CITY OF OAKLAND

AGENDA REPORT

TO:	Elizabeth Lake Acting City Administrator	**FROM:**	Emily Weinstein Director, Housing & Community Development Department
SUBJECT:	Chapter 8 Tax Sale Authorization	**DATE:**	July 2, 2026

City Administrator Approval	Betsy Lake (Jul 7, 2026 10:13:22 PDT)	Date:	Jul 7, 2026

RECOMMENDATION

Staff Recommends That The City Council Adopt The Following Pieces Of Legislation:
(1) A Resolution (1) Authorizing The City Administrator To Remove Delinquent City Of Oakland Code Enforcement Liens And Unliened Fees, Costs, Assessments And Civil Penalties On Certain Tax Defaulted Properties, For A Period Of Four Years, To Facilitate The Development Of These Properties Into Affordable Housing Via Alameda County's Chapter 8 Tax Sale Program, And (2) Limiting The Aggregate Amount Of Liens Removed Pursuant To This Authorization To A Nominal Value Not To Exceed Ten Million ($10,000,000) Dollars, And (3) Acknowledging The Transmutation Of These Code Enforcement Liens, Et. Al. Into Prorated Chapter 8 Sales Proceeds That Will Be Paid To The City Of Oakland; And
(2) A Resolution (1) Authorizing The City Administrator To Remove Delinquent City Of Oakland Vacant Property Tax Liens On Certain Tax Defaulted Properties, For A Period Of Four Years, To Facilitate The Development Of These Properties Into Affordable Housing Via Alameda County's Chapter 8 Tax Sale Program, (2) Acknowledging The Transmutation Of These Vacant Property Tax Liens Into Prorated Chapter 8 Sales Proceeds That Will Be Paid To The City Of Oakland, And (3) Limiting The Aggregate Amount Of Liens Removed Pursuant To This Authorization To A Nominal Value Not To Exceed Ten Million ($10,000,000) Dollars

EXECUTIVE SUMMARY

Vacant lots in Oakland may create public nuisances by attracting illegal dumping, transient occupancy, crime, and visual blight that threaten the health of nearby residents and depresses the value of nearby properties. A subset of these vacant lots are abandoned by their prior owners and have no responsible party to care for them.

As part of the Alameda County Tax Collector's ongoing work to promote affordable housing, the office has requested the City of Oakland (City) cooperate in unlocking Chapter 8 tax sales for tax defaulted properties in Oakland, which requires the City to forgo collections on its liens. While the County is exploring a range of parcels for future Chapter 8 tax sales, the County seeks to immediately move forward with a Chapter 8 tax sale for 8215 MacArthur Boulevard to the Black Cultural Zone Community Development Corporation (BCZ).

This proposed City Council action removes barriers to future Chapter 8 tax sales, including the 8215 MacArthur Blvd sale. As part of the Chapter 8 tax sale process, proceeds from the negotiated sale price are split among agencies with outstanding taxes/liens on the property. However, the Office of the City Attorney advised staff that a City Council authorization to discharge uncollectable code enforcement liens and vacant property tax liens would be necessary to ensure the new owners acquire clean title to the property. Acquiring clean title is critical to convincing potential affordable housing developers to participate in a Chapter 8 tax sale program. Without clean title, the new owner of a property would struggle to secure bank financing to help cover the cost of site redevelopment. If the City fails to clear legacy liens, these tax defaulted properties will likely remain in limbo and continue generating unfunded code enforcement liabilities for the City. Proceeding with a Chapter 8 tax sale is therefore the best way for the City to collect the greatest possible share of the outstanding debt owed to it on these properties and avoid future financial liabilities. Supporting these property transfers will also protect nearby residents from the consequences of blight and create more affordable housing opportunities for Oakland residents.

To ensure an opportunity for future City Council review of this program, the lien removal authority included in this item is limited to a combined total of $10,000,000 across four years. This $10,000,000 limit is higher than the nominal value of unpaid liens on shovel-ready parcels and includes room for the County to pursue Chapter 8 sales of challenging parcels if additional funds for environmental cleanup and housing development become available.

REASON FOR URGENCY

This item is urgent as the Alameda County Board of Supervisors is expected to approve a Chapter 8 tax sale at their July 14th meeting. The City Council therefore needs to authorize the release of uncollectable liens on Chapter 8 tax sale properties by the end of July to avoid disruptions to the Chapter 8 tax sale of 8215 MacArthur Blvd.

