

Lone Star fights county assessment

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SANTA CRUZ — A County Assessment Appeals Board hearing of a challenge by Lone Star Industries Inc. that the company's cement plant in Davenport is over-assessed by \$85 million could cost local governments \$800,000 in property tax revenues.

Attorneys for Lone Star are arguing that modifications to the company's cement plant in 1979 should not have kicked up its assessed value by \$100 million.

The reassessment, along with annual increases, has the plant's assessed value at \$120 million today, making it the largest property taxpayer in the county.

Seven years back, the company modified its Davenport plant to burn coal instead of oil, which was escalating in cost and in short supply.

The \$100 million conversion added that amount to the assessed value.

But now, company attorneys are saying the conversion to coal hasn't increased sales and profits as expected, so the assessment board should cut the plant's assessed valuation back to \$35 million.

County Assessor Bob Peterson doesn't see it that way.

"We argue that the modification increased the value of the property by \$100 million, so it is a fair assessment," Peterson said Wednesday.

He said if Lone Star wins, county government would lose \$200,000 of the \$24.2 million it gets in property taxes. Also, local school districts would lose \$400,000, and the county's four cities and special districts would lose \$200,000 in tax revenues.

The Assessment Board hearing at the Veterans Memorial Building has been under way for a week and is expected to continue into next week. By the end of next week, board members say they expect to come to a

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decision.

At Wednesday's hearing, Lone Star's staff of attorneys, including local attorney Jack Richie, asked the meeting be closed to the public so the company could disclose financial information it doesn't want competitors to know.

Peterson argued against closing the meeting and board members Carl Conelly, Eric Herrick and Leonard Greenberg ruled the meeting remain open.

Los Angeles attorney Charles Ajalat for Lone Star said the company is fighting for its survival against foreign imports and a depressed market.

He said its cheaper for Korea and Japan, major producers of cement, to ship a ton of cement to San Francisco than it is for the Davenport plant to ship a ton, via rail, to San Francisco.

"If cement drops another \$9 to \$10 a ton," Ajalat said, "then the company will be losing money."

Peterson said the company's sales

problem "is cyclic" and could disappear at any time.

Ajalat said that "global economists" predict the depressed market and increasing foreign competition is here to stay for a long time.

The assessment board can reduce or increase assessed valuation based on the income produced by a business, Board Member Herrick said.