"Frequently Asked Questions on SR 710 Home Sales"

http://www.dot.ca.gov/dist07/business/710sales

The response from the community was extensive, and Caltrans has spent much time considering and how best to address the concerns raised. In these new proposed regulations that are being published for public comment, provisions are included to help current tenants become homeowners, while still achieving the goal of keeping affordable housing options available in the community. Three pertinent changes that we want to bring to your attention are:

- Rather than a 30-year Director Deed restriction, a different mechanism is proposed in order to expand opportunities for affordable buyers to gain equity.
- Current tenants who are not eligible to be affordable buyers under this program now would have the opportunity to purchase from a housing-related organization where applicable, rather than potentially not having an option to purchase at all.
- Current tenants who choose not to purchase may have more opportunities to remain in their residences.

I. General Information

Q1. Does Caltrans have a website for information, notices, regulations, statutes and more information on homes for sale?	We have a website to provide much more information on the process and timelines at: [http://www.dot.ca.gov/dist07/business/710sales].
Q2. Will the information be provided in other languages?	The information will be provided in English and Spanish on our website.

II. Regulation Process

Q1. Who will draft the sales regulations?	Caltrans Headquarters in Sacramento will draft the regulations with the assistance of our Legal Division. The Department of Housing and Community Development provided recommendations for standards and criteria for prices, terms, conditions and restrictions for residential properties offered at less than fair market value.
Q2. How will the public's input be used in drafting the sales regulations?	Public participation is key to the regulatory process. Caltrans originally proposed regulations related to Government Code Sections 54235 through 54238.7 known as the Roberti Act on May 30, 2014. After a thorough review of comments received from the public, as well as recommendations from the Department of Housing and Community Development and the California Housing Finance Agency, the May 30, 2014 proposed regulations have been withdrawn and resubmitted with significant changes that reflect the input received through the public process.

	The proposed regulations were made available for public comment, including a set of public hearings hosted by Caltrans in April 2015, for a period of at least 45 days. Comments regarding the proposed regulations were received, considered and incorporated, as appropriate, into the draft revised regulations. Caltrans published draft revised regulations for public review and comment on July 1, 2015. The draft revised regulations can be found at http://www.dot.ca.gov/regulations.htm. The draft revised regulations will be made available for public comment for a period of 45 days.
Q3. How long will it take to draft and finalize the regulations?	Caltrans published draft revised regulations for public review and comment on July 1, 2015. The draft revised regulations can be found at http://www.dot.ca.gov/regulations.htm. Public comments will be considered and incorporated, as applicable, into the final regulations and submitted for approval to the state Office of Administrative Law. Caltrans is targeting fall 2015 for the adoption of the final regulations.

III. Property Sales

Q1. How many properties will Caltrans sell?	Caltrans currently holds deeds to 460 properties related to the SR-710 project in the Pasadena, South Pasadena, and the El Sereno area of the City of Los Angeles. Of these properties, we will first sell the ones that will be declared excess [http://www.dot.ca.gov/dist07/business/710sales].
Q2. Will an environmental document be needed for the home sales?	Yes. The sale of any state owned property, including the 710 properties, require that the state comply with (1) the California Environmental Quality Act (CEQA), which is concerned with ensuring that there is no significant adverse change to the environment, and (2) Public Resources Code section 5024 [link to PCR section 5024], which is concerned with ensuring that there is no adverse effect to any historic properties. Caltrans will comply with CEQA while managing sales of properties as expeditiously as possible.
Q3. What steps does Caltrans need to take for the properties to be designated	Once the properties are identified as no longer necessary for the SR-710 project, they will be

as excess properties?	declared excess pursuant to Street and Highways Code section 118 [link to Sts. & Hy. Code section 118.].
Q4. Is Caltrans committed to selling the properties as quickly as possible?	Yes. The sale of properties is planned in three phases: Phase 1: Properties that are not within the scope of the remaining project alternatives. Phase 1A: Properties are single family residences that Caltrans has determined are non-historic and would not result in any community impact. Phase 1B: Properties are all other residential properties that are not within the scope of the remaining project alternatives. Phase 2: Properties that are within the scope of the remaining project alternatives but still can be sold. Phase 3: Properties declared excess after the completion of the approved preferred project alternative in the project environmental document. Caltrans identified Phase 1 properties in summer 2014. [http://www.dot.ca.gov/dist07/business/710sales]. Selling the properties will require that Caltrans: • Draft and adopt regulations in accordance with the Administrative Procedures Act. • Declare the properties as excess. • Comply with the California Environmental Quality Act (CEQA), which is concerned with ensuring that there is no significant adverse change to the environment. For Phase 1A Properties: A negative declaration was completed in January 2015. For Phase 1B Properties: An environmental impact report is being prepared and is planned to be completed in 2015. For Phase 2 and Phase 3 Properties: An environmental impact report is being prepared

