CUPERTINO

2020/21 PROPERTY TAX SUMMARY

The City of Cupertino experienced a net taxable value increase of 7.0% for the 2020/21 tax roll, which mirrored the increase experienced countywide at 6.8%. The assessed value increase between 2019/20 and 2020/21 was $1.8 billion. The change attributed to the 2% Proposition 13 inflation adjustment was $449 million, which accounted for 25% of all growth experienced in the city.

The largest secured roll increases were reported by Apple Inc at 20300 and 20330 Stevens Creek Blvd with a combined increase of $184.2 million after these two sites were purchased in 2109 in a multi-parcel transaction for $290 million. These properties are across the street from the Civic Center. A commercial office building at 10200 S De Anza Blvd. owned by Cupertino City Center LLC was purchased for $107 million and the purchase price was enrolled along with the personal property assets for the $72.9 million increase this year. Commercial property owned by Cupertino Property Development II LLC at 10380 Perimeter Road increased $25 million after the enrollment of additional improvement values for the 3rd year. This is the location of the Hyatt House San Jose/Cupertino.

The largest declines were posted on sites owned by Apple Inc at 2, 3, 4, 5, & 6 Infinite Loop and 10700 De Anza. The largest of these reductions was the De Anza site with a decline of $176 million after the removal of fixture values at this location. All of these sites reported declines in fixtures and personal properties that were moved to the unsecured roll from the secured roll.

Growth in the number of home sales slowed and, even, declined by mid-2019. Fewer properties were on the market compared with 2018 despite declining mortgage rates. In 2019, economists forecasted a weaker housing market in 2020, even for cities who had achieved pre-recession peak values. In 2020, sale prices have risen as the number of sales declined significantly due to the COVID19 stay at home orders. Prices have continued to rise in response to lower inventory and lower interest rates. The median sale price of a detached single family residential home in Cupertino from January through August 2020 was $2,216,500. This represents a $16,500 (0.8%) increase in median sale price from 2019.

Year	D-SFR Sales	Median Price	% Change
2014	317	$1,629,000	
2015	312	$1,780,000	9.27%
2016	263	$1,825,000	2.53%
2017	269	$2,060,000	12.88%
2018	253	$2,360,000	14.56%
2019	260	$2,200,000	-6.78%
2020	170	$2,216,500	0.75%

2020/21 Tax Shift Summary

ERAF I & II	$-4,718,770
VLFAA (est.)	$9,079,845

Top 10 Property Owners

	Owner	Net Taxable Value	% of Total	Use Type
1.	APPLE COMPUTER INC	$7,092,034,206	25.49%	Commercial
2.	MAIN STREET CUPERTINO	$368,688,300	1.33%	Commercial
3.	VALLCO PROPERTY OWNER LLC	$311,083,000	1.12%	Commercial
4.	CUPERTINO CITY CENTER	$276,811,408	0.99%	Commercial
5.	CUPERTINO PROPERTY DEVELOPMENT LLC	$208,775,727	0.75%	Residential
6.	BVK PERIMETER SQUARE RETAIL LLC ET AL	$184,947,832	0.66%	Commercial
7.	MISSION WEST PROPERTIES LP II ET AL	$143,225,274	0.51%	Commercial
8.	PR CUPERTINO GATEWAY LLC	$133,326,728	0.48%	Commercial
9.	MARKHAM APARTMENTS LP	$106,337,637	0.38%	Residential
10.	CUPERTINO HOTEL OWNER LLC	$99,134,506	0.36%	Commercial
	Top Ten Total	**$8,924,364,618**	**32.08%**	

Real Estate Trends

Home Sales

Over the past two years, industry experts expressed concerns about sales volumes declining due to buyer anticipation of a potential drop in housing prices. While a reduction in the number of single-family home sales was experienced in many areas in the past two years and sales price changes reflected modest declines or increases, these market trends were suddenly impacted by the COVID-19 pandemic beginning in March 2020. The number of home sales has dropped significantly as potential buyers stayed home. After major reductions in the number of sales in April and May, sales rebounded. Median sales prices for June increased by 6.5% over May and were up by 2.5% over June 2019. The 30-year, fixed-mortgage interest rate averaged 3.16% in June, down from 3.80% in June 2019.

All Homes	Units Sold June-2019	Units Sold June-2020	% Change	Median Price June-2019	Median Price June-2020	% Change
Alameda County	1,611	936	-41.90%	$870,000	$857,500	-1.44%
Contra Costa County	1,427	1,187	-16.82%	$660,000	$675,000	2.27%
Marin County	329	329	0.00%	$1,205,000	$1,200,000	-0.41%
Napa County	172	154	-10.47%	$700,000	$617,750	-11.75%
San Francisco County	492	350	-28.86%	$1,400,000	$1,447,500	3.39%
San Mateo County	587	519	-11.58%	$1,365,000	$1,510,000	10.62%
Santa Clara County	1,532	1,323	-13.64%	$1,107,500	$1,125,000	1.58%
Solano County	622	551	-11.41%	$435,000	$455,000	4.60%
Sonoma County	594	579	-2.53%	$611,250	$635,000	3.89%

COVID-19

Federal, State, and local governments are working to limit the spread of COVID-19. Orders intended to contain the virus has caused temporary closure of businesses and limited access to retail and service industries. This has and will continue to have impacts on the economy. This pandemic event is not something we have seen before and it is unknown if these conditions will be short or long term. Below are the points you should know:

- According to the California Assoc. of Realtors all major regions declined in the number of sales with Southern California dropping the most at -12.2% while the Central Valley had the smallest decline at -1.5%. Median prices in the Central Valley and in Southern California increased by 7.4% and 3.3%, respectively, based on pent up demand. Other areas reflected similar patterns.

- A reduction in the number of sales during 2020 will result in reduced growth in value for FY2021-22 and a reduction in revenue from real estate transaction tax and supplemental assessments during FY2020-21.

- The Governor issued Executive Order N-61-20 on May 6, 2020. This EO was focused on easing financial hardship resulting from the pandemic. This order did not eliminate required payment of property taxes but did eliminate penalties and interest on late payments for **owner-occupied residential property who do not utilize impound accounts and for SBA qualified small businesses only**. These taxpayers only receive relief if they can demonstrate COVID-19 related hardship. This EO has no impact within counties that utilize Teeter Programs.

- The pandemics impact on tax revenues will need to be monitored. Any effects will be foreseen by dropping sales values, increases in foreclosure activity and increased property tax delinquency.