



JEFFREY PRANG
ASSESSOR
COUNTY OF LOS ANGELES

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

assessor.lacounty.gov

(213) 974-3101

May 13, 2016



*Valuing People
and Property*

TO: Sachi A. Hamai
Chief Executive Officer

FROM: JEFFREY PRANG 

SUBJECT: **2016 ASSESSMENT ROLL FORECAST**

The 2016 Assessment Roll forecast reflects a 5.05 percent increase over the prior tax lien year resulting in an estimated 2016 net local roll value of \$1.329 trillion. The projected increase is paced by the continuing strength of the real estate market and high construction demand for new multi-family residential properties in the Los Angeles County area. The two largest factors positively impacting the roll is the 1.525% consumer price index which increased the total roll value by nearly \$17.4 billion, and property transfers which are estimated to add \$38.4 billion to the assessment roll.

The projection is based on the best information available at this time. However, there are several areas that are subject to change as we continue to work diligently to process the last minute values. Consequently, we cannot fully guarantee the accuracy or completeness of this information until the final release of the Assessment Roll scheduled in July 2016.

If you have any questions or need additional information, please feel free to call me at (213) 974-3101 or your staff may contact my Assistant Assessor of Valuations, George Renkei at the same number.

JP:SHK

Attachments (2)

c: Supervisor Hilda Solis, Chair, First District
Supervisor Mark Ridley-Thomas, Second District
Supervisor Sheila Kuehl, Third District
Supervisor Don Knabe, Fourth District
Supervisor Michael D. Antonovich, Fifth District
Joseph Kelly, Treasurer and Tax Collector
John Naimo, Auditor-Controller
Lori Glasgow, Executive Officer

2016 Assessment Roll February Forecast

Inflation Adjustment (CPI)

The inflation adjustment is one of the most significant contributors to the growth of the assessment roll. For 2016, the inflation rate has been finalized by the State Board of Equalization at 1.525% thereby adding \$17.35 billion to the 2016 assessment roll.

Real Property Transfers

The real estate market remains strong given continued job growth, tight inventory supply, high property demand, and the prevalence of low interest rates. Transfers remain one of the highest priorities for the Office and are the largest contributing factor to the growth of the assessment roll. As a direct result of the continued real estate market strength in the Los Angeles County, transfers are projected to increase the assessment roll by \$38.43 billion.

New Construction

The construction sector continues to be robust, bolstered particularly by the development of multi-family residential properties. This growth remains a product of the improving economy and the ongoing strength of current demand. As a result of this market climate, the Office is witnessing the largest volume of construction permits received since 2009. More parcels now need to be reviewed. The Office is striving to work through this additional workload and backlog. New construction is projected to increase the assessment roll by \$5.13 billion.

Personal Property & Fixtures

The annual percentage change in value for personal property and fixtures has risen from a low of -5.20% in 2010 to a recent high of 3.11% in 2015 as the County emerged from the Great Recession. However, purchase orders for new manufacturing equipment deteriorated nationwide in the second half of 2015 as a result of slowing economic growth. The Office believes that new personal property and fixtures values will also weaken as a result of a rising U.S. Dollar and increasing business inventories. Despite the backdrop of positive economic activity and local job growth, a deterioration of business sentiment is anticipated to ease the acquisition rate of new business equipment. Meaningful assessment reductions are also anticipated for two key oil refineries as a result of reduced operating capacity and poor market conditions. The Office is currently projecting a 0.5% decrease for personal property and fixtures which results in a loss of \$0.37 billion to the 2016 assessment roll.

Special Property Use Types

The largest single variable responsible for the decline in special property use types are mining rights. The Office's finalized price for Brent crude oil has come down to \$41/bbl. This oil price is established through the determination of the Petroleum Standards Advisory Committee (PSAC). Projections on the price of oil have continued to fall due to the resilience of high global production and the prospect of slower demand growth. This lower oil price results in a 53% decline in mining rights values and is projected to reduce the assessment roll by \$1.54 billion.

Decline-in-Value and Other Adjustments

The total number of decline-in-value reviews for this year is 201,000. The Office projects this component will add \$6.07 billion to the assessment roll. This estimate is based on the most recent sales data, and is subject to change as new information becomes available. The current projection is based on 82% of total volume posted.

2016 Forecasted Roll Change From 2015 Year-End

Components of Change	Change in Billions	Percent of Roll Change ⁺
CPI (1.525%)	\$17.351	1.31%
Transfers	\$38.430	2.91%
New Construction	\$5.130	0.39%
Personal Property & Fixtures	-\$0.367	-0.03%
Special Property Use Types*	-\$1.535	-0.12%
Decline-in-Value and Other Adjustments	<u>\$6.065</u>	<u>0.46%</u>
TOTAL GROSS ROLL	\$65.074	4.93%
Major Exemptions	<u>-\$1.365</u>	
TOTAL LOCAL ROLL (After Major Exemptions)	\$63.709	5.01%
Homeowners' Exemptions	<u>\$0.126</u>	
NET LOCAL ROLL	\$63.835	5.05%

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

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