BACKGROUND / LEGISLATIVE HISTORY

Tax Defaulted Lots in Oakland

Due to factors including redlining and decades of economic disinvestment, Oakland is home to numerous vacant lots. While some of these lots are owned by individuals or firms who actively maintain them and intend to develop them in future, many of these lots are abandoned. Abandoned lots are a magnet for illegal dumping, trespassing, criminal activity, and other nuisance activity. These abandoned lots- which are concentrated in East and West Oakland- depress nearby property values and have a negative impact on the health and wellbeing of neighbors.

The Code Enforcement Division of the Planning and Building Department (PBD) holds lead responsibility for enforcing the City's anti-blight ordinance. For a typical blight case, PBD will issue the property owner a notice of violation and order corrective action taken to eliminate the blight. If the property owner fails to take action, PBD may subsequently act to eliminate the blight (such as removing overgrown vegetation) and bill the owner for the cost of abatement. If the owner fails to pay the cost of the abatement, the City can place a lien on the property to secure repayment. These liens are added to the property tax bill of the property and accrue interest until paid.

If a privately owned lot fails to pay required property taxes for five or more years, it becomes designated as “tax defaulted” by the County of Alameda. For these tax-defaulted properties, the Alameda County Tax Collector, Hank Levy, can hold an auction under the State Revenue and Taxation Code’s “Chapter 7” auction process. In this process, properties are auctioned online for at least the value of unpaid taxes and liens. With narrow exceptions, any private party can bid in this auction. Proceeds from these auction sales are first used to pay off the balance of unpaid taxes and liens for the property. If the auction price is greater than the value of unpaid taxes and liens, the excess sale proceeds are distributed to the previous owner of the property. The Alameda County Tax Collector has wide discretion over if and when specific properties are put up for auction, and the office has historically used its discretion to prevent displacement of vulnerable residents by pulling renter- or owner-occupied homes from the auction list. This has a minimal impact on the overall landscape of tax-defaulted property sales, as the overwhelming majority of tax-defaulted properties are vacant lots. The owner of a tax-defaulted property can “redeem” a property and withdraw it from auction as late as the day before the auction by paying off the unpaid taxes/liens.

Chapter 8 Tax Sales in California Law

Some tax-defaulted properties fail to sell at auction. In some cases, the property has no development potential (such as underwater lots in San Francisco Bay or lots in the Oakland Hills with no road access). In other cases, the cumulative value of the unpaid taxes, liens, and associated accrued interest is greater than the fair market value of the property. In such cases, no bid is received when these properties go to auction. These properties typically continue to accrue unpaid taxes, liens, and interests, which makes it even harder for the properties to be sold at any future auction. Staff from the Alameda County Tax Collector’s Office estimate that there are currently several hundred tax-defaulted lots in Oakland.

If a property fails to sell in a Chapter 7 tax auction, the tax collector may instead pursue a Chapter 8 tax sale under the State Revenue and Taxation Code. Under Chapter 8, the tax collector may sell a tax-defaulted property to a nonprofit or public agency for a reduced price below the outstanding value of taxes and liens. The purchaser of a tax-defaulted lot can use the property for any public purpose, while the purchaser of existing residential property must use the property for affordable housing. The sale of existing residential property via Chapter 8 also requires a declaration of “substandard conditions” by municipal code enforcement. This is a finding by code enforcement that a property fails to abide by habitability standards established in state law. As it can be challenging to establish this finding, it is procedurally easier to pursue a Chapter 8 tax sale on vacant lots. Affordable housing on Chapter 8 tax sale properties must be restricted at 120% of Area Median Income or below.

The tax collector has wide discretion over which purchaser is selected for a potential Chapter 8 tax sale. Chapter 8 tax sales are ratified by the Alameda County Board of Supervisors and receive final authorization from the State Controller. If the sales price is below the outstanding value of taxes and liens on the property, the proceeds from the sale are divided proportionally among the agencies with unpaid taxes/liens. There is no way for a previously negligent owner to profit from a Chapter 8 tax sale- as the negotiated price is invariably less than the value of the unpaid taxes/liens, there are no excess sale proceeds to be shared with the owner. There is also no circumstance where the Chapter 8 tax sale buyer would be the same as the previous owner.

