

**TITLE 21 PUBLIC WORKS
DIVISION 2. DEPARTMENT OF TRANSPORTATION
CHAPTER 9.5. STATE ROUTE 710 SALES PROGRAM**

§ 1475. General

(a) **Application.** This chapter only applies to properties purchased by the Department for the purpose of closing the SR-710 North Gap between SR-10 and SR-210 in Los Angeles County.

(b) **Limitation.** Nothing in this chapter limits the Department's discretion regarding when to sell its properties, except as specified by statute. Nothing in this chapter creates, expands, or confers any right or entitlement to purchase property that does not already exist in law.

(c) **Time Extensions.** The Department may extend any time to perform an action provided for in this chapter upon a finding of good cause in furtherance of Government Code section 54238.4 and upon notice to the persons or entities affected by the extension by written correspondence.

(d) **CTC Approval Required.** All sales under this chapter are subject to approval by the California Transportation Commission.

(e) **Lender Limitations.** Except as otherwise provided in this chapter, a lender shall not have or anticipate an interest in or stand to gain financially from any Surplus Residential Property other than in the lender's capacity as a mortgage lender.

(f) **Historical Covenants.** In addition to the Use and Resale Restrictions described in §§ 1481.1, 1483.1, 1484.1, and 1485.1, the Department shall impose historical covenants to preserve and maintain properties with architectural, historical, or cultural significance to comply with the California Environmental Quality Act (CEQA). If the Department determines a historical covenant is required for a property, then the Department will provide a historical covenant with the applicable sales contract. If a buyer fails to sign applicable historical covenants, then the sales contract is void.

(g) This chapter does not apply to the qualification criteria to obtain a loan. The eligibility criteria discussed in this chapter has no relation to the qualification criteria that a lender may require.

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54236, 54238.3 & 54238.4, Government Code; Sections 5024, 5024.5 & 21000 through 21189.70.10, Public Resources Code; Section 118, Streets and Highways Code.

§ 1477. Priorities of Sale

(a) **Priorities by City.** The priorities for sale of properties in the City of Los Angeles are provided in § 1477.1. The priorities for sale of properties in the City of Pasadena are provided in § 1477.2. The priorities for sale of properties in the City of South Pasadena are provided in § 1477.3.

(b) **Order of Priorities.** Properties offered for sale under this chapter shall be offered in the sequential order specified in § 1477.1 or § 1477.2, as applicable. Properties cannot return to a completed priority, unless specified in § 1477.1 or § 1477.2.

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54237, 54237.3 & 54239.1 & 54239.4, Government Code.

§ 1477.1. Priority of Sale for Properties in the City of Los Angeles

(a) **Surplus Residential Properties.** All Surplus Residential Properties in the City of Los Angeles shall be offered for sale in this order:

- (1) Single-Family Residences to Occupants who are former owners of the Single-Family Residence at Fair Market Value. This is Priority 0 and is governed by § 1480.
- (2) Single-Family Residences to the Occupants at either an Affordable Price or Fair Market Value. This is Priority 1 and is governed by §§ 1481.1 through 1481.4.
- (3) Single-Family Residences to the Occupants at either an Affordable Price or Fair Market Value. This is Priority 2 and is governed by § 1482.
- (4) Surplus Residential Properties to the Tenant at Fair Market Value if they have used the Property as their Principal Place of Residence continuously for the five years prior to the postmarked date on the letter sent pursuant to § 1478(a)(1). This is Priority 6 and is governed by § 1486.
- (5) SB 580 properties to nonprofit private entities dedicated to rehabilitating and maintaining the historic home for public and community access and use. This is Priority 4 and is governed by §§ 1484 through 1484.2.
- (6) Surplus Residential Properties to a Housing-Related Private Entity at a Reasonable Price. This is Priority 5 and is governed by §§ 1485 through 1485.1.
- (7) Surplus Residential Properties to the Tenant at Fair Market Value. This is Priority 6 and is governed by § 1486.
- (8) Surplus Residential Properties to a former Tenant at Fair Market Value. This is Priority 7 and is governed by § 1487.
- (9) Surplus Residential Properties to any buyer pursuant to Streets and Highways Code § 118. This is Priority 8 and is governed by § 1488.

(b) **Surplus Nonresidential Properties.** All Surplus Nonresidential Properties in the City of Los Angeles, except those described in § 1477.4, shall be offered for sale in this order:

- (1) To current Tenants at Fair Market Value. This is Priority 9 and is governed by § 1489.
- (2) To a Housing-Related Private Entity at a Reasonable Price if the property is unimproved. This is Priority 5 and is governed by §§ 1485 through 1485.1.
- (3) To any buyer pursuant to Streets and Highways Code § 118. This is Priority 8

and is governed by § 1488.

