

MEDIA RELEASE

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Lawrence E. Stone, Assessor

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Assessed Values of Residential Properties Rise
Values of Commercial, Industrial, and Office Properties almost same as last year

Nearly \$10 Billion in Assessed Value Reduced

While the market value of residential properties rose substantially over last year, the value of commercial and industrial properties remained essentially unchanged. Last year, more than 23,000 residential properties were eligible for temporary property tax relief due to the declines in the marketplace. This year that number has dropped to less than 3,000. In contrast the number of commercial properties receiving temporary property tax relief is expected to remain the same as last year at 1,500 properties. Those 1,500 properties account for over 90% of the temporary reductions in assessed value. Overall, the total reduction of assessed value associated with the 4,500 properties is \$9.5 billion.

“It is good news and bad news. For residential property owners, the market has clearly turned the corner. For commercial and industrial property owners, the worst appears to be over,” said Assessor Larry Stone. Last year, the market value of commercial and industrial property experienced steep declines, in excess of 40%. This year the declines are closer to 10%. “It is never good to lose equity, but a 10% drop is a lot better than 40%. Hopefully the trend will continue in a positive direction.”

When the market value of properties declines below the previously established assessed value measured as of January 1 each year (lien date), the Assessor proactively reduces the assessed value to reflect the lower market value. However, as the real estate market rebounds, the Assessor is required to “restore” the assessed value for properties previously reduced during the downturn. Proposition 8, passed by California voters in November 1978, provides that property owners are entitled to the “lower” of the fair market value of their property as of January 1, 2005, or the factored base year assessed value as determined at the time of purchase or construction, and increased by no more than 2% annually.

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In 2004, Santa Clara County Assessor Larry Stone temporarily reduced the assessed value on 24,743 properties reflecting a \$10.6 billion reduction in the County's assessment roll. This year, due to favorable market forces, the values of residential property continued to improve significantly while commercial and industrial properties demonstrated a level of market stabilization not seen in several years. Less than 3,000 residential properties will receive a reduction in their assessed value totaling \$650 million this year. In contrast last year, more than 23,000 residential properties received a decline in assessed value for a total reduction exceeding \$1.7 billion.

The market value of nearly 1,500 commercial and industrial properties, while improved compared to last year's steep decline, remains flat relative to the continued growth in the residential sector.

"The trend reflects slight increases in value in the apartment and hotel/motel sector, and minimal declines in the commercial and office sectors. The balance of income property types appears to be approximately the same as last year," said Larry Stone.

"I hate administering this part of the State law," said Stone, "It is so confusing. Most people assume that Proposition 13 guarantees them no more than a 2% increase in any given year. However, that is not entirely true." If you happen to own a home in which the assessed value was previously reduced, and then the market value increases, the Assessor is required to "restore" the assessed value until the market value is equal to the base year value. At that point annual assessment increases are limited to 2%.

While increased assessments and the corresponding increase in property taxes is generally not "welcome" news for property owners, they do reflect improving market conditions, which is a major benefit. "When the value of the principal asset owned by most families takes a dive, it is extremely stressful. While as County Assessor, I proactively provide temporary relief, the relief is only a fraction of the loss in equity. However, when the market values improve, as we have experienced this year, that's positive news to property owners," said Stone.

In excess of 440,000 Notifications of Assessed Value postcards were mailed earlier this month reflecting each property's assessed value. At the same time more than 18,000 letters informing taxpayers of assessed value restorations were also mailed. The post cards encourage property owners to contact the Assessor's Office, free of charge, at (408) 299-5300 or go to the Assessor's Website at www.scc-assessor.org, before June 15, if they feel the assessed value of their property is inaccurate.

"By proactively reducing assessed values and encouraging property owners to contact us before the close of the assessment roll, we hope to substantially reduce the need for property owners to file a formal appeal with the Assessment Appeals Board. Notifying property owners of their assessed value six months before their bill arrives in the fall is a significant benefit to taxpayers," Stone said. Property owners can appeal their assessment between July 2 and September 15 by filing with the Clerk of the Board of Supervisors.

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All the data contained in this release reflect preliminary information. The final assessment data will be available shortly after close of the assessment roll on July 1, 2005.

The notification card, which was enlarged this year to improve its readability and overall usefulness, is very popular. Regardless, every year a few taxpayers complain about the potential disclosure of their assessed values to others. "We recognize that the notification card can inadvertently be read by someone other than the property owner, however the assessment roll information has been public for more than 150 years and is easily available", said Assistant Assessor Mary Solseng.

Attached is additional, detailed information about the Proposition 8 process as well as a chart showing geographically where Proposition 8 relief has been provided in Santa Clara County.

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PROPERTY ASSESSMENTS AND PROPOSITION 13

Proposition 13 passed by the voters in June 1978, is a California Constitutional amendment that places limits on property taxes. It restricts the tax rate to 1% plus any voter approved bonds, and limits the annual increase in the assessed value to the California Consumer Price Index (CPI), not to exceed 2% in any year.

Proposition 13 insures property tax predictability by establishing a property's base year value at the time of a change in ownership or completed new construction. The assessed value is then adjusted annually by a maximum of 2%. Only five times since the inception of Proposition 13, has the CPI been less than 2%; 1983 @ 1%, 1995 @ 1.19%, 1996 @ 1.11%, 1999 @ 1.85%, and 2004 @ 1.87%

DECLINES IN VALUE UNDER PROPOSITION 8

Because Proposition 13 did not provide for the possibility of a decline in property values, Proposition 8 was passed by the voters in November 1978. Proposition 8 provided for the temporary reduction of assessed value in the event that the market value of a particular property declined below the previously established (CPI adjusted) base year value. This means that assessment could be temporarily reduced to reflect its market value as property values declined. However, if the market later improved, Proposition 8 requires that the assessed value must be restored fully or incrementally to reflect this market recovery until the assessed value reaches the upper limit set by Proposition 13.

TAXPAYER NOTIFICATION

Any increase or restoration of assessed value is limited, as it cannot exceed its factored base year value. The Santa Clara Assessor's Office is one of 9 counties in California that mails a notice of assessment to all taxpayers in May of each year. This provides the property owner the opportunity to review the taxable value before it is formally enrolled on July 1, and if the taxpayer disagrees with the assessed value, there is sufficient time to contact the Assessor for further review before the July 1 deadline.

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Geographic Distribution of Proposition 8 Properties

City	Assessed Value in Decline	Properties in Prop 8 Status
Campbell	\$60,114,524	41
Cupertino	\$265,944,506	250
Gilroy	\$20,224,843	64
Los Altos	\$82,167,270	190
Los Altos Hills	\$99,557,572	89
Los Gatos	\$104,228,050	352
Milpitas	\$879,095,201	215
Monte Sereno	\$21,639,168	47
Morgan Hill	\$69,128,614	84
Mountain View	\$939,955,323	281
Palo Alto	\$463,078,576	351
San Jose	\$3,748,711,402	1085
Santa Clara	\$1,283,583,667	236
Saratoga	\$183,757,743	411
Sunnyvale	\$1,297,090,972	352
Unincorporated	\$76,679,602	285

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