

Date of Hearing: August 30, 2024

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Christopher M. Ward, Chair

AB 1038 (Mike Fong) – As Amended August 19, 2024

**SUBJECT:** Surplus residential property: City of Pasadena: City of South Pasadena

**SUMMARY:** Specifies the terms and conditions for acquiring surplus property from the California Department of Transportation (Caltrans) in the City of South Pasadena, and requires that the proceeds from the subsequent sale of those properties be used for affordable housing purposes. Specifically, **this bill:**

- 1) Requires the Department of Transportation to update emergency regulations and adopt permanent regulations to implement the changes made to the Roberti Act by this bill, as specified.
- 2) Provides that any surplus residential property in the City of Pasadena and South Pasadena that is purchased by a housing-related public entity and is not resold within two years shall be used for affordable housing as specified.
- 3) Aligns the process for the City of South Pasadena's disposal of surplus properties acquired from Caltrans more closely with the process of the City of Pasadena's, including requiring the proceeds generated from the sale of non-historic surplus properties to be used to finance the production or acquisition of affordable housing units, as specified. Requires three affordable housing units to be produced for every unoccupied residential property purchased by the city.
- 4) Provides that surplus residential property offered by a state agency within the City of South Pasadena that is not occupied by tenants shall be offered to the city at the original price paid by Caltrans in its existing "as is" condition.
- 5) Deletes the requirement that any non-historic surplus residential property obtained by the City of South Pasadena be made habitable.
- 6) Requires any surplus property that is developed into affordable housing in City of South Pasadena be granted streamlined, ministerial approval and not be subject to any conditional use permit or nonlegislative discretionary approval.
- 7) Exempts surplus property in the City of South Pasadena from any initiative or other measure that may preclude achieving maximum densities and any height restriction requirement.
- 8) Requires the City of South Pasadena to make various reports on the activities taken by the city to accomplish the requirements of this bill.
- 9) Provides that failure to comply with the provisions of this bill will require the City of South Pasadena to pay a fine of an amount equal to the funds generated through the sale of unoccupied homes pursuant to this paragraph less the city's acquisition cost. The fine shall be held by the Department of Housing and Community Development (HCD) and made available for the development of affordable housing in the city.

10) Includes an urgency clause.

**EXISTING LAW:** Establishes special provisions for the disposal of surplus property along the State Route (SR) 710 corridor in the Cities of Pasadena and South Pasadena including allowing the cities to purchase the property at Caltrans' acquisition cost and requiring three affordable housing units be produced for every housing unit acquired by the cities. (Government Code Section 54239.4 and 54239.5)

**FISCAL EFFECT:** Unknown.

**COMMENTS:**

**Author's Statement:** According to the author, "under current law, the process established for the City of South Pasadena to sell surplus property along the State Route 710 corridor made available by Caltrans is less efficient than the process provided to the City of Pasadena. As a result, the City has not been able to fully utilize the process to sell surplus property and use the proceeds to generate affordable housing as intended under current law. AB 1038 aligns the authority for the City of South Pasadena with the authority provided to the City of Pasadena, which will maximize the City's ability to develop affordable housing for very low, low, and moderate income individuals and families."

**History of SR 710:** In the 1950's, Caltrans planned for a freeway to connect the Port of Long Beach north to Interstate 5, Interstate 10 and the Interstate 210 freeway in Pasadena. In 1964, the southern part of SR 710 was built, starting at the Port of Long Beach and heading north. It ended 23 miles later, five miles short of the intended connection to Interstate 210, feeding into local traffic on Valley Boulevard in Alhambra, causing congestion on the neighboring freeways and streets. The gap, which was caused by challenges from the community, affects the surrounding cities of El Sereno, Alhambra, South Pasadena, Pasadena, and a portion of Los Angeles.

In 2018, the Los Angeles County Metropolitan Transportation Authority (Metro) and Caltrans identified alternatives to the freeway gap closure which did not require demolition of any homes. Subsequent legislation prohibits Caltrans from pursuing freeway gap closure. Consequently, many of these properties are no longer needed for the transportation project and are now surplus. Caltrans has begun disposing of properties pursuant to several laws enacted over the last few years.

