

SB 381 (Portantino) Surplus residential property: priorities and procedures: City of South Pasadena.

BACKGROUND

California Department of Transportation (Caltrans) currently owns approximately 460 properties in the State Route 710 (SR 710) corridor, including 330 homes and 103 multi-family housing units. These properties were originally purchased in the corridor with the intent to eventually remove the structures and construct an extension to the existing SR 710 freeway to close a 4.5-mile unconstructed gap between the City of Alhambra and the City of Pasadena.

Early in 2017, Caltrans began dispensing of properties as required by SB 416 (Liu, 2013) and the Roberti Act. SB 416 and the Roberti Act govern the sale of surplus property and outline the priority order of who can purchase. In 2019, the Governor signed SB 7 (Portantino), which put the final nail in the coffin of the SR 710 extension project.

To date, Caltrans has sold less than 15 properties and will be looking to move forward with the disposition of the other approximately 445 properties this year.

These approximately 445 properties include both occupied and unoccupied (vacant) residential single-family units, multi-family units, and nonresidential/commercial properties.

PROBLEM

Now that it has been determined that the SR710 freeway gap between Alhambra and Pasadena can no longer be built, cities in the corridor have expressed a need for legislative changes to the current sales process, specifically, the City of South Pasadena. These changes will allow for a more direct intervention by South Pasadena in purchasing properties, thereby allowing them to increase the supply and quality affordable housing outcome in their jurisdiction.

Current statute allows cities to purchase only occupied and unoccupied multi-family units, but cities must still compete with other Housing Related Entities (HREs) to win the bid.

Additionally, current statute sets the sales price for cities at a “reasonable price”, determined by various factors. However, a substantial number of these homes need significant repairs and at the same time must be rented or sold at amounts based upon affordable income criteria.

SB 381 proposes changes in the disposition process to make it economically viable for the City of South Pasadena to purchase, substantially rehabilitate, maintain, and administer an affordable housing program and help address the local housing crisis and blight that has been going on in their communities for decades.

SUMMARY

This bill* would:

- 1) Offer to current tenants of single-family and multi-family residences, the opportunity to purchase the property first.
- 2) Expeditiously offer unoccupied properties to the City at the original acquisition price paid by Caltrans.
- 3) Allow the City to purchase properties at their acquisition price after current tenants reject or do not qualify to purchase the properties in which they reside.
- 4) Allow the City to establish and transfer ownership to a city-approved non-profit housing related entity that would act as a steward over the portfolio of surplus properties and ensure high-quality property maintenance and property management practices.
- 5) All properties would be purchased at acquisition price with a 55-year for rentals and 45 year for homeownership covenant on the land.
- 6) Proceeds from the subsequent sales would be reinvested into the City of South Pasadena to maintain affordable housing.

*includes urgency clause.

RECENT AMENDMENTS

- 1) Moves up fair market value sales to before HRE (Housing Related Entity)
- 2) Allows for multifamily units to be purchased at fair market value
- 3) South Pasadena can sell historical homes at fair market value and use the funds generated to reinvest in affordable housing in South Pasadena with a 3 to 1 ratio. South Pasadena must create 3 affordable housing units: either build new units or acquire rental units with a 55 year or 45 years covenant for sale of single family homes.
- 4) Sets timelines for Caltrans to start to sell unoccupied units by June 30, 2022 and to adopt emergencies regulations within 6 months
- 5) Funds generated by sell of single family homes with 45 year covenant must be used for affordable housing in South Pasadena
- 6) Housing Related Entities can buy at acquisition price

EXISTING LAW

Under existing law, specified single-family residences must first be offered to their former owners or present occupants, as specified. Existing law then requires the property to be offered to housing-related entities, as provided, prior to placing the property up for sale for fair-market value.

Existing law establishes priorities and procedures for the disposition of surplus residential properties in the SR 710 corridor, giving priority to current owners at fair market value, current occupants that meet certain income-qualifications “at an affordable price,” housing-related public and private affordable housing entities at a price necessary to maintain affordability, as specified, and then to occupants and persons who intend to be owner occupants at fair market value. With respect to properties offered to specified income-qualified buyers, Caltrans must provide repairs required by lenders and government housing assistance programs prior to the sale or provide the occupants with a replacement dwelling.

Existing law also requires Caltrans to give priority to purchase surplus nonresidential property at market value in use to tenants in good standing who currently rent, lease, or otherwise legally occupy the property.

Existing law, known as the Administrative Procedure Act, governs the procedures for the adoption, amendment, or repeal of regulations by state agencies and for the review of those regulatory actions by the Office of Administrative Law. Existing law establishes procedures for the adoption of emergency regulations, including requiring that the state agency make a finding that the adoption of a regulation or order of repeal is necessary to address an emergency, as defined. Under existing law, a

regulation, amendment, or repeal adopted as an emergency regulatory action may only remain in effect for up to 180 days, unless the adopting agency complies with specified requirements relating to notice of regulatory action and public comment.

SUPPORT

City of South Pasadena (Sponsor)
Heritage Housing Pasadena

OPPOSITION

3 Individuals

Version: 9/8/2021