

# City and Caltrans Community Meeting & SB 381 Update

**November 3, 2022**

**Prepared By: Community Development**

# Agenda

- **SB 381 Implementation Status and Timeline**
- **Process for Unoccupied Properties**
- **Process for Unoccupied Historic Properties**
- **Myth Busters**
- **Next Steps**

# SB 381 Implementation Timeline and Status

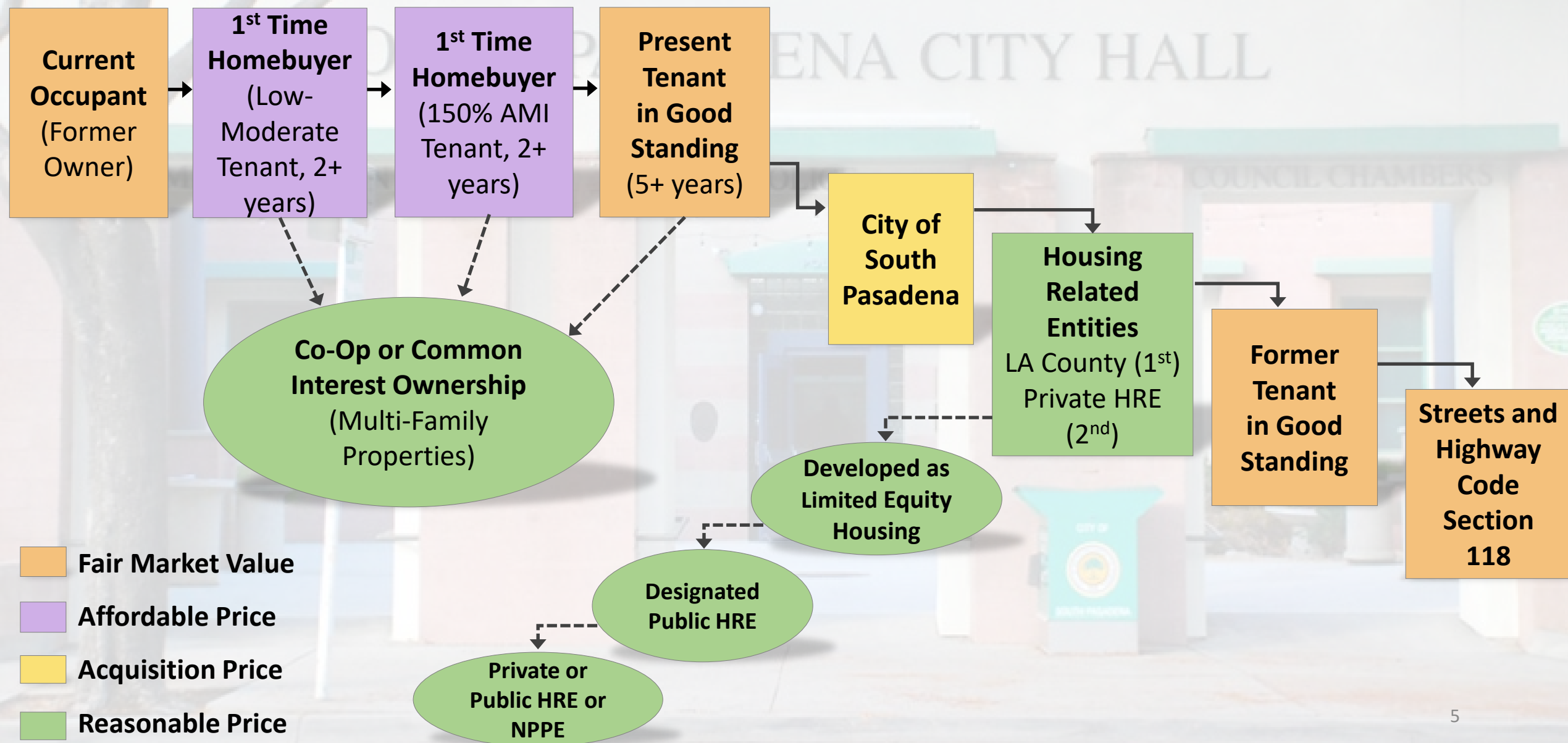
## Blue text = Public Meeting

- **Sept. 28, 2021:** SB 381 signed into law.
- **Dec. 1, 2021:** City Council received SB 381 update; established SB 381 Ad-Hoc Implementation Committee.
- **April 4, 2022:** City submitted public comment to Caltrans re: SB 381 Emergency Rulemaking.
- **April 7, 2022:** SR 710 Emergency Regulations approved by state Office of Administrative Law.
- **April 20, 2022:** City Council received SB 381 update; authorized release of RFP for inspection and repair estimates of unoccupied homes; and directed staff to release RFQ for HRE and CLT consultant.
- **June 30, 2022:** City received Caltrans letter soliciting City's interest in purchasing 20 unoccupied properties.

