



**JOSEPH KELLY**  
TREASURER AND TAX COLLECTOR

**COUNTY OF LOS ANGELES  
TREASURER AND TAX COLLECTOR**

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**ADOPTED**

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

February 23, 2016

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

3 February 23, 2016

  
PATRICK OGAWA  
ACTING EXECUTIVE OFFICER

Dear Supervisors:

**APPROVAL OF AN ORDINANCE AMENDING  
THE TREASURER AND TAX COLLECTOR'S TITLE SEARCH,  
PARTY OF INTEREST NOTIFICATION, PERSONAL CONTACT AND PUBLICATION FEES FOR  
THE SALE OF TAX-DEFAULTED SECURED PROPERTY  
(ALL SUPERVISORIAL DISTRICTS) (3 VOTES)**

**SUBJECT**

Approval to adopt an ordinance amending the Treasurer and Tax Collector's (TTC) fees to allow cost recovery related to conducting title search, statutorily required party of interest notification and statutorily required personal contact for tax-defaulted secured property subject to the Tax Collector's power to sell (STPTS).

**IT IS RECOMMENDED THAT THE BOARD AFTER THE PUBLIC HEARING,**

Approve and adopt the attached ordinance, amending County Code Section 4.64.150 - Title Search, Party of Interest Notification, Personal Contact and Publication fees to allow the TTC to recover actual costs of processes associated with the preparation and sale of tax-defaulted property: 1) title searches under a Board-approved contract, 2) notice to parties of interest, 3) published notice of auction, and 4) personal contact with the owner(s) of all owner-occupied properties as required by the California Revenue and Taxation Code (R&TC) Sections 3701, 3702, 3798, and 3704.7.

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

State law mandates that the TTC offer at auction, residential and agricultural properties that are tax defaulted for five or more years, and non-residential commercial properties and vacant land that are tax defaulted for three or more years. Prior to offering property at auction, the TTC must notify all

parties of interest per R&TC Sections 3701, 3702, and 3798, as well as attempt personal contact with the owner(s) of any owner-occupied property per R&TC Section 3704.7.

In order to comply with the party of interest notification process, the TTC utilizes title investigation and reporting services to identify any person or entity with a recorded interest to all or any portion of a given property. Once the TTC identifies the property owner(s) and/or parties of interest for each parcel, the TTC mails a notice to each, through the United States Postal Service, Return Receipt service, at least 45 days prior to the auction of the tax defaulted property. Following the mailed notice, and no sooner than 21 days prior to the date of the auction, the TTC publishes, in various newspapers throughout the County, a notice that includes the date, time, and location of the auction, the list of properties scheduled for auction, the corresponding property-owner names, the amount to redeem each property and other related redemption information.

In order to comply with the personal contact notification process, the TTC identifies all owner occupied property and utilizes Sheriff's Department personnel to serve notification materials.

Since the most recent amendment to these fees in 2010, Board-approved salaries and employee benefits have increased, as have the costs associated with services and supplies, including contracted title service fees. Therefore, the TTC conducted new fee studies, which the Auditor-Controller reviewed and approved, and is recommending the following:

- Title Search

This fee covers the costs of ordering title searches to obtain the recorded documents connected to properties scheduled for auction. The TTC is recommending a fee increase for Title Search from the current rate of \$95 to \$145 per parcel. This will align the costs with the contract with First Corporate Solutions, Inc., for title investigation and reporting services, approved by your Board on September 1, 2015.

- Party of Interest Notification

This fee covers the costs of notifying parties of interest of the impending auction. The TTC is recommending a fee increase from the current rate of \$645 to \$887 per parcel. The fee increase is a result of increases in employee salaries and benefits, as well as the increased cost for supplies (e.g., postage and mailing services). It is critical that the TTC notify all parties of interest to mitigate the risk of auctioning property improperly. Since the most recent amendment to these fees in 2010, the TTC has implemented processes to enhance the quality and thoroughness of the notification process to ensure staff identifies all potential parties of interest, which has also increased labor costs. For example, the TTC now utilizes a process to review properties via the County's Geographic Information System or eGIS. This gives the TTC a "visual" of the property, which may lead to notifying parties of interest not previously identified (e.g., the property appears to be the backyard of an adjacent property or a parking lot of an adjacent commercial building). In addition, the TTC now obtains and reviews updated recording information just prior to the actual auction date. This information helps to identify any late-filed bankruptcies, which may require the TTC to remove the property from the auction, or newly recorded deeds, which may require the TTC to send additional notifications.

