



A Tradition of Stewardship  
A Commitment to Service

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RESPONSE TO QUESTIONS ON  
REQUEST FOR PROPSALS OF LEASE OF COUNTY OWNED REAL ESTATE  
2751 Napa Valley Corporate Drive

On February 25, 2014 the County release a Request for Proposals for Lease of County owned real estate located at 2751 Napa Valley Corporate Drive. The following questions were received in response to the Request for Proposals:

1. What is the current status of the property's wasterwater and sewer allocations from Napa Sanitation District? What are the costs anticipated to be?

The property is entitled to 42 EDUs of sewer capacity. Of this, the County will reserve 16 EDUs for its use. Remaining EDUs will be available for use by potential tenants in a proportion and cost to be negotiated.

2. How would the possessory interest tax on the property be calculated?

Prospective tenants of the property would be required to pay possessory interest tax. Below is an information sheet put out by the Assessor for Napa County that explains background regarding the requirement for the tax:

#### ASSESSING PRIVATE USE OF NON-TAXABLE PROPERTY

When someone rents a hangar at the Napa County Airport; occupies employee housing at Napa State Hospital or at the California Veterans Home; leases grazing land from the Federal Bureau of Land Management; holds a concession agreement at Lake Berryessa or holds regular events at one of the fairgrounds, a taxable property right is created known as a possessory interest. The term possessory interest comes from the right to "possess" the property for the term allowed. Since the government agency that owns the property is not subject to property tax, the California Constitution requires the local assessor to assess the tenant for their possessory interest on the theory that the tenant is enjoying a right that has value.

When possessory interest holders receive their tax bills, they often call to ask why they are paying taxes on land and/or improvements that they do not own. We explain that they are being taxed only on their “right to possess” the property and that the value is based on the term of possession. Thus, while a person who builds a hangar on property they own is assessed for the full value of the land and improvements, the possessory interest holder’s assessment for a comparable hangar is discounted since they only possess the property for a limited time.

Possessory interests are considered under the law to be real property and are subject to supplemental assessments. If someone occupies a home at the Napa State Hospital on November 1 2007, they will receive a supplemental bill for the period December 1, 2007 through June 30 2008 (the last seven months of the 2007-2008 tax year which runs from July 1 2007 through June 30 2008). Assuming they are still occupying the house on January 1 2008 (the lien date when taxes become an obligation for the following tax year), they will receive a bill in July payable before August 31 in one installment. This regular bill covers the 2008-2009 tax year which covers July 1 2008 through June 30 2009.

Because the assessment is on the “right to possess” the property, not the property itself, possessory interest assessments are not pro-rated. Thus, if a tenant voluntarily relinquishes a leasehold interest on July 3, 2013 they are still liable for the taxes through the end of that tax year, June 30 2014 because they held the right to possess on the lien date of January 1, 2013. The theory is that they could have continued to exercise their right to possess through at least the end of the tax year. The new tenant who takes over the leasehold interest on July 3, 2013 has a brand-new and different “right to possess” which will generate a supplemental assessment for the same period of time.

**Example of how tax would be calculated:**

The actual tax that would have to be paid will be calculated after the property has been occupied. Below is an example of how that tax would be calculated based upon specific circumstances:

Leased premises: 64,000 square feet  
Rent per square foot : \$0.55  
Expenses not passed through to tenant  
Insurance: \$7,500  
Ten year term  
Discount rate of 7% (this rate could change)

Estimated Possessory Interest value - \$2,700,000

Assumed tax rate of .01113 -

**\$30,510 in annual tax rate**

3. Are their CAD drawings available for Buildings 1A, 3 and 4?

There are not CAD drawings for these buildings. We have base plans and can make them available if there is a desire to have these drawings. Please email [lawrance.florin@countyofnapa.org](mailto:lawrance.florin@countyofnapa.org) and we will make them available.