**INITIAL STATEMENT OF REASONS**

**INTRODUCTION**

The Department of Transportation (Caltrans) acquires real property necessary for state transportation purposes and must, by law, attempt to dispose of properties no longer required for such purposes pursuant to Streets and Highways Code, § 118.6. Further, Government Code, §§ 54235 through 54239.5 (the “Roberti Act”) set forth the sales priorities and procedures for disposing state owned surplus residential properties in a manner that preserves, upgrades, and expands the supply of housing available to persons and families of low or moderate income.

The proposed regulations will repeal and replace the existing Affordable Sales Program (ASP) regulations (21 CCR §§ 1475 et. seq) and will implement new sales priorities and procedures for disposing State Route (SR 710) surplus properties in Los Angeles County due to the passage of various legislative bills that amended the Roberti Act.

**PROBLEM STATEMENT**

In 2016 Caltrans began implementing Phase 1 Sales to dispose of SR 710 surplus properties pursuant to the Roberti Act and the ASP regulations. The Legislature adopted the Roberti Act in 1979 to provide for the disposal of state-owned surplus properties and to mitigate for state activities that had contributed to the shortage of affordable housing. The ASP regulations were adopted in 2016 to fulfil the intended goal of the Legislature to preserve and expand availability of affordable housing and to govern the procedures for disposing SR 710 surplus properties.

In early 2018, Caltrans offered Phase 1 properties for sale to current tenants setting the sales prices of the properties at original acquisition prices adjusted for inflation. The inflation adjustment was necessary because the Roberti Act did not provide sufficient clarity authorizing Caltrans to sell the properties for less than the historical purchasing power of the dollars spent to originally acquire the properties. Subsequently, Senate Bill (SB) 9 (Durazo, 2019) was introduced—pausing further sales of the SR 710 properties as the bill worked its way through the legislative process. SB 9 would have required Caltrans to offer properties at original acquisition prices paid by Caltrans, unadjusted for inflation. While SB 9 was not enacted, it was reintroduced as an urgency bill under SB 51 (Durazo, 2021) and was enacted on July 23, 2021. In addition, SB 381 (Portantino, 2021) and SB 989 (Portantino, 2022) were both passed becoming effective

September 28, 2021, and January 1, 2023, respectively. All three legislative bills required adoption of emergency regulations with each bill providing the sales priorities and procedures for the specific cities (i.e., SB 51 providing the sales priorities and procedures for the El Sereno Community of Los Angeles, SB 381 for South Pasadena, and SB 959 for Pasadena).

Caltrans then adopted emergency regulations through the emergency rulemaking process to implement SB 51, SB 381, and SB 959. All three emergency actions collectively expire on September 30, 2024, prompting this regular rule making action to permanently adopt regulations.

The proposed regulations are intended to clarify and make specific the sales procedures required by the Roberti Act as amended by SB 51, SB 381, and SB 959. Further, Phase 1 Sales, consisting of 42 properties, were considered a trial run prior to rolling out sales of all SR 710 surplus properties. The implementation and lessons learned through Phase 1 Sales exposed incorrect assumptions that were made while drafting the initial ASP regulations in 2016. This warranted the need to provide further clarification in the regulations to better facilitate the sale of the remaining SR 710 surplus properties—these changes were captured in the emergency rulemaking process and are carried forward in the proposed regulations.

The proposed regulations will 1) make changes to the sales priorities and procedures for properties in Los Angeles, Pasadena, and South Pasadena to implement the legislative amendments to the Roberti Act; 2) make changes as a result of lessons learned that are applicable to the entire SR 710 Sales Program; 3) change the title of the program from the “Affordable Sales Program” to the “State Route 710 Sales Program” to better reflect the various sales available under the program (i.e., affordable, fair market value, reasonable, value-in-use); and 4) incorporate regulations by reference.

**BENEFITS**

The benefits anticipated from this regulatory action include 1) clarifying the sales priorities and procedures for the disposal of the SR 710 surplus properties, 2) addressing current inadequacies in the ASP regulations that were a result of the incorrect assumptions previously made; 3) increasing openness and transparency in government by establishing guidelines for the program; 4) allowing Caltrans to more effectively dispose of the surplus properties to meet the intended goal of the Legislature to preserve and expand the availability of low and moderate income housing; 5) creating more vibrant communities by returning the surplus properties to the SR 710 communities; and 6) improving the health and welfare—through homeownership—of those who are eligible and who choose to participate in the SR 710 Sales Program.

**PURPOSE**

The Roberti Act declares the intent of the Legislature to preserve, upgrade, and expand the supply of housing to persons and families of low or moderate income through the sale of state-owned surplus residential properties. The proposed regulations will further establish the procedures that will allow Caltrans to continue to dispose of the SR 710 surplus properties in accordance with the Roberti Act.

**NECESSITY**

The proposed regulations will repeal and replace the existing regulations. This is necessary to implement the changes to the Roberti Act made by SB 51, SB 381, and

SB 959 and to implement lessons learned from Phase 1 sales. Adoption of the proposed regulations will allow Caltrans to dispose of the SR 710 surplus residential properties to achieve the Legislative intent to preserve, upgrade, and expand the supply of affordable housing to persons and families of low or moderate income.

The proposed regulations will repeal and replace sections 1475, 1476, 1477, 1478, 1478.1, 1479, 1480, 1481, 1482, 1483, 1484, 1485, 1486, 1487, 1488, 1489, 1490, and 1491 as outlined below and will renumber and amend section 1478.2.

***Section 1475***: Outlines the general provisions for the SR 710 Sales Program.

*Section (a)*: Limits applicability of the chapter to properties purchased by Caltrans for the SR 710 North Gap project between SR 10 and SR 210 in Los Angeles County.

*Section (b)*: Clearly reflects Caltrans’ discretion to decide *when* to sell surplus properties. During prior sales, some misconstrued the Roberti Act and regulations to impose a timeline for beginning sales for particular properties. Some also misconstrued the regulations as vesting additional rights to purchase in excess of what the Roberti Act provides. This section is necessary to counter similar misconceptions going forward.

*Section (c)*: Clarifies that Caltrans retains discretion to extend timelines upon a finding of good cause and providing notice. This is consistent with 54238.4 as it may help mitigate harsh consequences of missed deadlines. The timelines specified in the regulations may not be convenient for all intended buyers. Some seeking to prove their eligibility at Priorities 1 and 2 may not have the necessary financial information readily available. Also, cities may need more time to have their councils review or approve sales contracts. This provision authorizes Caltrans to provide more time in such situations.

*Section (d)*: Provides notice of the longstanding requirement for the California Transportation Commission (CTC) to approve sales (Streets and Highways Code, § 118; CTC Resolution G98-22.)

*Section (e)*: Specifies that no lender shall gain financially from the surplus residential property other than in the capacity as a mortgage lender.

*Section (f)*: Specifies the requirement for Caltrans to determine the necessity of requiring historical covenants for properties identified as historical.

Section (g): Clarifies that loan qualification by a lender is separate from the qualification process for participation in the SR 710 Sales Program.

Section (h): Identifies actions that will disqualify potential buyers from participation in the SR 710 Sales Program. This is necessary to ensure the integrity of the SR 710 Sales program and to ensure the surplus residential properties are being utilized for the intended purpose of preserving and expanding affordable housing to persons and families of low or moderate income.

