

State Route 710 Sales Program Proposed Modified Text

The below proposed regulations were modified to implement Assembly Bill (AB)1038 (Fong/Portantino, 2024). AB 1038 is an urgency bill that became effective upon signing by Governor Newsom in September 2024 and amends the sales process for unoccupied properties in the City of South Pasadena.

Proposed modified text is shown in double underline and deleted text is shown in double strikethrough.

KEY: New text = double underline
 Deleted text = ~~double strikethrough~~

§ 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 § 1481.2(c)(4).

(3) “Affordable Price” is defined in § 1481.2(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 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 Private Entity" is defined in § 1485.

(11) "Housing-Related Public Entity is defined in § 1483(b).

(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) "Net Appreciation" is the difference between the subsequent Fair Market Value sales price and the Fair Market Value at Time of Purchase minus 20% of the difference for each full calendar year of ownership with nothing owed after five years of ownership. Net Appreciation is due and payable to CalHFA upon resale of the property pursuant to § 1481.1(c).

(16) "Net Equity" is the difference between the Fair Market Value at Time of Purchase and the Affordable Price paid for a Surplus Residential Property. Net Equity is due and payable to CalHFA upon resale of the property pursuant to § 1481.1(c), upon the Net Equity Maturity Date, or when the Surplus Residential Property ceases to be owner-occupied.

(17) "Net Equity Maturity Date" is the date that is 45 years from the close of escrow date for Surplus Residential Properties sold at Affordable Prices under this chapter.

(18) "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).

(19) “Persons and Families of Low or Moderate Income” has the meaning set forth in Health and Safety Code § 50093.

(20) “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.

(21) “Priority X”, where “X” is a number 0 to 9, is specified in §§ 1477.1, 1477.2 and 1477.3.

(22) “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.

(23) “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.

(24) “Surplus Nonresidential Properties” means real property including land and structures owned by the Department that are not Surplus Residential Property.

(25) “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.

(26) “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).

(27) “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, 54239.4, and 54239.5 and 54239.6, 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. The priorities for sale of properties in the City of South Pasadena are provided in § 1477.3.

(b) **Order of Priorities.** Properties offered for sale under this chapter shall be offered in the sequential order specified in §§ 1477.1, 1477.2, or 1477.3, as applicable. Properties cannot return to a completed priority, unless specified in §§ 1477.1, 1477.2, or 1477.3.

Note: Authority Cited: Section 54237, 54237.10, 54239.4, and 54239.5 and 54239.6, Government Code.

Reference: Sections 54237, 54237.3, 54239.1, 54239.4, and 54239.5 and 54239.6, 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) 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. This is Priority 6 and is governed by § 1486.

(5) Unoccupied Surplus Residential Properties to the City of Pasadena at the Minimum Sales Price. This is Priority 3 and is governed by §§ 1483 through 1483.1.

(6) 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.

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

(8) 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.

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

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

(11) 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 the City of Pasadena at the Minimum Sales Price ~~a Housing-Related Public Entity at a Reasonable Price~~ if the property is unimproved. This is Priority 3 and is governed by §§ 1483 through 1483.1.

(3) 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.

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

Note: Authority Cited: Section 54237, 54237.10, 54239.4 and 54239.5, Government Code.

Reference: Sections 54237, 54237.3, 54239.1, 54239.4 and 54239.5, Government Code.

§ 1477.3. Priority of Sale for Properties in the City of South Pasadena.

(a) Surplus Residential Properties. All Surplus Residential Properties in the City of South Pasadena must 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 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. This is Priority 6 and is governed by § 1486.

(5) Unoccupied ~~SB 384~~ Surplus Residential Properties to the City of South Pasadena at the Minimum Sales Price. This is Priority 3 ~~This is Priority 4SP~~ and

is governed by §§ 1483 through 1483.1~~§ 1484.3~~.

(6) Surplus Residential Properties to a Housing Related Public Entity ~~the City of South Pasadena~~ at a Reasonable Price. This is Priority 3 and is governed by §§ 1483 through 1483.1.

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

~~(7)~~ 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.

~~(8)~~ Surplus Residential Properties to the Tenant at Fair Market Value. This is Priority 6 and is governed by § 1486.

~~(9)~~ Surplus Residential Properties to a former Tenant at Fair Market Value. This is Priority 7 and is governed by § 1487.

~~(10)~~ 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 South Pasadena, except those described in § 1477.4, must 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 the City of South Pasadena at the Minimum Sales Price ~~a Reasonable Price~~ if the property is unimproved. This is Priority 3 and is governed by §§ 1483 through 1483.1.

