

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

**~~§ 1475 Purpose and Scope~~**

- ~~(a) In 1979, the Legislature passed and the Governor did sign Senate Bill 86, subsequently amended, most recently by Senate Bill 416, and collectively known as the “Roberti Act,” which added Sections 54235 through 54238.7 to the Government Code (the Act) wherein the Legislature has found and declared that the sale of certain surplus residential properties by the Department of Transportation (the Department) would directly serve an important public purpose. The Legislature intended by passage of the Act to dispose of such surplus 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. The Legislature further intended the Act to mitigate the environmental effects, within the meaning of Article XIX of the California Constitution, caused by certain highway activities related to such surplus residential properties.~~
- ~~(b) This chapter sets forth the regulations used by the Department for the sale of surplus residential properties and nonresidential properties pursuant to the Act for State Route 710 (SR 710), in Los Angeles County. The regulations specified herein and the governing statutes are collectively known as the “Affordable Sales Program.”~~

~~NOTE: Authority cited: Govt. Code §§ 54235, 54237, 54238.3, 54238.4, Sts. & Hy. Code § 118.6. Reference cited: Cal. Const. Art. XIX; Govt. Code §§ 54235, 54238.3 & 54238.4.~~

**~~§1476 Definitions~~**

- ~~(a) “Affordable housing cost” shall be calculated in a manner consistent with the provisions of Health and Safety Code section 50052.5 as implemented by California Code of Regulations, Title 25, section 6924. For purposes of this chapter, “affordable housing cost” shall not exceed the following:~~
- ~~(1) With respect to lower income households, housing costs up to 25 percent of gross income;~~
  - ~~(2) With respect to moderate income households, housing costs up to 30 percent of gross income;~~

~~(3) With respect to households whose gross income is above low or moderate income but does not exceed 150 percent of the area median income, housing costs up to 30 percent of gross income.~~

- ~~(b) “Affordable price” means the maximum price at which the housing cost to be paid by the prospective buyer would not exceed the affordable housing costs for such buyers while applying the market interest rate over a fully amortized 30-year term. In the case of a buyer that is a lower income household, 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. The affordable price shall not be less than the price paid by the agency for original acquisition, unless the acquisition price was greater than the current fair market value, and shall not be greater than fair market value.~~
- ~~(c) “Affordable rent” means rent calculated in a manner consistent with the provisions of Government Code section 54236 (g) and California Code of Regulations, Title 25, section 6922.~~
- ~~(d) “Area median income” shall have the same definition as set forth in Health and Safety Code, section 50093.~~
- ~~(e) “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 California Health and Safety Code.~~
- ~~(f) “Conditional Offer Prior to Sale” means the manner in which all surplus residential property is offered for sale in accordance with this chapter.~~
- ~~(g) “Designated housing-related public entity” means a housing-related public entity designated by the legislative body of the city in which a surplus residential property is located. Such designation shall be made by the legislative body pursuant to resolution and sent to the Department within the time frames set forth in this chapter.~~
- ~~(h) “Date the offer of sale is made” means the date stated in the Conditional Offer Prior to Sale or publication, as applicable.~~
- ~~(i) “Decent, Safe, and Sanitary” means the condition of a replacement dwelling as defined and described in California Code of Regulations, Title 2, section 1872.~~
- ~~(j) “Department approved appraised fair market value” means the fair market value as determined by a licensed appraiser, and reviewed and accepted by the Department to be compliant with the Uniform Standards of Professional Appraisal Practice.~~

~~(k) “Displaced” means a condition when a person is subject to displacement pursuant to Government Code section 54236(e) or 54238.3(b).~~

~~(l) “Fair market value” means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale in accordance with Government Code section 54236(f), the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:~~

- ~~(1) The buyer and seller are typically motivated;~~
- ~~(2) Both parties are well informed or well advised, and each is acting in what they consider their best interest;~~
- ~~(3) A reasonable time is allowed for exposure in the open market;~~
- ~~(4) Payment is made in terms of cash in United States Dollars or in terms of a financial arrangement comparable thereto;~~
- ~~(5) The price represents the normal consideration for the property sold unaffected by special or creative financing, sales concessions, or the use and resale restrictions; and~~

~~For transfer from the Department, the date of value is the date the offer of sale is made by the selling agency.~~

~~(m) “Forced to relocate” means a condition when a displaced person has vacated the surplus residential property not later than ninety (90) days after transfer from the Department to a new owner pursuant to a legal written notice to vacate, excluding notices for cause.~~

~~(n) “Former tenants in good standing” means tenants who were current in rent obligations, in full compliance with the terms and conditions of the lease or rental agreement at the time of vacancy, and whose tenancy was not terminated for cause.~~

~~(o) “Good standing” means a condition when tenants or occupants who are current in rent obligations, and in full compliance with the terms and conditions of the lease or rental agreement as of the date the tenant or occupant responds to the Conditional Offer Prior to Sale and at time of transfer from the Department.~~

~~(p) “Historic home” means a residential surplus property identified by address in section 1478.2.~~

~~(q) “Housing cost” of a prospective buyer purchasing a surplus residential property shall be calculated in accordance with the provisions of California Code of Regulations, Title 25, section 6920.~~

~~(r) “Housing-related private entity” means any individual, joint venture, partnership, limited partnership, trust, corporation, cooperative, or other legal entity, or any combination thereof, approved by the Department as qualified to~~

~~either own, construct, acquire, or rehabilitate a housing development, or a residential structure other than an owner-occupied single unit whether for profit, non-profit, or limited profit.~~

~~(s) “**Housing-related public entity**” means any county, city, city and county, the duly constituted governing body of an Indian reservation or Rancheria, or housing authority organized pursuant to the Health and Safety Code, division 24, part 2, chapter 1, and also includes any state agency, public district or other political subdivision of the state, and any instrumentality thereof, which is authorized to engage in or assist in the development or operation of housing for persons or families of low or moderate income. Housing-related public entity also includes two or more housing-related public entities acting jointly.~~

~~(t) “**Limited equity cooperative housing**” means a corporation as defined in Civil Code section 817.~~

~~(u) “**Nonprofit private entity dedicated to rehabilitating and maintaining the historic home for public and community access and use**” means an entity that meets all of the following criteria:~~

~~(1) Is a private entity.~~

~~(2) Is recognized by the California Secretary of State as an active, nonprofit organization.~~

