
TAX - CALIFORNIA

Glovis America, Inc. v. County of Ventura

Court of Appeal, Second District, Division 6, California - October 10, 2018 - Cal.Rptr.3d - 2018 WL 4907994 - 18 Cal. Daily Op. Serv. 10, 019 - 2018 Daily Journal D.A.R. 10, 074

Taxpayer filed complaint for refund of property taxes paid based on value of lease of federal lands.

The Superior Court sustained county's demurrer without leave to amend, and taxpayer appealed.

The Court of Appeal held that:

- Lease included option to extend;
- Lease amendment's removal of word "option" did not remove taxpayer's option to extend lease; and
- It was reasonable to assume taxpayer would exercise option to extend lease.

Taxpayer's lease of federal land included option to extend beyond five-year term such that assessor could consider option when valuing taxpayer's possessory interest, although U.S. Navy was required to approve lease extension and was able to terminate lease at will, where lease defined five-year term as initial lease term and explicitly gave taxpayer the exclusive right to lease Navy's property for two more five-year terms, and lease contained no language permitting the Navy to withdraw or revoke its offer.

Lease amendment's removal of word "option" did not remove taxpayer's option to extend term of possession of federal land, where taxpayer's five-year lease term remained the "initial" lease term, taxpayer retained exclusive right to extend lease another ten years, U.S. Navy could not revoke or withdraw its offer, exemption from contract term limits remained intact, and mechanism to determine the amount of future rent was substantively unchanged.

Evidence was sufficient to support assessor's finding that it was reasonable to assume taxpayer would exercise option to extend initial five year lease of federal lands for additional ten years as permitted by lease and thus to justify higher tax valuation; although U.S. Navy could terminate the lease at any time, Navy had renewed all previous leases, the parties had anticipated a long-term business relationship, current lease was not subject to the federal five-year contract term limit, and renegotiation terms implied an exemption from competitive bidding requirements.

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