***Section 1476***: Defines the terms used in the proposed regulations. This section is necessary to provide additional detail and further clarify certain words or phrases as used in the Roberti Act and in the proposed regulations.

*Section (a)(1)*: Defines “Above-Moderate Income Households.” This provides a shorthand term for the income category defined in 54237(a)(3). This is necessary for the clarity of these emergency regulations.

*Section (a)(2)*: Points to 1481.2(c)(4) for the definition of “Affordable Housing Cost.”

*Section (a)(3)*: Points to 1481.2(c)(1) for the definition of “Affordable Price.”

*Section (a)(4)*: Points to appropriate law for calculation of “Affordable Rent.”

*Section (a)(5)*: Defines “CalHFA” as the California Housing Finance Agency.

*Section (a)(6)*: Points to the appropriate law for “Decent, Safe, and Sanitary” conditions.

*Section (a)(7)*: Defines “Department” as Caltrans. This is necessary for clarity.

*Section (a)(8)*: Defines “Fair Market Value.”

*Section (a)(9)*: Defines “Fair Market Value at Time of Purchase.” This is conceptually similar to the “Department approved appraised fair market value of the surplus property at the time of initial sale.” (see 1476(j) and 1478(d)(2) in the initial ASP regulations.) This change is necessary for clarity as this term is less wordy and easier to understand.

It also clarifies the appraisal must be performed by a California certified Real Estate appraiser, not just a licensed appraiser and reflects the requirement to update appraisals, if more than six months old, to ensure timely valuations are used.

Such an appraisal is needed to calculate—at the time of sale from Caltrans—the Net Equity payable to CalHFA. Those amounts are then reflected in various agreements at the time of sale.

*Section (a)(10)*: Points to 1485 for the definition of “Housing-Related Private Entity.”

*Section (a)(11)*: Points to 1483(b) for the definition of “Housing-Related Public Entity.”

*Section (a)(12)*: Defines “Lower Income Households.” Clarifies the definition provided in 54236(j). This is necessary for clarity.

It also provides information that “Lower Income Households are typically characterized as having incomes not exceeding 80% of area median income adjusted for family size.” While this is not intended to expand or alter the definition provided in Health and Safety Code, § 50079.5, it is intended to provide readers additional context and allow easier comparisons to the various income categories (i.e., Lower Income Households, Moderate Income Households, and Above Moderate Income Households). The Roberti Act uses a mixed terminology of area median income and lower/moderate income households. Inclusion of this information is intended to make it easier for readers to understand the relationship between the three income levels and where they might fit within the levels.

*Section (a)(13)*: Defines “Minimum Sales Price.” This is necessary to implement the addition of 54237.9 and for clarity.

*Section (a)(14)*: Defines “Moderate Income Households.” Provides a definition for one of the income categories described in 54237(a)(2).

It also provides information that “Moderate Income Households are typically characterized as having incomes not exceeding 120% of area median income adjusted for family size.” While this is not intended to expand or alter the definition provided in Health and Safety Code, § 50079.5, it is intended to provide readers additional context and allow easier comparisons to the various income categories (i.e., Lower Income Households, Moderate Income Households, and Above Moderate Income Households). The Roberti Act uses a mixed terminology of area median income and lower/moderate income households. The inclusion of this information is intended to make it easier for readers to understand the relationship between the three income levels and where they might fit within the levels.

Section (a)(15): Defines “Net Appreciation,” which is the difference between the subsequent Fair Market Value sales price and the Fair Market Value Paid at Time of Purchase. Affordable buyers receive 20% of a property’s appreciation for each year of ownership and will receive 100% of appreciation after five years of ownership. If a property is sold prior to five years, CalHFA receives a proportionate share of the net appreciation for deposit into the Affordable Housing Trust Account.

Section (a)(16): Defines “Net Equity,” which is the difference between the Fair Market Value at Time of Purchase and the Affordable Price paid for the Surplus Residential Property. This is necessary to clarify the calculation of proceeds payable to CalHFA for deposit into the Affordable Housing Trust Account pursuant to 54237.7(b). The Net Equity is due and payable 1) upon subsequent resale of the property, 2) upon the Net Equity Maturity Date, or 3) when the property ceases to be owner-occupied.

*Section (a)(17)*: Defines “Net Equity Maturity Date,” which is 45 years from the close of escrow date for Surplus Residential Properties sold at Affordable Prices under this chapter. The 45-year expiration is necessary to ensure the recovery of the Net Equity payable to the Affordable Housing Trust Account. The maturity requirement is similar to homebuyer loans offered under the CalHome Loan program administered by the California Department of Housing and Community Development and is necessary to prevent gifts of public funds—which is prohibited by Article 16, § 6 of the California Constitution—by deferring the payoff of Net Equity indefinitely.

Section (a)(18) Defines “Occupant,” which is used without definition in the Roberti Act (e.g. 54236, 54237, and 54237.5). It is necessary to define occupants and tenants as both are treated differently under the Roberti Act.

*Section (a)(19)*: Points to Health and Safety Code, § 50093 for definition of “Persons and Families of Low or Moderate Income.”

*Section (a)(20)*: Defines “Principal Place of Residence.” This definition is similar to the definition provided in 1476(aa) of the initial ASP regulations. The definition is altered for clarity and for similarity to the definition provided in 26 CFR 301.6362-6(b)(2)(i).

*Section (a)(21)*: Defines “Priority X.” The various sale priorities described in the Roberti Act are labeled in the proposed regulations as Priorities 0 to 9. This is necessary for clarity as it will allow readers to focus on the priorities applicable to them and provides universal short-hand terminology for the various sales processes required by the Roberti Act.

*Section (a)(22)*: Defines “Reasonable Price.” SB 51 added a second definition applicable to SB 580 sales in 54239.1(b)(1)(A).

*Section (a)(23)*: Defines “Single-Family Residence.” This is necessary to clarify the definition in 54236(c).

*Section (a)(24)*: Defines “Surplus Nonresidential Properties.” This is necessary to clarify “nonresidential properties” as used in 54237(f).

*Section (a)(25)*: Defines “Surplus Residential Property” and is substantively the same as 1476(dd) in the initial ASP regulations. Subsections are added and grammar improved to promote clarity.

*Section (a)(26)*: Defines “Tenant,” which is used without definition in the Roberti Act (e.g., 54237(e) and 54239.1(a)).

*Section (a)(27)*: Defines “Use and Resale Restrictions.” This is similar to 1476(gg) in the initial ASP regulations. Sections 54237(b) and (d)(1)(A)(ii) require “terms, conditions, and restrictions” to be imposed to ensure certain properties remain available as affordable housing. This term facilitates the description of and imposition of those terms. It also clarifies that the terms, conditions, and restrictions apply to the entirety of the property.

*Section 1476(b)*: States that the definitions provided apply to the plural and possessive forms of the defined terms. This is necessary for clarity.

***Section 1477***: Specifies the sections that provide the priorities for sale of the SR 710 Surplus Residential and Nonresidential Properties.

*Section (a)*: This informs readers that 1477.1 specifies the sales priorities for the City of Los Angeles, 1477.2 specifies the sales priorities for the City of Pasadena, and 1477.3 specifies the sales priorities for the City of South Pasadena. This is necessary for clarity.

*Section (b)*: This states that the orders of priorities are sequential as specified and cannot return to a completed sales priority, unless specified. This is necessary for clarity.