~~(3) Intends to purchase, rehabilitate, and maintain the historic home for public and community access and use.~~

~~(v) “**Minimum Property Standards**” means meeting the following minimum acceptable criteria for existing surplus residential properties.~~

~~(1) Real Estate Entity. The property must comprise a single readily marketable real estate entity.~~

~~(2) Party or Lot Line Wall. A building constructed on or to a property line must 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 must be adequate space between buildings to permit maintenance of the exterior walls.~~

~~(3) Service and Facilities.~~

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

~~(ii) Utilities must 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.~~

- ~~(iii) Other facilities must 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.~~

~~(4) Each living unit must contain the following:~~

- ~~(i) A continuing supply of safe and potable water.~~
- ~~(ii) Sanitary facilities and a safe method of sewage disposal.~~
- ~~(iii) 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 must have permanently installed conventional heating systems that maintain at least 50 degrees Fahrenheit in areas containing plumbing systems.~~
- ~~(iv) Domestic hot water.~~
- ~~(v) Electricity for lighting and for equipment used in the living unit.~~

~~(5) Access:~~

- ~~(i) Each property must be provided with a safe and adequate pedestrian or vehicular access from a public or private street.~~
- ~~(ii) All streets must have an all-weather surface.~~
- ~~(iii) Access to the living unit must be provided without passing through any other living unit.~~
- ~~(iv) Access to the rear yard must be 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.~~

~~(6) Defective Conditions. Defective construction, poor workmanship, evidence of continuing settlement, excessive dampness, leakage, decay, termites, or other conditions impairing the safety, sanitation or structural soundness of the defects or conditions have been remedied and the probability of further damage eliminated.~~

- ~~(7) Space Requirements. Each living unit must be provided with space necessary to assure suitable living, sleeping, cooking and dining accommodations and sanitary facilities.~~
- ~~(8) Mechanical systems must be safe to operate, be protected from destructive elements, have reasonable future utility, durability and economy, and have adequate capacity and quality.~~
- ~~(9) Ventilation. Natural ventilation of structural space such as attics and crawl spaces, must be provided to reduce the effect of conditions of excess heat and moisture which are conducive to decay and deterioration of the structure.~~
- ~~(10) Roof covering must 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 must be removed prior to re-roofing.~~
- ~~(11) Hazards. The property must be free of hazards which may adversely affect the health and safety of the occupants or the structural soundness of the improvements, or which may impair the customary use and enjoyment of the property by the occupants. The hazards can be subsidence, flood, erosion, defective lead base paint (24 CFR Part 35) or the like.~~
- ~~(12) Crawl Space~~
- ~~(i) Must be adequate access to the crawl space.~~
  - ~~(ii) The floor joists must be sufficiently above the highest level of the ground to provide access for maintenance and repair of ductwork and plumbing.~~
  - ~~(iii) The crawl space must be clear of all debris and properly vented.~~
  - ~~(iv) Any excessive dampness or ponding of water in the crawl space must be corrected.~~
- ~~(13) Drainage. The site must 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.~~
- (w) “Multifamily property”** means property that consists of two or more dwelling units.
- (x) “Nonresidential Property”** means property, whether improved or unimproved, that is used primarily for a nonresidential purpose that is fully compliant, properly permitted, and licensed under local ordinances and state licensing requirements as of the effective date of these regulations if applicable.
- (y) “Occupant”** notwithstanding any other provision of law, means a person or persons who lives in the surplus residential property as their principal place of

~~residence, is of majority age, and is listed on the lease or rental agreement prior to the date a prospective buyer responds to a Conditional Offer Prior to Sale.~~

~~(z) “Persons or families of low or moderate income” shall have the same meaning as set forth in Health and Safety Code section 50093.~~

~~(aa) “Principal place of residence” means the place where one actually lives for the greater part of time, or the place where one remains when not called elsewhere for some special or temporary purpose and to which one returns frequently and periodically, as from work or vacation. There may be only one principal place of residence for any individual. Evidence that a location is the individual's "principal place of residence" includes, but is not limited to, the following elements, a compilation of which lends greater credibility to the determination that a particular place is the principal place of residence, whereas the presence of only one element may not support such a determination:~~

~~(1) The subject premises are listed as the individual's place of residence on any motor vehicle registration, driver's license, voter registration, or with any other public agency, including federal, state and local taxing authorities.~~

~~(2) Utilities are billed to and paid by the individual at the subject premises.~~

~~(3) All of the individual's personal possessions have been moved into the subject premises.~~

~~(4) A homeowner's tax exemption for the individual has not been filed for a different property.~~

~~(5) The subject premises are the place the individual normally returns to as his/her home, exclusive of military service, hospitalization, vacation, family emergency, travel necessitated by employment or education, or other reasonable temporary periods of absence.~~

~~(bb) “Prospective buyer” means an occupant who lives in the surplus residential property as their principal place of residence for at least ninety (90) days prior to the date the property was declared surplus and who shall occupy the surplus residential property as their principal place of residence after transfer by the Department.~~

~~(cc) “Reasonable price” means the price which is best suited to the economically feasible use of the property as decent, safe, and sanitary housing at affordable rents and affordable prices established by the entity in accordance with section 1478(c).~~

~~(dd) “Surplus residential property” means land and structures owned by the Department determined to be excess pursuant to Streets and Highways Code section 118.6, and determined to be no longer necessary for the Department's use, and that are developed as single-family or multifamily housing, but does not include property being held by the Department for the purpose of exchange.~~

~~(ee) “Transfer” means any sale, assignment, or conveyance, voluntary or involuntary, of any interest in the property. Without limiting the generality of the foregoing, transfer shall include (i) a transfer by devise, inheritance or intestacy to a party who does not meet the definition of persons or families of low or moderate income, (ii) a lease or occupancy agreement of all or any portion of the property unless due to hardship or otherwise approved by the Department, (iii) creation of a life estate, (iv) creation of a joint tenancy interest, (v) execution of a land sale contract by which possession of the property is transferred to another party and title remain in the transferor, (vi) a gift of all or any portion of the property, or (vii) any voluntary conveyance of the property. Transfer shall not include conveyance by devise, inheritance, or intestacy to a spouse, a conveyance to a spouse pursuant to the right of survivorship under a joint tenancy, conveyance to a revocable trust, or a conveyance to a spouse in a dissolution proceeding, however, any subsequent conveyance shall be subject to the use and resale restrictions.~~

