, a year, two years, from now would be difficult and probably not accurate. While we do review cost information, the value of new construction is generally far greater than the cost to construct it. For example, if you constructed two identical buildings- one in Piedmont and the other in Sunol, while the costs to build each would be the same, their market values would vary significantly due to location.

The good news is that new construction does not trigger a reassessment of the entire property. The Prop 13 value of your property is secure and the value of the new construction is added onto it. For example, if your current Prop 13 assessed roll value is \$300,000 (current market value is \$800,000) and the market value of just the new construction is \$100,000 at completion, your new Prop 13 assessed roll value would be \$400,000, not \$900,000. Our office does not calculate bills as we are only tasked with assessing the land and improvements. The Treasurer-Tax Collector issues the bills,

which add on the Special Assessments levied by each city, and collects payment. The ad valorem tax rate for land and improvement value is 1%. So, again for example, if the new construction was valued at \$100,000, that would add \$1,000 + any special assessments to your total tax bill.

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Here are some examples of “New Construction” which may require reappraisal:

- Any improvement to real property, such as adding a room, pool or garage.
- Any alteration which restores a building or other improvement to the “substantial equivalent of new” (such as completely renovating a building)
- An alteration that changes the way a property is used (e.g. a residence is converted to a retail store, or a garage is converted to living area).
- Physical alteration to land such as retaining walls or land grading for purposes of development.
- Tenant improvements added in previously unfinished commercial property.

Only the portion of the property which was newly constructed is subject to reassessment at market value. For example, if a family room is added to an existing home, only that portion is reassessed and the existing home will retain its previously established Proposition 13 base year value.

It should be noted that certain construction activities are not subject to reassessment. Some exceptions include:

- Normal building maintenance and repair
- Replacement of worn out items such as a roof or plumbing fixtures
- Reconstruction after a misfortune or calamity if valid claim was filed.

So as mentioned it is extremely important that you contact the County Assessor directly before relying on any published information including the above.

Lawrence Baca

President

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