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—
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OSAMA YOUNAN, P.E.
EXECUTIVE OFFICER

March 30, 2017

City Council
200 N. Spring Street, Room 340
Los Angeles, CA 90012

COUNCIL FILE NO. 16-0233

Attention: Sharon Dickinson, Legislative Assistant

BUILDING AND SAFETY LIEN PROCESS REFORM

SUMMARY

On September 22, 2016 the Los Angeles Department of Building and Safety (LADBS) submitted a report to the Budget and Finance Committee (Committee) in response to a February 26, 2016 City Council Motion (C.F. 16-0233) instructing the LADBS to report to Council on steps that can be taken to improve the current process for nuisance abatement and code enforcement non-compliance liens including improving the mechanisms to properly notify property owners of violations and liens through the use of services such as certified mail. This supplemental report contains information on how LADBS plans to reduce the cost associated with the proposed increase in certified mail volume.

BACKGROUND

During its September 26, 2016 consideration of the LADBS report on the lien process reform the Committee instructed staff to propose a lower cost alternative to implement the LADBS proposals including the transfer of the public hearing requirement from the City Council to the Los Angeles Board of Building and Safety Commissioners (Board) and the use of certified mail on all lien correspondence.

The LADBS September 22nd report provided a cost analysis of the Department's current expenditure on certified mail versus the new cost to certify all mail sent to the property tenant(s)/owner(s). Based on the analysis, the City would spend approximately \$1.4 million annually on certified mail services. This cost estimate included a rate of \$11.14 per certified mailing and requests for two Administrative Clerk positions. The \$11.14 rate was based on a breakdown provided by the General Services Department (GSD) as follows: postage fee - \$4.65; extra service - \$3.30; return receipt fee - \$2.70; and, letter postage - \$0.49. The two Administrative

Clerk positions were requested to assist with the increased workload to certify additional mail, along with other administrative responsibilities.

Following the Committee instruction for staff to identify a lower cost alternative, the Department discovered a more cost-effective mail processing services contract used by the Office of Finance for their tax registration notifications. This vendor provided LADBS a preliminary quote of \$7.50 per certified mail; \$3.64 less than the rate used by GSD. Based on the preliminary quote, it is estimated that the cost to certify all mail would be \$379,000 per year. The Department also determined that using this contract would eliminate the need for the previously requested two Administrative Clerk positions intended to assist with the proposed increase in workload. If the contract is used as proposed, the only position to be included in the new cost estimate is one Administrative Clerk position to be assigned to the Board to process all the liens-related notifications and schedule hearings. This position will be partially funded by the Enterprise Fund, and the annual cost impact estimate to the General Fund is \$42,000.

The Council has two options to assist LADBS in improving the current process for nuisance abatement and code enforcement non-compliance liens.

- **Option 1:** Approve the transfer of the public hearing requirement to the Board (\$42,000), including the use of certified mail for all lien correspondence (\$379,000).
- **Option 2:** Approve the transfer of the public hearing requirement to the Board (\$42,000), excluding the use of certified mail for all lien correspondence (\$0).

Should Council approve Option 1, the total cost is estimated at \$421,000 annually. If Council approves Option 2, the total cost is estimated at \$42,000 annually.

Assuming Council approves Option 1, LADBS recommends a transfer of \$67,612.54 from the Reserve Fund to the Los Angeles Building and Safety Fund No. 100/08 to cover the remaining two months direct funding from May 1, 2017 to June 30, 2017. Assuming Council approves Option 2, LADBS recommends a transfer of \$4,349.97 from the Reserve Fund to the Los Angeles Building and Safety Fund No. 100/08 to cover the remaining two months direct funding from May 1, 2017 to June 30, 2017.

RECOMMENDATION

If the Council and Mayor find that it is in the best interest of the City to implement changes to the code enforcement lien process as part of the Los Angeles Department of Building and Safety (LADBS) billing and collection program, LADBS recommends that the Council, subject to the approval of the Mayor:

1. Note and file the LADBS report dated September 22, 2016 as it is for informational purposes only;
2. Approve, in concept, the establishment of a new lien public hearing process for nuisance abatement and code enforcement activities provided by LADBS;

3. Request the City Attorney to prepare and present ordinances to amend pertinent sections of the Los Angeles Municipal Code to transfer the public hearing requirement from the City Council to the Los Angeles Board of Building and Safety Commissioners;
4. Instruct the LADBS, with the assistance of the City Attorney, to prepare policies and procedures for conducting public hearings under the new lien hearing process;
5. Instruct the LADBS, with the assistance of the City Administrative Officer (CAO), to prepare a budget proposal reflection anticipated costs to be incurred by LADBS under the new process;
6. Authorize LADBS to prepare Controller instructions for any technical adjustments, subject to the approval of the CAO, and authorize and instruct the Controller to implement these instructions;
7. **a. Transfer of Public Hearing Requirement with Certification of All Mail (Option 1)**

Authorize the Controller to transfer \$67,612.54 from the Reserve Fund to the Unappropriated Balance and appropriate therefrom to the Los Angeles Building and Safety Fund No. 100/08 as follows:

Account No.	Account Title	Amount
1010	Salaries, General	\$ 3,624.64
1070	Salaries, As Needed	\$ 407.56
2120	Printing & Binding	\$ 10.00
3040	Contractual Services	\$ 63,206.67
6010	Office Supplies	\$ 87.00
6020	Operating Supplies	\$ 220.00
7300	Furniture, Office & Tech Equipment	\$ 56.67
Total		\$ 67,612.54

b. Transfer of Public Hearing Requirement without Certification of All Mail (Option 2)

Authorize the Controller to transfer \$4,349.97 from the Reserve Fund to the Unappropriated Balance and appropriate therefrom to the Los Angeles Building and Safety Fund No. 100/08 as follows:

Account No.	Account Title	Amount
1010	Salaries, General	\$ 3,624.64
2120	Printing & Binding	\$ 10.00
3040	Contractual Services	\$ 351.67
6010	Office Supplies	\$ 87.00
6020	Operating Supplies	\$ 220.00
7300	Furniture, Office & Tech Equipment	\$ 56.67
Total		\$ 4,349.97

8. Approve Resolution employment authority for one Administrative Clerk (Class Code 1358) for the period of May 1, 2017 to June 30, 2017; and,
9. Authorize the General Manager, LADBS, or designee, to prepare Controller instructions and make any necessary technical adjustments consistent with the Mayor and Council action in this matter, subject to the approval of the City Administrative Officer, and authorize the Controller to implement the instructions.

FISCAL IMPACT

If Council approves Option 1 which includes the transfer of the public hearing requirement to the Board and the use of certified mail for all lien correspondence, the annual impact to the General Fund would be approximately \$421,000.

If Council approves Option 2 which includes the transfer of the public hearing requirement to the Board but excludes the use of certified mail for all lien correspondence, the annual impact to the General Fund would be approximately \$42,000.

Please direct any questions regarding this report to Steve Ongele, Assistant General Manager, at (213) 482-6703. Should you need my assistance, please contact me at (213) 482-6800.

Sincerely,



FRANK M. BUSH
General Manager

c: Justin Wesson, Council District 10
John Gregory, Council District 11
Monica Castillo, City Attorney's Office
Jason Killeen, City Administrative Office

FMB:SO:AMY:JD:RS