***Section 1477.1***: Specifies the sales priorities and pricing for Surplus Residential Properties and Surplus Nonresidential Properties required by the Roberti Act for the City of Los Angeles. This is necessary to comply with the Roberti Act as amended by SB 51. Section 1477.1 implements 54239.1 for offering properties located in Los Angeles.

While 1477.1(a)(7) appears duplicative of 1477.1(a)(4), it is not. Section 1477.1(a)(4) implements 54239.1(a) and requires a Surplus Residential Property to be “offered at fair market value to present tenants who have occupied the property for five years or more and who are in good standing with all rent obligations current and paid in full.” However, 1477.1(a)(7) has no occupancy requirement.

*Section 1477.1(b)*: Implements 54237(f)(1) and 54239.2 requiring Caltrans to offer Surplus Nonresidential Properties first to tenants at fair market value and then to housing related entities for affordable housing purposes prior to disposing of the property pursuant to Streets and Highways Code § 118.

***Section 1477.2***: Specifies the sales priorities and pricing for Surplus Residential Properties and Surplus Nonresidential Properties required by the Roberti Act for the City of Pasadena. This is necessary to comply with the Roberti Act as amended by SB 959. Section 1477.2 implements 54239.5 for offering properties located in Pasadena.

While 1477.2(a)(9) appears duplicative of 1477.2(a)(4), it is not. Section 1477.2(a)(4) implements 54239.5(a) and requires a Surplus Residential Property to be “offered at fair market value to present tenants who have occupied the property for five years or more and who are in good standing with all rent obligations current and paid in full.” However, 1477.2(a)(9) has no occupancy requirement.

*Section 1477.2(b)*: Implements 54237(f)(1) and 54239.5(d) requiring Caltrans to offer Surplus Nonresidential Properties first to tenants at fair market value and then to housing related entities for affordable housing purposes prior to disposing the property pursuant to Streets and Highways Code § 118.

Section 54237(d)(2) states, “This subdivision shall not apply to properties offered for sale pursuant to 54239.1, 54239.4, or 54239.5”—this is inconsistent with 54239.5(c)(1)—which specifically points to 54237(d) as the next priority after the properties are first offered to the City of Pasadena, and 54239.5(d) specifically points to 54237(d) for selling unimproved properties in Pasadena. Because the two statutes conflict, Caltrans gives effect to the more specific statute and implements both 54239.5(c)(1) and (d) in prioritizing sales of properties in Pasadena in 1477.2 (a)(6)-(a)(8) and 1477.2(b)(2)-(b)(3).

***Section 1477.3***: Specifies the sales priorities and pricing for Surplus Residential Properties and Surplus Nonresidential Properties required by the Roberti Act for the City of South Pasadena. This is necessary to comply with the Roberti Act as amended by SB 381. Section 1477.3 implements 54239.4 for offering properties located in South Pasadena.

While 1477.3(a)(8) appears duplicative of 1477.3(a)(4), it is not. Section 1477.3(a)(4) implements 54239.4(a) and requires a Surplus Residential Property to be “offered at fair market value to present tenants who have occupied the property for five years or more and who are in good standing with all rent obligations current and paid in full.” However, 1477.3(a)(8) has no occupancy requirement.

***Section 1477.3(b)***: Implements 54237(f)(1) and 54239.4(e) requiring Caltrans to offer Surplus Nonresidential Properties first to tenants at fair market value and then to housing related entities for affordable housing purposes prior to disposing pursuant to Streets and Highways Code, § 118.

***Section 1477.4***: Recognizes the self-executing language in 54237(f)(2) and excludes those properties from this chapter until Caltrans complies with 54237(f)(2). This section is necessary to specify how those properties are to be sold if they are not sold pursuant to 54237(f)(2).

***Section 1478***: Replaces the process of solicitation contained in 1479-1484 of the initial ASP regulations. Here, the process of asking whether occupants, tenants, and former tenants are interested in buying is separated from the process of collecting documentation required to support eligibility to buy at an Affordable Price.

The section shortens the time to respond to 30 days. However, the only information required in the response is the respondent’s name, contact information, and the address of the property they currently rent and desire to purchase. This is the essential information needed for Caltrans to determine which properties occupants, tenants, or former tenants have interest in purchasing.

The section also reiterates that untimely or incomplete responses constitute a waiver. Waiver for untimeliness is consistent with 1484 in the initial ASP regulations.

***Section 1479***: Specifies requirements for all written correspondence. This is necessary to establish the requirements for written communications to avoid confusion or disputes.

***Section 1480*:** Specifies how Single-Family Residences will be offered and sold at Priority 0.

The eligibility criteria in (b) are consistent with that required by 54237(a)(1), with the addition of the practical need for Caltrans to know who is interested in buying the property.

The process in (c), (d), (e), (f), and (g) clarify how occupants are to prove their eligibility under Priority 0 and how Caltrans will notify an Occupant of its finding of eligibility. Caltrans will check its acquisition records to see if the occupant is a former owner, but the occupant can also provide documentation to prove eligibility. Occupants have 60 days to provide the documentation and may obtain two 30-day extensions. This is necessary to ensure compliance with the former owner requirement of 54237(a)(1).

Section (h) provides a process for determining sales priorities among occupants with equal priority. This is necessary to resolve that possibility.

Sections (i), (j), (k), and (l) specify the time to execute the sales contract, the escrow timeline, payment of closing costs and escrow fees, and the selling of property with no warranty. These are necessary to ensure timely sales of the properties.

Section (m) specifies that timeframes for determining the eligibility for Priority 0 will be the same periods for determining eligibility for Priorities 1 and 2. This means occupants will have the same 60 days, plus extensions, to provide documentation for eligibility for whichever of the three priorities apply to them. This is necessary to avoid delay caused by sequential timeframes.

***Section 1481***: Specifies how Single-Family Residences will be offered and sold at

Priority 1.

The eligibility criteria in (b) are based on the requirements in 54237(a)(2) and (a)(4), the practical need to have a timely response to the solicitation of interest, and the requirement by 54236(b) that an Affordable Price may not result in monthly payments that exceed the Affordable Housing Cost.

The process in sections (c), (d), (e), (f), and (g) clarifies how occupants are to certify their income and assets pursuant to 54237(c). It also requires occupants to provide documentation supporting the tenancy requirement in 54237(a)(2). The process starts with a written request from Caltrans for the documentation. Occupants have 60 days to provide the documentation but may obtain two 30-day extensions. This is necessary to verify the income eligibility specified in 54237(a)(2).

Section (h) provides a process for determining sales priorities among occupants with equal priority. This is necessary to resolve such a possibility.

Section (i) clarifies that a buyer eligible to buy at Priority 1 may choose to purchase at fair market value pursuant to 54237.3 but must choose to do so before Caltrans begins lender required repairs. This is necessary to meet the “as-is” requirement in 54237.3 and to prevent Caltrans from making repairs to a property that is being sold “as-is.”

Sections (j), (k), and (m) specify the time to execute the sales contract, the escrow timeline, and payment of closing costs and escrow fees. These are necessary to ensure timely sales of the properties.

Section (*l*) specifies that Caltrans has discretion to defer payment of rent obligations on a case-by-case basis depending on the circumstances of the Occupant, the amount of rent owed, the Occupant’s recent payment history, and approval by CalHFA if the Occupant is utilizing the CalHFA loan product. This will meet the intent of the Roberti Act by expanding opportunities for homeownership for persons and families of low or moderate income. Unpaid rent obligations shall be paid from the proceeds of a subsequent sale at fair market value. This is necessary to conclude the landlord-tenant relationship between Caltrans and buyer, and to prevent gifts of public funds—which are prohibited by Article 16, § 6 of the California Constitution.

