

AMENDED IN SENATE APRIL 17, 2013

SENATE BILL

No. 416

Introduced by Senator Liu

February 20, 2013

An act to amend Sections 54236, ~~54237, and 54237.5~~ *of and 54237 of, and to add Sections 54237.3 and 54237.7 to, the Government Code, relating to ~~local government surplus residential property, and making an appropriation therefor.~~ surplus residential property, and making an appropriation therefor.*

LEGISLATIVE COUNSEL'S DIGEST

SB 416, as amended, Liu. ~~Local government surplus residential property.~~ *Surplus residential property.*

Existing law declares the intent of the Legislature to preserve, upgrade, and expand the supply of housing to persons and families of low or moderate income, through the sale of surplus residential property owned by public agencies. Existing law establishes priorities and procedures that any ~~local public~~ *state* agency disposing of surplus residential property is required to follow, and defines relevant terms for these purposes, including "fair market value."

This bill would revise the definition of "fair market value" for purposes of the sale of surplus residential property, to reflect the existing "as is" condition of the property, taking into account any needed repairs.

Existing law requires single-family residences to be first offered to their present occupants, at an affordable price, as defined. Under existing law, the selling agency has the option of making repairs to the property required by lenders or government assistance programs, or providing the occupants with a replacement dwelling, pursuant to a specified provision of law.

~~This bill instead would give the selling agency general authority to offer a replacement dwelling, and would delete the option of making repairs to the premises.~~

This bill would revise the procedures applicable to the sale of surplus residential properties not otherwise sold pursuant to existing procedures, to be offered to current and former tenants in good standing, respectively, and to purchasers who will be owner occupants. The bill additionally would require the selling agency to offer tenants in good standing of nonresidential properties to be offered the right of first refusal given priority to purchase the property they occupy. *The bill would authorize the Department of Transportation to offer a residence or property in an “as is” condition, at the request of a person with priority to purchase the residence or property in accordance with existing law.*

This bill would require proceeds from sales of surplus residential property to be placed in the SR-710 Rehabilitation Account, created by the bill, and would continuously appropriate these funds for the purpose of providing specified repairs to the properties until the last of the properties is repaired, at which time the funds would be transferred to the State Highway Account, as specified.

Vote: ~~majority~~ 70%. Appropriation: ~~no~~ yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 54236 of the Government Code is
 2 amended to read:
 3 54236. (a) As used in this article, the term “offer” means to
 4 solicit proposals prior to sale in a manner calculated to achieve a
 5 sale under the conditions specified, and to hold the offer open for
 6 a reasonable period of time, which shall be no more than one year,
 7 unless the time is extended by the selling agency at its discretion,
 8 for a period to be specified by the selling agency.
 9 (b) As used in this article, the term “affordable price” means,
 10 in the case of a purchaser, other than a lower income household,
 11 the price for residential property for which the purchaser’s monthly
 12 payments will not exceed that portion of the purchasing
 13 household’s adjusted income as determined in accordance with
 14 the regulations of the United States Department of Housing and
 15 Urban Development, issued pursuant to Section 235 of the National

1 Housing Act; and, in the case of a purchaser that is a lower income
2 household, the price for residential property for which the
3 purchaser's monthly payments will not exceed that portion of the
4 purchasing household's adjusted income as determined in
5 accordance with the regulations of the United States Department
6 of Housing and Urban Development issued pursuant to Section 8
7 of the United States Housing Act of 1937.

8 (c) As used in this article, the term "single-family residence"
9 means a real property improvement used, or intended to be used,
10 as a dwelling unit for one family.

11 (d) As used in this article, the term "surplus residential property"
12 means land and structures owned by any agency of the state that
13 is determined to be no longer necessary for the agency's use, and
14 that is developed as single-family or multifamily housing, except
15 property being held by the agency for the purpose of exchange.

16 Surplus residential properties shall only include land and
17 structures that, at the time of purchase by the state, the state had
18 intended to remove the residences thereon and to use the land for
19 state purposes.

20 (e) As used in this article, the term "displacement" includes,
21 but is not limited to, persons who will have to move from surplus
22 residential property that they occupy when it is sold by a state
23 agency because they are unable to afford to pay the price that the
24 state agency is asking for the residential property.

25 (f) As used in this article, the term "fair market value" shall
26 mean fair market value as of the date the offer of sale is made by
27 the selling agency pursuant to the provisions of this article; and
28 shall reflect the existing "as is" condition of the property, taking
29 into account any repairs required to make the property safe and
30 habitable. This definition shall not apply to terms of sale that are
31 described as mitigation measures in an environmental study
32 prepared pursuant to the Public Resources Code if the study was
33 initiated before this measure was enacted.

