

SOLANO COUNTY ASSESSOR'S OFFICE AND DECLINING PROPERTY VALUES

Solano County Grand Jury 2010-11

I. SUMMARY

The County Assessor's Office maintains a roster of assessed property values in the County. Over the last few years, property values have declined. The Assessor's Office must reassess these values annually. The decline in values has led to a decrease in property tax revenue for the County. This decrease in revenue, coupled with other budgetary constraints, has resulted in the Assessor's Office using technology to proactively assure equitable property tax assessments. The implementation of computer software that automatically monitors all property values in the County has allowed the Assessor's Office to continue to meet legal requirements and save an estimated \$1 million annually in assessor personnel costs.

II. INTRODUCTION

In May 1978, California voters passed Proposition 13 (Prop. 13), which set property values at their 1975 level, limited the property tax thereon to 1%, and established that properties would be reassessed at their current sale price. Prop. 13 also limited future tax increases to 2% per year, based on inflation.

Subsequently, in November 1978, Proposition 8 (Prop. 8) added the provision that allows county assessors to reduce the assessed values of properties when their current market value falls below the purchase price or Prop. 13 value. If a property is approved for Prop. 8 tax relief, it is then automatically reassessed every year after that until its value returns to the purchase price or Prop. 13 value. Interpretation and codification of Prop. 8 now requires the County Assessor to reduce the assessed value of properties that decline below purchase price or Prop. 13 value.

Over the last few years, property values have been declining throughout the country. Solano County has had a major reduction in its property values, and, hence, its property tax base. The 2010-11 Solano County Grand Jury elected to evaluate the County Assessor's response to the changing situation.

III. METHODOLOGY

- Interviewed Solano County Assessor's Office staff
- Reviewed Solano County Assessor's Office website (<http://www.co.solano.ca.us/depts/ar/>) and online forms
- Reviewed applicable laws: Propositions 13 and 8 (June and November 1978)

IV. STATEMENT OF FACTS

In Solano County, the Assessor's Office (AO) uses January 1 of the current year as its assessment date. Letters are sent to property owners in July if their property value has changed. Tax payments can be paid in installments due October and the following February, or a property owner can make one total payment in October. Therefore, the amount of property tax paid in February is based on the property's assessed value on January 1 of the previous year (*e.g.*, property tax paid in October 2010 and February 2011 is based on a January 1, 2010 assessment).

If a property owner believes the assessed value as of January 1 is incorrect, the owner can file an Assessment Review Request. The AO will appraise the property as of January 1 and may provide a reassessed value. The cost to the County for this type of assessment review is approximately two hours of staff time.

If a property owner disagrees with the value set by the AO, the property owner can file an Assessment Appeal. The Assessment Appeals Board will then determine the assessed value. If the property owner disagrees with the Assessment Appeals Board, then legal options exist for settlement of differences. The cost to the County for an Assessment Appeal can vary from a few hours of appraiser time to thousands of dollars of legal counsel time.

The total assessed value of property in Solano County in 2008 was approximately \$47.6 billion. As property values began to decline that year, the AO performed an in-house review of properties to determine whether their current market value had dropped below purchase price. The review showed that properties purchased in the years 2004 onward showed a drop in market value below actual purchase price.

In 2008, the Solano AO reviewed every property purchased since 2004 and informed each owner of the decrease in assessed value (and, thus, property tax). These properties were placed on Prop. 8 status and are reviewed annually until their assessed value equals or exceeds purchase price.

In 2008, 16 AO appraisers completed the reappraisals. As more properties declined in value, funding for the AO decreased as well. As a result, at the time of this report, the AO employed only 15 appraisers. According to the AO, they would require an additional 10 full-time appraisers to reassess all of the 140,497 properties in Solano County. The annual salary and benefits costs for an appraiser is estimated at \$100,000 (base salary for appraisers ranges from \$45,900 to \$78,000, depending on experience and seniority). This means the County would have to hire additional personnel and would then receive less in property tax revenue.

To stay within the decreased budget and comply with the mandate to reassess properties, the AO purchased computer software in 2009 costing \$95,000 to accomplish the task of annually appraising all residential properties in the County (this software works on

equipment already owned by the County, so that no additional equipment needed to be purchased). Annual updates to this software cost \$25,000, and the County Information Technology Department performs the required maintenance and updating. According to the AO, subsequent testing of computer-generated property values versus human appraisers showed differences are negligible. As of the time of this report, the AO had 15 appraisers devoted to monitoring the 63,474 properties on Prop. 8 status.

Under Prop. 13, counties can collect no more than 1% of the assessed value of a property in taxes. In Solano County, 19% of this property tax goes directly to the County General Fund, the remaining 81% is distributed to the various cities and agencies as prescribed by the Board of Supervisors.

Year	Total Secured Assessed Property Value	Approximate Revenue to the County General Fund
2008	\$45.6 billion	\$86.6 million
2009	\$41.1 billion	\$78.1 million
2010	\$39.6 billion	\$75.2 million

The AO stated that in past property value decline cycles it took approximately seven years for property values to return to their previous levels. Due to the severity of the current economic downturn, the AO estimates a longer recovery period.

V. FINDINGS AND RECOMMENDATIONS

Finding 1–Property values will increase again. When that happens, the Assessor’s Office will require adequate staffing and technology to handle the projected increase in Assessment Review Requests and Assessment Appeals.

Recommendation 1–When property values begin to rise, employ adequate staffing and technology in the Assessor’s Office to handle the increase in Assessment Review Requests and Assessment Appeals.

COMMENTS

The use of computer software by the Assessor’s Office to monitor property values in the County has saved the taxpayers an estimated \$1 million annually, based on the estimated need for 10 additional appraisers at an estimated cost of \$100,000 each. The Solano County Grand Jury commends the Assessor’s Office for its utilization of technology.

AFFECTED AND RESPONDING PARTIES

Solano County Assessor

Solano County Board of Supervisors

COURTESY COPIES

Solano County Chief Information Officer