

# ***CALIFORNIA ASSESSORS' ASSOCIATION***

---

POSITION PAPER: 99-004

on

**Valuation of Biopharmaceutical Industry Equipment and Fixtures**



Adopted December 8, 1999

---

# *CALIFORNIA ASSESSORS' ASSOCIATION*

---

POSITION PAPER: 99-004

on

Valuation of Biopharmaceutical Industry Equipment and Fixtures



Adopted December 8, 1999

by

The Executive Committee

---

PRESIDENT  
PRESIDENT-ELECT  
VICE-PRESIDENT  
SECRETARY  
TREASURER

BRUCE DEAR, PLACER COUNTY  
DAVID PEETS, ALPINE COUNTY  
JOHN A. WINNER, EL DORADO COUNTY  
DICK FRANK, SAN LUIS OBISPO COUNTY  
ARNOLD R. FONTES, SAN BENITO COUNTY

# CALIFORNIA ASSESSORS' ASSOCIATION

---

CAA POSITION PAPER: 99-004

DATE: December 8, 1999

SUBJECT: *Valuation of Biopharmaceutical Industry Equipment and Fixtures*

The California Assessors' Association recognizes that property used in the biopharmaceutical industry can be very specialized and therefore requires distinct appraisal consideration. Because of the recent history of advances in biopharmaceutical discovery and manufacturing methods, this position paper is created to promote uniformity in appraisal practices for use in assessing biopharmaceutical properties throughout California.

This position paper is consistent with methodology contained in the guidelines for appraising personal property and fixtures which the SBE publishes annually in Assessors' Handbook 581, *Equipment Index and Percent Good Factors*.

Pursuant to Government Code Section 15606, the State Board of Equalization (SBE) issued guidelines to assessors on October 8, 1999, pertaining to the assessment of specific property owned and/or used by the biopharmaceutical industry (LTA No. 99/54).

The California Assessors' Association agrees with the reporting categories outlined in LTA No. 99/54. The California Assessors' Association also agrees with the part of LTA No. 98/45, which states that it is inappropriate to value biopharmaceutical equipment as though hospital, pharmaceutical or other general equipment was being valued. However, **the California Assessors' Association strongly disagrees with the valuation factor tables specified in LTA No. 99/54 since they are predicated upon using untrended historical costs in calculating market value.** It is the California Assessors' Association position that use of the SBE factors found in LTA 99/54 is contrary to correct appraisal procedure and would create an inequity in assessment values for like property not defined as being in the biopharmaceutical industry.

The California Assessors' Association adopts the following recommendations, which were presented in SBE FORMAL ISSUE PAPER No. 99-042 but not adopted by the elected SBE board members:

**Working definition of biopharmaceutical industry:** *"Firms engaged in research and/or manufacturing activities that use organisms or materials derived from organisms, and their cellular, subcellular and molecular components, in order to discover and/or provide products for human or animal therapeutics and diagnostics. Biopharmaceutical activities make use of living organisms to develop and/or produce commercial products, as opposed to conventional pharmaceutical activities that make use of chemical compounds to develop and/or produce commercial products. Firms engaging in agriculture, animal husbandry, and pharmaceutical delivery in the area of research and/or manufacturing are specifically excluded."*

**Reporting Categories:** *"Staff recommends the following reporting categories: 1) Lab Equipment; 2) Commercial Manufacturing Equipment; 3) Pilot Scale Manufacturing Equipment; and 4) Fixtures and Process Piping."*

**Trending:** *"Staff recommends trending for each of the four reporting categories...trending at a reasonable rate (AH581, Group 3 Index Factor) is appropriate."*

**Minimum Percent Good:** *"Staff recommends using trended 10 percent minimum percent good factors."*

The California Assessor's Association adopts the position that the following reporting categories and factor tables, provided annually in AH581, *Equipment Index and Percent Good Factors*, are a fair and reasonable reflection of the change in value over time for equipment and fixtures used in the biopharmaceutical industry.

<b>BPS Schedule</b>	<b>Category Description</b>	<b>Index Factor **</b>		<b>Percent Good Table (R-3) ** Service Life</b>
		<b>Table</b>	<b>Group</b>	
A1 *	General Laboratory Equipment and High Technology Analytical Instrumentation	2	3	6
A3 *	Commercial Manufacturing Equipment	2	3	10
A4 *	Pilot Scale Manufacturing Equipment	2	3	8
B2 *	Fixtures and Process Piping	2	3	10


\* Trade fixtures should be reported and assessed under Schedule B2, otherwise trade fixtures should be allocated from schedules A1, A3, and A4

\*\* Source: Assessor's Handbook Section 581- *Equipment Index and Percent Good Factors*

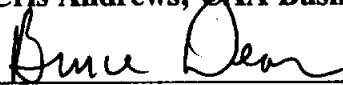
The above referenced tables recommended by the California Assessors' Association are designed for biopharmaceutical facilities involved in research and development, pilot scale clinical testing, as well as full-scale commercial manufacturing. A plant facility that is not involved in all three industry functions may have property with a longer or shorter composite life. A company involved only in research and development typically has a different mix of fixtures and equipment than a company involved in both research and pilot scale clinical trials, but does no commercial manufacturing. This fact emphasizes the importance of identifying and describing the property during the appraisal process.

