

“Frequently Asked Questions on Affordable Sales Program”

<http://www.dot.ca.gov/d7/business/710sales/index.html>

I. Who Can Qualify?

<p>Q1. Who will be offered residential properties first?</p>	<p>Caltrans will offer the residential properties according to Government Code section 54237 and the Affordable Sales Program regulations. The priorities are listed below:</p> <ol style="list-style-type: none">1. All single-family residences presently occupied by their former owners shall be offered to those former owners at the appraised fair market value.2. All single-family residences shall be offered at an affordable price (with resale restrictions) or fair market value (in “as is” condition) at each buyers’ option to the present occupants who have occupied the property as their principal place of residence two years or more, and who are persons and families of low or moderate income if the present occupants have not had an ownership interest in real property in the last three years.3. All single-family residences shall be offered at an affordable price (with resale restrictions) or fair market value (in “as is” condition) at each buyers’ option to the present occupants who have occupied the property as their principal place of residence five years or more, and whose household income does not exceed 150 percent of the area median income if the present occupants have not had an ownership interest in real property in the last three years.4. *All other surplus residential properties (including multi-family residences) and all properties described in priorities 1, 2, or 3 above that are not purchased by the former owners or the present occupants shall then be offered at a reasonable price with resale restrictions in the following order of priority: <p>If feasible to prospective housing-related private and public entities on condition that the purchasing entity rehabilitates and develops the surplus residential property as a limited equity cooperative housing cooperative or cooperatives in accordance with Civil Code section 817 with first right of occupancy to</p>
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	<p>current tenants;</p> <p style="text-align: center;"><u>or</u></p> <p>If not feasible, the surplus residential property shall first be offered to a housing-related public entity as designated by the legislative body of the city in which the surplus residential property is located (the “designated housing-related public entity”), with first right of occupancy to current tenants, and then to any housing-related private or public entity on condition the purchasing entity shall cause the surplus residential property to be used for low and moderate income rental or owner-occupied housing with first right of occupancy to the current tenants.</p> <p>The housing-related entities must, in the priorities listed below, offer to:</p> <p style="padding-left: 40px;">4a. Sell the property concurrently to the current tenant at market value through a double escrow sale (see section III Q5 below).</p> <p style="padding-left: 40px;">4b. If the current tenant chooses not to purchase, then housing-related entities must offer to rent to the tenant.</p> <p style="padding-left: 40px;">4c. If the current tenant chooses not to rent, then the housing-related entity may rent to other prospective renters.</p> <p>An illustration of these priorities can be found at the following link: [link to Roberti Priority of Potential Buyers – need final graphic to link to].</p> <p>Note: All properties sold at less than market value will have use and resale restrictions limiting net equity and net appreciation recapture upon future resale to another at fair market value.</p> <p>*Recently approved legislation may impact the manner in which sales for some historically designated homes are sold in priority 4.</p>
<p>Q2. How will the remaining residential properties be sold?</p>	<p>Caltrans will sell the remaining residential properties according to Government Code section 54237 and the Affordable Sales Program regulations. The priorities are:</p> <p>5. To present tenants in good standing at appraised</p>

	<p>fair market value.</p> <p>6. To eligible former tenants in good standing at appraised fair market value.</p> <p>7. Single family residences not sold under priorities 1 through 6 above will be offered pursuant to Streets and Highways Code section 118.6, with first preference given to the highest responsive bidder who will be owner occupants.</p> <p>An illustration of these priorities can be found at the following link: [link to Roberti Priority of Potential Buyers].</p>
Q3. Does Caltrans have a website for information, notices, regulations, statutes and more information on homes for sale?	We have a website to provide much more information on the process and timelines at: [http://www.dot.ca.gov/d7/business/710sales/index.html]
Q4. Will the information be provided in other languages?	The information will be provided in English and Spanish on our website.

II. How it Works.

Q1. How many properties will Caltrans sell?	Caltrans currently holds deeds to 460 properties related to the SR-710 project in the Pasadena, South Pasadena, and the El Sereno area of the City of Los Angeles. Of these properties, we will first sell the ones that will be declared excess.
<p>Q2. When will the fair market value of the properties be available?</p> <p>For persons and families eligible to purchase at an affordable price, how will the affordable price of the property be determined?</p> <p>How will the reasonable price for the properties offered to housing related public and private entities be determined?</p>	<p>Appraisals of the properties will begin after the properties have been declared excess. Fair market value will be determined from the appraisals.</p> <p>The affordable price will be determined based on the income levels outlined in the Affordable Sales Program regulations.</p> <p>The reasonable price will be determined based on the Affordable Sales Program regulations.</p>
Q3. If I do not purchase the property from the housing related entity on the same day that escrow closes, will I be able to purchase that property from the housing related entity at a later date?	The housing related entity can offer that property for sale at a later date; however, the offer does not necessarily need to be made exclusively to the tenant.

