

MEDIA RELEASE

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Lawrence E. Stone, Assessor

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Assessment Roll growth slows to a trickle

Today, County Assessor Larry Stone announced that the total assessed value of all real and business personal property in Santa Clara County grew by a scant 3.16%, reflecting an increase of \$6.67 billion. The total assessed value of all real and business personal property is \$217.52 billion.

Compared to prior years, the rate of growth dropped steeply for the 2003-2004 Assessment Roll, which is a snapshot of the total assessed value for Santa Clara County as of January 1, 2003, the lien (valuation) date. "Not since the 1995-1996 Assessment Roll has the rate of growth slowed so significantly. The full force of Silicon Valley's economic downturn has finally hit the assessment roll," said Assessor Larry Stone. The decline is especially dismal compared to growth in the County's assessed values that exceeded 15% just two years ago.

Driven by the weak national economy and a plummeting local economy, the decline in real estate values has impacted all property types, including homes, condominiums and apartment complexes. But the struggling local economy has been especially difficult for owners of office buildings, shopping centers, industrial, and research and development campuses. In addition, many of the County's high-technology businesses either disposed of machinery, equipment, computers and fixtures, or did not make major investments in their physical plants including equipment, computers and fixtures. Combined, these factors contributed to the meager growth in net assessed value.

Responding to significant changes in market conditions, the Assessor's Office proactively reduced the assessed values of 33,365 properties for a total reduction of \$7.9 billion, the single largest, one-year reduction in Santa Clara County history. When the market value of a property as of the lien date, (January 1, 2003) falls below the Proposition 13 factored base year value, the Assessor is required to temporarily enroll the lower value in accordance with the provisions of Proposition 8.

"While this "temporary" reduction in assessed value may appear to be "good news" for impacted property owners, it is particularly stressful for homeowners when the value of their home, which for most families is their single most valuable asset, declines," said Stone. Property owners

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should be aware that when the market rebounds the Assessor is required to partially or fully restore their assessed value to the factored base year value (i.e. purchase price increased at no more than 2% annually). "The overwhelming majority of the reductions are properties that were purchased or constructed at the 'top of the market,' between 1999 and 2001," Stone said.

"What is truly astounding is that 1,072 non-residential properties of the total 33,365 properties in which the Assessor reduced the annual assessed value, accounted for a whopping 73% of the total assessed value reduction, almost \$6 billion," said Stone. "What that means is that while residential properties have experienced some volatility, the drop in value in commercial and industrial properties has been unprecedented, and it has occurred virtually overnight," Stone said.

In addition, the assessed value of business personal property (i.e., machinery, equipment, computers, fixtures, etc.), which is assessed at full cash value annually, has declined 10%, a real dollar reduction of nearly \$2.6 billion. Almost 60% of this reduction can be accounted for by a stagnant market for technology products. "In just one year the value of equipment and computers has declined more than \$1.5 billion," said Stone.

"What makes this slow down particularly problematic is that it has not been consistent throughout the County," said Stone. Some communities like Gilroy, Los Gatos and Palo Alto have weathered the downturn and maintained double-digit growth. While other communities like San Jose, Mountain View and Milpitas have experienced growth below the County average. Redevelopment Agencies (RDA's) have been especially hard hit. "It makes sense that RDAs, generally located at the heart of Silicon Valley's commercial and industrial center, would experience significant declines. Of course, it does not make it any less painful for the residents that depend upon property tax revenues to support police, fire and other local services," said Stone.

The major losers are the students who attend California's schools and community colleges as they receive 61% of local property tax revenues generated by assessments in Santa Clara County.

Finally, Stone pointed out that this year's assessment activity occurred without an increase in the Assessor's staff or budget. In fact, in response to the County budget crisis, the Assessor has eliminated 3 positions bringing general funded staffing levels to a 9-year low.

Assessor Larry Stone will be available for comment immediately following a major policy address on "Proposition 13, 25 years later" that he is delivering to the Downtown Rotary club of San Jose. The speech will be delivered 1:00 PM at the new Rotary Summit Center atop the fourth street garage (on 4th street, between San Fernando and Santa Clara).

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