Section (n) specifies that Caltrans may review the same financial information provided to obtain financing. This is necessary to ensure buyers meet the income requirements in 54237(a)(2-3).

Section (o) requires the buyer to disclose the source of all cash funds used towards the purchase. This is necessary to ensure compliance with the financial disclosure in 54237(c).

Section (p) requires lenders to subordinate their mortgages. This is necessary to protect the amounts owed to the Affordable Housing Trust Account.

Section (q) clarifies that the repairs required by 54237(b) are limited to surplus residential properties being sold at an Affordable Price. Surplus residential properties offered at Fair Market Value under Priority 1 are sold “as-is” without warranty pursuant to 54237.3

***Section 1481.1***: Section 54237(b) requires Caltrans to “impose terms, conditions, and restrictions” upon properties sold at an Affordable Price. Sections (a), (b), and (c) describe the terms, conditions, and restrictions that will be enforced through Use and Resale Restrictions. These restrictions are necessary to ensure the properties are used as affordable housing and that the proceeds from a subsequent sale are deposited into the Affordable Housing Trust Account pursuant to 54237.7(b).

Section (c) corrects an oversight in 1478 (d)(3) of the initial ASP regulations which incorrectly allocated deductions from proceeds owed to CalHFA (e.g., escrow fees, real estate commissions, cost of improvements). Such deductions are not supported by statute. This is necessary to prevent gifts of public funds—which are prohibited by Article 16, § 6 of the California Constitution.

Section (d) states that failure to timely agree to the Use and Resale Restrictions voids the sales contract.

Section (e) specifies the conditions for removal of the Use and Resale Restrictions. These are necessary to impose the terms, conditions, and restrictions and to clarify when they cease to exist.

***Section 1481.2***: Clarifies and interprets the Affordable Price, which is defined in 54236(b), but also modified in 54237(b) and 54237.9.

The section reflects which priorities are eligible to purchase at an Affordable Price, as specified by 54237(a)(2-3). It indicates that Affordable Price buyers are limited to buying only one property under the chapter, which prevents violation of 54237(a)(4). The section defines “Calculated Affordable Price,” “Housing Cost,” and “Affordable Housing Cost.” These definitions are substantially the same as those provided in 1476(b), 1476(q), and 1476(a) respectively of the initial ASP regulations and are necessary to explain the calculation pursuant to 54236(b), 54237(b), and 54237.9.

Section 1481.2 also interprets 54237(b)’s requirement for Caltrans to make lender required repairs on properties sold at an Affordable Price. This is substantively the same as the 1478(b)(3) in the initial ASP regulations, but with the addition of two provisions. First, 1481.2(d)(3) states that if lender required repairs are made, then the fair market value assessment must reflect those repairs. This is necessary to accurately reflect the value of the property at the time it is sold, which affects payment to CalHFA upon a subsequent sale at fair market value. Second, 1481.2(d)(4) states that Caltrans may extend the close of escrow to allow for completion of such repairs. This is necessary to prevent disputes over the repairs after the close of escrow.

***Section 1481.3***: Specifies the minimum property standards, which are used to determine what lender required repairs are required by 1481.2(d). These standards are substantively the same as those in 1476(v) of the initial ASP regulations.

***Section 1481.4***: Clarifies how and when replacement dwellings will be offered pursuant to 54237.5. It also includes a list of properties that are available as replacement dwellings.

Section 54237.5(b) requires a determination of seven characteristics before a property can be used as a replacement dwelling. Compliance with most of the characteristics will be done near the time of sale, as they are either particular to the buyer or the condition of the property at time of sale. The characteristics in 54237.5(b)(3) and (b)(4)—regarding Caltrans’ non-discriminatory policies and the properties’ access to utilities and facilities—have already been determined and all replacement dwellings meet these two characteristics. These are all necessary to clarify and implement the use of replacement dwellings.

***Section 1482***: Specifies how Single-Family Residences will be offered and sold at Priority 2. This uses the same process that is used for Priority 1, except the eligibility criteria is based on 54237(a)(3).

***Section 1483***: Section (a) specifies how Surplus Residential Properties will be offered and sold at Priority 3. This Priority is necessary to provide relative priorities of sale under 54237(d), 54239.4(c), and (e) and 54239.5 (b), (c)(1), and (d).

Section (b) identifies the Housing-Related Public Entities (Public HREs) eligible to purchase at Priority 3 including the cities of Pasadena and South Pasadena and the County of Los Angeles. Priority 3 sales are not permitted for properties in the City of Los Angeles pursuant to 54239.1.

Section (c) and (d) specify the process for soliciting interest from Public HREs and the required response. This is necessary to determine which properties must be considered for sale at Priority 3 and which properties can move to the next Priority. Section (c)(2) sets the Reasonable Price at the Minimum Sales Price. Although the Act defines Reasonable Price at 54237(d)(1), the definition contains ambiguity. Caltrans resolves that ambiguity by setting the Reasonable Price at the Minimum Sales Price. Section 54239.1(c)(1) essentially does this for Priority 5 (sales to Private HREs ). This is necessary to resolve the ambiguity in the Reasonable Price and to provide consistent treatment in similar sales processes.

Sections (e), (f), and (g) specify the process for sending and executing sales contracts, the escrow timeline, and payment of escrow fees. These are necessary to facilitate the sales of the properties.

Section (h) clarifies the “as-is” condition of the properties. Properties offered under Priority 3 in South Pasadena are sold “as-is” pursuant to 54239.4(c)(2) and properties in Pasadena are sold “as-is” pursuant to 54239.5(b)(2). Properties offered under Priority 3 pursuant to 54237(d) are sold “as-is" in accordance with 54237(d)(1)(A). While 54237(d)(1)(A) does not contain the “as-is” language, it requires the purchasing entity to rehabilitate the property. Caltrans resolves this ambiguity by implementing the same “as-is” requirement for properties offered under 54237(d). This is necessary to resolve the ambiguity and to provide consistent treatment in similar sales processes.

***Section 1483.1***: Properties sold at less than fair market value requires Caltrans to impose terms, conditions, and restrictions. Sections (a), (b), and (c) describe the terms, conditions, and restrictions that will be enforced through Use and Resale Restrictions. Properties offered under 54237(d), 54239.5(c)(1), and 54239.5(d) require terms, conditions, and restrictions pursuant to 54237(d)(1)(A)(ii). In addition, covenants are required to ensure properties are used as affordable housing for properties offered under 54239.4(c) and (e) pursuant to 54239.4 (c)(3); and 54239.5(b) pursuant to 54239.5(b)(16).

These restrictions are necessary to ensure the properties remain available to persons and families of low or moderate income.

While 54239.1(c)(3)(C)(i) and (ii) and 54239.4(c)(3)(C)(i) and (ii) pertain to properties located in the cities of Los Angeles and South Pasadena respectively and specify a 55-year restriction for properties used as affordable rental housing and a 45-year restriction for properties used as affordable owner-occupied housing, the Roberti Act does not provide such details for properties in Pasadena when offered under 54239.5 (c)(1) and (d), which circle back to properties offered under 54237(d). Caltrans resolves this ambiguity by implementing the same restrictions for properties in Pasadena. This is necessary to resolve the ambiguity and to provide consistent treatment in similar sales processes.

