



## Tracy Rural County Fire Protection District

Agenda Item 4.1

### STAFF REPORT

**Meeting:** Regular Meeting  
**Date:** March 10, 2026  
**To:** Board of Directors  
**Prepared by:** Raychel Jackson, District Clerk  
**Approved by:** Craig Miller, Chairperson

**Re:** Receive a Report Prepared by HdL Coren & Cone for an Estimate of Tracy Rural Property Tax Revenue Projections for FY 26-27

### RECOMMENDATION

Action Item  **Non-Action Item**

Receive and file the HdL Coren & Cone Five-Year General Fund Revenue Forecast for FY 2026-27 through FY 2030-31.

### BACKGROUND

HdL Coren & Cone (HdLCC) has prepared the District's annual General Fund property tax revenue forecast for FY 2026-27, including a five-year projection model. The forecast incorporates assessed value growth trends, CPI adjustments pursuant to Proposition 13, real estate transfers, new construction, and appeal activity.

The applied CPI factor for FY 2026-27 is 2.00%

For FY 2025-26, the District experienced 9.9% year-over-year assessed value growth. A significant portion of that growth (4.80%) resulted from unsecured assets associated with Kola Energy Storage, which is not anticipated to repeat in FY 2026-27.

The District's total taxable assessed value for FY 2025-26 is approximately \$11.2 billion.

### DISCUSSION

HdL Coren & Cone prepares the District's annual property tax revenue forecast to assist with long-term financial planning and development of the upcoming fiscal year budget.

For FY 2026-27, projected General Fund growth ranges from 3.13% to 3.49%, depending on how new construction is modeled. The prior fiscal year reflected 9.9% growth; however, that



## Tracy Rural County Fire Protection District

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increase included a significant one-time unsecured asset (Kola Energy Storage) addition that is not expected to recur. As a result, the current forecast reflects more typical market conditions.

The projection incorporates:

- The 2.00% Proposition 13 CPI adjustment
- Real estate transfers occurring in calendar year 2025
- Known appeal activity
- Optional modeling of completed new construction

HdL advises conservative assumptions unless verified development data supports higher projections.

This forecast is informational and serves as a planning tool. Final property tax revenue will be determined when the County releases the 2026-27 assessment roll. The selected growth assumption will be incorporated into development of the FY 2026-27 Preliminary Budget.

### **FISCAL IMPACTS**

None.

### **ATTACHMENTS**

1. Budget Forecast for FY 26-27

## MEMORANDUM

**To: Tracy Rural Fire Protection District**  
**Craig Miller** Chairman of the Board of Directors  
**Raychel Jackson,** Clerk of the Board

**From:** Paula Cone, President, HdL Coren & Cone (HdLCC)

**Date:** February 24 , 2026

**Re: General Fund Budget Projection 2026-27 Five-Year Property Tax Projections**

### GENERAL REAL ESTATE TRENDS FOR CALENDAR YEAR 2025

The events that occurred in the 2025 calendar year are what will be influencing the 2026-27 property values enrolled. It was a year where there was a slight easing of the mortgage interest rates that impacted the affordability of purchases for homebuyers. In some regions this resulted in a continued flattening in the real estate cycle that we saw begin in late spring 2023 when interest rate increases were implemented to slow the rate of inflation. As interest rates increased, we saw fewer sale transactions of single-family residential homes than were seen in the two years after the pandemic when the lower interest rates and pent up demand drove the increases experienced. The flattening was due in part to insufficient supply as homeowners with lower existing interest rate mortgages were reluctant to give up those homes to search for others with higher prices and higher mortgage rates. This is one of the major components we review and factor in developing a forecast model growth projection for future years. There are generally three elements that impact growth of values and the resulting property tax revenue: the annual CPI granted by the State in compliance with Proposition 13, sales of properties where the sale price (usually higher) is enrolled as the market value in the subsequent tax year, and the addition of value due to new construction activity.

Throughout the 2025 calendar year, the number of properties offered for sale were similar in comparison to those sold in 2024 (residential and non-residential) transactions. With 11 months reporting of 2025, there has been 1 fewer home sale than reported for the full year in 2024. The value change due to these sale transactions is about \$27.5 million less than that reflected in 2024 and the non SFR sales to date – Commercial, Industrial, Multifamily Residential, and Vacant uses are \$275 million lower than the total enrolled in 2025-26 based on the 224 sale transactions. The overall change in value due to sale transactions YTD is \$147,794,701 in comparison to the additive in the current fiscal year of \$415,647,737. The enrollment of the market value of the sales recorded in 2025 year to date are included in the model with growth of \$147,794,701. This amount is \$267,853,036 lower than the additive enrolled for the 2025-26 fiscal year of \$415,647,737. The current median price of a single-family home in the Tracy Rural Fire Protection District is \$841,000 which is down from \$954,000 reported in the last calendar year for a decline of **-11.84%**. Median

sale prices are only an indicator of which homes are coming to market in a given year. If higher valued or newer homes sell in one year and older, lower valued homes the next year, there can be a wide variance in median sale prices. Median sale prices in 2023 were down **-5.87%** due to the high interest rates and sale price reductions. This is after an increase in median prices in 2024 reflected in the 2025-26 forecast of 2.58%. While the median sale prices are what is usually mentioned, the overall increase of all values added due to sale transactions, the difference between the prior year assessor's enrolled value and the sale price paid in a transaction for both single and multifamily residential, commercial, industrial, vacant sites and other uses- is an important element in a budget forecast. This change in 2025 was a positive increase of \$147,794,701 and is posted in the Tracy Rural Fire Protection District forecast tool for 2026-27.

