

 **§ 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.

(h) *Properties Previously Offered but Not Sold.* If a Property was offered for sale pursuant to Chapter 9.5 between July 26, 2016 and December 12, 2021 and entered escrow but did not close escrow, then the Department shall close escrow and finalize the sale pursuant to the terms of the executed sales contract. If a Property was offered for sale pursuant to Chapter 9.5 between July 26, 2016 and December 12, 2021 and did not enter escrow, then the Property shall be offered for sale as specified in Sections 1477 through 1477.3, as applicable.

§ 1476. Chapter Definitions.

(a) *Terms.* This chapter uses the definitions of the following terms:

(1) “Above-Moderate Income Households” mean persons or families whose income exceeds that of Moderate-Income Households but does not exceed 150 percent of area median income adjusted for family size. “Area median income” is defined in [Health and Safety Code § 50093](#).

(2) “Affordable Housing Cost” is defined in § 1481.2(c)(4).

(3) “Affordable Price” is defined in § 1481.2(c)(1).

(4) “Affordable Rent” means rent calculated in a manner consistent with [Government Code § 54236\(g\)](#) and [25 Cal. Code Regs. § 6922](#).

(5) “CalHFA” means the California Housing Finance Agency, a public instrumentality and political subdivision of the State of California created by the Zenovich-Moscone-Chacon Housing and Home Finance Act, division 31 of the Health and Safety Code.

(6) “Decent, Safe, and Sanitary” means meeting all the minimum requirements listed in [2 Cal. Code Regs. § 1872](#).

(7) “Department” means the California Department of Transportation.

(8) “Fair Market Value” means the most probable price that real property should bring in a competitive and open market under all conditions requisite to a fair sale in accordance with [Government Code § 54236\(f\)](#), the buyer and seller each acting prudently and knowledgeably, and assuming such price is not affected by undue stimuli. Included in this definition is the consummation of a sale of the real property as of a specified date with title passing from seller to buyer under conditions whereby:

(A) the buyer and seller are typically motivated; and

(B) the buyer and seller are well informed or well advised, and each is acting in what they consider their best interest; and

(C) a reasonable time is allowed for exposure of the real property in the open market; and

(D) payment is made in cash in United States dollars or in terms of a financial arrangement comparable thereto; and

(E) the sale price represents the normal consideration for the property unaffected by special or creative financing, sales concessions, or Use and Resale Restrictions.

(9) “Fair Market Value at Time of Purchase” means the appraised Fair Market Value for a property offered at an Affordable Price. It shall be determined by a California certified Real Estate appraiser and is subject to review and acceptance by the Department for compliance with the Uniform Standards of Professional Appraisal Practice. The appraisal shall be updated at the opening of escrow if it is more than six months old.

(10) “Housing-Related Public Entity” is defined in § 1483(b).

(11) “Housing-Related Private Entity” is defined in § 1485.

(12) “Lower Income Households” has the meaning set forth in [Health and Safety Code § 50079.5](#). Lower Income Households are typically characterized as having incomes not exceeding 80% of area median income adjusted for family size.

(13) “Minimum Sales Price” is the price the Department paid for the property without any inflation adjustment, and no property shall be sold pursuant to this article for less than the Minimum Sales Price.

(14) “Moderate Income Households” has the same meaning as “middle-income families” set forth in [Health and Safety Code § 50093](#). Moderate Income Households are typically characterized as having incomes exceeding that of Lower Income Households but not exceeding 120% of area median income adjusted for family size.

(15) “Occupant” means a person 18 years or older who uses the Surplus Residential Property as their Principal Place of Residence and who is listed on the lease or rental agreement with the Department as of the date of the letter described in § 1478(a)(1).

(16) “Persons and Families of Low or Moderate Income” has the meaning set forth in [Health and Safety Code § 50093](#).

(17) “Principal Place of Residence” means the place which is a person's primary home. A person's temporary absence from their primary home does not effect a change with respect thereto. On the other hand, if a person moves to another place, other than as a mere transient or sojourner, the person shall be treated as having changed the location of their primary home.

(18) “Priority X”, where “X” is a number 0 to 9, is specified in § 1477.1 & 1477.2.

(19) “Reasonable Price” means the price that is best suited to the economically feasible use of the property as Decent, Safe, and Sanitary housing at Affordable Rents. When used in Priority 4, “Reasonable Price” means the price best suited to the economically feasible use of the property as a historic home for public and community access and use. The Reasonable Price may not be less than the Minimum Sales Price.

(20) “Single-Family Residence” means a Surplus Residential Property that is either used as a dwelling unit for one family or intended by the Department to be used as a dwelling unit for one family.

(21) “Surplus Nonresidential Properties” means real property including land and structures owned by the Department that are not Surplus Residential Property.

(22) “Surplus Residential Property” means real property including land and structures owned by the Department that:

(A) the Department has determined to be excess pursuant to [Streets and Highways Code § 118.6](#); and

(B) the Department has determined to be no longer necessary for the Department's use; and

(C) were developed as single-family or multifamily housing but do not include property being held by the Department for the purpose of exchange.

(23) “Tenant” means an Occupant of a Surplus Residential Property who is a signatory to the lease or rental agreement as of the date of the letter described in § 1478(a)(1).

(24) “Use and Resale Restrictions” means the terms, conditions, and restrictions imposed by the Department for properties sold for less than Fair Market Value. Use and Resale Restrictions run with the land and are equitable servitudes. They apply to the entirety of the property, including every unit of a multi-unit property and every new unit added to a property.

(b) *Plurals and Possessives*. The definitions provided in (a) apply to the plural and possessive forms of the defined terms.

§ 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, 1477.2, or 1477.3, as applicable. Properties cannot return to a completed priority, unless specified in §§ 1477.1, 1477.2, or 1477.3.

§ 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 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.

 **§ 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 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.

 **§ 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 at a Reasonable Price. 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 at a Reasonable Price if the property is unimproved. This is Priority 3 and is governed by §§ 1483 through 1483.1.