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54237, 54237.3 & 54239.1, Government Code.

§ 1477.2. Priority of Sale for Properties in the City of Pasadena

(a) ***Surplus Residential Properties.*** All Surplus Residential Properties in the City of Pasadena shall be offered for sale in this order:

- (1) Single-Family Residences to Occupants who are former owners of the Single-Family Residence at Fair Market Value. This is Priority 0 and is governed by § 1480.
- (2) Single-Family Residences to the Occupants at either an Affordable Price or Fair Market Value. This is Priority 1 and is governed by §§ 1481.1 through 1481.4.
- (3) Single-Family Residences to the Occupants at either an Affordable Price or Fair Market Value. This is Priority 2 and is governed by § 1482.
- (4) Surplus Residential Properties to a Housing-Related Public Entity at a Reasonable Price. This is Priority 3 and is governed by §§ 1483 through 1483.1.
- (5) SB 580 properties to nonprofit private entities dedicated to rehabilitating and maintaining the historic home for public and community access and use. This is Priority 4 and is governed by §§ 1484 through 1484.2.
- (6) Surplus Residential Properties to a Housing-Related Private Entity at a Reasonable Price. This is Priority 5 and is governed by §§ 1485 through 1485.1.
- (7) Surplus Residential Properties to the Tenant at Fair Market Value. This is Priority 6 and is governed by § 1486.
- (8) Surplus Residential Properties to a former Tenant at Fair Market Value. This is Priority 7 and is governed by § 1487.
- (9) Surplus Residential Properties to any buyer pursuant to Streets and Highways Code § 118. This is Priority 8 and is governed by § 1488.

(b) ***Surplus Nonresidential Properties.*** All Surplus Nonresidential Properties in the City of Pasadena, except those described in § 1477.4, shall be offered for sale in this order:

- (1) To current Tenants at Fair Market Value. This is Priority 9 and is governed by § 1489.
- (2) To any buyer pursuant to Streets and Highways Code § 118. This is Priority 8 and is governed by § 1488.

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54237, 54237.3 & 54239.1, Government Code.

§ 1477.3. Priority of Sale for Properties in the City of South Pasadena

(a) Surplus Residential Properties. All Surplus Residential Properties in the City of South Pasadena must be offered for sale in this order:

- (1) Single-Family Residences to Occupants who are former owners of the Single-Family Residence at Fair Market Value. This is Priority 0 and is governed by § 1480.
- (2) Single Family Residences to the Occupants at either an Affordable Price or Fair Market Value. This is Priority 1 and is governed by §§ 1481 through 1481.4.
- (3) Single Family Residences to the Occupants at either an Affordable Price or Fair Market Value. This is Priority 2 and is governed by § 1482.
- (4) Surplus Residential Properties to the Tenant at Fair Market Value. This is Priority 6 and is governed by § 1486.
- (5) Unoccupied SB 381 Properties to the City of South Pasadena. This is Priority 4SP and is governed by § 1484.3.
- (6) Surplus Residential Properties to the City of South Pasadena. This is Priority 3 and is governed by §§ 1483 through 1483.1.
- (7) Surplus Residential Properties to a Housing-Related Private Entity at a Reasonable Price. This is Priority 5 and is governed by §§ 1485 through 1485.1.
- (8) Surplus Residential Properties to the Tenant at Fair Market Value. This is Priority 6 and is governed by § 1486.
- (9) Surplus Residential Properties to a former Tenant at Fair Market Value. This is Priority 7 and is governed by § 1487.
- (10) Surplus Residential Properties to any buyer pursuant to Streets and Highways Code § 118. This is Priority 8 and is governed by § 1488.

(b) Surplus Nonresidential Properties. All Surplus Nonresidential Properties in the City of South Pasadena, except those described in § 1477.4, must be offered for sale in this order:

- (1) To current Tenants at Fair Market Value. This is Priority 9 and is governed by § 1489.
- (2) To the City of South Pasadena if the property is unimproved. This is Priority 3 and is governed by §§ 1483 through 1483.1.
- (3) To a Housing-Related Private Entity if the property is unimproved. This is Priority 5 and is governed by §§ 1485 through 1485.1.
- (4) To any buyer pursuant to Streets and Highways Code § 118. This is Priority 8 and is governed by § 1488.

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54237, 54237.3, 54239.1 & 54239.4, Government Code.

§ 1477.4. Nonresidential Properties Leased by Cities or Non-Profits

(a) All properties identified in Government Code § 54237(f)(2) shall be first offered pursuant to the terms of § 54237(f)(2). Any such property not sold pursuant to that process shall then be offered for sale pursuant to the priorities specified in §§ 1477.1 or § 1477.2, or 1477.3, as applicable.

