STATE OF CALIFORNIA • DEPARTMENT OF TRANSPORTATION

MANUAL CHANGE TRANSMITTAL

RW 0001 (REV 10/2007)

XX	R/W MANUAL CHANGE	**RWMC- 233**
	PROCEDURAL HANDBOOK (1984 Edition)	RWPH-___-___-___ TRANSMITTAL#___

TITLE: PROPERTY MANAGEMENT	APPROVED BY: MICHAEL J. RODRIGUES	DATE ISSUED: SEP - 4 2013 Page 1 of 1
SUBJECT AREA: CHAPTER 11 – PROPERTY MANAGEMENT	ISSUING UNIT: OFFICE OF REAL PROPERTY SERVICES	

SUMMARY OF CHANGES: Revises language in Section 11.07.16.00; adds Exhibit 11-EX-9 and updates its Table of Contents.

PURPOSE

This manual change revises language in Section 11.07.16.00 to add reference to Exhibit 11-EX-9, Sample Possessory Interest Tax Letter.

BACKGROUND

The sample letter for Possessory Interest Tax was referenced in Section 11.07.16.00, but was not in the exhibits. This manual change adds a sample letter to the exhibits.

EFFECTIVE DATE

Immediately.

MANUAL IMPACT

- Remove the superseded pages and insert the attached pages in the Manual.
- Record the action on the Revision Record.

REVISION SUMMARY

Chapter	Remove Old Pages	Insert New/Revised Pages
	Remove the following in its entirety:	Replace with the following in its entirety:
11 - Sections	11.07.00.00 (REV 7/2007)	11.07.00.00 (REV 8/2013)
11 - Exhibits	Table of Contents REV 1/2008 -----	Table of Contents REV 8/2013 11-EX-9 (8/2013)

11.07.00.00 - RENTAL PROCEDURES

11.07.01.00 General

The following sections specify procedures for renting vacated property that are in addition to those set forth in Subchapter 11.02.00.00, Closure Procedure.

11.07.02.00 Marketing Plan

Each district should maintain a Marketing Plan that should be updated annually in July. The Plan should list by project the number and types of properties estimated to become available for rent/lease in the coming fiscal year. The Plan should also indicate the manner in which the properties will be marketed along with estimated costs.

11.07.03.00 Finder's Fees/Rental Incentives

Finder's fees and rental incentives may be used when necessary to reduce the vacancy rate. A finder's fee is a rent credit given to an existing tenant as compensation for referring a prospective tenant to the state. A rental incentive is a rent credit given to a new tenant as an enticement to rent our property. A rental incentive should be used only as a last resort and may be spread over several months when used in a month-to-month rental agreement.

The RWPS Adjustment Request Screen is used to notify Accounting of any rent credit.

11.07.04.00 Advertising

Whenever the district uses newspaper advertisements, it shall comply with Public Contract Code Section 10115.13 relating to the use of certain advertising business enterprises. The Property Manager shall contact the Department's Business Enterprise Program prior to advertising and request a list of any certified media firms for the area. The findings and subsequent actions shall be documented.

- **Improved Properties** - The Agent should use newspaper advertisements for residences and other improved properties when necessary to attract tenants. Posting of improved properties with advertising signs may be desirable in some cases and is at the district's discretion. Posting is not desirable where, for example, it would invite vandalism.
- **Vacant Land** - Rentable vacant land shall be posted with advertising signs indicating the property is for rent. Exceptions are allowed only when posting would be unreasonable, uneconomical, invite dumping or vandalism, or conflict with local sign ordinances. In some cases, newspaper advertisements may be desirable for vacant land of high value.

11.07.05.00 Showing Property

Under no circumstances are prospective tenants to be given keys that enable them to inspect state property on their own. If several parcels are available and a prospective tenant is interested in seeing a number of them, the Agent should ask the person to view the properties and improvements from the exterior. Thereafter, the prospective tenant may set up an appointment with the Agent to inspect those of primary interest.