(3) 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.

(4) To any buyer pursuant to [Streets and Highways Code § 118](#). This is Priority 8 and is governed by § 1488.

 **§ 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, 1477.2, or 1477.3, as applicable.

§ 1478. Soliciting Occupant and Tenant Interest to Buy.

(a) *Soliciting Interest.* The Department will solicit the interest of Occupants, Tenants, and former Tenants to purchase Surplus Residential Properties in which they live or have previously lived by:

- (1) sending a letter by certified mail to Occupants and Tenants of Single-Family Residences; and
- (2) sending a letter by certified mail to the last address known to the Department for former Tenants; and
- (3) posting a notice on the Department's website.

(b) *Response to Letter.* Written responses to the Department from Occupants, Tenants, and former Tenants shall be postmarked no later than 30 calendar days after the postmarked date of the letters sent pursuant to (a)(1) and (a)(2).

(c) *Response to Publication.* Written responses to the Department from former Tenants who did not receive a letter by certified mail from the Department shall be postmarked no later than 30 calendar days from the last day of the published notices described in (a)(3).

(d) *Required Contents of Response.* A written response shall include:

- (1) the name of every Occupant, Tenant, or former Tenant who is providing the written response; and
- (2) a valid mailing address for the Occupant, Tenant, or former Tenant; and
- (3) the address of the Surplus Residential Property the Occupant, Tenant, or former Tenant wants to purchase.

(e) *Optional Contents of Response.* A written response may include:

(1) a valid telephone number for the Occupant, Tenant, or former Tenant;

(2) a valid email address for the Occupant, Tenant, or former Tenant.

(f) *Timely Responses.* The Department will acknowledge receipt of a written response if the written response contains all the information required by (d) and was sent within the applicable time required by either (b) or (c), as applicable.

(g) *Late and Incomplete Responses.* An Occupant, Tenant, or former Tenant waives any opportunity to purchase at Priorities 0, 1, 2, 6 and 7 if their written response:

(1) is provided after the times required in (b) or (c), as applicable; or

(2) does not provide all the information required in (d).

§ 1478.1. Sales and Use of Historic Homes. [Repealed]

§ 1478.2. List of Historic Homes. [Renumbered]

§ 1479. Written Correspondence.

(a) *Correspondence to Department.* For purposes of this chapter, all written correspondence to the Department shall be sent to at least one of the addresses specified in (c). The Department is not required to respond to any correspondence sent to an address not specified in (c).

(b) *Correspondence from Department.* All written correspondence from the Department will be sent to the mailing address provided pursuant to § 1478(d)(2) or to the email address provided pursuant to § 1478(e)(2). The sending of sales contracts is a written correspondence.

(c) *Department's Addresses.*

(1) Mail: Department of Transportation

Right of Way Division - SR710

100 South Main Street, MS 6

Los Angeles, CA 90012

(2) Email: SR710@dot.ca.gov

§ 1480. Priority 0: Sales to Former Owners.

(a) *Offer at Priority 0.* A Single-Family Residence shall first be offered to its current Occupant(s) 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 0, an Occupant shall:

(1) have been the former owner of the Single-Family Residence; and

(2) have provided a written response that meets the criteria in both § 1478(d) and 1478(f).

(c) *Determining Eligibility to Receive a Sales Contract.* The Department will send to each Occupant who provided a written response that meets the criteria in both § 1478(d) and 1478(f) a request by written correspondence for documentation supporting and demonstrating the criteria in (b). To support and demonstrate the criteria in (b), an Occupant shall provide documentation demonstrating that they were a former owner of the Single-Family Residence. Caltrans shall also use its acquisition documents to determine eligibility.

(d) *Time to Provide Documentation.* An Occupant wanting to purchase at Priority 0 shall provide the documentation specified in (c) to the Department within the following time limits:

(1) If providing the documentation to the Department by mail, then it shall be postmarked no later than 60 calendar days after the date of the Department's request for the information.

(2) If providing the documentation to the Department by email, then it shall be sent no later than 60 calendar days after the date of the Department's request for the information.

(e) *30-Day Extensions.* If the Department determines an Occupant's documentation is insufficient to demonstrate they meet the criteria in (b), then the Department shall provide written notice of the deficiency and provide an additional 30 calendar days for the Occupant to provide the missing documentation. The Department may provide two such 30 calendar day extensions but shall not extend the initial 60 calendar day deadline by more than 60 calendar days.

(f) *Burden*. An Occupant has the burden of demonstrating they meet the criteria in (b). Failure to provide adequate documentation will result in the Department finding an Occupant ineligible to receive a sales contract to purchase at Priority 0.

(g) *Notice of Finding*. The Department will notify an Occupant in writing of its finding of eligibility or ineligibility to receive a sales contract to purchase at Priority 0. A determination of eligibility to receive a sales contract does not entitle an Occupant to purchase a property at Priority 0.

(h) *Occupants with Equal Priority*. If the Department determines that more than one Occupant is eligible to receive a sales contract to purchase the same property at Priority 0, then the Department will give priority as follows:

(1) First to original signatories to the current written lease or rental agreement; and then

(2) To other signatories to the current written lease or rental agreement, with older signatures having priority over newer signatures; and then

(3) To all other Occupants based on length of occupancy, with longer occupancies having priority over newer occupancies; and then

(4) Based on the order in which the Department received written responses to its solicitation for interest pursuant to § 1478; and then

(5) To the occupant who offers the highest price for the property.

(i) *Sales Contract*. The Department will send a sales contract to the Occupant who is eligible to receive a sales contract and who has priority pursuant to (h). The sales contract shall be executed and returned to the Department within 30 calendar days of the date the Department sends the contract.

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

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

(l) *No Warranty on FMV Sale*. Any Priority 0 sale at Fair Market Value is “as-is” and without warranty.

