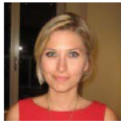




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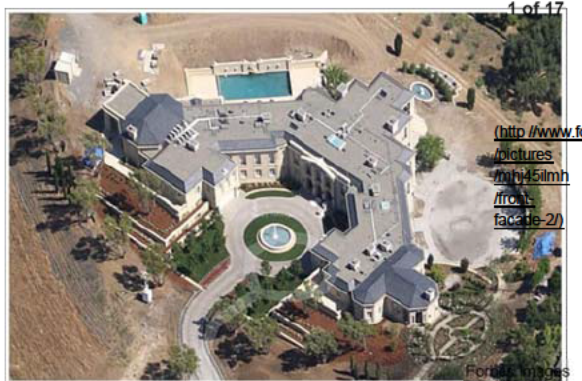
I write about real estate markets, outrageous homes and cities.

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Billionaire Yuri Milner 'Overpaid' On \$100 Million Mansion By 100%, According To Assessor

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Yuri Milner's \$100 Million Mansion



Google aerial shot

Google aerial shot

Last year tech billionaire [Yuri Milner](http://www.forbes.com/profile/yuri-milner/) (<http://www.forbes.com/profile/yuri-milner/>) dashed sales records in California when he paid \$100 million for a Silicon Valley mansion (<http://www.forbes.com/clareoconnor/2011/03/31/inside-yuri-milners-100-million-mansion/>).

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A year later, the tax man disagrees. On Tuesday the Santa Clara County assessor told the Mercury News (<http://www.mercurynews.com/business/ci-2099634/russian-mogul-yuri-milner-silicon-valley-mansion-worth-half-its-price-100-million>) that the estate, known as Palo Alto Loire Chateau, is worth markedly less than Milner paid for it: \$50.27 million to be exact. It means Milner, an investor in Facebook and Groupon, shelled out 100% more than the estate is arguably worth by market standards.

“For whatever reason, and we don’t know, Mr. Milner purchased the property at more than it’s fair market value,” explains Larry Stone, Santa Clara County Assessor. “It doesn’t happen very often and we knew at the time that it was unusual...since the highest assessed residential property in Silicon Valley prior to that time was \$28.5 million.”

Stone’s team compared the home, located in Los Altos Hills, to 11 other ultra luxury mansions throughout California’s most expensive ZIP codes (<http://www.forbes.com/sites/morganbrennan/2011/10/12/americas-most-expensive-zip-codes/>). They found that comparable properties sold for less, from the 30,000-square foot Los Altos Hills home that fetched \$28.5 million to the 56,500-square foot Holmby Hills Spelling Manor that ultimately commanded \$85 million last year (<http://www.forbes.com/sites/morganbrennan/2011/07/14/its-official-americas-most-expensive-home-has-a-brand-new-billionaire-owner/>). The office also enlisted three appraisers to make independent assessments of Milner’s 17-acre, 25,000-square foot abode.

The assessment means the Russian venture capitalist will pay \$600,000 a year in taxes — a bill that could buy three homes in other parts of the U.S. at the national median price. However, the Mercury News asserts that the assessment still represents “a big property tax break for Milner,” as the bill would have been more like \$1.2 million if it had matched the sales price.

Still, \$600,000 represents quite a revenue boon for the county: at the time of Milner’s purchase, the assessed value had been \$25.7 million, according to Santa Clara County assessor records, and the tax bill \$304,000 per year. It means taxes are almost doubling.

As is the case with less expensive homes, sales price typically serves as the fair market value number. But it’s important to note that in the world of trophy real estate, fair market value and sales price are not the same thing. Since price at the ultra high-end is glaringly subjective to both seller’s and buyer’s personal tastes rather than pocketbooks, it’s not uncommon to see expensive homes fetch more than their “market value.” It means affluent homeowners sometimes enjoy taxes affiliated with a lower value than they might command for the home if they decide to sell. For example, the 2011 tax assessment on the Spelling Manor is \$66.3 million even though it sold for \$85 million, according to the L.A. County Assessor’s office. Even so, a \$50 million discrepancy is surprising.



“Our job is to figure out, if it was listed on the open market –which this was not, what would other buyers have been willing to pay for it?” says David Ginsburg, Stone’s Deputy. “Our conclusion was there was no way anyone would have paid \$100 million.”

Nestled among 17 hilltop acres in Los Altos Hills, Calif., the French chateau-style mansion encompasses 25,545 square feet of living space including 14 bathrooms, two dining rooms, a ballroom, a library and staff quarters. Outrageous amenities (<http://www.forbes.com/sites/morganbrennan/2012/05/29/homes-sporting-the-most-amazing-and-outrageous-outdoor-amenities/>) include a home theater, a wine cellar, a gym, an indoor pool, and a sauna. There’s also a 4,600-square foot guest house and two three-car garages, even a private car wash. The chateau traded hands in “turn-key” condition, meaning move-in ready. Rumor has it that Milner, whose primary residence is located in Moscow, hasn’t even occupied it yet.

“It’s like artwork: when some people want something badly enough, they will pay what they believe they have to pay to get it,” adds Stone. Indeed, it’s not the first time a billionaire has shelled out a staggering sum and possibly overpaid (<http://www.forbes.com/sites/luisakroll/2011/12/19/billionaires-daughter-pays-record-sum-for-nyc-pad/>) for a trophy home. Even so, “He may want to have a conversation with his realtors.”

Correction: An earlier version of this story incorrectly differentiated between fair market value and net assessed value. In the state of California, there is no difference. The assessed value of Milner’s chateau is \$50.27 million, from which the assessor calculated the \$600,000 tax bill.

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