

**TRANSMITTAL**

To:

**THE COUNCIL**

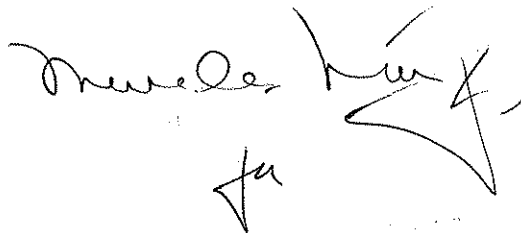
Date:

OCT 03 2012

From:

**THE MAYOR**

**TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.**

A handwritten signature in black ink, appearing to read "Antonio R. Villaraigosa", with a stylized flourish at the end.

**ANTONIO R. VILLARAIGOSA**  
Mayor



COMPLIANCE DIVISION

Los Angeles Housing Department

**LAHD**

1200 West 7th Street, 8th Floor, Los Angeles, CA 90017

tel 866.557.7368 | fax 213.808.8818

lahd.lacity.org



Antonio R. Villaraigosa, Mayor

Mercedes M. Márquez, Interim General Manager

Council File: 12-0600-S64

Council District: Citywide

Contact Persons:

Michael Prendergast (213) 808-8821

Roya Babazadeh (213) 808-8823

Roberto H. Aldape (213) 808-8826

September 21, 2012

Honorable Antonio R. Villaraigosa  
Mayor, City of Los Angeles  
200 North Spring Street, Room 303  
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Coordinator

**COUNCIL TRANSMITTAL: ADDENDUM TO REPORT BACK ON THE PROPOSED LIEN PROGRAM AND THE PRACTICE OF OTHER CITIES THROUGHOUT THE UNITED STATES IN PLACING LIENS ON PROPERTIES TO RECOVER DELINQUENT FEES**

**Summary**

The Los Angeles Housing Department (LAHD) is submitting this addendum to provide additional information to expound on its report back dated June 13, 2012 regarding the Department's billing and collection practices, and the feasibility of using liens as an additional means of collecting delinquent fees (C.F. 10-1935). The report provided a detailed description of the Department's current collection practices, and an assessment of the potential impact that avenues of collections may have on the collection rates for fees on delinquent LAHD accounts. At the Housing, Community & Economic Development Committee meeting on August 1, 2012, the Committee members instructed LAHD to include safeguards in a proposed lien program to ensure that such collection efforts are not attributed improperly to property owners, and for LAHD to provide a written report on the practices of other cities that use liens on properties to recover delinquent fees.

The following report summarizes the results of the survey, conducted by LAHD, regarding the practices of 17 cities throughout the United States that place liens on properties to recover their delinquent fees. The survey included the major California cities of San Francisco and San Diego. LAHD's findings noted that practices vary greatly from city to city, and based on the review of these practices, LAHD has

**COUNCIL TRANSMITTAL: REPORT BACK ON THE PROPOSED LIEN PROGRAM AND THE PRACTICE OF OTHER CITIES THROUGHOUT THE UNITED STATES IN PLACING LIENS ON PROPERTIES TO RECOVER DELINQUENT FEES**

September 21, 2012

Page 2

tailored a proposal for collecting fees that will meet the specific requirements of the Department, and achieve success. The proposal submitted by the Department has received support from the Office of the City Attorney.

The program proposed by LAHD would replace the current practice of referring delinquent accounts to collections, which historically has only had a 15% collection rate over the 1 1/2 years that the collection agencies attempt to collect on the debt. The LAHD proposal does not allow for the placement of a lien on any property, but does allow the Department to refer any outstanding fee balances to the Los Angeles County Assessor's Office, so that the LAHD fees can be included in the property tax bill. Based on the Department's analysis, this alternative practice could lead to a 75% collection rate and shortens the collection period to approximately nine months. The current LAHD practice of issuing an initial bill, along with separate late and collection notices, offers adequate opportunity for a property owner to contest any fees charged, and ensures that the fees are not attributed improperly to property owners. The proposed program provides a process for thorough review of the delinquent accounts and their pertinent ownership information by LAHD, as well as an additional opportunity to contest the fees in a public hearing prior to referring these accounts to the Los Angeles County Assessor's Office.

### **Background**

The LAHD report dated June 13, 2012, describes in detail the LAHD Billing & Collection process, and how the Department provides due process in the collection of fees, by providing notice to the property owner in three separate stages of aging an account, and providing them with the opportunity to contest the fees at each stage. Any delinquent account referred to collections by LAHD has been through the extensive three-stage notification process. If at any stage the property owner contests the fees, their request is administratively reviewed by LAHD and a determination is made based on the information provided, and the applicable laws and policies. The proposed program also provides for a hearing regarding unpaid fees to allow the property owner with additional due process protections.

