

Date of Hearing: August 29, 2022

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Buffy Wicks, Chair

SB 959 (Portantino) – As Amended August 25, 2022

SENATE VOTE: 29-5

SUBJECT: Surplus residential property: use of funds: priorities and procedures: City of Pasadena

SUMMARY: Makes changes to the Roberti Act (the Act) to encourage the sale of homes owned by the California Department of Transportation for low- and moderate-income housing in the State Route 710 corridor in the City of Pasadena (the City). Specifically, **this bill:**

- 1) Amends the Act order of sale for SR 710 surplus residential properties in the City to provide the following priorities for single-family surplus residential properties, including locally-designated historical homes and historic homes:
 - a) After the property is offered pursuant to the existing requirements of Government Section 54237 (a) to (c) the property shall be offered to present occupants who have occupied the property for at least five years and who are in good standing with all rent obligations current for fair market value as defined; and
 - b) Next, that if a property is not occupied by tenants it will be offered for sale to the City at the original acquisition price not adjusted for inflation.
- 2) Requires the City to use the proceeds from the sale of any properties to construct or acquire affordable housing units within the City of South Pasadena.
- 3) Requires the City to ensure the production or acquisition of three affordable housing units for every one property that is removed.
- 4) Requires the City prior to closing escrow on the sale of a historic property to provide proof to the Department of Housing and Community Development (HCD) that it has the zoned capacity to replace the historic structure with three affordable units.
- 5) Requires the City to ensure that the construction or replacement of the units begins by December 31, 2026.
- 6) Requires the City to provide HCD with documentation of the rezoned sites and gives HCD the authority to ensure the units are constructed or replaced.
- 7) Requires the City to report outcomes of sale of historic properties, investment in new units, and units produced in its annual progress report (APR).
- 8) Provides that if the City does not sell a surplus property within two years of purchasing it from CalTrans than the property must be offered as affordable housing to low or moderate income households.

- 9) Provides that as a condition of sale of a property to a HRE, the HRE must agree to ensure that prevailing wage are paid to any construction workers who perform work on a site. Includes provisions to ensure enforcement of this requirement.
- 10) Requires Caltrans to adopt, emergency regulations to implement these provisions within 60 days of the effective date of this bill.
- 11) Exempts the Department of Housing and Community Development from the Administrative Procedures Act for the purpose of to adopt standards, forms, and definitions to implement the provisions of this bill.

EXISTING LAW:

The Roberti Act:

- 1) Provides an exception from these provisions for the disposal of excess residential properties in the unconstructed portion of the SR 710 corridor, i.e., the portion of SR 710 addressed in this bill. According to this exception, excess residential properties in this corridor are to be sold in the following priority order:
 - a) First, homes presently occupied by their former owners must be offered for sale to the occupant at fair market value;
 - b) Second, homes are to be offered to present occupants that have lived in the property for at least two years and who are persons and families of low or moderate income at an affordable price, but not less than the acquisition price or more than fair market value;
 - c) Third, homes must be offered for sale to present occupants that have lived in the home for more than five years and whose household income does not exceed 150 percent of the area median income at an affordable price, but not less than the acquisition price or more than fair market value;
 - d) Then, homes not sold under these terms must then be offered to housing-related private and public entities for a price which is best suited economically to using the property for low- or moderate-income housing or, if the property is a historic home, it may be offered to a nonprofit entity dedicated to maintaining it for public access; and,
 - e) Any excess homes not sold pursuant to these provisions are then to be sold at fair market value with first priority given to purchasers who are present occupants, second to former tenants in good standing, and then to purchasers who will be owner occupants.
- 2) Establishes special provisions for the disposal of surplus residential property in the City of South Pasadena. Under these provisions, the property must first be offered to former owners and present occupants, to specified present tenants at fair market value to the city of South Pasadena, and to HREs.

