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January 29, 2019

TO: Supervisor Janice Hahn, Chair
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Supervisor Kathryn Barger

FROM: Joseph Kelly *JKelly*
Treasurer and Tax Collector

Monique King-Viehl
Monique King-Viehl
Executive Director
Community Development Commission/Housing Authority

**SUBJECT: SEMI-ANNUAL STATUS REPORT BACK TO THE BOARD –
OCTOBER 31, 2017, AGENDA ITEM NO. 8 USING
THE CHAPTER 8 SALE PROCESS TO CREATE
AFFORDABLE HOUSING AND OPEN SPACE**

On April 13, 2018, we issued a report to your Board in response to the motion of October 31, 2017, related to "Using the Chapter 8 Sale Process to Create Affordable Housing and Open Space." The report provided a review of operational aspects of the Chapter 8 Program including:

- Standardization of Property Characteristics, Regular Reporting and/or Information sharing;
- Improved Efficiencies in the Chapter 8 Sale Process;
- Revised Memorandum of Understanding (MOU) and Updated Chapter 8 Sale Guidelines and Documents;
- Affordable Housing Development Plan;
- Acquiring and Holding Chapter 8 Properties;
- Treasurer and Tax Collector (TTC) and Community Development Commission (CDC) Fee Studies;
- Workgroup and Outreach Efforts; and
- Upcoming Objectives.

We committed to provide semi-annual status reports to your Board, beginning in the fall of 2018, for a period of two years. This report constitutes the first semi-annual status report.

STANDARDIZATION OF PROPERTY CHARACTERISTICS, REGULAR REPORTING AND/OR INFORMATION SHARING

The TTC created a registration module, as part of the development of the Chapter 8 Web Portal (Web Portal), which enables nonprofit organizations to request notices of tax sales and a list of tax-defaulted properties online. The TTC designed the registration module to satisfy the Revenue and Taxation Code Section 3700 requirement that nonprofit organizations request the tax-defaulted property list annually.

Pursuant to State law, nonprofit organizations may purchase the following tax-defaulted properties through the Chapter 8 Sale Program:

- Residential dwellings in need of rehabilitation (i.e., repairs and improvements made to a substandard building, as defined in Section 17920.3 of the Health and Safety Code) that will be for sale or rent to low-income persons, or for other use to serve low-income persons; and
- Vacant land for construction of residential dwellings and subsequent sale or rent to low-income persons, other use to serve low-income persons, or dedication of that vacant land to public use.

Depending on the location of the property, either a city's building and safety department or the Department of Public Works (DPW) has the statutory responsibility to deem a property substandard. However, nonprofit organizations have expressed difficulty in identifying substandard properties and providing the TTC with documentation that supports the substandard condition. This has impeded nonprofit organizations' ability to purchase residential properties in need of rehabilitation under the Chapter 8 Sale Program.

To address this concern for properties located within the DPW's jurisdiction, the TTC, in collaboration with the DPW, developed a process to identify substandard tax-defaulted properties Subject to the Tax Collector's Power to Sell. On a monthly basis, the DPW will provide to the TTC a report of properties deemed substandard, which the TTC will then update on the Web Portal. This collaboration greatly improves the nonprofit organizations' ability to identify substandard residential properties in the unincorporated areas and the DPW's contracted cities, which include:

- Artesia
- Carson

- Cerritos
- Industry
- Irwindale
- La Canada Flintridge
- Lakewood
- La Mirada
- Lawndale
- Lomita
- Rolling Hills
- Rolling Hills Estates
- Santa Fe Springs
- Westlake Village

There are currently 7,130 tax-defaulted properties Subject to the Tax Collector's Power to Sell that are potentially eligible for a Chapter 8 Agreement Sale. Within this population, the TTC identified 802 improved residential properties, 167 of which are located in unincorporated areas of the County, and 635 located in incorporated cities.

Of the 167 properties in unincorporated areas, the DPW identified 31 properties as substandard. However, to address the concern of identifying substandard properties not within DPW's jurisdiction, the TTC intends to conduct outreach to those cities that have the greatest number of residential improved properties. Of the 635 properties located in incorporated cities, the TTC noted that 461 (73%) are located in four incorporated cities, as follows:

Los Angeles	330
Lancaster	71
Palmdale	33
Long Beach	27

Until the TTC can develop centralized clearance processes with these cities, the TTC, in collaboration with the CDC and public agencies, developed two forms: a Substandard Conditions and Intended Use form, and a Zoning Verification form. These forms assist nonprofit organizations, with obtaining verification from the local building and safety officials that a property is deemed substandard, and in notifying the local jurisdictions of the nonprofit organizations' project-specific information.

The TTC expects the Web Portal and registration module to go live in February 2019.

IMPROVED EFFICIENCIES IN THE CHAPTER 8 SALE PROCESS

The CDC requires separate applications for residential and non-residential projects and has updated its application evaluation process by dividing it into two phases:

Threshold Review

In the Threshold Review phase, the CDC evaluates the experience of the applicants and feasibility of the project. Applications that pass the Threshold Review will proceed to the Technical Review phase to evaluate project readiness. The Project Managers in the CDC Housing Investment and Finance Division will perform reviews for residential projects and the Development Specialists in the CDC Community Development Division for non-residential projects.

At the Threshold Review phase, the CDC will provide guidance to help nonprofit organizations achieve compliance with local planning and building and safety department requirements.

Technical Review

At the Technical Review phase, the applicants would then be able to submit their completed application and supplemental material. There will be a fee associated with each review. However, those applicants that do not advance to the Technical Review phase will not incur additional fees required under this review phase, thus preserving the nonprofit organizations' resources. Further, at the CDC's discretion, it will refer non-residential applications for additional review to other County departments, commissions, and related agencies that have responsibilities associated with the proposed use.