Chapter 8 tax sales do not represent a true loss of revenue for local governments, as the back taxes/liens on these properties are uniformly uncollectable. For some properties, like 8215 MacArthur Blvd, no heir was ever identified for the previous owner. For 8215 MacArthur Blvd and similarly situated properties, the property is now ownerless. For other properties, the owner has been disengaged for years and would need to spend more to clear back liens and taxes than the property is worth. For Chapter 8 tax sale eligible properties- all of which are over five years behind on taxes and failed to sell at auction- the County's experience demonstrates there is no realistic prospect of the prior owner belatedly paying back taxes/liens at such a late date.

Oakland's Community Buying Program

From 2012-2017, Alameda County and the City partnered to use Chapter 8 tax sales to create affordable rental and homeownership housing. This "Community Buying Program" featured predevelopment funding from the City and technical assistance provided by the nonprofit Hello Housing. On October 2, 2012, the City Council approved Resolution No. 84057 C.M.S., which authorized staff to waive code enforcement liens on 75 tax-defaulted properties to facilitate Chapter 8 tax sales. On November 13, 2012, the City Council approved Ordinance No. 13139 C.M.S., which authorized $100,000 to fund Hello Housing's work on tax defaulted properties. On June 7, 2016, the City Council approved Resolution No. 86208 C.M.S., which authorized an additional $150,000 to support Hello Housing's technical assistance to developers.

From this initial list of possible vacant lots, staff identified development partners for 27 project parcels. On these project parcels, developers successfully built affordable rental or homeownership projects on 19 parcels. One developer encountered financial challenges and ultimately completed only 1 of their 8 assigned properties. Progress on these properties was disrupted by the COVID-19 pandemic and rapid construction cost inflation occurring in the late 2010's and early 2020's.

When the Community Buying Program was first established, its architects hoped that it would become self-sustaining without further City subsidy. In this vision, future developers of Chapter 8 tax sale properties would pay Hello Housing for their technical assistance on a fee-for-service basis. However, the high cost of development did not leave remaining budget available for participating developers to fund technical assistance on an ongoing basis. Therefore, the Community Buying Program sunset after the original round of projects.

Brownfield Assessment Grant

As part of the City's partnership with the County on tax-defaulted properties, the City and County jointly applied for an Assessment Coalition Grant under the U.S. Environmental Protection Agency's 2026 Brownfield Assessment Grant Notice of Funding Opportunity (NOFO). On June 23, 2026, the City was informed that the City-County partnership was awarded $1.5 million. Funds from this grant will pay for Phase I/Phase II environmental assessments and brownfield cleanup planning for up to 25 sites. Staff anticipate a majority of these sites will be located in Oakland. While these funds are not strictly limited to assessing tax-defaulted properties, the primary reason for the joint application was to better understand soil contamination issues on tax defaulted sites. Soil contamination can pose a significant cleanup expense to potential buyers. If cleanup expenses exceed the value of a property, these expenses can deter potential purchasers. Funds from this grant will help the Alameda County Tax Collector identify which potentially contaminated parcels are clean and which parcels require cleanup funding. Clean parcels can then be offered to affordable housing developers via the Chapter 8 tax sale process. For parcels with cleanup needs, the environmental assessments funded by the grant will help the City and County scope future grant applications for cleanup funds.

