

Understanding Chapter 8 Agreement Sales



Treasurer and Tax Collector



Overview

This is a presentation that the Los Angeles County (LAC) Treasurer and Tax Collector (TTC) conducts for various stakeholders interested in a general overview and understanding of Chapter 8 Agreement Sales. The TTC staff compiled this information from various sources including the State law, the State Controller's Office and the LAC TTC Chapter 8 Agreement Sale practices and policies. This information is not intended, and should not be taken, as legal advice on any particular set of facts or circumstances. For information about a particular property or the Chapter 8 Agreement Sale process, please contact the Tax-Defaulted Land Section at ch8@ttc.lacounty.gov.



What is a Chapter 8 Agreement Sale?

A purchase of tax-defaulted property by an “Eligible Entity” to:

- Build or rehabilitate single-family or multi-family dwellings for sale or rent to low-income persons, or for other uses to serve low-income persons; or
- Dedicate vacant land for public use; or
- Use for government or public purpose.



What is an Eligible Entity?

- Public Agencies, or
- Nonprofits



Public Agencies Defined

- Taxing Agency (R&TC § [121](#))
 - State, counties, cities, and other state agencies
- Revenue District (R&TC § [122](#))
 - Flood Control Districts, School Districts
- District or Special Districts (Gov. Code § [56036](#))
 - An agency of the State

Note: Consult with your counsel or legal adviser regarding the determination of public agency status.



Nonprofits Defined

Nonprofit organizations must be incorporated in the State of California pursuant to Part 2 (commencing with Section 5110) of Division 2 of Title 1 of the Corporations Code, and include in their articles of incorporation, an express purpose of acquiring property for the benefit of low-income persons or for public use (R&TC §§ [3795.5](#) and [3772.5](#))

Note: Consult with your counsel or legal adviser regarding the determination of nonprofit status.



How long is the Chapter 8 Agreement Sale process?

The entire process can take between 6 to 12 months from the date the TTC receives the application and fee. This estimate is dependent on the type and complexity of the project and the timely receipt of all required documentation.

The steps in the process are as follows:



What are the Steps Involved in the Process?

1. Eligible Entity requests notification of upcoming tax-defaulted auctions
2. Eligible Entity files an application
3. The TTC reviews the application and determines if CDC approval is also required
4. CDC review and approval (if applicable)
5. The TTC determines the purchase price and mails an agreement to purchase to the Eligible Entity for signature
6. Approval process
7. The TTC conducts the sale
8. The sale is consummated
9. Eligible Entity must abide by all deed restrictions



Step 1: Eligible Entity Requests Notification of Upcoming Tax-Defaulted Auctions

How can an Eligible Entity Identify Tax-Defaulted Properties?



- The Notice of Sale to Eligible Entity
 - The TTC sends notice to local government agencies and nonprofits that request to be notified of any tax-defaulted auction (R&TC §[3700](#))
 - email the Tax-Defaulted Land Section at ch8@ttc.lacounty.gov to be added to our notification listing (must renew this request every year by July 1 to receive the notice for the period of July 1 to June 30.)



Step 2: Eligible Entity Files an Application



How does an Eligible Entity File an Application?

It depends on the status of the tax-defaulted property, at the time of inquiry.

- If a property is currently scheduled for a tax-defaulted auction, the Eligible Entity must send both an [objection letter and file an application](#).
- If a property is not currently scheduled for a tax-defaulted auction, but was previously, the Eligible Entity must file an [application](#).



Step 3: TTC Reviews the Application and Determines if CDC Approval is Also Required



TTC Reviews the Application

- Application Complete?
 - \$100 Application Fee (non-refundable)
 - Objection Letter (if necessary) with Stated Purpose
 - Articles of Incorporation*
 - Resolution from Governing Body
 - Substandard Certification (improved property only)*
- Property Eligible for Sale?

*Required for Nonprofit Organizations



TTC Reviews the Eligible Entity

- Government Agency Project
 - TTC prepares Sale Agreement
- Nonprofit Project involving Vacant Land for Public Use (i.e. a public park or other projects excluding housing)
 - TTC prepares Sale Agreement
 - No CDC involvement
- Nonprofit Project for Rehabilitation or Development of Low-Income Housing
 - TTC forwards application to CDC



Step 4: CDC Review and Approval (if applicable)



CDC Review and Approval

- Required for projects involving rehabilitation or development of low-income housing.

The CDC:

- Verifies project compliance with local jurisdiction's consolidated plan (R&TC § [3795.5](#))
- Verifies nonprofit's capacity and financial ability to complete project
- Monitors compliance after project is completed



Step 5: TTC Determines Purchase Price and Mails Agreement to Eligible Entity for Signature

How is the Purchase Price Calculated?