34 (g) As used in this article, the term "affordable rent" means, in
35 the case of an occupant person or family, other than a person or
36 family of low or moderate income, rent for residential property
37 that is not more than 25 percent of the occupant household's gross
38 monthly income, and in the case of an occupant person or family
39 of low or moderate income, rent for residential property that is not
40 more than the percentage of the adjusted income of the occupant

1 person or family as permitted under regulations of the United States
2 Department of Housing and Urban Development issued pursuant
3 to Section 8 of the United States Housing Act of 1937, but not in
4 excess of the market rental value for comparable property.

5 (h) As used in this article, the term “area median income” means
6 median household income, adjusted for family size as determined
7 in accordance with the regulations of the United States Department
8 of Housing and Urban Development issued pursuant to Section
9 235 of the National Housing Act, as amended (~~PL~~ *Public Law*
10 90-448), for the ~~Standard Metropolitan Statistical Area (S.M.S.A.)~~
11 *standard metropolitan statistical area (SMSA)*, in which surplus
12 residential property to be disposed of pursuant to this article is
13 located, or the county in which the property is located, if it is
14 outside an ~~S.M.S.A~~ *SMSA*.

15 (i) As used in this article, the term “persons and families of low
16 or moderate income” means persons and families who meet both
17 of the following conditions:

18 (1) Meet the definition of persons and families of low or
19 moderate income set forth in Section 50093 of the Health and
20 Safety Code.

21 (2) Have not had an ownership interest in real property in the
22 last three years.

23 (j) As used in this article, the term “lower income households”
24 means lower income households as defined in Section 50079.5 of
25 the Health and Safety Code.

26 SEC. 2. Section 54237 of the Government Code is amended
27 to read:

28 54237. (a) Notwithstanding Section 11011.1, any agency of
29 the state disposing of surplus residential property shall do so in
30 accordance with the following priorities and procedures:

31 (1) First, all single-family residences presently occupied by
32 their former owners shall be offered to those former owners at the
33 appraised fair market value.

34 (2) Second, all single-family residences shall be offered,
35 pursuant to this article, to their present occupants who have
36 occupied the property two years or more and who are persons and
37 families of low or moderate income.

38 (3) Third, all single-family residences shall be offered, pursuant
39 to this article, to their present occupants who have occupied the

1 property five years or more and whose household income does not
2 exceed 150 percent of the area median income.

3 (4) Fourth, a single-family residence shall not be offered,
4 pursuant to this article, to present occupants who are not the former
5 owners of the property if the present occupants have had an
6 ownership interest in real property in the last three years.

7 (b) Single-family residences offered to their present occupants
8 pursuant to paragraphs (2) and (3) of subdivision (a) shall be
9 offered to those present occupants at an affordable price, which
10 price shall not be less than the price paid by the agency for original
11 acquisition, unless the acquisition price was greater than the current
12 fair market value, and shall not be greater than fair market value.
13 When single-family residences are offered to present occupants
14 at a price that is less than fair market value, the selling agency
15 shall impose terms, conditions, and restrictions to ~~assure~~ ensure
16 that the housing will remain available to persons and families of
17 low or moderate income and households with incomes no greater
18 than the incomes of the present occupants in proportion to the area
19 median income. The Department of Housing and Community
20 Development shall provide to the selling agency recommendations
21 of standards and criteria for these prices, terms, conditions, and
22 restrictions. *The selling agency shall provide repairs required by*
23 *lenders and government housing assistance programs, or, at the*
24 *option of the agency, provide the present occupants with a*
25 *replacement dwelling pursuant to Section 54237.5.*

26 (c) If single-family residences are offered to their present
27 occupants pursuant to paragraphs (2) and (3) of subdivision (a),
28 the occupants shall certify their income and assets to the selling
29 agency. When single-family residences are offered to present
30 occupants at a price that is less than fair market value, the selling
31 agency may verify the certifications, in accordance with procedures
32 utilized for verification of incomes of purchasers and occupants
33 of housing financed by the California Housing Finance Agency
34 and with regulations adopted for the verification of assets by the
35 United States Department of Housing and Urban Development.
36 The income and asset limitations and term of residency
37 requirements of paragraphs (2) and (3) of subdivision (a) shall not
38 apply to sales that are described as mitigation measures in an
39 environmental study prepared pursuant to the Public Resources
40 Code, if the study was initiated before this measure was enacted.

