



COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR



KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 437
LOS ANGELES, CA 90012
TELEPHONE (213) 974-2101 FACSIMILE (213) 626-1812

MARK J. SALADINO
TREASURER AND TAX COLLECTOR

November 18, 2011

TO: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: Mark J. Saladino
Treasurer and Tax Collector 

Sean Rogan 
Executive Director
Community Development Commission/Housing Authority

SUBJECT: **STATUS REPORT ON AGENDA ITEM D-1, BOARD MEETING OF
NOVEMBER 8, 2006, THE CHAPTER 8 AFFORDABLE HOUSING
PROGRAM**

On November 8, 2006, your Board approved an agreement between the Treasurer and Tax Collector (TTC) and the Community Development Commission (CDC) acting as an agent of the TTC, to assist with the implementation of the Los Angeles County Chapter 8 Program and to report back to the Board in five years with an evaluation of the performance of the Program.

BACKGROUND

State law, commencing with Chapter 8, Article 6, Division 1, of the Revenue and Taxation Code, allows any eligible taxing agency, public agency, or nonprofit organization to initiate a purchase proposal to buy tax defaulted property that is subject to the Tax Collector's Power to Sell through an Agreement Sale. Through the Agreement Sale the agency, after approval by the State Controller's office and the Board, can purchase the parcel without the necessity of bidding at a public auction or sealed bid sale. The original intent of the Chapter 8 process was to provide public agencies with an alternative to acquiring property by eminent domain. It was subsequently modified to extend Chapter 8 purchase privileges to qualified nonprofit organizations for the expressed purposes of acquiring 1) residential property to rehabilitate and sell to, rent to or otherwise serve low-income persons; 2) vacant land

for the construction of residential dwellings for sale or rent to low-income persons; or 3) vacant land to be dedicated to a public use.

Instead, several counties, including Los Angeles, began to experience that nonprofits were attempting to acquire and sell the properties for a profit. Consequently in October 2000, your Board asked the TTC to suspend the processing of Chapter 8 Agreement Sales in order for impending changes in the law and conditions established by the Board to be incorporated into the process, to ensure that the sales met their true purpose, to provide low-income housing for the citizens of Los Angeles County. Subsequent to that request, changes to the original legislation and continued concerns expressed regarding unscrupulous nonprofits, required strengthening of the Program's requirements and developing new strategies in administering the Program.

In conjunction with County Counsel, the TTC began to develop new policies and guidelines to ensure that only qualified and experienced non profits participated in the program. However, it became apparent that TTC was not equipped to ensure that only qualified nonprofit organizations participated in this program. It also became evident that TTC could not guarantee that the subsequent sale or the rental of the completed project would be restricted to low-income individuals as defined in the California Health and Safety Code §50093 or that vacant land would be held for public use.

Consequently, the TTC contacted CDC who agreed to participate in the Program. Along with our respective County Counsels, we jointly developed conditions, covenants, restrictions, guidelines and procedures to ensure that the Board's policies were enforced and that the Program's objectives were accomplished. This further resulted in a revised Chapter 8 Agreement Sale Contract.

The significant changes in the guidelines and procedures required that initially , a nonprofit must first demonstrate that the local building department governing the location of the property had declared the property as substandard as defined in the California Health and Safety Code §17920. Without such documentation, the TTC would not accept the nonprofits' request to purchase. In addition, with respect to properties located within the jurisdiction of an incorporated city, it was mandated that the Agreement contain a provision that the city acknowledged the purchaser's intent to purchase this property through the Program.

The State Controller reviewed the new Program and subsequently used it as a model for other counties to use when developing requirements to ensure that nonprofits comply with the applicable provisions of State law.

In December 2006, the TTC, the CDC, County Counsel and a representative from the State Controller's office, held a Chapter 8 Agreement Workshop. Seventy-nine organizations were notified, and 28 attended. The new Program requirements were covered and a question and answer session followed.

CURRENT STATUS

At the time the MOU was approved, TTC had 90 properties for which there were pending Chapter 8 requests. Immediately thereafter and upon completion of their initial screening, TTC referred the nonprofits to the CDC.

Under the revised program guidelines, the application and supporting documentation enables CDC to determine a nonprofit's capacity and the feasibility of its low-income housing proposal. Since 2006, CDC has requested Chapter 8 applications from 12 nonprofits for 98 parcels. Eleven applications were received and evaluated, a process which often takes six months due to various deficiencies in the applications. Five Agreements for Sale were prepared, with the ancillary title documents and performance conditions, and forwarded to TTC. Your Board subsequently approved two of these Agreements. One nonprofit later decided its proposal was economically infeasible and another is moving forward with the development of the site. The remaining properties were returned to a tax paying status.