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54237, 54237.3 & 54239.1, Government Code

§ 1483. Priority 3: Housing-Related Public Entities

(a) **Offer at Priority 3.** When Priority 3 is specified as the next priority by §§ 1477.2 or 1477.3(a), as applicable, § 1477.2, then all Surplus Residential Properties not already sold shall be next offered to a Housing-Related Public Entity at a Reasonable Price pursuant to this section. Single-Family Residences identified in § 1481.4 cannot be sold at Priority 3 until after all Priority 1 and 2 sales have closed escrow.

When Priority 3 is specified as the next priority by §1477.3(b), then all Surplus Nonresidential Properties not already sold shall next be offered to a Housing-Related Public Entity at a Reasonable Price pursuant to this section.

(b) **HREs.** The Housing-Related Public Entities who may purchase at Priority 3 are the City of Pasadena, the City of South Pasadena, and the County of Los Angeles.

(c) **Soliciting Interest.** The Department will provide to each Housing-Related Public Entity identified in (b) a written list of Surplus Residential Properties to be offered for sale within its jurisdictional boundaries. For each such Surplus Residential Property on the list, the Department will provide the following information:

- (1) The address; and
- (2) The Reasonable Price, which for Priority 3, is set at the Minimum Sales Price; and
- (3) A copy of the current lease or rental agreement, if any; and
- (4) Copies of all repair records for the prior three years; and
- (5) Copy of the Use and Resale Restrictions.

(d) **Response.** If a Housing-Related Public Entity wants to purchase any of the properties identified on the list provided to it pursuant to (c), then it shall notify the Department in writing of the properties from the list it wants to purchase within 30 calendar days from the postmarked date of the letter sent pursuant to (c).

(e) **Sales Contracts.** The Department will send a sales contract to a Housing-Related Public Entity for each property identified by the entity pursuant to (d), subject to the following:

- (1) Properties identified pursuant to (d) shall be on the list provided to the entity pursuant to (c).
- (2) The sales contract shall be executed and returned to the Department within 60 calendar days of the date the Department sends the contract.

(3) If the County of Los Angeles identifies a property that is also identified by the City of Pasadena or the City of South Pasadena, then the Department will first offer the property to the City of Pasadena or the City of South Pasadena. If the City of Pasadena or the City of South Pasadena does not purchase the property, then it will ~~then~~ be offered to the County of Los Angeles.

(f) **Escrow.** Upon execution of the sales contract, the Housing-Related Public Entity will have 120 calendar days to close escrow. Upon written request, the Department will provide an additional 30 calendar days to close escrow.

(g) **Closing Costs and Escrow Fees.** The purchasing Housing-Related Public Entity shall pay all closing costs and escrow fees.

(h) **No Warranty.** Any Priority 3 sale is “as-is” and without warranty.

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54236, & 54237 & 54239.4, Government Code.

§ 1483.1. Priority 3: Use Restrictions

(a) **Restrictions.** As a condition for sale at a Reasonable Price at Priority 3, a Housing-Related Public Entity shall agree to Use and Resale Restrictions containing the terms, conditions, and restrictions imposed by the Department to ensure the property remains available to Persons and Families of Low or Moderate Income. The Use and Resale Restrictions described in § 1485.1 shall apply to properties purchased at Priority 3, with:

(1) All references to “Priority 5” shall be read as “Priority 3”, and

(2) All references to “Housing-Related Private Entity” shall be read as “Housing-Related Public Entity”.

(b) **Provisions Specific to Properties in the City of Pasadena.** If the Surplus Residential Property offered at Priority 3 is within the City of Pasadena, then:

(1) In addition to the restrictions described in § 1485.1(b), the Housing-Related Public Entity shall cause the Surplus Residential Property to be developed as a limited equity cooperative with first right of occupancy to present Occupants, unless the Housing-Related Public Entity determines such a cooperative is not feasible.

(2) Section 1485.1(e) shall not apply.

(3) § 1485.1(c)(2)(B) shall not apply. Instead, § 1485.1(c)(2)(B) shall be read as saying: “All profits from the subsequent sale by the Housing-Related Public Entity shall be dedicated to the construction of housing for Persons and Families of Low or Moderate Income within Pasadena, South Pasadena, Alhambra, La Canada Flintridge, or the 90032 postal ZIP Code.”