11.07.06.00 Rental Application and Credit Report

Before making a commitment to rent, the Agent shall have the prospective tenant complete Form RW 11-5, Residential Rental Application, or RW 11-6, Nonresidential Rental Application, and verify the information.

- **Credit Reporting Agency Used** - A satisfactory credit report must be received. The applicant(s) shall pay the actual costs of the credit report(s).
- **Credit Reporting Agency Not Used** - The Property Manager or authorized representative must make a diligent effort to verify the information on the Rental Application before committing to rent to the applicant.

11.07.07.00 Guidelines for Selection of New Tenants

Property Management is responsible for renting to qualified applicants only. The Agent shall review all applications and select the most qualified applicant based on available data. The decision shall be based on ability to pay rent and ability and willingness to maintain the property and improvements.

As a guideline in determining the applicant's ability to pay rent, the applicant's gross household income should equal or exceed four times the rental rate. The district may make exceptions to this guideline at its discretion, but it must document all exceptions and retain the documentation in the rental file. Examples of exceptions include good employment history, prior record of consistently paying rents, good credit report, etc. All these factors will determine an applicant's eligibility to rent from the Department.

One test of ability to pay rent is that the applicant's gross household income should equal or exceed four times the rental rate. The district may make exceptions to this procedure at its discretion, but it must document all exceptions and retain the documentation in the rental file. Examples of exceptions include good employment history and prior record of consistently paying rents.

Federal and state laws prohibit discrimination in housing accommodations against tenants because of race, gender, creed, color, religion, national or ethnic origin, age, marital status, or disability.

11.07.08.00 Use of Cosigners

Cosigners should not be used to qualify an applicant with insufficient income or credit.

11.07.09.00 Declined Applicants

If an applicant is denied housing, the applicant will receive the denial in writing and the reasons for denial stated.

If Property Management's decision to deny tenancy to an applicant is based wholly or in part on information contained in a credit report, California Civil Code Section 1785.20 requires the following:

1. Provide written notice of the adverse action to the applicant.
2. Provide the applicant with the name, address, and telephone number of the consumer credit reporting agency which furnished the report to Property Management.
3. Provide a statement that the Department's denial was based in whole or in part upon information contained in a consumer credit report.

4. Provide the applicant with a written notice of the following rights of the applicant:

   A. The right of the applicant to obtain within 60 days a free copy of the applicant's consumer credit report from the consumer credit reporting agency identified pursuant to paragraph (2) and from any other consumer credit reporting agency which complies and maintains files on consumers on a nationwide basis.

   B. The right of the applicant under Section 1785.16 to dispute the accuracy or completeness of any information in a consumer credit report furnished by the consumer credit reporting agency.

(See Exhibit 11-EX-4, Written Notice of Denial.)

11.07.10.00 Executing the Rental Agreement

All occupants 18 years of age or older must sign the rental agreement. (An exception could be students still living at home or living at home during the summer.) Under no circumstances are new tenants to take occupancy prior to signing the rental agreement and paying all monies due, such as security deposits and prorated rents.

The DDC-R/W or authorized representative may execute all residential and nonresidential rental agreements on the state's behalf.

11.07.11.00 Title VI Guidelines

The Agent will inform the state's tenants about the Department's policy and procedures under Title VI of the 1964 Civil Rights Act and will deliver a "Your Rights under Title VI & Related Laws" brochure at the time the rental agreement is signed.

11.07.12.00 Lead-Based Paint and/or Hazards

Section 4852d of Title 42 of the United States Code requires disclosure of information concerning lead upon transfer of residential property.

Section 4852d requires that the seller or lessor do the following:

(A) provide the purchaser or lessee with a lead hazard information pamphlet, as prescribed by the Administrator of the Environmental Protection Agency under Section 406 of the Toxic Substances Control Act [15 USC § 2686];

(B) disclose to the purchaser or lessee the presence of any known lead-based paint, or any known lead-based hazards, in such housing and provide to the purchaser or lessee any lead hazard evaluation report available to the seller or lessor; and

(C) permit the purchaser or lessee a 10-day period (unless the parties mutually agreed upon a different period of time) to conduct a risk assessment or inspection for the presence of lead-based paint hazards.