- The purchase price is typically the total amount of the defaulted taxes (unless otherwise stated by the TTC), plus costs of the sale.
- Costs of the sale include:
 - \$100 fee for the Initial Application (non-refundable)
 - \$300 fee for Notifications
 - The actual costs of publishing (based on the local newspaper charges)
 - The actual costs of postage (based on the certified mail costs to parties of interest)
 - \$145 fee for the Party of Interest/Title Report
 - \$1.50 State Fee
 - CDC fees, if applicable (see CDC costs page 20)



CDC Costs

WHEN	COST	DESCRIPTION	COMMENTS
APPLICATION SUBMITTAL:	\$864	Nonprofit qualification and capacity assessment	One-time fee; nonrefundable
	\$514	Property review	
	\$304	Draft Agreement for Sale with conditions	
Application Period Subtotal:	\$1,682		Cashier's check to accompany application
PRIOR TO NOTICE TO PROCEED:	\$1,921	Project review and underwriting (compliance with conditions and financial feasibility)	
	\$1,051	Construction monitoring	Covers 3 inspections; refund if fewer than 3 inspections or additional fee for more inspections (construction period inspections \$210; final inspection \$631)
	\$817	Initial affordability compliance monitoring	
	\$537	Ongoing affordability compliance (1-4 units)	
	\$1,074	Ongoing affordability compliance (5+ units)	
	\$537	Change of Title	
Total for 1-4 units	\$6,545		
Total for 5+ units	\$7,082		

All payments must be made in the form of a cashier's check made payable to the Los Angeles County Community Development Commission.



Step 6: Approval Process



Approval Process

The purchase price, and proposed use of the property must be approved by the County Board of Supervisors (R&TC §[3794.3](#)) and the State Controller's Office (R&TC §[3795](#)).

- If the purchaser is the State of California or a county, and the property lies within the boundaries of a city, the city must approve the purchase price at a public hearing that has been duly noticed. (R&TC §[3775](#))

(continued next page)



Approval Process

- If the purchaser is a city, the signatories to the agreement are the governing body of the city, the County Board of Supervisors, and the State Controller's Office.
- If the purchaser is a taxing agency, the signatories to the agreement are the governing body of the taxing agency, the County Board of Supervisors, and the State Controller's Office.



Step 7: TTC Conducts the Sale



Preparation Prior to Sale

- A Chapter 8 Agreement Sale must contain all components of any other tax-defaulted auction
 - Certified mailing to all Parties of Interest no less than 45 days prior to the date of the sale
 - Newspaper publications no less than 21 days prior to the date of the sale



Effective Date of the Sale

- The TTC sets the effective date of the sale based on the legally required notice periods.
- The TTC sends notice of the effective date of the sale to the Eligible Entity purchasing the property.



The Rights of Property Owners

Property owners retain all rights to the property, and the right to redeem taxes until 5:00 p.m. Pacific Time, the last business day before the effective date of the sale.



Step 8: The Sale is Consummated



The Sale is Consummated

- After the effective date of the sale has passed, the TTC issues a demand for payment letter to the Eligible Entity, who then has 14 calendar days to deliver payment
- Upon negotiation of the payment, the TTC records the tax deed (R&TC §[3708.1](#)), which references the Agreement and the intended use of the property
- The CDC requires progress reports for nonprofit low-income housing projects



Step 9: Eligible Entity Must Abide by all Deed Restrictions



Deed Restrictions

- The Tax Deed to the Eligible Entity will reference the Sale Agreement
 - The property must be used for the stated purpose in the agreement or the agreement may be voided
- The CDC monitors affordability:
 - At initial sale for residential units that are owner occupied
 - On an annual basis for rental units
 - 15 Years for 2-4 Units
 - 20 Years for 5+ Units



Statute of Limitations



Chapter 8 Agreement Sale Statute of Limitations

- Within one year of the execution of the tax deed, any party involved in the sale may file a court proceeding to overturn the sale (R&TC §[3809](#)).
- An Eligible Entity is strongly cautioned against making any improvements to the property or obtaining financing until after this period has lapsed.
- If a Sale by Agreement is overturned by the court, the TTC will refund the purchase price plus interest at the County Pool Apportionment Rate to the Eligible Entity.

Note: Any costs associated with maintenance, improvements, financing, etc., are forfeited.



Other Important Links

On November 8, 2006, the Treasurer and Tax Collector and the Community Development Commission, [entered into an agreement](#) for which the primary purpose was to ensure only qualified nonprofit organizations participate in the Chapter 8 program.

On November 18, 2011, the Treasurer and Tax Collector issued a [report to the Board of Supervisors](#), evaluating the Chapter 8 program, on the fifth year anniversary of the Program.

[Chapter 8 General Information Packet](#)



QUESTIONS?
Email the Tax-Defaulted Land
Section at:

ch8@ttc.lacounty.gov