(c) **Provisions Specific to Properties in the City of South Pasadena.** If the Surplus Residential Property offered at Priority 3 is within the City of South Pasadena, then:

(1) § 1485.1(c)(2)(B) shall not apply. Instead, § 1485.1(c)(2)(B) must be read as saying: “All profits from the subsequent sale by the Housing-Related Public Entity

are dedicated to the construction of housing for Persons and Families of Low or Moderate Income within the City of South Pasadena.”

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54236, 54237, & 54238 & 54239.4, Government Code.

§ 1484.3 Priority 4SP: South Pasadena

(a) Offer at Priority 4SP. SB 381 Properties are described in (b). When Priority 4SP is specified as the next priority by § 1477.3(a)(5), then all Surplus Residential Properties that are also SB 381 Properties that have not already been sold shall be next offered to the City of South Pasadena at the Minimum Sales Price pursuant to this section.

(b) SB 381 Properties. The properties to be offered pursuant to this section include only unoccupied Surplus Residential Properties within the City of South Pasadena that meet at least one of these criteria:

(1) The property is identified in § 1484.2; or

(2) The property meets the criteria in Gov. Code, § 54239.4(b)(1)(T)(2)(B).

(c) City designated properties. The Department shall send a written request to the City of South Pasadena to provide a list of all properties that meet the criteria in Gov. Code, § 54239.4(b)(1)(T)(2)(B). The City of South Pasadena may provide to Caltrans a list of all properties that meet the criteria in Gov. Code, § 54239.4(b)(1)(T)(2)(B). The Department shall use the provided list to determine which of its Surplus Residential Properties meet the criteria in (b)(2) if it is received within 30 days of the written request. If no list is provided within the 30 days, then it shall be determined that the City of South Pasadena is not interested in purchasing any properties that meet the criteria in Gov. Code, § 54239.4(b)(1)(T)(2)(B) at Priority 4SP.

(d) Soliciting Interest. The Department will provide to the City of South Pasadena a written list of the unoccupied SB 381 Properties to be offered for sale under Priority 4SP. For each such property on the list, the Department will provide the following information:

(1) The address; and

(2) The Minimum Sales Price; and

(3) Copies of all repair records for the prior 3 years; and

(4) Copy of the Use and Resale Restrictions described in (j).

(e) Response. If the City of South Pasadena wants to purchase any of the properties identified on the list provided to it pursuant to (d), then it shall notify the Department in writing of the properties from the list it wants to purchase within 30 calendar days from the postmarked date of the letter sent pursuant to (d).

(f) Sales Contracts. The Department will send a sales contract to the City of South Pasadena for each property identified by the City pursuant to (e), subject to the following:

(1) Properties identified pursuant to (e) must be on the list provided to the City pursuant to (d).

(2) The sales contract must be executed and returned to the Department within 60 calendar days of the date the Department sends the contract.

(g) **Escrow.** Upon execution of the sales contract, the City of South Pasadena will have 120 calendar days to close escrow. Upon written request, the Department will provide an additional 30 calendar days to close escrow. The City of South Pasadena must also comply with the Requirement in Government Code, § 54239.4(b)(1)(D) before closing escrow.

(h) **Closing Costs and Escrow Fees.** The City of South Pasadena must pay all closing costs and escrow fees.

(i) **No Warranty.** Any Priority 4SP sale is “as-is” and without warranty.

(j) **Use Restrictions.** As a condition for sale at the Minimum Sales Price at Priority 4SP, the City of South Pasadena shall agree to Use and Resale Restrictions containing the terms, conditions, and restrictions imposed by the Department to ensure compliance with Government Code section 54239.4. These Use and Resale Restrictions are contained in their entirety in *Form 1477.3(a)(5) – South Pasadena, Priority 4SP (02/22)*, which is hereby incorporated by reference. Upon mutual consent of the Department and the City of South Pasadena, the Use and Resale Restrictions may be amended to the extent that such amendment does not contradict statute.

Note: Authority Cited: Section 54237, Government Code.

Reference: Section 54239.4, Government Code.

§ 1485. Priority 5

(a) **Offer at Priority 5.** When Priority 5 is specified as the next priority by ~~§ 1477.1~~ or §§ 1477.1, 1477.2, or 1477.3 as applicable, then all Surplus Residential Properties not already sold shall be next offered to a Housing-Related Private Entity at a Reasonable Price pursuant to this section. A Housing-Related Private Entity is a joint venture, partnership, limited partnership, trust, corporation, community land trust, or other legal entity approved by the Department as qualified to own, construct, acquire, or rehabilitate affordable housing for Persons and Families of Low or Moderate Income. The entity may be for profit, nonprofit, or limited profit. If the property is located in the City of Los Angeles, then the City of Los Angeles will be treated as a Housing-Related Private Entity for the purposes of this section and section 1485.1.