	and is planned to be completed in 2015. • Comply with Public Resources Code section 5024 [link to PCR section 5024], which is concerned with ensuring that there is no adverse affect to any historic properties.
Q5. Who will be offered residential properties first?	Caltrans will offer the residential properties according to Government Code section 54237 [link to Govt. Code section 54237] and the final Affordable Sales Program regulations. The priorities are listed below: 1. All single-family residences presently occupied by their former owners who are tenants in good standing shall be offered to those former owners at the **appraised fair market value**. 2. All single-family residences shall be offered at an **affordable price (with resale restrictions) or fair market value (in "as is" condition)** at each buyers' option to the present occupants who are in good standing, who have occupied the property as their principal place of residence two years or more, and who are persons and families of low or moderate income if the present occupants have not had an ownership interest in real property in the last three years. 3. All single-family residences shall be offered at an **affordable price (with resale restrictions) or fair market value (in "as is" condition)** at each buyers' option to the present occupants who are in good standing, who have occupied the property as their principal place of residence five years or more, and whose household income does not exceed 150 percent of the area median income if the present occupants have not had an ownership interest in real property in the last three years. 4. All other surplus residential properties (including multi-family residences) and all properties described in points 1, 2, or 3 above that are not purchased by the former owners or the present occupants shall then be offered at a **reasonable price with resale restrictions** in the following order of priority: If feasible to prospective housing-related private and public entities on condition that the

	purchasing entity rehabilitates and develops the surplus residential property as a limited equity cooperative housing cooperative or cooperatives in accordance with Civil Code section 817 [link to Civil Code section 817] with first right of occupancy to current tenants; **or** If not feasible, the surplus residential property shall **first** 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, **and then** to any housing-related private or public entity on condition the purchasing entity shall causes the surplus residential property to be used for low and moderate income rental or owner-occupied housing with first right of occupancy to the current tenants. The housing-related entities must, in the priorities listed below, offer to: 4a. Sell the property concurrently to the current tenant in good standing at market value through **a double escrow sale** (see Q.7 below). 4b. If the current tenant in good standing chooses not to purchase, then housing-related entities must offer to rent to the tenant. 4c. If the tenant chooses not to rent, then the housing-related entity may rent to other prospective renters. An illustration of these priorities can be found at the following link: [link to Roberti Priority of Potential Buyers]. Note: All properties sold at less than market value will have limitations on net appreciation.
Q6. How will the remaining residential properties be sold?	Caltrans will sell the remaining residential properties according to Government Code section 54237 [link to

	Govt. Code section 54237] and the proposed Affordable Sales Program regulations. The priorities are: 5. To present tenants, in good standing, at **appraised fair market value**. 6. To eligible former tenants, who were in good standing, at **appraised fair market value**. 7. Single family residences not sold under points 1 through 6 above will be offered pursuant to Streets and Highways Code section 118.6 [link to Sts. & Hy. Code Section 118.6], with first preference given to the highest responsive bidder who will be owner occupants. An illustration of these priorities can be found at the following link: [link to Roberti Priority of Potential Buyers].
Q7. What is a double escrow sale?	Double escrow sales involve two contracts of sale for the same property, to two different back-to-back buyers, at the same or two different prices, **arranged to close on the same day**. At close of escrow, all participants, lenders, sellers, buyers and brokers are informed of all parties involved and all monies that change hands. The housing related entity would purchase the property from the State and on the same day that escrow closes on that sale, the tenant would then purchase the property from the housing related entity. The escrow on the first sale (from the state to the housing related entity) will need to close before the escrow for the second sale (from the housing related entity to the tenant). Both escrows must close on the same day
Q8. If I do not purchase the property from the housing related entity on the same day that escrow closes, will I be able to purchase that property from the housing related entity at a later date?	The housing related entity can offer that property for sale at a later date, however the offer will not be made exclusively to the tenant.
Q9. Why is there a double escrow sale?	A double escrow sales allows a current tenant in good standing who does not qualify under points 1, 2 or 3 above to purchase the property they are living in.

