COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR

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PROPERTY TAX PORTAL
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January 14, 2015

TO: Mayor Michael D. Antonovich
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe

FROM: Joseph Kelly
Treasurer and Tax Collector

SUBJECT: **USE OF INTERNET AUCTION FUNCTIONALITY**

This memorandum is to update you on the Department's use of the Internet auction functionality in both our Public Administrator and Tax Operations.

Background

The Los Angeles County Public Administrator (PA) is tasked with selling the personal property of County decedents as well as residents under the guardianship and conservatorship of the Public Guardian (PG). Personal property typically consists of automobiles, furniture, bric-a-brac (books, clothing, and small collectibles), hardware/tools, electronics, jewelry (primarily costume), and coins, and is sold via in-person auction on the first Saturday of each month at the PA's warehouse in the City of Industry.

The Los Angeles County Tax Collector (Tax Collector) is mandated to auction tax-defaulted property. Commercial property and vacant land may be auctioned after three years of default and residential properties after five years. The Tax Collector conducts an annual in-person auction in October and conducted our first Internet auction last May. A report (attached) was submitted to you on July 30, 2014, outlining the results.

Internet Auction – Public Administrator

As part of our efforts to leverage Internet auction functionality and maximize the value of estate assets, the Department's contracted personal property auctioneer conducted our first Internet auction on December 15 and 16, 2014. Eleven items were selected for the Internet auction, including sports memorabilia, vintage Star Wars action figures, LeRoy Nieman serigraphs, Royal Daulton Figurines, and a Carl Zeiss Ikon Contax Camera. The auction was advertised by the auctioneer at its three sales locations in New Jersey, Florida, and California (City of

Riverside). Notification was also sent to 45,000 e-mail subscribers. Additionally, the Internet auction was marketed at the in-person auction at the PA's warehouse in December, where the items were available for an in-person preview.

Results

I am pleased to report that the Internet Auction of personal property was a success for the following reasons:

- The auction did not require any staff as it was facilitated in its entirety by the auctioneer.
- All eleven items sold, and ten of the eleven items sold above the estimated sales price.
- Sales exceeded original estimates by approximately 81 percent (the pre-auction sales estimate by the auctioneer was $7,075 and actual sales were $12,803).
- Bidders from outside of California were reached (of the 28 registered bidders, seven were outside of California). Five of the eleven lots were purchased by out-of-state bidders.

2014A Internet Auction – Tax Operations

On November 17, 18, and 19, 2014, the Tax Collector conducted the 2014A Internet Auction. The 2014A Internet Auction format was similar to the Internet auction format we conducted last May, in that, the parcels offered were vacant land and had received no bids in at least one previous in-person auction. The significant differences between the May and the 2014A Internet Auctions were the timing of the sale, and the previous auctions from which the parcels were drawn.

Specifically, the parcels offered in the 2014A Internet Auction were vacant lots that received no bids from the 2014A In-person Auction, which was conducted on October 20-21, 2014. More importantly, we timed the sale date to take advantage of the provision in Revenue and Taxation Code Section 3692(e), which states that, for any property remaining unsold from a particular auction, the Tax Collector may conduct a follow-up auction without the necessity of re-noticing parties of interest, so long as the date, time, and location of the subsequent auction is provided, and it is conducted within 90 days of the previous auction.

The 2014A Internet Auction was advertised in 77 local newspapers, as required by law, and by email campaign through the auctioneer, which reached over 100,000 individuals.

Results

I am pleased to report that the 2014A Internet Auction of tax-defaulted real property was a success for the following reasons:

- The auction was virtually cost-free. Our office realized a direct cost savings of approximately $23,000 in facilities rental, and approximately $46,000 in additional title report and mailing costs. Moreover, our office saved approximately 1,520 hours of staff time. In addition, all vendor fees were assessed to the winning bidder.

- Of the 295 parcels that were in the auction, 108 (37 percent) were sold and three were redeemed.
- Fifty percent of parcels sold for more than the minimum bid. Eight parcels sold for more than the total outstanding taxes and fees due.

Future Implementation of Internet Auctions

Public Administration:

While the results of the first Internet auction were positive, the in-person auction is still the most efficient and effective means for selling the vast majority of personal property, as the current marketplace in Southern California (consisting primarily of second hand dealers) is sufficient to maximize the value and return on the miscellaneous household assets being sold. In addition, in-person auctions result in the immediate removal of property, which eliminates the liability and cost of shipping.

However, when we receive assets that would benefit from the broader outreach that the Internet offers (e.g., rare or unique coins and jewelry, packaged and authenticated collectibles, antique automobiles and furniture, original artwork, and rare music or book collections that will appeal to special collectors around the country), an Internet auction will be utilized. The PA anticipates the utilization of Internet auctions at a rate of three to four times per year.