(b) **HRE Registry.** The Department will maintain a registry of approved Housing-Related Private Entities on its website. The registry will be created and maintained subject to the following:

(1) No less than once each calendar year, the Department will solicit applications for entities to be approved as Housing-Related Private Entities by publishing a notice in at least one newspaper of general circulation within the County of Los Angeles, pursuant to Government Code §§ 6060 and 6061.3. The Department may also use other means to solicit interest.

(2) Entities may submit a written application to the Department. Applications shall include the entity's qualifications, address, and email address.

(3) The Department will review applications submitted pursuant to (2) based on criteria that includes, but is not limited to:

(A) the entity's experience in providing affordable housing for Persons and Families of Low or Moderate Income; and

(B) the experience of the entity's employees, management, board members, etc. in providing affordable housing; and

(C) the number of affordable housing units in the entity's portfolio; and

(D) the entity's reputation as a provider of affordable housing; and

(E) the entity's stated mission.

(4) The Department will notify the entity by email whether it has been approved as a Housing-Related Private Entity. Approval and placement on the registry create no entitlement to purchase under this chapter.

(5) The Department may reassess a Housing-Related Private Entity's qualifications at any time at its sole discretion.

(6) An approved Housing-Related Private Entity shall resubmit an application every three years to remain on the registry.

(7) Notwithstanding (1) through (6), the Department will place the City of Los Angeles on the registry for properties located within the City of Los Angeles.

(c) **Request Bids.** The Department will request bids by email from the entities on the registry described in (b). The request will include the following information for each property offered at Priority 5:

(1) the Reasonable Price, which for Priority 5, is set at the Minimum Sales Price; and

(2) a copy of the current lease or rental agreement, if any; and

(3) copies of all repair records for the prior three years; and

(4) a copy of the Use and Resale Restrictions described in § 1485.1; and

(5) the due date for bids.

(d) **Bid Submittal.** An approved Housing-Related Private Entity has 45 calendar days from the date of the email described in (c) to provide written bids to the Department. Bids shall include, but are not limited to:

(1) a 10-year proforma showing the financial sustainability of renting the Surplus Residential Property at Affordable Rents, showing estimated operation revenue, expenses, reserves, and debt service costs; and

(2) an explanation of the Housing-Related Private Entity's plan for current Occupants, if any; and

- (3) an explanation of the Housing-Related Private Entity's proposal to comply with this chapter and the Use and Resale Restrictions; and
- (4) a marketing plan for targeting Persons and Families of Low or Moderate Income as future Tenants, including the target levels for affordability; and
- (5) a plan for rehabilitation of the property including cost estimates and timeframes; and
- (6) a readiness component, including but not limited to, secured financing and draft contracts with contractors for rehabilitation; and
- (7) if the Surplus Residential Property is in the City of Pasadena, then the Housing-Related Private Entity's determination of whether it is feasible to develop the property as a limited equity cooperative with first right of refusal to present Occupants.

(e) **Bid Evaluation.** The Department will review all bids provided by approved Housing-Related Private Entities pursuant to (d). The Department of Housing and Community Development may assist the Department in reviewing bids. Bids will be reviewed based on the following criteria:

- (1) the entity's experience and capability in providing affordable housing; and
- (2) the entity's ability to sustainably provide affordable housing at Affordable Rents; and
- (3) the target income for Affordable Rents, with preference to provide affordable housing for lower incomes;
- (4) the financial feasibility of the submitted proforma based on the target income population stated in the Bid;
- (5) compliance with this chapter and the Use and Resale Restrictions described in § 1485.1; and
- (6) the entity's Plan for rehabilitation; and
- (7) the entity's readiness to perform.

(f) **Interview.** The Department may request a meeting with Housing-Related Private Entities to discuss their bids. Any such meeting will be held in Los Angeles County, and the Department will provide at least 15 calendar days written notice of the time and place.

(g) **Bid Deficiencies.** If the Department determines that all bids for a Surplus Residential Property are deficient and that there is no acceptable bid, then the Department shall provide the bidding entities an additional 30 calendar days to supplement their bids for that property. If after supplementation there is no acceptable bid, then the Department shall move the property to Priority 6.

(h) **Bid Awards.** The Department retains sole discretion in determining a winning bid for a Surplus Residential Property and will announce the winning bid for each property by sending an email to all Housing-Related Private Entities that bid on the property. The email will include:

- (1) The address of the Surplus Residential Property; and
- (2) A ranking of the top three bids. Bids that do not comply with, or propose noncompliance with, §§ 1485 or 1485.1 shall not be ranked; and
- (3) An explanation of the rankings of the top three bids.

