



COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR



500 WEST TEMPLE STREET
437 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012

MARK J. SALADINO
TREASURER AND TAX COLLECTOR

TELEPHONE
(213) 974-2101

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November 8, 2006

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

The Honorable Board of Commissioners
Community Development Commission
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors and Commissioners:

**AGREEMENT BETWEEN THE TREASURER AND TAX COLLECTOR
AND THE COMMUNITY DEVELOPMENT COMMISSION
ALL SUPERVISORIAL DISTRICTS
(3 VOTES)**

**JOINT RECOMMENDATION WITH THE EXECUTIVE DIRECTOR OF THE
COMMUNITY DEVELOPMENT COMMISSION THAT YOUR BOARD:**

1. Approve and authorize the enclosed Memorandum of Understanding (MOU) between the Community Development Commission (the Commission) and the Treasurer and Tax Collector (the TTC) authorizing the Commission to act as an agent of the TTC.
2. Approve and authorize delegated authority to the TTC for the Commission to act as an agent of the TTC as may be necessary to effect the purposes of the MOU.

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3. Approve and authorize the Commission to agree to the TTC's delegated authority and act as an agent of the TTC as may be necessary to effect the purposes of the MOU.
4. Authorize the TTC to sign the MOU on behalf of your Board.
5. Approve the enclosed Agreement for Sale and Purchase of Tax Defaulted Property and Conditions, Covenants and Restrictions (the Agreement) between the TTC and qualified nonprofit organizations requesting tax defaulted properties under the County of Los Angeles Chapter 8 Program (the Program), pursuant to Chapter 8, Part 6, Division 1 of the Revenue and Taxation Code.

JOINT RECOMMENDATION WITH THE TREASURER AND TAX COLLECTOR THAT YOUR BOARD, ACTING AS THE BOARD OF COMMISSIONERS OF THE COMMUNITY DEVELOPMENT COMMISSION:

1. Establish fees as described in the enclosed Commission Fee Schedule, which allow the Commission to recover actual costs for work associated with the Program.
2. Approve and authorize the enclosed Memorandum of Understanding between the Community Development Commission of the County of Los Angeles and the Treasurer and Tax Collector authorizing the Commission to act as an agent of the TTC.
3. Approve and authorize the Commission to accept the TTC's delegated authority to act as an agent of the TTC as may be necessary to effect the purposes of the MOU.
4. Authorize the Commission's Executive Director to sign the MOU on behalf of the Commission.
5. 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.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of the MOU is to assure only qualified nonprofits participate in the Program, to restrict the sale or rental of the completed projects to low-income individuals as defined in the California Health and Safety Code §50093, and to facilitate the Commission's assistance in the disposition of properties when it is determined that the nonprofit is not in compliance with applicable provisions of State law and the Agreement.

Implementation of Strategic Plan Goals

The implementation of the MOU will contribute to the County's Strategic Plan Goals of Service Excellence, Organizational Effectiveness, Children and Families Well Being, and Community Services by facilitating the creation of additional low-income housing units.

FISCAL IMPACT/FINANCING

The delinquent property taxes will be paid when the property is acquired by the nonprofits. The improvement value of the property being restored to the tax roll increases property tax revenues.

Any proceeds or equity that becomes available from the sale, transfer, or refinance of the property shall be divided between the purchaser and the Commission. The distribution of equity/cash from all improved properties within the Program will promote affordable housing programs in the unincorporated County.

Proposed fees for the TTC will be presented to your Board of Supervisors under a separate cover to reimburse the TTC's costs associated with the sale of the property.

Proposed fees for the Commission will allow the Commission to recover actual costs for work associated with the Program, and will be incorporated into the Commission's approved budget as received.

The Commission will incorporate the fees or cash equity received in its Budget on an as-needed basis.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

State law, commencing with Chapter 8, Part 6, Division 1, of the Revenue and Taxation Code, allows any public agency, or certain nonprofit corporations to initiate a purchase proposal to buy tax defaulted property that is subject to the Tax Collector's power of sale. Through the Program, they can purchase the property without the necessity of bidding at a public auction or a 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 nonprofit corporations organized to construct or rehabilitate housing for low-income persons.

Qualified nonprofit corporations can enter into an agreement with the County 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.

Your Board requested to the TTC to suspend the Chapter 8 sales of tax defaulted property to nonprofit corporations until pending legislation and regulations were in place, to ensure the sales met the purpose of providing low-income housing for the citizens of the County of Los Angeles. As a result, conditions were established to ensure that nonprofits complied with that intent.

Since your Board's original request, changes to the original legislation and concerns expressed regarding unscrupulous nonprofits required strengthening of the Program's requirements and developing new strategies in administering the Program, to ensure that affordable housing is created for low-income persons.

The TTC and the Commission have developed procedures to ensure that the Board's policies are enforced and that the Program's objectives are accomplished. Initially, a nonprofit must first demonstrate that the local building department governing the location of the property declared the property as substandard as defined in the California Health and Safety Code §17920. Without such documentation, the TTC will not accept the nonprofits' request to purchase. In addition, with respect to properties located within the jurisdiction of an incorporated city, the Agreement shall contain a provision that the city acknowledges the purchaser's intent to purchase this property through the Program.