Prior to a parcel becoming STPTS, the TTC mails multiple bills and notices to property owner(s) informing them of the amounts due and the ability to enter into a formal repayment agreement.

In recent years, the TTC has collected approximately 98 percent of the total dollar value of the

secured property tax roll in the year billed; therefore, only a small number of the 2.6 million parcels billed (approximately 5,000, or less than 0.2 percent) eventually becomes STPTS.

- Published Notice of Auction (NOA)

This fee covers the newspaper publication costs to provide countywide public notice of the auction of tax-defaulted property. The TTC is recommending a fee increase for the NOA from the current rate of \$58 to \$67. The fee increase is a result of increases in the publication costs of the newspaper vendor. Pursuant to R&TC Section 4112, the TTC shall, through Board authorization, charge a fee in an amount reasonably necessary to reimburse the County for auction publication costs incurred prior to either the redemption or auction of any tax-defaulted property.

- Personal Contact Notification

This fee covers the actual costs of the Sheriff's Department notification, TTC employee salaries and benefits, and necessary supplies. The TTC is recommending a fee increase for the Personal Contact Notification from the current rate of \$100 to \$269 per parcel. Although our costs have historically exceeded \$100, State law limited counties to this amount. This law changed in 2012, to allow for the collection of actual and reasonable costs incurred for providing personal contact notification.

This particular fee applies to a very small subset of the properties that are STPTS (approximately 250 to 350).

In addition to the fees listed above, the TTC also charges the following statutorily required fees to approximately 2,000 to 3,000 properties (see Attachment A):

- Recording Fee

Pursuant to R&TC Section 4112 and Government Code (GC) Section 27361.3, the TTC shall charge a fee to recover the costs of recording. This fee is currently set at \$27.

- Auction Preparation Fee

Pursuant to R&TC Section 4112, the TTC shall charge a fee to reimburse the County for preparing parcels for auction. By statute, this fee is currently \$150.

### **Implementation of Strategic Plan Goals**

The recommended actions support Goal 1, Operational Effectiveness/Fiscal Sustainability.

### **Strategic Asset Management Principles Compliance**

Not Applicable.

### **FISCAL IMPACT/FINANCING**

Increasing the Title Search fee to \$145 per parcel, the Party of Interest Notification fee to \$887 per parcel, the Notice of Auction publication cost to \$67 per parcel, and the Personal Contact Notification

fee to \$269 per parcel, will allow the TTC to recover the actual costs associated with conducting these mandated processes prior to auctioning tax-defaulted property.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

Pursuant to R&TC Section 3692, the TTC is required to auction tax-defaulted property that is STPTS.

Pursuant to R&TC Sections 3701 and 3704.7, the TTC must mail notices to all parties of interest and attempt personal contact with the owner(s) of any owner-occupied property scheduled for auction.

Pursuant to R&TC Sections 3702 and 3798, the TTC must publish a notice of auction of tax-defaulted property in various newspapers throughout the County.

Pursuant to R&TC Section 4112, the TTC shall recover the costs associated with these processes for any tax-defaulted property redeemed prior to the TTC offering said property at auction.

GC Section 54985(a) authorizes your Board to increase statutory fees, if not otherwise prohibited, in an amount reasonably necessary to recover the costs incurred in performing these services and/or enforcing these provisions.

Pursuant to GC Section 66018, a public hearing is required prior to the approval of a change to an existing fee. The County must publish a notice of Public Hearing in accordance with GC Section 6062(a) and subsequent to this action, notify the public of these ordinance changes as required by GC Section 25124.

Pursuant to Proposition 26, local governments bear the burden of proving that a charge is not a tax which requires a vote of the electorate, that the charge is no more than necessary to cover the reasonable costs of the governmental activity, and that the amount of the fee allocated to the payor is fairly related to the benefits received by that payor. As noted above, the Title Search fee aligns with the cost that First Corporate Solutions, Inc. charges under the Board-approved contract for title reporting services. The Party of Interest Notification, NOA, and Personal Contact Notification fees cover the estimated costs related to the notification and personal contact processes, as determined by fee studies, which the Auditor-Controller reviewed and approved. Thus, all four fees cover the necessary and reasonable costs of these activities. In addition, the payor of these fees is typically the successful bidder at the TTC's auction. As the payor, the successful bidder receives the benefits of an auction that is properly noticed in accordance with the requirements of State law.

