

32nd Annual Real Estate & Economics Symposium

Fisher Center for Real Estate & Urban Economics
University of California, Berkeley

San Francisco Assessor-Recorder
Phil Ting

November 23, 2009

SF Building Owners Seek Property Tax Relief



Sunday, November 22, 2009

TOP OF THE NEWS

World and Nation

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Insight

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Home & Garden

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Bay Area

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STATE BUDGET

Gap will be harder to close this time

By Wyatt Buchanan
CHRONICLE SACRAMENTO BUREAU

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S.F.'s building owners seek property tax relief

Requesting lower valuations



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City fears a potential loss of more than \$115 million

By Carolyn Said
CHRONICLE STAFF WRITER

Landmark skyscrapers, signature hotels and upscale retailers glitter in the San Francisco skyline and enhance its cachet. But with commercial buildings...



We Are in a Fiscal Crisis

Californians don't want to pay for the services they get

- No New Taxes & Fees
 - 2/3 Budget and Raise Taxes Vote
- Don't Cut Our Services
 - Public Safety, Education, Transportation
- Borrowing has been the Answer



California's Fiscal Crisis

- In 2002, California was 5th
- California's economy ranked 8th in the world in 2009
- In July 2009, California suffered a **\$26B** budget deficit – 28% the General Fund
- Last week, due to deteriorating revenues, California is facing an additional **\$21B** deficit (**\$6.3B** for FY09-10 and **\$14.4B** for FY 10-11)



California's Fiscal Crisis

- In 2007, California's revenue and expenses peaked at \$102B (Dept of Finance)
- In November 2009, revenues are forecasted to drop to **\$84B** with expenses up to **\$105B** by FY11-12 with (LAO)



Can We Cut Our Way There?

- \$26B deficit for FY09-10 was 28% of the General Fund
- Cut Education (K-12) - \$40.7 B
- Cut Corrections and Higher Ed - \$21.8B

Major Expenditures:

K-12	\$40.7B
Higher Education	\$12B
Business, Transportation, Housing	\$11.9B
Corrections	\$9.8B



How Do We Get There?

- Raise Revenue

- Cut Expenses



So Let's Talk Revenue.....

- o Starting Here in San Francisco



SAN FRANCISCO: A Structural Deficit

- San Francisco General Fund

- 2004: \$2.2B

- 2009: \$3.1B

- *41% Increase*



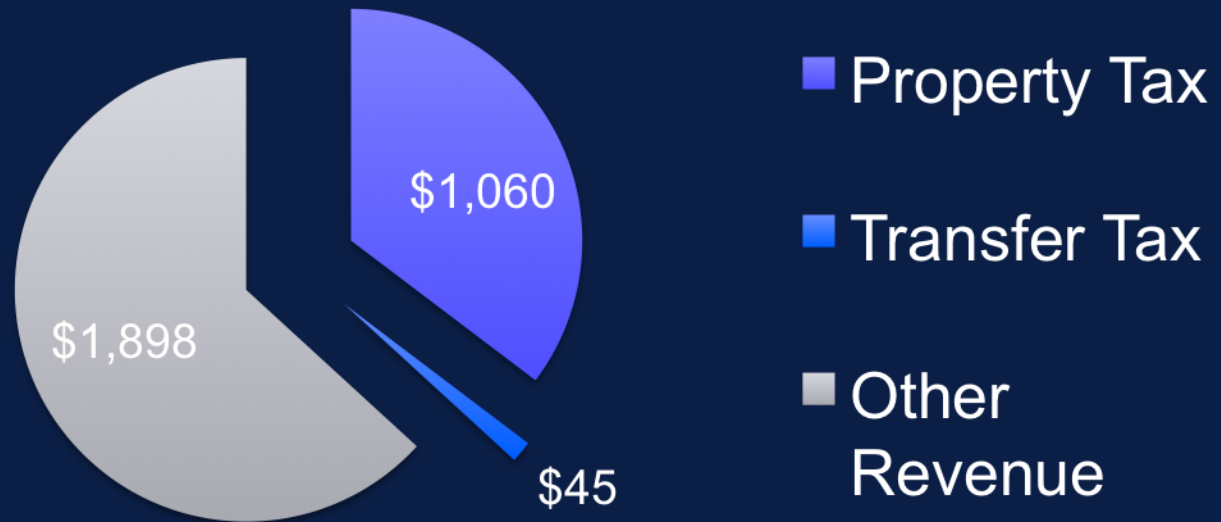
SAN FRANCISCO: A Structural Deficit

- In 2009 San Francisco suffered a **\$338 MM** deficit
- In 2010 San Francisco is projected to have a **\$522 MM** budget deficit

San Francisco Revenue

In 2009, Assessor-Recorder contributes 35% of General Fund Revenue

San Francisco (millions)





