

MEDIA RELEASE

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Assessor notifies schools and cities of preliminary assessment information “Worse than expected,” says Assessor

Earlier today the Santa Clara County Assessor notified the finance directors of every city, redevelopment agency and school district in Santa Clara County with the preliminary results of extensive reductions in the assessed values of 90,000 residential properties, and the potential impact on the 2009-2010 assessment roll. “It is far more pervasive than I expected, and these preliminary numbers are far from final. “While incomplete, this data is valuable to cities and schools as they plan their budgets, said Assessor Larry Stone.”

The Assessor’s “Proposition 8” analysis identified over 90,000 properties, primarily homes and condominiums, that will be valued less than their purchase price therefore, qualifying for a reduction in the property’s assessment. The total number of properties is more than double over the previous year. The market value as of January 1, 2009, of approximately 20 percent of all single family homes and one-third of all condominiums have declined below their purchase price. To date, the aggregate reduction exceeds \$18 billion, by far the largest decrease in county history. The average reduction for a home increased from \$78,000 last year to \$181,000. Additional reductions are anticipated between now and July 1, 2009, when the assessment roll is officially completed.

Lower assessments will result in negative growth of the county’s assessment roll, something that has happened only once since the “Great Depression,” Stone said. It is estimated that the assessment roll for Santa Clara County may fall by as much as 2 percent, a far cry from last years modest growth of 6.98 percent. In Gilroy and San Jose the decline may exceed 11 percent and 4 percent respectively.

The annual change in the assessment roll is a combination of a number of factors including: changes in ownership in a declining market, new construction and the 2 percent California CPI limit allowed by Proposition 13. It also includes of the values of business personal property, including machinery, equipment, computers and fixtures. “While Proposition 8 reductions in the assessment of residential property are an important component of the overall assessment roll, many other factors remain to be assessed before of the assessment roll is closed. However, the trend is not encouraging,” said Stone.

In most years, substantial roll growth is derived from changes in ownership at higher prices and new construction. This year, many of the changes in ownership are home foreclosures or distressed sales. The result is that instead of a property with an old, very low assessment base transferring to a new, much higher base, the assessment of properties are going from a high base to a lower base as a direct

result of the unprecedented number of foreclosures at substantially reduced prices. In 2008, the number of foreclosures jumped four fold to 6,200 homes.

This perilous decline is especially remarkable when you consider that Proposition 13 provides for an automatic two percent increase in the assessed value for all real property that did not change ownership or complete new construction during the prior calendar year.

“To put this in perspective, in the past 75 years, the Santa Clara County assessment roll was negative only four times: immediately following Proposition 13 in 1978, and in 1932, 1933, and 1936, during the Great Depression,” said the Assessor.

Last year, the assessment roll was negative in neighboring Stanislaus, San Benito, San Joaquin and Solano Counties, where both the residential and commercial sectors were in financial turmoil. Numerous other counties also experienced steep declines including Fresno, Contra Costa, Sacramento and Riverside Counties. For the first time in decades, total revenue from property taxes in California is projected to fall 10 percent over the next three years, further reducing property tax revenue and exacerbating the state budget crisis.

Local government (schools, cities, the county, RDA's, community colleges, and special districts) will experience significant decline in services to the public. Even schools backfilled from the State, will feel the impact as bonds and special assessments predicated upon real growth in property taxes will have to be reevaluated.

While property owners are eager to learn if they will receive a reduction, they are urged to wait until the Assessor's Office completes the full review in late June, and property owners receive the notification cards mailed to all 460,000 property owners. Santa Clara County is one of only nine California counties that notify property owners of their assessed value, before their tax bill is received in mid September.

The Assessor also cautioned taxpayers to be wary of solicitations promising reduced assessed values in exchange for a fee. “It is outrageous. There's simply no reason for a property owner to pay a fee to a private company for a service taxpayers receive from the Assessor's Office without charge. Thousands of property owners are being inundated by these questionable operators who are feeding upon the increased fears of homeowners stressed by a declining real estate market and the loss of equity,” said Stone. By soliciting taxpayers before the Assessor's notification card is mailed, these companies are encouraging homeowners to pay a fee to apply for a reduction in their assessment that they are likely to receive automatically from the Assessor's Office in late June.

Between January and June, the Assessor's Office is reviewing assessed values of nearly 200,000 residential properties to determine if the market value, as of January 1, has fallen below the original assessed value (typically, the purchase price). “While homeowners are certainly anxious to know their assessed value, we urge everyone to wait until they receive their notification cards in late June. Otherwise, staff will be responding to phone calls instead of reducing values,” said Stone.

Once all properties are assessed, the Assessor's Office will mail an assessment notification card to every property owner. This year, that notice is expected to arrive during the last week of June. If a property owner believes the market value of their property is less than the assessed value printed on the notification card, they are encouraged to contact the Assessor's Office to request a review. A

simple interactive form is available on the Assessor's website <http://www.sccassessor.org/prop8>. Requests for review can also be made by phone, fax, mail, e-mail or in person.

If a value reduction is appropriate, as determined by the Assessor prior to August 15, 2009, the assessed value will be changed, and the revised assessment will be reflected on the September property tax bill. The first installment is delinquent if not paid by December 10th.

Any reductions agreed upon after August 15, will be processed through an assessment roll correction. Since an assessment roll changes involve a more complex, time-consuming administrative process, it is unlikely that a corrected tax bill can be processed prior to the December 10th delinquency date. To avoid late penalties, property owners are required to pay the first installment by December 10th, even if the Assessor's Office has agreed to a reduction. If a reduction is subsequently enrolled, the property owner will receive a refund from the County. (By the State Constitution, the Assessor's Office is completely separate from the Tax Collector's Office, which is overseen by the Board of Supervisors. The assessor is independently elected every four years.)

In addition, Stone encourages property owners who have requested a review, but have not received a written response by August 15, to consider filing a formal assessment appeal by the September 15 deadline. Appeals are heard, within two years, by an independent, quasi-judicial board comprised of appraisers and real estate professionals appointed by the Board of Supervisors. "If you disagree with the assessed value, please do not wait for the tax bill, mailed in mid-September after the assessment appeal filing deadline. More information is available from the Clerk of the Board by calling (408) 299-5001 or going to their website, <http://www.sccgov/portal/site/cob>.

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