



COUNTY OF HUMBOLDT

Legislation Text

File #: 22-181, Version: 1

To: Board of Supervisors

From: Planning and Building Department

Agenda Section: Departmental

SUBJECT:

Nuisance Abatement Cost Recovery for Green Valley Motel in Orick (Code Enforcement Case # CE19-0116)

RECOMMENDATION(S):

That the Board of Supervisors:

1. Direct the Planning and Building Department to pursue recovery of nuisance abatement costs by entering into an escrow purchase agreement; and
2. Authorize the Director of Planning and Building Department to execute escrow purchase agreement to recover nuisance abatement costs and find that the agreement serves a public purpose as described; and
3. Provide additional direction as needed.

SOURCE OF FUNDING:

The initial funding for nuisance abatement is provided from the General Fund. However, Humboldt County Code section 351 *et seq.*, provides the abatement cost recovery through the property tax roll and by placing a lien on the property.

DISCUSSION:

The Planning and Building Department seeks direction from the Board with regard to the best mechanism for abatement cost recovery for Code Enforcement Case # CE19-0116. Two options are presented for consideration:

1. Placing a Tax Lien on the property as described by Humboldt County Code section 351 *et seq.*;
or
2. Entering into an escrow purchase agreement to recover approximately \$250,000.00 of \$401,000.00 incurred and anticipated abatement costs through the sale of the property.

The Code Enforcement Unit is performing an abatement of the Green Valley Motel in Orick, APN: 520-086-008 and the adjacent fire-damaged, defunct gas station on APN: 520-086-009. The gas station and

the Green Valley Motel are situated on property with separate assessor parcel numbers, but they are one legal parcel.

The full cost of the nuisance abatement project is anticipated to be approximately \$401,000. Per Humboldt County Code 351 *et seq.*, the county would normally recover the abatement costs by assessing the property and adding the costs to the property tax roll and recording a lien. After three years of property tax delinquency, the property would go to auction and the county would seek to recover the costs through the sale.

There are existing liens on the property for approximately \$75,200 which brings the total amount the property would be encumbered to approximately \$476,000. This would be on the high end of what the property could be worth in the current real estate market. It is possible that there would be a buyer willing to pay a sales price equal to the full cost of abatement to date and the outstanding liens on the property. Conversely, it is possible that nobody would be willing to meet that minimum bid. The County could also set a lower minimum bid and accept less on the property.

There is an interested buyer willing to pay \$350,000 with plans to redevelop the property with visitor-serving uses. The redevelopment could generate an influx of visitor dollars spent in the area and additional property tax and transient occupancy tax for the county. This buyer is only interested in the property if the \$350,000 purchase price would remove all the encumbrances from title. This option would involve the County not recovering all costs to date on the property.

The current costs associated with the property, with the proposed sale price are shown in the following table:

Tenant Relocation Payments	\$20,449.00
Emergency Board Up Services and Solid Waste Removal	\$22,568.49
Asbestos Survey	\$11,977.27
Fumigation	\$44,580.00
Vehicle Towing	\$500.00
Administrative Costs as of January 24, 2022	\$14,255.28
Demolition	\$286,568.47
Total Abatement Costs	\$400,898.51
Existing Liens	\$52,645.79
Current and Defaulted Taxes (\$5,140.84 + 16,804.04)	\$21,944.88
	\$475,489.18
Purchase Price	\$350,000
Closing Costs	\$25,000
Net Amount Unrecoverable	\$150,489.18

There are two less than perfect options in this particular case:

1. Place a Tax Lien on the property and hope that all or most of the costs can be recovered through that process at some point in the future; or
2. Work with the seller and buyer to recoup approximately \$250,000 through the sale of the property. This means that the County would accept responsibility for approximately \$150,000 of the abatement cost.

The sales agreement option would guarantee that the county would recover 62% of the abatement costs immediately. However, there would be approximately 38% or \$150,489 that would be unrecoverable because the purchase price is less than the encumbrances on the property. This would ensure the county would be reimbursed a guaranteed amount within a short timeframe, as opposed to waiting until the property is in default and can be auctioned. It also allows for the buyer to immediately redevelop the property instead of the parcel sitting vacant for at least three years. The disadvantages to entering into a purchase agreement is the county will only recover approximately 62% of the costs spent on abatement.

