MEDIA RELEASE

County of Santa Clara
Office of the County Assessor
County Government Center, East Wing
70 West Hedding Street
San Jose, California 95110-1770
1-408-299-5572 FAX 1-408-297-9526
E-Mail: david.ginsborg@asr.sccgov.org
Web Site: http://www.sccassessor.org/

Lawrence E. Stone, Assessor

For Immediate Release: February 1, 2010

Contact: David Ginsborg (408) 299-5572

Assessor urges schools, cities, county to prepare to lose an estimated $70 million in anticipated property tax revenue

Over 350,000 property owners likely to receive small reduction in September property tax bill

Due to the "Great Recession" and the historic negative California Consumer Price Index (CCPI), Santa Clara County Assessor Larry Stone will lower the base year assessed values by 0.237% for nearly every property in Santa Clara County. Proposition 13 provides that the assessed value of all real property cannot increase by more than two percent annually, unless there is a change of ownership or new construction. Since Proposition 13 passed by the voters in 1978, the CCPI has exceeded the two percent limit in all but six years. But, this is the first time that the CCPI has been negative. As a result, an estimated 350,000 property owners will receive a reduction in the assessed value of their property. Approximately 100,000 other properties in which the assessed values are below their base year value, will not receive a reduction, as those properties are already assessed below their purchase price.

"These are truly historic times, and not in a positive sense," said Assessor Larry Stone. "If this was a normal year, property owners with an assessed value lower than the market value of their property as of January 1, 2010, would anticipate a standard increase in their assessment of two percent pursuant to Proposition 13. A negative CCPI, results in an assessed value reduction of $2,237 for each $100,000 of assessed value as compared to a normal year. That means that a $6,000 property tax bill that would have increased by $120 due to the two percent CCPI, will instead decrease by about $14. These reductions will be reflected in both the Assessment Notification Card, mailed to all property owners prior to July 1, 2010, and the property tax bill sent in September. The primary benefit will be to homeowners like myself, who have owned their property for more than a decade. Personally, I plan to donate my $53 tax break to my local school district or county hospital and I encourage other property owners to do the same," said Stone.

The reduction is due to Proposition 13 which restricts the property tax rate to one percent plus voter-approved indebtedness. The CCPI was calculated for the period from October of 2008 to October of 2009. Items selected for inclusion in the survey are determined by the California Department of Industrial Relations. Only six times since the inception of Proposition 13, has the CPI been less than 2%; 1983 @ 1%, 1995 @ 1.19%, and 1996 @ 1.11%, 1999 @ 1.85%; 2004 @ 1.87 and 2010 @ -.237%.

"The collective impact on schools, cities, the county, community colleges, redevelopment agencies and special districts will be significant," said Stone. The total impact in assessed values is estimated to reach $6.3 billion. Attached is a chart showing the impact by city.

“Unfortunately for schools and local government, this is just the beginning,” said Stone. “I expect substantial, additional reductions, when the assessment roll closes on July 1, due to a sustained decline in the real estate values.”

The annual growth in the assessment roll is a combination of a number of factors including changes in ownership, reductions when market values fall below the assessed value, new construction and the CCPI. It also includes the values of business personal property, which include machinery, equipment, computers and fixtures.

“I cannot imagine that the Santa Clara County assessment roll growth will be positive this year,” said Stone. In normal years, substantial growth in the assessment roll is derived from new construction, or changes in ownership at sales prices higher than existing assessed values. This year, a significant number of changes in ownership are caused by home foreclosures or distressed sales. Consequently, the new purchase price is often lower than previously established assessed values, resulting in negative rather than positive impact on assessment roll growth. In 2008, the growth in assessed value was 7 percent. In 2009 it was 0.18 percent, and the only reason it was positive was because the CCPI was slightly above two percent.

“One anomaly that will create confusion has to do with 100,000 property owners who have previously received substantial proactive assessed value reductions last year, pursuant to Proposition 8, which also passed by voters in 1978. Assessors are required to compare the factored base year value (typically the assessed value at the time of purchase plus the annual CCPI) to the market value of a property as of the lien (valuation) date of January 1 each year, and then enroll the lower of the two values. That means that we must reappraise as of January 1, 2010, all 100,000 properties that received a reduction last year. If market conditions are unchanged the assessed value will not change. If market values have declined further, assessed values will likely be reduced by more than the statewide amount of 0.237%. And, if in a few cases market conditions have improved, assessed values will increase, capped by the factored base year value.

“Many property owners, who receive a temporary Proposition 8 reduction, are not going to understand why their taxes may be the same or in a few cases more than last year, while the majority of their neighbors, are receiving a reduction. It’s confusing, but we have no choice” said Stone. As the California Taxpayers Association (Cal-Tax) pointed out in their December newsletter, “Property owners who have Proposition 8 decline-in-value assessments below their base-year values will not see an immediate effect, [but] they will benefit in the long run, because they will have a lower assessment ceiling when the value of their property increases.”

Finally it is important to keep in mind that while assessed values may decrease, the actual tax bill may increase due to increases in assessments for school assessments, water bonds, Mello-Roos and other voter approved special assessments.

SANTA CLARA COUNTY ASSESSOR'S OFFICE
IMPACT ON ASSESSED VALUE
OF CCPI CHANGE FROM +2% TO (0.237%)

City	Impact of -.237 CCPI on Assessed Value (vs. 2% increase)	2009-10 Net Assessed Value
Campbell	($137,582,100)	$6,470,664,443
Cupertino	($283,742,724)	$13,543,989,921
Gilroy	($126,161,417)	$6,124,833,833
Los Altos	($207,429,568)	$9,451,402,484
Los Altos Hills	($108,333,004)	$4,892,111,757
Los Gatos	($183,202,417)	$8,316,488,262
Milpitas	($233,703,765)	$12,024,277,310
Monte Sereno	($32,905,862)	$1,489,862,787
Morgan Hill	($138,052,116)	$6,556,481,159
Mountain View	($321,492,611)	$16,227,357,154
Palo Alto	($480,720,674)	$21,932,700,598
San Jose	($2,527,545,982)	$122,522,997,886
Santa Clara	($467,685,315)	$24,670,839,517
Saratoga	($224,478,590)	$10,067,591,594
Sunnyvale	($495,998,553)	$25,899,664,082
Unincorporated	($336,012,113)	$13,664,958,534
Total	($6,305,046,811)	$303,856,221,321