Q10. If the property is resold by a current or former tenant, how will net appreciation be limited?	Limitations on net appreciation on property resold by a current or former tenant apply **only** to properties purchased at an affordable price and resold at market value. Note that, net appreciation means the difference between sales price upon resale and the sum of the following deductions: net equity (where net equity means the Department approved appraised fair market value of the surplus residential property at the time of transfer from the Department less the affordable price); the remaining principal loan balance on all purchase financing previously approved by the Department on the property; all closing costs paid by the affordable price buyer upon resale of the surplus residential property (i.e., escrow, title, broker's fee, real estate commissions); the affordable price buyer of surplus residential property's down payment, if any; and any costs of improvements approved by the Department. The proportionate share of net appreciation that the owner receives is increased by 20% after each year of ownership. At the end of 5 years, the owner will receive 100% of net appreciation. This is shown below: For property sold at fair market value **before** the first year full year of occupancy: Owner will receive 0% of the net appreciation. For property sold at fair market value **after** the first full year of occupancy: Owner will receive 20% of the net appreciation. For property sold at fair market value after the second full year of occupancy: Owner will receive 40% of the net appreciation. For property sold at fair market value after the third full year of occupancy: Owner will receive 60% of the net appreciation. For property sold at fair market value after the fourth full year of occupancy: Owner will receive 80% of the net appreciation. For property sold at fair market value anytime after the fifth full year of occupancy: Owner will receive 100% of the net appreciation.

	Note: If after the first full year of occupancy the market value of the property is lower than the initial appraised value of the property, the value at the time of resale will be used as the initial appraised value.
Q11. If the property is resold by a housing-related entity, how will resale proceeds be limited?	The public or private housing-related entity will receive (1) 50% of the net equity and (2) the proportionate share of the net appreciation as described below. These funds are to be used by the entities to preserve, upgrade and expand the supply of housing available to persons and families of low or moderate income. The remainder of the net equity and the net appreciation will go, subject to CalHFA approval, into the Affordable Housing Trust Account (AHTA) in the CalHFA. These funds will be used to meet the housing needs of persons and families of low and moderate income in the Pasadena, South Pasadena, Alhambra, La Canada Flintridge, and 90032 postal ZIP code, unless otherwise restricted to a particular city in accordance with state law. The proportionate share of net appreciation that the entity receives is increased by 20% after each year of ownership. At the end of 5 years, the entity will receive 100% of net appreciation. This is shown below: For property sold at fair market value **before** the first year full year of ownership: Entity will receive 0% of the net appreciation. For property sold at fair market value **after** the first full year of ownership: Entity will receive 20% of the net appreciation. For property sold at fair market value after the second full year of ownership: Entity will receive 40% of the net appreciation. For property sold at fair market value after the third full year of ownership: Entity will receive 60% of the net appreciation. For property sold at fair market value after the fourth full year of ownership: Entity will receive 80% of the net appreciation. For property sold at fair market value anytime after the fifth full year of ownership:

	Entity will receive 100% of the net appreciation. Note: If after the first full year of occupancy the market value of the property at resale is lower than the initial appraised value of the property, then the value at the time of resale will be used as the initial appraised value.
Q12. For properties purchased at an affordable price and resold at market value, where will the remainder of the net equity and appreciation go?	The remainder of the net equity and appreciation will go, subject to the approval of the CalHFA, into the Affordable Housing Trust Account in the CalHFA. These funds will be used to meet the housing needs of persons and families of low and moderate income in Pasadena, South Pasadena, Alhambra, La Canada Flintridge, and 90032 postal ZIP code, unless otherwise restricted to a particular city in accordance with state law.
Q13. For properties purchased at an affordable price by a current or former tenant in good standing, can the owner refinance a loan on the property?	According to the draft revised regulations, the owner may refinance a loan on the property with prior written approval by the Department. All net cash proceeds derived from the refinancing would be limited to an amount equal to the current appreciation, if any, over and above the net equity that the Department is entitled to (see Q9 above). All net cash proceeds would be divided, based upon the current proportionate share of net appreciation as discussed in Q9 above, between the owner and, subject to CAlHFA approval, the Affordable Housing Trust Account in the CalHFA. Note that the refinanced loan would not be in a higher position than the use and resale restriction. It would be subordinate to the use and resale restriction.
Q14. Why was the 30 year Director Deed restriction deleted from the proposed Affordable Sales Program regulations?	This restriction was removed due to public input, in particular concerns about the lack of opportunities for affordable buyers to gain equity.
Q15. I live in a Caltrans rental house. Am I a tenant or an occupant?	For the purposes of the sale of properties, pursuant to Government Code section 54237 [link to Govt. Code section 54237], an occupant is a tenant of record whose name appears on a signed Caltrans lease or rental agreement for the property and who lives in the property as their primary place of residence.
Q16. The statute (Government Code Section 54237) gives priority to tenants	Current tenants or occupants are considered "in good standing" if they are current in their rent obligations