Assessor-Recorder's Office: What We Do

- 199,000 Assessable Parcels
- 48,000+ Business Accounts
- \$1.8 Billion in Tax Revenue Generated
- In 10 Years S.F. Roll Grew 114%
 - 1999: \$71.1B Total Roll Value
 - 2009: \$151.9B Total Roll Value
 - *Average Growth Rate of 8% Per Year*

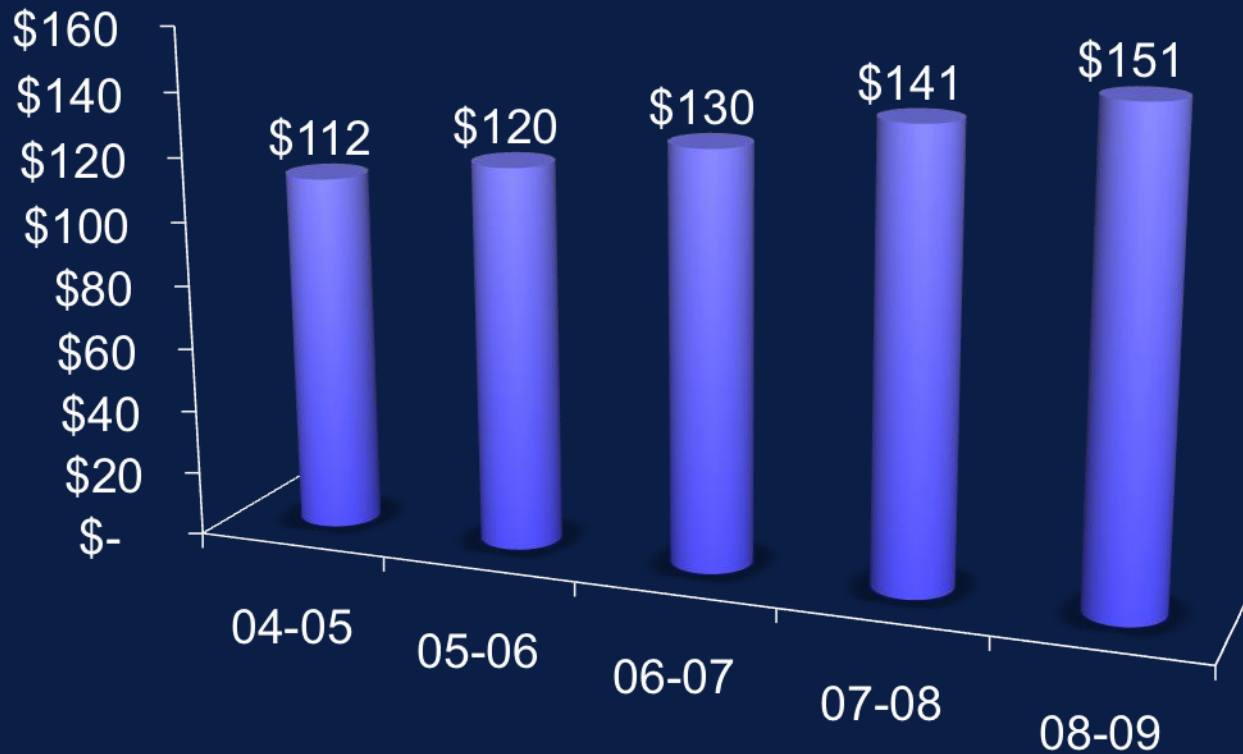


Assessor-Recorder's Office: Progress

- Shrinking our 5 year backlog to almost one year
- Generating \$164MM property tax above our budget
- Closing loopholes in property & transfer taxes
- Watchdog program
- Solar incentive program
- Foreclosure education