The Department must also do the following:

- Include certain warning language in the rental agreement or lease.
- Have a complete and fully executed Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazard form, Exhibit 11-EX-48, on file.
- Retain signed acknowledgements for three years, as proof of compliance. (Department guidelines dictate that we will keep signed acknowledgements in the rental file for as long as we keep the file.)

11.07.13.00 Initial Rent Collection

When a new tenancy is created, one month's rent or the prorated amount due for the balance of the month shall be collected prior to the tenant's occupancy. Prorated amounts are based on a 30-day month. (See Exhibit 11-EX-5, Rent Proration Examples.)

11.07.14.00 Security Deposits

A security deposit shall be collected from new tenants, except for state's grantor, before tenancy commences. The security deposit is not a means of establishing a tenant's qualifications, but may be used to remedy any damages or defaults in rent payment.

Generally, tenants shall make a security deposit as follows:

- **Improved Unfurnished Property** - not to exceed an amount equal to two months' rent.
- **Improved Furnished Property** - not to exceed an amount equal to three months' rent.

11.07.14.01 Waivers/Reductions

In certain instances, the district may waive the requirement for collection of a security deposit or reduce the amount. Where the requirement is waived, the account file shall be fully documented. Acceptable conditions for a waiver or reduction are:

- In neighborhoods where improvements are in a state of decline and demand for rental units is relatively low, and where extensive efforts to rent have shown that the improvements are not sufficiently desirable to attract a renter who can make a security deposit.
- From a tenant inherited from state's grantor where a security deposit had not formerly been established and where the tenant is acceptable in all respects.
- From governmental agencies.
- For unimproved properties.

11.07.14.02 Refund

In all cases, the district shall furnish the tenant, by personal delivery or by first class mail, postage prepaid, a copy of an itemized statement indicating the basis for, and the amount of, any security deposit received and the disposition of the security deposit and shall return any remaining portion of the security deposit to the tenant(s) (see California Civil Code, Section 1950.5). The district must deliver any refund and the itemized statement within three weeks of the vacancy date.

In order to meet the three-week deadline, the Agent must submit the information to the Division of Accounting within five working days from the date of vacancy. It is the responsibility of the Agent to ensure the tenant(s) receives the itemized statement within the three weeks, preferably prior to the tenant(s) receiving a refund from the State Controller.

If the property is sold, the district, at its discretion, may return the security deposit to the tenant, less any lawful deductions, or transfer the deposit to the new owner. If transferred to the new owner, the district must notify the tenant in writing either by personal delivery or by certified mail. The tenant must be given an accounting of any deductions made and the new owner's name, address, and telephone number. If notice to the tenant is made by personal delivery, the tenant shall acknowledge receipt of such notice.

11.07.15.00 Utilities

Utilities generally include gas, water, sewer, telephone, electricity, and garbage service. Multiply these types of services by the number of utility companies involved and the number of properties a region/district maintains, and it is apparent that initiating, monitoring, and terminating utility services can be a considerable undertaking. The regions/districts, therefore, must adhere to the following guidelines, as well as develop additional procedures that address region/district problems and meet their specific needs.

11.07.15.01 Responsibility for Utility Costs

Tenants shall be solely responsible for all utilities including deposits. On an exception basis, there may be instances when it would be appropriate for the state to pay for electricity and gas, such as in a multiple residential unit where there is only one meter for supplying electrical or gas service for the property. If, however, individual meters are available, tenants should pay for their own utilities.

In those localities where the suppliers of water and sewer require the bill to go directly to the property owner, the regions/districts shall have those bills sent directly to the Department. The Department shall monitor those utility costs and charge the tenant the appropriate amount. This will require a clause in the rental or lease agreement which states the tenant is responsible for the actual cost of those utilities and the Department will notify the tenant of such costs on a regular basis.