These updates to the application evaluation process should simplify and streamline the Chapter 8 Sale Process to prevent inexperienced nonprofit organizations from investing resources on impractical projects, and to also provide developers additional time to complete certain steps that require long lead times.

REVISED MOU AND UPDATED CHAPTER 8 SALE GUIDELINES AND DOCUMENTS

The TTC and the CDC drafted revisions to the 2006 MOU and to the existing residential agreement, and drafted new agreements for purposes other than residential housing. The two agencies will use these agreements for nonprofit organization projects, which either serve low-income persons or are for public use. Examples of public use include projects that provide public benefit, such as promoting economic development and eliminating blight, (e.g., public parks and senior centers).

In consultation with the County Counsel, the TTC and the CDC have:

- Added terms that include default, breach, and cure provisions to ensure that the agreements remain project, purpose, and parcel specific;
- Proposed revisions to Covenants, Conditions and Restrictions that include:
 - Affordability Periods of 20 years to ensure long-term affordability of residences for sale, resale and rent;
 - Service Periods of 20 years to ensure exclusive use of non-residential properties to serve low-income persons; or
 - Public Use Periods to ensure that vacant property is dedicated to actual public use, or to provide a public benefit.
- Established a resale restriction to ensure that the property remains affordable long-term;
- Established procedures for the TTC to record the Purchase and Sale Agreement as part of the Tax Deed to Purchaser to ensure the terms of the sale remain with the property; and
- Established the requirement for nonprofit organizations to submit to the CDC annual self-certifications of compliance, with the restrictions on the use of properties, to ensure that the intended public purpose continues to be fulfilled.

AFFORDABLE HOUSING DEVELOPMENT PLAN

Currently, the DPW and the Department of Regional Planning (DRP) charge entitlement and building and safety fees to review and approve certain construction projects. However, in accordance with Los Angeles County Code Title 26, Section 107.19 and Title 22, Section 60.135, the DPW and the DRP may waive these fees, and expedite case review for nonprofit organizations that construct low-income housing and receive a certificate from the CDC for this purpose.

To promote program participation and encourage the development of affordable housing units in the unincorporated areas of the County, the CDC will waive fees and expedite reviews for nonprofit organization applicants. The CDC will explore with the County Counsel the implications of fee waivers relative to prevailing wage requirements for certain nonprofit organizations. The CDC will advise those affected nonprofit organizations accordingly before providing the fee-waiver authorization.

ACQUIRING AND HOLDING CHAPTER 8 PROPERTIES

If the CDC purchases a property through the Chapter 8 Program, the goal will be to transfer the property to a pre-approved nonprofit organization, as quickly as possible, using an expedited request for proposals process. Nonprofit organizations that have developed a project with CDC funding, in the past five years, will be admitted automatically to the pre-approved list as these organizations have previously been screened for experience and the ability to complete projects successfully. Nonprofit organizations can request to be assessed and added to the pre-approved list by submitting a form provided on the Web Portal.

The CDC will randomize the order of nonprofit organizations on the pre-approved list, and then offer the property for sale and development to the nonprofit organizations, in sequential order, until the CDC accepts a nonprofit organization. Once accepted, the nonprofit organization will complete the program application and agree to pay the purchase price and holding costs. The selected nonprofit organization will not be eligible for another expedited sale, until all other nonprofit organizations on the pre-approved list are offered a property at least once. After all available nonprofit organizations on the pre-approved list are exhausted, the CDC will randomize the pre-approved list again for use by the next expedited sale.

TTC AND CDC FEE STUDIES

The TTC and the CDC will complete their respective fee studies within the next few months and submit to the Auditor-Controller for review and the Board for approval.

WORKGROUP AND OUTREACH EFFORTS

The TTC has begun to participate in the Office of the Assessor's (Assessor) Tax Seminars for Nonprofit and Exempt Organizations to introduce the Chapter 8 Sale Program to a larger group of nonprofit organizations. TTC staff attended two seminars in recent months.

The outreach and continued meetings with the Workgroup have raised awareness of the Chapter 8 Sale Program. For example, in advance of the 2018A Public Auction, a nonprofit organization submitted an application to purchase six vacant parcels to construct affordable housing and a fitness center for seniors. The TTC has never received an application for this type of use. Additionally, the Department of Parks and Recreation (Parks) submitted an application to purchase a property. Parks had not participated in the Chapter 8 Sale Program for many years. Parks' staff expressed their interest in filling a pressing need to identify and acquire properties suitable for parks, open spaces, and operational facilities.

UPCOMING OBJECTIVES

The TTC and the CDC will finalize fee studies and draft fee ordinance(s); finalize revisions to the MOU; and launch the Web Portal. By Spring 2019, the TTC will finalize a two-year plan for Chapter 8 Agreement Sales, including expanding outreach efforts and coordinating with the Assessor to participate in Assessor's educational seminars, to reach a larger audience of nonprofit organizations. The TTC will also consult with the Press Information Office on producing a public service story on the Chapter 8 Program for the County Channel.

Should you have any questions, please contact either one of us directly, or your staff may contact Keith Knox, Chief Deputy Treasurer and Tax Collector, at (213) 974-0703 or kknox@ttc.lacounty.gov or Emilio Salas, Deputy Executive Director Community Development Commission, at (626) 586-1505 or emilio.salas@lacdc.org.

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c: Assessor
Chief Executive Officer
Auditor-Controller
County Counsel
Executive Officer, Board of Supervisors
Parks and Recreation
Public Works
Regional Planning
Each Workgroup Member