Q4. I live in a Caltrans rental house. Am I a tenant or an occupant?	For the purposes of the sale of properties, pursuant to Government Code section 54237 , an occupant is a tenant of record whose name appears on a signed Caltrans lease or rental agreement for the property and who lives in the property as their primary place of residence.
Q5. Will Caltrans offer any assistance to prospective buyers?	Caltrans is working with a real estate contractor to assist prospective buyers in navigating the purchasing process, but Caltrans is not a residential lender and will not be providing financial assistance.
Q6. Will financing be provided to current and former tenants who wish to purchase properties at an affordable price?	Yes, an affordable loan product may be available for buyers who qualify. Once your eligibility to purchase as an affordable buyer has been established, the real estate contractor will discuss available financing options with you.
Q7. Will tenants who have low credit scores, or who filed bankruptcy, be able to purchase?	Prospective buyers should work with lenders to assess their creditworthiness and determine if they will be able to obtain financing for a purchase.
Q8. How will my income level be determined?	Caltrans will use the Health and Safety Code 50093 that defines the income limits for low and moderate income households. For the Affordable Sales Program, low and moderate households also includes households whose income does not exceed 150% of the median income per county. Area median income per county and specific income limits are found at: http://www.hcd.ca.gov/housing-policy-development/housing-resource-center/reports/state/inc2k16.pdf
Q9. How will Caltrans determine household income for affordable sales qualification purposes when household income fluctuates?	Caltrans will determine household income for residential property sales at the affordable price based on the current household income for the 12 months prior to the time of the offer to purchase.
Q10. Can an outside partner assist in purchasing a residential property at an affordable price?	Prospective buyers can use a co-mortgagor or co-signer to assist in qualifying for financing or purchasing a residential property. All mortgagors (including co-mortgagors) will be required to meet all of the mortgage lender's eligibility requirements and must qualify under the priority at which the property will be purchased.
Q11. What happens if I don't purchase the home I'm renting? Do I have to move?	Caltrans will provide notice to the tenant that the property has been sold.

<p>If I decide to stay and the home is purchased by a housing-related entity, what will the rent be?</p> <p>What happens if the property is sold at public auction?</p>	<p>If the property is sold to a buyer that intends to occupy the property Caltrans, will provide relocation assistance (see this section Q12 below) to eligible displaced tenants.</p> <p>If the property is sold to a Housing Related Entity (HRE) the tenant may</p> <ol style="list-style-type: none"> 1) purchase property from HRE at fair market value, or 2) continue to rent as long as they qualify for affordable housing, or 3) enter in cooperative offered by HRE at price established by entity <p>The new owner will have sole discretion to determine whether current tenants may continue to rent. Relocation assistance (see this section Q12 below) will be available to eligible tenants who are in occupancy within 90 days of the date of transfer.</p>
<p>Q12. What type of assistance will be given to tenants to move?</p> <p>Can I move now and receive relocation assistance?</p>	<p>Caltrans will provide eligible tenants relocation advisory assistance, actual and reasonable moving expenses, and up to \$5,250 as a replacement housing payment that can be used to supplement rent at a new residence or applied as a down payment on the purchase of replacement housing.</p> <p>No. In order to qualify for relocation assistance, current tenants must be displaced by the new owner within 90 days of the time of the transfer.</p>
<p>Q13. If my residence is sold, when will my lease be terminated?</p>	<p>All rental agreements will be terminated upon sale of property.</p>
<p>Q14. What happens to the rental deposit if a tenant purchases a residential property?</p>	<p>The rental deposit, less any deductions determined at the termination of the rental agreement, will be returned to the tenant.</p>
<p>Q15. What residences can be purchased by housing entities?</p>	<p>Housing entities will have priority to purchase in priority 4. They can purchase he multi-family residential properties and single-family residential properties that were not sold to either the former owners, or to present occupants who qualified to purchase at affordable prices according to Government Code section 54237.</p> <p>*Recently approved legislation may impact the manner in which sales for some historically designated homes are sold in priority 4.</p>
<p>Q16. In some cases, the statute (Government Code Section 54237) gives priority to current and former</p>	<p>Current tenants or occupants are considered “in good standing” if they are current in their rent obligations and in full compliance with the terms and conditions of their</p>