~~(ff) “Tenure” means the longest uninterrupted term of occupancy attributable to each prospective buyer.~~

~~(gg) “Use and resale restrictions” means any and all terms, conditions and restrictions recorded against the surplus residential property or otherwise made pursuant to this chapter and which shall be enforceable pursuant to the Act and this chapter.~~

~~NOTE: Authority cited: Govt. Code §§ 54235, 54236, 54237, 54237.5, 54238, 54238.3, 54238.4, Sts. & Hy. Code § 118.6. Reference cited: Govt. Code §§ 54236, 54237, 54238; Sts. & Hy. Code § 118.6; 24 C.F.R. § 5.100; Health & Saf. Code § 50076.5; 25 CFR 700.55; Health & Saf. Code §§ 34240, 50052.5, 50079.5, 50093 & 50900; Civ. Code § 817.~~

## **~~§1477 Conditional Offer Prior to Sale~~**

- ~~(a) In making offers to sell surplus residential property, the Department shall determine the order of priority and condition such offers as follows:~~
- ~~(1) All single-family residences presently occupied by their former owners shall be offered to those former owners at the Department approved appraised fair market value.~~
  - ~~(2) All single-family residences shall be offered at an affordable price or Department approved appraised fair market value at each prospective buyer's option to the occupants, on condition occupants: (i) have occupied the surplus residential property as their principal place of residence two years or more, (ii) are persons or families of low or moderate income, and~~



- ~~(iii) have not had an ownership interest in real property in the last three years as of the date notice is provided under section 1485(a).~~
- (3) ~~All single-family residences shall be offered at an affordable price or Department approved appraised fair market value at each prospective buyer's option to the occupants, on condition occupants: (i) have occupied the surplus residential property as their principal place of residence five years or more, (ii) have household gross income that is above moderate income but does not exceed 150 percent of the area median income adjusted for family size, and (iii) have not had an ownership interest in real property in the last three years as of the date notice is provided under section 1485(a).~~
- (4) ~~All other surplus residential properties and all properties described in paragraphs (1), (2), or (3) of this subparagraph (a) that are not purchased by the former owners or the occupants, shall then be offered at a reasonable price to and in the following order of priority: (i) if it is feasible, then the surplus residential property shall be offered to prospective housing-related private and public entities on condition that the purchasing entity cause the surplus residential property to be rehabilitated and developed as a limited equity cooperative housing cooperative or cooperatives in accordance with Civil Code section 817, with first right of occupancy to current tenants, (ii) if it is not feasible to sell the surplus residential property to prospective housing-related private or public entities on condition that the purchasing entity cause the surplus residential property to be rehabilitated and developed as a limited equity cooperative housing cooperative or cooperatives in accordance with Civil Code section 817, then the surplus residential property shall be offered to a housing-related public entity as designated by the legislative body of the city in which the surplus residential property is located (the "designated housing-related public entity"), with first right of occupancy to current tenants, (iii) to any housing-related private or public entity on condition the purchasing entity shall cause the surplus residential property to be used for low and moderate income rental or owner-occupied housing in accordance with this chapter, with first right of occupancy to the current tenants. Feasible, as used in this section, means the ability or capacity to form a cooperative or cooperatives based on a commercially reasonable market analysis paid for by the prospective housing-related private or public entity. Factors considered shall include, but not be limited to, the geographic location, number of units, tenant interest, available resources for continued operation, and availability of financing as determined by the Department.~~

- ~~(5) Any surplus residential properties not sold pursuant to subparagraphs (1) to (4), inclusive, shall then be sold at fair market value to and in the following order of priority: (i) to current tenants in good standing who intend to be owner occupants, (ii) to former tenants in good standing who intend to be owner occupants, with priority given to the most recent tenants first, (iii) pursuant to Streets and Highways Code section 118, with preference given to the highest responsive bidder who will be an owner occupant.~~
- ~~(b) All surplus residential properties offered to current tenants in good standing shall be made to all such current tenants shown on the existing lease or rental agreement for purchase in the entirety.~~
- ~~(c) All surplus residential properties offered to former tenants in good standing shall be made to all such former tenants in good standing shown on the most recent lease, rental agreement or other documentation reasonably approved by the Department for purchase in the entirety.~~
- ~~(d) The Department may solicit bids and proposals from housing-related private and public entities for such prospective sales described in this section.~~
- ~~(e) All nonresidential property shall be offered at fair market value to current tenants in good standing, then to any other buyer pursuant to Streets and Highways Code section 118.~~
- ~~(f) Purchase funds must come from sources other than the Department; the Department will not lend or otherwise finance purchases of the surplus property.~~
- ~~(g) All surplus residential and nonresidential properties sold are without warranty.~~

~~NOTE: Authority cited: Govt. Code §§ 54235, 54236, 54237, 54237.3, 54237.5, 54238.3, 54238.4, 54238.5, 54238.6, Sts. & Hy. Code § 118.6. Reference cited: Govt. Code §§ 54237 & 54237.3, Civ. Code § 817; Sts. & Hy. Code § 118.~~

#### **§1478 Conditions of Conditional Offer Prior to Sale**

- ~~(a) For all surplus residential property offered at fair market value, the following conditions shall apply:~~
- ~~(1) The sales price shall be determined by a Department approved appraisal of fair market value.~~
- ~~(b) For all single-family surplus residential property offered at an affordable price, the following conditions shall apply:~~
- ~~(1) The sales price shall be determined in an amount and under such terms that results in an affordable housing cost to the prospective buyer.~~
- ~~(2) The Department shall verify tenure, income, real property ownership interest, and household size for prospective buyers.~~

