INITIAL STATEMENT OF REASONS

INTRODUCTION:
Caltrans acquires real property necessary for state transportation purposes, and must, by law, attempt to dispose of properties no longer required for those purposes (Streets and Highways Code section 118.6). Government Code sections 54235 through 54238.7 (the “Roberti Act”) sets forth the priorities and procedures for disposing of surplus residential property for State Route 710 (SR 710) in Los Angeles County.

PROBLEM STATEMENT:
In 1979, the Legislature reaffirmed its findings that there exists within the urban and rural areas of the state a serious shortage of decent, safe, and sanitary housing which persons and families of low or moderate income can afford, and consequently a pressing and urgent need for the preservation and expansion of the low and moderate income housing supply. The Legislature further reaffirmed its findings that highway and other state activities have contributed to the severe shortage of such housing, and that provision of decent housing for all Californians is a state goal of the highest priority. The Legislature stated that actions of state agencies including the sales of surplus residential properties which result in the loss of decent and affordable housing for persons and families of low or moderate income is contrary to state housing, urban development, and environmental policies and is a significant environmental effect, within the meaning of Article XIX of the California Constitution, which will be mitigated by the sale of surplus residential property pursuant to the provisions of Government Code sections 54235 through 54238.7.

The Los Angeles Superior Court declared in City of South Pasadena v. The California Department of Transportation (Super. Ct. Los Angeles County, 2007, No. BC331628) that legal title to all State Route 710 (SR 710) parcels of real property shall remain vested in Caltrans until adoption of an appropriate regulation under the Administrative Procedures Act for their disposal pursuant to Government Code sections 54235 through 54238.7.

Adoption of the proposed regulations will allow Caltrans to dispose of the surplus parcels of real property and endeavor to meet the intended goal of the Legislature of preserving and expanding the availability of low and moderate income housing supply. Without these proposed regulations, Caltrans is unable to proceed with disposal of the real property.

BENEFITS:
The Legislature stated that the sale of surplus residential property pursuant to the provisions of the Roberti Act will directly serve an important public purpose. Accordingly, the Legislature intends by the Roberti Act to preserve, upgrade, and expand the supply of housing available to persons and families of low or moderate income. (Government Code section 54235.) The proposed regulations will increase the number of low and moderate income homeowners by allowing qualified tenants and occupants to purchase homes on the basis of affordability under the program. The proposed regulations will provide a non-monetary benefit by setting the guidelines and timelines applicable, which promotes openness and transparency in business and government.

PURPOSE OF THE PROPOSED REGULATIONS:

The proposed regulations set forth the procedures that will allow the Department to dispose of surplus residential properties originally acquired for the SR 710 extension in the cities of Los Angeles, South Pasadena, and Pasadena in accordance with the Roberti Act. The proposed regulations will set forth the standards used to calculate the appropriate purchase prices to fulfill the state’s mission of providing affordable home ownership to Californians. The proposed regulations will provide the public with guidelines to determine the income levels used to qualify for the program, which in turn promotes fairness and social equity to the buying public.

NECESSITY:
The Los Angeles Superior Court declared in City of South Pasadena v. The California Department of Transportation (Super. Ct. Los Angeles County, 2007, No. BC331628) that legal title to all State Route 710 (SR 710) parcels of real property shall remain vested in Caltrans until adoption of an appropriate regulation under the Administrative Procedures Act for their disposal pursuant to Government Code sections 54235 through 54238.7.

The proposed regulations are intended to allow Caltrans to dispose of such residential properties in a manner that will preserve, upgrade, and expand the supply of housing available to affected persons and families of low or moderate income.

Caltrans held two public workshops on October 23, 2013 and October 24, 2013 to gather input to address the issues deemed most important to the public. Caltrans held the public workshops in El Sereno and Pasadena to receive comments from current tenants, former tenants, and the general public. These comments were reviewed, evaluated and, as Caltrans deemed appropriate, incorporated into the proposed regulations.

The regulations will:

Section 1475 – Implement Senate Bill 86 known as the “Roberti Act”. This section is needed to define the purpose and scope of the proposed regulations.
Section 1476 – Define the terms used in the proposed regulations. This section is needed to provide additional detail about certain words or phrases as they are used in the proposed regulations.

Section 1477 – Specify the order of priority for the Conditional Offer Prior to Sale. This section is needed to make specific Government Code sections 54237(a) and (d).

Section 1478 – Set forth the criteria for Conditions of Offer Prior to Sale. This section is needed to implement, interpret, and make specific the conditions for sale of residential properties including sales price determination, repair requirements, and occupancy requirements.

Section 1479 – Set forth the notices for Conditional Offer Prior to Sale. This section is needed to make specific who will receive and how written notice of the Conditional Offer Prior to Sale shall be delivered.

Section 1480 – Set forth the term of the Conditional Offer Prior to Sale. This section is needed to make specific the term the Conditional Offer Prior to Sale shall remain open.

Section 1481 – Set forth the terms of acceptance for the Conditional Offer Prior to Sale. This section is needed to make specific the method of acceptance of the Conditional Offer Prior to Sale.