<p>tenants “in good standing.” If I am a current or former tenant, how do I know if I’m in good standing?</p>	<p>lease or rental agreement as of the date that the tenant or occupant is required to respond to the Conditional Offer Prior to Sale and at time of close of escrow.</p> <p>Former tenants are considered “in good standing” if they were current in rent obligations and in full compliance with the terms and conditions of their lease or rental agreement at the time of vacancy, and their tenancy was not terminated for cause.</p>
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III. Terms and Conditions

<p>Q1. Will an environmental document be needed for the home sales?</p>	<p>Yes. The sale of any state owned property, including the 710 properties, requires that the state comply with (1) the California Environmental Quality Act (CEQA), which is concerned with ensuring that there is no significant adverse change to the environment, and (2) Public Resources Code section 5024, which is concerned with ensuring that there is no adverse effect to any historic properties.</p> <p>Caltrans will comply with CEQA while managing sales of properties as expeditiously as possible.</p>
<p>Q2. What steps does Caltrans need to take for the properties to be designated as excess properties?</p>	<p>Once the properties are identified as no longer necessary for the SR-710 project, they will be declared excess pursuant to Streets and Highways Code section 118.</p>
<p>Q3. Is Caltrans committed to selling the properties as quickly as possible?</p>	<p>Yes.</p> <p>The sale of properties is planned in three phases:</p> <p>Phase 1: Properties that are not within the scope of the remaining project alternatives.</p> <p>Phase 1A: Properties are single family residences that Caltrans has determined are non-historic and would not result in any community impact.</p> <p>Phase 1B: Properties are all other residential properties that are not within the scope of the remaining project alternatives.</p> <p>Phase 2: Properties that are within the scope of the remaining project alternatives</p>

	<p>but still can be sold.</p> <p>Phase 3: Properties declared excess after the completion of the approved preferred project alternative in the project environmental document.</p> <p>Caltrans identified Phase 1 properties in summer 2014. [http://www.dot.ca.gov/d7/business/710sales/index.html].</p> <p>Selling the properties will require that Caltrans:</p> <ul style="list-style-type: none"> • Draft and adopt regulations in accordance with the Administrative Procedures Act. These Affordable Sales Program regulations became effective in July 2016. • Declare the properties as excess. • Comply with the California Environmental Quality Act (CEQA), which is concerned with ensuring that there is no significant adverse change to the environment. <p>For Phase 1A Properties: A negative declaration was completed in January 2015. For Phase 1B Properties: An environmental impact report was completed in July 2016. For Phase 2 and Phase 3 Properties: An environmental impact report is being prepared and is planned to be completed in 2017.</p> <ul style="list-style-type: none"> • Comply with Public Resources Code section 5024, which is concerned with ensuring that there is no adverse affect to any historic properties.
<p>Q4. How does the “as is” condition affect the price of the property?</p> <p>Will the “as is” condition reduce the affordable price?</p> <p>Can the “as is” price be less than the</p>	<p>The existing “as is” condition of the property takes into account any repairs required to make the property safe and habitable. The cost of these repairs is reflected in the appraised fair market value for these property sales pursuant to Government Code section 54236(f).</p> <p>No, the “as is” condition will not reduce the affordable price. The affordable price is based on household income. The affordable price will not be greater than the fair market value and is not related to, nor will it be reduced to reflect, the “as is” condition of the property.</p> <p>Yes, the “as is” price could be less than the affordable</p>

affordable price?	price if the appraised fair market value is less than the affordable price, which is based on household income.
Q5. What is a double escrow sale?	<p>Double escrow sales involve two contracts of sale for the same property, to two different back-to-back buyers, at the same or two different prices, arranged to close on the same day. At close of escrow, all participants, lenders, sellers, buyers and brokers are informed of all parties involved and all monies that change hands.</p> <p>The housing related entity would purchase the property from the State and on the same day that escrow closes on that sale, the tenant would then purchase the property from the housing related entity.</p> <p>The escrow on the first sale (from the State to the housing related entity) will need to close before the escrow for the second sale (from the housing related entity to the tenant). Both escrows must close on the same day.</p>
Q6. Why is there a double escrow sale?	A double escrow sales allows a current tenant who does not qualify under priorities 1, 2 or 3 above (see section I Q1.) to purchase the property they are living in.
Q7. If the property is resold by a current or former tenant, how will net appreciation be limited?	<p>Limitations on net appreciation on property resold by a current or former tenant apply only to properties purchased at an affordable price and resold at market value.</p> <p>Note that, net appreciation means the difference between sales price upon resale and the sum of the following deductions: net equity (where net equity means the Department approved appraised fair market value of the surplus residential property at the time of transfer from the Department less the affordable price); the remaining principal loan balance on all purchase financing previously approved by the Department on the property; all closing costs paid by the affordable price buyer upon resale of the surplus residential property (i.e., escrow, title, broker's fee, real estate commissions); the affordable price buyer of surplus residential property's down payment, if any; and any costs of improvements approved by the Department.</p> <p>The proportionate share of net appreciation that the owner receives is increased by 20% after each year of</p>