Section (d) specifies the conditions for removal of the Use and Resale Restrictions which is necessary to clarify when they cease to exist.

Section (e) describes use restrictions specific to properties sold at Priority 3 in the City of Pasadena.

Section (e)(1) excludes Surplus Residential Properties sold to the City of Pasadena from being developed as a limited equity cooperative under 54237(d)(1)(A)(ii) due to the new sales process implemented by SB 959 and described in 54239.5(b).

Section (e)(2) reflects the requirement under 54239.5(b)(3) that funds generated from sales under 1477.2(a)(5) be held for the sole purpose of financing the production or acquisition of affordable housing units.

Section (e)(3) specifies that unoccupied properties sold at Priority 3 to the City of Pasadena are conditioned upon acceptance of use and resale restrictions. This is necessary to implement 54239.5(b)(16), which requires “a covenant recorded against the property to ensure the property’s use pursuant to this subdivision.” The Use and Resale Restrictions are incorporated by reference, and thereby, made part of these regulations. The provisions of the Use and Resale Restrictions are discussed further below under “Regulations Incorporated by Reference”.

Section (f) describes use restrictions specific to properties sold at Priority 3 in the City of South Pasadena. This is necessary for clarity in implementing a provision in 54239.4(c)(3)(C)(ii).

***Section 1484***: This section specifies how properties will be offered and sold at Priority 4. This Priority is necessary to provide relative priorities of sale under 54237(d). This section addresses those properties governed by 54237(d)(1)(B), which was added by SB 580 (Liu, 2016). To mitigate confusion with Historic Covenants described in 1475(f), Priority 4 is described as the SB 580 Properties.

Section (a) interprets “public and community access and use” under

54237(d)(1)(B) by providing a non-exhaustive list of uses permitted.

Sections (b), (c), and (d) specify a process for soliciting interest in SB 580 Properties. This is similar to the process in 1478 and it is necessary to identify who may be interested in buying properties at Priority 4.

Sections (e), (f), (g), (h), (i), (j), and (k) specify the bid process. The process specifies the documentation Caltrans will provide to each bidder, the bid submittal timeline and the required contents of a bid, the bid evaluation criteria, the timing and location of an interview, the process for resubmissions, how the winning bids will be announced, and an appeal process. The bid evaluation is difficult to detail because setting criteria for ranking different proposed uses is challenging. For instance, one bid may propose a museum and another bid may propose a youth center. Hence, the benefit to the community based on need will be helpful. If there are three museums within three miles but no youth centers, the community need may favor the youth center. Therefore, competing bids will have to be reviewed on a case-by-case basis. This is necessary to avoid arbitrary selection of buyers.

Section in (l), (m), (n), (o), (p), and (q) specify the processes for sending and executing sales contracts, the escrow timeline, the payment of escrow fees, the contingency for when a successful bidder does not timely execute the sales contract or close escrow, and the “as-is” condition of the properties. Properties are sold “as-is” pursuant to 54237(d)(1)(A) which requires the purchasing entity to rehabilitate the surplus residential property. These specifications are necessary to facilitate the sales of the properties.

Section 54239.1(b) requires historic homes to be offered to the City of Los Angeles or a non-profit entity after being offered to current tenants under 54239.1(a). This is achieved in this section under (a) and (e) by treating the City as an eligible non-profit entity under Priority 4. Also, in (p), the definition for Reasonable Price specified in 54239.1(b)(1)(A) is used.

***Section 1484.1***: The Roberti Act requires the imposition of “terms, conditions, and restrictions” upon the sale of SB 580 Properties pursuant to 54237(d)(1)(A)(ii) and 54239.1(b)(1)(D). These restrictions are necessary to ensure the properties are used for public and community access and use in accordance with 54239.1(b)(1)(D) and 54237(d)(1)(B)(i).

***Section 1484.2***: Identifies the SB 580 Properties as described in 54237(d)(1)(B)(i-iii). The list is the same as provided in 1478.2 of the initial ASP regulations which is renumbered to 1484.2. The language in (a) is amended to reflect the new regulations.

***Section 1484.3*** This section implements 54239.4(b) as amended by SB 381 and specifies how unoccupied, historic properties will be offered and sold at Priority 4SP.

Section (c) provides the process for the City of South Pasadena to submit a list of properties that meet the criteria in 54239.4(b)(1)(T)(2)(B) and is limited to 30 days.

Sections (d) and (e) specify the process for soliciting interest from the City of South Pasadena and the requirement to respond within 45 calendar days. This is necessary to determine which properties must be considered for sale at Priority 4SP and which properties can move to the next Priority. This is consistent with the approach used in Priority 3.

Sections 1484.3 (f), (g), and (h) specify the processes for sending and executing sales contracts, the escrow timeline, and payment of escrow fees. These are necessary to facilitate the sales of the properties. The City of South Pasadena has 60 days to execute the sales contract, which provides sufficient time to acquire any necessary approvals from the South Pasadena City Council. Additional time can be provided under 1475(c) upon a showing of good cause. The City of South Pasadena will pay all closing and escrow fees, consistent with 1483(g), which requires Housing-Related Public Entities who purchase at Priority 3 to pay all closing and escrow fees.

Section (i) clarifies the “as-is” condition of the properties. Properties offered under Priority 4SP are sold “as-is” pursuant to 54239.4(b)(1)(B).

Section (j) specifies that properties sold at Priority 4SP are conditioned upon acceptance of use and resale restrictions. This is necessary to implement 54239.4(b)(1)(Q), which requires “a covenant recorded against the property to ensure the property’s use as pursuant to this paragraph.” The Use and Resale Restrictions are incorporated by reference, and thereby, made part of these regulations. The provisions of the use and resale restriction are discussed below under “Regulations Incorporated by Reference”.

***Section 1485***: This section specifies how Surplus Residential Properties will be offered and sold at Priority 5. This Priority is necessary to provide relative priorities of sale under 54237(d) and to implement 54239.1(c), 54239.4(c), and 54239.5(c).

Because SB 51 specified an order of priority different from 54237(d), the City of Los Angeles is not included in Priority 3; rather the city is included in Priority 5 with Private HREs. This is to comply with 54239.1(c)

Section (b) specifies the process for creating an HRE registry. A registry is necessary to allow Caltrans to solicit bids from HREs as needed, as properties progress to Priority 5. The criteria for registry eligibility are specified, and by pre-screening HREs’ qualifications, the bid review process can be streamlined.

Sections (c), (d), (e), (f), (g), (h), and (i) specify the bid process. This process identifies the documentation Caltrans will provide to each bidder, the bid submittal timeline and the required contents of a bid, the bid evaluation criteria, the timing and location of an interview, the process for resubmissions, how the winning bids will be announced, and an appeals process. This is necessary to avoid arbitrary selection of buyers.

Sections (j), (k), (l), and (m) are necessary to facilitate property sales and specify the process for sending and executing sales contracts, the escrow timeline, payment of escrow fees, and the contingency for when a successful bidder does not timely execute the sales contract or close escrow.

