

**TO THE COUNCIL OF THE
CITY OF LOS ANGELES**

Your **HOUSING, COMMUNITY AND ECONOMIC DEVELOPMENT** **Committee**

reports as follows:

HOUSING, COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE REPORT relative to placing liens on properties to recover delinquent fees.

Recommendations for Council action:

1. NOTE and FILE the Los Angeles Housing Department (LAHD) reports dated June 13, 2012 and September 21, 2012, in response to a Fiscal Year 2012-13 Adopted Budget Recommendation, relative to pursuing liens against delinquent properties, the current efforts by the LAHD to collect fines and penalties, and the practices of other cities concerning collections.
2. INSTRUCT the LAHD, with the assistance of the Chief Legislative Analyst, the City Administrative Officer, the City Attorney and any other appropriate City departments, to report back in 90 days with a report that includes an analysis of the LAHD's current collections system and those of other cities that utilize an independent judicial review process.

Fiscal Impact Statement: Neither the City Administrative Officer nor the Chief Legislative Analyst has completed a financial analysis of this report.

Community Impact Statement: None submitted.

SUMMARY

At a regular meeting held on December 12, 2012, the Housing, Community and Economic Development Committee considered Los Angeles Housing Department (LAHD) reports dated June 13, 2012 and September 21, 2012, in response to a Fiscal Year 2012-13 Adopted Budget Recommendation, relative to pursuing liens against delinquent properties, the current efforts by the LAHD to collect fines and penalties, and the practices of other cities that utilize liens as a collection tool.

A representative of the LAHD appeared before the Committee to discuss the LAHD reports and respond to related questions from the Committee. The LAHD reported that it was instructed by the Budget and Finance Committee to look at utilizing liens as a method of collecting revenue that it is owed, the majority of which is through the Rent Stabilization Ordinance Annual Registration (RENT) fees and Systematic Code Enforcement Program (SCEP) fees. The LAHD conducted a survey of the collection practices of seven City departments and analyzed the lien programs of 17 other cities. Based on the large amount of bills that the LAHD issues (350,000 annually) and the possibility that a property can become delinquent several times for various reasons, the LAHD determined that applying liens to recover delinquent fees for LAHD programs is not an efficient way to perform its collection activities.

Currently, the LAHD's practice is to follow citywide collections guidelines by forwarding delinquent accounts to collection agencies after all notification efforts have been exhausted. The LAHD is now proposing to provide property owners with a due process in which they would receive a hearing before the Council and in which they can contest the fees. If the LAHD is authorized by the Council to move forward, delinquent accounts would be forwarded to the Los Angeles County Assessor to be added to the property tax bill, which is not a lien nor would it

result in a lien on the property. However, even at this stage in the process, the LAHD would still have the ability to retrieve the account for additional review if contested by the property owner. The LAHD reported that the collection rate utilizing collections agencies is approximately 15 percent and that it expects the collection rate to increase to 75 percent if its delinquent accounts are forwarded to the Los Angeles County Assessor for inclusion on tax bills.

In response to a question from the Committee Vice Chair relative to cases where there may be ambiguity in the property title and how this would factor into the proposed process to forward delinquent accounts for inclusion on the Los Angeles County Assessors' bills, the LAHD responded that its current system has three levels at which the customer is notified to pay the bill or can contest it. At each of those levels, the LAHD researches property ownership to verify the person liable for the fees that have been assessed and if ownership has changed, the new owner is not charged. Additionally, the LAHD now purchases up-to-date property ownership information rather than using the Los Angeles County Recorder for property ownership data which was somewhat outdated.

After providing an opportunity for public comment, the Committee recommended to note and file the LAHD reports and instructed the LAHD, with the assistance of the Chief Legislative Analyst, the City Administrative Officer, the City Attorney and any other appropriate City departments, to report back in 90 days with a report that includes an analysis of the LAHD's current collections system and those of other cities that utilize an independent judicial review process, so that the Council can determine whether it wishes to continue with the in-house collections system or perhaps at a later date move to a judicial review process. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

HOUSING, COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
CÁRDENAS:	YES
REYES:	YES
WESSON:	ABSENT
ALARCÓN:	ABSENT
PERRY:	YES

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