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May 15, 2015

TO: Sachi A. Hamai
Interim Chief Executive Officer

FROM: Jeffrey Prang
Los Angeles County Assessor

SUBJECT: **2015 ASSESSMENT ROLL FORECAST**

Attached is the 2015 Assessment Roll Forecast. For the fifth consecutive year, the Office of the Assessor is anticipating an increase in the Assessment Roll. At this time we project that the 2015 Assessment Roll will increase by approximately 5.92 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. Therefore, we cannot fully guarantee the accuracy or completeness of this information until the final release of the Roll in July.

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

MK

Attachment

c: Mayor Michael Antonovich, Fifth District
Supervisor Hilda Solis, First District
Supervisor Mark Ridley-Thomas, Second District
Supervisor Sheila Kuehl, Third District
Supervisor Don Knabe, Fourth District
Joseph Kelly, Treasurer and Tax Collector
John Naimo, Auditor-Controller
Patrick Ogawa, Executive Office



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*Valuing People
and Property*

**2015 Assessment Roll Forecast
May 15, 2015**

The Office of the Assessor is tasked with determining the fair market value of all taxable property in the county as of January 1st of each year. The 2015 Assessment Roll Forecast is an estimate of the Los Angeles County assessment roll as of January 1, 2015 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 2015 Assessment Roll prior to its completion on July 1, 2015.

Forecast Increase in the Assessment Roll

In 2014 the real estate market in Los Angeles County continued its recovery from the 2007-2008 recession. As a result of the recession and real estate market decline, Los Angeles County experienced decreasing assessment rolls from 2007 through 2010. The 2011, 2012, 2013, and 2014 assessment rolls reflected modest to substantial increases of between 1.36% and 5.47%.

Based on a variety of indicators, the Office of the Assessor estimates that the 2015 Assessment Roll will increase between 5.37% and 6.40%. This 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.

Real Estate Market Recovery

The largest single variable responsible for the increase in the assessment roll forecast is transfers. This category is forecast to increase the assessment roll by approximately 3.05%. This is a direct result of continued strength in the Los Angeles County real estate market. Decline-in-value restorations, new construction, and the annual inflation-adjusted trend (Consumer Price Index) are additional contributors to the forecast increase at 0.74%, 0.37%, and 1.65% respectively. The Office of the Assessor is currently projecting the following changes in the 2015 Assessment Roll:

- Changes of Ownership (Transfers) estimated to add \$37.982 billion
- Decline-in-Value reviews estimated to add \$9.252 billion
- New Construction is estimated to add \$4.591 billion
- Annual inflation-adjusted trend (Consumer Price Index) estimated to add \$20.6 billion

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. Conversely, under state law, as market conditions improve and a property's market value increases, the Assessor must "restore" the assessed value back to the adjusted base year value. The Office of the Assessor has nearly completed its review of approximately 241,500 "decline-in-value" properties. Due to the continued real estate market recovery, this year's decline-in-value review includes significantly more "restorations" of assessed value than reductions.

DISCLAIMER

This estimate is subject to change as new information becomes available. The Office of the Assessor does not guarantee the accuracy or completeness of any information contained herein and specifically disclaims all warranties express or implied with respect to the use of this information or any results with respect thereto.



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2015 Forecasted Roll Change from 2014 Year-End

Components of Change	Change	Percent of Roll Change
CPI (1.9980 %)	\$20.600	1.65%
Transfers	\$37.982	3.05%
Construction	\$4.591	0.37%
Personal Property & Fixtures	\$1.780	0.14%
Special Property Use Types ¹	-\$1.676	-0.13%
Decline-in-Value and Other Adjustments	<u>\$9.252</u>	<u>0.74%</u>
TOTAL LOCAL ROLL	\$72.529	5.82%
Exemptions	<u>-\$2.029</u>	
TOTAL LOCAL ROLL (After Exemptions)	\$70.500	5.88%
Homeowners' Exemptions	<u>\$0.040</u>	
NET LOCAL ROLL	\$70.540	5.92%

¹ 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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2015 Assessment Roll Forecast
Local Roll

SECURED VALUATION	2014 ACTUAL ROLL	2015 ROLL FORECAST	PERCENT CHANGE
Land	\$632,157,301,551	\$669,788,554,909	
Improvements	\$554,226,580,925	\$587,322,096,197	
Personal Property	\$9,557,105,827	\$11,336,609,827	
TOTAL SECURED	\$1,195,940,988,303	\$1,268,447,260,933	
<u>Less: Exemptions</u>	-\$42,979,477,731	-\$44,826,119,935	
TOTAL SECURED VALUATION	\$1,152,961,510,572	\$1,223,621,140,998	6.13%
UNSECURED VALUATION			
Land	\$0	\$0	
Improvements	\$16,030,799,386	\$16,030,799,386	
Personal Property	\$34,746,230,922	\$34,746,347,565	
TOTAL UNSECURED	\$50,777,030,308	\$50,777,146,951	
<u>Less: Exemptions</u>	-\$4,191,273,198	-\$4,373,879,994	
TOTAL UNSECURED VALUATION	\$46,585,757,110	\$46,403,266,957	-0.39%
TOTAL VALUATION			
TOTAL SECURED & UNSECURED	\$1,246,718,018,611	\$1,319,224,407,884	5.82%
<u>Less: Secured & Unsecured Exemptions</u>	-\$47,170,750,929	-\$49,199,999,929	
TOTAL LOCAL ROLL (After Exemptions)	\$1,199,547,267,682	\$1,270,024,407,955	5.88%
<u>Homeowners' Exemptions</u>	-\$7,740,295,064	-\$7,700,000,064	
NET LOCAL ROLL	\$1,191,806,972,618	\$1,262,324,407,891	5.92%

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