



**OFFICE OF THE ASSESSOR
COUNTY OF LOS ANGELES**

500 WEST TEMPLE STREET, ROOM 320
LOS ANGELES, CALIFORNIA 90012-2770

(213) 974-3101

assessor.lacounty.gov

SANTOS H. KREIMANN
CHIEF DEPUTY ASSESSOR

May 15, 2013

TO: William T Fujioka
Chief Executive Officer

FROM: SANTOS H. KREIMANN

SUBJECT: **2013 ASSESSMENT ROLL FORECAST**

Attached is the 2013 Assessment Roll Forecast. For the third consecutive year, the Office of the Assessor is anticipating an increase in the Assessment Roll. We project that the 2013 Assessment Roll will increase by approximately 4.23 percent.

The estimate is based on the best information available at this time; however, there are several areas that are subject to change as new trends emerge. These include the extent of growth in business equipment, personal property and fixtures, new construction, and special property use types.

If you have any questions or need additional information, please call me at (213) 974-3101.

SK:jc

Attachment



LOS ANGELES COUNTY ASSESSOR
500 WEST TEMPLE STREET
LOS ANGELES, CALIFORNIA 90012-2770
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1.888.807.2111



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GEORGE RENKEI
ASSISTANT ASSESSOR

SHARON MOLLER
ASSISTANT ASSESSOR

2013 Assessment Roll Forecast **May 15, 2013**

The role of the Office of the Assessor is to determine the fair market value of taxable property in the county as of January 1st of each year. The 2013 Assessment Roll Forecast is an estimate of the Los Angeles County assessment roll as of January 1, 2013 and the corresponding changes from the prior year. In compliance with Section 27421 of the California Government Code, this Assessment Roll Forecast is the estimation of the 2013 Assessment Roll prior to its completion on July 1, 2013.

Decline-in-Value Reviews

In 1978, California voters passed a constitutional amendment that allows for a temporary reduction in assessed value when a property suffers a "Decline-in-Value." Decline-in-Value adjustments are temporary value reductions applied to properties when the total assessed value is greater than the current market value as of January 1st. Under state law, the Assessor must enroll either a property's adjusted base year value (Proposition 13 value) or its current market value, whichever is *less*. In April 2013, the Office of the Assessor was reviewing nearly 385,000 "Decline-in-Value" properties with an estimated value of over \$180 Billion. These properties represent a substantial portion of the assessment roll. Our review is nearly complete with less than 40,000 properties remaining to be analyzed.

Signs of Real Estate Market Recovery

Strength in the residential real estate market is the primary element supporting the following added value estimates:

- Changes of Ownership (Transfers) estimated to be \$18.5 Billion
- Decline-in-Value reviews estimated to be \$9 Billion
- Annual inflation-adjusted trend (Consumer Price Index) estimated to be \$17.2 Billion

Forecast Increase in the Assessment Roll

The previous decline in the real estate market resulted in decreasing assessment rolls from 2007 through 2010. The 2011 and 2012 assessment rolls reflected modest increases of 1.49% and 2.24%, respectively. Based on a variety of indicators, the Office of the Assessor estimates that the 2013 Assessment Roll will increase by approximately 4.23%.

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2013 Forecasted Roll Change From 2012 Year-End

Components of Change	Change In Billions	Percent of Roll Change
CPI (2.00%)	\$17.200	1.52%
Transfers	\$18.500	1.64%
Construction	\$3.600	0.32%
Personal Property & Fixtures	\$.600	0.05%
Special Property Use Types*	\$.100	0.01%
Decline-in-Value and Other Adjustments	<u>\$7.900</u>	0.70%
TOTAL LOCAL ROLL	\$47.900	4.24%
Exemptions	<u>-\$2.300</u>	
TOTAL LOCAL ROLL (After Exemptions)	\$45.600	4.19%
Homeowners' Exemptions	<u>\$0.120</u>	
NET LOCAL ROLL	\$45.720	4.23%**

*Special Property Use Types are comprised of properties of various use, such as mining rights, water rights, water distribution, possessory interest, and mobile homes.