San Francisco Revenue

Assessment Roll History

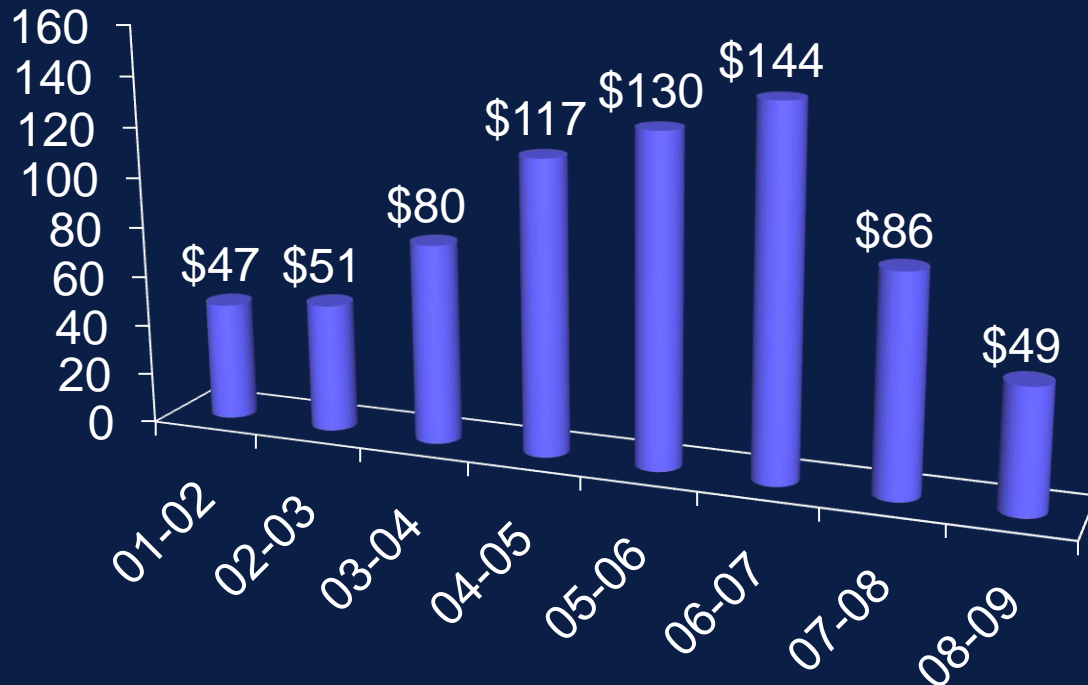




One Time Revenue Fluctuates

One Time Revenue: Transfer Tax Trend (millions)

