

Response to Questions on the FY 2018 Budget

Request By: Supervisor McKay

Question: Please provide additional detail on the residential assessment increases to identify if lower valued properties are experiencing higher percentage increases.

Response: Generally, lower valued properties in the County appreciated more than higher valued properties between January 1, 2016 and January 1, 2017. In fact, properties assessed in excess of \$1,000,000 for 2016 actually decreased in value for 2017. It is helpful to keep in mind that lower valued homes lost the most value during the foreclosure crisis and that some of the current appreciation in value represents the ongoing recovery of value for these properties.

Properties assessed less than \$400,000 for 2016 increased in value on average 1.41 percent for 2017.

Properties assessed greater than \$400,000 up to \$600,000 for 2016 increased in value on average 1.28 percent for 2017.

Properties assessed greater than \$600,000 up to \$1.0 million for 2016 increased in value on average 0.37 percent for 2017.

Properties assessed greater than \$1.0 million for 2016 decreased in value on average 0.97 percent for 2017.

Properties included in this analysis are single family detached homes, townhomes and residential condominiums.

Two small subgroups of lower value residential properties experienced higher percentage increases due to extraordinary circumstances. One subgroup is Affordable Dwelling Unit (ADU) properties that came out of their initial control period. While these properties are in their initial control period, the price for which the owners can sell the property back to Housing and Community Development (HCD) is suppressed below market value (typically 50 percent or less). When ADU properties come out of their initial control period, the owners can sell their property for whatever price the market will bear, with any profit split between the property owner and HCD.

Another subgroup is Habitat for Humanity properties that received a one-time higher than typical increase, based on additional information provided by Habitat for Humanity. The values of Habitat for Humanity properties were reconciled for tax year 2017 using updated financial information provided by the organization. This resulted in a one-year reconciliation increase to assessed values of Habitat properties of over 10 percent, compared to typical annual increases of 2 to 4 percent. It should be noted that assessment values of Habitat properties are substantially discounted below their sale prices. The current median assessment-to-sale ratio for all Habitat properties is 68 percent of sale price. The units are discounted to account for their repurchase requirement terms with Habitat, which removes them from market consideration.