- ~~(3) Pursuant to subdivision (b) of section 54237 of the Government Code, the Department shall provide necessary repairs limited to the Minimum Property Standards and reasonable lender required repairs identified pursuant to a written inspection report prepared in accordance with Section 1996, Title 16, of the California Code of Regulations provided however the Department may offer a single family surplus residential property in an "as is" condition at the request of a prospective buyer given priority to purchase such surplus residential property at an affordable price.~~
- ~~(4) Notwithstanding the requirement to provide repairs in subdivision (b) of section 54237 of the Government Code, the Department may elect to offer a replacement dwelling in lieu of the property that would have otherwise been offered to a prospective buyer, pursuant to Government Code section 54237.5. In such event, the sales price for the replacement dwelling shall be determined under the same terms and conditions set forth in this section, including the recordation of the use and resale restrictions, and the surplus residential property shall then be sold at an affordable price.~~
- ~~(5) There shall be use and resale restrictions commencing from the date of transfer from the Department in accordance with Government Code section 54237(b). Such restrictions shall include, but are not limited to, a prohibition against renting the subject property, with the exception that a buyer purchasing at an affordable price may rent to persons or families of low or moderate income at an affordable rent, not to exceed buyer's affordable housing cost at the time of purchase if the buyer is forced to relocate temporarily because of hardship beyond the control of the buyer. A finding of hardship shall include, but is not limited to: loss of work, personal health problems or health problems of an immediate family member, or divorce. In no case shall rental of the property exceed a total of twelve (12) months measured over any consecutive sixty (60) month period for the time the property is considered affordable.~~
- ~~(6) Any transfer of the surplus residential property within the first year after transfer shall give rise to the presumption that the buyer did not intend to make the surplus residential property the individual's principal place of residence. In the event the buyer cannot overcome such presumption, then such transfer shall be deemed a default under the use and resale restrictions and the Department may take such action to enforce its rights including those under section 1488.~~
- ~~(7) In no event shall the affordable sales price be less than the original acquisition price paid by the Department.~~

~~(c) For all surplus residential properties offered at a reasonable price, the following priorities and conditions shall apply:~~

~~(1) If to housing-related private and public entities on condition that the purchasing entity shall cause the surplus residential property to be rehabilitated and developed as a limited equity cooperative housing cooperative or cooperatives in accordance with Civil Code section 817, then the sales price shall be the price which is best suited to the economically feasible use of the surplus residential property as decent, safe, and sanitary housing at affordable rents and affordable prices as established by the entity, in accordance with this chapter, for persons or families of low or moderate income, and households whose gross income exceeds the maximum income for moderate income households but does not exceed 150 percent of area median income adjusted for family size, with first right of occupancy to current tenants.~~

~~(2) If to a housing-related private or public entity other than as described in (c)(1), then the sales price shall be the price which is best suited to the economically feasible use of the property as decent, safe, and sanitary housing at affordable rents and affordable prices as established by the entity, in accordance with this chapter, for persons or families of low or moderate income and households whose gross income exceeds the maximum income for moderate income households but does not exceed 150 percent of the area median income adjusted for family size, on condition said entity shall first offer to sell the surplus residential property within the same time frames imposed by this chapter for sales made by the Department, at fair market value to present tenants in good standing who intend to be owner occupants. In the event such tenants elect not to purchase the surplus residential property within such time frames, the entity shall cause the surplus residential property to be used as decent, safe, and sanitary housing at affordable rents for persons or families of low or moderate income, and households whose gross income exceeds the maximum income for moderate income households but does not exceed 150 percent of the area median income adjusted for family size with first right of occupancy to present tenants at (i) affordable rents in accordance with this section or (ii) fair market rents in the event such tenants do not qualify at affordable rents.~~

~~(3) In order to ensure that the surplus residential property will remain available to persons or families of low or moderate income, and households whose gross income exceeds the maximum income for moderate income households but does not exceed 150 percent of area median income adjusted for family size there shall be use and resale~~

~~restrictions commencing from the date of transfer from the Department limiting occupancy to persons or families of low or moderate income, and households whose gross income exceeds the maximum income for moderate income households but does not exceed 150 percent of area median income adjusted for family size, and the subsequent sale of the surplus residential property in accordance with Government Code section 54237(d).~~

~~(4) Any transfer of the surplus residential property within the first year after transfer to a housing-related private or public entity shall give rise to the presumption that such entity did not intend to use the surplus residential property in accordance with either subsections (c) (1) or (c) (2) above. In the event such entity cannot overcome such presumption, then such transfer shall be deemed a default under the use and resale restrictions and the Department may take such action to enforce its rights including those under section 1488.~~

~~(5) In no event shall the reasonable sales price be less than the original acquisition price paid by the Department.~~

~~(d) Notwithstanding the restriction limiting occupancy and the subsequent sale of the surplus residential property in accordance with Government Code sections 54237(b) and (d), a buyer of surplus residential property may elect to resell the surplus residential property at fair market value during the term of the use and resale restrictions subject to the following:~~

~~(1) Upon subsequent sale, the seller shall pay the CalHFA, any net proceeds, which shall be equal to any net equity as defined in subdivision (d) (2) of this section, and the proportionate share of net appreciation, as defined in subdivision (d) (3) of this section; provided, however, in the event the seller is a private or public housing-related entity, such net proceeds shall be paid as follows:~~

~~(A) Any net equity as defined in subparagraph (2) shall be evenly divided and paid to the CalHFA and the entity.~~

~~(B) Any net appreciation as defined in subparagraph (3), shall be divided as set forth in subparagraph (4) and paid to the CalHFA and the entity.~~

~~(C) All net proceeds paid to housing-related entities shall be used to preserve, upgrade and expand the supply of affordable housing exclusively in the Pasadena, South Pasadena, Alhambra, La Canada Flintridge, and the 90032 ZIP code unless otherwise restricted to a particular city in accordance with state law. Housing-related private entities will be monitored at least annually to ensure compliance with this section.~~

- ~~(2) For purposes of this chapter, the net equity shall be equal to the Department approved appraised fair market value of the surplus residential property at the time of initial sale, minus the initial sale price to the buyer pursuant to Government Code section 54237. If upon resale, the appraised fair market value is lower than the Department approved appraised fair market value of the property without the use and resale restrictions, the value at the time of the resale shall be used as the Department approved appraised fair market value.~~
- ~~(3) For purposes of this chapter, "net appreciation" means the difference between the sales price upon resale and the sum of the following deductions:~~
- ~~(A) Any net equity as defined in subdivision (d) (2) of this section;~~
  - ~~(B) The remaining principal loan balance on all financing previously approved by the Department on the property;~~
  - ~~(C) All actual closing costs paid by the seller when the property is sold (i.e., escrow, title, broker's fee, real estate commissions);~~
  - ~~(D) The owner's down payment, if any; and~~
  - ~~(E) Any costs of improvements for which the Department determines, in its good faith discretion that such costs of improvements were reasonable and resulted in a higher fair market value of the property.~~
- ~~(4) For purposes of this chapter, the CalHFA's proportionate share of net appreciation shall be equal to one hundred percent (100%) through the end of the first year. Beginning in the second year, the CalHFA's proportionate share of net appreciation shall be reduced by twenty percent (20%) each year to zero percent (0%). At the completion of five (5) years, the CalHFA shall no longer be entitled to any net appreciation.~~
- ~~(5) The owner may refinance a loan on the surplus residential property provided that any net cash proceeds derived from such refinancing shall be limited to an amount equal to the current appreciation, if any, over and above the net equity to which the CalHFA is entitled under this subparagraph (d). Such proceeds shall be further divided between the owner and the CalHFA based upon the current proportionate share of net appreciation as set forth in subparagraph (d) (4).~~
- ~~(6) The provisions of this section shall be set forth in the use and resale restrictions and shall not be subject to subordination.~~
- ~~(e) Upon the occurrence of the earlier of the termination of the use and resale restrictions or resale at fair market value, the Department shall execute and record a full conveyance of its rights to the surplus residential property in the manner required pursuant to Civil Code section 2941.~~