Rental agreements must be specific about:

- Which utilities are assumed by the state and, therefore, are the state's responsibility.
- Which utilities are the tenant's responsibility and are to be paid directly to the utility company by the tenant.
- Which utilities are the tenant's responsibility but are collected from the tenant by the state and conveyed to the utility company.

It is imperative upon the Region/District to ensure adequate utility costs are being collected from the tenant. The agent may contact utility companies, housing agencies, or other data sources for estimated utility expenses for a particular area. Utility companies usually have information on average costs for their area based on number of rooms, number of occupants, etc. All utility justifications must be documented in the rental file.

Utility charges will be reviewed at least annually, earlier if needed, and adjustments made in accordance with the Utility Clause in the rental or lease agreement.

11.07.15.02 Notifying Utility Companies at Date of Recordation

Regions/districts should take special care transferring utility charges when an acquired parcel is recorded in the state's name. Problems encountered will vary from one area to another. Specific requirements, therefore, are brief and set forth general guidelines that shall be used to attain a reasonable degree of uniformity among regions/districts.

Prior to acquisition or as soon thereafter as possible, the Agent shall observe the utility requirements of the property and note the types of service in the rental file. The determination about which utilities the state will pay shall be based on information the Agent gathers while inspecting the property. If the state is responsible for payment of utilities, the region/district shall notify the appropriate companies in writing, specifying the date the deed was recorded in the state's name and the date the state will assume responsibility for the utility charges.

11.07.15.03 Payment of Utility Bills by the State

Whenever utility service is initiated in the state's name, or is transferred back into the state's name (e.g., when a tenant vacates rental property), the Agent shall request that the utility company send the initial bill directly to the region/district Property Management office. The Agent shall review the bill for accuracy and shall write the source, charge, EA, special designation, and agency object (x002) codes on the bill or attach a Receiving Record (Form 1226A) with the information. For residential rental property, the Agent shall also check to make sure the state is being charged a residential rate and not a commercial rate. The Agent shall forward the bill to the Division of Accounting, Accounts Payable, Utility Section, with a change of address request. Once Accounts Payable receives the bill, they will send the change of address to the utility company so future bills will be sent to Accounts Payable.

See Property Management Reference File #01-02, dated July 24, 2001, for further instructions.

On a quarterly basis, Accounts Payable will send a Utility Report to the regions/districts for verification.

11.07.15.04 Utility Deposits by Tenant

If a tenant is to assume responsibility for utility service, the Agent shall advise the tenant that:

- The utility company may require a deposit.
- If any problems occur as a result of the deposit, the problems are solely between the tenant and the utility company, as the state will not become involved.

11.07.16.00 Possessory Interest Tax

A tenant's interest is subject to possessory interest tax (PIT) imposed by the county. S&H Code Section 104.13 requires the Department to pay the PIT on behalf of its tenants directly to the city or county where the property is situated. Tenants should be instructed to send any PIT bill they receive to the region/district office for handling.

When the region/district receives any PIT bills, either from the tenant or directly from a county, they are instructed to send the PIT bill back to the county with a letter to explain S&H Code requirements concerning PIT. A sample letter may be found at Exhibit 11-EX-9, Sample Possessory Interest Tax Letter. The letter must include reference to S&H Code Sections 104.6, 104.10, and 104.13.

S&H Code Sections 104.6 and 104.10 require the Department to pay 24% of the rents collected to the county in which the property is situated and set forth when the payment must be made. S&H Code Section 104.13, subdivision (c), states that all funds distributed to a county pursuant to Section 104.10 shall be deemed to be in full or partial payment on the total possessory interest taxes due on the Department's property in the county held for future state highway needs but no longer needed for that purpose. If any amount transferred to a county pursuant to Section 104.10 in any year is less than the total possessory interest due on all the Department's property located in that county, the Department must promptly forward to the county the amount of the balance due.