(m) *Concurrent with Other Priorities*. The processes described in (c), (d), and (e), shall occur concurrently with the processes described in §§ 1481(c), (d), and (e) and 1482 (b).

§ 1481. Priority 1: Sales to Lower and Moderate-Income Households.

(a) *Offer at Priority 1.* A Single-Family Residence not sold at Priority 0 shall next be offered to its current Occupant(s) at an Affordable Price or at Fair Market Value pursuant to this section.

(b) *Eligibility Criteria to Receive a Sales Contract.*

(1) To be eligible to receive a sales contract to purchase a property at an Affordable Price, an Occupant shall:

(A) have used the property as their Principal Place of Residence continuously for the two years prior to the postmarked date on the letter sent pursuant to § 1478(a)(1); and

(B) meet the definition of Persons and Families of Low or Moderate Income; and

(C) have had no ownership interest in any real property for the three years prior to the postmarked date on the letter sent pursuant to § 1478(a)(1); and

(D) have provided a written response that meets the criteria in both § 1478(d) and 1478(f); and

(E) have a Calculated Affordable Price with a positive dollar value.

(2) To be eligible to receive a sales contract to purchase a property at Fair Market Value, an Occupant shall meet the criteria in (1)(A) through (D).

(c) *Determining Eligibility to Receive a Sales Contract.* The Department will send to each Occupant who provided a written response that meets the criteria in both § 1478(d) and 1478(f) a written request for documentation supporting and demonstrating the criteria in (b). To support and demonstrate the criteria in (b), an Occupant shall provide the following documentation for every Occupant living at the property:

(1) Documentation showing how long the property has been the Occupant's Principal Place of Residence, such as:

(A) utility bills;

(B) records from any state or national bank, state or federal savings association, trust company, industrial loan company, state or federal credit union, or any institution or entity that has issued a credit card;

(C) vehicle registrations;

(D) insurance documents;

(E) school documents;

(F) employment documents; or

(G) tax returns.

(2) Documentation of household income for the five years prior to the postmarked date on the letter sent pursuant to § 1478(a)(1). Such documentation shall include Federal and State income tax returns, with schedules. If those are unavailable, then documentation of income from all sources, including, but not limited to payments from:

(A) employment; and

(B) investments; and

(C) pensions and annuities; and

(D) retirement programs and accounts; and

(E) insurance; and

(F) Social Security; and

(G) unemployment programs and funds; and

(H) scholarships and grants; and

(I) gifts; and

(J) alimony and court awards; and

(K) rentals; and

(L) tips.

(3) An executed IRS form 4506-T or 4506T-EZ.

(4) Disclosure of all assets and their current value. Disclosable assets include, but are not limited to:

(A) stocks and bonds; and

(B) retirement accounts, 401(k), and annuities; and

(C) any legal interest in real property owned in the prior five years; and

(D) trust accounts; and

(E) account balances and cash on hand; and

(F) amounts due.

(d) *Time to Provide Documentation.* An Occupant wanting to purchase at Priority 1 shall provide the documentation specified in (c) to the Department within the following time limits:

(1) If providing the documentation to the Department by mail, then it shall be postmarked no later than 60 calendar days after the date of the Department's request for the information.

(2) If providing the documentation to the Department by email, then it shall be sent no later than 60 calendar days after the date of the Department's request for the information.

(e) *30-Day Extensions.* If the Department determines an Occupant's documentation is insufficient to demonstrate they meet the criteria in (b), then the Department will provide written notice of the deficiency and provide an additional 30 calendar days for the Occupant to provide the missing documentation. The Department may provide two such 30-day extensions but shall not extend the initial 60 calendar day deadline by more than 60 calendar days.

(f) *Burden.* An Occupant has the burden of demonstrating they meet the criteria in (b). Failure to provide adequate documentation will result in the Department finding an Occupant ineligible to receive a sales contract to purchase at Priority 1.

(g) *Notice of Finding.* The Department will notify an Occupant in writing of its finding of eligibility or ineligibility to receive a sales contract to purchase at Priority 1. A determination of eligibility to receive a sales contract does not entitle an Occupant to purchase a property at Priority 1.

(h) *Occupants with Equal Priority.* If the Department determines that more than one Occupant is eligible to receive a sales contract to purchase the same property at Priority 1, then the Department will give priority as follows:

(1) First to original signatories to the current written lease or rental agreement; and then

(2) To other signatories to the current written lease or rental agreement, with older signatures having priority over newer signatures; and then

(3) To all other Occupants based on length of occupancy, with longer occupancies having priority over newer occupancies; and then

(4) Based on the order in which the Department received written responses to its solicitation for interest pursuant to § 1478; and then

(5) As decided by the Department's District 7 Director after considering the affordable housing needs of the potential buyers based on an evaluation of income, adjusted for family size.

(i) *Purchase Options.* If an Occupant is eligible to receive a sales contract to purchase at Priority 1 and desires to purchase at Fair Market Value, then the Occupant shall elect to purchase at Fair Market Value before the Department begins repairs pursuant to § 1481.2(d).

(j) *Sales Contract.* The Department will send a sales contract to the Occupant who is eligible to receive a sales contract and who has priority pursuant to (h). The sales contract shall be executed and returned to the Department within 30 calendar days of the date the Department sends the contract.

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

(l) *Pending Rent Obligations.* All rent owed to the Department by a purchasing Occupant when the sales contract is executed shall be paid to the Department from the proceeds of a subsequent sale at Fair Market Value, as described in 1481.1(c)(2)(C).

(m) *Closing Costs and Escrow Fees.*

(1) If the property is being sold at Fair Market Value, then the Department will pay: one-half of the escrow fees; all seller notary fees; termite inspection; termite work; and documentary transfer tax.

(2) If the property is being sold at an Affordable Price, then the Department will pay all closing and escrow costs except recurring closing costs.

(n) *Disclosure of Financing.* Upon the Department's request, an Occupant shall provide to the Department written authorization to review the information and documents provided to a lender to obtain financing for the purchase of the property, and the terms of any financing.