~~NOTE: Authority cited: Govt. Code §§ 54235, 54236, 54237, 54238, 54238.3, 54238.4, Sts. & Hy. Code § 118.6. Reference cited: 24 C.F.R. § 200.926; Govt. Code §§ 54237 & 54237.3; Civ. Code §§ 817, 2941; Sts. & Hy. Code §§ 104.5 & 118.~~

#### **~~1478.1. Sales and Use of Historic Homes~~**

~~(a) If the residential surplus property is a historic home, it must be offered to a nonprofit private entity dedicated to rehabilitating and maintaining the historic home for public and community access and use at the same time and under the same conditions and restrictions as the entities identified in section 1477(a)(4)(iii).~~

~~(b) The provisions of this section shall be set forth in use and resale restrictions.~~

~~NOTE: Authority cited: Govt. Code §§ 54235, 54237, 54238.4, Sts. & Hy. Code § 118.6. Reference cited: Govt. Code § 54236, 54237,~~

#### **~~§1479 Notice of Conditional Offer Prior to Sale~~**

~~(a) The Department shall give written notice of the Conditional Offer Prior to Sale by certified mail, to each occupant, and to each former tenant at the last address known to the Department for single-family surplus residential properties pursuant to section 1477.~~

~~(b) All other offers required by section 1477 shall be made by publishing the notice in at least one newspaper of general circulation within the city or county in which the surplus residential property is located, pursuant to Government Code section 6061.3.~~

~~NOTE: Authority cited: Govt. Code §§ 54235, 54238.3, 54238.4, Sts. & Hy. Code § 118.6. Reference cited: Govt. Code §§ 6061.3, 54237.~~

#### **~~§1480 Term of Conditional Offer Prior to Sale~~**

~~(a) The Conditional Offer Prior to Sale delivered by certified mail shall remain open for one hundred twenty (120) calendar days from the postmarked date of mailing. The Conditional Offer Prior to Sale made pursuant to published notice shall remain open for one hundred twenty (120) calendar days from the final date of publication pursuant to Government Code section 6061.3.~~

~~NOTE: Authority cited: Govt. Code §§ 54235, 54237, 54238.3, 54238.4, 54238.5, 54238.6, Sts. & Hy. Code § 118.6. Reference cited: Govt. Code § 6061.3, 54237.~~

#### **~~§1481 Acceptance of Conditional Offer Prior to Sale~~**

- ~~(a) Acceptance of the Conditional Offer Prior to Sale must be made in writing to the Department, mailed by certified mail, (return receipt requested), to the address identified in the Conditional Offer Prior to Sale and postmarked no later than one hundred twenty (120) calendar days from the postmarked date of mailing of the notice of Conditional Offer Prior to Sale or the final date of publication, as applicable.~~

~~NOTE: Authority cited: Govt. Code §§ 54235, 54237, 54238.3, 54238.4, 54238.5, 54238.6, Sts. & Hy. Code § 118.6. Reference cited: Govt. Code § 54237.~~

### **~~§1482 Acceptance Must Include Evidence of Eligibility to Purchase; Burden on Prospective Buyer~~**

- ~~(a) — The burden is on the prospective buyer to show eligibility for purchase at an affordable price.~~

- ~~(b) Acceptance of the Conditional Offer Prior to Sale by the prospective buyer for purchase at an affordable price must include evidence of income, tenure, real property ownership interest, and household size.~~

- ~~(1) The prospective buyer shall provide documentation of household income. Income from all occupants 18 years of age or older as of the date of acceptance of Conditional Offer Prior to Sale shall be included as part of household income for the period of time stated in Government Code section 54237(a), paragraphs (2) and (3). Income documentation shall include federal income tax returns with schedules. Current tax year documentation must be sufficient to fully state household income as of the date of acceptance of the Conditional Offer Prior to Sale and shall include, but is not limited to: pay stubs; signed letters from employers; documents stating foreign income; profit and loss statements; bond and stock dividend statements; retirement, Survivors Disability Insurance, Social Security Retirement, and Social Security Disability Insurance benefits; pension and annuity income; unemployment compensation; education scholarships, awards, fellowship grants used for living expenses; gift income; alimony received and court awards; income from rental property, including room rental; and tips. Income documentation shall be provided for each and every occupant 18 years of age or older as of the date of acceptance of the Conditional Offer Prior to Sale. All documentation offered to show income is subject to verification by the Department.~~
- ~~(2) The prospective buyer shall provide documentation of tenure for the period of time stated in Government Code section 54237(a), paragraphs (2) and (3). Such documentation must be of sufficient reliability, in its~~



~~totality, to support a prospective buyer's claim of tenure. Such documentation may include, but is not limited to: rental or lease agreements; utility bills; school documents, medical documents, employment documents, faith-based documents that include the name and address of the issuing organization; federal and state tax returns; vehicle registrations; drivers licenses and identification cards; change of address confirmations by the United States Post Office; and federal government-issued documents. All documentation offered to show tenure is subject to verification by the Department.~~

~~(3) The prospective buyer shall execute a notarized affidavit attesting the buyer has not had an ownership interest in real property, in accordance with Government Code section 54237 (a), paragraph (4). No power of attorney may be used with this document. Prospective buyer's affidavit is subject to verification by the Department.~~

~~(4) The prospective buyers must execute a notarized affidavit attesting to their intent to reside in the surplus residential property, and must declare their intention to maintain it as their principal place of residence. No power of attorney may be used with this document. Prospective buyer's affidavit is subject to verification by the Department.~~