See Section 11.01.06.00 for further information on the 24% payment to the counties.

11.07.17.00 Residential Property Occupancy and Vacancy Inspections

When a new tenant moves into a residential property, or when a newly acquired property has an inherited tenant, the tenant shall accompany the Agent on an inspection of the unit. Page 1 of Exhibit 11-EX-56, Residential Property Occupancy and Vacancy Inspections, shall be completed. All blanks must be filled in, noting "OK" or any deficiencies. The form is to be signed by the tenant and the Agent and a copy shall be given to the tenant.

Page 2 of 11-EX-56 shall be completed when the tenant moves out. If possible, the tenant should accompany the Agent during the inspection and sign the move-out form, which is the basis for deposit refunds or withholdings.

11.07.18.00 Uses of Rental Agreement

Exhibit 11-EX-A, Residential Rental Agreement, is to be used for month-to-month tenancies only for the following types of rentals:

- Single-family residential property.
- Multiple-family residential property.
- Occasionally, instead of a lease where commercial or industrial month-to-month tenancies are involved.
- Vacant land only when necessary to execute a lease or rental agreement. This applies to vacant land, other than agricultural, or land with improvements retained by the grantor. Exhibit 11-EX-A, Residential Rental Agreement, may be modified to comply with actual conditions or when special situations arise upon approval of the DDC-R/W or designee.

11.07.19.00 Courtesy Notice of Termination

The Department's policy is to provide all tenants who are not eligible for relocation benefits an informal courtesy letter of the state's intention to terminate their tenancies at least 90 days before the required termination date. This requirement does not alter the state's authority to terminate on a 30-day or 60-day notice as provided in the standard rental agreement when such notice is absolutely necessary.

11.07.20.00 Rental Refunds

The district shall return any unearned rents to tenants who give proper notice and vacate the property in good condition. The rents owed for a partial month shall be prorated on a 30-day month basis in accordance with Exhibit 11-EX-5, Rent Proration Examples. Prorated rent cannot exceed the monthly rent. Tenant is responsible for rent covering the period of time up to, and including, the date of vacation. If property is vacated on the last day of the month, tenant is responsible for the entire month, and rent is not prorated regardless of the number of days in the month.

- **Tenant Has Paid Rent in Advance and Vacates the Premises on Their Own Volition Before the Rental Term Expires** - The district will make a refund for the difference between the amount paid in advance and the amount owed for the partial month, provided there is no delinquent rent, and the tenant has provided proper notice and is leaving the premises in good condition.
- **Tenant Has Paid Rent in Advance and Vacates the Premises at the State's Request Before the Rental Term Expires** - A refund will be made for the difference between the amount paid in advance and the amount owed for the partial month.
- **Tenant Has Not Paid Rent in Advance and Vacates the Premises Before the Rental Term Expires** - The tenant will be responsible for the period of time up to, and including, the date that vacation of the premises was discovered or enforced. Every effort must be made to collect the amount due.

All requests to Accounting or adjustments to the account will be made utilizing the RWPS Adjustment Request Screen.

The district may waive the requirement that a tenant provide a termination notice when vacating property under a rental agreement.

11.07.20.01 Leases

Refunds will be made of rent collected for the period subsequent to the termination date of the lease. The termination date is determined pursuant to the notification of termination by the state or lessee as required by the lease.

11.07.21.00 Notices

The Department may use the following notices:

- 3-Day Notice to Pay or Quit, Form RW 11-11
- 3-Day Notice to Correct Breach of Covenant or Quit (Curable), Form RW 11-12
- 3-Day Notice to Quit for Breach of Covenant (Incurable), Form RW 11-13
- Notice of Termination of Tenancy and Notice to Quit, Form RW 11-10

Form RW 11-10, Notice of Termination of Tenancy and Notice to Quit, can be utilized as a 30-Day Notice or a 60-Day Notice. California Civil Code Section 1946.1(b) requires owners of **residential dwellings** giving notice to give notice at least 60 days prior to the proposed date of termination.