Section (n) clarifies the “as-is” condition of the properties. Properties in Los Angeles are sold “as-is” pursuant to 54239.1(c)(2) and properties in South Pasadena are sold “as-is” pursuant to 54239.4(c)(2). The Roberti Act is ambiguous regarding the “as-is” requirement for properties in Pasadena being offered under 54239.5(c)(1), which points to 54237(d) for sales to HREs. While 54237(d) does not include the “as-is” language contained in 54239.1(c)(2) and 54239.4(c)(2), pursuant to 54237(d)(1)(A), properties are offered to HREs “on the condition that the purchasing entity shall cause the property to be rehabilitated.” Caltrans resolves this ambiguity by implementing the same “as-is” requirement for properties offered under 54237(d). This is necessary to resolve the ambiguity and to provide consistent treatment in similar sales processes.

***Section 1485.1***: Sections (a), (b), and (c) specify use restrictions for properties sold at Priority 5. The Roberti Act requires the imposition of “terms, conditions, and restrictions” on properties sold at less than fair market value (54237(d)(1)(A)(ii); 54239.1(c)(3); and 54239.4(c)(3)). These restrictions are necessary to ensure the properties remain available to persons and families of low or moderate income pursuant to the Roberti Act.

In (b)(1)(D), the 55-year restriction is required by 54239.1(c)(3)(C)(i) and 54239.4(c)(3)(C)(i). In (b)(2), the option for HREs to sell the property at an Affordable Price and restrict its use as affordable housing for 45 years is required by 54239.1(c)(3)(C)(ii) and 54239.4(c)(3)(C)(ii).

While 54239.1(c)(3)(C)(i) and (ii) and 54239.4(c)(3)(C)(i) and (ii) pertain to properties located in the cities of Los Angeles and South Pasadena respectively and specify a

55-year restriction for properties used as affordable rental housing and a 45-year restriction for properties used as affordable owner-occupied housing, the Roberti Act does not provide such details for properties in Pasadena when offered under

54239.5 (c)(1) and (d), which circle back to properties offered under 54237(d). Caltrans resolves this ambiguity by implementing the same restrictions for properties in Pasadena. This is necessary to resolve the ambiguity and to provide consistent treatment in similar sales processes.

Section (d) specifies the conditions for removal of the Use and Resale Restrictions. These are necessary to impose the terms, conditions, and restrictions and to clarify when they cease to exist.

Section (e) specifies provisions specific to properties in Pasadena and sold under

Priority 5.

***Section 1486***: This section specifies how Surplus Residential Properties will be offered and sold at Priority 6. This is necessary to clarify the process and the documentation required for submittal prior to offering properties to current tenants pursuant to 54237(e), 54239.1(a), 54239.4(a), and 54239.5(a).

Section (b) specifies the eligibility criteria and includes the requirement of current tenants to provide loan prequalification and proof of funds for down payment. This is necessary prior to expending state funds to obtain an appraisal of the property.

Section (c) provides clarification regarding the time to provide the documentation requested in 1486(b).

Section (d) clarifies that Caltrans will determine eligibility.

Section (e) provides a process for determining sales priorities among tenants with equal priority. This is necessary to resolve that possibility.

Sections (f), (g), (h), (i), (j), and (k) specify the process for sending and executing sales contracts, the escrow timeline, payment of escrow fees, pending rent obligations, the contingency for when a tenant does not timely execute the sales contract or close escrow, and the selling of the property with no warranty. These are necessary to facilitate the sales of these properties.

***Section 1487***: This section specifies how Surplus Residential Properties will be offered and sold at Priority 7. This is necessary for compliance with 54237(e), 54239.1(d), 54239.4(d), and 54239(c)(1).

Section (b) specifies the eligibility criteria and includes the requirement of former tenants to provide loan prequalification and proof of funds for down payment. This is necessary prior to expending state funds to obtain an appraisal of the property.

Section (c) provides clarification regarding the time to provide the documentation requested in 1487(b).

Section (d) clarifies that Caltrans will determine eligibility.

Section (e) provides a process for determining sales priorities among tenants with equal priority. This is necessary to resolve that possibility.

Sections (f), (g), (h), (i), and (j) specify the process for sending and executing sales contracts, the escrow timeline, payment of escrow fees, the contingency for when a tenant does not timely execute the sales contract or close escrow, and the selling of the property with no warranty. These are necessary to facilitate the sales of these properties.

***Section 1488***: This section specifies how Surplus Residential Properties will be offered and sold at Priority 8 pursuant to Streets and Highways Code, §118. This is necessary for compliance with 54237(e).

Section (b) and (c) are necessary to implement the priority for buyers who intend to be owner-occupants pursuant to 54237(e). These sections also clarify that bids must exceed 75% of Caltrans’ appraised value of the property. This is necessary to comply with Article 16, § 6 of the California Constitution, which prohibits gifts of public funds and otherwise requires Caltrans to sell properties at competitive prices. Neither the appraised value nor the 75% number will be made public, as that would compromise the integrity of the auction and artificially drive prices down.

***Section 1489***: Specifies how Surplus Nonresidential Properties will be offered and sold at Priority 9. This is necessary for compliance with 54237(f)(1).

***Section 1490***: Specifies the criteria for receiving relocation assistance and the type of relocation assistance required by 54238.3(b).

***Section 1490.2***: Specifies the priority for the distribution of proceeds from subsequent sales that are placed in the Affordable Housing Trust Account. This is necessary to comply with 54237.7(b) and to help support loan products for Priority 1 and 2 sales.

The Affordable Housing Trust Account is funded by proceeds from the resale of properties sold at Priorities 1 and 2. As described in 1481.1(c), upon resale at fair market value, the buyer must pay CalHFA the difference between the fair market value of the property when purchased from Caltrans and the affordable price paid to Caltrans. CalHFA then deposits that amount into the Affordable Housing Trust Account. This section specifies that the funds in the Affordable Housing Trust Account shall first be used to purchase and guarantee the loans for buyers at Priorities 1 and 2. After all properties are sold under Priorities 1 and 2, CalHFA will be able to use the remaining funds in the Affordable Housing Trust Account for any other lawful purpose.

***Section 1491***: This section specifies that Use and Resale Restrictions will be monitored. It also specifies the penalties for non-compliance required by 54238.

**REGULATIONS INCORPORATED BY REFERENCE**

1. ***Form 1477.2(a)(5) – City of Pasadena, Priority 3, Unoccupied Surplus Residential Properties (02/24)***

*Form 1477.2(a)(5) – City of Pasadena, Priority 3, Unoccupied Surplus Residential Properties (02/24)* is incorporated by reference in 1483.1(b)(4). The form’s title refers to its applicability to the priority identified in 1477.2(a)(5), which applies to unoccupied properties sold to the City of Pasadena at Priority 3.

Adopt: Introduction paragraph: This paragraph identifies the parties to the agreement, which for Priority 3, includes the City of Pasadena, Caltrans, and Monitoring Entity, which is defined later. It also identifies the property by address and by legal description. These are legal necessities for a valid and enforceable agreement.

Adopt: Recitals: There are five recitals, labeled A to E. These provide facts that may be helpful in interpreting the agreement at a later time. They are necessary because the Parole Evidence Rule should preclude the consideration of these facts if they are not included in the agreement.

Adopt: Section 1.1: This section memorializes the agreement of the parties that the encumbered property was sold at the proper sales price required by the Roberti Act. It is necessary to prevent delayed challenges to the propriety of the sales price.