The Commission will conduct an assessment to determine if the nonprofit has the experience and financial capacity to complete the project and if the property is suitable for the production of affordable housing, taking into consideration such factors as zoning regulations, site standards, and topography. The Commission will monitor the project during construction or rehabilitation to ensure compliance with the Agreement; and accepted contracting and property improvement standards. The Commission will also monitor affordability restrictions as follows: (a) the initial sale to a low income homebuyer during their ownership of the property; (b) for a rental property of 2-4 units, that occupancy is restricted to low-income persons for a period of fifteen (15) years; and (c) for a rental property of 5 or more units that has a difference of at least \$135,000 per unit between the assessed value at the time of sale to the nonprofit organization and the nonprofit's Initial Investment, as defined in the Agreement, that occupancy is restricted to low-income persons for a period of twenty (20) years. The Commission will not be involved in applications for the purchase of vacant land for public use.

The Commission will ensure that the nonprofit is in compliance with the Nonprofit Integrity Act of 2004.

The Commission's proposed fees will be paid by the nonprofit organizations to reimburse the Commission for Program-associated costs and implementation of its obligations under the enclosed MOU. The fees will be annually adjusted commensurate with the Cost Of Living Index, and include a one-time \$740 Program Application Fee to qualify each nonprofit organization and assess its capacity to carry out the proposed project. It is anticipated that the remainder of the fees should generally not exceed \$4,400, and are related directly to specific project-related services, through project completion and long-term compliance monitoring. These fees will typically be recaptured by the nonprofit organization through the sale, refinancing, or cash flows generated by the improved properties.

The Financial Management Division of the Community Development Commission has reviewed and approved the methodology and calculations used to derive the recommended fees described in the enclosed Commission Fee Schedule.

Pursuant to Government Code Section 66018, a public hearing is required prior to the establishment of a fee. A Notice of Public Hearing is to be published by the Executive Office in accordance with Government Code Section 6062(a).

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IMPACT ON CURRENT SERVICES (OR PROJECTS)

None

CONCLUSION

The approval of this request by your Board will ensure that viable projects are undertaken by legitimate nonprofits with long term monitoring to ensure that the supply of affordable housing is increased.

Respectfully submitted,



MARK J. SALADINO
Treasurer and Tax Collector



CARLOS JACKSON
Executive Director
Community Development Commission

MJS:DJD:sb
Enclosures (3)

c. Chief Administrative Officer
County Counsel

**MEMORANDUM OF UNDERSTANDING BETWEEN
LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR
AND
COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES
TO INCREASE THE SUPPLY OF AFFORDABLE HOUSING THROUGH
THE “CHAPTER 8” PROPERTY IMPROVEMENT PROGRAM**

This Memorandum of Understanding (MOU) is entered into between the Los Angeles County Treasurer and Tax Collector (“TTC”) and the Community Development Commission of the County of Los Angeles (the “Commission”).

TTC is the administrator for the County’s “Chapter 8” Program (the “Program”), which is authorized under Chapter 8 of Part 6 of Division 1 of the Revenue and Taxation Code of the State of California (R&T).

TTC shall govern the terms of the Program and clearly define the conditions under which the Nonprofit shall be deemed in default for noncompliance with said terms.

I. PURPOSE

The purpose of this MOU is for the Commission, as agent of the TTC, to assist with the implementation of the Program by providing various services through a “Chapter 8” Program. The Commission shall review the capacity of Nonprofit Organizations wanting to participate in the Program, review the suitability of applicable properties selected for Program participation, draft Nonprofit property-specific Agreement for Sale and Purchase of Tax Defaulted Property (Agreement), assure compliance regarding the rehabilitation or construction of properties, monitor eligible beneficiaries, and under specified conditions receive tax defaulted properties located throughout Los Angeles County as directed by the TTC. For purposes of this MOU, the applicable portions of the R&T, commencing with Section 3691, allow qualified Nonprofit Organizations to enter into an agreement with the Los Angeles County Board of Supervisors (the “Board”) for the expressed purposes of acquiring 1) improved residential property to rehabilitate and sell to, rent to, or otherwise serve Low-Income Persons; and 2) vacant land for the construction of residential dwellings for sale or rent to Low-Income Persons.

II. TERM OF MOU

Services are to commence as of the date of approval by the Board of Supervisors and the Board of Commissioners, and it is contemplated by the parties that this MOU shall implement the Program. The TTC and the Commission will annually review the Program’s cost-effectiveness and continued feasibility. The parties may mutually agree to terminate this MOU.

III. COMMISSION RIGHTS AND REMEDIES

The Commission is providing the services described herein solely as the agent and at the direction of the TTC. The Commission may exercise all such powers as permitted under law in its capacity as the TTC's agent to implement the duties described herein. Nothing in this MOU shall be construed to prevent the Commission from exercising in its capacity as the TTC's agent the rights described in Section V.E., below; pursuing all remedies available under law against Nonprofit Organizations participating in the Program as a result of liabilities incurred by the Commission for actions undertaken in conjunction with this MOU; and receiving reasonable compensation from Nonprofit Organizations participating in the Program for services rendered by or on behalf of the Commission to such organizations when such services are beyond those services described in Section V of this MOU.