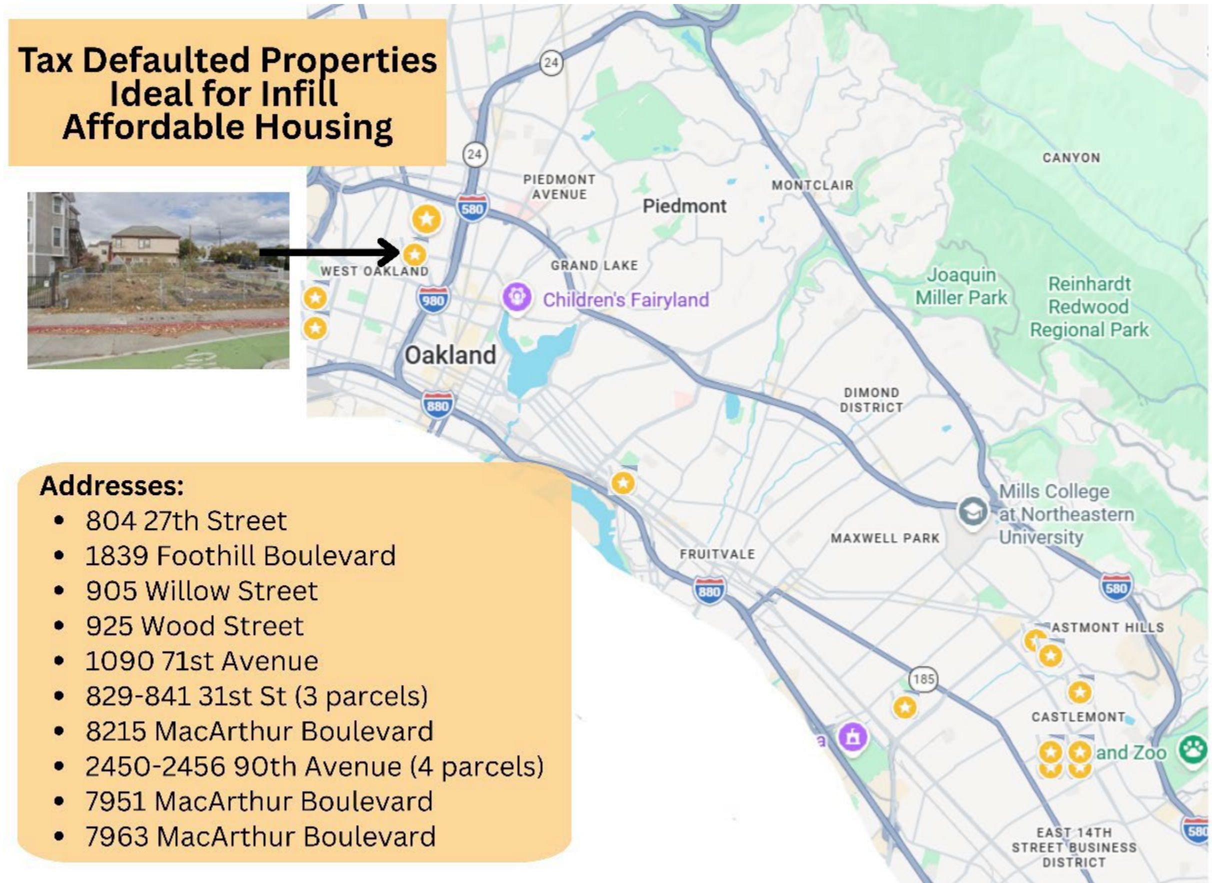
ANALYSIS AND POLICY ALTERNATIVES

Redevelopment Opportunities & Chapter 8 Tax Sales

Although there are hundreds of tax defaulted properties in Oakland, the number of tax-defaulted parcels suitable for redevelopment as affordable housing is much smaller. Many tax-defaulted properties have non-residential zoning, lack road access, are too small to be developable, or have site contamination issues that preclude developer interest.

Alameda County Tax Collector's Office staff have completed a preliminary screening of tax-defaulted properties and have identified 10 locations as the most suitable for housing development. These locations, indicated in **Figure 1**, are typically suitable for 1-4 unit developments or small apartment buildings.

Figure 1, Priority Candidates for Chapter 8 Tax Sales



Address	Council District	Size (Approximate, in sf)
804 27th Street	3	3,285
1839 Foothill Boulevard	2	4,000
905 Willow Street	3	3,500
925 Wood Street	3	3,146
1090 71st Avenue	6	3,700
829-841 31st St (3 parcels)	3	21,000
8215 MacArthur Boulevard	7	15,000
2450-2456 90th Avenue (4 parcels)	7	Not Available
7951 MacArthur Boulevard	6	6,300
7963 MacArthur Boulevard	6	8,965

Map courtesy of the Alameda County Tax Collector's Office

The largest lot immediately suitable for redevelopment is 8215 MacArthur Blvd. This approximately 15,000 sf lot was previously owned by a nonprofit organization that went out of business over a decade ago and is effectively ownerless. Alameda County Tax Collector staff report that BCZ, a local nonprofit affordable housing developer, is seeking to acquire this property via a Chapter 8 tax sale. The Alameda County Board of Supervisors is expected to approve this transfer in July 2026.

In addition to the 10 priority candidates identified above, the City is working closely with the Alameda County Tax Collector's Office to identify additional sites suitable for redevelopment. A common barrier to advancing Chapter 8 tax sales for otherwise suitable sites are known or suspected soil contamination issues. While these issues are especially common in areas with historic proximity to heavy industry- such as portions of East and West Oakland- many tax-defaulted sites have complex site histories that could pose a barrier to redevelopment. The City and Alameda County therefore jointly applied in January 2026 for up to $1.5 million in U. S. Environmental Protection Agency (EPA) Brownfield Assessment Grant funds. The result of this competition is currently pending, but, if awarded, a primary focus of these funds will be to study potential brownfield contamination issues on tax-defaulted properties. Such assessment grant funding would help clean parcels move forward to the priority development list and help contaminated parcels qualify for future cleanup grant funding.