If the county does not enter into a purchase agreement with the buyer and seller, the current buyer would no longer be interested in the property resulting in the property sitting vacant for at least three years until an auction could take place. Should this property go to auction, there is no assurance that the auction price would recover an amount equal to or greater than the abatement costs.

While less than the cost of abatement, staff is recommending the Board approve the escrow purchase agreement process because it will recover a large share of abatement costs in a short timeframe. Those recovered funds can be immediately used for project-ready abatement cases. The escrow purchase agreement process also transfers the property to a buyer who will redevelop the property bringing positive impacts to the community and allow the property to return to the tax rolls. Should your Board endorse this approach the associated findings with the action are that, while a portion of the abatement funds will not be recovered, the value of an immediate return of needed abatement funding, the redevelopment and improvement of an impacted area of the county, and the return of the property to the tax roll serves a proper public purpose.

Background

In August 2021 Code Enforcement was contacted by an occupant of the motel regarding mold, cockroaches and substandard living conditions. An inspection of the one unit revealed several code violations including broken windows, lack of adequate heating, evidence of cockroach infestation, faulty weather protection, lack of smoke detectors and carbon monoxide detectors and general dilapidation of the interior and exterior of the structure. Additional inspections were scheduled for other units of the motel which amounted to a long list of violations of hazardous and insanitary conditions. The Chief Building Official issued a Notice and Order of Substandard Housing and an Order to Vacate.

It became apparent the property owner was not able to abate the public nuisances. Therefore, a county abatement was necessary to address the public nuisances. The plan was to provide tenant relocation

benefits to the registered occupants of the motel and then perform a demolition of the seven structures that make up the motel complex. The case has been addressed in phases and involved relocating tenants, boarding up the structures to prevent entry, removing solid waste from the exterior of the structures, conducting asbestos and lead testing, fumigating for pest elimination and demolition. The demolition is not yet completed.

First, the county issued relocation benefits to the registered occupants of the motel, which amounted to \$20,449.00. Then, the county worked with the contractor to remove the exterior solid waste and board-up the motel to prevent entry while the permits were obtained to demolish the motel. The board-up and exterior clean-up of the solid waste and junk vehicles amounted to \$23,068.49.

The next phase was to conduct an asbestos and lead survey. This is required for demolition of commercial structures and provides the contractor with a survey of materials that will need special disposal during demolition. The testing was conducted during December 2021 and the Asbestos & Lead-Based Paint Survey Report was prepared by GuziWest Inspection and Consulting and cost \$11,977.27.

On January 9, 2022, the defunct gas station adjacent to the Green Valley Motel caught fire. What remains of the structure is an unstable canopy and charred debris. The county intends to perform a summary abatement of the gas station property for the conditions that endanger life, health, safety or welfare of the public as soon as the contractor is available. The contractor submitted a quote for demolition of the motel and gas station for \$286,568.47.

There was significant community concern regarding the cockroach, rat and bedbug infestation at the motel and the likelihood of those pests spreading into the community. Therefore, the county entered into an agreement with a pest control company who fumigated all seven structures to eliminate the pests. The structures were tented and fumigated the week of January 10, 2022, at a cost of \$44,580.00.

A title report from June 2021 shows two significant liens on this property for approximately \$53,000 and the Treasurer-Tax Collector has current and defaulted taxes of approximately \$22,000. The administrative costs to date are \$14,255.28.

FINANCIAL IMPACT:

There could be significant financial impacts depending on which option the Board approves. Assessing the property for the full cost of abatement will provide an opportunity to recover 100% of the costs associated with the project, but it comes at the risk of the property not selling at auction for the amount needed to cover all liens on the property. It also means the property will remain vacant until purchased providing no positive impact to the community.

If the Board directs the Planning and Building Director to enter into a purchase agreement to recover the abatement costs the county would only recover approximately 68% or \$250,000 of the \$400,000 spent, however, those funds would be immediately available for other abatement projects and the buyer would implement plans for redevelopment.

STRATEGIC FRAMEWORK:

This action supports your Board's Strategic Framework by enforcing laws and regulations to protect residents

OTHER AGENCY INVOLVEMENT:

None

ALTERNATIVES TO STAFF RECOMMENDATIONS:

1. The Board could choose not to direct the Planning and Building Department to pursue recovery of nuisance abatement costs by entering into an escrow agreement.

PREVIOUS ACTION/REFERRAL:

Board Order No.: N/A

Meeting of: N/A

File No.: N/A