IV. TTC RESPONSIBILITIES

- A. Assume responsibility for compliance with applicable State law in implementing the Program.
- B. Receive and review recommendations from the Commission regarding the capacity of Nonprofit Organizations and approve or deny the participation of Nonprofit Organizations in the Program.
- C. Receive and review recommendations from the Commission regarding the suitability of applicable properties selected for Program participation and approve or deny the participation of Nonprofit Organizations in the Program as to those properties.
- D. Provide a Program participation package to approved Nonprofits with approved properties, including a description of applicable fees to be paid by the Nonprofit to the TTC and Commission.
- E. Subsequent to the sale of the property by the TTC to the Nonprofit organization, should the Nonprofit default or otherwise fail to meet the conditions specified in its Agreement, the TTC may approve, after considering the Commission's recommendation and applicable law and regulations governing the Program, one of the following actions:
 - 1. Direct the defaulting Nonprofit to execute a Deed of Rescission.
 - 2. Direct the defaulting Nonprofit to transfer the property to a different Nonprofit designated or approved by the Commission.
 - 3. Direct the defaulting Nonprofit to transfer the property to the Commission at the sole discretion of the Commission.

4. Permit the defaulting Nonprofit to sell the property for costs incurred (including to a for-profit entity).
 5. Execute any other remedy provided for in the Agreement or any related document (such as a Regulatory Agreement or Deed of Trust).
- F. Upon the TTC's sole determination that the Nonprofit Organization has defaulted upon its Agreement, the TTC may commence legal action to enforce the terms of the Agreement and related documents.

V. COMMISSION RESPONSIBILITIES

- A. Make recommendations to the TTC regarding the capacity of Nonprofit Organizations based upon the Commission's evaluation of the "Application for Approval as a Nonprofit Housing Development Corporation" submitted by the Nonprofit.
- B. Make recommendations to the TTC regarding the suitability of vacant land and existing dwellings for Program participation prior to application to the State and prior to the commencement of construction or rehabilitation work.
- C. Provide to the TTC property-specific Agreements for Nonprofits approved for Program participation.
- D. Monitor the property during predevelopment, construction/rehabilitation, and the post-completion "Affordability Period" to assure compliance with the Agreement and periodically advise the TTC of the status of the property.
- E. Continually advise the TTC of the status of properties with periodic reports, including instances of noncompliance recommendations of default actions under Section IV.E. above.
- F. After any property is transferred to the Commission as provided herein, the Commission may sell, lease, develop, or dispose of the property in any manner of its choosing consistent with applicable law and the Commission's purposes.

VI. DEFINITIONS

A list of the definitions of terms used in this MOU is attached hereto as Attachment A.

VII. AMENDMENTS TO THE MOU

This MOU may be modified or amended only upon the written mutual consent of the parties hereto.

LOS ANGELES COUNTY
TREASURER AND TAX COLLECTOR

COMMUNITY DEVELOPMENT
COMMISSION OF THE COUNTY OF
LOS ANGELES

By: _____
Mark J. Saladino,
Treasurer and Tax Collector

By: _____
Carlos Jackson, Executive Director

Attachment: List of Definitions

ATTACHMENT A

MEMORANDUM OF UNDERSTANDING LIST OF DEFINITIONS

Affordability period: For a rental property of 2-4 units, that occupancy is restricted to low-income persons for a period of fifteen (15) years; and for a rental property of 5 or more units that has a difference of at least \$135,000 per unit between the assessed value at the time of sale to the nonprofit organization and the nonprofit's Initial Investment, as defined in the Agreement, that occupancy is restricted to low-income persons for a period of twenty (20) years. The applicable affordability period shall begin from the date of issuance of a certificate that the Property is suitable for occupancy, during which the Property is rented to Low-Income Persons at affordable rent.

Agreement: Agreement For Sale and Purchase of Tax Defaulted Property and Covenants, Conditions, and Restrictions, between the TTC and a Purchaser under the Program.

Board: Board of Supervisors of the County of Los Angeles.

Commission: Community Development Commission of the County of Los Angeles.

Low-Income Persons: Persons and families of low or moderate income, as defined by Section 50093 of the Health and Safety Code of the State of California (annual income does not exceed 120 percent of area median income).

MOU: Memorandum of Understanding.

Nonprofit Organization: A nonprofit organization incorporated pursuant to Part 2 (commencing with Section 5110) of Division 2 of Title 1 of the California Corporations Code for the purpose of acquisition of: 1) single family or multifamily dwellings for rehabilitation and sale or rent to low-income persons, or for other use to serve low-income persons; or 2) vacant land for construction of residential dwellings and subsequent sale or rent to low-income persons, for other use to serve low-income persons.

Program: Los Angeles County Treasurer and Tax Collector's Chapter 8 Program.

R&T: Revenue and Taxation Code of the State of California.

Deed of Rescission: Rescission of Tax Deed to Purchaser wherein Purchaser rescinds its interest in the Property and transfers the interest to another party.

Tax Deed: Tax Deed to Purchaser of Tax Defaulted Property issued by the TTC under the Program.

TTC: Los Angeles County Treasurer and Tax Collector.