**Proposition 8 Value Reviews/Successful Appeals.-** We are not including a Proposition 8 data entry point in this year's forecast as the year-over-year changes are not significant to the bottom line in the current market. We have reviewed all single-family residential properties that have sold during the 2025 calendar year and have compared that sale price against 2024 transfers to ascertain the median price change between tax years. This analysis has led us to believe that the current real estate market is not resulting in an uptick of Proposition 8 reviews and does not consider it to be an important factor for 2026-27. We do recognize that there have been successful appeals granted on multifamily, commercial and industrial uses between tax years and have inserted an amount related to appeals adjudicated in 2025 that are likely to be reduced in the roll prepared for 2026-27. This amount is something we expect will impact the bottom line in the District's forecast and want to quantify a potential reduction rather than ignore the fact that these appeals were heard by appeals boards or assessor staff and reduced. The reason noted for these successful appeals, which are often due to vacancies or devalued sales of these properties are classified as Proposition 8 Appeals which will be reviewed annually and may result in a potential further reduction or value restoration when the cause for the appeals are no longer a factor.

HdL Coren & Cone has prepared our annual General Fund budget worksheet to assist you in estimating property tax revenues for the next fiscal year. Each year our revenue models are re-evaluated to account for changes in the real estate landscape that will have an impact on the revenue stream in the coming year. As District staff you may also have information that we have not received and that information, once applied to the revenue model, may change the outcome. These might include new housing developments, large apartment complexes or commercial and industrial sites under construction.

We have identified the secured and unsecured allocations within the total revenue estimated based on the ratio of secured to unsecured values and revenue streams countywide. This should assist agencies that are budgeting secured and unsecured apportionments separately.

Pooled revenue sources such as supplemental payments, taxpayer refunds due to successful appeals, and one-time adjustments made by the assessor and reflected by auditor-controller apportionments are not included in this property tax revenue projection. These forecasted amounts tend to be less consistent and should be based on the allocations or reductions the District has

seen on remittance advices over a multi-year period including your knowledge of events in the District that may impact your positive cash flow.

## **ELEMENTS CONSIDERED IN THE FORECAST**

**We offer a five-year forecast that includes 2026-27 as the first year in the projection. The first year’s forecast methodology is discussed below and the other 4 years in this forecast are discussed in the accompanying memorandum with greater details for years 2-5.**

## **THE CPI AND YEAR OVER YEAR VALUE CHANGE:**

The CPI granted for all taxing entities in the State per Proposition 13 for 2026-27 will be **2.00%**. This is the same CPI adjustment that was granted for the current 2025-26 FY.

The year-to-year value increase reported in the current fiscal year, 2025-26, for the District reflects growth of \$1,010,146,738 which was \$116,723,872 more than the overall value increase reported in 2024-25 of \$1,126,870,610. The total year-over-year growth in 2025-26 is 9.9% and 2.5% lower than the value enrolled last year when the year-over-year change was 12.4%. This growth was due in large measure to the increased CPI adjustment allowed per Proposition 13 that was responsible for 14.4% of the overall change in the District and sale transactions accounting for 41.1% of the change between tax years. New construction added value the equivalent of 5.4% of the District’s total. Unsecured assets owned by Kola Energy Storage at 17775 Midway Road added \$482.6 million in equipment and business assets for 48.4% of this year’s overall growth. This increase is not likely to be duplicated unless similar growth of this kind is anticipated. The Other Changes include items such as value reductions after sale transactions were reported or appeals.

<b>VALUE CHANGE BY CAUSE</b>			
	<b>2024/25 Net Value</b>	<b>\$10,186,999,731</b>	
<b>Cause of Value Change</b>	<b>Chg. from 2024/25</b>	<b>% of 2024/25 Net Value</b>	<b>% of All Chg from 2024/25</b>
Parcel Adds/Drops Net Change	<b>-\$21,635,531</b>	<b>-0.21%</b>	<b>-2.1%</b>
Change from CPI 2.0% Growth	<b>\$145,725,979</b>	<b>1.43%</b>	<b>14.4%</b>
Prior Year Transfer of Ownership	<b>\$415,647,737</b>	<b>4.08%</b>	<b>41.1%</b>
New Construction - Non-Res.	<b>\$27,973,972</b>	<b>0.27%</b>	<b>2.8%</b>
New Construction - Residential	<b>\$26,263,549</b>	<b>0.26%</b>	<b>2.6%</b>
Prop. 8 - Reduce/Recapture Net	<b>\$14,230,186</b>	<b>0.14%</b>	<b>1.4%</b>
Unsecured Value Change	<b>\$489,142,341</b>	<b>4.80%</b>	<b>48.4%</b>
Cross-Reference Value Change	<b>\$2,594,884</b>	<b>0.03%</b>	<b>0.3%</b>
Other Changes*	<b>-\$89,796,379</b>	<b>-0.88%</b>	<b>-8.9%</b>
<b>Total Change</b>	<b>\$1,010,146,738</b>	<b>9.92%</b>	
<b>2025/26 Net Value</b>	<b>\$11,197,146,469</b>	<b>9.92%</b>	<b>Growth</b>

\*Other Changes may include effects of assessment appeals, multi parcel sales, and changes to secured exemptions, personal property, or utility-owned property values

## SALE TRANSACTIONS:

The reported median sale prices of single-family homes in the District increased 2.58% in 2024, last year, and were responsible for 41.1% of the year over year growth in 2025-26 or a 4.08% portion of the District’s overall 9.92% growth. As we ended 2023 and moved through 2024 experiencing the interest rate hikes implemented, the median prices increased after a downturn in 2023. Home sale prices as well as the number of homes coming to market increased in 2024 with 13 additional sales and median sale prices increasing by \$24,000.