Section 1482 – Specify the burden of evidence for income and occupancy on the buyer. This section is needed to further define the burden on the buyer to provide financial documentation required relevant to income and proof of occupancy.

Section 1483 – Provide grounds for denial based on insufficiency or incompleteness of response to Conditional Offer Prior to Sale. This section is needed to define response time for receipt of incomplete or insufficient financial documentation and required action.

Section 1484 – Specify that failure to respond will be deemed a rejection of the Conditional Offer Prior to Sale. This section is needed to define the time period for rejection due to lack of response.

Section 1485 – Establish the eligibility for buyers and sets forth priority for purchase. This section is needed to define the Department’s review of documentation and define the priority for more than one equally eligible respondent.
Section 1486 – Specify the response time for buyers for entering into a Contract for Sale. This section is needed to define the term for acceptance of a Contract for Sale.

Section 1487 – Specify time for close of escrow and the Department’s authority to extend. This section is needed to define the time period allowed for close of escrow and the Department’s discretion to grant an extension.

Section 1488 – Provide sale provision for properties not subject to sale under the Affordable Sales Program. This section is needed to make specific the priority for sales of properties not subject to the Affordable Sales Program.

Section 1489 – Provide the duty of the purchaser upon noncompliance. This section is needed to identify specific noncompliance provisions the Department may pursue due to purchaser noncompliance and define the payment amount.

Section 1490 – Specify the monitoring requirement to ensure compliance with the terms of sale. This section is needed to ensure such properties remain available to persons and families of low or moderate income.

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

Caltrans relied upon the Bureau of State Audits, California State Auditor Report 2011-120, issued August 16, 2012, to quantify the economic impact of the proposed regulations on local government. Caltrans did not rely upon any other technical, theoretical, or empirical studies, reports or documents in proposing the adoption of these regulations.

ECONOMIC IMPACT ASSESSMENT/ANALYSIS (Government Code Section 11346.3(b))

The proposed regulations are intended to implement, interpret and make specific sections 54235 through 54238.7 of the Government Code which requires that certain properties owned by state agencies be disposed in a manner that will preserve, upgrade, and expand the supply of housing available to affected persons and families of low or moderate income. They set forth the procedures that will allow Caltrans to dispose of surplus residential properties originally acquired for the State Route 710 extension in the Cities of Los Angeles, South Pasadena and Pasadena.

Creation or Elimination of Jobs within the State of California

The regulations apply only to certain state-owned properties not small businesses and set forth procedures that will allow Caltrans to dispose of surplus residential properties. Therefore, no jobs in California will be created or eliminated.
Creation of New or Elimination of Existing Businesses Within the State of California

The regulations apply only to certain state-owned properties not small businesses and set forth procedures that will allow Caltrans to dispose of surplus residential properties. Therefore, no new businesses in California will be created or existing businesses eliminated.

Expansion of Existing Businesses Within the State of California

The regulations apply only to certain state-owned properties not small businesses and set forth procedures that will allow Caltrans to dispose of surplus residential properties. Therefore, no existing businesses in California will be expanded.

Benefits of the Regulations

The proposed regulations apply only to certain state-owned properties not small businesses and set forth procedures that will allow Caltrans to dispose of surplus residential properties. The regulations will benefit the health and welfare of California residents by expanding the supply of housing available to persons and families of low or moderate income. These regulations do not benefit worker safety and the state’s environment.

No jobs in California will be created or eliminated.

No new businesses in California will be created or existing businesses eliminated.

No existing businesses in California will be expanded.

EVIDENCE SUPPORTING INITIAL DETERMINATION OF NO SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT ON BUSINESS

The sale of surplus residential property under these proposed regulations is limited in scope to Caltrans-owned properties acquired for transportation projects on SR 710 in Los Angeles County.

The proposed regulations clarify and interpret California Government Code sections 54235 et seq. The proposed regulations will allow Caltrans to facilitate the need for affordable housing to affected persons and families of low or moderate income.

Accordingly, the proposed regulations have no economic impact on businesses within the state. The action is to administer a state program which provides affordable housing opportunities to Californians of low or moderate income. The regulations are being promulgated to set standards and criteria for establishing the Affordable Sales Program for excess properties currently owned by Caltrans, and do not regulate a commercial or private individual activity on any private business.
REASONABLE ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD LESSEN ANY ADVERSE IMPACT ON SMALL BUSINESSES

Caltrans has not identified any alternatives that would lessen any adverse impact on small businesses.

REASONABLE ALTERNATIVE TO THE REGULATIONS, AND THE AGENCY’S REASONS FOR REJECTING THOSE ALTERNATIVES

In accordance with Government Code section 11346.5, subdivision (a) (13), Caltrans must determine that no reasonable alternative that is considered or that has otherwise been identified and brought to the attention of Caltrans would be more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed action or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

Caltrans is prohibited by court order from selling properties without adopting regulations per the Administrative Procedures Act. Hence the proposed regulations are necessary to sell properties pursuant to the Robert Act.