or former tenants "in good standing." If I am a current or former tenant, how do I know if I'm in good standing?	and in full compliance with the terms and conditions of their lease or rental agreement as of the date the tenant or occupant is required to respond to the Conditional Offer Prior to Sale and at time of close of escrow. Former tenants are considered "in good standing" if they were current in rent obligations and in full compliance with the terms and conditions of their lease or rental agreement at the time of vacancy, and their tenancy was not terminated for cause.
Q17. When will the **fair market value** of the properties be available? For persons and families eligible to purchase at an affordable price, when will the **affordable price** of the property be determined? When will the **reasonable price** for the properties offered to housing related public and private entities be determined?	Appraisals of the properties will begin after the properties have been declared excess. **Fair market value** will be determined from the appraisals. The **affordable price** will be determined based on the income levels outlined in the proposed Affordable Sales Program regulations. The **reasonable price** will be determined based on the proposed Affordable Sales Program regulations.
Q18. How does the "as is" condition affect the price of the property? Will the "as is" condition reduce the affordable price? Can the "as is" price be less than the affordable price?	The existing "as is" condition of the property takes into account any repairs required to make the property safe and habitable. The cost of these repairs is reflected in the appraised fair market value for these property sales pursuant to Government Code section 54236(f) [link to Govt. Code section 54236]. No, the "as is" condition will not reduce the affordable price. The affordable price, determined pursuant to California Code of Regulations Title 25 section 6924 et seq. [link to CCR Title 25 section 6924 et seq], is based on household income. The affordable price will not be greater than the fair market value and is not related to, nor will it be reduced to reflect, the "as is" condition of the property. Yes, the "as is" price could be less than the affordable price if the appraised fair market value is less than the affordable price, which is based on household income as determined pursuant to California Code of Regulations Title 25 section 6924 et seq. [link to CCR Title 25 section 6924 et seq].

Q19. How will vacant lots (unimproved property) and commercial properties be sold?	Caltrans will offer commercial property and unimproved property that have a current tenant in good standing, that rents, leases, or otherwise legally occupies, at fair market value according to Government Code section 54237 [link to Govt. Code section 54237]. Commercial property and unimproved property not sold to current tenant will be offered pursuant to Streets and Highways Code section 118.6 [link to Sts. & Hy. Code Section 118.6]; which allows properties to be offered by auction, sealed or continuous bid to the public, or by sale or exchange to public agencies.
Q20. What residences can be purchased by housing entities?	Housing entities will have priority to purchase the multi-family residential properties and single-family residential properties that were not sold to either the former owners, or to present occupants who qualified to purchase at affordable prices according to Government Code section 54237 [link to Govt. Code section 54237].
Q21. What is the use and resale restriction in the proposed regulations? Does the restriction in the proposed regulations apply to homes purchased at fair market value?	The draft revised regulations include use and resale restrictions for homes purchased at less than fair market value. The property must be rented at affordable rental rates or sold at affordable prices to persons and families of low and moderate income. For limitations on net equity, see Q9. above. No, the use and resale restriction in the proposed regulations does not apply to homes purchased at fair market value.
Q22. Will monitoring for compliance of Director's Deed terms, conditions and restrictions be required for homes sold at less than fair market value?	Yes, properties sold at less than fair market value will have Director's Deed terms, conditions and restrictions. The state will be monitoring these properties to ensure that the owners maintain compliance with these Director's Deed terms, conditions and restrictions. These terms, conditions and restrictions are currently being developed based on Department of Housing and Community Development recommendations.

