

SB 381: Caltrans Surplus Property Disposition Strategy

APRIL 21, 2021

Community Forum – April 14, 2021

Panelists:

- Bianca Richards
- Charles Loveman
- Christopher Sutton
- Joanne Nuckols
- Kristi Lopez
- Mark Gallatin
- Mary Urquhart
- Odom Stamps
- Dr. Richard Schneider
- Sally Takeda
- Tim Ivison

Subcommittee and Staff:

- Mayor Diana Mahmud
- Councilmember Jack Donovan
- Sean Joyce
- Adam Eliason
- Holly Whatley
- Lucy Demirjian
- Margaret Lin

Facilitator:

- Joanna Hankamer

Forum Notes from April 14, 2021

<u>Forum Notes from April 14, 2021</u>		<u>Response</u>
<u>Topics/Amendment</u>	<u>Key Ideas/Concepts</u>	
Perceived problems	<ol style="list-style-type: none"> 1. South Pasadena Preservation Foundation (SPPF) Subcommittee provided a revised proposal on April 14th and welcomes the opportunity to discuss priorities. 2. SPPF believes there is a non-legislative solution and would like to see the City work with the Senator to transfer managing control of the program to the local level. 3. Viability of the side-by-side escrow concept 	<ol style="list-style-type: none"> 1. SB 381 proposes a legislative process to achieve the community objectives. 2. Pursing SB 381 does not preclude a parallel non-legislative process 3. Creates allowance of side-by-side escrow

Forum Notes from April 14, 2021

<u>Forum Notes from April 14, 2021</u>		<u>Response</u>
<u>Topics/Amendment</u>	<u>Key Ideas/Concepts</u>	
Expanding agreements to cover all three cities in accordance with the Roberti Act	<ol style="list-style-type: none"> 1. Roberti Act is not all encompassing 2. Have seen how Caltrans does not adhere to the Roberti Act 3. Tenants from all three cities have been collaborating with one another 4. Roberti Act covers all three cities 5. The Governor's Office previously indicated that they only wanted to see one bill 6. The efforts towards developing the bill can be put towards negotiating with Caltrans 	Within the legislative schedule allowed, City of Los Angeles and City of Pasadena are welcome to join the legislative action or contact the bill's author if they see a benefit.

Forum Notes from April 14, 2021

<u>Topics/Amendment</u>	<u>Key Ideas/Concepts</u>	<u>Response</u>
<p>Guarantee all current tenants — residential, non-profit, commercial — an absolute priority to purchase their property.</p>	<ol style="list-style-type: none"> 1. Important to have no evictions or displacement of tenants 2. Ongoing issues with Caltrans utilizing the term “Tenant of Good Standing” to evict tenants 3. Issues with tenants being able to obtain financing in time for the deadlines provided by Caltrans 4. If there was an agreement between Caltrans and the City/tenant organization or if the California Transportation Commission (CTC) develops a policy to address these issues, legislation would not be needed 5. Senator’s office will need to research whether a non-legislative solution is viable based on the current statutes and regulations governing Caltrans existing program 6. Roberti Act has specific legal statutes which supersede more generic state law 7. Issues with Caltrans’ interpretation of the new regulations and lack of opportunity to work with Caltrans on a different interpretation 	<p>Agreed. SB 381 proposes an absolute priority for all current tenants to purchase their property.</p>

Forum Notes from April 14, 2021

<u>Topics/Amendment</u>	<u>Key Ideas/Concepts</u>
<p>Require signed agreements delivered to the CTC for every sale, detailing either waiver or enforcement of absolute priority to purchase, whether that right is held by the city, the existing tenant, or a non-profit.</p>	<ol style="list-style-type: none"> 1. Difference between the right to purchase and ability to purchase (financing) 2. This could be adopted as a CTC policy 3. The more time that is provided the greater the likelihood of being able to secure financing

Response

SB 381 proposes an absolute priority to purchase property to current tenants. SB 381 contemplates that Caltrans will follow whatever is necessary to properly transfer ownership of the properties.

Forum Notes from April 14, 2021

<u>Topics/Amendment</u>	<u>Key Ideas/Concepts</u>	<u>Response</u>
<p>Cancel all illicit debts, penalties, and disputes alleged by Caltrans Right of Way records. All tenants should be granted “good standing.”</p>	<ol style="list-style-type: none"> 1. Caltrans had previously asked tenants to complete repairs on their own, then Caltrans decided that tenants could no longer do repairs on their own, Caltrans also increased rents, evicted tenants, and allowed properties to go vacant 2. All of the tenants should have priority in purchasing the properties 3. Need to consider the particular situations of each tenant 4. This process could be considered as an alternative to a consent decree and establish goodwill with the tenants 5. A mediator could look at all of the issues to find a fair and equitable way to move forward with the sales 	<p>SB 381 does not contain this suggested language. Council needs to provide direction whether to add this to the Bill language; or to consider alternative language.</p>