Adopt: Section 1.2: This section contains acknowledgments in which the City of Pasadena must agree. They include:

1. The City will comply with the agreement.
2. The property will be subject to restrictions.
3. Caltrans is providing assistance in making the property available to the City.
4. The agreement will remain in effect until terminated by the terms of the agreement.
5. The City accepts the agreement on behalf of itself and its successors in interest.
6. The City agrees not to challenge the agreement as an unreasonable restraint on the sale of the property.
7. The City acknowledges that it must comply with additional requirements in the Roberti Act that are not reflected in this agreement.
8. The City acknowledges that the Roberti Act provides the Monitoring Entity with certain authority.

These provisions are necessary to demonstrate that the parties understand the general and long-term implications of the agreement and to demonstrate a meeting of the minds.

Adopt: Section 2: This section contains three definitions. This is necessary for clarity.

Adopt: Section 3.1: This section implements the resale requirement specified 54239.5(b)(3), the two-year time for performance specified in 54239.5(b)(17), and the criteria for extension in 54239.5(b)(18). This is necessary to implement the requirements specified in the Roberti Act.

Adopt: Section 3.2: This section implements the statutory use requirements for a property not resold within the time for performance required in Section 3.1. This implements 54239.5(b)(17), which requires such properties to be used as affordable housing.

Adopt: Section 4.1: This section specifies what the City of Pasadena must do with the proceeds from the resale of the property under Section 3.1. This is necessary to implement 54239.5(b)(3).

Adopt: Section 4.2: This section specifies the City’s monitoring requirements, as specified in 54239.5(b)(19).

Adopt: Section 4.3: This section specifies that the housing units described in Section 4.1 can be on one or multiple sites. This is necessary to implement 54239.5(b)(5).

Adopt: Section 4.4: This section specifies the time for performance specified in 54239.5(b)(7) and the criteria for extension in 54239.5(b)(18). This is necessary to implement these sections.

Adopt: Section 4.5: This section specifies how surplus funds are to be used. This is necessary to implement 54239.5(b)(13). It also clarifies that section. Section 54239.5(b)(13) says “persons and families of very low, low, or moderate income, as defined in Section 50093 of the Health and Safety Code.” But section 50093 does not have a definition for “persons and families of very low, low, or moderate income.” Instead, it has a definition for “persons and families of low or moderate income” and that definition explicitly includes “very low-income households” as defined in section 50105. Therefore, Section 4.5 uses “persons and families of low and moderate income” as defined in section 50093 because: (1) it avoids confusion caused by looking for a defined term in section 50093 that is not there; and (2) that definition explicitly includes very low-income households, which conforms with the language of SB 959.

Adopt: Section 5.1: This section specifies when the agreement ceases to encumber the property, and when that happens, the agreement continues as a contract to ensure compliance with the production or acquisition of three housing units as required by Sections 4.1 through 4.5. It is necessary to unencumber the property once it is sold at market value because the new owner has no obligations under the Roberti Act. But it is necessary to have an enforcement mechanism to ensure the City of Pasadena complies with the requirements in the Roberti Act.

Adopt: Section 6.1: This section specifies what events constitute a default under the agreement. This is necessary to implement 54239.5(b)(11).

Adopt: Section 6.2: This section specifies the penalties for default under the agreement. This is necessary to implement 54239.5(b)(11).

Adopt: Section 6.3: This section specifies who determines a default and that such a determination is not subject to appeal. This is necessary to implement 54239.5(b)(14).

Adopt: Sections 7.1 through 7.15: These sections contain general contract terms that do not implement specific parts of the Roberti Act but are necessary or convenient for contracts in general.

* Section 7.1 is a nondiscrimination clause.
* Section 7.2 specifies the form and method of notices under the agreement.
* Section 7.3 is an attorney’s fees provision.
* Section 7.4 is an integration clause.
* Section 7.5 is a severability clause.
* Section 7.6 addresses the use of headings in the agreement.
* Section 7.7 addresses time for performance.
* Section 7.8 addresses amendments to the agreement.
* Section 7.9 addresses the controlling nature of the agreement.
* Section 7.10 addresses exhibits to the agreement.
* Section 7.11 designates the governing law.
* Section 7.12 authorizes counterpart signatures.
* Section 7.13 requires the agreement to be recorded.
* Section 7.14 discusses interpretation of the agreement.
* Section 7.15 is an assignment.

1. ***Form 1477.3(a)(5) – South Pasadena, Priority 4SP (02/24)***

*Form 1477.3(a)(5) – South Pasadena, Priority 4SP (02/24)* is incorporated by reference in 1484.3(j). The form’s title refers to its applicability to the priority identified in 1477.3(a)(5), which applies to properties sold in South Pasadena at Priority 4SP.

Adopt: Introduction paragraph: This paragraph identifies the parties to the agreement, which for Priority 4 SP, includes the City of South Pasadena, Caltrans, and Monitoring Entity, which is defined later. It also identifies the property by address and by legal description. These are legal necessities for a valid and enforceable agreement.

Adopt: Recitals: There are five recitals, labeled A to E. These provide facts that may be helpful in interpreting the agreement at a later time. They are necessary because the Parole Evidence Rule should preclude the consideration of these facts if they are not included in the agreement.

Adopt: Section 1.1: This section memorializes the agreement of the parties that the encumbered property was sold at the proper sales price required by the Act. It is necessary to prevent delayed challenges to the propriety of the sales price.

Adopt: Section 1.2: This section contains acknowledgments that the City of South Pasadena must agree to. They include:

1. The City will comply with the agreement.
2. The property will be subject to restrictions.
3. Caltrans is providing assistance in making the property available to the City.
4. The agreement will remain in effect until terminated by the terms of the agreement.
5. The City accepts the agreement on behalf of itself and its successors in interest.
6. The City agrees not to challenge the agreement as an unreasonable restraint on the sale of the property.
7. The City acknowledges that it must comply with additional requirements in the Act that are not reflected in this agreement.
8. The City acknowledges that the Act provides the Monitoring Entity (HCD) with certain authority.

These provisions are necessary to demonstrate that the parties understand the general and long-term implications of the agreement and to demonstrate a meeting of the minds.

Adopt: Section 2: This section contains three definitions. This is necessary for clarity.

Adopt: Section 3.1: This section implements the resale requirement specified in 54239.4(b)(1)(C), the two-year time for performance specified in 54239.4(b)(1)(R), and the criteria for extension in 54239.4(b)(1)(S). This is necessary to implement the requirements specified in the Act.

Adopt: Section 3.2: This section implements the statutory use requirements for a property not resold within the time for performance required in Section 3.1. This implements 54239.4(b)(1)(R), which requires such properties to be used as affordable housing pursuant to 54239.4(c)(3-4).

Adopt: Section 4.1: This section specifies what the City of South Pasadena must do with the proceeds from the resale of the property under Section 3.1. This is necessary to implement 54239.4(b)(1)(C) and 54239(b)(1)(F).

Adopt: Section 4.2: This section specifies the City’s monitoring requirements, as specified in 54239.4(b)(1)(T).

Adopt: Section 4.3: This section specifies that the housing units described in Section 4.1 can be on one or multiple sites. This is necessary to implement 54239.4(b)(1)(E).

Adopt: Section 4.4: This section specifies the time for performance specified 54239.4(b)(1)(G) and the criteria for extension in 54239.4(b)(1)(L). This is necessary to implement these sections.