(3) 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.

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

Note: Authority Cited: Sections 54237, ~~and~~ 54239.4 and 54239.6, Government Code.

Reference: Sections 54237, 54237.3, 54239.1, ~~and~~ 54239.4 and 54239.6, 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, 1477.2, or 1477.3, as applicable.

Note: Authority Cited: Section 54237, 54237.10, 54239.4, ~~and~~ 54239.5 and 54239.6, Government Code.

Reference: Sections 54237, 54237.3, 54239.1, 54239.4, ~~and~~ 54239.5 and 54239.6.

Government Code.

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

(a) Offer at Priority 3. Housing Related Public Entities that may purchase at Priority 3 are the City of Pasadena and the City of South Pasadena as follows:

(1) Unoccupied Surplus Residential Properties. When Priority 3 is specified as the next priority by § 1477.2(a)(5) or § 1477.3(a)(5), then all unoccupied Surplus Residential Properties, including unoccupied SB 580 properties identified in § 1484.2, shall be offered to the city in which the property is located at the Minimum Sales Price. Surplus Residential Properties identified in § 1481.4 cannot be sold at Priority 3 until after all Priority 1 and 2 sales have closed escrow.

(2) Occupied Surplus Residential Properties. When Priority 3 is specified as the next priority by § 1477.2(a)(6) or § 1477.3(a)(6), then all Surplus Residential Properties not already sold shall be offered to the city in which the property is located at a Reasonable Price pursuant to this section.

(3) Surplus Nonresidential Properties. When Priority 3 is specified as the next priority by § 1477.2(b)(2) or § 1477.3(b)(2), then all unimproved Surplus Nonresidential Properties not already sold shall be offered to the city in which the property is located at a Reasonable Price pursuant to this section.

~~When Priority 3 is specified as the next priority by § 1477.2 (a)(5) then all unoccupied Surplus Residential Properties, including unoccupied SB 580 properties located in the City of Pasadena and identified in § 1484.2, shall be offered to the City of Pasadena at the Minimum Sales Price.~~

~~When Priority 3 is specified as the next priority by § 1477.2(a)(6) or 1477.3(a)(6), 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.~~

~~When Priority 3 is specified as the next priority by § 1477.2(b) and § 1477.3(b), then all Surplus Nonresidential Properties not already sold shall next be offered to the city in which the property is located at a Reasonable Price pursuant to this section.~~

~~(b) HREs. The Housing Related Public Entities who may purchase at Priority 3 are the City of Pasadena, the City of South Pasadena, and the County of Los Angeles.~~

(be) Soliciting Interest. The Department will provide to each Housing-Related Public Entity identified in (b) a written list of Surplus Residential Properties and, if applicable, Surplus Nonresidential Properties to be offered for sale within its jurisdictional boundaries. For each such Surplus Residential and Surplus Nonresidential 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 if applicable; and

(5) Copy of the Use and Resale Restrictions.

(~~c~~) **Response.** If a Housing-Related Public Entity wants to purchase any of the properties identified on the list provided to it pursuant to (~~b~~), then it shall notify the Department in writing of the properties from the list it wants to purchase within ~~45~~30 calendar days from the postmarked date of the letter sent pursuant to (~~b~~).

(~~d~~) **Sales Contracts.** The Department will send a sales contract to a Housing-Related Public Entity for each property identified by the entity pursuant to (~~c~~), subject to the following:

(1) Properties identified pursuant to (~~c~~) shall be on the list provided to the entity pursuant to (~~b~~).

(2) The sales contract shall be executed and returned to the Department within 60 calendar 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 or the City of South Pasadena, then the Department will first offer the property to the City of Pasadena or the City of South Pasadena. If the City of Pasadena or the City of South Pasadena does not purchase the property, it will then be offered to the County of Los Angeles.~~

(~~e~~) **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. The Housing-Related Public Entity ~~City of Pasadena~~ must also comply with Government Code § 54239.5(b)(4) or § 54239.6(b)(4)(A), *as applicable*, before closing escrow on the purchase of unoccupied Surplus Residential Properties under § 1477.2(a)(5) or § 1477.3(a)(5).

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

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

Note: Authority Cited: Section 54237, 54237.10, 54239.4, ~~and 54239.5,~~ and 54239.6 Government Code.

Reference: Sections 54236, 54237, 54239.4, ~~and 54239.5,~~ and 54239.6 Government Code.

§ 1483.1. Priority 3: Use Restrictions.

