

# Agenda Report

September 16, 2024

**TO:** Honorable Mayor and City Council

**FROM:** Department of Housing

**SUBJECT: APPROVE PURCHASE AND SALE AGREEMENTS WITH THE STATE OF CALIFORNIA, DEPARTMENT OF TRANSPORTATION FOR THE CITY'S ACQUISITION OF SEVENTEEN (17) PROPERTIES LOCATED IN THE STATE ROUTE 710 RIGHT-OF-WAY IN PASADENA**

## **RECOMMENDATION:**

It is recommended that the City Council:

- 1) Find that the action proposed herein is exempt from the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines per Section 15061 (b) (3), (Common Sense Exemption); and
- 2) Authorize the City Manager, or his designee, to execute purchase and sale agreements, Covenants, Conditions, and Restrictions, and any amendments thereto, between the State of California, Department of Transportation and the City of Pasadena for the purchase of seventeen (17) real properties in the City of Pasadena for an amount not to exceed \$976,140 plus closing costs.

## **BACKGROUND:**

### **SB 959**

In the 1950s, 1960s, and 1970s, the State of California, Department of Transportation ("CalTrans") acquired four hundred sixty (460) properties in Pasadena, South Pasadena, and El Sereno for the construction of the State Route 710 (SR-710) North Project, which would have connected the northern stub of the SR-710 with the 210 Freeway. The SR-710 North project was officially terminated with CalTrans' 2018 certification of the final environmental impact report on the freeway and subsequent related legislation in 2019.

The Roberti Act (Senate Bill 86) was enacted in 1979 for the purpose of preserving, maintaining, and expanding the supply of affordable housing to affected persons and families of low- or moderate-income.

The Roberti Act sets forth the priorities and procedures for the sale of state-owned surplus residential properties located within the SR 710 corridor in Los Angeles County. The Act requires CalTrans to sell surplus properties in a specific order of priority and restricts the use of sales proceeds, primarily for affordable housing and transportation projects.

Senate Bill 959 (Portantino, 2022), which was signed into law in September 2022, amends the Roberti Act and provides the City with purchase priority for CalTrans' owned vacant surplus properties along the 710 corridor that are located within City borders. SB 959 enables the City to purchase these vacant surplus properties at the original price that CalTrans acquired them for, provided that the net proceeds from the subsequent sale of the properties are used for the acquisition or construction of affordable housing. The City is required to finance the acquisition or production of affordable housing units at a three-to-one (3-to-1) ratio for each house sold.

#### Notice of Solicitation

On July 6, 2023, CalTrans transmitted a Notice of Solicitation to the City. This Notice of Solicitation contained seventeen (17) property addresses (listed in Attachment A), along with the original acquisition prices, which average at \$57,420. The City indicated its interest in purchasing all seventeen (17) properties in a response dated July 25, 2023.

A draft purchase and sale agreement and a review copy of the Covenants, Conditions, and Restrictions ("CC&Rs") were provided to the City for review in January 2024. After several rounds of comments between the City's counsel and CalTrans' attorneys, CalTrans finalized the purchase and sale agreements and CC&Rs for transmittal to the City. Fourteen (14) of the purchase and sale agreements were sent to the City on August 14, 2024; CalTrans indicated that the remaining three (3) will be sent in the next few weeks.

#### Key Terms – Purchase and Sale Agreements

The purchase and sale agreements between CalTrans and the City contain the following key terms:

- 1) **Purchase Price:** The City and CalTrans agree that the City's purchase price for each property is CalTrans' original acquisition price.
- 2) **Timeframes; Key Milestones:** The purchase and sale agreements contain the following timeframes: 1) execution within sixty (60) days of transmittal by CalTrans, 2) a sixty (60) day due diligence period, beginning immediately after execution by both parties, and 3) close of escrow within 120 days, unless an extension is requested by the City in writing, in which case, close of escrow can be extended by another thirty (30) days.
- 3) **Approval by the California Transportation Commission:** Approval by the California Transportation Commission is a condition of each closing.

- 4) **As-Is Condition:** Properties will be sold in as-is condition. The City is required to notify CalTrans about any due diligence or inspection findings that would cause the City to terminate the purchase and sale agreement(s); CalTrans has the right to cure, to the City's satisfaction, before the City terminates the agreement. The City has the right to unilaterally terminate the purchase and sale agreement(s) should the property become illegally occupied at any time prior to close of escrow.

