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DATE: FEBRUARY 27, 2018

TO: HONORABLE BOARD OF SUPERVISORS

FROM: SHARI L. SCHAPMIRE, TREASURER-TAX COLLECTOR

**SUBJECT: REQUEST TO SELL TAX-DEFAULTED PROPERTY
UPDATE ON SALE LOT NO. 8 – HARWOOD PRODUCTS, INC.**

Background on Harwood Property

The Harwood Family has owned numerous parcels situated in Branscomb for the past six decades; up until the past decade the family operated a sawmill at this location, employing as many as 250 employees at 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 - Assessor's Parcel No. 013-910-11

Prior to the fires, the actual mill site was situated on Parcel No. 013-910-11. As this Board has been previously informed, there are major property tax repercussions with this parcel. 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 – Assessor's Parcel No. 013-910-11

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
January 2018	\$378,000

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

Contiguously Located Parcels Now Also Available for Tax Sale

In July 2017, the Tax Collector's Power To Sell was recorded on parcels contiguously located to Assessor's Parcel No. 013-910-11. As recommended by the Mendocino County Department of Planning and Building Services, the following parcels are now combined in Sale Lot No. 8 - Assessor's Parcel No's: 013-910-10, 013-910-11, 013-910-13, 013-910-18, and 013-910-21. With all parcels combined, the total acreage on Sale Lot No. 8 is approximately 103 acres. Also included in this sale lot is the building previously utilized as the office.

Contamination Concerns

According to the North Coast Regional Water Quality Control Board and the Mendocino County Environmental Health Department, these parcels continue to be part of an open contamination cleanup case with their offices. 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 these parcels remain 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 of Sale Lot No. 8 is \$402,000, this includes the previously approved decreased amount on Assessor's Parcel No. 013-910-11, as well as all applicable taxes, penalties, and interest due on the remaining four parcels. This detailed explanation is being provided for your review as the minimum bid requested is lower than the original tax amount.

Please Note: Sale Lot No. 9, Assessor's Parcel No. 013-920-04, is also owned by Harwood Products, Inc., but is not situated directly adjoining the parcels mentioned above.