Forum Notes from April 14, 2021

<u>Topics/Amendment</u>	<u>Key Ideas/Concepts</u>	<u>Response</u>
<p>Guarantee affordable housing and shared equity mortgage assistance to all Caltrans tenants.</p>	<ol style="list-style-type: none"> 1. Traditionally a subsidy is provided and a covenant is used to maintain affordability 2. There should be a way to preserve communities and not limit purchasers 3. The equity goes to an affordable housing fund 4. Caltrans has been a poor landlord and should be held responsible for the condition of the properties or required to sell the properties at a discounted price 5. Properly pricing the home based on the condition of the property (e.g. historic, habitability, cost of repairs) 6. Sell the vacant historic properties at market rate less the cost of repairs and the funds be used in the corridor 7. Cities should do their own appraisals (Garfield lot sale) 	<p>SB 381 does not contain this suggested language in the Bill. Income qualified households are eligible for CalHFA mortgage financing but it is not available for non-income households. Council needs to provide direction whether to add this to the Bill language; or to consider alternative language.</p>

Forum Notes from April 14, 2021

<u>Topics/Amendment</u>	<u>Key Ideas/Concepts</u>
<p>Prioritize the creation of cooperative and land trusts for housing, open space, and gardens.</p>	<ol style="list-style-type: none"> 1. Limited equity co-ops are less than optimum because of financing issues 2. The price of a property should be based on what it will be used as instead of what it can be used as (e.g. open space/gardens) 3. Language could be included to exclude lots that are being leased 4. SB 51 does not affect Pasadena or South Pasadena properties

Response

There is consensus for allowing the creation of cooperatives, land trusts, and common interest ownership.

Level of prioritization for each to be discussed by the community in public meetings.

Forum Notes from April 14, 2021

<u>Topics/Amendment</u>	<u>Key Ideas/Concepts</u>	<u>Response</u>
<p>Require the creation of a community land trust as the City-approved non-profit Housing Related Entity (HRE).</p>	<ol style="list-style-type: none"> 1. Unsatisfactory experience with Esperanza (private HRE) 2. Priority for local oversight 3. Restrict the ability to teardown historic homes or rezone the properties to create apartment buildings 4. City should not be in the housing/rental business 5. Community land trust provides the opportunity for local control 6. Complex subdivision issues 7. Provide the City with the ability to regulate the process 8. South Pasadena Municipal Code prevents density bonuses in single family zones 9. Concern that the City may maximize the number of housing units (ADUs, JADUs) to meet the Regional Housing Needs Assessment allocation, less chance with a private owner (issue may fit somewhere else) 10. Would like to see the houses restored and returned to the community instead of being torn down 11. Cities should evaluate what to do with dilapidated homes 12. Some properties may now be eligible for historic listings/districts and should be evaluated as part of the appraisal 13. Caltrans should be held responsible for rehabilitating historic properties in accordance with state law 14. Should incentivize rehabilitation to minimize demolitions 15. Caltrans is not aware of what is historic 	<p>There is consensus for allowing a City-sponsored community land trust as an approved HRE and to allow a concurrent escrow with a city-sponsored community land trust; in SB 381 the concurrent escrow is proposed, but Caltrans may challenge concurrent escrows in negotiations.</p>

Forum Notes from April 14, 2021

<u>Topics/Amendment</u>	<u>Key Ideas/Concepts</u>	<u>Response</u>
<p>Commit that no lot splits or zone changes other than those mandated by present or future state law will be granted to Caltrans surplus properties in the Residential Estate (RE) and Residential Single Family (RS) zones and in the Altos de Monterey Overlay Zone and that no demolitions of existing homes will take place in these zones.</p>	<ol style="list-style-type: none"> 1. Bonita Drive area residents are disproportionately affected by the proposed bill due to the number of Caltrans properties located in the area 2. Last year Bonita Drive area had squatters break into a Caltrans property and the vacant properties were subsequently boarded up 3. Concerned about vacant/uninhabitable properties and would like them to be sold to qualified buyers instead of rented for a minimum of 55 years 4. Concerns on what can be built on the two unimproved lots at 215 Fairview 5. Some of the lots were subdivided before Caltrans purchased them and there needs to be some City control over how the land is subdivided 	<p>SB 381 enables local control through a Community Land Trust with a board consisting of local residents deciding such matters as lot splits and zone changes for all properties in which they own.</p> <p>Council can decide whether the decision regarding demolition can wait until further property due diligence and local input from SPPF and building officials. There may be situations in which a new residence is in the best interests of the neighborhood.</p>

Forum Notes from April 14, 2021

<u>Forum Notes from April 14, 2021</u>		<u>Response</u>
<u>Topics/Amendment</u>	<u>Key Ideas/Concepts</u>	
<p>Prohibit the subleasing of properties governed by an affordability covenant and the imposition of miscellaneous fees by an HRE, such that the total cost of renting the unit becomes unaffordable.</p>	<ol style="list-style-type: none"> 1. Affordable rent should also take fees into consideration to make sure the rent is truly affordable 2. Concerns regarding how the City will manage a HRE in an effective way including code enforcement 3. Regulatory agreement will spell out the leasing issues 4. Would like the City to facilitate the sale of the properties instead of renting the properties/ goal of homeownership 	<p>Agreed. This is a local policy choice established by the City and their sponsored HRE and therefore not necessary in SB 381.</p>

Forum Notes from April 14, 2021

<u>Topics/Amendment</u>	<u>Key Ideas/Concepts</u>
<p>Establish a Timeline for completion of the sales program.</p>	<ol style="list-style-type: none"> 1. Previous bills kept the 710 freeway in the Highway Code until 2024 and requires Caltrans to sell the properties within one year of being surplus 2. A deadline is needed to prevent Caltrans from doing nothing or prolonging the process

Response

Agreed that a deadline is needed, based on past poor performance, for Caltrans to engage Current Tenants and complete a purchase offer within 2-3 months. SB 381 establishes a timeline for Caltrans and the Current Tenants to close escrow on the sale within 9 months.