(1) If an Occupant fails to provide such authority, then the sales contract is void.

(2) If the information and documents provided to the lender differs from the documents previously provided to the Department pursuant to (c), but still demonstrates that an Occupant meets the criteria described in (b), then the Department will recalculate the Affordable Price based on the financial information and documents provided to the lender.

(3) If the information and documentation provided to the lender indicates that an Occupant does not meet the criteria described in (b), then the sales contract is void.

(o) *Disclosure of Cash.* Upon the Department's request, an Occupant shall disclose the source of all cash funds used towards the purchase of a property. If an Occupant fails to identify such sources within 15 calendar days of a request, then the sales contract is void.

(p) *Subordination of Mortgage.* To protect the amounts owed to CalHFA as described in §1481.1(e)(2), all lenders shall agree in writing to unconditionally subordinate all loans to the Use and Resale Restrictions described in § 1481.1.

(q) *No Warranty on FMV Sale.* Any Priority 1 sale at Fair Market Value is “as-is” and without warranty.

§ 1481.1. Affordable Price Sales: Use Restrictions.

(a) *Restrictions.* As a condition for sale at an Affordable Price, the purchasing Occupant shall agree to Use and Resale Restrictions, which shall be recorded as an encumbrance and lien against the property the buyer purchases, 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 or Above-Moderate Income Households. 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 any subsequent sale; and

(6) monitoring and enforcement provisions.

(b) *Renting.*

(1) A property sold at an Affordable Price shall be used only as owner-occupied housing. No portion of a property may be offered for rent, except with prior written permission from the Department. The Department may provide written permission to rent only if the Affordable Price buyer demonstrates a hardship beyond the control of the buyer that has forced a temporary relocation. Hardship may be supported by:

(A) loss of work or reassignment to a new location; or

(B) personal health problems of the Affordable Price buyer or that of their immediate family member; or

(C) divorce.

(2) An Affordable Price buyer shall not, under any circumstances, allow rental of a property purchased at an Affordable Price to exceed a total of 12 months in any 60 month-period

(3) An Affordable Price buyer, if permitted to rent by the Department, may only rent to Persons and Families of Low or Moderate Income at an Affordable Rent. The monthly rent income shall not exceed the Affordable Housing Cost used to calculate the Affordable Price.

(c) *Resale.* A property sold at an Affordable Price shall not be resold for five years from the date of close of escrow, except as specified in (1).

(1) The Department may permit property to be resold within five years from the date of close of escrow if the Affordable Price buyer demonstrates they have been forced to relocate permanently because of a hardship beyond their control. If the Department permits resale, then the Affordable Price buyer shall comply with requirements specified in (2)(A) through (D) below.

(2) A property sold at an Affordable Price may be resold after five years from the date of close of escrow by the Affordable Price buyer subject to all the following:

(A) The property shall be sold for Fair Market Value. A property shall not be resold unless the Department has provided written approval of the subsequent Fair Market Value sales price.

(B) The Affordable Price buyer shall pay CalHFA the difference between the Fair Market Value at Time of Purchase and the Affordable Price paid for the property.

(C) The Affordable Price buyer shall also pay to the Department all rent that was owed to the Department at the time the sales contract from the Department was executed.

(D) The Affordable Price buyer shall also pay CalHFA the difference between the subsequent Fair Market Value sales price and the Fair Market Value at Time of Purchase, minus:

(1) actual closing costs paid by the Affordable Price buyer for the subsequent sale; and

(2) 20% of the difference described in (D) for each full calendar year the Affordable Price buyer has owned the property, so that nothing is owed pursuant to (D) after five years of ownership.

(E) If the subsequent Fair Market Value sales price is less than the Fair Market Value at Time of Purchase, then (B) and (D) do not apply and the Affordable Price buyer shall instead pay CalHFA the difference between the subsequent Fair Market Value sales price and the Affordable Price in addition to the amounts owed to the Department in (C).

(F) All payments required pursuant to (B), (C) and (D) shall be made contemporaneous to the close of escrow and shall be paid directly from escrow.

(d) *Failure to Agree to Restrictions.* The Department will provide the applicable Use and Resale Restrictions with the sales contract for any property sold at an Affordable Price. The Department will also provide Historical Covenants, as described in § 1475(f), if required, with the sales contract. If an Occupant fails to sign and return the Use and Resale Restrictions or any applicable Historical Covenants to the Department within the time period described in § 1481(j), then the sales contract is void.

(e) *Removing Restrictions.* The Use and Resale Restrictions described in this section will cease encumbering a property sold at an Affordable Price only when:

(1) The property is resold at Fair Market Value in compliance with (c); and

(2) All amounts due to CalHFA as described in (c) are paid in full.

§ 1481.2. Affordable Price.

(a) *Affordable Price Buyer.* Only Occupants who meet the criteria described in § 1481(b)(1) or § 1482(b)(1) may purchase a Single-Family Residence at an Affordable Price. An Occupant who has purchased a property at an Affordable Price is an Affordable Price buyer.

(b) *One Property Limit.* An Affordable Price buyer may not purchase more than one property pursuant to this chapter.

(c) *Calculating Affordable Price*

(1) “Affordable Price” is the greater of an Occupant's Calculated Affordable Price and the Minimum Sales Price for the property. If the greater of the Calculated Affordable Price and the Minimum Sales Price exceeds the Fair Market Value at Time of Purchase, then the Fair Market Value at Time of Purchase is the Affordable Price.

(2) “Calculated Affordable Price” is the maximum price at which the Housing Cost to be paid by an Occupant would not exceed the Affordable Housing Cost for such buyer while applying the market interest rate over a fully amortized 30-year term. For Lower Income Households, the price for residential property shall not be greater than the amount that would result in the buyer's monthly payments exceeding that portion of the buyer's household adjusted income, as determined in accordance with the regulations of the United States Department of Housing and Urban Development issued pursuant to Section 8 of the United States Housing Act of 1937.