	<p>ownership. At the end of 5 years, the owner will receive 100% of net appreciation. This is shown below:</p> <p>For property sold at fair market value before the first full year of occupancy: Owner will receive 0% of the net appreciation.</p> <p>For property sold at fair market value after the first full year of occupancy: Owner will receive 20% of the net appreciation.</p> <p>For property sold at fair market value after the second full year of occupancy: Owner will receive 40% of the net appreciation.</p> <p>For property sold at fair market value after the third full year of occupancy: Owner will receive 60% of the net appreciation.</p> <p>For property sold at fair market value after the fourth full year of occupancy: Owner will receive 80% of the net appreciation.</p> <p>For property sold at fair market value anytime after the fifth full year of occupancy: Owner will receive 100% of the net appreciation.</p> <p>Note: If after the first full year of occupancy the market value of the property is lower than the initial appraised value of the property, the value at the time of resale will be used as the initial appraised value.</p>
<p>Q8. If the property is resold by a housing-related entity, how will resale proceeds be limited?</p>	<p>The public or private housing-related entity will receive (1) 50% of the net equity and (2) the proportionate share of the net appreciation as described below. These funds are to be used by the entities to preserve, upgrade and expand the supply of housing available to persons and families of low or moderate income. The remainder of the net equity and the net appreciation will go, subject to CalHFA approval, into the Affordable Housing Trust Account (AHTA). These funds will be used to meet the housing needs of persons and families of low and moderate income in the Pasadena, South Pasadena, Alhambra, La Cañada Flintridge, and 90032 postal ZIP code, unless otherwise restricted to a particular city in accordance with state law.</p> <p>The proportionate share of net appreciation that the entity receives is increased by 20% after each year of</p>

	<p>ownership. At the end of 5 years, the entity will receive 100% of net appreciation. See below:</p> <p>For property sold at fair market value before the first year full year of ownership: Entity will receive 0% of the net appreciation.</p> <p>For property sold at fair market value after the first full year of ownership: Entity will receive 20% of the net appreciation.</p> <p>For property sold at fair market value after the second full year of ownership: Entity will receive 40% of the net appreciation.</p> <p>For property sold at fair market value after the third full year of ownership: Entity will receive 60% of the net appreciation.</p> <p>For property sold at fair market value after the fourth full year of ownership: Entity will receive 80% of the net appreciation.</p> <p>For property sold at fair market value anytime after the fifth full year of ownership: Entity will receive 100% of the net appreciation.</p> <p>Note: If after the first full year of occupancy the market value of the property at resale is lower than the initial appraised value of the property, then the value at the time of resale will be used as the initial appraised value.</p>
<p>Q9. For properties purchased at an affordable price and resold at market value, where will the remainder of the net equity and appreciation go?</p>	<p>The remainder of the net equity and appreciation will go, subject to the approval of the CalHFA, into the Affordable Housing Trust Account. These funds will be used to meet the housing needs of persons and families of low and moderate income in Pasadena, South Pasadena, Alhambra, La Cañada Flintridge, and 90032 postal ZIP code, unless otherwise restricted to a particular city in accordance with state law.</p>
<p>Q10. For properties purchased at an affordable price by a current or by a former tenant in good standing, can the owner refinance a loan on the property?</p>	<p>According to the Affordable Sales Program regulations, the owner may refinance a loan on the property with the following condition:</p> <p>All net cash proceeds derived from the refinancing would be limited to an amount equal to the current appreciation, if any, over and above the net equity that CalHFA is entitled to (see this section Q7 above). All net cash proceeds would be divided, based upon the</p>