1 (d) All other surplus residential properties and all properties
2 described in paragraphs (1), (2), and (3) of subdivision (a) that are
3 not purchased by the former owners or the present occupants shall
4 be then offered to housing-related private and public entities at a
5 reasonable price, which is best suited to economically feasible use
6 of the property as decent, safe, and sanitary housing at affordable
7 rents and affordable prices for persons and families of low or
8 moderate income, on the condition that the purchasing entity shall
9 cause the property to be rehabilitated and developed as limited
10 equity cooperative housing with first right of occupancy to present
11 occupants, except that where the development of cooperative or
12 cooperatives is not feasible, the purchasing agency shall cause the
13 property to be used for low and moderate income rental or
14 owner-occupied housing, with first right of occupancy to the
15 present tenants. The price of the property in no case shall be less
16 than the price paid by the agency for original acquisition unless
17 the acquisition price was greater than current fair market value
18 and shall not be greater than fair market value. Subject to the
19 foregoing, it shall be set at the level necessary to provide housing
20 at affordable rents and affordable prices for present tenants and
21 persons and families of low or moderate income. When residential
22 property is offered at a price that is less than fair market value, the
23 selling agency shall impose terms, conditions, and restrictions as
24 ~~will assure~~ *ensure* that the housing will remain available to persons
25 and families of low or moderate income. The Department of
26 Housing and Community Development shall provide to the selling
27 agency recommendations of standards and criteria for prices, terms,
28 conditions, and restrictions.

29 (e) Any surplus residential properties not sold pursuant to
30 subdivisions (a) to (d), inclusive, shall then be sold at fair market
31 value, with priority given first to purchasers who are present tenants
32 in good standing with all rent obligations current and paid in full,
33 second to former tenants who were in good standing at the time
34 they vacated the premises, and then to purchasers who will be
35 owner occupants.

36 (f) Tenants in good standing of nonresidential properties shall
37 ~~be offered a right of first refusal~~ *given priority* to purchase, at fair
38 market value, the property they rent, lease, or otherwise legally
39 occupy.

1 SEC. 3.— Section 54237.5 of the Government Code is amended to
2 read:

3 54237.5.— The selling agency may, at its option, offer the
4 present occupants a replacement dwelling if both of the following
5 conditions exist:

6 (a) ~~The replacement dwelling is determined to have all of the~~
7 ~~following characteristics:~~

8 (1) ~~Is decent, safe, and sanitary.~~

9 (2) ~~Is suitable to the occupancy needs of the household as~~
10 ~~provided under regulations of the United States Department of~~
11 ~~Housing and Urban Development issued pursuant to Section 8 of~~
12 ~~the United States Housing Act of 1937.~~

13 (3) ~~Is open to all persons regardless of race, color, religion, sex,~~
14 ~~or national origin and consistent with requirements of Title 8 of~~
15 ~~the Civil Rights Act of 1978.~~

16 (4) ~~Is in an area not generally less desirable than the dwelling~~
17 ~~to be acquired in regard to public utilities and public and~~
18 ~~commercial facilities.~~

19 (5) ~~Is reasonably accessible to the displaced person's place of~~
20 ~~employment.~~

21 (6) ~~Is in an equal or better neighborhood.~~

22 (7) ~~Is affordable, as defined in subdivision (a) of Section 54236,~~
23 ~~to the displaced person.~~

24 (b) ~~The offer is made at an affordable price that is not less than~~
25 ~~the price paid by the agency for original acquisition of the unit~~
26 ~~now occupied by the displaced person or the replacement unit,~~
27 ~~whichever is less, and is not more than market value.~~

28 (e) ~~The replacement dwelling is a newly constructed or a vacant~~
29 ~~residential unit. No resident shall be displaced pursuant to Section~~
30 ~~7260 for the purpose of creating a replacement unit.~~

31 SEC. 3. Section 54237.3 is added to the Government Code, to
32 read:

33 54237.3. Notwithstanding the requirement to provide repairs
34 in subdivision (b) of Section 54237, the Department of
35 Transportation, at the request of a person given priority to
36 purchase pursuant to paragraphs (2) and (3) of subdivision (a) of
37 Section 54237, may offer the residence or property in an "as is"
38 condition.

39 SEC. 4. Section 54237.7 is added to the Government Code, to
40 read:

1 54237.7. *The Department of Transportation shall deposit*
2 *proceeds from sales pursuant to this article into the SR 710*
3 *Rehabilitation Account, which is hereby created. Notwithstanding*
4 *Section 13340, funds in the account are hereby continuously*
5 *appropriated to the department without regard to fiscal years for*
6 *the purpose of providing repairs required pursuant to subdivision*
7 *(b) of Section 54237, until the date upon which the last of the*
8 *properties is repaired, at which time the remaining funds shall be*
9 *transferred to the State Highway Account in the State*
10 *Transportation Fund.*

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