RECORDING REQUESTED BY AND
AFTER RECORDATION, MAIL TO:

TREASURER AND TAX COLLECTOR
COUNTY OF LOS ANGELES
ROOM 130
225 N. HILL STREET
LOS ANGELES, CA 90012

(Space Above Line for Recorder's use)

**AGREEMENT FOR SALE AND PURCHASE OF TAX DEFAULTED REAL
PROPERTY AND COVENANTS, CONDITIONS, AND RESTRICTIONS**

This Agreement by and between the Board of Supervisors of the County of Los Angeles ("Seller") and _____, a nonprofit corporation organized in accordance with provisions of California law ("Purchaser"), is made effective as of _____.

WHEREAS, as set forth in Purchaser's Articles of Incorporation (Exhibit A) of this Agreement, Purchaser is organized and existing for the purpose of acquiring residential dwellings to rehabilitate or vacant property to develop, and sell or rent to Low-Income Persons.

WHEREAS, the Seller is interested in selling tax defaulted real properties to qualified nonprofits for the development of affordable housing for Low-Income Persons.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. A list of definitions of terms used in this Agreement is attached hereto as Exhibit B.
2. Subject to approval by the California State Controller and the Los Angeles County Board of Supervisors and subject to termination of redemption rights under Section 3803 of the California Revenue and Taxation Code, Seller agrees to sell to Purchaser that real property described in Exhibit C of this Agreement (the "Property"). The Property was tax defaulted for nonpayment of taxes and is now subject to the Los Angeles County Tax Collector's power of sale, under the County Tax Collector Tax Defaulted Sales Program (the "Program") pursuant to Division 1, Part 6, Chapter 8 of the California Revenue and Taxation Code.

The purchase price in this Agreement is the projection of the purchase price for a schedule of eight (8) months. If this Agreement is completed in less time, then the purchase price will be decreased; however, if the completion of this Agreement is longer

than this time, the price will increase accordingly. The Purchaser agrees to and shall pay as the purchase price for the Property the sum of _____ dollars (\$_____), which includes the cost of giving notices of this Agreement and shall be paid within fourteen days of the effective date of the sale. Attached as Exhibits G and H, respectively are the resolution by Purchaser's Board of Directors authorizing the Purchaser to purchase the Property, and, if applicable, an acknowledgement by the City where the Property is located of the Purchaser's intent to purchase the Property.

3. The Purchaser further agrees to and shall comply with all of the following conditions within two years from the date the Tax Deed is recorded. It is expressly made a condition of the sale of the Property that the Property be used by the Purchaser exclusively:
 - a. In the case of residential real property, for rental by or for sale to Low-Income Persons.
 - b. In the case of vacant real property, for construction of residential dwellings for sale or rent to Low-Income Persons.
4. The Purchaser shall fully comply with the "Specific Conditions of Performance" (Exhibit D) which further defines and memorializes covenants, conditions and restrictions to carry out the public purposes of the Program concerning the use, income restrictions, conveyance and transfer of the Property during the Affordability Period, or alternatively, the Homebuyer's ownership of the Property.
5. The Purchaser shall complete all repairs, construction, and other development necessary, as determined in the sole discretion of the Community Development Commission of the County of Los Angeles (the "Commission"), in order to rehabilitate or construct the Property (the "Work") for use as a single family ownership residence or rental property for Low-Income Persons. The Purchaser shall complete the Work within ___ years, or such other time period determined in the sole discretion of the TTC. Prior to sale or occupancy of the Property, the Purchaser shall obtain from regulatory agencies all the necessary permits and certifications. The Purchaser shall also fully comply with the "Covenants, Conditions, and Restrictions" attached as Exhibit E, and incorporated herein by reference.

The Purchaser shall not commence construction or rehabilitation activities upon the Property until 1) the Tax Deed is recorded and received, and 2) the Purchaser has received express written approval from the Commission and obtained all necessary permits.

The Purchaser agrees that prior to the commencement of the Work; it shall furnish to the Commission such documentation as may be requested by the Commission, including documentation that the Purchaser has the financial resources required for

completion of the Work. The Purchaser further agrees that it will not commence with the Work unless and until it receives a "Notice To Proceed" from the Commission.

The Purchaser will promptly provide to the Commission proof of progress toward compliance with the Work in accordance with regulations established by the Seller and by the California State Controller. At present, these regulations require submission of progress reports and financial statements every six (6) months until the Property is ready for occupancy.

6. After completion of the Work, the Purchaser will then sell or rent the Property to Low-Income Persons or subject to the Commission's prior written approval, transfer the Property to another qualified nonprofit organization engaged in providing housing to Low-Income Persons.

7. PROCEEDS

Purchaser covenants and agrees that any proceeds that are available from the sale, transfer, or refinance of the Property shall be divided between the Purchaser and the Commission in the following manner:

- a. Homeownership Property.
 - 1) The Commission will establish an Initial Sales Price for the Property, based upon an affordable monthly payment and the income of the qualified Homebuyer.
 - 2) The Purchaser and the Commission shall equally divide the remainder of the net sales proceeds after deducting the Initial Investment of the Purchaser, which may be recouped by the Purchaser.
 - 3) The difference between the "Market Value" of the Property less the Initial Sales Price of the Property shall be represented by a Promissory Note secured by a Second Deed of Trust in favor of the Purchaser and the Commission to share and share alike. The Promissory Note shall bear no interest, and payment of the principal shall be due on the sale or Transfer of the Property by the Homebuyer. The conveyance of title between members of the Homebuyer's immediate family shall not be considered a "sale" or "Transfer" of the Property for purpose of repayment of the Promissory Note.
 - 4) The Homebuyer shall retain any equity from Future Appreciation of the Property after the Homebuyer's initial purchase.
- b. Rental Property.
 - 1) The Purchaser may recoup its Initial Investment from the proceeds of refinancing or selling the Property to a qualified nonprofit organization, which is subject to the Commission's prior approval. The amount of

proceeds from a refinancing will be subject to prior approval by the Commission to assure the successful operation and maintenance of the Property during the Affordability Period.

