



**City of Long Beach**  
**Working Together to Serve**

**R-17**  
Memorandum

*Office of Councilmember Steven Neal*  
Councilmember, 9<sup>th</sup> District

**Date:** September 7, 2010  
**To:** Honorable Mayor and Members of the City Council  
**From:** Councilmember Steven Neal, Ninth District *SN*  
**Subject:** Foreclosure Registry

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**Recommendation:**

Request the City Manager work with the City Attorney to utilize provisions within SB1137 and develop a Foreclosure Ordinance that includes:

- A requirement for lenders to register foreclosures when they have issued a notice of default (NOD) that includes a registration fee in order to cover the cost incurred by the City of Long Beach for maintaining this registry. The existing maintenance requirements of the Vacant Building Monitoring Program must be met when these properties become vacant or at the time a foreclosure sale is finalized.<sup>1</sup>
- Owners who have acquired properties through foreclosure or at a foreclosure sale should be given 30 days to fix unmaintained vacant properties before fines are issued.

The ordinance should complement the existing Vacant Building Monitoring Program, which would then be funded by the NOD registration fees.

**Background:**

In 2008, the Long Beach City Council took action to amend the Long Beach Municipal Code Section 18.21 in anticipation of potential foreclosures and abandoned buildings due to the downturn in the housing market. This action created the city's Vacant Building Monitoring Program, which has imposed measures to eliminate or control potential nuisance properties that have been boarded or abandoned.

In April 2008, California passed Mortgage Relief Bill (SB 1137). The law clarifies the ability of local governments to impose penalties on banks and other entities that fail to maintain vacant residential property acquired through foreclosure or at a foreclosure sale. Under the measure, local governments

may impose fines up to \$1,000 per day for failure to maintain such property.

The measure contains additional provisions that help distressed homeowners negotiate alternatives to foreclosure and give tenants a minimum of 60 days notice before having to vacate a property due to foreclosure.<sup>2</sup>

A handful of California cities have already enacted ordinances enforcing SB 1137 and are realizing significant revenue gains. Richmond, population of 104,513, has already issued approximately \$1 million in fines. Chula Vista, population of 230,000, levied more than \$900,000 in fines and fees in less than six months after beginning enforcement of SB 1137.

In addition, the cities of Los Angeles, Garden Grove, Palmdale, Temecula, Beaumont, and Chowchilla as well as the counties of Imperial, Tulare, and Riverside have all passed ordinances to collect fines from abandoned properties.<sup>3</sup>

#### **Discussion:**

The City of Long Beach has been proactive in developing measures to minimize blight in neighborhoods, due to vacant buildings. However, there are economic indications that suggest the housing market is facing a second downturn, and the City Council should be diligent in drafting policies that protect our neighborhoods and support conditions to keep people in their homes. Local governments now have the ability to impose penalties on banks and other entities that fail to maintain vacant, residential property.

This is an opportunity to further reduce the number of vacant, unmaintained properties that are currently plaguing neighborhoods. A single foreclosed property can trigger direct expenditures of more than \$34,000 for local governments for increased policing, fire suppression, demolition contracts, building inspections, legal fees, trash clearing, weed abatement, vector control, etc. Local governments can also incur thousands in indirect costs from reduced property tax revenues from the foreclosed property as well as surrounding properties.<sup>4</sup>

Revenue generated from fines imposed for failing to maintain vacant properties in the foreclosure process can be used for General Fund purposes.

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1 The reason for this delay in enforcement is to avoid imposing additional burdens on distressed homeowners.

2 The provision of the law related to penalties require local government action in order to take effect, while the provisions related to protections for owners and tenants do not.

3 Some of the municipalities have passed ordinances based on SB1137 while others have used existing municipal code as the authority under which these fines can be levied.

4 Apgar, William C. & Mark Duda. (2005). "Collateral Damage: The Municipal Impact of Today's Mortgage Foreclosure Boom." A report prepared for the Homeownership Preservation Foundation. Accessed 5-26-10.

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