The properties that sold in calendar year 2025 as mentioned above will add \$155,572,183 to the market value and overall growth to the value pool between the 2025-26 and 2026-27 fiscal years. This is in comparison to the \$415,647,737 growth we saw reflected in the current fiscal year in this category. It will require \$111.9 million in additional value growth in 2026-27 to increase revenues by 1%. (1% of the districtwide value of \$11,197,146,469). The additive due to sale transactions has been included in the revenue model for 2026-27 and is the equivalent of **1.38** of the projected growth in comparison to the 4.08% seen in the 2025-26 FY.



### TRACY RURAL FIRE TRANSFER OF OWNERSHIP (2021 - 2025)

Tax Year	Single Family Residential				Multifamily, Commercial, Industrial, Vacant				Totals				
	# SFR Sales	Original Values	Sale Price	% Change	Non SFR Sales	Original Values	Sale Price	% Change	Total Sales	Original Values	Sale Values	% Change	\$ Change
<b>DISTRICT NON SA AREA</b> <i>Valid Sales Price Analysis</i>													
2025 1/1/25-12/31/25	264	\$161,355,604	\$233,719,501	44.8%	134	\$52,411,506	\$135,619,792	158.8%	398	\$213,767,110	\$369,339,293	72.8%	\$155,572,183
													<i>Est. Revenue Change:</i>
													\$184,093.50
2024 1/1/24-12/31/24	255	\$161,278,932	\$259,101,392	60.7%	141	\$82,730,597	\$400,555,874	384.2%	396	\$244,009,529	\$659,657,266	170.3%	\$415,647,737
													<i>Est. Revenue Change:</i>
													\$492,525.99
2023 1/1/23-12/31/23	245	\$131,354,413	\$229,326,872	74.6%	242	\$82,254,919	\$260,390,509	216.6%	487	\$213,609,332	\$489,717,381	129.3%	\$276,108,049
													<i>Est. Revenue Change:</i>
													\$328,171.08
2022 1/1/22-12/31/22	357	\$173,858,871	\$369,507,082	112.5%	495	\$94,851,126	\$595,076,371	527.4%	852	\$268,709,997	\$964,583,453	259.0%	\$695,873,456
													<i>Est. Revenue Change:</i>
													\$778,031.35
2021 1/1/21-12/31/21	407	\$187,860,474	\$332,042,297	76.7%	533	\$189,349,704	\$823,622,249	335.0%	940	\$377,210,178	\$1,155,664,546	206.4%	\$778,454,368
													<i>Est. Revenue Change:</i>
													\$866,021.79

\* Sale value is a sum of all full value parcel sales (sales not included are quitclaim deeds, trust transfers, partial sales, timeshares, and non-reported document number transfers). Est Rev Change includes all assigned agencies.

The sale numbers are quantifiable and should not be changed in the revenue forecast model. A comparison of this fiscal year’s growth due to sale transactions in comparison with each of the previous ten years is provided below. The green portion of the bar in each year is the growth assigned to sales transactions. 2025-26 posted a higher share of this growth than in 2024, but was still one of the strongest 4 years out of the past ten years depicted (2019-20, 2022-23, 2023-24 and 2025-26).

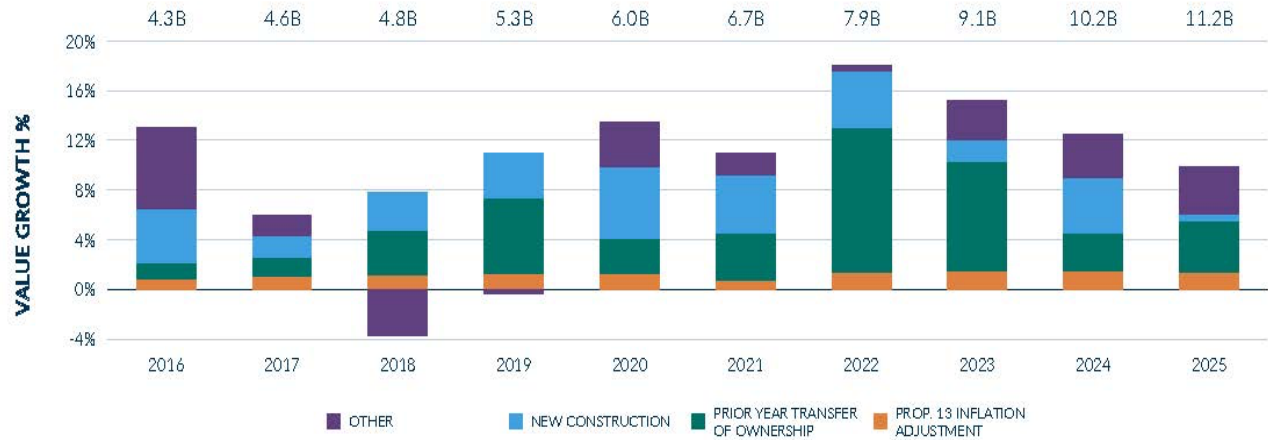
TAXABLE ASSESSED VALUE  
\$11.2 BILLION

+9.9% ↑  
TRACY RURAL FIRE

7.2% ↑  
COUNTY

### HISTORY OF VALUE CHANGES BY CAUSE

INCLUDING TOTAL ASSESSED VALUE



The Other change category may include effects of assessment appeals, multi parcel sales, and changes to secured exemptions, personal property, or utility-owned property values

### COMPLETED NEW CONSTRUCTION:

New construction completed during the 2025 calendar year is likely to be enrolled as either a progress appraisal, a project under development but not yet completed, or as a completed project which has been granted a certificate of occupancy by the City. A historical view of the development that impacted growth over the past eight years is noted below. This growth in 2023 and reflected in 2024-25 was the largest growth year out of the past 8 reviewed. It is omitted in the trimmed average. The growth in 2024 reflected in the current fiscal year was the lowest year reviewed. Both of the past 2 years are excluded from the Trimmed Average.