Tax Operations:

The 2014A Internet Auction completed our 2012 Auction redesign goal of integrating the Internet into the general auction process. Further, by using the follow-up sale format and conducting it on the Internet, we were able to conduct a virtually cost-free auction. Additionally, we maintained full staffing for our regular business functions during the 2014A Internet Auction registration and operating hours.

Should you have any questions, please contact me directly or your staff may contact the following:

Public Administrator Auction: Keith Knox, Assistant Treasurer and Tax Collector, at (213) 974-0703 or kknox@ttc.lacounty.gov.

Tax Collector Auction: Kathy Gloster, Assistant Treasurer and Tax Collector, at (213) 974-2077 or kgloster@ttc.lacounty.gov.

JK:KK:KG:ms

Attachment

COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR

MARK J. SALADINO
TREASURER AND TAX COLLECTOR

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PROPERTY TAX PORTAL
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July 30, 2014

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

FROM: Mark J. Saladino
Treasurer and Tax Collector

SUBJECT: **INTERNET AUCTION OF TAX DEFAULTED PROPERTIES**

Background

Pursuant to California Revenue and Taxation Code, the Treasurer and Tax Collector (TTC) is mandated to offer tax defaulted property for sale within four years after the property becomes subject to the power of sale for nonpayment of taxes, and if unsold, to offer the property at intervals of no more than six years thereafter.

Prior to budget curtailments the Department sustained in Fiscal Years 2008/2009 to 2009/2010, the TTC had historically offered tax defaulted properties for auction in the following sequence:

- "A" Auction – properties are first offered at an in-person public auction, which ideally is held in February.
- "B" Auction – if properties did not sell at the "A" Auction, or were excluded from that auction, they would then be offered at an in-person auction, typically held in the summer.
- "C" Auction – finally, properties that are rendered unusable by their sizes, 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 cancelled the "B" and "C" Auctions and began to hold only one in-person auction per year (an "A" Auction in the fall). However, that practice of conducting only one auction per year jeopardized the TTC's ability to comply with the statutory requirements outlined above.

In an effort to ensure that statutory requirements are met and to maximize the number of parcels returning to a tax-paying status: in May 2014, the TTC implemented an online "B" Auction for vacant (unimproved) land that had been previously offered at an in-person "A" Auction, but did not sell.

Online Auction Results

From May 28, 2014 through May 30, 2014, the TTC conducted the County's first Internet auction. The vendor, Bid4Assets, managed the bidder registration, helped expand the bidder pool, and conducted the auction. We flagged 675 parcels for inclusion in the auction, with a minimum bid of $1,125 (the amount necessary to cover the TTC's costs and vendor fee assessed to the winning bidder).

I am very pleased to report that the auction was a success for the following reasons:

- **The TTC negotiated a no-cost contract with Bid4Assets for online auctions.**

  All fees from Bid4Assets were assessed to the winning bidder. Additionally, by conducting the auction via the Internet, the TTC realized a direct cost savings of approximately $23,000 by not having to rent a physical location for an in-person auction and a savings of 460 hours of staff time.

- **Approximately 57 percent of the parcels were sold, the highest sale rate of our previous seven consecutive auctions.**

  Although this auction was the first to offer only vacant land from previous auctions (typically the most difficult property to sell), the sale rate was 10 points higher than the average sale rate of the last seven auctions. Of the 675 parcels that were initially flagged prior to auction, 110 parcels were withdrawn for various reasons, such as redemption, bankruptcies, and noticing issues. The remaining 565 parcels were offered, and of those, 321 parcels were sold.

- **The online platform significantly increased the level of auction exposure to potential vendors.**

  Bid4Assets sent over 100,000 email notifications to individuals who had participated in their past auctions. This resulted in 3,049 unique visits to the County's online auction storefront and the attraction of 169 total bidders, of which 140 had never participated in a previous Los Angeles County auction.

- **Seventy one percent of parcels sold for more than the minimum bid. Fourteen parcels sold for more than the total outstanding taxes and fees due.**

CONCLUSION

The implementation of the Internet auction fulfilled both a major component of our 2012 Auction redesign and met the County's Strategic Plan Goals of Operational Effectiveness and Fiscal Sustainability. Specifically, we: 1) conducted the County's first Internet auction, which will be incorporated into our general auction process, 2) expanded the number of potential bidders, 3) returned a significant number of parcels to a tax-paying status, and 4) reduced the build-up of parcels eligible for sale, many of which had been tax defaulted for nearly a decade.

Finally, by incorporating a vendor-managed Internet auction, the sale preparation and its operations were streamlined to such a degree that the Department was afforded full staffing for its regular business functions during the auction registration and operating hours.

Should you have any questions, you may contact Kathy Gloster, Assistant Treasurer and Tax Collector, of my staff at (213) 974-2077 or kgloster@ttc.lacounty.gov.

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