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*Valuing People  
and Property*

May 17, 2018

TO: Sachi A. Hamai  
Chief Executive Officer

FROM: Jeffrey Prang  
Assessor

SUBJECT: **2018 ASSESSMENT ROLL FORECAST**

The 2018 Assessment Roll Forecast reflects a 6.0% increase over the prior tax year amounting to an estimated net local roll value of \$1.5 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 continue to be the 2% CPI Inflation Adjustment and Property Transfers. The 2% adjustment will increase the total by approximately \$26.5 billion and Transfers are estimated to add more than \$45 billion.

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. Therefore, we cannot fully guarantee the accuracy of these estimates until the final release of the Assessment Roll scheduled in July 2018.

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

Attachments (2)

c: Supervisor Sheila Kuehl, Chair, Third District  
Supervisor Hilda Solis, First District  
Supervisor Mark Ridley-Thomas, Second District  
Supervisor Janice Hahn, Fourth District  
Supervisor Kathryn Barger, Fifth District  
Joseph Kelly, Treasurer and Tax Collector  
John Naimo, Auditor-Controller  
Celia Zavala, Acting Executive Officer

### 2018 Forecasted Roll Change From 2017 Year-End

Components of Change	Change in Billions	Percent of Roll Change <sup>+</sup>
CPI (2%)	\$26.500	1.80%
Transfers	\$45.400	3.08%
New Construction	\$8.300	0.56%
Personal Property & Fixtures	\$2.000	0.14%
Special Property Use Types*	\$.700	0.05%
Decline-in-Value and Other Adjustments	<u>\$4.300</u>	<u>0.29%</u>
<b>TOTAL GROSS ROLL</b>	<b>\$87.200</b>	<b>5.92%</b>
Major Exemptions	<u>-\$2.246</u>	
<b>TOTAL LOCAL ROLL (After Major Exemptions)</b>	<b>\$84.954</b>	<b>5.97%</b>
Homeowners' Exemptions	<u>-\$0.019</u>	
<b>NET LOCAL ROLL</b>	<b>\$84.935</b>	<b>6.00%</b>

+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.

## 2018 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 2018, the inflation adjustment rate was finalized at 2%, which will add \$26.5 billion to the 2018 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 purchase homes. Transfers 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, transfers are projected to increase the assessment roll more than \$45 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 of 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 \$8.3 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. The Office projects growth in the range of 1 to 5% for personal property and fixtures which is expected to result in a midpoint increase of approximately \$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 and 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 \$0.7 billion to the 2018 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. There are approximately 119,000 mandatory reviews this year, which is down from 150,000 last year. The Office projects this component will add approximately \$4.3 billion to the assessment roll.