



MOUNTAINS RECREATION & CONSERVATION AUTHORITY

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MEMORANDUM

TO: The Governing Board

FROM:  Joseph T. Edmiston, FAICP, Hon. ASLA, Executive Officer

DATE: September 12, 2011

SUBJECT: **Agenda Item VI(c): Consideration of resolution authorizing the use of public, private, and in-lieu mitigation fees to open an Auction Trust Account with the Los Angeles County Treasurer and Tax Collectors office, to purchase parcels at the 2011A public auction.**

Staff Recommendation: That the Governing Board adopt the attached resolution authorizing the use of public, private, and in-lieu mitigation fees to open an Auction Trust Account with the Los Angeles County Treasurer and Tax Collectors office, to purchase parcels at the 2011A public auction.

Background: The Mountains Recreation and Conservation Authority (MRCA) historically has reserved parcels from the public auction lists, prior to the actual auction. This method results in Chapter 8 Agreements with the Los Angeles County Treasurer and Tax Collectors office. The fruition of the Chapter 8 process at a minimum takes over fifteen months. Often the final purchase price is 25-35 percent greater than the back taxes owed at the auction date. An alternative method for the MRCA to secure tax defaulted properties is to compete for the parcels at the open public auction. The advantage of this method is that staff can avoid the case where parcel costs exceed available funding and know the actual date that funding is due. A Los Angeles County public auction is scheduled for mid-October this year.

Item VI(b) on this September 12, 2011 agenda addresses registering as a bidder at the October 2011A public auction. Once a bidder has been registered with the County Treasurer and Tax Collectors Office, there are two options for the bidder to purchase parcels at the auction. The first option is to provide the bidder with multiple cashiers checks in \$1,000 and \$5,000 denominations. These would be used in combination to provide the auction cashiers with the mandatory deposit (described below) immediately after the item bidding closes on each parcel.

The second option is for the MRCA to open an Auction Trust Account with the Los Angeles County Treasurer and Tax Collectors office. This account would be opened with a cashiers check in the full amount which the MRCA will provide for auction purchases. This method allows staff to concentrate on the auction rather than repeatedly going to the cashier.

Each open auction parcel purchase requires the full payment for parcels under \$5,000; a \$5,000 deposit on all parcels between \$5,001 and \$50,000; or a 10 percent down payment on all parcels above \$50,000. An Auction Trust Account allows the flexibility to provide the cashiers with the minimum deposit amounts immediately after the bidding ends, without having to deal with multiple cashiers checks.

The attached resolution authorizes the use of Santa Monica Mountains Open Space Preservation Assessment District No. 1 funds, public funds, private funds, and in-lieu mitigation fees to be used for the Auction Trust Account, in an amount not to exceed \$250,000. This figure is an estimate based on approximately 20% of the total potential amounts outlined in the agenda items that follow this action.

The summaries of spending caps for the subsequent items are as follows. Item VI(d) would authorize up to \$500,000 from in-lieu mitigation fees. Item VI(e) would authorize up to \$250,000 from the Coastal Habitat Impact Mitigation Fund. Item VI(f) would authorize up to \$200,000 from Santa Monica Mountains Open Space Preservation District funds. Item VI(g) would authorize up to \$210,000 from Proposition 12 grants SMM-0742 and SMM-0743. Item VI(h) would authorize up to \$25,000 from Proposition 50 grant SMM-0809.

Staff will continue to search the list for valuable parcels. If a pricey key parcel is identified close to the auction date, staff may need to increase the Trust Account deposit if the initial deposit is insufficient. This action's spending cap authorization is a safety precaution that would guard against the need to have a second infusion into the Trust Account at the last minute.

A strong Auction Trust Account also allows the MRCA to buy more parcels at the <\$5,000 tier. Last year, staff withheld bidding on a few target parcels, in order to ensure that there would be a sufficient remainder in the Trust Account for the necessary down payment when the more expensive target parcels came up for bidding later in the day. Each open auction parcel purchase requires the full payment for parcels under \$5,000, and having the flexibility to buy all target cheaper parcels allows for a greater overall capture at the auction.

Any funds in the Account which are not used for parcel purchase will be 100 percent refunded to the MRCA within 30 days after the sale.