This is a difficult element to forecast with accuracy. Projects that were developed over the past 4-5 year are enrolled and unless some similar growth is anticipated or has been completed in the 2025 calendar year, it is best to budget this element conservatively. We would usually provide estimates for a 50% and 100% of the trimmed average, but without guidance from the building officials in the City of Tracy as to which projects were granted certificates of occupancy in 2025, our mid-range estimate will be 25% of the trimmed average, and the most positive estimate at 50% of the trimmed average.



# TRACY RURAL FIRE NEW CONSTRUCTION HISTORY

ESTIMATED ANNUAL CONSTRUCTION FROM 2018/19 TO 2025/26

Tax Year	Estimated Parcel Count	Residential New Construction	Non-Residential New Construction	Total New Construction
2018	229	\$42,830,970	\$97,946,240	\$140,777,210
2019	278	\$31,282,587	\$143,296,052	\$174,578,639
2020	343	\$81,457,023	\$223,169,779	\$304,626,802
2021	323	\$42,825,368	\$239,952,252	\$282,777,620
2022	306	\$35,331,881	\$265,292,490	\$300,624,371
2023	334	\$74,402,574	\$58,006,319	\$132,408,893
2024	229	\$22,626,159	\$383,794,863	\$406,421,022*
2025	195	\$26,263,548	\$27,973,971	\$54,237,519*
Average of all Years:				\$224,556,509
Trimmed Average (Excludes Outlying Years*)				<b>\$222,632,256</b>
Estimate @ 75%:				\$166,974,192
Estimate @ 50%:				\$111,316,128
Estimate @ 25%:				\$55,658,064

Our baseline forecast does not include a new construction amount in the data entry point available to record this addition to the forecast. The trimmed average of all new construction added to the roll over the past eight years is \$222,632,256. While this estimate is lower than 4 of the years included in this review, it is four times higher than the growth included in the current fiscal year data released by the assessor in July 2025. The estimate at 25% of the Trimmed Average is in line with the growth reflected in the 2025-26 assessment roll. If, on the other hand, the Tracy Rural Fire Protection District can verify that something like the growth enrolled in a year other than 2024 which the 2025-26 FY is based upon, the District could enter a higher amount in line with a prior year. Leaving that data entry blank will result in a more conservative baseline estimate.

A reminder is that the 3 major drivers of property tax increases are the **2% CPI** granted per Proposition 13, **real estate sales** for more than the assessor's enrolled value, and **new construction added** to the roll between tax years which have all been discussed above.

## **BASELINE FORECAST AND NEW CONSTRUCTION DISCUSSION:**

*In our budget forecast presented last year for the current 2025-26 fiscal year, we were estimating baseline growth of 5.25%. The actual growth realized by the District was **9.9%**. This original HdLCC estimate was without an additive for new construction which was reported at 0.53% for the 2025-26 fiscal year. The unsecured increase due to Kola Energy Storage added 4.80% to the TRFPD bottom line this fiscal year and was not a foreseeable event. And finally, there was the offset for the Other category of changes where appeal reductions resulted in the decline of values estimated at **-.89%** of the year over year change. To take the baseline of 5.25%, add new construction 0.53% and the unsecured change of 4.80% and then subtract the other appeal reductions of **-0.89%** would have resulted in a change of the HdLCC baseline forecast after these changes of **9.69%** which would have been within was within 0.21% of the actual growth reported. The unsecured asset changes which are self-reported by the owner, and the appeals which are not available from San Joaquin county are elements we cannot forecast.*

### **ESTIMATES FOR THE 2026-27 FY**

- Our base line forecast for growth of all values generating General Fund property tax revenue for 2026-27 is **3.13%** without any factoring for new construction activity.
- Adding 50% of the trimmed average growth due to new construction for the past 8 years of \$26,001,763 would be the equivalent of an additional 0.13% growth to this base number. This would mean forecasting growth of **3.36%** for 2026-27 with some new construction.
- A more optimistic model would be developed by adding last year's actual new construction growth as represented in the 2025-26 roll released (\$40,424,378) that would add 0.36% to the base line forecast for a bottom line for a forecast of **3.49%**.

We project property tax revenue sources conservatively and would caution against increasing the elements in the forecasting model without solid information from the city the District serves or verified information from the Assessor.

### **SUMMARY OF POTENTIAL MODEL SELECTIONS**

- A conservative estimate of growth would be **3.13%**.
- A midrange estimate with 50% of the trimmed average for a new construction additive would be **3.36%**.
- A more optimistic estimate with the historical new construction using last year's reported value enrolled would be **3.49%**.

**OTHER CONSIDERATIONS:**

The 5-Year projection for the District’s property tax revenue is also included in an excel version for District interaction. The methodology is included in the pdf document attached to this email. Please read the information provided relative to our assumptions going forward.

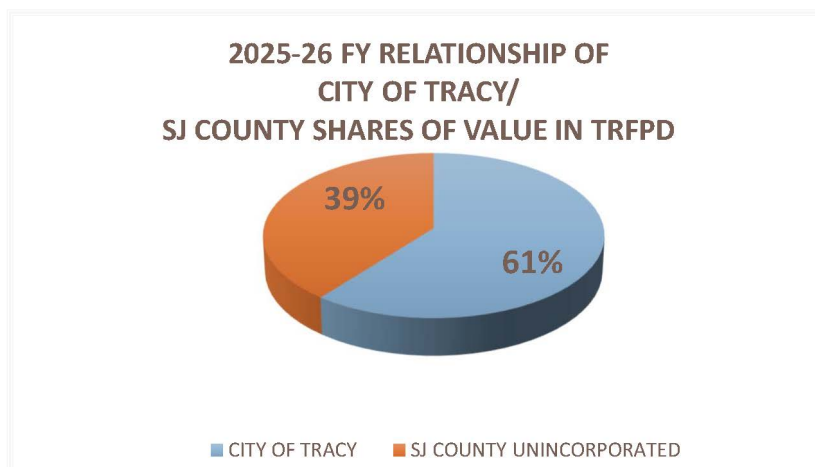
After you have had an opportunity to review the attached materials, we can arrange for a Zoom meeting with the District and I will be happy to answer any questions related to this model or how you may have items to add to augment the overall growth projected in the forecast.