	<p>current proportionate share of net appreciation as discussed in Q7 above, between the owner and, subject to CalHFA approval, the Affordable Housing Trust Account.</p> <p>Note that the refinanced loan would not be in a higher position than the use and resale restriction. It would be subordinate to the use and resale restriction.</p>
Q11. How will vacant lots (unimproved property) and commercial properties be sold?	Caltrans will offer commercial property and unimproved property that have a current tenant that rents, leases or otherwise legally occupies, at fair market value according to Government Code section 54237 . Commercial property and unimproved property not sold to current tenant in good standing will be offered pursuant to Streets and Highways Code section 118.6 , which allows properties to be offered by auction, sealed or continuous bid to the public, or by sale or exchange to public agencies.
Q12. What is the use and resale restriction in the Affordable Sales Program regulations?	<p>The Affordable Sales Program regulations include use and resale restrictions for homes purchased at less than fair market value. The property must be rented at affordable rental rates or sold at affordable prices to persons and families of low and moderate income.</p> <p>For limitations on net appreciation and net equity see section III Q7 and Q8 above. Note, for properties purchased at an affordable price and resold at market value there is no net equity due to the owner at resale, this goes to the AHTA.</p>
Does the restriction in the Affordable Sales Program regulations apply to homes purchased at fair market value?	No, the use and resale restriction in the Affordable Sales Program regulations does not apply to homes purchased at fair market value.
Q13. Will monitoring for compliance of Director’s Deed terms, conditions and restrictions be required for homes sold at less than fair market value?	<p>Yes, properties sold at less than fair market value will have Director’s Deed terms, conditions and restrictions, per the newly approved regulations and the revised Roberti law.</p> <p>The state will be monitoring these properties to ensure that the owners maintain compliance with these Director’s Deed terms, conditions and restrictions.</p>
Q14. When will the preferred alternative for the SR-710 project be selected?	This is dependent on when the Final Environmental Document is signed and approved in 2017.
Q15. Who will select the final alternative?	Caltrans is the Lead Agency for the SR-710 Environmental Impact Report (EIR)/Environmental Impact Study (EIS). Caltrans has been assigned the

	National Environmental Policy Act authority by the Federal Highway Administration. The preferred alternative will depend on the Final Environmental Document and the review process conducted jointly by Metro and Caltrans. The District Director of Caltrans District 7 will make the final decision on the selection of the preferred alternative.
Q16. Who will manage the Rehabilitation Fund created by SB416 to pay for repairs required by lenders and government housing assistance programs?	The state will manage the Rehabilitation Fund.

IV. Program Background

Q1. Who drafted the Affordable Sales Program regulations?	Caltrans drafted the regulations with the assistance of our Legal Division. The Department of Housing and Community Development provided recommendations for standards and criteria for prices, terms, conditions and restrictions for residential properties offered at less than fair market value.
Q2. How was the public's input used in drafting the sales regulations?	Public participation is key to the regulatory process, and a requirement of the Administrative Procedures Act (APA). After proposing these regulations related to Government Code Sections 54235 through 54238.7 known as the Roberti Act, public comment periods of at least 45 days were held. During the rulemaking process, a set of public hearings were held and all comments received from the public (and recommendations from the Department of Housing and Community Development and the California Housing Finance Agency) were received, reviewed, considered, and incorporated, as appropriate into any revisions to the proposed regulations.
Q3. How long did it take to draft and finalize the regulations?	After withdrawing the first proposed draft regulations for Government Code Sections 54235 through 54238.7 (originally proposed in May 2014), Caltrans published draft regulations for public review and comment on July 1, 2015. Public comments were considered and incorporated, as applicable, into the final regulations and submitted for approval to the state Office of Administrative Law, which approved the Affordable Sales Program regulations on July 26, 2016. The Affordable Sales Program regulations became effective upon filing with the Secretary of State on July 26, 2016.

Q4. Why was the 30 year Director Deed restriction deleted from the proposed Affordable Sales Program regulations?	This restriction related to the old Roberti law. This was removed due to public input. In particular, there were concerns about the amount of time it would take for affordable buyers to gain equity.
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V. Next Steps

Q1. I am a Phase 1 tenant, how do I apply to purchase the home I occupy?	Caltrans is working with a real estate contractor who will begin mailing Notice of Conditional Offer Prior to Sale packages in Fall 2016. These mailings will request that you indicate your interest in the property, and any required information related to your priority to purchase. A response will be required within 120 days after the postmarked date of the mailing. The real estate contractor will be available to provide homebuying support through the sales process, and will offer homebuyer readiness workshops for Phase 1 tenants.
Q2. I am a Phase 2 tenant, how do I apply to purchase the home I occupy?	As Phase 2 properties are identified and made available for sale, Phase 2 tenants will be contacted to indicate interest in the property they occupy.
Q3. I am not a Caltrans tenant, but I am interested in purchasing property at an affordable price. How do I apply for the Affordable Sales Program?	Only eligible, current, Caltrans tenants can purchase a property at an affordable price under the Affordable Sales Program. Most others (who are not housing-related entities or who have not, and have never been Caltrans tenants), will qualify to purchase at fair market value in priority 7, pursuant to Streets and Highways Code section 118.6 , which allows properties to be offered at public sale.