(a) **Provisions Specific to Unoccupied Surplus Residential Properties.** As a condition for sale of unoccupied Surplus Residential Properties, under § 1477.2(a)(5) and § 1477.3(a)(5), the Housing Related Public Entity shall agree to Use and Resale Restrictions containing the terms, conditions, and restrictions imposed by the

Department to ensure compliance with Government Code § 54239.5(b) and § 54239.6(b) as applicable.

(1) City of Pasadena. The Use and Resale Restrictions are contained in their entirety in Form 1477.2(a)(5) – City of Pasadena, Priority 3, Unoccupied Surplus Residential Properties (12/2024), which is hereby incorporated by reference. Upon mutual consent of the Department and the City of Pasadena, the Use and Resale Restrictions may be amended to the extent that such amendment does not contradict statute.

(2) City of South Pasadena. The Use and Resale Restrictions are contained in their entirety in Form 1477.3(a)(5) – City of South Pasadena, Priority 3, Unoccupied Surplus Residential Properties (12/2024), which is hereby incorporated by reference. Upon mutual consent of the Department and the City of South Pasadena, the Use and Resale Restrictions may be amended to the extent that such amendment does not contradict statute.

(a**b**) **Restrictions.** As a condition for sale at a Reasonable Price at Priority 3 under § 1483(a)(2), 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. Such restrictions include, but are not limited to:

- (1) restricting the use of the property;
- (2) restricting rental of the property;
- (3) restricting transfers of the property;
- (4) restricting refinancing of the property;
- (5) specifying distribution of proceeds from a subsequent sale; and
- (6) monitoring and enforcement provisions.

(b**c**) **Restriction on Use.** A Housing-Related Public Entity shall rehabilitate a Surplus Residential Property ~~property~~ purchased at Priority 3 under § 1483(a)(2) 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 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 § 1483(e**f**).

(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 § 1483(ef).

(ed) **Resale.** An occupied property sold at Priority 3 shall not be resold for 120 calendar days following close of escrow. All properties sold at Priority 3 under § 1483(a)(2) may be sold as follows:

(1) To a ~~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 3 purchase, without any adjustment; and

(C) The purchasing 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 ~~(bc)(1)(D)~~ or ~~(bc)(2)(C)~~ has expired; and

(B) All profits from the sale by the Housing-Related ~~Public~~ Private Entity are dedicated to providing housing for Persons and Families of Low or Moderate Income within Pasadena, or South Pasadena, Alhambra, La Canada Flintridge, or the 90032 postal ZIP Code.

(3) At an Affordable Price pursuant to (b)(2).

~~(de)~~ **Removing Restrictions.** The Use and Resale Restrictions described in ~~this~~ sections (b) and (c) 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 ~~(ed)(2)(B)~~ will remain.

~~(e) **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 § 1483.1(b), the Housing-Related Public Entity, excluding sales as specified in § 1477.2(a)(5) to the City of Pasadena, 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) 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.~~

~~(3) As a condition for sale of unoccupied Surplus Residential Properties at the Minimum Sales Price to the City of Pasadena at Priority 3, under § 1477.2(a)(5), the City of Pasadena shall agree to Use and Resale Restrictions containing the terms, conditions, and restrictions imposed by the Department to ensure compliance with Government Code section 54239.5. The Use and Resale Restrictions are contained in their entirety in Form 1477.2(a)(5) City of Pasadena, Priority 3, Unoccupied Surplus Residential Properties (02/24), which is hereby incorporated by reference. Upon mutual consent of the Department and the City of Pasadena, the Use and Resale Restrictions may be amended to the extent that such amendment does not contradict statute.~~

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

~~(1) All profits from the subsequent sale by the Housing Related Public Entity are dedicated to the construction of housing for Persons and Families of Low or Moderate Income within the City of South Pasadena.~~

Note: Authority Cited: Sections 54237, 54237.10, 54239.4, and 54239.5 and 54239.6, Government Code.

Reference: Sections 54236, 54237, 54238, 54239.4, and 54239.5 and 54239.6, 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 or § 1477.3, 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 may be held virtually or in Los Angeles County, and the Department will provide at least 15 calendar days written notice of the time and place.

(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 shall provide the bidding nonprofit entities an additional 30 calendar days to supplement their bids for that property. If after supplementation there is no acceptable bid, then the Department shall 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 score at least 70%, or 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 calendar 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, 54239.4, and 54239.5 and 54239.6, Government Code.

§ 1484.3 Priority 4SP: South Pasadena.