(3) “Housing Cost” of an Occupant purchasing a Surplus Residential Property is calculated in accordance with the provisions of [25 Cal. Code Regs. § 6920](#).

(4) “Affordable Housing Cost” is calculated in a manner consistent with the provisions of [Health and Safety Code § 50052.5](#) as implemented by [25 Cal. Code Regs. § 6924](#). For purposes of this chapter, “Affordable Housing Cost” shall not exceed the following:

(A) With respect to Lower Income Households, Housing Costs up to 25 percent of gross household income; or

(B) With respect to Moderate Income Households, Housing Costs up to 30 percent of gross household income; or

(C) With respect to Above-Moderate Income Households, Housing Costs up to 30 percent of gross household income.

(d) *Repairs.*

(1) The Department shall make the following repairs for properties sold at an Affordable Price:

(A) Repairs necessary to meet the Minimum Property Standards specified in § 1481.3.

(B) All reasonable lender required repairs identified pursuant to a written inspection report prepared in accordance with [16 Cal. Code Regs. § 1996](#).

(2) Repairs required by this section shall not exceed the minimum repairs required by [Government Code § 54237\(b\)](#).

(3) If the Department makes repairs pursuant to this section, then the Fair Market Value at Time of Purchase shall reflect the value of the property as repaired.

(4) The Department may extend the time to close escrow to allow completion of the repairs described in (1).

§ 1481.3. Affordable Price Sales: Minimum Property Standards.

(a) *Marketable.* The property shall comprise a single readily marketable real estate entity.

(b) *Party or Lot Line Wall.* A building constructed on or to a property line shall be separated from the adjoining building, by a wall extending the full height of the building from the foundation to the ridge of the roof. The wall can separate row type townhouses or semi-detached units. There shall be adequate space between buildings to permit maintenance of the exterior walls.

(c) *Service and Facilities.*

(1) Each living unit shall be able to be used and maintained individually without trespass upon adjoining properties. Any easement required shall run with the land.

(2) Utilities shall be independent for each living unit except that common services, such as water, sewer, gas, and electricity, may be provided for living units under a single mortgage or ownership. Separate utility service shut-off for each unit shall be provided. For living units under separate ownership, common utility services may be provided from the main to the building line when protected by easement or covenant and maintenance agreement acceptable to the Department. Individual utilities serving a living unit shall not pass over, under, or through another living unit, unless provision is made for repair and maintenance of utilities without trespass on adjoining properties or legal provision is made for permanent right of access for maintenance and repair of utilities.

(3) Other facilities shall be independent for each living unit, except that common services, such as laundry and storage space or heating, may be provided for in two-to-four living unit buildings under a single mortgage.

(d) *Utilities.* Each living unit shall contain the following:

(1) A continuing supply of safe and potable water.

(2) Sanitary facilities and a safe method of sewage disposal.

(3) Heating adequate for healthful and comfortable living conditions. The Department may determine that climatic conditions are such that mechanical heating is not required. Dwellings with wood burning stoves or solar systems used as a primary heat source shall have permanently installed conventional heating systems that maintain at least 50 degrees Fahrenheit in areas containing plumbing systems.

(4) Domestic hot water.

(5) Electricity for lighting and for equipment used in the living unit.

(e) *Access.*

(1) Each property is provided with a safe and adequate pedestrian or vehicular access from a public or private street.

(2) All streets shall have an all-weather surface.

(3) Access to the living unit is provided without passing through any other living unit.

(4) Access to the rear yard is provided without passing through any other living unit. For a row-type dwelling, the access may be by means of alley, easement, passage through the dwelling, or other acceptable means.

(f) *Defective Conditions.* Defective construction, poor workmanship, evidence of continuing settlement, excessive dampness, leakage, decay, termites, or other readily observable conditions that impair the safety, sanitation or structural soundness of the dwelling have been remedied and the probability of further damage eliminated.

(g) *Space Requirements.* Each living unit shall be provided with space necessary to assure suitable living, sleeping, cooking and dining accommodations and sanitary facilities.

(h) *Mechanical Systems.* Mechanical systems shall be safe to operate, be protected from destructive elements, have reasonable future utility, durability and economy, and have adequate capacity and quality.

(i) *Ventilation.* Natural ventilation of structural space such as attics and crawl spaces shall be provided to reduce the effect of conditions of excess heat and moisture, which are conducive to decay and deterioration of the structure.

(j) *Roofs.* Roof covering shall prevent entrance of moisture and provide reasonable future utility, durability and economy of maintenance. When reroofing is needed for a defective roof, already consisting of three layers of shingles, all old shingles shall be removed prior to re-roofing.

(k) *Hazards.* The property shall be free of hazards that may adversely affect the health and safety of the occupants or the structural soundness of the improvements, or that may impair the customary use and enjoyment of the property by occupants. The hazards can be subsidence, flood, erosion, defective lead base paint (see 24 Code Fed. Reg. Part 35) or the like.

(l) *Crawl Space.*

(1) Shall be adequate to access the crawl space.

(2) Shall be adequate to provide access for maintenance and repair of ductwork and plumbing.

(3) The crawl space shall be clear of all debris and properly vented.

(4) Any excessive dampness or ponding of water in the crawl space is corrected.

(m) *Drainage.* The site shall be graded so as to provide positive, rapid drainage away from the perimeter walls of the dwelling and prevent ponding of water on the site.

§ 1481.4. Affordable Price Sales: Replacement Dwellings.

(a) *Criteria.* If the Department determines that providing a replacement dwelling would be less costly than providing the repairs required in § 1481.3, then the Department may offer a replacement dwelling at an Affordable Price instead of the property in which the Occupant resides.

