



OFFICE OF
**ASSESSOR-COUNTY CLERK-
RECORDER & ELECTIONS**
COUNTY OF SAN MATEO

MARK CHURCH
ASSESSOR-COUNTY CLERK-
RECORDER & CHIEF ELECTIONS OFFICER

October 1, 2020

Connie Juarez-Diroll
County Legislation Officer
County Manager's Office
400 County Center
Redwood City, CA 94063

Dear Ms. Juarez-Diroll:

Proposition 15, The California Schools and Local Communities Funding Act Initiative, is perhaps one of the most complex and consequential initiatives presented to the voters affecting property tax revenue since the historic passage of Proposition 13 in 1978. The "Split Roll" legislative initiative, if passed by the voters, will fundamentally change the allocation of property tax resources for every county in California.

In this light, our office will address your questions focusing on the practical implications of the split roll initiative on our department and the assessment of non-residential, commercial, and industrial properties.

Commercial / Industrial Properties Reassessed

Of the 18,816 commercial/industrial properties in San Mateo County, we estimate that 2,428 are above the \$3,000,000 value exemption threshold and subject to periodic reassessment (once every three years). Additional properties will be subject to periodic reassessment when aggregated with other properties with the same ownership. We added 20% of the estimated increase from the excluded parcels to include the value change associated with these additional properties.

Potential Aggregate Increase in Assessed Property Values

The proposition mandates the State Legislature to implement "phasing" requirements. Of the total difference between the 2020 assessed value and estimated 2020 market value, of the identified 2,428 properties, we estimate an assessed value increase of \$4.370B or \$43.7M tax dollars at 1%. Adding our 20% estimated value increase due to aggregating lower valued properties discussed above, we estimate the total tax increase at \$46.3M once all properties are revalued over the three-year implementation period.

Proposition 15 Exclusion Estimate for Tangible Business / Personal Property

Our estimate as to the impact of the Proposition 15 exclusions for assessing of tangible business/personal property (both for small businesses as well the \$500,000 exemption for large businesses) is an assessed value decrease of \$1.6B or \$15.6M tax dollars.

To: Connie Juarez-Diroll

From: Mark Church, Assessor-County Clerk-Recorder & Chief Elections Officer

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Workload Impacts

Office of the Assessor

Our office has determined that the legislative initiative will significantly impact the Office of the Assessor in the administration of our local assessment roll. There will be significant increases in assessment workloads, requiring an increase in staffing levels and improvements in appraisal technologies such as Artificial Intelligence programs.

AAB

The initiative will substantially increase the potential for assessment appeals and similarly impact workloads and staffing levels for the Assessment Appeals Board (AAB), County Counsel, and the Controller's Office.

Based upon the estimated reassessments of 2,500 to 3,000 properties, the majority of reassessments would be challenged. We estimate that Commercial Industrial AAB workload will increase by a factor of 8 to 10 over the three-year implementation period.

Neutral Position on Proposition 15

This analysis is not intended to support or oppose the policy merits of The California Schools and Local Communities Funding Act. The potential impacts on staffing, workloads, and technology, without dedicated funding sources for these new assessment appraisal responsibilities, is of great concern.

We have determined that the initiative, as written, is unclear in many substantive areas. As a result, different conclusions can be reached on the effects of Proposition 15 based on the assumptions and data used in performing any analysis. Our analysis is therefore an estimate based on the information provided. It is for discussion purposes only and is subject to change.

Additionally, the lack of clarity on the methodologies and formulas that will be used by Sacramento to determine the allocation of the increased Proposition 15 tax increment may very well result in a reallocation of San Mateo County property tax dollars to other counties in the state. These unknown factors require further analysis.

Due to my responsibilities as the Chief Elections Officer, I will not be taking a position on The California Schools and Local Communities Funding Act Initiative.

Sincerely,



Mark Church

cc: Jim Irizarry, Assistant Assessor-County Clerk-Recorder