FISCAL EFFECT: According to the Assembly Committee on Appropriations:

- 1) Caltrans:
 - a) Unknown, potentially major foregone revenues (SR 710 Rehabilitation Account and State Highway Account) due to prohibiting adjustments to Caltrans original purchase prices for inflation when calculating sales prices for residential or unimproved properties in the SR 710 corridor. Lower property sales prices, based on the original acquisition prices, would result in an unknown reduction of revenues available to rehabilitate homes sold to income-qualified occupants and to fund local transportation projects, as specified in the Roberti Act.
 - b) Potential future Caltrans cost reductions, potentially in the low millions of dollars annually (SR 710 Rehabilitation Account and State Highway Account), to the extent the bill accelerates the sales of properties in the SR 710 corridor and alleviates administrative costs for staff to manage the properties and the sales program, as well as in capital costs for property maintenance and repair.
 - c) Likely minor one-time costs (State Highway Account) for Caltrans to adopt emergency regulations.
- 2) Estimated General Fund costs of an unknown amount, but likely in the low hundreds of thousands of dollars annually, to HCD for implementation of the new sales provisions and for ongoing monitoring and compliance activities.
- 3) Local costs are not reimbursable by the state because local agencies have the authority to levy fees to cover these costs.

COMMENTS:

Background: Beginning in the 1950s, Caltrans began acquiring property by eminent domain to extend the State Route (SR) 710 freeway through Alhambra, El Sereno, South Pasadena, and Pasadena. Local political opposition stalled the project, at which point Caltrans began renting the residential properties. Caltrans currently owns over 400 properties in the SR 710 corridor, including 330 homes and 103 multi-family housing units. Additionally, six nonprofits currently reside in properties owned by Caltrans within this corridor.

Property management of the homes in the SR 710 corridor has created long-standing tension between SR 710 corridor tenants and Caltrans. Over the years, tenants argued that Caltrans inadequately maintained the homes and failed to make appropriate improvements. Caltrans argued that the homes were being rented on a temporary basis and were expected to be razed to make way for freeway construction; hence, homes were kept up to health and safety standards, but long-term improvements were not a reasonable expense of public funds.

In 2018, the Los Angeles County Metropolitan Transportation Authority (LA Metro) and Caltrans identified a transportation alternative that would not require demolition of these homes. As such, many of these properties are no longer needed for the transportation project and are now surplus. Caltrans has begun dispensing of properties and is currently continuing to sell excess properties.

The Roberti Act: The Roberti Act outlines the sequence; also known as the “waterfall” for selling off surplus properties owned by Caltrans. Single-family homes must be offered for sale as follows: 1) at fair market value to the former owners, 2) to present occupants who have occupied the property two years or more who are low- or moderate- income, and 3) to present occupants who have occupied the units for five or more years whose incomes do not exceed 150 percent of the area median income (AMI). Properties not purchased by a current or former owner are offered to housing related private or public entity at a reasonable price. Housing-related entities (HRE) are required to offer the property as a limited-equity cooperative with first right of refusal for occupancy to existing occupants, unless that is infeasible in which case the housing can be offered to low- and moderate-income households.

This bill amends the order of sale in the City of Pasadena. After the first three priorities established in the Roberti Act as described above, the bill adds two new priorities. The fourth priority is to offer the properties to present occupants who have occupied the property for at least five years and are in good standing with all rent current, regardless of income. The sixth priority is to offer the properties to the City of Pasadena.

For properties offered to the City of Pasadena, the City may sell the property to a housing-related entity for the purposes of providing low- or moderate-income housing. The author notes that there are 107 properties on the 710 corridor that would be impacted by this bill.

Sales Price and Conditions. This bill aims to make it easier for Caltrans to sell the Pasadena properties by allowing the city to buy a property at the original price without inflation adjustments. All properties sold would be required to record a 55-year affordability covenant on the property. In addition, any new units added to a property, must be restricted to low- and moderate-income households. If the residence is offered as rental housing, first right of occupancy is reserved for current occupants.

Rezoning: If the city takes ownership of a surplus property and sells the site it must identify a site in its boundaries to provide three replacement housing units affordable to very low, low, or moderate-income families. Prior to selling the historic home, the City must provide HCD evidence that there is additional zoning capacity in the city to accommodate the three replacement units. HCD has authority to enforce the requirement to rezone and provide replacement units. The City must provide documentation in its housing element annual progress report of actions taken to rezone to replace historic surplus sites, acquisition or rehabilitation of sites to meet the requirement to replace historic sites on a three to one basis, and any other documentation HCD requires to establish compliance with replacement and rezoning requirements.

Arguments in support: None on file.

Arguments in opposition: None on file.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

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