IV. Homebuyer Assistance and Financing

Q1. Will Caltrans offer any assistance to prospective buyers?	Caltrans is working with other agencies to assist prospective buyers in navigating the purchasing process, but Caltrans is not a residential lender and will not be providing financial assistance.

Q2. Will tenants who have low credit scores, or who filed bankruptcy, be able to purchase?	Prospective buyers should work with lenders to assess their creditworthiness and determine if they will be able to obtain financing for a purchase.
Q3. How will my income level be determined?	Caltrans will use the Health and Safety Code 50093 [link to Health and Safety Code 50093] that defines the income limits for low and moderate income households. For the Affordable Sales Program, low and moderate households also includes households whose income does not exceed 150% of the median income per county. Area median income per county and specific income limits are found at: http://www.hcd.ca.gov/housing-policy-development/housing-resource-center/reports/state/inc2k15.pdf
Q4. Can an outside partner assist in purchasing a residential property at an affordable price?	Prospective buyers can use a co-mortgagor or co-signer to assist in qualifying for financing or purchasing a residential property. All mortgagors (including co-mortgagors) will be required to meet all of the CalHFA eligibility requirements and must qualify under the priority at which the property will be purchased. For more information, please see: www.calhfa.ca.gov/homeownership/bulletins/manual.pdf
Q5. How will Caltrans determine household income for affordable sales qualification purposes when household income fluctuates?	Caltrans will determine household income for residential property sales at the affordable price based on the current household income for the 12 months prior to the time of the offer to purchase.
Q6. Will Caltrans provide financing to current and former tenants who wish to purchase properties at an affordable price?	No. Due to the participation of CalHFA, Caltrans will not be offering financing.
Q7. Will current and former tenants who wish to purchase properties at an affordable price be able to obtain financing?	Yes. The draft revised regulations provide that if a prospective buyer can meet certain yet to be developed but favorable underwriting criteria, then, subject to Board approval, CalHFA will purchase home loans from more than one lender.

V. SR 710 Project

Q1. When will the preferred alternative be selected?	This is dependent on when the Final Environmental Document is signed and approved. The draft environmental document evaluating the five alternatives was released March 6, 2015. The public will have 120 days to review and provide fact-based comments. A preferred alternative will be identified in the final environmental document in 2016.
Q2. Who will select the final alternative?	Caltrans is the Lead Agency for the SR-710 Environmental Impact Report (EIR)/Environmental Impact Study (EIS). Caltrans has been assigned the National Environmental Policy Act authority by the Federal Highway Administration. The preferred alternative will depend on the Final Environmental Document and the review process conducted jointly by Metro and Caltrans. The District Director of Caltrans District 7 will make the final decision on the selection of the preferred alternative.

VI. Property Management and Tenant Assistance

Q1. Who at Caltrans will manage the Rehabilitation Fund created by SB416 to pay for repairs required by lenders and government housing assistance programs?	The state will manage the Rehabilitation Fund.
Q2. What happens if I don't purchase the home I'm renting? Do I have to move?	Caltrans will provide notice to the tenant that the property has been sold. The tenant will then need to contact the new homeowner in regards to moving or renting the property. If the property is purchased by a housing-related entity, the tenant has the first right of occupancy. Government Code section 54238.3 [link to Govt. Code section 54238.3] provides for limited relocation assistance benefits for current tenants who have been tenants for at least 90 days prior to when the property was declared surplus and who cannot afford to purchase the home and have to move because the home is sold to another party and move not later than 90 days after transfer from the Department to new

If I decide to stay and the home is purchased by a housing-related entity, what will the rent be?	owner. Rent will be based on the household income of the current tenant.
Q3. What type of assistance will be given to tenants to move?	Caltrans will provide relocation advisory assistance and will provide up to $5,250 as a replacement housing payment that can be used to supplement rent at a new residence or be applied as a down payment on the purchase of replacement housing and actual and reasonable moving expenses.
Q4. If my residence is sold, when will my lease be terminated?	All leases will be terminated upon sale of property.
Q5. What happens to the rental deposit if a tenant purchases a residential property?	The rental deposit, less any deductions determined at the termination of the rental agreement, will be returned to the tenant.