



**COUNTY OF LAKE
BOARD OF SUPERVISORS**

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March 11, 2025

The Honorable Lori Wilson
California State Assembly District 11
1021 O Street, Suite 8110
Sacramento, CA 95814

RE: AB 418 (Wilson) Property tax: tax-defaulted property sales – Support

Dear Assemblymember Wilson,

On behalf of Lake County, I write in support of AB 418 (Wilson). Lake County is pleased to support this important legislation regarding California's procedures to dispose of tax-defaulted properties. AB 418 preserves the ability of counties to utilize so-called Chapter 8 sales that are used to dispose of challenging properties or facilitate the development of affordable housing or other local agency uses, while ensuring that the owners of that tax-defaulted property are able to participate in an administrative process if they disagree with the tax sale value established by the tax collector, and proposed for approval by the Board of Supervisors.

This measure is responsive to the May 25, 2023 United States Supreme Court decision, which unanimously ruled in *Tyler v Hennepin County, Minnesota, et al.* that Geraldine Tyler's Constitutional rights were violated when Hennepin County, in Minnesota, auctioned her tax-defaulted property to satisfy the delinquent property tax debt worth \$15,000. The property sold for \$40,000. The County kept the remaining \$25,000 in excess proceeds without first affording Ms. Tyler the right to file a claim for the excess proceeds. The Court found that the taking of the value of Ms. Tyler's equity violated the Takings Clause of the Fifth and Fourteenth Amendments and the Excessive Fines Clause of the Eighth Amendment.

Importantly, and in contrast to laws in Minnesota and elsewhere, California law requires that if a property is sold at a tax auction, any proceeds from the auction that remain after all taxes are paid are then made available to parties of interest (i.e. the owner) to that property, and those parties have one year to file a claim for those excess proceeds. In no event under current law can a California County deprive a property owner of their excess proceeds without first providing public notice and certified mailings to the last known address regarding the availability of excess proceeds, with one year to file that claim.

In California, there are thousands of tax-defaulted parcels that hold little to no value or otherwise present specific or unusual challenges to dispose of through a traditional tax auction. In Lake County, these issues are exemplified by the "paper subdivision" lots. These lots were created in the early 20th century by land speculators with no provisions for sewer, water, drainage facilities or adequate roads to support development. Most of these recorded subdivisions are located on land that is geographically unsuitable. The resulting paper subdivision lots remain undeveloped nearly 100 years after their creation and continue to be bought by unsuspecting buyers, "sight-unseen." For your background, there are approximately 3,500 of these eligible for auction now in Lake County, with about 12,000 ultimately

implicated. This could take years and millions of General Fund dollars for Lake County, while delaying real solutions. Using a Chapter 8 tax sale process to dispose of such properties can make the best sense for the impacted local agencies and the property owner.

What has given rise to concerns in California is that Government entities and nonprofit organizations can enter into agreements to purchase tax defaulted residential or vacant property that has been tax defaulted, known as a “Chapter 8 sale.” A Chapter 8 sale is not held by auction, instead requiring only payment of delinquent taxes, redemption penalties, and other costs; in some cases, the tax collector can further reduce the price in order to facilitate the successful sale of the property. The state, local agency, or nonprofit submits an application to the county with a purchase price, which must be approved by the board of supervisors. The board of supervisors may establish conditions of sale to the nonprofit, including reporting, to assure the completion of rehabilitation within a reasonable time and maximum benefit to low-income persons. After approval, the tax collector must send a copy of the executed agreement to the State Controller for approval. If approved, the tax collector publishes notice of the agreement. The tax collector must then complete almost all of the same steps as a regular – known as a Chapter 7 – sale, such as sending the agreement to the current property owner and any parties of interest not less than 45 nor more than 60 days prior to the effective date of the agreement, and publishing the notice of agreement. The sale cannot become effective less than 21 days from the date the tax collector publishes notice of the agreement.

This measure establishes a process that California’s county tax collectors will follow, when utilizing the Chapter 8 sale process, to ensure that the property is disposed of in a way that is transparent and affords property owners an administrative remedy if the property owner disputes the price set at a Chapter 8 tax sale. These additional steps, which include a hearing at the Board of Supervisors where a party of interest may present evidence to dispute the tax sale price, affords an administrative process for property owners, while preserving the Treasurer-Tax Collector’s informed discretion to utilize options to manage those properties for which appraisals are not financially logical.

Passing this measure and ensuring that counties have provided a fair process for establishing the tax sale value of the property and a venue for that value to be disputed will have the effect of providing fresh assurance that counties may conduct Chapter 8 sales. Since the court case was decided, some counties have chosen not to conduct Chapter 8 sales due to the constant threat of litigation and endless public records act requests associated with those sales from the parties who

litigated *Tyler v Hennepin*. Once enacted, counties could move with confidence to conduct Chapter 8 sales to dispose of specific properties in a way that is fair to the tax defaulted owner, cities and other public agencies as well as non-profit housing developers that may have an interest in a specific property.

AB 418 will yield a sensible outcome that does not further waste taxpayer dollars or lead to higher costs and government inefficiency; two things taxpayers expect the tax collector to not do.

Thank you for your leadership in authoring this important bill that will provide certainty and transparency.

Sincerely,

COUNTY OF LAKE

Eddie Crandell, Chair
Lake County Board of Supervisors

CC: Chair Gipson, Assembly Revenue and Taxation Committee
Members, Assembly Revenue and Taxation Committee