Transfer Tax Revenue



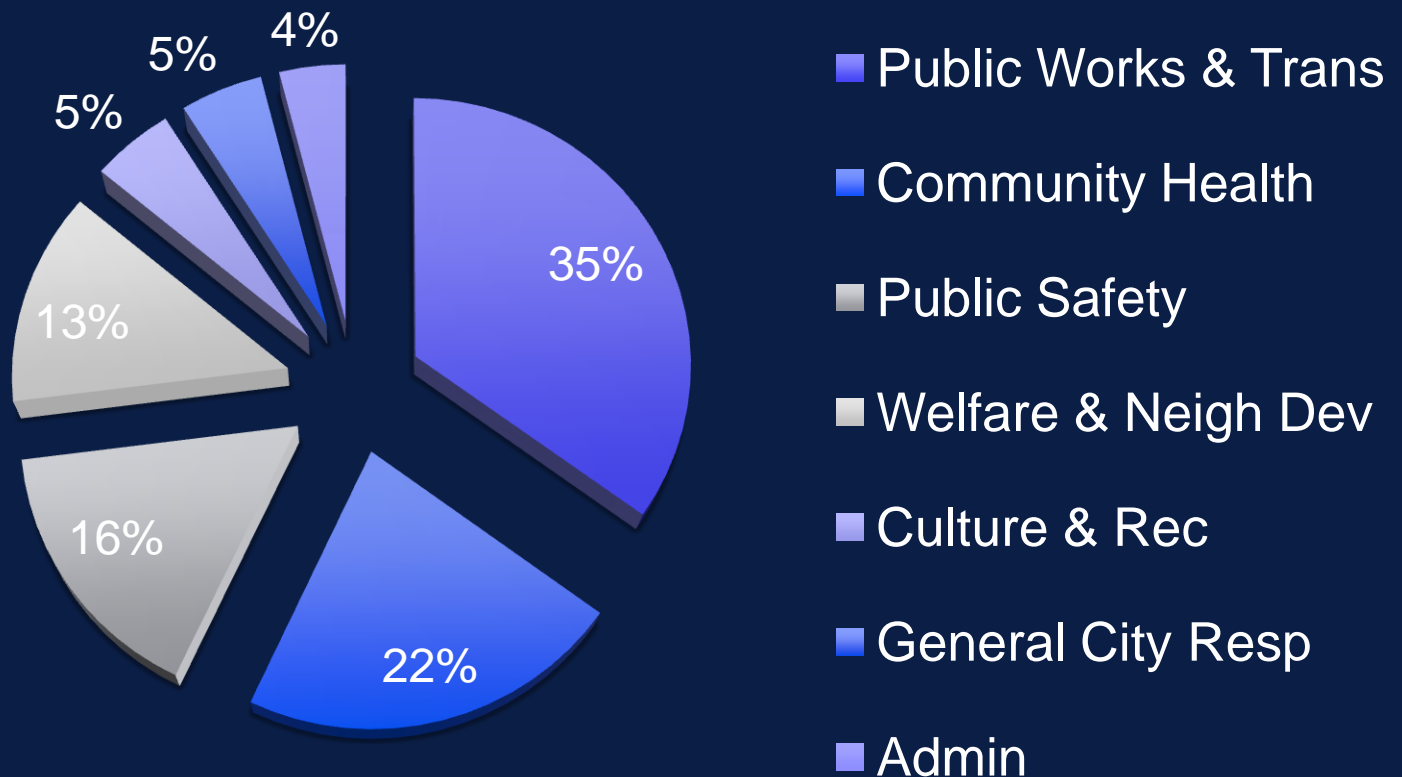


A Structural Deficit in San Francisco

- **San Francisco Spending**
 - 2004: \$4.9B
 - 2009: \$6.5B
 - ***33.6% increase***
- **One time Revenue being used for Permanent Spending**
 - ***e.g. Transfer Tax***

How We Spend Our Taxes in San Francisco

Services



How Has Downturn Impacted Us



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Property Values Drop Revenue

- California Statewide Assessment Roll has declined by **2.4%**
- San Francisco's Assessment Roll has increased by 7.1%
 - Assessor Recorder's Office has raised an additional \$164MM
 - Since 2005, Assessor-Recorder's Office *Better than Budget*



How Does SF Compare? What's the Impact?

- Reviewed 15,000 homes prior to Roll Close
- Reduced assessments on 10,000 homes
 - *SOMA, Mission Bay, Southern part of SF*
- Other Counties:
 - Riverside, Sacramento, San Bernardino – 200,000 reductions
 - Alameda, Santa Clara – 100,000 reductions
- Reviewed 3,200 informal reviews
- Reduced 1,500 more homes
- \$16.3 MM in reduced property tax revenue



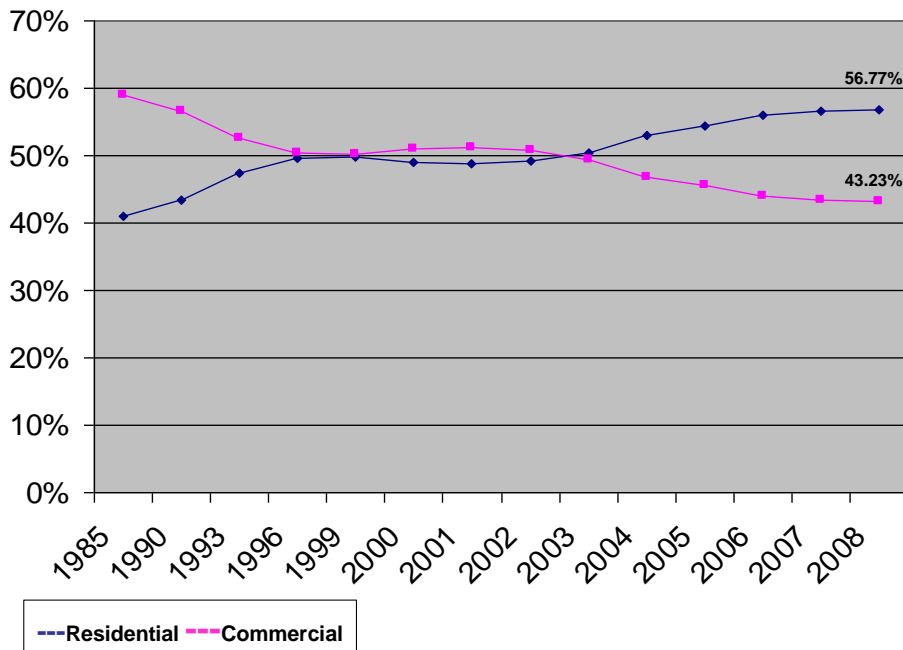
Record Appeals Filed

- Appeals Filed in 2008: 988 Appeals
- Appeals Filed in 2009: 4,600 Appeals
- 89% of Dollars at Risk Are From Commercial Property Owners



Who bears the burden in SF?

RESIDENTIAL VS. COMMERCIAL TAX BURDEN



- o Burden Shift from Commercial (59% to 43%) to Residential (41% to 57%)



Downturn's Impact on San Francisco's Real Estate Market

- o Market Analysis Snapshot:
Real Estate Market Indicators

	<u>Q3 09</u>	<u>2009</u>
Vacancy	▲	▲
Net Absorption	▼	▼
Construction	▼	▼
Rental Rate	▶	▼



How Do We Get There?

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How to Align our Economic & Political Priorities?

- Constitutional Convention?
 - *No Taxes & Fees*
 - *2/3 Budget Vote*
- Reform the Budget Adoption process?
- Identify additional spending cuts?
 - *Prop 98, set-asides, jobs, pensions, civil service*
- Identify revenue solutions?
 - *Prop 13, Vehicle License Fee, Gas Tax, Oil Extraction*