(i) **Appeal Process.** An approved Housing-Related Private Entity has seven calendar days from the date of the email described in (h) to submit an appeal by email to the Department describing the basis of the appeal. The appeal process consists of:

- (1) A review by the Department's District 7 Director of all bids for the Surplus Residential Property subject to the appeal; and
- (2) A determination by the Department's District 7 Director on the stated basis of the appeal; and
- (3) A written response to the appealing entity regarding the findings of the appeal; and
- (4) The decision of the Department's District 7 Director is final.

(j) **Sales Contracts.** The Department will send a sales contract to a Housing-Related Private Entity for each property awarded to it. The sales contract shall be executed and returned to the Department within 30 calendar days of the date the Department sends the contract.

- (1) The Department will send the contracts no sooner than 10 calendar days after it sends the email announcing winning bids described in (h).
- (2) For any bid subject to appeal under (i), the Department will send the contract no sooner than 10 calendar days after a written response described in (i)(3).

(k) **Escrow.** Upon execution of the sales contract, a Housing-Related Private Entity has 120 calendar days to close escrow. Upon written request, the Department will provide an additional 30 calendar days to close escrow.

(l) **Closing Costs and Escrow Fees.**

The purchasing Housing-Related Private Entity shall pay all closing costs and escrow fees.

(m) **Nonperformance.** If a Housing-Related Private Entity fails to timely execute a sales contract in the time provided in (j) or fails to close escrow in the time provided in (k), then:

- (1) The sales contract is void.
- (2) The Department will award the property to the Housing-Related Private Entity with the next highest ranked bid and send a sales contract pursuant to (j).
- (3) If there is no next highest ranked bid, then the property will proceed to Priority 6.

(n) **No Warranty.** Any Priority 5 sale is "as-is" and without warranty.

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54236, & 54237 & 54239.4, Government Code.

§ 1485.1. Priority 5: Use Restrictions

(a) **Restrictions.** As a condition for sale at a Reasonable Price at Priority 5, a Housing-Related Private Entity shall agree to Use and Resale Restrictions containing the terms, conditions, and restrictions imposed by the Department to ensure the property remains available to Persons and Families of Low or Moderate income. Such restrictions include, but are not limited to:

- (1) restricting the use of the property; and
- (2) restricting rental of the property; and
- (3) restricting transfers of the property; and
- (4) restricting refinancing of the property; and
- (5) specifying distribution of proceeds from a subsequent sale; and
- (6) monitoring and enforcement provisions.

(b) **Restriction on Use.** A Housing-Related Private Entity shall rehabilitate a property purchased at Priority 5 to be used as either:

(1) If a Surplus Residential Property, as Decent, Safe, and Sanitary housing at Affordable Rents for Persons and Families of Low or Moderate Income.

(A) Current Tenants shall have the first right of occupancy.

(B) If the current Tenants are Persons and Families of Low or Moderate Income, then the purchasing entity shall provide them Affordable Rents.

(C) If the current Tenants are not Persons and Families of Low or Moderate Income, then the purchasing entity may collect market rent. The restrictions described in (1) will begin immediately after the market rate Tenants vacate.

(D) The restrictions described in this section shall be for no less than 55 years from the close of escrow described in § 1485(k).

(2) If a Single-Family Residence, as Decent, Safe, and Sanitary owner-occupied housing for Persons and Families of Low or Moderate Income.

(A) If Current Tenants are Persons and Families of Low or Moderate Income then they shall be offered first right of refusal.

(B) The sales price shall be an Affordable Price calculated pursuant to § 1481.2(c). All subsequent sales within the period described in (C) shall also be at an Affordable Price calculated pursuant to § 1481.2(c).

(C) The restrictions described in this section shall be for no less than 45 years from the close of escrow described in § 1485(k).

(c) **Resale.** A property sold at Priority 5 shall not be resold for 120 calendar days following close of escrow. After that, it may be sold:

(1) To another approved Housing-Related Private Entity if the following conditions are met:

- (A) The Department has provided written approval of the sale; and
- (B) The sales price is the same price paid to the Department for the Priority 5 purchase, without any adjustment; and
- (C) The purchasing nonprofit entity takes ownership subject to the same Use and Resale Restrictions imposed upon the selling entity.

(2) At Fair Market value if the following conditions are met:

- (A) The applicable time described in (b)(1) or (b)(2) has expired; and
- (B) All profits from the sale by the Housing-Related Private Entity are dedicated to providing housing for Persons and Families of Low or Moderate Income within Pasadena, South Pasadena, Alhambra, La Canada Flintridge, or the 90032 postal ZIP Code.