The City of Oakland Role in Chapter 8 Tax Sales

Typically, when a property is sold from one private entity to another private entity, the new owner inherits all property-level liens and property tax obligations from the previous owner. In a Chapter 8 tax sale, state law provides that past property tax obligations are generally wiped out by whatever purchase payment the buyer negotiated with the county tax collector. This is intended to provide the new owner with "clean title"- clear ownership that is not encumbered by any legacy debts. This will then enable the new owner to proceed with project financing and redevelopment.

Following analysis by the Office of the City Attorney and Alameda County Counsel, there are two kinds of City liens that the City Council would need to grant staff the authority to waive to ensure the new owners of Chapter 8 tax sale properties have clean title. These are specifically 1) code enforcement liens, and 2) vacant property tax liens. Code enforcement liens are charged to recover the cost of code enforcement action and associated penalty payments. Vacant property tax liens are charged to recover unpaid taxes from Oakland's Vacant Property Tax.

Waiving these liens will ensure that they are not inadvertently inherited by affordable housing developers seeking to redevelop tax defaulted properties. In some instances, the value of the liens may approach or exceed the market value of the property. Seeking to recover these liens from the new owners would strongly deter developer participation in the Chapter 8 tax sale program.

The two resolutions in this item are structured as an ongoing authorization for staff to waive City code enforcement and vacant property tax liens for Chapter 8 tax sales upon County request. The list of tax-defaulted properties is dynamic- as new properties fall behind at least 5 years on their taxes, additional redevelopment prospects may emerge. This flexibility also allows staff to waive liens on tax-defaulted properties that future analysis confirms are clear of brownfield problems. By requiring the County to request a lien waiver before staff can approve a lien waiver, these resolutions protect the City from being inundated with waiver requests from current owners.

By limiting the City's initial role to facilitating lien waivers, the City will take on a narrower scope than in the original Community Buying Program. Compared to the original Community Buying Program, the Alameda County Tax Collector's staff will play a larger role in identifying developers and walking emerging developers through the mechanics of the Chapter 8 tax sale process. Staff anticipate some developers may seek City funding from future New Construction Notices of Funding Availability for larger lots suitable for tax-credit financed affordable housing. Alameda County is currently pursuing a new design and funding initiative to support small-scale infill development, the "Scalable Housing Infill Funding Toolkit" (SHIFT). This program will provide additional resources for redeveloping small to midsize tax defaulted lots. For smaller lots suitable for the development of single-family homes, staff anticipate developers will primarily use private lending sources to support the cost of development.

By assisting Alameda County with the Chapter 8 tax sale process, the City will reduce the number of abandoned, vacant lots in Oakland trapped in tax defaulted status. Over time, this will reduce the number of blighted lots in Oakland and create new affordable rental and/or homeownership opportunities. The reduction of blight and nuisance uses on abandoned properties will improve the quality of life for neighboring residents and help the community avoid dumping-related environmental contamination. Affordable housing-related construction will also generate economic activity and create employment opportunities for Oakland residents. While Chapter 8 tax sales will initially be a viable tool to catalyze the redevelopment of only a limited subset of tax defaulted properties, future City-County collaboration on brownfield assessment and cleanup grants can help unlock additional redevelopment opportunities.

The lien removal authority contained in this item is limited to four years or $10,000,000 in removed liens, whichever comes first. While the nominal value of removed liens will likely remain well below this limit, the limit provides flexibility for Alameda County to pursue additional Chapter 8 tax sales if more resources become available to support these properties. The most likely scenarios where this flexibility is needed is if the County secures additional funding for their SHIFT development program or if the State of California increases investment to brownfield cleanup grants.

While this item is focused on affordable housing redevelopment opportunities, the Alameda County Tax Collector's office is also exploring additional ways to put tax-defaulted properties towards a public use. Many of these interim uses, such as community gardens, will not require special City action. In other cases- such as for tax-defaulted industrial properties- it may not be possible to identify any viable reuse or redevelopment scenario absent a reform of the Chapter 8 tax sale law to allow for a broader range of redevelopment uses. Staff will nonetheless continue to explore how to best support the Alameda County Tax Collector's ongoing efforts.