The enclosed materials include:

- **General Fund Annual Memorandum on Methodology and Assumptions**
- **Portfolio of Reports General Fund for the District– 2026-27 actual value reports, Real Estate Sales Trends, Prop 8 values restored, budget projection PDF - Notes and Highlights. Forecasts prepared for the GO Bond Funding**
- **5-Year Budget Projection – Excel General Fund and GO Refunding**
- **5-year Budget Projection Assumptions Memorandum**

**THE DIFFERENCES IN THE TRFPD BETWEEN CITY OF TRACY/COUNTY UNINCORPORATED AREAS**

The Tracy Rural Fire Protection District service area covers the City of Tracy and parts of the San Joaquin County Unincorporated Area. The taxable values assigned to the City of Tracy of \$6,785,950,888 represent 61% of all values that generate 1% revenue for the District; and the taxable values assigned to the County Unincorporated area of San Joaquin Co. total \$4,411,195,581 and represent 39% of all values that generate 1% revenue for the District for a total reported taxable value in 2025-26 of \$11,198,146,469. Last year the County portion of the District was 38% by value and the City of Tracy was 62% by value.



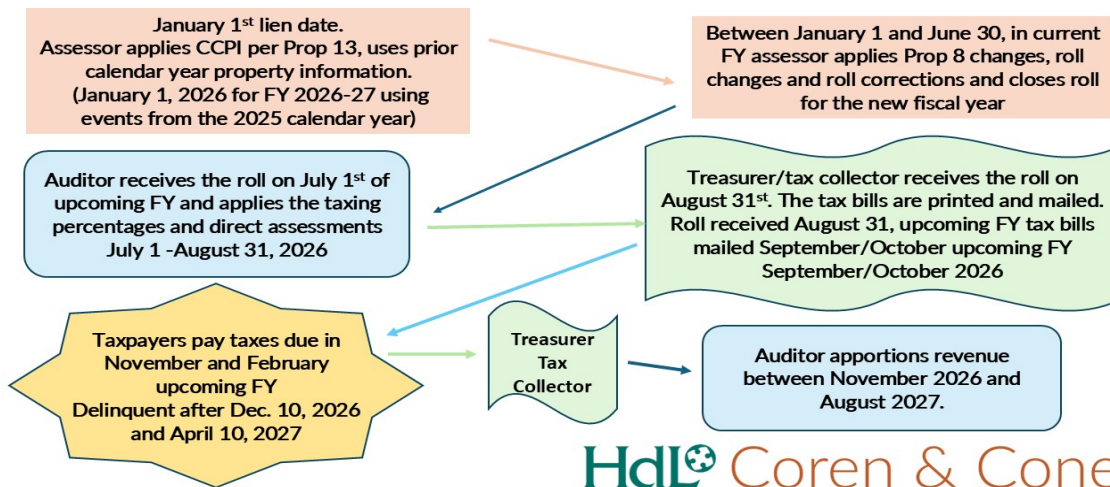
## PROPERTY TAX TIMELINE – THE DELAY BETWEEN DEVELOPMENT AND ITS REFLECTION ON TAX ROLL

Property values are a delayed indicator of what you are seeing occurring in your District. The 2026-27 roll currently being prepared by the Assessor was liened on January 1, 2026, and includes events (sale transactions, completed new construction, Proposition 8 adjustments, roll corrections and appeal reductions) that happened in calendar year 2025. Any new development occurring in 2026 that will result in sales this calendar year or progress appraisals on completed new construction before the end of December 2025 will be seen on the 2027-28 tax roll. Events that occur mid-year and result in the issuance of a supplemental tax bill result in a pooling of these receipts countywide and TRFPD receives its representative tax share of ALL taxes countywide of those receipts (AB-8). The following year when the new value is enrolled, it belongs to the jurisdiction where the property is located.

The timeline for the property tax process for 2026-27 is reviewed on the graphic below from assessment to taxation, receipt of taxes and allocation of the property tax revenue.

### PROPERTY TAX TIMELINE 2026-27 FY

Values lag 12-18 months being reflected on the tax rolls



**HdL** Coren & Cone

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After you have had an opportunity to review the attached materials, we can arrange for a Zoom meeting with the District and I will be happy to answer any questions related to this model or how you may have items to add to augment the overall growth projected in the forecast.

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- **Portfolio of Reports General Fund for the District– 2025-26 Actual value reports, Real Estate Sales Trends, Prop 8 values restored, budget projection PDF - Notes and Highlights.**
- **5-Year Budget Projection 2026-27– Excel General Fund**
- **5-year Budget Projection Assumptions Memorandum**