Adopt: Section 4.5: This section specifies how surplus funds are to be used. This is necessary to implement 54239.4(b)(1)(M). It also clarifies that section. Section 54239.4(b)(1)(M) says “persons and families of very low, low, or moderate income, as defined in Section 50093 of the Health and Safety Code.” But section 50093 does not have a definition for “persons and families of very low, low, or moderate income.” Instead, it has a definition for “persons and families of low or moderate income” and that definition explicitly includes “very low income households” as defined in section 50105. Therefore, Section 4.5 uses “persons and families of low and moderate income” as defined in section 50093 because: (1) it avoids confusion caused by looking for a defined term in section 50093 that is not there; and (2) that definition explicitly includes very low income households, which conforms with the language of SB 381.

Adopt: Section 5.1: This section specifies when the agreement ceases to encumber the property, and when that happens, the agreement continues as a contract to ensure compliance with the production or acquisition of 3 housing units as required by Sections 4.1 through 4.5. It is necessary to unencumber the property once it is sold at market value because the new owner has no obligations under the Act. But it is necessary to have an enforcement mechanism to ensure the City of South Pasadena complies with the requirements in the Act.

Adopt: Section 6.1: This section specifies what events constitute a default under the agreement. This is necessary to implement 54239.4(b)(1)(K).

Adopt: Section 6.2: This section specifies the penalties for default under the agreement. This is necessary to implement 54239.4(b)(1)(K).

Adopt: Section 6.3: This section specifies who determines a default and that such a determination is not subject to appeal. This is necessary to implement 54239.4(b)(1)(N).

Adopt: Sections 7.1 through 7.15: These sections contain general contract terms that do not implement specific parts of the Act but are necessary or convenient for contracts in general.

* Section 7.1 is a nondiscrimination clause.
* Section 7.2 specifies the form and method of notices under the agreement.
* Section 7.3 is an attorney’s fees provision.
* Section 7.4 is an integration clause.
* Section 7.5 is a severability clause.
* Section 7.6 addresses the use of headings in the agreement.
* Section 7.7 addresses time for performance.
* Section 7.8 addresses amendments to the agreement.
* Section 7.9 addresses the controlling nature of the agreement.
* Section 7.10 addresses exhibits to the agreement.
* Section 7.11 designates the governing law.
* Section 7.12 authorizes counterpart signatures.
* Section 7.13 requires the agreement to be recorded.
* Section 7.14 discusses interpretation of the agreement.
* Section 7.15 is an assignment.

**TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDY, REPORTS, OR DOCUMENTS**

Caltrans relied upon the following in the development of the proposed regulations:

* California Constitution
* CTC Resolution G98-22
* Final Environmental Impact Report for SR-710 Surplus Property Sales, July 28, 2016, SCH# 2014071006
* Initial Study with Negative Declaration for Caltrans Surplus Property Sale, January 22, 2015, SCH # 2014071006
* Categorical Exemption Determination for Sale of Vacant Properties, April 29, 2014
* Caltrans Director’s Policy No. DP-28-R2, Title VI of the Civil Rights Act of 1964 and Related Nondiscrimination Law

Caltrans did not rely upon any other technical, theoretical, or empirical studies, reports or documents in proposing the adoption of these regulations.

**ANALYSIS OF THE FISCAL AND ECONOMIC EFFECTS OF THE PROPOSED REGULATIONS**

Caltrans has made the following determinations regarding the proposed regulatory action:

The proposed regulatory action will not impose a mandate on local agencies or school districts.

The proposed regulatory action involves no costs or savings to any state agency, no costs to any local agency or school district requiring reimbursement under Part 7 of Division 4 (Gov. Code, § 17500), no other nondiscretionary cost or savings imposed upon local agencies, and no costs or savings in federal funding to the state. Caltrans will incur minor costs to administer the SR 710 Sales Program which will be absorbed in Caltrans existing budget.

The proposed regulatory action will not have a significant effect on housing costs. The proposed regulations will allow Caltrans to dispose of the SR 710 surplus residential properties more effectively and will expand opportunities for homeownership for those occupants with pending rent obligations—potentially increasing homeownership affordability for persons and families with low or moderate income.

The proposed regulatory action will not have any significant, statewide adverse economic impacts directly affecting businesses, including the ability of California businesses to compete with businesses in other states. The proposed regulations are limited in scope to certain state-owned surplus properties and are being promulgated to set standards and criteria for the sale of those properties.

The proposed regulatory action imposes no costs impacts to the private sector, no impacts on the creation or elimination of jobs within the State of California, no impacts to the creation of new businesses or the elimination of existing businesses within the State of California, no impacts to the expansion of businesses currently doing business in the State of California, and likely no benefits to the overall health and welfare of California residents, worker safety, and the state’s environment. This regulatory action is limited in scope to certain state-owned surplus properties and will not have direct impacts on the private sector, jobs, or businesses, including small businesses. Other than the benefit of creating more vibrant communities specific to the SR 710 corridor— by returning the surplus properties to the SR 710 communities—and the benefit of homeownership on the health and welfare of those who are eligible and who choose to participate in the SR 710 Sales Program—the regulatory action will not have direct impacts on the health and welfare of California residents, worker safety, or the state’s environment.

Caltrans is not aware of any cost impacts that a representative private person or business may incur to comply with the proposed regulations, nor does the regulatory action establish any reporting requirements applicable to businesses. `

**EVIDENCE SUPPORTING FINDING OF NO SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT DIRECTLY AFFECTING BUSINESS**

The SR 710 Sales Program is unique to California and is limited in scope to Caltrans owned surplus properties. This regulatory action implements the sales priorities and procedures of a statutorily mandated state program that provides for the sale of state-owned surplus properties—located with the SR 710 communities of Los Angeles, Pasadena, and South Pasadena—to persons and families of low or moderate income or to HREs for affordable housing purposes. The proposed regulations are necessary to clarify the procedures for disposal in accordance with the recent amendments to the Roberti Act. These regulations have no economic impact on businesses within the state and do not regulate a commercial or private individual activity or any private business. Therefore, Caltrans has determined the proposed regulations impose no cost impacts to the private sector, will not have any impact on the creation of jobs or new businesses, or the elimination of jobs or existing businesses, or the expansion of businesses in the State of California.

**REASONABLE ALTERNATIVES TO THE REGULATION AND THE AGENCY’S REASONS FOR REJECTING THOSE ALTERNATIVES**

Caltrans considered leasing some of the SR 710 properties under Executive Order

N-06-19 for long-term affordable housing. However, Caltrans prefers to sell the properties pursuant to the Roberti Act rather than lease the properties to provide existing tenants and occupants the opportunity for homeownership and to allow HREs the opportunity to purchase SR 710 surplus residential properties to increase the supply of affordable housing within the SR 710 corridor.

**DUPLICATION OR CONFLICT WITH FEDERAL REGULATIONS**

The SR 710 Sales Program is administered by the state, under guidelines developed by the state, thereby eliminating any conflict or duplication of any federal statute or regulation.

**AUTHORITY AND REFERENCE**

Streets and Highways Code, §§ 118 through 118.6 authorize Caltrans to dispose of real property no longer required for transportation uses. The Roberti Act requires certain surplus properties owned by Caltrans and located within the SR 710 corridor in Los Angeles County to be disposed of in a manner that preserves, upgrades, and expands the supply of housing available to affected persons and families of low or moderate income. Caltrans has implied authority to adopt the proposed regulations under 54237 and expressed authority under 54237.10(c).