- 2) Any available proceeds in excess of the Initial Investment resulting from a Commission-approved refinancing or sale of the Property will be divided equally between the Purchaser and the Commission. However, to the extent that proceeds are available, in no case shall the Purchaser receive less than its Initial Investment plus Reasonable Profit.
- 3) The Purchaser shall provide sixty (60) days advance written notice to the Commission of the Purchaser's intent to transfer the Property if such transfer would occur during the Affordability Period, and such transfer shall be subject to the express prior written consent of the Executive Director of the Commission or a designee.

Any net proceeds of sale or refinance becoming available to the Purchaser shall be used by the Purchaser only to develop or rehabilitate affordable housing, consistent with the purposes stated in the Purchaser's Articles of Incorporation.

8. DEFAULT

- a. The following shall constitute events of default:
 - 1) Where the Property is used for affordable rental housing, if said Property ceases to be used exclusively for affordable housing as the public purpose and in a manner stated herein during the Affordability Period.
 - 2) Where the Property is to be sold or transferred to a qualified Homebuyer, if said Property ceases to be the principal residence of the initial Homebuyer or if the initial Homebuyer rents the Property to another household, abandons the property, or suspends living in the property in a manner stated herein.
 - 3) The Purchaser commences Work upon the Property prior to receiving express written approval from the Commission to proceed with the commencement of such activities.
 - 4) Failure to maintain the Property improvements and the Property to the minimum Housing Standards of the County of Los Angeles, to keep the Property free from any accumulation of debris, waste materials, and/or to maintain all landscaping in a healthy condition.
 - 5) Transfer of the Property to a Homebuyer who does not qualify as a Low Income Person.

- 6) Transfer, or suffer any involuntary transfer of the Property, or any part thereof, in violation of this Agreement.
 - 7) Failure to comply with the rent and affordability restrictions herein.
 - 8) Should the Purchaser fail to perform all or any portion of the Work required to be performed hereunder in a timely and good workmanlike manner or properly carry out the provisions of this Agreement in their true intent and meaning, then in such case notice thereof, in writing will be served upon the Purchaser, and should the Purchaser neglect or refuse to provide a means for satisfactory compliance with this Agreement and with the direction of the Seller within the time specified in such notice, the Seller shall have the power to suspend or terminate the operations of the Purchaser with regard to the Property in whole or in part.
 - 9) Should the Purchaser fail within the Time Period specified within this Agreement to perform the Work in a satisfactory manner, in accordance with the provisions of this Agreement, or if the Work to be done under this Agreement is abandoned for more than 90 days by the Purchaser, then notice of deficiency thereof in writing may be served upon the Purchaser by the Seller. In such event, all finished or unfinished documents, data, studies, surveys, drawings, maps, models, photographs and reports prepared by the Purchaser under this Agreement shall, at the option of the Seller become its property. Should the Purchaser fail to comply with the terms of this Agreement, upon receipt of said written notice of deficiency, the Seller shall have the power to suspend or terminate the operations of the Purchaser with regard to the Property in whole or in part.
 - 10) In the event that a petition of bankruptcy shall be filed by or against the Purchaser, and the petition has not been dismissed or discharged within 180 days of its filing.
- b. A party claiming a default (claimant), shall give written notice of default to the other party, specifying the default complained of and may take action to correct the default. The claimant shall not institute proceedings against the other party if the other party within five (5) days from receipt of such notice, immediately, with due diligence, commences to cure, correct, or remedy such failure or delay and shall complete such cure, correction or remedy within thirty (30) days from the date of receipt of such notice of default, or if the default cannot reasonably be cured within thirty (30) days after notice is given, but the party reasonably commences to cure the default within the five (5) day period and diligently and in good faith continues to cure the default to completion of the cure.
 - c. The Commission and the Seller, in the event of any breach of any covenant or restriction under this Agreement, shall have the right to exercise all the

rights and remedies, and to maintain any action at law or suits in equity or other property proceedings to enforce the curing of such breach.

- d. In addition to any other rights or remedies, either party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purpose of this Agreement. Such legal actions must be instituted in the Superior Court of the County of Los Angeles, State of California.
- e. The laws of the State of California shall govern the interpretation and enforcement of this Agreement.
- f. In the event that any legal action is commenced by the Purchaser, or by the Seller against the Purchaser, service of process on the Purchaser shall be made by personal service and shall be valid whether made within or without the State of California, or service of process on the Purchaser shall be made in such other manner as may be provided by law.
- g. Upon the occurrence of an event of default and the failure to cure within the cure period, or the failure to comply with the conditions specified in this Agreement, the Seller may direct, after considering the Commission's recommendation and applicable law and regulations governing the Program, that the Purchaser shall take one of the following actions:
 - 1) The Purchaser to execute a Deed of Rescission (Exhibit F).
 - 2) The Purchaser to transfer the Property to a different nonprofit designated or approved by the Commission
 - 3) The Purchaser to transfer the Property to the Commission at the sole discretion of the Commission.
 - 4) Permit the Purchaser to sell the Property for costs incurred (including to a for-profit entity).
 - 5) Purchaser to execute a Deed of Trust identifying the Commission as the Beneficiary therein. Foreclosure of said Deed of Trust may occur in the event of default by the Purchaser.