## **2026-27 FY 1-5 YEAR GENERAL FUND REVENUE SPREADSHEET INSTRUCTIONS**

### **Please be especially aware of the following 7 items:**

- Our annual forecast includes 2026-27 as year 1 in the attached budget projection along with forecasts for years 2-5 in the 5-year model. If you decide that you need a copy of a stand-alone 1-year forecast, one can be provided upon request and will mirror the year 1 budget projection from the 5-year model.
- The “Net GF Estimate for “2026-27” line on the supplied revenue estimate represents the 2026-27 forecasted revenue for the upcoming fiscal year’s secured, unsecured and homeowner’s (HOX, HOPTR) revenue allocations only. The unitary revenue is included on its own line and estimated using the most current available year’s amount. In Los Angeles County, the auditor allocates Unitary as part of the secured allocation and does not identify it specifically. The forecast does not include revenue estimates for amounts allocated from prior years, supplemental assessment allocations, or redemption (delinquency collections) and penalty revenues. Pass-through and residual revenue allocations from RPTTF allocations are also not included. The instructions below provide guidance in budgeting some of those revenue streams.
- If your agency budgets secured and unsecured revenues separately, you will note that we have broken out those two categories of property tax revenue based on the percentage each is expected to be of the countywide total revenue pool.
- “Net GF Estimate for ”2026-27” assumes 0% delinquency. The actual delinquency rate is most often between 1.0% and 2.0% in non-Teeter Cities.
- Completed new construction is not represented in this estimate unless the property was completed and sold in 2025. Those property values are included in the transfer of ownership category. The most accurate way to estimate new construction is to get information from your building department on construction completed prior to January 1, 2026. HdLCC has included a report showing historical new construction values in your agency to assist you in gauging an amount that you can consider and insert as the Completed New Construction increase (see description below). You may leave the entry point blank for a more conservative estimate.
- We believe there will be some potential for future value reductions in commercial office and retail sites as well as in industrial properties due to appeal filings over the past 3 years resulting from vacancies present after the pandemic and because of some to the technology industry layoffs announced during the past couple of years. (See appeals section below)
- **THIS REPORT IS ONLY A GUIDE.** The current year revenues plus trending information specifically related to property transfers and new development in the general fund taxing agency are all critical to the development of the estimated general fund revenue. You know your community. If the estimate or its assumptions don’t seem to fit your community or what you know is in the pipeline

for completed or progressing new development or recently purchased commercial or industrial sites, please contact us to discuss your specific situation.

To discuss your spreadsheet with HdLCC staff, please call (714) 879-5000 or email us at:

Paula Cone - [pcone@hdlccpropertytax.com](mailto:pcone@hdlccpropertytax.com)

Nichole Cone - [ncone@hdlccpropertytax.com](mailto:ncone@hdlccpropertytax.com)

Dave Schey - [dschey@hdlccpropertytax.com](mailto:dschey@hdlccpropertytax.com)

Darren Hernandez - [dhernandez@hdlccpropertytax.com](mailto:dhernandez@hdlccpropertytax.com)

## **INFORMATION AND ASSUMPTIONS**

**The Assessor's 2026-27 applied CPI factor is 2.00%.** It is important to remember that any properties that have been granted Prop 8 reductions in prior years due to lower sale price trends and higher interest rates, are required to be reviewed each year outside of the CCPI adjustment. Positive adjustments to those properties may exceed this 2.00% if properties are granted value restorations and, in some cases, may be further reduced if market values for that property have declined.

We are providing you with our assumptions in developing the General Fund spreadsheet model for 2026-27 and subsequent years. The spreadsheet model will allow you to make appropriate changes based on your local information and to override our assumptions in the Excel version of this report if you feel specific real estate changes have been taken into consideration.

- 1. CCPI** All real property (land and improvements) that is not involved in a sale transaction or the addition of new construction and is not reduced under Proposition 8 by the county assessors will receive the 2.00% CPI adjustment. Our model has calculated the CCPI to be applied to the real property values of non-Prop 8 reduced properties.
- 2. TRANSFERS OF OWNERSHIP** For those properties that have sold between January and December 2025, we have calculated the difference between the value on the roll released for 2025-26 and the price paid for the property in the sale transaction during the 2025 calendar year and have provided that "market value" difference as an increase due to these sales. With very few exceptions, we have noted that the number of homes offered for sale is either flat or down from earlier years and sale prices have not enjoyed as positive a year-over-year increase as we saw during the post-pandemic period when low interest rates were in play. In some cities/districts the median sale prices are lower than those reported in 2024, and this coupled with fewer sales is resulting in a lower addition of value based on sales for the 2026-27 estimate unless non-residential sales have added significant value in our baseline models.

Sales transaction amounts shown in years two to five (2-5) in the 5-year forecast are modeled on the historical percentage of total value from sales transactions over a 17-year history applied to the projected value and are inserted in this portion of the model. This reflects the sales trends between 2008 and 2025. During this period, we were at the bottom of the Great Recession, enjoyed one recovery, experienced a slight downturn during the Pandemic, another recovery and then a slowdown during the interest rate hikes.

This is a mixed view—not all positive or negative and ignores the increases before the Great Recession began. To include these earlier years will result in a more positive forecast which seems unlikely given the current trends. The sales in each jurisdiction over this window of time are used to judge the growth in sales activity in years 2-5 of the forecast. In some cases, an alternate version

using a standard deviation on the average from this time period will be supplied if it looks more reasonable.

