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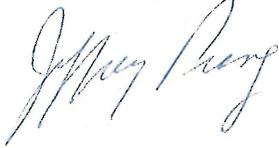
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*Valuing People
and Property*

May 15, 2024

TO: Fesia Davenport
Chief Executive Officer

FROM: **Jeff Prang**
Assessor 

SUBJECT: **2024 ASSESSMENT ROLL FORECAST**

I am pleased to report that the *2024 Assessment Roll Forecast* projects a 4.75% increase over the prior fiscal year with an estimated record-breaking net local roll value over \$2 trillion. This projected increase reflects a mix of market conditions that occurred in 2023. While the real estate market faced a significant decline in sales volume compared to 2022, home prices remained strong through 2023, with the median single-family home value reaching as high as \$900,000 in September. Despite the decline in sales volume, property transfers continue to be the largest positive contributor to the Assessment Roll estimated at more than \$51 billion, followed by the annual CPI inflation adjustment mandated under Proposition 13 that reached its full potential of 2% and will add an estimated \$39 billion to the Roll.

These projections are based on the best information available at this time; however, there are several factors that are subject to change as my staff continues to work diligently to process all assessable values and exemptions prior to roll closure. Therefore, we cannot guarantee the accuracy of these estimates until the final release of the Assessment Roll scheduled in July 2024.

If you have any questions or need additional information, please feel free to call me directly or your staff may contact Chief Deputy Assessor, George Renkei at (213) 974- 3101.

JP:GR:TO:mm

Attachments (2)

c: Supervisor Lindsey P. Horvath, Chair, Third District
Supervisor Hilda L. Solis, First District
Supervisor Holly J. Mitchell, Second District
Supervisor Janice Hahn, Fourth District
Supervisor Kathryn Barger, Fifth District
Oscar Valdez, Auditor-Controller
Elizabeth Buenrostro Ginsberg, Treasurer and Tax Collector
Jeff Levinson, Interim Executive Officer

2024 Forecasted Roll Change from 2023 Year-End

Components of Change	\$ Change in Billions	% Roll Change ⁺
Annual Inflation-Adjusted Trend (Prop. 13 Max. of 2%)	\$39.012	1.89%
Property Transfers	\$51.800	2.50%
Construction	\$6.000	0.29%
Personal Property & Fixtures	\$2.500	0.12%
*Special Property Use Types	-\$0.100	0.00%
Decline-in-Value and Other Adjustments	<u>-\$2.100</u>	<u>-0.10%</u>
TOTAL GROSS ROLL	\$97.112	4.69%
Major Exemptions	<u>-\$2.214</u>	
TOTAL LOCAL ROLL (After Major Exemptions)	\$94.898	4.74%
Homeowners' Exemptions	<u>\$0.039</u>	
NET LOCAL ROLL (After all Exemptions)	\$94.937	4.75%

+ Percentage breakdown might not add up to total percentage due to rounding.

* Special Property Use Types comprise properties of various use, such as mining rights, water rights, water distribution, possessory interest, and mobile homes. For 2024, this component also includes \$400 million in new construction value for SoFi Stadium and YouTube Theater.

2024 Assessment Roll Forecast

Summary

The 2024 assessment roll is projected to increase 4.75% from the prior year. This forecast reflects a mix of market conditions and production challenges.

Inflation Adjustment (CCPI)

The inflation adjustment is one of the most significant contributors to the growth of the assessment roll. This year the California Consumer Price Index trended beyond the maximum allowable 2% inflation factor. This component will add an estimated \$39 billion to the 2024 assessment roll.

Property Transfers

Property transfers are expected to serve as the largest contributor to the growth of the 2024 assessment roll. Although sales volume declined significantly compared to 2022, home prices remained strong through 2023, with the median single-family home value reaching as high as \$900,000 in September. Prior-year property transfers also supplemented growth in this component. Transfers are expected to add more than \$51 billion.

New Construction

Newly certified appraisers focused much of their effort on new construction, resulting in improved expectations for this component compared to last year. Major construction projects such as the Intuit Dome also contributed significant value. As a result, we anticipate moderate assessment growth from this component. New construction is expected to add approximately \$6 billion to the 2024 assessment roll.

Personal Property & Fixtures

Despite softening labor markets and consumer demand, early indicators suggest a continuation of the ongoing investment cycle in personal property and fixtures. However, high interest rates intended to counteract inflation temper our expectations. Much of the work for this component is processed in May and June and is therefore difficult to predict. We project that personal property and fixtures will contribute roughly \$2.5 billion to the growth of the 2024 assessment roll.

Special Property Use Types

Special property use types comprise properties of various use, such as mining rights, water rights, water distribution, possessory interests, and mobile homes. For the 2024 roll this component also includes \$400 million for major construction projects, including SoFi Stadium and YouTube Theater. This component is projected to reduce the assessment roll by approximately \$100 million, primarily due to a decrease in the price of oil.

Decline-in-Value and Other Adjustments

The increase in Assessment Appeals Board scheduling has driven an increase in the number and amount of assessment reductions stemming from appeals. As a result, we expect decline-in-value reductions to result in a decrease of more than \$2 billion from the assessment roll.