**Changes for City of South Pasadena:** Caltrans owns 710 properties in both the City of Pasadena and South Pasadena. There are two different approaches in statute governing how those properties may sold. This bill revises the statute governing how surplus properties are sold in the City of South Pasadena to more closely mirror the process for the City of Pasadena.

Existing law requires the City of South Pasadena to sell historic properties in their "as-is" condition at fair market value and to use the proceeds to develop affordable housing at a ratio of three units to every one property purchased from Caltrans, all within a specific time-frame. These units are for very low-, low-, and moderate-income persons and families.

However, non-historic homes are required to be rehabilitated and rented or sold to low- and moderate-income persons and families. According to the sponsor, the acquisition cost, coupled with the estimated rehabilitation costs, makes it economically infeasible not only to rehabilitate the property, but more importantly, to sell or rent the properties at an affordable price. As a

result, based on the sale priorities in statute, the houses will likely go to auction and result in no affordable housing. The City conducted an evaluation of the non-historic homes and estimate a total of \$7 million in repairs. This bill will allow the City of South Pasadena to sell non-historic properties and use the proceeds toward developing affordable housing. South Pasadena is required to commence construction or complete acquisition of all affordable units funded by the City's acquisition of the non-historic surplus properties by July 1, 2028

South Pasadena believes that the \$10 million raised from the sale of these properties, when combined with existing tax credits and developer financing, will provide sufficient funding to build the three units affordable housing units required to replace each unit that is removed. The author reports, and Caltrans confirms, that this bill impacts about 20 properties in South Pasadena, resulting in at least 60 new affordable housing units.

Under current law, the City of South Pasadena is authorized to acquire specified properties at Caltrans' acquisition cost for use as affordable housing, with a requirement to rehabilitate the property if it is not an historic home, as defined. This bill continues to allow South Pasadena to acquire specified properties at acquisition cost; does away with the requirement to rehabilitate the properties; provides additional time for the city to commence the construction of, or acquire, the affordable housing; and grants an exemption from any locally-imposed measures that preclude the achievement of maximum housing densities, such as height limitations. Aside from the exemption from locally-imposed measures, with these changes the requirements on South Pasadena are nearly identical to the requirements on Pasadena.

In addition to these changes, the bill allows properties in the City of South Pasadena to be developed using a streamlined, ministerial approval process and not be subject to a conditional use permit or other non-legislative discretionary approval, potentially overriding a local height limitation initiative.

***Arguments in Support:*** The sponsor, the City of South Pasadena writes in support “AB 1038 would change existing law to allow the City to purchase these dilapidated non-historic properties from Caltrans on the same terms as historic surplus properties along the SR 710 corridor. It also requires that all proceeds from sales of the non-historic properties be used for development of affordable housing at a 3: 1 ratio. Moreover, it requires South Pasadena to commence construction or complete acquisition of all affordable units funded by the City's acquisition of the non-historic surplus properties by July 1, 2028.”

***Arguments in Opposition:*** None on file.

***Related Legislation:***

SB 710 (Durazo, Chapter 501 of 2023) requires Caltrans to establish a Terminus Regional Planning Task Force with specified membership, and requires the Task Force to submit a report to the Legislature on traffic issues and potential land uses related to State Route 710, including the Alhambra 710 Arterial Project.

SB 959 (Portantino, Chapter 668 of 2022) requires that specified surplus property in the City of South Pasadena be offered for sale to specified tenants at the 2016 appraised value.

SB 51 (Durazo, Chapter 130 of 2021) encourages the sale of homes owned by Caltrans for low- and moderate-income housing in the City of Los Angeles.

SB 381 (Portantino, Chapter 362, Statutes of 2021) encourages the sale of homes owned by the Caltrans for low- and moderate-income housing in the State Route 710 corridor in South Pasadena.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

City of South Pasadena

**Opposition**

None on file.

**Analysis Prepared by:** Lisa Engel / H. & C.D. / (916) 319-2085