- 3. PROPOSITION 8 RECAPTURES/REDUCTIONS – SINGLE FAMILY RESIDENTIAL** We are only including a Proposition 8 change in this year’s forecast for a limited number clients in some counties. In most areas, the year-over-year changes do not appear to be significant to the bottom line in the current market. We have reviewed all single-family residential properties that have sold during the 2025 calendar year and have compared that sale price against 2024 transfers to ascertain the median price change between tax years. This analysis has led us to believe that the current residential real estate market is not resulting in an uptick of Proposition 8 reviews in most areas. Our assumptions are that all properties that are eligible for a reduction will be reduced. This may be overstating the total. If you receive a copy of the forecast with Prop 8 value changes, it is because we have determined they should be considered.
- 4. PROPOSITION 8 – NON-SINGLE FAMILY PARCELS** Gauging increases on non-single-family parcels (commercial, industrial, multifamily residential and vacant) is more difficult and due to the uniqueness among these properties, comparable sales and adjustments to Prop 8 reduced values are too individual in nature to allow a reliable forecast. For this reason, these adjustments are not part of our estimate.
- 5. BASE YEAR VALUES** In cities with former redevelopment agencies, base year values tend to remain constant, and we don’t anticipate any changes to base year values. As a result, they are budgeted flat.
- 6. PERSONAL PROPERTY VALUES** The personal property on the secured tax rolls and the unsecured property values are budgeted flat at 2025-26 levels. This is based on our feeling that depreciation of this business asset pool will be offset by new purchases and assets added in developing commercial and industrial projects. Personal property value is not a one-size-fits-all. Any community with new commercial or industrial development which supports tenants may see an increase in this roll value type. Conversely, relocating or downsizing among existing tenants or annual depreciation could result in a larger decline in this roll value type. Due to the large number of escape assessments that have been appearing on the unsecured tax roll in Orange County, we have included a 10-year trimmed mean value for escape assessments in 2026-27 to prevent large fluctuations in the estimate based on these one-time corrections. Amounts are noted in the footnote. San Mateo County posted escape assessments for the first time on the unsecured roll in 2023-24. With only three years of historical data, there is too little information to forecast averages for this County. Escape assessments resulting in value increases in the current FY that may be absent next year may have an impact on the bottom line of this revenue source.
- 7. COMPLETED NEW CONSTRUCTION IN GENERAL FUND** This data entry point allows for the inclusion of new construction projects completed annually. If you are using building department data, we suggest that a time frame of November 2024 through October 2025 for the 2026-27 FY due to processing delays. We are including a report to help you estimate a value to be included in the completed new construction line item in the absence of real data. The report includes an 8-year history of improvement values added for residential and non-residential development as determined by properties that had no transfer of ownership, no appeals and where the improvement increases are greater than the assessor applied CPI. We have eliminated the outlying years where the total new construction falls outside of one standard deviation of the average

8. and have then calculated 25%, 50% and 75% of the trimmed average of the other years on this report.

If the number of completed construction permits or building permits issued by the city are in line with those granted in the past couple of years, taking the 50% estimate will allow you to populate the model with a conservative value estimate due to this growth. Leaving the space blank will result in an even more conservative property tax revenue estimate. For communities that have experienced large residential, commercial and industrial growth over the past one or two years, please be cautious if you are choosing to use one of those sample years to populate the model. While the City/District may have a sense of what building permits have been granted or which projects have been completed, the real issue is whether the Assessor's staff have revalued the parcel or included the full value reported on the building permit as the value of record. Unless you receive verification from an Assessor that the parcel is included in next year's roll at an increased value due to new construction, it is best to estimate a lower number and make a mid-year adjustment when the values are reported on the roll to be taxed for 2026-27. The report that includes information for the general fund should be used in the general fund portion of the spreadsheet. The entire city report should be used to estimate new construction value in the VLF in Lieu portion of the spreadsheet at the bottom of the 5-year forecast. The VLF in Lieu is based on the percentage of the value change citywide including both the general fund and successor agency in cities with former RDAs.

9. **PASS THROUGH AND RESIDUAL RPTTF REVENUE** Our modeling does not provide an estimate for residual revenue the city/district may receive from the former RDA. We have a separate spreadsheet available that assists in the development of residual revenue projections for Successor Agencies. Please contact us if you are interested in receiving one of these estimates. As an alternative you can budget the allocation received in 2025-26 (January 2 and June 1) flat.
9. **APPEALS** Appeal reductions that occurred during calendar year 2025 have been factored in our estimates for those counties which make this data available for purchase. Not all counties provide this information. In the counties where we do receive appeal filings, how often we receive the data varies between once or twice a year to every quarter. We have noticed a continuation of the uptick in filings between 2023 and 2025 and in those counties already posting the 2025 filing resolution from the assessment appeal board actions have been noted on a line item titled "Unadjusted Resolved Appeals Val. Chg. Est.". The value inserted is the combined total of reductions granted in the 2025 calendar year that are likely to be enrolled in 2026-27. There is no offset for the possibility of appeal reductions in this forecast estimate for clients in counties where the data is unavailable, nor do we attempt to estimate the impact of mid-year refunds due to successful appeals. There are also no appeal reduction estimates in years 2-5 based on appeals still pending.

Any client in a county where appeals are available has received emails with the appeals data updates. If you need a copy of the most recent report, one can be provided. We rely on data released

by the Clerk of the Board of Supervisors for appeal filings and resolutions and have no way to check the accuracy of the information.

- 10 OIL AND GAS VALUES** In cities with refineries and oil reserves we have seen how volatile these parcel values are between tax years. A decline in the valuation of the oil and gas storage and underground reserves due to falling oil prices can result in a decline in values or increases in prices and production can result in an increase. The reduction in supply in the global market can also result in fluctuations. These changes are difficult to forecast and make this part of the forecast unpredictable. Please call us to discuss your estimate so that we can talk about what to expect in 2026-27 or the gas and oil appraiser at your county Assessor's office.
- 11 ANNEXATIONS** The model assumes that there are no new annexations. If there were annexations that are set to take effect with the 2026-27 roll year, ones that were approved in 2025, the expected value added from the new territory should be added to the new construction line and we should be provided with information about the new annexation for auditing when the new roll is released. We are available to discuss or to help you quantify the benefit of an annexation in the next fiscal year.
- 12 WHAT IS NOT INCLUDED?**
- The revenue model does not include any ad valorem voter approved debt service revenue.
  - The revenue forecast assumes 100% payment of taxes. Delinquency factors for non-Teeter cities have not been included. Depending on the county, delinquencies range between 1% and 2%.
  - Pass through payments and Residual Revenue allocations from the RPTTF derived from former redevelopment project areas are not included.
  - Reductions related to the Los Angeles County fires in January 2025 were either already reduced in 2025-26 or will be enrolled in the 2026-27 tax year and will mostly directly impact the County of Los Angeles (Eaton Fire) and the City of Los Angeles (Palisades Fire).
- 13** Once you have developed an assessed value number for 2026-27, the percent change between years is noted and this total value is multiplied by 1% and then that product is multiplied by the "City/District Share of 1% @ \_\_\_\_ Rev" noted on Row 30 of the report in calculating the estimated general fund tax revenue. This is a weighted 1% share agency wide.

