COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager

Date: February 12, 2013
Board Meeting Date: February 26, 2013
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: John L. Maltbie, County Manager

Subject: Repeal of Proposition 90 Local Implementing Ordinance

RECOMMENDATION:
Introduction of an Ordinance repealing Ordinance Number 03170, which implemented California Revenue and Taxation Code section 69.5 concerning the transfer of a property's base year value between counties for qualifying homeowners over the age of 55 and waiver of reading the ordinance in its entirety.

BACKGROUND:
Proposition 90 (intercounty transfers) was passed by California voters in November 1988, amending the Constitution to add Subdivision (a) of Section 2 of Article XIIIA. This provision, which was enabled through Revenue & Taxation Code section 69.5, allowed a county's Board of Supervisors to extend benefits codified by Proposition 60 (intracounty transfers) to seniors whose principal residence was located in another California county. Proposition 90's primary benefit is that qualifying seniors can transfer the "base year value" of their residence in one county to a newly acquired principal residence in another county, provided that such county has adopted an implementing ordinance allowing such base year value transfers. Transfers are only permitted where the market value of the original property is within 105% of the market value of the replacement property if purchased within the first year after selling the original property. The percentage for comparison goes up to 110% if the replacement property is purchased within two years of sale of the original property. Since property values have increased substantially since Proposition 13 passed in 1978, "transferring" or substituting the base year value of a previous residence in another county for the fair market value of a new residence in San Mateo County, results in importation of lower base year values which, in turn, results in lower property taxes.

On January 17, 1989, the Board of Supervisors adopted Ordinance 03170 implementing Proposition 90 in San Mateo County. The Ordinance allowed seniors to acquire a new residence in San Mateo County and transfer the assessed value of their previous residence in another county to the new residence. Only seven other counties currently have an implementing ordinance (Alameda, Santa Clara, El Dorado, San Diego, Los Angeles, Orange and Ventura). Six counties that originally implemented Proposition 90 have since repealed their implementing ordinance (Modoc, Monterrey, Riverside, Inyo, Kern and Marin).

In June 2012, the Assessor-County Clerk-Recorder provided an analysis to the Board of Supervisors on potential new revenue which might be derived from repealing the County's Proposition 90 implementing ordinance. At the time of the analysis, 544 properties in San Mateo County had a Proposition 90 transferred base year value. According to Exhibit 1, the total Proposition 90 estimated tax revenue loss for all San Mateo County taxing entities for FY 2010-11 was $3,316,928.

DISCUSSION:
Repealing Ordinance 03170 would result in future increases in assessed values, resulting in higher property taxes and increased revenue for San Mateo County taxing entities. This will mean additional revenue to provide essential services to the County, cities, and schools, which is critical in this government deficit climate and the repeal is part of the County Manager's deficit reduction strategy. Of the 544 Proposition 90 properties, approximately 448 (82%), were enrolled during the last ten years (2001-2011). The remaining 96 properties (18%) were enrolled prior to 2001. This data indicates that over a 20 year period, the average number of properties receiving a Proposition 90 assessment each year is 27. However, over the past 10 years, the average number of properties each year is 45.

In estimating the potential property tax benefit to be derived in the future by repealing the local Proposition 90 implementing ordinance, the following assumptions were made:

- The real estate market will stabilize in three years;
- An average of 32 to 36 Proposition 90 transactions per year will occur over the next 10 years;
- The average holding period of current and future Proposition 90 properties is 10 years; and
- The properties that currently have a Proposition 90 reduced assessment will continue until the property is resold.

Based on the analysis, property taxes for San Mateo taxing entities could increase by approximately $260,000 to $280,000 in the first year and approximately $2,600,000 to $2,800,000 in the tenth year if the Prop 90 local implementation Ordinance is repealed. The County's allocated share of any additional property tax revenue would be 14%.

The assessed value of current Prop 90 properties in San Mateo County would not be affected by repealing Ordinance Number 03170. This means that seniors currently living in San Mateo County who have availed themselves of this Proposition 90 tax advantage will not be affected.

A 90 day period from passage of the repeal to implementation is included to allow any seniors currently considering taking advantage of the Ordinance an opportunity to enter into contract for real estate prior to implementation of the repeal.

County Counsel has reviewed and approved the Ordinance as to form.

Repealing Ordinance Number 03170 contributes to the Shared Vision 2025 outcome of a Collaborative Community by preventing the importation of low base year values and increasing the amount of property tax revenue received by San Mateo County taxing entities so that additional funds may be used to provide essential public services.

PERFORMANCE MEASURE(S):

Measure	FY 2012-13 Actual	FY 2013-14 Projected
Number of new Prop 90 transfers	45	0

FISCAL IMPACT:

Based on the analysis conducted in June, 2012, the amount of property taxes received specifically by San Mateo County could increase by approximately $36,400 to $39,200 in the first year, and approximately $364,000 to $392,000 in the tenth year.