



**CITY OF COSTA MESA
FINANCE DEPARTMENT
INTEROFFICE MEMORANDUM**

TO: DISTRIBUTION

FROM: CAROL MOLINA, FINANCE DIRECTOR

DATE: DECEMBER 27, 2021

SUBJECT: PROPERTY TAX SUMMARY – FISCAL YEAR 2021/22

Attached is the fiscal year 2021/22 Property Tax Newsletter Report. Home sales growth started in the summer of 2020 that resulted in an increase in property tax values and sales. The City's median sale price grew from \$915,000 to almost \$1.1 million, a 15 percent growth year over year. The low interest rate environment has also contributed to increased home values, and a strong housing market. The growth has been partially offset by property tax reductions successfully achieved by hotels due to the continued impact to the hospitality industry.

Property tax revenues continue to increase as a result. Fiscal year 2020/21 ended the year with \$47.5 million, a \$2.3 million, or five percent increase over the prior year. It is important to remain cautious, as the Federal Reserve looks to increase rates in 2022. Staff will continue to monitor the City's revenues to ensure fiscal sustainability.

Please feel free to reach out to me directly if you have any questions.

Carol Molina
Finance Director

Attachments

Distribution:

City Council Members (7)
Planning Commissioners (5)
Department Directors and Staff
Finance and Pension Advisory Committee (8)
Carla Valenzuela, Chamber of Commerce



COSTA MESA

2021/22 PROPERTY TAX SUMMARY



The City of Costa Mesa experienced a net taxable value increase of 2.8% for the 2021/22 tax roll, that was slightly less than the increase experienced countywide at 3.7%. The assessed value increase between 2020/21 and 2021/22 was \$620 million. The change attributed to the 1.036% Proposition 13 inflation adjustment was \$201 million. That accounted for 32% of all growth experienced in the City.

The largest assessed value increase was reported on a commercial parcel that is the site of the Tradewinds Mobile Home Park (2191 Harbor Blvd.). The parcel, which was recently purchased in 2020, has been reappraised adding over \$18.6 million to the roll. New improvements added to a parcel owned by Harrington Investment Company (Fletcher Jones Audi) added \$8.5 million. The sale of an industrial parcel to NP Pullman LLC (3140 Pullman Street) triggered a reappraisal and a \$7.6 million increase in value between tax years.

The largest assessed value decline was reported on a commercial parcel owned by 1640 Newport Blvd. LP (Pacific Medical Plaza). The property was granted an assessment appeal which was partially offset by a decrease in the exemption amount. The total net change was a value decrease of \$16.7 million. A commercial parcel this is the site of the Hilton hotel located at 3050 Bristol Street received an appeal reduction of \$15.4 million. Similarly, an appeals reduction for the parcel that houses the Residence Inn at 881 Baker Street reduced that value by \$8.1 million. Hotel reductions have become very common in the 2021/22 roll year due to hospitality closures in 2020.

Growth in home sales strengthened in the summer of 2020 and many cities saw an increase in properties for sale. Sales price increases in 2020 were reflected on the 2021/22 tax rolls. North Bay counties saw mild declines in median prices in late 2019 and early 2020 and Southern California counties saw a flattening of prices in many areas. Homes prices increased in the second half of 2020. Sale prices grew due to low inventory and the declining mortgage rates. These conditions have continued to caused prices to rise in 2021. The median sale price of a detached single family residential home in Costa Mesa from January through September was \$1,055,000. This represents a \$140,000 (15.30%) increase in median sale price from 2020.

Year	D-SFR Sales	Median Price	% Change
2015	733	\$705,000	
2016	667	\$732,500	3.90%
2017	724	\$785,000	7.17%
2018	765	\$847,000	7.90%
2019	709	\$860,000	1.53%
2020	720	\$915,000	6.40%
2021	635	\$1,055,000	15.30%

2021/22 Tax Shift Summary

ERAF I & II	-\$7,334,894
VLFAA (est.)	\$13,637,178

Top 10 Property Owners

Owner	Net Taxable Value	% of Total	Use Type
1. THE IRVINE COMPANY LLC	\$491,278,516	2.16%	Commercial
2. SOUTH COAST PLAZA	\$344,114,817	1.51%	Commercial
3. PR II MCC SOUTH COAST PROPERTY OWNER LLC	\$266,446,184	1.17%	Commercial
4. UNITED DOMINION REALTY LP	\$212,355,195	0.93%	Residential
5. AUTOMOBILE CLUB OF SOUTHERN CA	\$172,198,648	0.76%	Commercial
6. CASDEN LAKES LP	\$139,622,323	0.61%	Residential
7. SOCO RETAIL FEE OWNER LLC	\$131,369,122	0.58%	Industrial
8. S-TRACT LLC	\$126,384,748	0.56%	Commercial
9. C J SEGERSTROM AND SONS	\$117,922,480	0.52%	Commercial
10. BAKER BLOCK ASSOCIATES LP	\$114,531,890	0.50%	Residential
Top Ten Total	\$2,116,223,923	9.31%	

Real Estate Trends

Home Sales

While a reduction in the number of single-family home sales was experienced in many areas and sales price changes reflected modest declines or increases in 2019 and early 2020, these market trends were impacted by COVID-19 beginning in March 2020. The number of home sales plummeted as potential buyers stayed home. After major reductions in the number of sales in April and May, sales of detached SFR rebounded and statewide the number of sales increased by 3.5% over 2019. Statewide, the median sales prices for July 2021 increased by 21.74% over July 2020 and were up by 33.42% over July 2019. The statewide median time on the market for detached SFR was 8 days in July 2021. The 30-year, fixed-mortgage interest rate averaged 2.71% as of September 2, 2021 down from 3.16% in June 2020.

All Homes	Units Sold June-2020	Units Sold June-2021	% Change	Median Price June-2020	Median Price June-2021	% Change
Imperial County	143	141	-1.40%	\$250,000	\$280,000	12.00%
Los Angeles County	5,148	8,178	58.86%	\$645,000	\$790,000	22.48%
Orange County	2,616	4,106	56.96%	\$775,000	\$900,000	16.13%
Riverside County	3,912	5,154	31.75%	\$425,000	\$505,500	18.94%
San Bernardino County	2,655	3,534	33.11%	\$367,500	\$440,000	19.73%
San Diego County	3,621	4,816	33.00%	\$600,000	\$750,000	25.00%
Ventura County	797	1,113	39.65%	\$615,000	\$765,000	24.39%

Housing Affordability Remains a Challenge Throughout California

The COVID-19 pandemic inhibited property sales in the first quarter of 2020 but for most communities it did not significantly impact 2020-21 assessed value growth from transfers of ownership. The stay-at-home orders, business closures and other economic impacts affected 2021-22 growth by reducing the annual CPI adjustment from the maximum 2% to 1.036%. New construction already underway did not see a decline, however, the shortages of building materials affected new construction starts in the second half of the 2020 and into 2021.

Gains in median housing prices do not suggest that there is any potential for county assessors to apply Proposition 8 value reductions on single family homes. While assessed values on the 2020-21 rolls were not impacted by the pandemic, the effects of the pandemic are reflected in large increases in assessment appeals activity for that fiscal year. The chart below reflects 2019-20 and 2020-21 values under appeal by property owners in select counties as a percentage of total taxable values reported in each year.

Comparison of Value Under Appeal By County
2019-20 to 2020-21, as a percentage of total taxable value