# SB 381 Implementation Timeline and Status (cont'd)

- **July 20, 2022:** City Council received update and approved MOU with South Pasadena Preservation Foundation to inspect and evaluate the historic unoccupied properties and to identify the character-defining features.
- **July 27, 2022:** City Council directed City Manager to send solicitation response letters re: City's interest to purchase unoccupied historic and non-historic properties.
- **Sept. 12, 2022:** City Manager's Office hosted a Community Listening Session.
- **Oct. 5, 2022:** City Council approved award of contract to inspections services vendor.
- **Oct. 2022:** City, Caltrans, and inspections vendor coordinate utilities and prepare for inspections.
- **Week of Oct. 31, 2022:** Sewer and termite inspections of unoccupied homes begin.

# SB 381 Priorities





# SB 381 Process for *Unoccupied* Non-Historic Properties

**Caltrans offers vacant properties to South Pasadena**

**SP exercises right to purchase?**

Yes

No

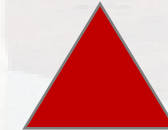
**Caltrans sells properties to SP**

**Caltrans offers properties to LA County**

**Purchase and Sale Agreement from Caltrans**

**LA County's HRE develops properties**

Note: Historic properties will follow a separate sale process.



**SP loses local control.**

# City Disposition Choices for Non-Historic Unoccupied Properties

Portfolio sale?

- A. Sell all properties in a single transaction to one buyer.
- B. Sell properties in multiple transactions to multiple buyers.

Rehab or “as is”?

- A. Rehabilitate properties to be in a livable condition prior to sale.
- B. Sell the properties in their current condition and require developer, CLT, or homeowners to rehabilitate the properties.

Affordable Housing  
Developer or  
Community Land Trust?

- A. Sell properties to an affordable housing developer to manage rehab and sale or rental to qualified tenants with quality standards and scope of work agreed to by the City.
- B. Form a Community Land Trust to acquire properties and manage the rehab and sale or rental to qualified tenants.

Target affordability  
level?

- A. Income Restrictions for Sale: Persons and Families of Low or Moderate Income (at or below 120% AMI).
- B. Income Restrictions for Rent: Lower Income Households (at or below 80% AMI).



## City Disposition Plan Options for Non-Historic Unoccupied Properties

### City (Housing Authority)

City owns properties; issues an RFP\* for design and construction firms to rehabilitate properties; issues RFP for security/property protection, property management (for rental to qualified households) or brokerage services and income qualification (for sale to qualified households).

### Affordable Housing Developer

City issues an RFP for nonprofit developer to purchase the properties, rehabilitate them, and either rent or sell them to qualified tenants.

### Community Land Trust (CLT)

CLT acquires ownership of properties; hires design and construction firms to rehabilitate the properties; rents or sells the homes while retaining ownership of the underlying land.

A CLT is a City-chartered nonprofit, self-governing organization (separate entity from the City).

\*Request for Proposals



# SB 381 Process for *Unoccupied* Historic Properties

# City Disposition Choices for Historic Unoccupied Properties

Affordable or market rate?

- A. City rents or sells the properties at affordable prices to qualified buyers or tenants. (If affordable, follow the same process as non-historic properties.)
- B. City sells the properties at market rate and creates 3 affordable homes elsewhere in the city for every historic home sold.

Rent or sell?

- A. Sell properties directly to homeowners.
- B. Sell properties to a Community Land Trust or other long-term property owner to manage renting the properties to tenants.

Rehab or “as is”?

- A. Rehabilitate properties to be in a livable condition prior to sale.
- B. Sell the properties in their current condition and require owners to rehabilitate the properties.



# Myth Busters

# Myth Busters

**Myth:** The City has failed to be transparent and value community input in the SB 381 implementation process.

**Fact:** The City has had several public meetings, as shown in the Implementation Timeline, and is committed to continuing to include community members in the process.

# Myth Busters

**Myth:** The City in partnership with the South Pasadena Preservation Foundation (SPPF) has been formulating a plan for the disposition of the Caltrans property behind closed doors and without regard to community input.

**Fact:** Discussion between the City and SPPF has been limited to SPPF's inspection and evaluation of historic unoccupied properties according to the Memorandum of Understanding. With respect to input on the disposition of the properties, we have been listening to and reading their comments, just as we have been doing for all other public input.

# Myth Busters

**Myth:** The City will sell the Caltrans properties to the highest bidder or property flippers who will make them into multi-million dollar homes.