~~NOTE: Authority cited: Govt. Code §§ 54235, 54236, 54237, 54238, 54238.3, 54238.4, 54238.5, 54238.6, Sts. & Hy. Code § 118.6. Reference cited: Govt. Code § 54237.~~

### **~~§1483 Incomplete or Insufficient Documentation is Grounds for Denial~~**

~~(a) The Department shall notify a prospective buyer by certified mail if their initial response to the Conditional Offer Prior to Sale is incomplete or insufficient within thirty (30) calendar days from the date the Department receives the prospective buyer's initial response. The Department's failure to provide timely notification shall not constitute a determination that a response is complete or sufficient. Additional required documentation must be mailed, by certified mail, to the address identified in the Department's notice and postmarked no later than sixty (60) calendar days from the postmarked date of the Department's notice. Failure of the prospective buyer to respond satisfactorily as determined by the Department, or request an extension pursuant to section 1483(b), within the sixty (60) day time period, shall be deemed a rejection of the offer.~~

~~(b) The Department shall, upon receipt of a written request prior to expiration of the sixty (60) calendar day time period in this section, grant a forty (40) calendar day extension to provide evidence. The total time period to provide complete and~~

~~sufficient documentation shall not extend beyond two hundred fifty (250) calendar days from the postmarked mailing date of the Conditional Offer Prior to Sale.~~

~~NOTE: Authority cited: Govt. Code §§ 54235, 54236, 54237, 54238.3, 54238.4, 54238.5, 54238.6, Sts. & Hy. Code § 118.6. Reference cited: Govt. Code § 54237.~~

**~~§1484 Failure to Respond Within 120 Calendar Days of Mailing of Conditional Offer Prior to Sale Deemed Rejection.~~**

- ~~(a) Failure to respond to the Conditional Offer Prior to Sale or an initial response received after one hundred twenty (120) calendar days from the postmarked date of mailing of the Conditional Offer Prior to Sale or date of final publication, as applicable, shall be deemed a rejection of the offer.~~
- ~~(b) The Department shall notify occupants who do not respond in a timely manner to the Conditional Offer Prior to Sale of the rejection of the offer. Such notice shall be mailed first class mail within thirty (30) calendar days of the final day of the initial one hundred twenty (120) calendar day response period.~~

~~NOTE: Authority cited: Govt. Code §§ 54235, 54236, 54237, 54238.3, 54238.4, 54238.5, 54238.6, Sts. & Hy. Code § 118.6. Reference cited: Govt. Code § 54237.~~

**~~§1485 Determination of Eligibility and Qualifications; Prospective Buyers Ranked by Priority, Burden on the Prospective Buyer~~**

- ~~(a) The Department shall review the documentation supplied by, and determine the eligibility of, each respondent for a particular surplus residential property in accordance with section 1477 within sixty (60) calendar days of receipt of documentation. Documentation supplied shall be sufficient for the Department to determine eligibility to meet qualifications. Respondent shall be notified by the Department when supplied documentation is deemed complete.~~
- ~~(b) When two or more respondents have equal eligibility for a particular surplus residential property, each respondent's relative priority for purchasing the surplus residential property will be ranked according to the postmarked date of the acceptance of the Conditional Offer Prior to Sale. Notwithstanding the foregoing sentence, two or more respondents with equal eligibility for a particular surplus residential property offered to a housing-related private or public entity in accordance with section 1478 shall be ranked in a manner determined by the housing-related private or public entity.~~

~~NOTE: Authority cited: Govt. Code §§ 54235, 54236, 54237, 54238.3, 54238.4, 54238.5, 54238.6, Sts. & Hy. Code § 118.6. Reference cited: Govt. Code § 54237.~~

### **~~§1486 Contract for Sale~~**

- ~~(a) Upon determining the respondent with the highest priority to purchase, the Department shall send the respondent a contract for sale via certified mail. To accept the contract for sale, the respondent shall sign and return the contract for sale via certified mail (return receipt requested) within thirty (30) calendar days from the postmarked date of the Department's mailing of the contract for sale.~~
- ~~(b) Department shall pay the following closing costs:
  - ~~(1) For affordable price buyers, the Department shall pay customary and reasonable seller's closing costs and buyer's reasonable non-recurring closing costs.~~
  - ~~(2) For reasonable price buyers and fair market value buyers, the Department shall pay customary and reasonable seller's closing costs. A buyer will be responsible for customary and reasonable buyer's closing costs.~~~~
- ~~(c) The Department shall reimburse a prospective affordable price buyer up to a maximum of \$3,000, at time of closing, in the event the buyer chooses to retain an agent to facilitate and advise on the purchase transaction. Such agent must be properly licensed by the California Bureau of Real Estate or The State Bar of California.~~
- ~~(d) Contracts for sale under this chapter are subject to approval by the California Transportation Commission (CTC).~~

~~NOTE: Authority cited: Govt. Code §§ 54235, 54236, 54237, 54238.3, 54238.4, 54238.5, 54238.6, Sts. & Hy. Code § 118.6. Reference cited: Govt. Code § 54237.~~

### **~~§1487 Upon Acceptance, Buyer has 120 Days to Close Escrow~~**

- ~~(a) Upon execution of a contract for sale, the buyer has one hundred twenty (120) calendar days to close escrow. The Department shall, upon receipt of written request prior to expiration of the one hundred twenty (120) calendar day term in this section, grant a thirty (30) calendar day extension to close escrow.~~

~~NOTE: Authority cited: Govt. Code §§ 54235, 54237, 54238.3, 54238.4, 54238.5, 54238.6, Sts. & Hy. Code § 118.6. Reference cited: Govt. Code § 54237.~~

### **~~§1488 Duty of Buyer Upon Noncompliance~~**

~~(a) Pursuant to Government Code section 54238, in the event a buyer of surplus residential property does not comply with use and resale restrictions imposed pursuant to this chapter, the Department shall require that the buyer pay the Department the difference between the actual price paid by the buyer for the surplus residential property and the fair market value of such property, at the time of the Department's determination of noncompliance, plus 6 percent interest on such amount for the period of time the surplus residential property has been held by the buyer. Such interest shall be compounded annually.~~

~~NOTE: Authority cited: Govt. Code §§ 54235, 54236, 54237, 54238, 54238.3, 54238.4, Sts. & Hy. Code § 118.6. Reference cited: Govt. Code § 54238.~~