The Purchaser will relinquish any claim to the Property without any compensation or refund.

- h. The Seller, the Commission, or their assigns shall have the additional right, at their option, to enter the Property, without charges or fees, and to cure any default solely at the expense of the Purchaser, except for causes, as mutually determined by the Purchaser and the Commission, that are beyond the control of the Purchaser.

- i. The right to enter and cure default shall be subject to and be limited by and shall not defeat, render invalid, or limit: (i) any mortgage or deed of trust permitted by this Agreement; and (ii) any rights or interest provided in this Agreement for the protection of the holders of such mortgages or deeds of trust, and in such an event the Purchaser, or any qualified Homebuyer who purchased or received the Property from the Purchaser, shall reimburse the Seller, the Commission or their assigns for all costs and expenses incurred, including but not limited to: (i) salaries of personnel used in connection with the management of the Property, or part thereof, and less any income derived in connection with such management of the Property; (ii) all taxes, assessments, and any utility charges with respect to the Property or such charges, if paid, or (iii) any payments made or payments due on any encumbrances or liens existing on the Property or part thereof or to discharge or prevent from attaching or being made any subsequent encumbrances or liens due to obligations, defaults, or acts of the Purchaser, its successors or transferees, and expenditures made or obligations incurred with respect to the repairing, maintaining or completion of any improvements on the Property, or part thereof.
- j. The Purchaser shall pay any and all costs required to cure a default including the transfer of the Property to the Seller, the Commission or their assigns.

9. BINDING FOR THE BENEFIT OF THE SELLER

All covenants contained in this Agreement shall be construed as covenants running with the land and shall be binding for the benefit of the Seller and such covenants and restriction shall be in force and effect, without regard to whether the Purchaser is owner or has an interest in the Property for fifteen (15) years. Only the Seller, or its successor, may remove a covenant from the Property prior to that time.

10. NOTICES

Notices under this Agreement shall be given in accordance with applicable statutory requirements. If there are no statutory requirements in effect, notices, demands, requests, elections, approvals, disapproval's, consents or other communications given under this Agreement shall be in writing and shall be given by personal delivery, facsimile, certified mail (return receipt requested), or overnight guaranteed delivery service, and addressed or faxed as follows:

If to Purchaser:

If to the Commission:

Community Development Commission of
the County of Los Angeles
2 Coral Circle, Monterey Park, CA 91755
Attn: Housing Development Division
Fax No:

If to the Seller:

Treasurer and Tax Collector
225 N. Hill Street
Room 130
Los Angeles, CA 90012
FAX (213) 680-3648

Notices shall be effective upon receipt, if given by personal delivery; upon receipt, if faxed, provided there is written confirmation of receipt (except that if received after 5 p.m., notice shall be deemed received on the next business day); the earlier of (i) three (3) business days after deposit with United States Mail, or (ii) the date of actual receipt as evidenced by the return receipt, if delivered by certified mail; and one (1) day after deposit with the delivery service, if delivered by overnight guaranteed delivery service. Each party shall promptly notify the other party of any change(s) of address or fax to which notice shall be sent pursuant to this Agreement.

11. ENTIRE AGREEMENT

This Agreement, with Exhibits A through H, constitutes the entire agreement of the parties.

EXHIBIT A	Purchaser's Articles of Incorporation
EXHIBIT B	List of Definitions
EXHIBIT C	Real Property Description
EXHIBIT D	Specific Conditions of Performance
EXHIBIT E	Covenants, Conditions, and Restrictions
EXHIBIT F	Purchaser's Deed of Rescission
EXHIBIT G	Resolution by Purchaser's Board of Directors
EXHIBIT H	City Acknowledgement of Purchaser's Intent to Purchase Property

APPROVED AS TO FORM:
RAYMOND G. FORTNER, JR.
County Counsel

By _____
Principal Deputy County Counsel

If all or any portion of any individual parcel listed in Exhibit "C" is redeemed prior to the effective date of this Agreement, this Agreement shall be null and void only as it pertains to that individual parcel. This Agreement shall also become null and void and

the right of redemption restored upon the Purchaser's failure to comply with the terms and conditions of this Agreement.

The undersigned hereby agree to the terms and conditions of this Agreement and are authorized to sign for said agencies.

ATTEST:

A California Nonprofit Corporation

(seal)

ATTEST:

Board of Supervisors
Los Angeles County

By _____
Clerk of the Board of Supervisors

By _____
Mayor of the Board of Supervisors

By _____
Deputy
(seal)

This Agreement was submitted to me before execution by the board of supervisors and I have compared the same with the records of Los Angeles County relating to the real property described herein.