~~(a) **Offer at Priority 4SP.** SB 381 Properties are described in (b). When Priority 4SP is specified as the next priority by § 1477.3(a)(5), then all Surplus Residential Properties that are also SB 381 Properties that have not already been sold shall be next offered to the City of South Pasadena at the Minimum Sales Price pursuant to this section.~~

~~(b) **SB 381 Properties.** The properties to be offered pursuant to this section include only unoccupied Surplus Residential Properties within the City of South Pasadena that meet at least one of these criteria:~~

~~———— (1) The property is identified in § 1484.2; or~~

~~(2) The property meets the criteria in Government Code § 54239.4(b)(2)(B).~~

~~(c) **City designated properties.** The Department shall send a written request to the City of South Pasadena to provide a list of all properties that meet the criteria in Government Code § 54239.4(b)(2)(B). The City of South Pasadena may provide to Caltrans a list of all properties that meet the criteria in Government Code § 54239.4(b)(2)(B). The Department shall use the provided list to determine which of its Surplus Residential Properties meet the criteria in (b)(2) if it is received within 30 days of the written request. If no list is provided within the 30 days, then it shall be determined that the City of South Pasadena is not interested in purchasing any properties that meet the criteria in Government Code § 54239.4(b)(2)(B) at Priority 4SP.~~

~~(d) **Soliciting Interest.** The Department will provide to the City of South Pasadena a written list of the unoccupied SB 381 Properties to be offered for sale under Priority 4SP. For each such property on the list, the Department will provide the following information:~~

~~———— (1) The address; and~~

~~(2) The Minimum Sales Price; and~~

~~(3) Copies of all repair records for the prior 3 years; and~~

~~(4) Copy of the Use and Resale Restrictions described in (j).~~

~~(e) **Response.** If the City of South Pasadena wants to purchase any of the properties identified on the list provided to it pursuant to (d), then it shall notify the Department in writing of the properties from the list it wants to purchase within 45 calendar days from the postmarked date of the letter sent pursuant to (d).~~

~~(f) **Sales Contracts.** The Department will send a sales contract to the City of South Pasadena for each property identified by the City pursuant to (e), subject to the following:~~

~~(1) Properties identified pursuant to (e) must be on the list provided to the City of South Pasadena pursuant to (d).~~

~~(2) The sales contract must be executed and returned to the Department within 60 calendar days of the date the Department sends the contract.~~

~~(g) **Escrow.** Upon execution of the sales contract, the City of South Pasadena will have 120 calendar days to close escrow. Upon written request, the Department will provide an additional 30 calendar days to close escrow. The City of South Pasadena must also comply with Government Code § 54239.4(b)(1)(D) before closing escrow.~~

~~(h) **Closing Costs and Escrow Fees.** The City of South Pasadena must pay all closing costs and escrow fees.~~

~~(i) **No Warranty.** Any Priority 4SP sale is “as is” and without warranty.~~

~~(j) **Use Restrictions.** As a condition for sale at the Minimum Sales Price at Priority 4SP, the City of South Pasadena shall agree to Use and Resale Restrictions containing the terms, conditions, and restrictions imposed by the Department to ensure compliance with Government Code section 54239.4. These Use and Resale Restrictions are contained in their entirety in *Form 1477.3(a)(5) – South Pasadena, Priority 4SP (02/24)*, which is hereby incorporated by reference. Upon mutual consent of the Department and the City of South Pasadena, the Use and Resale Restrictions may be amended to the extent that such amendment does not contradict statute.~~

~~Note: Authority Cited: Sections 54237 and 54239.4, Government Code.~~

~~Reference: Section 54239.4, Government Code.~~

§ 1485. Priority 5.

~~(a) **Offer at Priority 5.** When Priority 5 is specified as the next priority by §§ 1477.1, 1477.2, or 1477.3, 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) The Department may 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 at any time during the year 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 Surplus Residential Properties located in the ~~Cities~~ City of Los Angeles and South Pasadena, 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) if proposing to utilize the Surplus Residential Property for affordable rental housing, 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, or if proposing to utilize the Surplus Residential Property for affordable homeownership, a proforma including, but not limited to, rehabilitation or constructions costs, developer's fees, the proposed affordable sales price and financing; 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, 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 or the City of South Pasadena and the Housing Related Private Entity proposes to utilize the property for affordable homeownership, 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; and
- (3) the target income with preference to provide affordable housing for lower incomes; and
- (4) the financial feasibility of the submitted proforma based on the target income population stated in the bid; and
- (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 may be held virtually or in Los Angeles County, and the Department will provide at least 15 calendar days written notice of the time and place.