Panel Discussion Regarding Legislative or Non-Legislative Options:

<u>Legislative Option</u>	<u>Non-Legislative Option</u>
<ol style="list-style-type: none"> 1. Can diminish Caltrans' role in the process 2. Provides the City with more control and flexibility 3. Allows the City to work out the details regarding regulatory enforcement (e.g. subleasing at more than affordable rent) 	<ol style="list-style-type: none"> 1. Existing dissatisfactory situation with Caltrans 2. City currently has little control and does not know how Caltrans will apply the rules 3. Caltrans can delegate its responsibility to a city; however, Caltrans can also take that delegation back 4. Use CTC's authority to force Caltrans to adhere to the regulations

Panel Recommendations:

- Legislative option should still include negotiations with Caltrans/CTC (pursue both options at the same time)
- Continued discussion on the side-by-side escrow (Meeting held with SPPF on April 20th)

Number	Description	SB 381	SB 381 Committee Amendments
1	Current tenants receive purchase priority.	X	
2	City receives purchase priority of unoccupied properties before HREs	X	
3	City receives purchase priority after current tenant.	X	
4	Enables City to purchase properties at acquisition cost	X	
5	City allowed to transfer ownership.	X	
6	Enables non-income qualified tenant to purchase priority before any HRE.		X
7	Allow current tenants of MFR to form co-op and common interest ownership.		X
8	Current tenants have 9 months to purchase property.		X
9	Net Proceeds of rent/sales will be used for affordable housing in SP.		X
10	Allow City to transfer ownership to Community Land Trust.		X
11	Properties with affordability covenants will count towards RHNA.		X
12	Amend definition of "historic" to include those properties on a locally designated historic register.		X
13	Historic property sales will factor cost of repairs to include historic preservation ordinance.		X
14	Historic occupied sales will allow repair credit.		X
15	Enable historic property to be sold at FMV, with proceeds exclusively used for affordable housing		X

Legislative Next Steps:

Committee on
Transportation
(April 27, 2021)

Committee on
Budget and Fiscal
Review
(May 2021)

Bill moves from
the Senate to the
Assembly
(June 4, 2021)

Assembly policy
and fiscal
committees
**(July-August
2021)**

Last day to
amend bills
**(September 3,
2021)**

Last day for
Governor to sign
bills
**(October 10,
2021)**

Non-Legislative Next Steps:

Community meetings regarding priorities

Negotiations with Caltrans

Number	Description	SB 381	SB 381 Amendments	SPPF Proposal
1	Current tenants receive purchase priority.	X		
2	City receives purchase priority of unoccupied properties before HREs	X		
3	City receives purchase priority after current tenant.	X		
4	Enables City to purchase properties at acquisition cost	X		
5	City allowed to transfer ownership.	X		
6	Enables non-income qualified tenant to purchase priority before any HRE.		X	
7	Allow current tenants of MFR to form co-op and common interest ownership.		X	
8	Current tenants have 9 months to purchase property.		X	
9	Net Proceeds of rent/sales will be used for affordable housing in SP.		X	
10	Allow City to transfer ownership to Community Land Trust.		X	
11	Properties with affordability covenants will count towards RHNA.		X	
12	Amend definition of "historic" to include those properties on a locally designated historic register.		X	
13	Historic property sales will factor cost of repairs to include historic preservation ordinance.		X	
14	Historic occupied sales will allow repair credit.		X	
15	Enable historic property to be sold at FMV, with proceeds exclusively used for affordable housing		X	
16	Corridor wide agreement (including City of LA and City of Pasadena).			X
17	Guarantee all current tenants - residential, non-profit, commercial - an absolute priority to purchase.			X
18	Require signed agreements to the CTC for every sale			X
19	Cancel all illicit debts, penalties, and disputes alleged by Caltrans Right of Way records. All tenants should be granted "good standing."			X
20	Guarantee affordable housing and shared equity mortgage assistance to all Caltrans tenants.			X
21	Prioritize the creation of cooperatives and land trusts for housing, open space, and gardens.			X
22	Require the creation of a community land trust as the City-approved non-profit HRE.			X
23	Commit no lot splits or zone changes in RE or RS zones and Altos de Monterey Overlay Zone and no demolitions of existing homes will take place.			X
24	Prohibit subleasing of properties governed by affordability covenant and imposition of misc. fees by an HRE, such that the total cost of renting becomes unaffordable.			X
25	Establish timeline for completion of the sales program.			X