

Chevron loses Contra Costa County property tax appeal

[By Lisa Vorderbrueggen](#)

[Contra Costa Times](#)

Posted: 04/03/2012 06:09:56 AM PDT

Updated: 04/03/2012 06:10:27 AM PDT

MARTINEZ -- Chevron, which has insisted for years that the property tax bill for its Richmond refinery was too high, lost its argument Monday in the worst possible way: A county appeals board ruled the bill isn't nearly high enough.

Contra Costa County, cities and special districts heaved a big sigh of relief at Monday morning's Assessment Appeals Board decision, which could have forced public agencies to repay Chevron as much as \$73 million of the \$129 million the company had already paid for tax years 2007-2009. Instead, Chevron must pay \$27 million more.

"There were a lot of people conjecturing that this wasn't going to be a question of winning or losing but how badly we were going to lose," said Richmond Councilman Tom Butt, whose city receives 60 percent of the property tax proceeds the refinery pays. "It was a pleasant surprise to hear that we not only beat back the appeal but we may have more money coming to us."

Richmond Councilman Nate Bates urged the community to avoid "taking potshots at Chevron over this or that issue, and work together for the benefit of Richmond."

In the uncharacteristically detailed and strongly worded 24-page opinion, the three-member appeals board rejected the taxable values Chevron had vigorously defended -- and said even the higher values set by Contra Costa County Assessor Gus Kramer weren't high enough.

Kramer is legally entitled to set property values, but he and his staff failed to produce supporting evidence behind the numbers they entered for the refinery, the panel wrote.

Chevron's values were based on "greatly exaggerated" calculations in some areas and outright unbelievable calculations in others, the document also stated.

With unsubstantiated or inadequate numbers on both sides, the board turned to the experts' testimony during the 35 days of hearings and came to its own conclusions to determine taxable worth for the refinery.

The panel sided far more often with the assessor's Texas-based experts at Baker & O'Brien than those of Chevron's consultant, Stancil & Co., also from Texas.

The board raised the refinery's fair market value to \$3.7 billion, \$4.4 billion and \$3.8 billion for 2007, 2008 and 2009. The numbers reflect a 9.5 percent to 23 percent increase over Kramer's calculations.

In contrast, Chevron put the refinery's worth substantially lower at \$1.8 billion, \$1.4 billion and \$1.1 billion for the same years.

The refinery pays roughly 1.35 percent of its value each year in property taxes.

Kramer, who was traveling, said he would review the ruling and meet with the board to prepare for future appeals.

"It's unfortunate and disappointing," Chevron spokesman Dean O'Hair said of the decision. "But we've got to now dig into the decision and understand it."

The oil giant clearly expected a favorable outcome.

Refinery general manager Nigel Hearne personally called Richmond council members late last week, promising to help the city make a "soft landing" if a large refund was ordered. The company offered to phase any repayments over time and waive interest.

Chevron had also received a partial victory three years ago.

In 2009, a county appeals board awarded Chevron a \$17.8 million refund on the refinery's 2004-2006 property taxes. It was far short of what the company sought, however, and it challenged the decision in Contra Costa Superior Court. The case is still pending.

Chevron has made no decision on possible litigation in the 2007-2009 case, O'Hair said.

The company also has appealed its 2010 and 2011 refinery assessed values. The appeals board will start those hearings on April 16.

The open question now is whether Chevron and the county will -- as both sides have said they want -- attempt to settle all the years in dispute and end seven years' worth of costly litigation.

The county estimates it has spent \$4.1 million on litigation costs related to the Chevron appeal and lawsuits since 2009. The total doesn't include staff time or legal bills from 2004-2008.

The appeals board decision squarely shifts the power into the county's hands.

But Assessor Kramer may see little reason to negotiate.

Not only did the appeal board reach even higher values for the refinery than Kramer's, Chevron accused the elected assessor of intentionally miscalculating its taxable worth and perhaps violating state law.

The opinion also contains harsh criticisms that should spur both parties to re-evaluate their strategies, countered Contra Costa County Supervisor John Gioia, whose district includes the refinery.

"The appeals board had the courage to stand up to Chevron and to point out the problems it saw in the assessor's office," Gioia said. "Now, it is in everyone's best interest to ensure there is a clear, impartial method for assessing refineries so we can finally resolve this dispute."

.