RELATED PLANNING EFFORTS

This item supports the implementation of the City's 2023-2031 Housing Element. Specifically, this item will implement Action 3.8.5: "Partner with Alameda County Tax Collector to redevelop tax defaulted properties." As part of that action, the City pledged to work with the Alameda County Tax Collector to resume Chapter 8 tax sales in Oakland. By creating a sustainable framework to support Chapter 8 tax sales, this council item will complete Action 3.8.5.

Completion of Housing Element action items helps the City maintain a compliant Housing Element and remain eligible for state affordable housing funding.

FISCAL IMPACT

This action will likely have a small net positive direct fiscal impact on the City of less than $100,000 annually. There are three budget impact associated with this action:

1. The City will write off uncollectable debt associated with legacy liens on tax defaulted properties. The nominal value of liens removed via this item will not exceed $10,000,000 total over the period of four years. The nominal value of liens actually removed through this program will likely be lower, and analysis is ongoing to establish the specific amount associated with the most shovel-ready properties. These liens are uncollectable as the previous owner has abandoned the property and there are no buyers willing to assume the heavy burden of these legacy liens. The transmutation of these liens will therefore have only nominal consequences on City revenue.
2. By transmuting these legacy liens and tax debt into proceeds from the Chapter 8 tax sale, the City will receive some one-time prorated revenue from the tax sales. The scale of proceeds is likely about half of the sale value, but low sale values will likely limit this to under $100,000 annually.
3. The City will benefit from reduced code enforcement activity necessary on these properties. Annual expenditure savings will likely equal approximately $50,000-$100,000 annually, but this figure may increase as more tax defaulted properties undergo a Chapter 8 tax sale. These savings will represent an ongoing net positive fiscal impact.

In addition to these direct fiscal impacts, Chapter 8 tax sales will likely have a small net positive indirect fiscal impact. Affordable homeownership development can generate new property taxes for the City budget, and construction activity will generate business and sales tax revenue. Construction of new affordable housing may also reduce the cost of social service provision. As the full extent of Chapter 8 tax sale-based redevelopment is still emerging, the scale of these indirect benefits cannot be specifically quantified.

PUBLIC OUTREACH / INTEREST

The Alameda County Tax Collector’s office has led outreach related to Chapter 8 tax sales and has engaged numerous local affordable housing developers around potential development opportunities. No other specific outreach has been conducted for this item beyond normal City Council noticing procedures.

COORDINATION

This report and legislation have been reviewed by the Planning & Building Department, the Office of the City Attorney and the Budget Bureau.

RACE AND EQUITY

This item will advance equity by reducing the disproportionate nuisance impact from tax-defaulted vacant lots experienced in primarily minority neighborhoods in East and West Oakland. Of the 10 locations highlighted by the Alameda County Tax Collector's office as the most viable candidates for a Chapter 8 tax sale, all locations are in neighborhoods scored as medium, high or highest in the Oakland Department of Transportation's Priority Neighborhoods Index. This index assesses the severity of inequitable burdens that each census tract in Oakland experiences. This item will also advance equity by increasing production of affordable rental and homeownership housing in Oakland, thereby reducing the impact of disparities in housing affordability.

Staff did not complete a specific Racial Equity Impact Analysis on the recommended policy/program/planning action; going forward, the staff will collect data on the location and future use of Chapter 8 tax sale parcels in order to measure the short- and long-term impacts of this policy/program/planning action. Actions related to this item will be considered as part of the forthcoming Homeownership Racial Equity Impact Analysis.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Adopt The Following Pieces Of Legislation:
(1) A Resolution (1) Authorizing The City Administrator To Remove Delinquent City Of Oakland Code Enforcement Liens And Unliened Fees, Costs, Assessments And Civil Penalties On Certain Tax Defaulted Properties, For A Period Of Four Years, To Facilitate The Development Of These Properties Into Affordable Housing Via Alameda County's Chapter 8 Tax Sale Program, And (2) Limiting The Aggregate Amount Of Liens Removed Pursuant To This Authorization To A Nominal Value Not To Exceed Ten Million ($10,000,000) Dollars, And (3) Acknowledging The Transmutation Of These Code Enforcement Liens, Et. Al. Into Prorated Chapter 8 Sales Proceeds That Will Be Paid To The City Of Oakland; And
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For questions regarding this report, please contact Caleb Smith, Senior Advisor, at (510) 590-6275.

Respectfully submitted,

Emily Weinstein (Jul 7, 2026 09:50:29 PDT)

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