

AMENDED IN SENATE MAY 1, 2013
AMENDED IN SENATE APRIL 17, 2013

SENATE BILL

No. 416

Introduced by Senator Liu

February 20, 2013

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

LEGISLATIVE COUNSEL'S DIGEST

SB 416, as amended, Liu. 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 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 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 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: ~~70%~~^{2/3}. Appropriation: 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
16 Housing Act; and, in the case of a purchaser that is a lower income
17 household, the price for residential property for which the
18 purchaser’s monthly payments will not exceed that portion of the
19 purchasing household’s adjusted income as determined in
20 accordance with the regulations of the United States Department

1 of Housing and Urban Development issued pursuant to Section 8
2 of the United States Housing Act of 1937.

3 (c) As used in this article, the term “single-family residence”
4 means a real property improvement used, or intended to be used,
5 as a dwelling unit for one family.

6 (d) As used in this article, the term “surplus residential property”
7 means land and structures owned by any agency of the state that
8 is determined to be no longer necessary for the agency’s use, and
9 that is developed as single-family or multifamily housing, except
10 property being held by the agency for the purpose of exchange.

11 Surplus residential properties shall only include land and
12 structures that, at the time of purchase by the state, the state had
13 intended to remove the residences thereon and to use the land for
14 state purposes.

15 (e) As used in this article, the term “displacement” includes,
16 but is not limited to, persons who will have to move from surplus
17 residential property that they occupy when it is sold by a state
18 agency because they are unable to afford to pay the price that the
19 state agency is asking for the residential property.

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

29 (g) As used in this article, the term “affordable rent” means, in
30 the case of an occupant person or family, other than a person or
31 family of low or moderate income, rent for residential property
32 that is not more than 25 percent of the occupant household’s gross
33 monthly income, and in the case of an occupant person or family
34 of low or moderate income, rent for residential property that is not
35 more than the percentage of the adjusted income of the occupant
36 person or family as permitted under regulations of the United States
37 Department of Housing and Urban Development issued pursuant
38 to Section 8 of the United States Housing Act of 1937, but not in
39 excess of the market rental value for comparable property.

1 (h) As used in this article, the term “area median income” means
2 median household income, adjusted for family size as determined
3 in accordance with the regulations of the United States Department
4 of Housing and Urban Development issued pursuant to Section
5 235 of the National Housing Act, as amended (Public Law
6 90-448), for the standard metropolitan statistical area (SMSA), in
7 which surplus residential property to be disposed of pursuant to
8 this article is located, or the county in which the property is located,
9 if it is outside an SMSA.

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

13 (1) Meet the definition of persons and families of low or
14 moderate income set forth in Section 50093 of the Health and
15 Safety Code.

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

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

21 SEC. 2. Section 54237 of the Government Code is amended
22 to read:

23 54237. (a) Notwithstanding Section 11011.1, any agency of
24 the state disposing of surplus residential property shall do so in
25 accordance with the following priorities and procedures:

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

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

33 (3) Third, all single-family residences shall be offered, pursuant
34 to this article, to their present occupants who have occupied the
35 property five years or more and whose household income does not
36 exceed 150 percent of the area median income.

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

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

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

35 (d) All other surplus residential properties and all properties
36 described in paragraphs (1), (2), and (3) of subdivision (a) that are
37 not purchased by the former owners or the present occupants shall
38 be then offered to housing-related private and public entities at a
39 reasonable price, which is best suited to economically feasible use
40 of the property as decent, safe, and sanitary housing at affordable

1 rents and affordable prices for persons and families of low or
2 moderate income, on the condition that the purchasing entity shall
3 cause the property to be rehabilitated and developed as limited
4 equity cooperative housing with first right of occupancy to present
5 occupants, except that where the development of cooperative or
6 cooperatives is not feasible, the purchasing agency shall cause the
7 property to be used for low and moderate income rental or
8 owner-occupied housing, with first right of occupancy to the
9 present tenants. The price of the property in no case shall be less
10 than the price paid by the agency for original acquisition unless
11 the acquisition price was greater than current fair market value
12 and shall not be greater than fair market value. Subject to the
13 foregoing, it shall be set at the level necessary to provide housing
14 at affordable rents and affordable prices for present tenants and
15 persons and families of low or moderate income. When residential
16 property is offered at a price that is less than fair market value, the
17 selling agency shall impose terms, conditions, and restrictions as
18 will ensure that the housing will remain available to persons and
19 families of low or moderate income. The Department of Housing
20 and Community Development shall provide to the selling agency
21 recommendations of standards and criteria for prices, terms,
22 conditions, and restrictions.

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

30 (f) Tenants in good standing of nonresidential properties shall
31 be given priority to purchase, at fair market value, the property
32 they rent, lease, or otherwise legally occupy.

33 SEC. 3. Section 54237.3 is added to the Government Code, to
34 read:

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

1 ~~Section 54237, may offer the residence or property in an “as is”~~
2 ~~condition. Section 54237.~~

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

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

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