OFFICE OF THE ASSESSOR-RECORDER SAN FRANCISCO



PHIL TING ASSESSOR-RECORDER

FOR IMMEDIATE RELEASE:

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*** PRESS RELEASE ***

Assessor-Recorder Ting Announces Real Estate Watchdog Tip Leads To Additional \$1.34 Million in Revenue for City

Ting Recommends Financial Reward for Whistleblower

SAN FRANCISCO, CA – Today Assessor-Recorder Phil Ting and Board of Supervisors President Aaron Peskin announced the Real Estate Watchdog program resulted in the City collecting an additional \$1.34 million after a citizen tipped off the Assessor-Recorder's Office to an unreported change in ownership for a commercial real estate property.

"The Real Estate Watchdog program's first success story is an example of how good government should work," Ting said. "This innovative program enlisted the help of San Franciscans to help us identify commercial property owners who are breaking the law. The result is we are one step closer to making sure everyone is paying their fair share." Ting developed the Watchdog program to ensure that all commercial properties are assessed at fair market value and to help capture revenue owed to San Francisco.

Ting will be recommending to the Board of Supervisors a financial award be given to the whistleblower in the amount of \$59,803, eight percent of the total property taxes collected from the year of the change of ownership through to the year the tip was received (2001-2006). The Watchdog ordinance, passed in 2006, enables the Assessor to recommend an award up to 10 percent.

"The additional funds the City has collected because of this Watchdog case will help us pay for needed city services. And in a budget deficit year, every penny counts," said Peskin.

The Assessor-Recorder's Office received an anonymous tip in 2006 that a publicly traded REIT, Essex Property Trust, had not reported a change in ownership after acquiring an apartment building located at 480 Warren Drive. In 1999, the company had purchased a minority interest in the partnership that owned the building, an occurrence that does not trigger a reassessment. Then in 2001 the company acquired a majority interest, which should have been reported and which would have triggered a reassessment and a substantial increase in property taxes due to the City. However, because the company failed to report a change in ownership, a reassessment did not occur.

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After Ting conducted a thorough investigation of this transaction, the Assessor-Recorder's Office enrolled a substantially higher property value, resulting in the \$1.34 million payment for back taxes and interest, as well as an increase in annual taxes due on the property in the future.

"I believe the Real Estate Watchdog program is a powerful and important tool for the City," said Mark Mosley, the whistleblower's attorney. "I hope that my client receiving an award will prompt others who have information about unlawful real estate activities to come forward," he said.

Identifying changes of ownership in commercial real estate is often difficult. Commercial real estate properties frequently escape reassessment because of the complicated nature of many commercial transactions. Commercial real estate is often owned by a corporation or a partnership, and a buyer may purchase the corporation or partnership that owns the property, rather than the real estate itself. Because there is no sale of the real estate, there is no deed for a buyer to file with the Assessor-Recorder's Office. But the transaction is still a change in ownership under the law. A purchaser who does not report such a transaction – whether carelessly or purposely – can evade reassessment and tax increases that other property owners who follow the law must pay.

Through the Watchdog program Ting is committed to helping prevent these activities by encouraging individuals to come forward with information about those who are breaking the law to help collect lost tax revenue and identify potential fraud. People with information regarding unreported changes of ownership should call the City's Whistleblower Complaints Hotline at 415.554.CITY (2489) or email information to whistleblower@sfgov.org.

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