

Why Measure A is Good for Home Values

Many Bay Area real estate agents maintain that school quality is the single most important factor in home sales. In Palo Alto, a reputation for excellent schools has supported strong housing values for many decades. Just ask veteran real estate agents Carol Carnevale and Rosemary Squires, who have a combined 57 years of experience selling real estate in town. "We are acutely aware of the link between the quality of our public schools and our local property values," the realtors said. "Buyers *with* children understand this as they consistently sacrifice space and property condition in order to benefit from our schools. And buyers *without* children tell us they know living in a community with exceptional public schools is a fundamental principle when buying a home."

The San Francisco Chronicle recently quoted real estate agents as saying, "the school district, once considered one of many factors in selecting a home, is now the driving force behind an expensive housing market... In an area where one home lies in one city but happens to be in a higher- or lower-rated school district than one a few houses away, the price difference can be 25 to 30 percent."¹

After searching a 40 mile swath of the Peninsula, a family featured in the Chronicle article landed in Palo Alto "largely because of the school district 'one of the best in the state. I'm like every parent you'll meet' " the mother reported. " 'You want the best education for your kids. Why not make it top-rated schools?' " What is it that makes Palo Alto schools so good? High test scores as well as " 'small classes, engaged teachers with plenty of time for both kids and parents, and a principal big on academic success and with little tolerance for bullies.' "

Economist Stephen Levy, director of the Center for Continuing Study of the California Economy, agrees. "Palo Alto homes are priced with a premium compared to neighboring communities largely due to the excellence of our schools," Levy said. "If our schools lose their edge, you *will* see an erosion of the premium placed on homes in Palo Alto. This premium probably far offsets any reduction in value that may occur from the higher taxes Palo Altans impose on themselves to maintain strong schools."

Long time resident Bob Moss recently measured what that "school premium" was worth to the average Palo Alto homeowner. Comparing the median home prices in Palo Alto to those in Santa Clara and San Mateo counties, all communities with good weather, proximity to amenities, work and Stanford, he concluded that "an average-sized home of 2000 to 2400 square feet is worth \$400,000 more than comparable homes elsewhere." The reason? "Simple," according to Moss "they lack the Palo Alto schools."

If our schools decline, property values will follow. If you have owned a home for a long time or are a new homeowner in our community, supporting our schools so they can maintain the high quality of education they have been known for is a wise investment.

¹ Ginsburg, Marsha "Educated buyers: Test scores, school ratings drive decisions as much as floor plans and city services", San Francisco Chronicle (February 15, 2005). <http://www.sfgate.com/cgi-bin/article.cgi?file=/chronicle/archive/2004/02/15/REGBG50OIJ1.DTL>

Even residents who intend to live in their homes forever benefit – by knowing that they will pass on a substantial inheritance to their children or by tapping into that premium with a reverse mortgage so they can enjoy it now. Easy ways to tap into your home's appreciation are a home equity loan or, for seniors, a reverse mortgage which requires no payments until the house is sold or you pass away.