Los Angeles County Tax Collector

Pursuant to the provisions of Sections _____ and _____ of the Revenue and Taxation Code, the Controller agrees to the selling price hereinbefore sets forth and approves the foregoing agreement this _____ day of _____, 20__.

By: _____
State Controller

**EXHIBIT B
LIST OF DEFINITIONS**

**AGREEMENT FOR SALE AND PURCHASE OF TAX DEFAULTED REAL PROPERTY
AND COVENANTS, CONDITIONS, AND RESTRICTIONS**

Affordability Period: For a rental property of 2-4 units, that occupancy is restricted to low-income persons for a period of fifteen (15) years; and for a rental property of 5 or more units that has a difference of at least \$135,000 per unit between the assessed value at the time of sale to the nonprofit organization and the nonprofit's Initial Investment, as defined in the Agreement, that occupancy is restricted to low-income persons for a period of twenty (20) years. The applicable affordability period shall begin from the date of issuance of a certificate of occupancy, or the date of local authorization that the Property is suitable for occupancy, during which the Property is rented to Low-Income Persons at affordable rent.

Affordable Rent: The tenant shall pay no more than the product of 30 percent times 120 percent of the Area Median Income.

Area Median Income: Determined annually by the California Department of Housing and Community Development, adjusted for family size appropriate for the unit, for the Los Angeles-Long Beach Metropolitan Statistical Area.

Commission: Community Development Commission of the County of Los Angeles.

Deed of Rescission: Purchaser's Deed of Rescission and Reconveyance wherein Purchaser rescinds its interest in the Property and transfers the interest to another party.

Future Appreciation: Any increase in value of the Property above the Market Value, subsequent to the initial transfer of title to the Homebuyer.

Hard Costs: Costs approved by the Commission that are directly attributable to rehabilitation and construction including labor and materials.

Homebuyer: A person or persons purchasing the Property from Purchaser and who qualify as Low-Income Persons.

Homebuyer's Promissory Note: A zero interest, deferred payment note secured by Second Deed of Trust, wherein the Homebuyer promises to pay, in equal amounts to the Commission and the Purchaser, the difference between the Market Value less the Initial Sales Price, payable upon transfer of the property by the Homebuyer to a third party.

Initial Investment: Monetary outlay of the Purchaser for the Property, consisting of the purchase price paid to the Seller, actual Commission-approved costs expended for improvement of the Property, customary title and document fees, and fees paid to the Seller and the Commission.

Initial Sales Price: Price for Homebuyer to purchase the Property, established by the Commission based upon an affordable monthly payment and the income of the Homebuyer.

Low-Income Persons: Persons and families of low or moderate income, as defined by Section 50093 of the California Health and Safety Code, (annual income does not exceed 120 percent of area median income) as per Section 3772.5 of the California Revenue and Taxation Code.

Market Value: To be determined by the Commission at the time of the sale or transfer of the Property to Homebuyer.

Notice To Proceed: Notification from the Commission granting permission to start work.

Program: Los Angeles County Treasurer and Tax Collector's Chapter 8 Program.

Property: Real property described in Exhibit C.

Purchaser: A nonprofit organization incorporated pursuant to Part 2 (commencing with Section 5110) of Division 2 of Title 1 of the California Corporations Code for the purpose of acquisition of: 1) single family or multifamily dwellings for rehabilitation and sale or rent to low-income persons, or for other use to serve low-income persons; or 2) vacant land for construction of residential dwellings and subsequent sale or rent to low-income persons, for other use to serve low-income persons.

Reasonable Profit: Fifteen percent of the actual hard cost of rehabilitation or construction.

Second Deed of Trust: A Deed of Trust for the Homebuyer's Promissory Note, secured by recordation against the Property.

Seller: County of Los Angeles.

Specific Conditions of Performance: Actions to be undertaken by Purchaser, set forth in Exhibit G.

Tax Deed: Tax Deed to Purchaser of Tax Defaulted Property.

Time Period: Two (2) years from the date the Tax Deed is recorded.

Transfer: Conveyance of title between members of the Homebuyer's immediate family shall not be considered a transfer for purposes of repayment of the Homebuyer's Promissory Note.

TTC: Los Angeles County Treasurer and Tax Collector.

Work: Construction or rehabilitation necessary to place the Property in habitable condition.

EXHIBIT E
COVENANTS, CONDITIONS, AND RESTRICTIONS

I. INCOME RESTRICTIONS

For the purposes of these Covenants, Conditions, and Restrictions, "Low-Income Persons" means persons and families of low or moderate income, as defined by Section 50093 of the California Health and Safety Code, as per Section 3772.5 of the California Revenue and Taxation Code.

II. GENERAL AFFORDABILITY COVENANT AND TERM

The purpose of this "Affordability Covenant" is to meet the requirements of Division 1, Part 6, Chapter 8 of the California Revenue and Taxation Code regarding the Program and is utilized to transfer the Property as part of the Seller's public purpose. The Property shall have a minimum "Affordability Period" as described in Section IV below.