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2013 Assessment Roll Forecast
Local Roll

SECURED VALUATION	2012 Actual Roll	2013 Roll Forecast	Percent Change
Land	\$565,726,962,871	\$590,698,165,236	
Improvements	\$506,570,178,750	\$528,898,868,885	
Personal Property	\$9,048,103,959	\$9,648,103,959	
TOTAL SECURED	\$1,081,345,245,580	\$1,129,245,138,079	
<u>Less: Exemptions</u>	-\$38,803,664,940	-\$40,882,960,312	
TOTAL SECURED VALUATION	\$1,042,541,580,640	\$1,088,362,177,767	4.40%
UNSECURED VALUATION			
Land	\$0	\$0	
Improvements	\$15,738,466,927	\$15,738,466,927	
Personal Property	\$33,477,057,263	\$33,477,164,763	
TOTAL UNSECURED	\$49,215,524,190	\$49,215,631,690	
<u>Less: Exemptions</u>	-\$4,090,852,318	-\$4,311,556,946	
TOTAL UNSECURED VALUATION	\$45,124,671,872	\$44,904,074,744	-0.49%
TOTAL VALUATION			
Total Secured & Unsecured	\$1,130,560,769,770	\$1,178,460,769,769	4.24%
<u>Less: Secured & Unsecured Exemptions</u>	-\$42,894,517,258	-\$45,194,517,258	
TOTAL LOCAL ROLL (After Exemptions)	\$1,087,666,252,512	\$1,133,266,252,511	4.19%
<u>Homeowners' Exemptions</u>	-\$7,980,742,436	-\$7,860,742,436	
NET LOCAL ROLL	\$1,079,685,510,076	\$1,125,405,510,075	4.23%

Source: Office of the Assessor, County of Los Angeles, 2013

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About the 2013 Assessment Roll Forecast

In preparing the 2013 Assessment Roll Forecast, the Office of the Assessor significantly revised the forecast approach and methodology. These enhancements were designed to improve the accuracy, transparency, and usefulness of the forecast. Below are highlights of these changes:

Increased Executive Oversight and Collaboration

Preparation of the 2013 forecast involved increased oversight and participation from the Executive Management Team (Chief Deputy, Assistant Assessors, and Directors) as well as increased collaboration between the Forecast Analysis Team and internal subject matter experts. In a series of Forecast Preparation Workshops, forecast data and analysis were presented, methodology assumptions were discussed, and the Executive Management Team collectively made the final decisions regarding the forecast.

Incorporation of Outside Experts and External Data Sources

With the assistance of the Chief Executive Office (CEO), input from outside experts was solicited for inclusion in forecast assumptions. The CEO is currently working with the Los Angeles Economic Development Corporation (LAEDC) to provide additional support in the future. In developing forecast assumptions, market data and analysis from well-known and respected real estate data firms (DataQuick, CoreLogic, and Case-Shiller) were incorporated. In addition, the timeliness of sales data available for analysis has been reduced from 4-6 weeks to 7-10 days.

New Quality Assurance Measures and Analytical Tools

In preparation for the 2013 forecast, all forecasting methodologies were analyzed to ensure the accuracy and availability of data and the efficiency of the quality assurance process. Adjustments and enhancements were made and additional data was integrated into the forecast process. In addition, the Assessor's Forecast Analysis Team worked with the Los Angeles County's Internal Services Department (ISD) to develop modernized forecast analytical tools using IBM Cognos Software.

Revised Components

The Forecast Change Component Categories are now aligned with the Office of the Assessor's Annual Report change component categories. This realignment reflects the actual value allocations published in the Annual Report as opposed to the estimated and methodology-driven value allocations traditionally published in the forecast. This allows for improved tracking of forecast estimates going forward and provides greater transparency for the public.