**Fact:** The City is committed to increasing affordable housing opportunities in South Pasadena and recognizes the affordable housing requirements specified in SB 381. Decisions about the sale of the Caltrans properties have not yet been made. The only properties that could be sold for immediate use as market rate housing are the historic properties. If this path is ultimately chosen by the City, the homes would be owner-occupied, not sold to investors looking to flip the homes, and the City would in turn be required to finance the creation of 3 affordable housing units.

# Myth Busters

**Myth:** There is no path to ownership for the current and former tenants of the Caltrans properties.

**Fact:** Caltrans is prioritizing the sale of occupied properties to current tenants and occupants. Caltrans will then offer these properties to the City of South Pasadena *only if* the tenants and occupants do not purchase them. The City (or a CLT or developer) is required by law to allow tenants to stay in these homes as renters.

Caltrans is working with the state to develop a 100% financing loan product for tenants purchasing the properties.



# Myth Busters

**Myth:** The City has decided to pursue an alternative disposition strategy than what is provided for in SB 381.

**Fact:** The City is still doing due diligence and listening to community input; it has not yet made any decisions about the disposition of the Caltrans properties. The City recognizes the requirements of SB 381 as law and intends to pursue only legal avenues for the disposition and use of the properties.

# Myth Busters

**Myth:** The City's implementation of SB 381 will result in excessive loss of property tax revenue to fund public services.

**Fact:** The estimated loss of annual property tax revenue would be quite minimal under three scenarios:

- 100% affordable rental: ~\$81,000
- 100% affordable ownership: ~\$66,000
- 50%/50%: ~\$33,000

# Myth Busters

**Myth:** HREs (housing related entities) are private corporations with no stake in the community.

**Fact:** An HRE is a developer; the majority of affordable housing across the country is created by developers. If the City were to decide to sell any Caltrans properties to an affordable housing developer, it would be done through an intentional and community-centered RFP process to ensure the selection of an experienced, reputable developer. Affordable housing developers can be local and community-based, and your neighbors would be the residents of these homes – *people* – not corporations.

In addition to partnering with a highly-qualified developer, the City could form a CLT to maintain community control.

# Myth Busters

**Myth:** People that live in affordable housing units are undesirable neighbors.

**Fact:** The City is committed to housing for all income levels. In today's economy affordable housing is for young professionals, teachers, public servants, seniors on a fixed income, for example.

# Myth Busters

**Myth:** The City will shoulder all of the risk if SB 381 is implemented.

**Fact:** The City will consider all available options and carefully assess the risks associated with each. Among the paths available under SB 381 is the option to sell properties to developers or a CLT dedicated to producing and maintaining quality affordable housing, whether for rental or sale. These entities will be carefully evaluated and selected by the City, and they would share in the risk of creating and maintaining a high-quality and stable affordable housing in our community.

# Myth Busters

**Myth:** A side by side escrow process will still allow a moderate-income buyer to purchase one of the surplus homes.

**Fact:** Side by side escrow is not recognized as an option under SB 381. If allowed, this process could perpetuate inequities, as it would make a property prohibitively costly to a moderate-income buyer without substantial wealth. The buyer would need to continue paying their current rent while the home they purchase is being rehabilitated (which could last as long as 9-12 months), and they would not qualify for a conventional mortgage due to the conditions of the property.

# Myth Busters

**Myth:** The necessary financial analysis and due diligence to make decisions about the disposal of these properties has not been performed.

**Fact:** A thorough financial analysis and due diligence is underway. It will inform the forthcoming policy decisions to be made by City Council.

# SB 381 Implementation

## Next Steps

- November 2022: Complete building inspections of unoccupied homes and SPFF inspection and evaluation of unoccupied historic homes.
- November/December 2022: City receives purchase and sales agreements from Caltrans for unoccupied homes.
- December 2022: Complete unoccupied property financial analysis; meeting of SB 381 Ad-Hoc Implementation Committee to review findings.
- December 2022/January 2023: SB 381 Ad-Hoc Implementation Committee and/or Community Meeting to provide an update on unoccupied homes and listen to public input.
- January 2023: City Council meeting to authorize City Manager to execute purchase and sales agreements for unoccupied properties.
- February-April 2023: City Council and/or Community Meeting to provide an update on unoccupied homes and listen to public input.
- May 2023: City and Caltrans close escrow on unoccupied homes.



# We want to hear from you.

Please reach out to us with your questions and comments and share your contact information with us for updates about the SB 381 implementation process and future community events.

- Email us at [Housing@southpasadenaca.gov](mailto:Housing@southpasadenaca.gov)
- Call Leah Demarest, Senior Management Analyst, at (626) 372-8755

Visit the City of South Pasadena's webpage on SB 381 for more information:



# Thank you!