### **§1489 Monitoring**

~~(a) All surplus residential properties sold at below the Department approved appraised fair market value shall be monitored at least annually for the duration of the use and resale restrictions to ensure compliance with the provisions therein.~~

~~NOTE: Authority cited: Govt. Code §§ 54235, 54236, 54237, 54238, 54238.3, 54238.4, 54238.6, Sts. & Hy. Code § 118.6. Reference cited: Govt. Code §§ 54237 & 54238.~~

### **§1490 Lender Limitation**

~~(a) Except as otherwise provided in the regulations or the Act, no lender shall have or anticipate an interest in or stand to gain financially from the surplus residential property other than that of a mortgage lender.~~

~~NOTE: Authority cited: Govt. Code §§ 54235, 54237, 54238.4, Sts. & Hy. Code § 118.6. Reference cited: Govt. Code §§ 54235, 54237, 54238.4.~~

### **§1491 Financing**

~~(a) The California Housing Finance Agency is the State's affordable housing lender, with expertise in developing and administering real estate lending programs and products benefiting persons of low and moderate income. CalHFA is authorized to enter into contracts to administer housing and real estate lending programs for the benefit of other agencies of the State of California. The Department may enter into any agreements or arrangements with CalHFA or other private, local,~~

~~or state agencies to repair, sell, and monitor surplus residential properties or to otherwise implement the activities of the Act.~~

~~(b) In the event CalHFA elects pursuant to adoption by its board of directors to purchase loans or otherwise provide financing to present occupants pursuant to paragraphs (2) or (3) of subdivision (a) of Government Code section 54237 to effectuate such sales by the Department and in accordance with Health and Safety Code section 50093, then the following shall apply:~~

~~(1) All proceeds to which the CalHFA is entitled pursuant to section 1478(d) from subsequent sales of all surplus residential property, or pursuant to a transfer, foreclosure, insurance claim or condemnation, related to such property, shall be paid on condition that CalHFA establish a designated account (the "Affordable Housing Trust Account") for such proceeds to be used as follows:~~

~~(A) To carry out any activity authorized under CalHFA's implementing statutes for the benefit of persons or families of low and moderate income residing exclusively in the Pasadena, South Pasadena, Alhambra, La Canada Flintridge, and the 90032 postal ZIP code, including any arrangement for the financing of multifamily developments or the purchase of loans made to effectuate the purpose of the Act.~~

~~(B) Reasonable fees and costs incurred by CalHFA derived from the origination, purchase, or servicing of any loan under the Affordable Sales Program.~~

~~(C) All costs, including outside legal fees, associated with enforcement of the use and resale restrictions.~~

~~(2) The use and resale restrictions shall provide that in the event of any transfer, then any outstanding loan balance, penalties, fees, interests and costs associated with collecting on such amounts owed to CalHFA shall be paid to CalHFA prior to the determination of any net proceeds due to the CalHFA.~~

~~(3) The use and resale restrictions may be enforceable by CalHFA.~~

~~NOTE: Authority cited: Govt. Code §§ 54235, 54237, 54237.7, 54238, Sts. & Hy. Code § 118.6. Reference cited: Govt. Code §§ 54237, 54237.7, 54238.~~

### **§ 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.

Note: Authority Cited: Section 54237, Government Code.

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

## **§ 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(c)(4).

(3) "Affordable Price" is defined in § 1481(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 January 1, 2020 version of 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.

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54236, 54237 & 54239.1, Government Code; Section 3517, Civil



Code.

### **§ 1477. Priorities of Sale**

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

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

Note: Authority Cited: Section 54237, Government Code.

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

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

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

(1) Single Family Residences to Occupants who are former owners of the Single-Family Residence at Fair Market Value. This is Priority 0 and is governed by § 1480.

(2) Single Family Residences to the Occupants at either an Affordable Price or Fair Market Value. This is Priority 1 and is governed by §§ 1481.1 through 1481.4.

(3) Single Family Residences to the Occupants at either an Affordable Price or Fair Market Value. This is Priority 2 and is governed by § 1482.

(4) Surplus Residential Properties to the Tenant at Fair Market Value if they have used the Property as their Principal Place of Residence continuously for the five years prior to the postmarked date on the letter sent pursuant to § 1478(a)(1). This is Priority 6 and is governed by § 1486.

(5) SB 580 properties to nonprofit private entities dedicated to rehabilitating and maintaining the historic home for public and community access and use. This is Priority 4 and is governed by §§ 1484 through 1484.2.

(6) Surplus Residential Properties to a Housing-Related Private Entity at a Reasonable Price. This is Priority 5 and is governed by §§ 1485 through 1485.1.

(7) Surplus Residential Properties to the Tenant at Fair Market Value. This is Priority 6 and is governed by § 1486.

(8) Surplus Residential Properties to a former Tenant at Fair Market Value. This is Priority 7 and is governed by § 1487.

(9) Surplus Residential Properties to any buyer pursuant to Streets and Highways Code § 118. This is Priority 8 and is governed by § 1488.

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

order:

(1) To current Tenants at Fair Market Value. This is Priority 9 and is governed by § 1489.

(2) To a Housing-Related Private Entity at a Reasonable Price if the property is unimproved. This is Priority 5 and is governed by §§ 1485 through 1485.1.

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

Note: Authority Cited: Section 54237, Government Code.

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

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

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

(1) 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.

(2) Single Family Residences to the Occupants at either an Affordable Price or Fair Market Value. This is Priority 1 and is governed by §§ 1481.1 through 1481.4.

(3) Single Family Residences to the Occupants at either an Affordable Price or Fair Market Value. This is Priority 2 and is governed by § 1482.

(4) Surplus Residential Properties to a Housing-Related Public Entity at a Reasonable Price. This is Priority 3 and is governed by §§ 1483 through 1483.1.

(5) SB 580 properties to nonprofit private entities dedicated to rehabilitating and maintaining the historic home for public and community access and use. This is Priority 4 and is governed by §§ 1484 through 1484.2.

(6) Surplus Residential Properties to a Housing-Related Private Entity at a Reasonable Price. This is Priority 5 and is governed by §§ 1485 through 1485.1.

(7) Surplus Residential Properties to the Tenant at Fair Market Value. This is Priority 6 and is governed by § 1486.

(8) Surplus Residential Properties to a former Tenant at Fair Market Value. This is Priority 7 and is governed by § 1487.