The Program has successfully ensured that only qualified nonprofits participate in the Chapter 8 Program. Although there has been a reduction of requests for Chapter 8 Agreement Sales from 25 a year to 4, the Program has further ensured that only qualified nonprofits participate in Chapter 8 Sales and that the intent of the law, to provide low-income housing, has been achieved.

MJS:JK:DD:sld

Attachment

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors



MINUTES OF THE BOARD OF COMMISSIONERS
OF THE COMMUNITY DEVELOPMENT COMMISSION OF THE
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

Sachi A. Hamai, Executive Officer-
Clerk of the Board of Commissioners
383 Kenneth Hahn Hall of Administration
Los Angeles, California 90012

At its meeting held November 8, 2006, the Board, acting as the Board of Commissioners of the Community Development Commission took the following action:

1-D

At the time and place regularly set, notice having been duly given, the following item was called up:

Hearing on establishment of a one-time \$740 Program Application fee and project-related service fees not to exceed \$4,400, to allow the Commission to recover actual costs for work associated with the County of Los Angeles Chapter 8 Program (Program); approve and authorize the Executive Director to sign a Memorandum of Understanding (MOU) between the Community Development Commission (Commission) and Treasurer and Tax Collector (TTC) authorizing the Commission to act as an agent of the TTC to assist with the implementation of the Program; approve and authorize the Commission to accept the TTC's delegated authority to act as an agent of the TTC as necessary to effect the purposes of the MOU; and authorize the Executive Director to incorporate fees or cash equity received in accordance with the MOU into the Commission's approved budget on an as needed basis, as further described in attached letter dated November 8, 2006 from the Treasurer and Tax Collector.

Opportunity was given for interested persons to address the Board. No interested persons addressed the Board. No correspondence was presented.

On motion of Supervisor Molina, seconded by Supervisor Antonovich, unanimously carried (Supervisor Knabe being absent), the Board closed the hearing and took the following actions:

1. Approved the establishment of a one-time \$740 Program Application fee and project-related service fees not to exceed \$4,400, to allow the Commission to recover actual costs for work associated with the County of Los Angeles Chapter 8 Program (Program);

(Continued on Page 2)

1-D (Continued)

2. Approved and authorized the Executive Director to sign the attached Memorandum of Understanding (MOU) between the Community Development Commission (Commission) and Treasurer and Tax Collector (TTC) authorizing the Commission to act as an agent of the TTC to assist with the implementation of the Los Angeles Chapter 8 Program (Program);
3. Approved and authorized the Commission to accept the TTC's delegated authority to act as an agent of the TTC as necessary to effect the purposes of the MOU; and
4. Authorized the Executive Director to incorporate fees or cash equity received in accordance with the MOU into the Commission's approved budget on an as needed basis.

Later in the meeting, on motion of Supervisor Burke, seconded by Supervisor Antonovich, unanimously carried (Supervisor Knabe being absent), the foregoing motion was reconsidered.

Supervisor Burke made the following statement:

"This proposed Chapter 8 program is a new and unique venture between the Treasurer and Tax Collector and Community Development Commission. The two departments with the assistance of County Counsel have worked several years in its development. If successful, the State will use it as a model for other California Counties who are interested in developing such a program."

Therefore, on motion of Supervisor Burke, seconded by Supervisor Antonovich, unanimously carried (Supervisor Knabe being absent), the Board took the following actions:

1. Approved the establishment of a one-time \$740 Program Application fee and project-related service fees not to exceed \$4,400, to allow the Commission to recover actual costs for work associated with the County of Los Angeles Chapter 8 Program (Program);

(Continued on Page 3)

1-D (Continued)

2. Approved and authorized the Executive Director to sign the attached Memorandum of Understanding (MOU) between the Community Development Commission (Commission) and Treasurer and Tax Collector (TTC) authorizing the Commission to act as an agent of the TTC to assist with the implementation of the Los Angeles Chapter 8 Program (Program);
3. Approved and authorized the Commission to accept the TTC's delegated authority to act as an agent of the TTC as necessary to effect the purposes of the MOU;
4. Authorized the Executive Director to incorporate fees or cash equity received in accordance with the MOU into the Commission's approved budget on an as needed basis; and
5. Instructed the Executive Director of the Community Development Commission and the Treasurer and Tax Collector to report back to the Board in five years with an evaluation of the performance of the County of Los Angeles Chapter 8 Program.

04110806_1-D

Attachments

Copies distributed:

Each Supervisor
Chief Administrative Officer
County Counsel
Executive Director, Community
Development Commission
Treasurer and Tax Collector

(ALSO SEE BOARD ORDER NOS. 39 AND 53 THIS DATE)