(3) At an Affordable Price pursuant to (b)(2).

(d) **Removing Restrictions.** The Use and Resale Restrictions described in this section will cease to encumber the property upon the expiration of the period for deed restriction specified in the applicable Use and Resale Restrictions, except the restriction on the use of profits from the subsequent sale described in (c)(2) will remain.

(e) **Provisions Specific to Properties in the City of Pasadena.** If the Surplus Residential Property offered at Priority 5 is within the City of Pasadena, then:

- (1) In addition to the restrictions described in (b), the Housing-Related Private Entity shall cause the Surplus Residential Property to be developed as a limited equity cooperative with first right of occupancy to present Occupants, unless the Housing-Related Private Entity determines such a cooperative is not feasible.

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54236, 54237, 54238, & 54239.1 & 54239.4, Government Code.

§ 1486. Priority 6: Sales to Current Tenants

(a) **Offer at Priority 6.** When Priority 6 is specified as the next priority by §§ 1477.1, or 1477.2, or 1477.3, as applicable, then all Surplus Residential Properties not already sold shall be next offered to their current Tenants at Fair Market Value pursuant to this section.

(b) **Eligibility Criteria to Receive a Sales Contract.** To be eligible to receive a sales contract to purchase at Priority 6, current Tenants shall:

- (1) be current on all rent obligations and paid in full; and
- (2) be in full compliance with the terms and conditions of the lease or rental agreement on the postmarked date of the response the Tenant provided pursuant to § 1478(b); and
- (3) have provided a written response that meets the criteria in both § 1478(d) and

1478(f); and

(4) not have already purchased a Surplus Residential Property pursuant to this chapter; and

(5) be a current Tenant at the Surplus Residential Property; and

(6) if the property is offered pursuant to §§ 1477.1(a)(4) or 1477.3(a)(4), then the Tenant shall have used the property as their Principal Place of Residence continuously for the five years prior to the postmarked date on the letter sent pursuant to § 1478(a)(1).

(c) **Determining Eligibility to Receive a Sales Contract.** The Department will determine if a current Tenant is eligible to receive a sales contract to purchase at Priority 6.

(d) **Tenants with Equal Priority.** If more than one current Tenant is eligible to receive a sales contract to purchase the same property at Priority 6, then priority is given to the Tenant who makes the highest price bid on the property.

(e) **Sales Contract.** The Department will send a sales contract to the current Tenant who has priority to purchase the property. The sales contract shall be executed and returned to the Department within 30 calendar days of the date the Department sends the contract.

(f) **Escrow.** Upon execution of the contract, a Tenant has 120 calendar days to close escrow. Upon written request, the Department will provide an additional 30 calendar days to close escrow.

(g) **Closing Costs and Escrow Fees.** The Department will pay: one-half of the escrow fees; all seller notary fees; termite inspection; termite work; and documentary transfer tax.

(h) **Pending Rent Obligations.** A Tenant shall be current on all rent obligations to the Department in order to close escrow.

(i) **Nonperformance.** If a Tenant fails to timely execute a sales contract in the time provided in (e) or fails to close escrow in the time provided in (f), then:

(1) The sales contract is void.

(2) The Department will award the property to the next eligible Tenant pursuant to (d) and send a sales contract pursuant to (e).

(3) If there is no other eligible Tenant, then the property will proceed to Priority 7.

(j) **No Warranty.** Any Priority 6 sale is “as-is” and without warranty.

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54236, 54237, 54238.4, & 54239.1 & 54239.4, Government Code; Article XVI section 6, California Constitution.

§ 1487. Priority 7: Sales to Former Tenants

(a) **Offer at Priority 7.** When Priority 7 is specified as the next priority by §§ 1477.1, or 1477.2, or 1477.3, as applicable, then all Surplus Residential Properties not already

sold shall be next offered to former Tenants at Fair Market Value pursuant to this section.

(b) **Eligibility Criteria to Receive a Sales Contract.** To be eligible to receive a sales contract to purchase at Priority 7, former Tenants shall:

- (1) have no outstanding rent obligations due to the Department; and
- (2) have been in full compliance with the terms and conditions of the lease or rental agreement at the time the former Tenant vacated the property; and
- (3) have provided a written response that meets the criteria in both § 1478(d) and 1478(f); and
- (4) not have already purchased a Surplus Residential Property pursuant to this chapter; and
- (5) have been a Tenant at the Surplus Residential Property.

(c) **Determining Eligibility to Receive a Sales Contract.** The Department will determine if a former Tenant is eligible to receive a sales contract to purchase at Priority 7.