### Key Terms -CC&Rs

The CC&Rs between CalTrans and the City include the following key terms:

- 1) **Use of the Property:** The City shall resell each property within two (2) years of the close of escrow that transfers title from CalTrans to the City. Up to two (2) one-year extensions may be granted as necessary, provided the City can demonstrate sufficient progress on the sale(s).
- 2) **Affordable Housing:** If the City does not resell any of the properties within the required period (including any extension(s) granted), the City shall cause that property to be used as affordable housing, either as an affordable rental unit for low- and moderate-income households or as an owner-occupied unit for low- or moderate-income households.
- 3) **Use of Proceeds:** The City shall use the proceeds from the resale of each property to finance the production or acquisition of at least three (3) affordable housing units per each one (1) property sold. Each housing unit financed with sales proceeds must be located within a high or highest resource census tract as identified by the California Tax Credit Allocation Committee. Any properties sold to a housing-related entity are subject to prevailing wage requirements, as are any affordable units acquired or developed with sales proceeds.
- 4) **Timeline for Production and Acquisition:** City shall commence construction or complete acquisition of all housing units funded with sales proceeds no later than December 31, 2026. Two (2) two-year extensions may be granted as necessary, provided the City can demonstrate sufficient progress on the acquisition or development of the required housing units.
- 5) **Use of Surplus Funds:** Any surplus funds remaining after the completion of construction or acquisition of the housing units required to be provided shall be used at the City's discretion for the production or creation of additional affordable housing.

### City Disposition of Properties

The City's disposition of the properties acquired from CalTrans will be in accordance with Council action on December 11, 2023, which authorized the City Manager to enter into professional service contracts, along with all related documents and amendments, with three listing brokers (William Podley with Compass, Michael Slaughter with Mutual Realty Consultants, and Michael with Sotheby's International Realty) to provide broker

listing services for up to five (5) properties each. A total of thirteen (13) properties are proposed to be marketed and sold by these brokers to market buyers.

In addition, the Department has identified four (4) smaller, non-historic properties as potential affordable homeownership opportunities. Staff will return to City Council once escrow has been opened and the City's due diligence conducted with its recommendation to sell these properties to a non-profit developer for rehab and subsequent sale as affordable homeownership. Such a recommendation would also include the key business terms of any proposed funding for the proposed affordable homeownership properties; proposed funding may include sales proceeds from the other CalTrans properties.

All properties are proposed to be sold in "as-is" condition. Many of the properties are in poor condition after many years of vacancy. It's anticipated that buyers will be required to execute a performance deed of trust in the form of an addendum to their purchase and sales agreement to ensure that the properties are maintained, brought up to code, and occupied within a reasonable period of time.

**COUNCIL POLICY CONSIDERATION:**

The proposed action is consistent with the City's General Plan – Housing Element and the Five-Year Consolidated Plan. It also supports and promotes the quality of life and the local economy – a goal of the City Council's Strategic Plan.

**ENVIRONMENTAL ANALYSIS:**

The actions proposed herein are exempt from the California Environmental Quality Act (CEQA), pursuant to State CEQA Guidelines Section 15061 (b)(3), the "common sense" exemption that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Such is the case with the proposed action to execute sale and purchase agreements with CalTrans.

**FISCAL IMPACT:**

The cost of this acquisition will be \$976,410, plus closing costs. The funds recommended to be used for the proposed contracts are included in Other Housing Fund (Fund 238) of the Department's Fiscal Year 2025 Operating Budget. It is anticipated that all costs will be expended in Fiscal Year 2025. The recommended actions will have no direct fiscal impact to the General Fund.

Respectfully submitted,



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**WILLIAM K. HUANG**  
Director of Housing

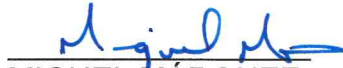
Prepared by:



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**Caroline Lockwood Nelson**  
Program Coordinator

Approved by:



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**MIGUEL MÁRQUEZ**  
City Manager

Attachments:

- Attachment A: Addresses and Prices
- Attachment B: Form of Purchase and Sale Agreement
- Attachment C: Form of Covenants, Conditions, & Restrictions