

# **Bond Case Briefs**

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## **Even the Giants Are Complaining About San Francisco Real Estate.**

A prominent tenant with a gorgeous waterfront location in the nation's most expensive city wants a big break on its property tax bill. It may have a case for getting one.

The tenant is the San Francisco Giants, who hold the lease at AT&T Park, where they play baseball. The stadium's location is prime real estate, with stunning bay views and close proximity to downtown, light rail and the Bay Bridge. Home prices have more than doubled in the city since the team built the park 16 years ago. Even though city assessment increases are limited under California law, the land value is expected to rise another 7 percent this year.

Assessor-Recorder Carmen Chu argues that it's only right for the Giants to pay their fair share of the increased worth, just like any homeowner or office building. "At the end of the day," Chu says, "we're talking about real estate values, which fundamentally come down to location. San Francisco and particularly the area of the city that the stadium is in is highly desirable," Chu says. "It's one of the fastest-growing areas."

But the Giants say Chu is asking for way too much. Two years ago, she retroactively doubled the team's property tax bill going back to 2011. The Giants have taken their case to the San Francisco's assessment appeals board. The team argues that its lease on the land is decreasing in value the longer they are tenants. The lease still has 66 years left to go, but the Giants seem to believe the value of the stadium itself is depreciating in the same way a car does.

That argument prevailed a decade ago, when the Giants won an earlier dispute over their property tax bill. But it's a debatable point, says Victor Matheson, a sports economist at College of the Holy Cross. Under income tax rules, the value of a property can depreciate over time. But that's not true under property tax rules. No one could argue that a 100-year-old house in good shape in an upscale neighborhood has no value.

The case for depreciation is undercut by the fact that AT&T Park not only still sparkles but is clearly bringing in lots of money for the team. "It's not like it's now generating half the money that it did when it opened," Matheson says.

The two sides are far apart. But regardless of the appeal's outcome, Chu should take heart from one thing. The Giants may not be paying as much as the assessor thinks is right, but anything at all is more than most sports franchises pay in property taxes. Usually, they're either playing in a municipally owned stadium or they've gotten a break on taxes as part of the initial deal. "They avoid paying taxes almost all over the country," Matheson says.

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