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May 15, 2017

TO: Sachi A. Hamai
Chief Executive Officer

FROM: Jeffrey Prang
Assessor

SUBJECT: **2017 ASSESSMENT ROLL FORECAST**

The 2017 Assessment Roll Forecast reflects a 6.02% increase over the prior tax year amounting to an estimated 2017 net local roll value of \$1.415 trillion. This projected increase is the result of continued strength in the real estate market and high construction demand for new multi-family residential properties in Los Angeles County. The two largest factors positively impacting the roll are the 2% trend factor which will increase the total by approximately \$24.4 billion, and property transfers which are estimated to add more than \$42 billion.

These projections are 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 all assessable values and close the roll. Therefore, we cannot fully guarantee the accuracy of these estimates until the final release of the Assessment Roll scheduled in July 2017.

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

JP:SHK:GR:jc

Attachments (2)

- c: Supervisor Hilda Solis, First District
- Supervisor Mark Ridley-Thomas, Chair, Second District
- Supervisor Sheila Kuehl, Third District
- Supervisor Janice Hahn, Fourth District
- Supervisor Kathryn Barger, Fifth District
- Lori Glasgow, Executive Officer
- Mary Wickham, County Counsel
- John Naimo, Auditor-Controller
- Joseph Kelly, Treasurer and Tax Collector

2017 Forecasted Roll Change From 2016 Year-End

Components of Change	Change in Billions	Percent of Roll Change ⁺
CPI (2%)	\$24.413	1.76%
Transfers	\$42.084	3.03%
New Construction	\$6.234	0.45%
Personal Property & Fixtures	\$2.068	0.15%
Special Property Use Types*	\$1.385	0.10%
Decline-in-Value and Other Adjustments	<u>\$5.850</u>	<u>0.42%</u>
TOTAL GROSS ROLL	\$82.034	5.90%
Major Exemptions	<u>-\$1.605</u>	
TOTAL LOCAL ROLL (After Major Exemptions)	\$80.429	5.99%
Homeowners' Exemptions	<u>-\$0.003</u>	
NET LOCAL ROLL	\$80.426	6.02%

+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.

2017 Assessment Roll May Forecast

Inflation Adjustment (CPI)

The inflation adjustment is one of the most significant contributors to the growth of the assessment roll. For 2017, the rate was finalized at 2%, which will add \$24.4 billion to the 2017 assessment roll.

Transfers

The real estate market remains strong as job growth approaches full employment and interest rates remain low. This has created greater demand for housing as millennials begin to enter the market. Property transfers and sales continue to be the highest contributing factor to the growth of the assessment roll. As a direct result of the continued real estate market strength in Los Angeles County, property sales are projected to increase the assessment roll by more than \$42 billion.

New Construction

New Construction remains strong with a trend toward the development of multi-family residential properties. This growth remains a product of the improving economy and the ongoing strength of current housing demand. As a result of this market climate, the Office is witnessing the largest volume of construction permits received since 2009. This additional workload has created the need to hire more appraisers in order to minimize backlogs. New construction is projected to increase the assessment roll by approximately \$6.2 billion.

Personal Property and Fixtures

The estimate for personal property and fixture values reflects growing optimism in the market as business owners increase their investments in equipment, machinery, computers, furniture, supplies, etc. In addition, we are expecting an increase in aircraft valuations as a result of the anticipated statewide change in the assessment methodology. Most of the work is processed in May and June and is therefore very difficult to predict. The Office projects growth in the range of 1 to 5 percent for personal property and fixtures and anticipates an approximate increase of \$2 billion.

Special Property Use Types

Possessory interest assessments and mining rights are the two major contributing factors to this particular forecast component. The value of privately held interests in government property are anticipated to increase with new leases of commercial and residential development. We are also anticipating increases in the assessed valuation of mining rights as the price of crude oil increases. This component is projected to add approximately \$1.4 billion to the 2017 assessment roll.

Decline-in-Value and Other Adjustments

Due to the continued strength of the real estate market, the number of properties with reduced assessments has been trending downward. We completed approximately 150,000 decline-in-value reviews this year, which is down from 201,000 last year. The Office projects this component will restore more than \$5.5 billion to the assessment roll.