III. EFFECTS AND DURATION OF COVENANTS OF AFFORDABILITY FOR RENTAL PROPERTIES

The covenants respecting affordability standards for rental properties contained herein shall be as follows:

- A. For properties of two to four units, for fifteen (15) years from the date of issuance of all permits and certificates that the Property is suitable for occupancy.
- B. For properties of five or more units and a difference of at least \$135,000 per unit between the assessed value at the time of sale to the nonprofit organization and the nonprofit's Initial Investment, for twenty (20) years from the date of issuance of all permits and certificates that the Property is suitable for occupancy.

The covenants established hereunder shall, without regard to technical classification and designation, be binding for the benefit and in favor of the Seller, its successors and assigns, and any successor in interest to the Property or any part thereof.

The Purchaser shall include in each deed conveying title to a rental property the covenants restricting future rental of the Property to Low-Income Persons and provisions specifying the duration of each of said covenants.

The covenants respecting affordability standards for homebuyer properties contained herein shall be effective until the Property is sold or transferred to a qualified

Homebuyer for use as a residential dwelling. The covenants established hereunder shall, without regard to technical classification and designation, be binding for the benefit and in favor of the Seller, its successors and assigns, and any successor in interest to the Property or any part thereof. The Purchaser shall include in each deed to a Homebuyer conveying title to a residence, the covenants prohibiting discrimination, as set forth in **Sections VI and VII below**, and the terms set forth in **Section 4** of this Agreement.

IV. AFFORDABILITY FOR PROPERTY RENTED TO LOW-INCOME TENANTS

If the Purchaser operates the Property as affordable rental housing for Low-Income Persons pursuant to this Agreement, all of the following conditions shall be met for the Affordability Period.

If, however, the Purchaser and/or any successor in interest maintains the Property in continuous occupancy as affordable rental housing for Low-Income Persons for the entire Affordability Period, all restrictions under the Affordability Covenant shall have no further force and effect. The Seller shall release any and all interest as the public purpose will have been served and the conditions, covenants and restrictions on the Property related to the public purpose of Affordable Housing shall expire.

- A. For the purposes of this Agreement, "Affordable Rent" is defined in Exhibit "B" of this Agreement.
- B. Purchaser covenants and agrees for itself, its successors and assigns, that the Purchaser, its successors and assigns, shall devote the Property solely for use as rental housing for Low-Income Persons, and to provide all information and documentation requested by the Commission in monitoring occupancy and condition of the Property.
- C. Purchaser covenants and agrees for itself, its successors, its assignees, and every successor in interest to the Property or any part thereof, that upon completion of construction or rehabilitation of one or more residential dwellings as evidenced by issuance of a certificate of occupancy, and thereafter for a minimum Affordability Period of fifteen (15) years, the Property shall be continuously occupied or held available for rent to Low-Income Persons as set forth in this Agreement.

V. AFFORDABILITY FOR PROPERTY TRANSFERRED OR SOLD TO HOMEBUYERS

If the Purchaser transfers or sells the Property, or any portion thereof, to a qualified Homebuyer, all of the following conditions shall be met only with respect to the initial Homebuyer.

- A. At the time of transfer or sale, the Homebuyer must be qualified as a Low-Income Person as defined in Section I above.
- B. The Sales Price paid by the Homebuyer for the Property shall not exceed the "Initial Sales Price" as defined in Exhibit B of this Agreement.
- C. Any Homebuyer who purchases or acquires title to the Property, in whole or in part, must agree to use it as their principal place of residence and not rent the Property to another household during their ownership of the Property.
- D. The Homebuyer shall not abandon the Property nor suspend living at the Property as required by this Agreement during their ownership of the property.

VI. OBLIGATION TO REFRAIN FROM DISCRIMINATION

The Purchaser covenants by and for itself and any and all successors in interest that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex or sexual orientation, age, medical condition, marital status, ancestry, or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property, nor shall the Purchaser or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the Property. The foregoing covenants shall run with the land.

VII. FORM OF NONDISCRIMINATION AND NONSEGREGATION CLAUSES

The Purchaser shall refrain from restricting the sale or transfer of the Property or any portion thereof on the basis of race, color, creed, religion, sex or sexual orientation, age, medical condition, marital status, ancestry, or national origin of any person. All such deeds, leases, or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

- A. In deeds: "The Purchaser herein covenants by and for himself or herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex or sexual orientation, age, medical condition, marital status, ancestry, or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the Purchaser himself or herself, or any person

claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

- B. In contracts: "There shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex or sexual orientation, age, medical condition, marital status, ancestry, or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises, nor shall the transferee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the land."

**County of Los Angeles Chapter 8 Program
Community Development Commission
Fee Schedule**

Fee Description	Proposed Fee*
A. Nonprofit Qualification and Capacity Assessment (One-time Fee).....	\$ 740
B. Property Review.....	\$ 440
C. Draft Agreement for Sale.....	\$ 260
D. Project Review and Underwriting.....	\$ 1,645
E. Final Inspection.....	\$ 540
F. Each Additional Required Inspection.....	\$ 180
G. Single-Family and Rental Regulatory Compliance Monitoring (Initial Occupancy).....	\$ 700
H. Ongoing Rental Regulatory Compliance (15 years).....	\$ 460
I. Ongoing Rental Regulatory Compliance (20 years).....	\$ 920
J. Approval of Change of Title.....	\$ 460

* Fees are adjusted annually by the Los Angeles-Long Beach-Santa Ana Metropolitan Statistical Area Cost Of Living Index.