## **GENERAL PROPERTY TAX DISCUSSION**

### **Real Estate Trends for calendar year 2025.**

Calendar year 2025 is the year that will be influencing the 2026-27 property values enrolled. It was a year when the 6.72% mortgage interest rate at the beginning of 2025 ended up at 6.19% at year's end. Mortgage rates fluctuated through the first half of the year amid tariff-induced uncertainty, but reached the lowest level in a year in December 2025, despite a mild bounce back after the Federal Reserve's October decision to cut its benchmark rate by 25 basis points.

According to C.A.R, (California Association of Realtors) with mortgage rates sliding a full percentage point since a year ago, housing markets across the state are finally seeing a light at the end of the tunnel, and home sales in California should continue to improve, albeit moderately, in the next 12 months. Housing

inventory in December declined from the prior month and prior year, as market conditions slowed housing demand and lengthened the time listings stayed on the market. December also marked the eighth consecutive month of decelerating inventory growth, indicating that while housing supply remains elevated, momentum on the supply side is gradually easing as the market moves through its typical off-season.

This is one of the major components we review and factor in when developing a forecast model growth projection for future years. Throughout the 2025 calendar year we have seen the number of properties offered for sale in comparison to those offered in 2024 trend down slightly year-over-year. This lower sale number coupled with the lower growth of sale prices is reflected in the reduction of the overall additive due to sale transactions in our modeler. While it is not universal, there are cities in each county where the sale prices have grown more than the countywide average, but in general, the growth in median sale prices in 2025 has under-performed the growth experienced in 2024. Homes are still selling for more than their currently taxed value but the differential between the assessor's enrolled value for taxation in the prior year and the sale price paid in the 2025 calendar year is not as high as we have seen in some years in the previous 4-year period.

Successful appeals, particularly in the commercial and industrial sectors, continue to be a challenge as we forecast property tax revenues. Most of the county Assessors do not provide appeal information to assist in this forecasting element. For counties where this data is available, we can track the appeals that were heard and were successful resulting in value reductions in the 2025 calendar year. These reductions will be reflected on the 2026-27 roll released in July 2026. Where this information is not available for purchase, the appeal filings due to vacancies that didn't recover after the pandemic closures and properties that are selling for less than the value enrolled due to economic factors need to be considered. What we are currently seeing is that assessors, responding to the flattening or declining sale prices, are starting to consider additional properties for review and temporary reductions. These reductions tend to be applied only to those properties sold in the most recent 2-4 years. The reductions being applied appear to be small since reductions in median prices have been modest.

HdL Coren & Cone has prepared our annual General Fund budget worksheet to assist you in estimating property tax and VLF (in-lieu) revenues for the next fiscal year. Each year our revenue forecasting models are re-evaluated to account for changes in the real estate landscape that will impact the revenue stream in the coming year. Proposition 8 administrative reductions performed by assessors in prior years will be addressed differently by appraisal staff in each county. In some counties the current median sales prices would support some moderate restoration of previously reduced values. In other counties it could mean reductions in value for properties sold in the last two to three years. Our analysis of data has allowed us to identify single family residential properties that were reduced between 2008 and 2012. Some properties have subsequently sold from within those identified as having received reductions and because of the sale have now had their base value reset per Proposition 13 and have been removed from our analysis. The real question in each county is just how much of the current median sale price change will be applied to properties as they are reviewed and start to reflect current market values. We encourage you to contact us,

to ask questions, or to discuss our reasoning in this model. If you have a relationship with your county assessor, a simple question as to whether he/she will be implementing a similar, greater or lesser number of values restored may give you much needed information. As city/district staff you may also have information that we have not received and that information, once applied to the revenue model, may change the outcome.

We have identified the secured and unsecured allocations within the total revenue estimated based on the ratio of secured to unsecured values countywide. This should assist cities that are budgeting secured and unsecured apportionments separately.

Pooled revenue sources such as supplemental assessment payments, taxpayer refunds due to successful appeals, redemption payments in non-Teeter cities, and one-time adjustments made by the assessor and reflected by auditor-controller apportionments are not included in this property tax revenue projection. These forecast amounts will tend to be less consistent and should be based on the allocations or reductions the city/district has seen on remittance advices over a multi-year period including your knowledge of events in the city or county that may impact your positive cash flow. Supplemental assessment apportionments were at higher levels in 2021-22 and 2022-23 due to a larger volume of sales, low interest rates and higher prices paid in sale transactions. Due to the reduced number of sale transactions and the flattening of sale prices between 2023 and 2025, factoring in additional more positive years may result in an unduly optimistic increase in revenue returning in 2026-27. Comparing only the supplemental allocations received in 2023-24 FY or taking a percentage of a multi-year average may also be an approach to be considered, but given the differences between local agencies, it is difficult to develop an appropriate percentage offset that will work for all agencies. We are unable to forecast how many properties will sell in 2026 in a specific county or at what price points those transactions will be reported to be able to forecast supplemental allocations.

Redemption (delinquency recovery) payments in non-teeter cities have remained somewhat constant over the past several years. These pooled revenue sources are difficult to quantify accurately but can be estimated by taking a multi-year (3 or 5 year) average.

The VLF in-lieu estimate is based on the change in Net Taxable Value in the entire city which may be a different set of values for cities with redevelopment project areas. This revenue source is now tied to the property assessed value percent change between tax years.