(d) **Tenants with Equal Priority.** If more than one former Tenant is eligible to receive a sales contract to purchase at Priority 7, then priority is given as follows:

- (1) To the former Tenant who most recently occupied the property; then
- (2) To the former Tenant who makes the highest price bid on the property.

(e) **Sales Contract.** The Department will send a sales contract to the former Tenant who has priority to purchase the property pursuant to (d). The sales contract shall be executed and returned to the Department within 30 calendar days of the date the Department sends the contract.

(f) **Escrow.** Upon execution of the contract, the former Tenant will have 120 calendar days to close escrow. Upon written request, the Department will provide an additional 30 calendar days to close escrow.

(g) **Closing Costs and Escrow Fees.** The Department will pay: one-half of the escrow fees; all seller notary fees; termite inspection; termite work; and documentary transfer tax.

(h) **Nonperformance.** If a former Tenant fails to timely execute a sales contract in the time provided in (e) or fails to close escrow in the time provided in (f), then:

- (1) The sales contract is void.
- (2) The Department will award the property to the next eligible former Tenant pursuant to (d) and send a sales contract pursuant to (e).
- (3) If there is no other eligible former Tenant, then the property will proceed to Priority 8.

(i) **No Warranty.** Any Priority 7 sale is “as-is” and without warranty.

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54236, 54237 & 54238.4, Government Code; Article XVI section 6, California Constitution.

§ 1488. Priority 8: Auction

(a) **Offer at Priority 8.** When Priority 8 is specified as the next priority by §§ 1477.1, ~~or 1477.2,~~ or 1477.3, as applicable, then all Surplus Properties not already sold shall be next offered to any other buyer pursuant to Streets and Highways Code § 118, with preference given to the highest responsive bidder who will be an owner occupant, pursuant to this section.

(b) **Owner Occupant Buyers.** A Surplus Property shall be offered to the bidder who:

- (1) has not purchased a property pursuant to this chapter;
- (2) signs an affidavit attesting to their desire to be an owner occupant of the property;
- (3) submits the highest sealed bid; and
- (4) exceeds 75% of the Department's appraised value for the property or the Minimum Sales Price, whichever is higher.

(c) **Other Buyers.** If a Surplus Property is not sold to a person described in (b), then it shall be offered to the bidder who:

- (1) submits the highest sealed bid; and
- (2) exceeds 75% of the Department's appraised value for the property or the Minimum Sales Price, whichever is higher.

(d) **No Warranty.** Any Priority 7 sale is "as-is" and without warranty.

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54236 & 54237, Government Code; Streets and Highways Code, § 118; Article XVI section 6, California Constitution.

§ 1489. Priority 9: Surplus Nonresidential Properties

(a) **Offer.** When Priority 9 is specified as the next priority by §§ 1477.1, ~~or 1477.2,~~ or 1477.3, as applicable, then all Surplus Nonresidential Properties not already sold shall be offered to current Tenants at Fair Market Value.

(b) **Eligibility Criteria to Receive a Sales Contract.** To be eligible to receive a sales contract to purchase a Surplus Nonresidential Property, current Tenants shall:

- (1) be current on all rent obligations and paid in full; and
- (2) be in full compliance with the terms and conditions of the lease or rental agreement; and
- (3) be a current Tenant of the Surplus Nonresidential Property.

(c) **Determining Eligibility to Receive a Sales Contract.** The Department will determine if a current Tenant is eligible to receive a sales contract to purchase a Surplus Nonresidential Property.

(d) **Tenants with Equal Priority.** If more than one current Tenant is eligible to receive a sales contract to purchase a Surplus Nonresidential Property, then priority is given to the Tenant who makes the highest price bid on the property.

(e) **Sales Contract.** The Department will send a sales contract to the Tenant who has priority to purchase the property. The sales contract shall be executed and returned to the Department within 30 calendar days of the date the Department sends the contract.

(f) **Escrow.** Upon execution of the contract, a Tenant has 120 calendar days to close escrow. Upon written request, the Department will provide an additional 30 calendar days to close escrow.

(g) **Pending Rent Obligations.** A Tenant shall be current on all rent obligations to the Department in order to close escrow.

(h) **Nonperformance.** If a Tenant fails to timely execute a sales contract in the time provided in (e) or fails to close escrow in the time provided in (f), then:

(1) The sales contract is void.

(2) The Department will award the property to the next eligible Tenant pursuant to (d) and send a sales contract pursuant to (e).

(3) If there is no other eligible Tenant, then the property will proceed to Priority 8, except without the requirement in Section 1488(b)(2).

(i) **No Warranty.** Any Surplus Nonresidential Properties is sold "as-is" and without warranty.

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54236 & 54237, Government Code; Article XVI section 6, California Constitution.