

MEDIA RELEASE

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Lawrence E. Stone, Assessor

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Assessor restores and reduces assessed values, overall net reduction almost \$10 Billion

Two market places, one Valley

Reflecting the unusually divergent marketplace for residential and commercial real estate, Santa Clara County Assessor Larry Stone both increased and decreased assessed values of properties in accordance with the provisions of Proposition 8. The net reduction totaled almost \$10 billion in assessed value. Notification cards, and letters, informing taxpayers of Proposition 8 assessed value restorations and declines were mailed recently.

When the market value of properties declines below the previously established base 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 provides that property owners are entitled to the "lower" of the fair market value of their property as of January 1, 2004, or the factored base year assessed value as determined at the time of purchase or construction, and increased by no more than 2% annually. The temporary reductions, and subsequent increases in the assessed value of a property, are mandated by Proposition 8, passed by California voters in November 1978.

Last year Larry Stone, the Santa Clara County Assessor, temporarily reduced the assessed value on 33,300 properties reflecting an \$8 billion reduction in the County's assessment roll.

This year, due to favorable market forces, the values of residential property generally improved. The Assessor fully restored the assessed values on over 9,500 residential properties that were reduced last year. The market value of many Commercial and industrial properties however, did not improve. It appears that the commercial and industrial market sustained further declines.

"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 where the market value has jumped but the assessed value remains below the original or base year value, then the Assessor is required to restore the assessed value reflecting an improvement in the market until the market value is equal to the base year value. At that point assessment increases are subject to the 2% annual limit.

While, increased assessments are generally not good news for property owners, they result from improving market conditions, which is a major benefit. “When the value of the principal asset owned by most families takes a dive, it is very stressful. While I proactively provide temporary relief, the relief cannot offset the loss in equity. However, when the market values improve, that’s positive news to property owners,” said Stone.

Despite the rebounding residential market, over 23,000 residential properties continued to receive reductions in excess of \$1.7 billion.

The residential market is in sharp contrast with commercial, industrial and multi family properties. Currently, the assessed value of over 1,200 commercial, industrial and multi-family properties have been reduced reflecting a reduction of more than \$8 billion from the 2004 assessment roll. “Clearly the market place for commercial properties remains *under water*.” We will continue to review income property values right up to the day we close the roll on July 1, 2004,”said Stone. Below is a chart depicting the value decline by major property type.

Major Property Types	2003 AV in Decline (Billions)	2004 AV in Decline (Billions)
Apartment	\$0.15	\$0.27
Commercial and Industrial	\$3.97	\$5.38
Office	\$1.27	\$2.06
Retail	\$0.35	\$0.41

In addition, the number of income properties in Proposition 8 status increased substantially over the prior year. Specifically there was a 160% increase in Apartment properties; 60% in Office properties; 45% in Commercial and Industrial properties and 4% in Retail properties.

All property owners should have received Annual Assessment Notification Cards from the Assessor showing their property’s assessed value. The post cards encourage property owners to contact the Assessor’s Office, free of charge, at 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 roll, we hope to substantially reduce the need for property owners to file a formal appeal with the Assessment Appeals Board. This is a win-win for taxpayers and the Assessor’s Office,” Stone said. Property owners can appeal their assessment between July 2 and September 15 with the Clerk of the Board of Supervisors.

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, 2004.

Attached is additional, detailed information about the Proposition 8 process.

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 7 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.