(9) Surplus Residential Properties to any buyer pursuant to Streets and Highways Code § 118. This is Priority 8 and is governed by § 1488.

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

(1) To current Tenants at Fair Market Value. This is Priority 9 and is governed by § 1489.

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

Note: Authority Cited: Section 54237, Government Code.

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

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

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

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54237, 54237.3 & 54239.1, Government Code

#### **§ 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).

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54236 & 54237, Government Code.

### **§ 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

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54237, Government Code.

### **§ 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 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.** 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 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 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 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-day deadline by more than 60 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) As decided by the Department's District 7 Director based on the totality of the circumstances.

(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 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-e), shall occur concurrently with the processes described in §§ 1481(c-e) and 1482 (b).

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54236 & 54237, Government Code.

#### **§ 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 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 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 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-day deadline by more than 60 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 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 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.

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54236, 54237 & 54237.3, Government Code; Article XVI section 6, California Constitution.

**§ 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.

Note: Authority Cited: Section 54237, Government Code.

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

**§ 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).

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54235, 54236, 54237, & 54237.7, Government Code; Article XIX, California Constitution.

### **§ 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.

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54236 & 54237, Government Code.

#### **§ 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.

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54235, 54236, 54237 & 54237.5, Government Code.

### **§ 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).

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54236, 54237 & 54237.3, Government Code.



### **§ 1483. Priority 3: Housing-Related Public Entities**

**(a) Offer at Priority 3.** When Priority 3 is specified as the next priority by § 1477.2, 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.

**(b) HREs.** The Housing-Related Public Entities who may purchase at Priority 3 are the City of 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 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, then the Department will first offer the property to the City of Pasadena. If the City of Pasadena does not purchase the property, it will then be offered to the County of Los Angeles.**

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

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

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

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54236 & 54237, Government Code.

### **§ 1483.1. Priority 3: Use Restrictions**

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

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

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

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

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

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

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

Note: Authority Cited: Section 54237, Government Code.

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

### **§ 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
- (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-days written notice of the time and place. Failure to participate may be viewed negatively in bid evaluations.

(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 may provide the bidding nonprofit entities additional time to supplement their bids for that property. The Department may also disclose the deficiencies to the nonprofit entities. At the Department's sole discretion, in cases of no acceptable bid, the Department may 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 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.

Note: Authority Cited: Section 54237, Government Code.

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

**§ 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

(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).

Note: Authority Cited: Section 54237, Government Code.

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

#### **§ 1478.2 List of Historic Homes 1484.2. Priority 4: List of SB 580 Properties**

(a) For purposes of this chapter, the following surplus residential properties are historic homes: **List of SB 580 Properties.** For the 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

Note: Authority Cited: Sections 54235, 54237 and 54238.4, Government Code; and  
Section 118.6, Streets and Highways Code.  
Reference: Section 54237, Government Code.

#### **§ 1485. Priority 5**

**(a) Offer at Priority 5.** When Priority 5 is specified as the next priority by § 1477.1 or 1477.2, 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-days written notice of the time and place. Failure to participate may be viewed negatively in bid evaluations.

(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 may provide the bidding entities additional time to supplement their bids for that property. The Department may also disclose the deficiencies to the entities. At the Department's sole discretion, in cases of no acceptable bid, the Department may 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 days of the date the Department sends the contract.

(1) The Department will send the contracts no sooner than 10 calendar days after it sends the email announcing winning bids described in (h).

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

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

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

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

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

(1) The sales contract is void.

(2) The Department will award the property to the Housing-Related Private Entity with the next highest ranked bid and send a sales contract pursuant to (j).

(3) If there is no next highest ranked bid, then the property will proceed to Priority 6.

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

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54236 & 54237, Government Code.

#### **§ 1485.1. Priority 5: Use Restrictions**

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

(1) restricting the use of the property; and

(2) restricting rental of the property; and

(3) restricting transfers of the property; and

(4) restricting refinancing of the property; and

(5) specifying distribution of proceeds from a subsequent sale; and

(6) monitoring and enforcement provisions.

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

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

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

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

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

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

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

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

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

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

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

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

(A) The Department has provided written approval of the sale; and

(B) The sales price is the same price paid to the Department for the Priority 5 purchase, without any adjustment; and

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

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

(A) The applicable time described in (b)(1) or (b)(2) has expired; and

(B) All profits from the sale 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 such a cooperative is not feasible.

Note: Authority Cited: Section 54237, Government Code.

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

## **§ 1486. Priority 6: Sales to Current Tenants**

**(a) Offer at Priority 6.** When Priority 6 is specified as the next priority by §§ 1477.1 or 1477.2, 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 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), 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.** 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 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.

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

Note: Authority Cited: Section 54237, Government Code.

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

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

(a) **Offer at Priority 7.** When Priority 7 is specified as the next priority by §§ 1477.1 or 1477.2, 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 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.** 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 days of the date the Department sends the contract.

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

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

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

(1) The sales contract is void.

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

(3) If there is no other eligible former Tenant, then the property will proceed to Priority 8.

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

Note: Authority Cited: Section 54237, Government Code.

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

### **§ 1488. Priority 8: Auction**

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

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

(1) has not purchased a property pursuant to this chapter;

(2) signs an affidavit attesting to their desire to be an owner occupant of the property;

(3) submits the highest sealed bid; and

(4) exceeds 75% of the Department’s appraised value for the property or the Minimum Sales Price, whichever is higher.

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

(1) submits the highest sealed bid; and

(2) exceeds 75% of the Department’s appraised value for the property or the Minimum Sales Price, whichever is higher.

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

Note: Authority Cited: Section 54237, Government Code.

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

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

(a) **Offer.** When Priority 9 is specified as the next priority by §§ 1477.1 or 1477.2, as applicable, then all Surplus Nonresidential Properties not already sold shall be offered



to current Tenants at Fair Market Value.

(b) **Eligibility Criteria.** 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.** 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 days of the date the Department sends the contract.

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

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

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

(1) The sales contract is void.

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

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

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

Note: Authority Cited: Section 54237, Government Code.

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

### **§ 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 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.

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54236, 54237 & 54238.3, Government Code; Article XVI section 6, California Constitution.

### **§ 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).

Note: Authority Cited: Section 54237, Government Code.

Reference: Sections 54237.7(b), Government Code.

### **§ 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).

Note: Authority Cited: Section 54237, Government Code.

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