(b) *List of Properties.* The following properties are available for replacement dwellings:

5510 Allan Street, Los Angeles

5514 Allan Street, Los Angeles

5528 Allan Street, Los Angeles

5537 Allan Street, Los Angeles

5544 Allan Street, Los Angeles

5500 Atlas Street, Los Angeles

5506 Atlas Street, Los Angeles

5501 Berkshire Drive, Los Angeles

2970 Lowell Avenue, Los Angeles

5511 Norwich Avenue, Los Angeles

5537 Norwich Avenue, Los Angeles

5536 Poplar Boulevard, Los Angeles

3135 Sheffield Avenue, Los Angeles

3206 Sheffield Avenue, Los Angeles

3216 Sheffield Avenue, Los Angeles

3222 Sheffield Avenue, Los Angeles

3315 Sheffield Avenue, Los Angeles

3339 Sheffield Avenue, Los Angeles

3400 Sheffield Avenue, Los Angeles

3427 Sheffield Avenue, Los Angeles

3430 Sheffield Avenue, Los Angeles

3530 Sheffield Avenue, Los Angeles

3716 Sheffield Avenue, Los Angeles

3719 Sheffield Avenue, Los Angeles

181 Columbia Street, Pasadena

177 Glenarm Street, Pasadena

946 Pasadena Avenue, Pasadena

953 Pasadena Avenue, Pasadena

1000 Pasadena Avenue, Pasadena

1080 Pasadena Avenue, Pasadena

1141 Pasadena Avenue, Pasadena

628 St. John Avenue, Pasadena

650 St. John Avenue, Pasadena

214 State Street, Pasadena

(c) *Timing of Sales.* If the Department elects to offer a replacement dwelling, the Department may delay the selection and sale of the replacement dwelling until all Priority 1 and 2 sales have concluded except those involving replacement dwellings.

§ 1482. Priority 2: Sales to Above Moderate-Income Households.

(a) *Offer at Priority 2.* A Single-Family Residence not sold at Priority 1 shall next be offered to its current Occupant(s) at an Affordable Price or at Fair Market Value pursuant to this section.

(b) *Eligibility Criteria to Receive a Sales Contract.*

(1) To be eligible to receive a sales contract to purchase a property at an Affordable Price, an Occupant shall:

(A) 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); and

(B) meet the definition of an Above-Moderate Income Household; and

(C) have had no ownership interest in real property for the three years prior to the postmarked date on the letter sent pursuant to § 1478(a)(1); and

(D) have provided a written response that meets the criteria in both § 1478(d) and 1478(f); and

(E) have a Calculated Affordable Price, as defined by § 1481.2(c)(2), with a positive dollar value.

(2) To be eligible to receive a sales contract to purchase a property at Fair Market Value, an Occupant shall meet the criteria in (1)(A) through (D).

(c) *Sales Process.* Priority 2 sales will use the process for Priority 1 sales as described in §1481(c) through (q), with all references to “Priority 1” in those sections being treated as if they refer to “Priority 2.” And all references to (b) being treated as references to §1482(b).

§ 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, 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 the City of South Pasadena 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 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.

 **§ 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” except those references in § 1485.1(c)(1).

(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.”

§ 1484. Priority 4: SB 580 Properties.

(a) *Offer at Priority 4.* SB 580 Properties are identified by address in § 1484.2. When Priority 4 is specified as the next priority by § 1477.1 or by § 1477.2, as applicable, then all Surplus Residential Properties that are also SB 580 Properties that have not already been sold shall be next offered to nonprofit entities dedicated to rehabilitating and maintaining the property for public and community access and use at a Reasonable Price pursuant to this section. If the property is located within the City of Los Angeles, then the City of Los Angeles will be treated as a nonprofit entity for purposes of this section and § 1484.1. For the purposes of this chapter, public and community access and use includes:

(1) a museum; or

(2) a community center; or

(3) a youth center; or

(4) a senior center; or

(5) meeting space for community organizations; or

(6) any other purpose that benefits the community in which the property sits and is approved by the Department in its sole discretion.

(b) *Soliciting Interest.* The Department will solicit interest from nonprofit entities to purchase SB 580 Properties 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.

(c) *Response.* Nonprofit entities interested in purchasing a SB 580 Property have 30 calendar days from the last day of the published notice in (b) to submit a statement of interest to the Department. The statement of interest shall include the nonprofit entity's name, address, telephone number, and email address.

(d) *Confirmation.* The Department will confirm receipt of the statement of interest by email.

(e) *Request Bids.* The Department will request bids by email from the nonprofit entities that responded pursuant to (c). If the property is located within the City of Los Angeles, then the Department will request a bid by email from the City of Los Angeles, regardless if the City of Los Angeles responded pursuant to (c). The request will include the following information for each property offered at Priority 4:

- (1) a copy of the current lease or rental agreement, if any; and
- (2) copies of all repair records for the prior three years; and
- (3) a copy of the Use and Resale Restrictions described in § 1484.1; and
- (4) the due date for bids.

(f) *Bid Submittal.* A nonprofit entity has 45 calendar days from the date of the email described in (e) 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 rehabilitating and maintaining the property for public and community access and use; and
- (2) an explanation of the nonprofit entity's plan for current Occupants, if any; and
- (3) an explanation of the nonprofit entity's proposal to comply with this chapter and the Use and Resale Restrictions; and
- (4) a detailed plan explaining how the property would be used for public and community access and use; and
- (5) a proposed Reasonable Price.

(g) *Bid Evaluation.* The Department will review all bids provided by nonprofit entities pursuant to (f). Bids will be reviewed based on the following criteria:

- (1) the nonprofit entity's experience and capability in rehabilitating and maintaining historic properties for public and community access and use; and

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- (2) the nonprofit entity's ability to sustainably make the property available for public and community access and use; and
 - (3) the benefit to the property's community based on community need; and
 - (4) compliance with this chapter and the Use and Resale Restrictions described in § 1484.1.

(h) *Interview.* The Department may request a meeting with nonprofit 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.

(i) *Bid Deficiencies.* If the Department determines that all bids for a SB 580 Property are deficient and that there is no acceptable bid, then the Department shall provide the bidding nonprofit 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 5.

