

SHARI L. SCHAPMIRE
TREASURER-TAX COLLECTOR



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DATE: NOVEMBER 14, 2017

TO: HONORABLE BOARD OF SUPERVISORS

FROM: SHARI L. SCHAPMIRE, TREASURER-TAX COLLECTOR

SUBJECT: REQUEST TO SELL TAX-DEFAULTED PROPERTY

Background on Harwood Products Parcel

For the past six decades, the Harwood Family has owned Parcel No. 013-910-11, comprised of 30.68 acres located in Branscomb; for most of that time, the family operated a sawmill at this site, employing as many as 250 employees during its peak. Unfortunately, in 2008, the mill closed and Harwood Products Inc. filed for protection under the U.S. Bankruptcy Code. Wells Fargo Bank maintained a substantial security interest in the property and, in 2009, was granted approval through the Bankruptcy proceedings to sell fixtures and equipment to recoup outstanding debt. During the removal process two fires occurred, the last one burning the building, its remaining contents, and the entire sawmill operation to the ground.

Property Tax Repercussions

During fiscal years 2007-08 through 2009-10, secured property tax bills included significant assessments for improvements, personal property, fixtures, and equipment; in 2007-08 alone, the total assessed value was in excess of \$23 million. In 2010-11, as a result of liquidation of assets and the devastating fires, the assessed value dropped to approximately \$333,000. The 2017-18 assessed value is approximately \$370,000. Unfortunately, property taxes remain unpaid since the 2007-08 fiscal year, with the original outstanding tax amount currently at \$506,192 and the total with penalties and interest in excess of \$1.3 million. Through the years, the original property taxes were distributed to various entities through the Teeter Plan Program.

Public Auction Activity

The Tax Collector's Power to Sell was recorded in the Recorder's Office in July 2013. To date, this parcel has previously been offered unsuccessfully at public auctions during the following dates for the minimum bids indicated:

June 2014	\$932,500
August 2014 (re-offer)	\$510,400
October 2015	\$528,000
March 2016	\$357,000

In conjunction with the Auditor, and approved by the Board of Supervisors, the minimum bid has been decreased multiple times.

Contamination Concerns

According to the North Coast Regional Water Quality Control Board, this parcel is part of an open contamination cleanup case with their office. While there has been communication with the Harwood Family over the years, this situation is yet to be resolved. This information will continue to be disclosed during the public auction process as long as this parcel remains an active contaminated site.

Approval of Minimum Bid

Per Revenue & Taxation Code §3698.5(c) Where property or property interests have been offered for sale at least once and no acceptable bids therefore have been received at the minimum price determined pursuant to subdivision (a), the tax collector may, in his or her discretion and with the approval of the board of supervisors, offer that same property or those interests at the same or next scheduled sale at a minimum price that the tax collector deems appropriate in light of the most current assessed valuation of that property or those interest, or any unique circumstance with respect to that property or those interests.

In light of Revenue & Taxation Code §3698.5(c), the minimum bid requested for approval on this parcel is \$378,000, this includes the assessed value on the 2017-18 tax roll, the 2017-18 current taxes, and costs associated with the auction proceedings. This detailed explanation is being provided for your review as the minimum bid requested is lower than the original tax amount.

Background on Ukiah Land LLC Parcels

The Ukiah Land LLC property is comprised of approximately 52 acres located at the south end of Ukiah, just outside city limits. The property owners had obtained various approvals from the County, including approval for a tentative subdivision map for a project known as “Garden’s Gate.” Unfortunately, due to the financial meltdown, the project never moved forward; property taxes have remained outstanding since the 2011-12 fiscal year. The Ukiah Land LLC parcels have never been offered at public auction and will initially be offered for the amount of outstanding property taxes, plus costs associated with the auction - \$446,000.