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

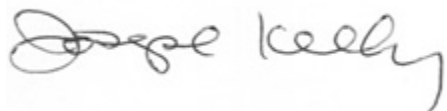
The proposed fee revisions will not impact current services.

The Honorable Board of Supervisors

2/23/2016

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Respectfully submitted,

A handwritten signature in cursive script that reads "Joseph Kelly".

Joseph Kelly

Treasurer and Tax Collector

JK:KK:KG:KP:ms

Enclosures

c: Assessor  
Sheriff  
Chief Executive Officer  
Auditor-Controller  
County Counsel  
Acting Executive Officer, Board of Supervisors

## ANALYSIS

This ordinance amends Title 4 – Revenue and Finance, of the Los Angeles County Code, related to the fees charged and collected by the Treasurer and Tax Collector for costs associated with the sale of tax-defaulted property.

Section 4.64.150 is amended so that fees charged by the Treasurer and Tax Collector associated with the sale of tax-defaulted property reflect the actual costs incurred for title searches under a Board approved contract, for personal contact by the Treasurer and Tax Collector, in providing notice to parties of interest, and for the costs of publication as required by the California Revenue and Taxation Code and California Government Code.

MARY C. WICKHAM  
County Counsel

By   
SAYUJ PANICKER  
Deputy County Counsel  
Government Services Division

SP:mv

Requested: 1/6/2016  
Revised: 1/25/2016

ORDINANCE NO. \_\_\_\_\_

An ordinance amending Title 4 – Revenue and Finance, of the Los Angeles County Code, relating to the fees charged and collected by the Treasurer and Tax Collector for costs associated with the sale of tax-defaulted property.

The Board of Supervisors of the County of Los Angeles ordains as follows:

**SECTION 1.** Section 4.64.150 is hereby amended to read as follows:

**4.64.150 Title sSearch, Personal Contact, party of interest  
notification fees, and Publication Fees.**

The fee charged for title searches as specified under §section 4112 of the Revenue and Taxation Code, and in accordance with Government Code §section 54985(a), shall be \$95145.00 per parcel. This fee is imposed to recover costs incurred by the Treasurer and Tax Collector.

The fee charged for personal contact, if applicable, as specified under sections 3704.7 and 4672.3 of the Revenue and Taxation Code, shall be \$269.00 per parcel. This fee is imposed to recover costs incurred by the Treasurer and Tax Collector as specified under section 3704.7 of the Revenue and Taxation Code and in accordance with Government Code section 54985(a).

The fee charged for providing notice by mail to any parties of interest entitled to receive a notice of auction, required by §section 3701 of the Revenue and Taxation Code, of any tax defaulted parcel which is subject to sale to collect defaulted secured property taxes, pursuant to §section 3691 of the Revenue and Taxation Code, shall total \$645887.00 per parcel. This fee is imposed to recover costs incurred by the

Treasurer and Tax Collector as specified under §section 4112 of the Revenue and Taxation Code and in accordance with Government Code section 54985(a).

The fee charged for publication, if the tax-defaulted property is redeemed prior to the proposed sale, but after the Treasurer and Tax Collector has incurred notice or publication costs pursuant to sections 3702 or 3798 of the Revenue and Taxation Code in connection with a notice of intended sale, shall be \$67 per parcel. This fee is imposed to recover reasonable costs incurred by the Treasurer and Tax Collector, as specified in section 4112 of the Revenue and Taxation Code and in accordance with Government Code section 54985(a).

[464150SPCC]



**STPTS Parcel Fee Chart**

<b>Purpose</b>	<b>Existing</b>	<b>Proposed</b>	<b>Authority</b>
Title Search	\$95	\$145	R&TC Sections 3701 and 4112
Parties of Interest	\$645	\$887	R&TC Sections 3701 and 4112
Personal Contact	\$100	\$269	R&TC Sections 3704.7 and 4112
Recording	\$27	No change	R&TC Sections 4112 and GC Section 27361
Publication	\$58	\$67	R&TC Sections 3702, 3798, and 4112
Auction Preparation	\$150	No change	R&TC Section 4112
<b>Total</b>	<b>\$1,075</b>	<b>\$1,545</b>	