(j) *Bid Awards.* The Department retains sole discretion in determining a winning bid for a property and will announce the winning bid by sending an email to all nonprofit entities that bid on that property. The email will include:

- (1) The address of the property; and
- (2) A ranking of the top three bids. Bids that do not comply with, or propose noncompliance with, §§ 1484 or 1484.1 shall not be ranked; and
- (3) An explanation of the rankings of the top three bids.

(k) *Appeal Process.* A nonprofit entity has seven calendar days from the date of the email described in (j) 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 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.

(l) *Sales Contracts.* The Department will send a sales contract to a nonprofit 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 (j).

(2) For any bid subject to appeal under (k), the Department will send the contract no sooner than 10 calendar days after a written response described in (k)(3).

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

(n) *Closing Costs and Escrow Fees*.

The purchasing nonprofit entity shall pay all closing costs and escrow fees.

(o) *Nonperformance*. If a nonprofit entity fails to timely execute a sales contract in the time provided in (l) or fails to close escrow in the time provided in (m), then:

(1) The sales contract is void.

(2) The Department will award the property to the nonprofit entity with the next highest ranked bid and send a sales contract pursuant to (l).

(3) If there is no next highest ranked bid, then the property will proceed to Priority 5.

(p) *Reasonable Price*. For the purposes of sections 1484 and 1484.1, the Reasonable Price means the price necessary to allow for the rehabilitation and maintenance of the property for public and community access and use. It may not be less than the Minimum Sales Price.

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

§ 1484.1. Priority 4: Use Restrictions.

(a) *Restrictions*. As a condition for sale at a Reasonable Price at Priority 4, a nonprofit entity shall agree to Use and Resale Restrictions containing the terms, conditions, and restrictions imposed by the Department to ensure that the property is rehabilitated and maintained for public and community access and use. Such terms include, but are not limited to:

(1) restricting the use of the property; and

(2) restricting rental of the property; and

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- (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 property sold at Priority 4 shall be rehabilitated and maintained for public and community access and use. This restriction becomes operative:

- (1) If there is no current Tenant at the time of purchase; or
- (2) After all current Tenants vacate the property.

(c) *Current Tenants.* A non-profit entity that purchases a property at Priority 4 shall provide a current Tenant a first right of occupancy.

- (1) If the current Tenant meets the definition of Persons and Families of Low or Moderate Income, then the purchasing nonprofit entity shall rehabilitate the property as Decent, Safe, and Sanitary housing and provide Affordable Rents to the Tenant.
- (2) If the Tenant does not meet the definition of Persons and Families of Low or Moderate Income, then the purchasing nonprofit entity shall rehabilitate the property as Decent, Safe, and Sanitary housing and may collect market rent from the Tenant.

(d) *Resale.* A property sold at Priority 4 shall not be resold for 120 calendar days following close of escrow. After that, it may be sold:

- (1) To another nonprofit entity dedicated to rehabilitating and maintaining the historic home for public and community access and use only 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 4 purchase; and

(C) The purchasing nonprofit entity takes ownership subject to the same Use and Resale Restrictions imposed upon the selling nonprofit entity.

(2) At Fair Market Value provided that the nonprofit entity pays CalHFA from the proceeds of the sale the difference between the price paid to the Department for the property and the subsequent sales price, minus:

(A) Actual closing costs paid by the nonprofit entity for the subsequent sale; and

(B) Increases in property value directly attributed to improvements made by the nonprofit entity.

(e) *Removing Restrictions*. The Use and Resale Restrictions described in this section will cease to encumber the property upon payment of the amounts described in (d)(2).

§ 1484.2. Priority 4: List of SB 580 Properties.

(a) *List of SB 580 Properties*. For purposes of this chapter, the following Surplus Residential Properties are SB 580 Properties:

