


**EAST BAY REGIONAL PARK DISTRICT
BOARD FINANCE COMMITTEE
AGENDA STAFF REPORT**

DATE	September 25, 2024
TITLE	Property Tax Forecast
DIVISION	Finance and Management Services
FROM	Deborah Spaulding, Assistant General Manager of Finance and Management Services
APPROVED	Sabrina Landreth, General Manager 

RECOMMENDATION

Staff recommends that the Board Finance Committee accept this informational report on the Assessed Value (AV) forecast for the East Bay for 2025.

BACKGROUND

The Park District develops its budget on a calendar-year cycle, while Alameda and Contra Costa counties calculate assessed value of properties on a fiscal-year basis. This means that the Park District's property tax revenue budget calculation must be projected for the second half of the year. The Park District contracts with Beacon Economics to complete a five-year forecast of anticipated changes in assessed value of property in the two counties. This forecast provides an independent perspective regarding future property tax revenues, which then allows staff to project the property tax revenues expected to be received in the following year's budget. This projection is also used to calculate the Five-year Revenue & Expense projection, published in the budget. This year's Beacon Economics Forecast is attached for informational purposes.

ANALYSIS

Beacon Economics presents a more positive economic outlook for the East Bay and for California overall in 2025-26 than it did in the prior year.

Last year, Beacon Economics' baseline (i.e. medium) forecast was that Alameda County AV would grow by 3.6%. This projection was much lower than the actual increase of 5.0%. For Contra Costa County, Beacon projected a 2.1% increase in AV, below the actual increase of 4.4%. Overall, Beacon's East Bay projection from last year for the two counties combined was 3.0%, while the actual combined two county growth was 4.8%.

For the 2025-26 fiscal year, Beacon's baseline forecast predicts a moderate increase in AV in both counties. In Alameda County, Beacon's baseline forecast is for AV growth to be 4.5%, while Contra Costa County's AV increase is expected to be 3.5%. The combined two-county projection is for growth of 4.1% in 2025-26. Moreover, they predict a slightly higher AV increase of 4.5% for fiscal year 2026-27.

Beacon believes the drivers behind the increasing AV growth is that the inventory of homes for sale is slowly returning to a more normal level. Sellers are realizing that mortgage rates will not be dropping significantly, and so home listings are increasing – they increased by 57% over the one-year period from June 2023 to June 2024. Beacon believes that investors are also driving up home prices -- there was a 22% increase in investor purchases in the East Bay in the last year. On the other hand, the number of residential permits issued through the first five months of 2024 was down 33% from the number of permits issued in 2023.

Overall, Beacon's analysis of California's economic condition is mixed. While per capita incomes are increasing, the population of the state continues to decline. Overall, California continues to be held back by its housing shortage. The state's limited housing supply and restrictions on new home construction increases the cost of housing and causes gentrification to occur, forcing lower income families to move out of the state.

FISCAL IMPACT

Property tax revenues make up approximately 90% of the Park District's General Fund revenues, and the Park District's budget is highly sensitive to changes in this major funding source. While this revenue source is stable and growing, the projected AV growth is still lower than was experienced in 2022-2023. This means that less funding will be available in the 2025 budget for new growth.

The combined AV increase of 4.8% in the 2024-25 fiscal year with projected growth of 4.1% in 2025-26 would result in a combined increase in budgeted property tax revenues of 4.5%.

ATTACHMENTS

- A. Beacon Economics Assessed Valuation Forecast (Baseline, Low, High)
- B. Beacon Economics Assessed Valuation Report