The Department's evaluation of a Direct Assessment Property Tax Lien program influenced the LAHD's proposed process outlined in the report, dated June 13, 2012, which would not allow the Department to place liens on properties with delinquent accounts, but rather would replace referring delinquent accounts to collection agencies, with referring delinquent accounts to the Los Angeles County Assessor's Office, so that the delinquent amounts would be added to the property tax bill. Prior to referring a delinquent account to the Los Angeles County Assessor's Office, LAHD staff would thoroughly review the outstanding fees, and only refer those accounts for which the delinquency of accounts related to the property is either not in dispute, or for which the Department can positively identify the responsible party. This change would both increase the collection percentage from approximately 15% to an estimated 75% collection rate, and shorten the time for which delinquent accounts remain in the Department's Accounts Receivable from up to a year and a half, to only nine months.

The Department reviewed the practices of other cities that utilized liens as a collection tool, and conducted a survey of 17 cities throughout the United States including the following cities: Long Beach, CA; Pasadena, CA; Compton, CA; San Diego, CA; San Francisco, CA; San Jose, CA; New Castle, DE; Bloomington, MN; Ft. Collins, CO; Moorehead, MN; Jefferson Parish, LA; Houston, TX; Chicago, Ill;

**COUNCIL TRANSMITTAL: REPORT BACK ON THE PROPOSED LIEN PROGRAM AND THE PRACTICE OF OTHER CITIES THROUGHOUT THE UNITED STATES IN PLACING LIENS ON PROPERTIES TO RECOVER DELINQUENT FEES**

September 21, 2012

Page 3

Philadelphia, PA; New York, NY; Kirkland, WA, as well as the County of Los Angeles. The survey showed that practices varied greatly between cities in terms of both the types of fees for which liens were used for their collection, and the procedures put in place to ensure adequate due process. Even procedures implemented within the state of California varied greatly.

The City of San Diego uses Code Enforcement Liens, and Nuisance Abatement Liens to deter future violations, but the liens only apply to specific civil penalties, costs and fees associated with the City's code enforcement system. A Nuisance Abatement Lien, which is a type of Code Enforcement Lien, can be applied to parcels abated by the City, and may be foreclosed by an action brought by the City for a monetary judgment. For Nuisance Abatement Liens, prior notice shall be served upon the owner in the same manner as a summons in a civil action.

The City of San Francisco can initiate lien proceedings 30 days after a written request has been mailed to the property owner requesting payment of fees, in the form of a notice of proposed lien (San Francisco Administrative Code, § 10.230A). 45 days after a notice of proposed lien is mailed out to the property owner, the Board of Supervisors may make any amount of fees due as a lien against the subject property. The resulting lien would have the same force and effect as a judgment lien. A single written notice is issued after a delinquent account has been referred, and if the fees are not paid, a hearing is scheduled by the Board of Supervisors, who make a determination as to whether or not to place a lien on the property. In contrast, for each delinquent LAHD bill, the Department issues three notices: the original bill; the delinquent bill; and a 10-day collection notice. With each notice, an opportunity is given to appeal the fees. The LAHD proposal to refer delinquent accounts to the County Assessor provides additional due process by means of an administrative hearing conducted before the accounts are referred to the County for inclusion in the property tax bill. The County Tax Assessor's property tax bill will also serve as an additional notice of the fees due to the Department.

The survey shows that the LAHD proposal compares favorably to other cities in the following areas: a) number of notices issued, which applies generally to all LAHD fees (including annual fees); b) opportunities provided to contest the fees; c) sufficient time provided for payment of fees; and, d) comprehensive due process is provided to dispute a bill including multiple stages of review, as well as a public hearing. The proposed LAHD program would recover delinquent fees in the property's tax bill.

**Fiscal Impact Statement**

Based on the Department's analysis of the potential impact of implementing the proposed Direct Property Tax Assessment Lien Program, the Department would collect an estimated additional annual net of \$3.7 million in revenue. A complete assessment of the costs and estimated revenue generated by the program is included in the LAHD report dated June 13, 2012.

There is no impact on the General Fund.

**COUNCIL TRANSMITTAL: REPORT BACK ON THE PROPOSED LIEN PROGRAM AND THE PRACTICE OF OTHER CITIES THROUGHOUT THE UNITED STATES IN PLACING LIEN ON PROPERTIES TO RECOVER DELINQUENT FEES**

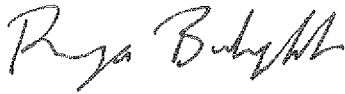
September 21, 2012  
Page 4

Prepared by:



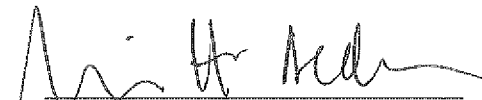
TONY PELAEZ  
Housing Investigator I  
Compliance Division

Reviewed by:




ROYA BABAZADEH  
Director of Enforcement Operations  
Compliance Division

Reviewed by:



ROBERTO H. ALDAPE  
Assistant General Manager  
Los Angeles Housing Department

Reviewed by:



RUSHMORE D. CERVANTES  
Executive Officer  
Los Angeles Housing Department

Approved by:



MERCEDES M. MARQUEZ  
Interim General Manager  
Los Angeles Housing Department