4411/4411.5 Alpha Street, Los Angeles, CA

4417 Alpha Street, Los Angeles, CA

4451 Alpha Street, Los Angeles, CA

4507 Alpha Street, Los Angeles, CA

5506 Atlas Street, Los Angeles, CA

5512 Atlas Street, Los Angeles, CA

5513 Atlas Street, Los Angeles, CA

5501 Berkshire Drive, Los Angeles, CA

5524 Kendall Avenue, Los Angeles, CA

180 Arlington Drive, Pasadena, CA

181 Arlington Drive, Pasadena, CA

216 Arlington Drive, Pasadena, CA

203 Bellefontaine Street, Pasadena, CA

235 Bellefontaine Street, Pasadena, CA

181 Columbia Street, Pasadena, CA

231 Columbia Street, Pasadena, CA

177 W. Glenarm Street, Pasadena, CA

185 W. Glenarm Street, Pasadena, CA

165 Hurlbut Street, Pasadena, CA

177 Hurlbut Street, Pasadena, CA

202 Madeline Drive, Pasadena, CA

205 Madeline Drive, Pasadena, CA

215 Madeline Drive, Pasadena, CA

218 Madeline Drive, Pasadena, CA

225 Madeline Drive, Pasadena, CA

230 Madeline Drive, Pasadena, CA

679 S. Pasadena Avenue, Pasadena, CA

737 S. Pasadena Avenue, Pasadena, CA

866 S. Pasadena Avenue, Pasadena, CA

876 S. Pasadena Avenue, Pasadena, CA

888 S. Pasadena Avenue, Pasadena, CA

894/894B S. Pasadena Avenue, Pasadena, CA

900 S. Pasadena Avenue, Pasadena, CA

1000 S. Pasadena Avenue, Pasadena, CA

1030 S. Pasadena Avenue, Pasadena, CA

1041 S. Pasadena Avenue, Pasadena, CA

1051 S. Pasadena Avenue, Pasadena, CA

1059 S. Pasadena Avenue, Pasadena, CA

1080 S. Pasadena Avenue, Pasadena, CA

1090 S. Pasadena Avenue, Pasadena, CA

1100 S. Pasadena Avenue, Pasadena, CA

1112 S. Pasadena Avenue, Pasadena, CA

1120 S. Pasadena Avenue, Pasadena, CA

1150 S. Pasadena Avenue, Pasadena, CA

1190 S. Pasadena Avenue, Pasadena, CA

1191 S. Pasadena Avenue, Pasadena, CA

1199 S. Pasadena Avenue, Pasadena, CA

1200 S. Pasadena Avenue, Pasadena, CA

1207 S. Pasadena Avenue, Pasadena, CA

584 S. St. John Avenue, Pasadena, CA

600 S. St. John Avenue, Pasadena, CA

602 S. St. John Avenue, Pasadena, CA

620 S. St. John Avenue, Pasadena, CA

628 S. St. John Avenue, Pasadena, CA

640 S. St. John Avenue, Pasadena, CA

646 S. St. John Avenue, Pasadena, CA

650 S. St. John Avenue, Pasadena, CA

670 S. St. John Avenue, Pasadena, CA

678A/B S. St. John Avenue, Pasadena, CA

696 S. St. John Avenue, Pasadena, CA

714 S. St. John Avenue, Pasadena, CA

726 S. St. John Avenue, Pasadena, CA

734 S. St. John Avenue, Pasadena, CA

762 S. St. John Avenue, Pasadena, CA

180 W. State Street, Pasadena, CA

214 W. State Street, Pasadena, CA

225 W. State Street, Pasadena, CA

237 W. State Street, Pasadena, CA

212 Wigmore Drive, Pasadena, CA

215 Wigmore Drive, Pasadena, CA

231 Wigmore Drive, Pasadena, CA

245 Wigmore Drive, Pasadena, CA

816 Bonita Drive, South Pasadena, CA

1005 Buena Vista Street, South Pasadena, CA

1015 Columbia Street, South Pasadena, CA

1101 Columbia Street, South Pasadena, CA

1109 Columbia Street, South Pasadena, CA

1131 Columbia Street, South Pasadena, CA

1110 Glendon Way, South Pasadena, CA

1131 Glendon Way, South Pasadena, CA

911 Monterey Road, South Pasadena, CA

495 Prospect Avenue, South Pasadena, CA

511 Prospect Avenue, South Pasadena, CA

400 Prospect Circle, South Pasadena, CA

 **§ 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 [Government Code § 54239.4\(b\)\(2\)\(B\)](#).

(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 [Government Code § 54239.4\(b\)\(2\)\(B\)](#). The City of South Pasadena may provide to Caltrans a list of all properties that meet the criteria in [Government Code § 54239.4\(b\)\(2\)\(B\)](#). 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 [Government Code § 54239.4\(b\)\(2\)\(B\)](#) 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 45 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 of South Pasadena 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 [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.

§ 1485. Priority 5.

(a) *Offer at Priority 5*. When Priority 5 is specified as the next priority by §§ 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). 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.

 **§ 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.

§ 1486. Priority 6: Sales to Current Tenants.

(a) *Offer at Priority 6*. When Priority 6 is specified as the next priority by §§ 1477.1, 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.

 **§ 1487. Priority 7: Sales to Former Tenants.**

(a) *Offer at Priority 7.* When Priority 7 is specified as the next priority by §§ 1477.1, 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.

§ 1488. Priority 8: Auction.

(a) *Offer at Priority 8*. When Priority 8 is specified as the next priority by §§ 1477.1, 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.

 **§ 1489. Priority 9: Surplus Nonresidential Properties.**

(a) *Offer*. When Priority 9 is specified as the next priority by §§ 1477.1, 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.

§ 1490. Relocation Assistance.

(a) *Criteria*. The Department shall provide relocation assistance to any Occupant who:

(1) Is subject to displacement pursuant to [Government Code § 54236\(e\)](#) or [§ 54238.3\(b\)](#); and

(2) Has vacated a Surplus Residential Property not later than 90 calendar days after transfer from the Department to a new owner pursuant to a legal written notice from the new owner to vacate, excluding notices for cause.

(b) *Assistance Provided*. Relocation Assistance shall include but is limited to:

(1) Relocation advisory assistance pursuant to [Government Code § 7261](#); and

(2) Relocation benefits pursuant to [Government § 7262\(a\)\(1\)](#) or (b); and

(3) Payments pursuant to [Government Code § 7264\(b\)](#) or (c); and

(4) Right for review pursuant to [Government Code § 7266](#).

§ 1490.2. Affordable Housing Trust Account.

(a) The funds in the Affordable Housing Trust Account shall first be used to guarantee loan products for the sale of properties under Priorities 1 and 2.

(b) Once the Department certifies to CalHFA that there are no more properties eligible for sale under Priorities 1 or 2, then the funds in the Affordable Housing Trust Account shall be used for other purposes described in [Government Code, § 54237.7\(b\)](#).

§ 1491. Monitoring and Noncompliance.

(a) *Monitoring.* All Surplus Residential Properties sold below Fair Market Value at Time of Purchase will be monitored at least annually for the duration of the Use and Resale Restrictions to ensure compliance with the provisions therein. The Department may delegate its duty to monitor in the Use and Resale Restrictions.

(b) *Noncompliance.* If a buyer of Surplus Residential Property does not comply with Use and Resale Restrictions described in §§ 1481.1, 1483.1, 1484.1, and 1485.1, then the buyer shall pay:

(1) The difference between the price paid by the buyer for the Surplus Residential Property and the Fair Market Value of the property at the time of the Department's determination of noncompliance; and

(2) 6% interest on the amount in (1) for the period of time the Surplus Residential Property has been held by the buyer; and

(3) The interest described in (2) shall be compounded annually.

(c) *Use and Resale Restrictions.* The Use and Resale Restrictions described in §§ 1481.1, 1483.1, 1484.1, and 1485.1 will contain provisions to enforce (a) and (b).