(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 shall provide the bidding entities an additional 30 calendar days to supplement their bids for that property. If after supplementation there is no acceptable bid, then the Department shall 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 score at least 70%, or 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 calendar 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: Sections 54237, 54237.10, 54239.4, ~~and~~ 54239.5 and 54239.6, Government Code.

Reference: Sections 54236, 54237, 54239.4, ~~and~~ 54239.5 and 54239.6, 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.** An occupied property sold at Priority 5 shall not be resold for 120 calendar days following close of escrow. All properties sold at Priority 5 may be sold as follows:

(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 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 by the Housing-Related Private Entity 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 or the City of South Pasadena. If the Surplus Residential Property offered at Priority 5 is within the City of Pasadena or the City of South 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 the Housing-Related Private Entity determines such a cooperative is not feasible.

Note: Authority Cited: Sections 54237, 54237.10, 54239.4, ~~and~~ 54239.5 and 54239.6, Government Code.

Reference: Sections 54236, 54237, 54238, 54239.1, 54239.4, ~~and~~ 54239.5 and 54239.6, 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, 1477.2, or 1477.3, 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 Receive a Sales Contract. 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), 1477.2(a)(4), or 1477.3(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); and

(7) have provided a loan prequalification letter from a lender showing the mortgage loan dollar amount for which the Tenant is qualified; and

(8) have provided proof of funds for lender required down payment for a mortgage loan.

(c) Time to Provide Documentation. A Tenant wanting to purchase at Priority 6 shall provide the prequalification letter and proof of funds specified in (b)(7)-(8) to the Department within 30 calendar days of receiving a written request from the Department.

(d) **Determining Eligibility to Receive a Sales Contract.** The Department will determine if a current Tenant is eligible to receive a sales contract to purchase at Priority 6.

(e) **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.

(f) **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 calendar days of the date the Department sends the contract.

(g) **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.

(h) **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.

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

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

(1) The sales contract is void.

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

(3) If there is no other eligible Tenant, then the property will proceed to Priority 7.

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

Note: Authority Cited: Sections 54237, 54237.10, 54239.4, ~~and~~ 54239.5 and 54239.6, Government Code.

Reference: Sections 54236, 54237, 54238.4, 54239.1, 54239.4, ~~and~~ 54239.5 and 54239.6, 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, 1477.2, or 1477.3, 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 Receive a Sales Contract.** 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; and
- (6) have provided a loan prequalification letter from a lender showing the mortgage loan dollar amount for which the former Tenant is qualified; and
- (7) have provided proof of funds for lender required down payment for a mortgage loan.

(c) **Time to Provide Documentation.** A former Tenant wanting to purchase at Priority 7 shall provide the prequalification letter and proof of funds specified in (b)(6)-(7) to the Department within 30 calendar days of receiving a written request from the Department.

(d) **Determining Eligibility to Receive a Sales Contract.** The Department will determine if a former Tenant is eligible to receive a sales contract to purchase at Priority 7.

(e) **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.

(f) **Sales Contract.** The Department will send a sales contract to the former Tenant who has priority to purchase the property pursuant to (e). The sales contract shall be executed and returned to the Department within 30 calendar days of the date the Department sends the contract.

(g) **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.

(h) **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.

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

- (1) The sales contract is void.
- (2) The Department will award the property to the next eligible former Tenant pursuant to (e) and send a sales contract pursuant to (f).
- (3) If there is no other eligible former Tenant, then the property will proceed to Priority 8.

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

Note: Authority Cited: Sections 54237, 54237.10, 54239.4, ~~and~~ 54239.5 and 54239.6, Government Code.

Reference: Sections 54236, 54237, 54238.4, 54239.4, ~~and~~ 54239.5 and 54239.6, 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, 1477.2, or 1477.3, 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 8 sale is "as-is" and without warranty.

Note: Authority Cited: Section 54237, 54237.10, 54239.1, 54239.4, ~~and~~ 54239.5 and 54239.6, Government Code.

Reference: Sections 54236, 54237, 54239.1, 54239.4, ~~and~~ 54239.5 and 54239.6, 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, 1477.2, or 1477.3, as applicable, then all Surplus Nonresidential Properties not already sold shall be offered to current Tenants at Fair Market Value.

(b) **Eligibility Criteria to Receive a Sales Contract.** 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 to Receive a Sales Contract.** 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 calendar 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, 54237.10, 54239.1, 54239.4, ~~and~~ 54239.5 and 54239.6, Government Code.

Reference: Sections 54236, 54237, 54239.1, 54239.4, ~~and~~ 54239.5 and 54239.6, Government Code; Article XVI section 6, California Constitution.