A sample listing of equipment and fixtures covered by this position paper is included as *Attachment I*.

The California Assessors' Association recognizes that caution be taken when using mass appraisal tables since other facility specific data may be available that results in a more accurate determination of assessed values, for a particular property.



Cris Andrews, CAA Business Property Subcommittee Chairman



Bruce Dear, President, California Assessors' Association

**SCHEDULE A**  
**Machinery and Equipment**

<b><u>General Laboratory Equipment</u></b>	<b><u>Hi-tech Analytical Instruments</u></b>
Analytical Balances	Cell Fusion Devices
Anesthetic Machines	Cell Sorting Instruments - FACS
Animal Cages	Chemstations - computer controlled
Autoclaves	Cryostats
Autosamplers	Chromatography - Desktop
Bacteria Identification Systems	Cytometry Instruments
Cameras used in research	DNA Sequencers and Analyzers
Centrifuge (and rotors)	DNA Synthesizers and Purifiers
Chart Recorders	Electrolyte Analyzers
Conductivity Monitors	Electron Scanning Microscopes
Control Valves (laboratory scale)	Electrophoresis - Gas or Liquid
Densitometers	Mass Spectrometers - NMR, FTIR, AA, MALDI
Digital Counters	Molecular Imaging Instruments
Evaporator	Particle Counters and Analyzers
Fermentors (< 100 liters)	Peptide Synthesizers and Sequencers
Fume Hoods (portable)	Protein Synthesizers
Glass Handling Equipment	Scintillation Counters
Glassware Washers	Spectrometers
Glucose Analyzers	Spectrophotometers
Ice Machines	Thermal Analysis Instruments
Imaging Equipment	Viscometers
Incubators	X-Ray Diffractometers
Liquid Samplers	Other unspecified equipment that is similar in character, scale and technology
Micromanipulators	
Microscopes	
Microtomes	
Optical Scanning Detectors	
Organic Synthesizes	
Osmometers	
Ovens	
pH Analyzers	
Pipettes	
Pumps (laboratory scale)	
Radiation Monitors	
Reactor Vessels (< 100 liters)	
Refrigerators and Freezers	
Sample Handling Equipment	
Samplers	
Shakers	
Sterilizers	
Stirrers	
Ultrasonic Cleaning Systems	
Water Baths	

**SCHEDULE A**  
**Other Equipment**

Air Sampler Clean Room Monitor Commercial Scale Agitator Commercial Scale Control Devices Commercial Scale Fermentation Tanks and Controls Commercial Scale Gycol System Commercial Scale Mix Tanks, Stainless Steel Commercial Scale Mixers Commercial Scale Pumps Commercial Scale Purification Vessels and Devices Commercial Scale RO Water Unit and System	Commercial Scale Stainless Steel Tanks and Vessels Custom Roller Bottle Apparatus Equipment Skids Filter Housings, Stainless Steel Floor Scale Flow Meter Piping and tubing between Production Vessels Roller Bottle Machine Capper Roller Bottle Machine Unit Roller Racks Sanitary Valves (personal property) WFI Water Still Other Commercial Scale Control Devices Other Commercial Scale Tanks, Vessels and Devices
---	---

**SCHEDULE A**  
**Tools, Molds, Dies, Jigs**

Mobile Pilot Plants Pilot Scale Fermentation Control Pilot Scale Mixers Pilot Scale Pumps and Hose Apparatus Pilot Scale Purification Vessels and Devices	Skids Small Fermentors (< 500 liters) Small Scale Process Control Devices Individual components aggregated into pilot scale manufacturing equipment systems
---	---

**SCHEDULE B****Fixtures**

Benches and Counters. Built-in	HVAC systems and ductwork unique to process
Cabinets, Built-in	Individual components aggregated into fixtures
Casework, Metal	Piping and plumbing related to process
Casework, Wood	RO, DI, WFI Water Piping
Clean in Place Equipment	Safety Stations and First Aid Cabinets
Clean Room Air Ducts/Handlers	Clean Room Special Wall Surfaces
Clean Room Filter Units	Steam supply unique to process
Clean Room Special Floor Surfaces	Walk-in freezers and refrigerator units
Cleanrooms	Wall Cases, Built-in
Electric supply systems unique to process	Waste disposal equipment unique to process
Emergency Generators (for process)	Water supply systems unique to process (WFI)
Feedwater System	Water, electric, and gas hook-ups to lab stations
Fiber optic communication systems for process	Other items meeting the definition of a fixture as specified in Property Tax Rule 122.5
Fume Hoods (built-in)	