Section 1946.1(c) allows an owner of a residential dwelling to give notice at least 30 days prior to the proposed date of termination if the tenant has resided in the dwelling for less than one year.

Section 1946.1(d) allows for the owner of a residential dwelling to give notice at least 30 days prior to the proposed date of termination if all of the following are true:

1. The dwelling or unit is alienable separate from the title to any other dwelling unit.
2. The owner has contracted to sell the dwelling or unit to a bona fide purchaser for value and has established as escrow with a licensed escrow agent, as defined in Sections 17004 and 17200 of the Financial Code, or a licensed real estate broker, as defined in Section 10131 of the Business and Professions Code.
3. The purchaser is a natural person or persons.
4. The notice is given no more than 120 days after the escrow has been established.
5. Notice was not previously given to the tenant pursuant to this section.
6. The purchaser in good faith intends to reside in the property for at last one full year after the termination of the tenancy.

All nonresidential tenancies should receive a 30-day notice prior to termination.

11.07.22.00 Cancellation - Failure to Pay Rent

RW 11-11, 3-Day Notice to Pay Rent or Quit, shall be used to cancel a rental agreement or lease where the tenant is delinquent in rental payments. Notice shall be served upon the tenant as specified in Section 11.08.04.00.

If the tenant is eligible for relocation benefits, Property Management must notify the RAP Unit of the delinquency.

During the three-day period after service of the 3-day notice, the state must accept full payment of rent due when offered by the tenant. Acceptance of full rent due nullifies the 3-day notice. After the end of the three-day period, the state may refuse payment and continue with the eviction process. If payment is accepted after the three-day period, however, the notice is nullified. Entering the date of service of 3-day notice in the 3-Day Notice field of the RWPS Delinquent Tenancy Screen will electronically notify Accounting not to accept rent payments after the three-day period.

11.07.23.00 Cancellation - Notice to Vacate For Reasons Other Than Failure to Pay Rent

Where the tenant is not delinquent in their rent and the state wishes to terminate a rental agreement or lease that contains a 30-day or 60-day termination clause, RW 11-10, Notice of Termination of Tenancy and Notice to Quit, shall be used.

The notice shall be served in the manner described in Section 11.08.04.00. Refund policy is described above. The notice may be modified to provide for various lease termination requirements such as a longer time frame.

11.07.24.00 Cancellation - Breach of Covenant

When it is necessary to cancel a lease or rental agreement where the tenant has breached a covenant of the agreement with the state, RW 11-12, 3-Day Notice to Correct Breach of Covenant or Quit (Curable Breach), or RW 11-13, 3-Day Notice to Quit for Breach of Covenant (Incurable Breach), may be used.

Notice shall be served upon the tenant as specified in Section 11.08.04.00.

If the tenant is eligible for relocation benefits, Property Management must notify the RAP Unit of the breach.

Curable breaches include anything that can be cured or corrected by payment of money (e.g., late fees, deposits, insurance, and bonds) and may also include, for example, unapproved pets, excessive garbage or debris, and unauthorized use.

Incurable breaches cannot be cured once committed and include, for example, nuisance, committing waste and subleasing or assignment without prior state approval.

11.07.25.00 Departmental Use of State-Owned Property

Properties managed by Property Management may be used temporarily by other district functions if such use is within local government requirements. Although no rent will be charged, the user will be responsible for all maintenance costs, remodeling costs, and any costs necessary to return the property to its original condition.

11.07.26.00 Termination Requirements

California Civil Code Section 1950.5 requires the following process for residential tenancy, which began after January 1, 2003:

- Within a reasonable time after either party gave notice of termination, the landlord shall notify the tenant **in writing** of the tenant's option to request an initial inspection and to be present at that inspection. (Exhibit 11-EX-6, Landlord's Notice of Termination, when the Department gives notice; and Exhibit 11-EX-6B, Notice of Right to Inspection, when the tenant gives notice.)

