



# COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR



**MARK J. SALADINO**  
TREASURER AND TAX COLLECTOR

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March 18, 2013

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

FROM: Mark J. Saladino  
Treasurer and Tax Collector 

SUBJECT: **NOTICE OF INTENT TO NEGOTIATE A SOLE SOURCE CONTRACT WITH  
BID4ASSETS, INC. TO CONDUCT ONLINE AUCTION(S) OF  
TAX DEFAULTED PROPERTY**

In accordance with Board policy requiring advance notification of prospective sole source contracts, this letter is to inform you that the Treasurer and Tax Collector (TTC) intends to negotiate a sole source contract with Bid4Assets, Inc. (Bid4Assets) to conduct online auction(s) of tax defaulted property. Following the conclusion of negotiations, a contract will be submitted to the Board for approval.

## BACKGROUND

The TTC is mandated by statute to offer tax defaulted property for sale within four years after the property becomes subject to the Tax Collector's power to sell, and if unsold, every six years thereafter.

Prior to recent budget curtailments, the TTC had historically offered tax defaulted properties for auction in the following sequence:

1. "A" Auction – Properties are first offered at a public, in-person auction, which is typically held in early winter.
2. "B" Auction – If properties did not sell at the "A" Auction or were pulled from auction, they would then be offered at a public, in-person auction typically held in the summer.
3. "C" Auction – Finally, properties that are rendered unusable by their size, location or other conditions are offered in a Sealed Bid Auction. In a Sealed Bid Auction, the TTC offers the property to owners of contiguous parcels or to a holder of record of either a predominant easement or a right-of-way easement.

In 2010, due to budget curtailments that reduced auction staffing, the TTC canceled the "B" and "C" Auctions and began to hold only one in-person auction per year (an "A" Auction in the fall).

However, the current practice of conducting one auction per year jeopardizes the TTC's ability to comply with the statutory requirements as outlined above.

In an effort to best meet statutory requirements and maximize the number of parcels returned to a tax-paying status, the TTC is recommending an online "B" Auction for vacant land that had been previously offered at an in-person "A" Auction, but did not sell. In order to conduct an online auction, the TTC is recommending a sole source agreement with Bid4Assets, the only vendor with significant experience currently conducting online auctions for California counties.

### JUSTIFICATION

The benefit of an online auction is the increased likelihood of selling more tax defaulted properties due to the expanded bidder pool and an extended auction period. With an in-person auction, the TTC typically has four hundred to five hundred registered bidders. With an online auction, that number could be much higher as the constraints of having to appear in person would not apply. The online functionality will save the TTC approximately \$23,000 annually in rent, security and other related in-person auction expenses and will eliminate several processes formerly conducted by TTC staff during a "B" Auction, such as bidder registration and establishment of an Auction Trust Fund.

Online auctioning of tax defaulted property in California is currently a specialized market. The large number of tax defaulted properties in Los Angeles County (County) demands that the TTC use an online auctioneer who is experienced with bringing together a large number of tax defaulted properties and a large number of bidders. For over ten years, Bid4Assets has been the sole vendor in California providing this specialized service and is currently conducting online auctions of tax defaulted properties for 37 California counties. Bid4Assets' proven track record of online auctioning of tax defaulted properties for other California counties and its established processes to collect information and registration fees from a large pool of bidders greatly reduces the possibility of canceled sales or potential litigation arising from mishandled sales or bidder registrations.

### COST

There is no cost to the TTC or to the County. The fee Bid4Assets charges will be included in the winning bid and paid by the winning bidder.

### NOTIFICATION TIMELINE

This matter was briefed at the Operators Cluster Meeting on March 7, 2013. Unless otherwise directed by the Board, within ten working days from the date of this notification, we will proceed with sole source contract negotiations.

Each Supervisor  
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If you have any questions or need additional information, please call me at (213) 974-2101, or your staff may contact Kathy Gloster, Assistant Treasurer and Tax Collector, at (213) 974-2077.

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