- At a reasonable time, but no earlier than two weeks before the termination or the end of the rental agreement or lease, the landlord shall, upon the request of the tenant, make an initial inspection of the promises prior to any final inspection the landlord makes after the tenant has vacated the premises. (Exhibit 11-EX-6D, Initial Vacancy Inspection and Statement of Proposed Security Deductions.) This will allow the tenant an opportunity to remedy identified deficiencies in order to avoid deductions from the security deposit. The tenant's request does not have to be in writing; thus, it is mandatory to make a diary entry in reference to the tenant's desires.

- If the tenant requests an inspection, the parties shall attempt to schedule the inspection at a mutually acceptable date and time. The landlord shall give at least 48 hours' prior **written** notice of the date and time of the inspection. (Exhibit 11-EX-6C, Waiver of 48-Hour Notice of Initial Inspection.) This applies even if both parties have agreed to an acceptable date and time. The 48-hour prior written notice can be waived if both parties sign a written waiver.

- The landlord shall proceed with the inspection whether the tenant is present or not, unless the tenant previously withdrew his or her request for the inspection.

- Based on the findings of the inspection, the landlord shall give the tenant an itemized statement specifying repairs or cleaning that are proposed to be the basis of any deductions from the security deposit. (Exhibit 11-EX-6D, Initial Vacancy Inspection and Statement of Proposed Security Deductions.) This statement shall be given to the tenant, if the tenant is present for the inspection, or shall be left inside the premises if the tenant is not present for the inspection. (This statement is not to be confused with nor does it replace the requirement to furnish the tenant within three weeks an itemized statement indicating the basis for, and the amount of, any security deposit withheld.)

- The landlord may use the security deposit to remedy any situation that occurs after the initial inspection or was not identified during the initial inspection due to the presence of the tenant's possessions.

- If a tenant chooses not to request an initial inspection, the duties of the landlord are discharged. It is mandatory to make a diary entry indicating the tenant has not opted for an inspection.

CHAPTER 11

Property Management
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Exhibit No.	**Title**
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SAMPLE POSSESSORY INTEREST TAX LETTER

(Form #)

(*Print on District Letterhead*)

September 8, 2005

Merced County Tax Collector
Ms. Sally Smith
2222 M Street
Merced, CA 95340-3780

Dear Ms. Smith:

The Department of Transportation (Department) is in receipt of a delinquent property tax notice for Parcel Number XXX-XXX-XXX-000 in the name of Jane Jones for a property address at XXX Parsons Avenue, Merced, CA. In accordance with Streets and Highways Code, Sections 104.6 and 104.10, the Department is obligated to pay each county twenty-four percent (24%) of the rental revenue from properties it owns within that county. This fixed payment is intended to compensate counties for the loss of revenues, such as property taxes and assessments, they would otherwise receive if the properties were in private ownership.

The provisions of Streets and Highways Code Section 104.13 direct the Department to act as agent for payment for possessory interest taxes due from persons to whom the Department leases property. Subdivision (c) of Section 104.13 states that all funds distributed to a county pursuant to Streets and Highways Code Section 104.10 shall be deemed to be in full or partial payment on the total possessory interest taxes due on the property. Each year, the Department sends the county the annual Section 104.10 payment and a Right of Way Receivables Report (Form RWR410C) listing the tenancies that represent the payment. These two mailings usually occur in or around the month of November. The Department is requesting that the county not send any possessory interest tax bills to the Department, its tenants or lessees unless the bills are accompanied by substantiation that the Section 104.10 payment to the county was not sufficient to cover the amount of the possessory interest tax for that year. I thank you for your cooperation in this matter. If you have any questions, please contact Robert Brown, Senior Right of Way Agent, by telephone at XXX-XXX-XXXX.

Sincerely,

ROBERT BROWN
Senior Right of Way Agent