

Date of Hearing: July 1, 2019

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

SB 7 (Portantino) – As Amended June 24, 2019

SENATE VOTE: 38-0

SUBJECT: State Highway Route 710: surplus residential and nonresidential property

SUMMARY: Restricts the California Department of Transportation (Caltrans) from implementing a freeway tunnel, surface freeway, or expressway for State Route (SR) 710 between SR 10 and SR 210, as well as amends existing law related to state-owned properties in the SR 710 corridor. Specifically, **this bill:**

- 1) Restricts Caltrans from implementing a freeway tunnel, surface freeway, or expressway for SR 710 between SR 10 and SR 210.
- 2) Eliminates the sunset of January 1, 2020, for the prohibition on Caltrans increasing rents for certain surplus residential properties in the SR 710 corridor.
- 3) Requires Caltrans to determine fair market value relative to the current use of surplus nonresidential properties in the SR 710 corridor when giving priority to the purchase of the property rented or leased by nonprofit organizations or cities.

EXISTING LAW:

- 1) Allows Caltrans to acquire any real property that it considers necessary for state highway purposes.
- 2) Allows Caltrans, whenever it determines that any real property acquired by the state for highway purposes is no longer necessary, to sell or exchange it in the manner and upon terms, standards, and conditions established by the California Transportation Commission.
- 3) Requires Caltrans, to the greatest extent possible, to offer to sell or exchange excess real property within one year from the date that it determines the property is excess.
- 4) Generally requires state and local agencies, prior to disposing of excess lands, first to offer property for sale or lease to local public agencies, housing authorities, or redevelopment agencies within whose jurisdiction the property is located. Requires Caltrans to give priority first to entities agreeing to use the land for low- or moderate-income housing then to entities for open-space purposes, school facilities construction, enterprise zone purposes, and infill opportunities, in that order.
- 5) Provides an exception from these provisions for the disposal of excess residential properties in the unconstructed portion of the SR 710 corridor, i.e., the portion of SR 710 addressed in this bill. According to this exception, excess residential properties in this corridor are to be sold as follows:

- a) First, homes presently occupied by their former owners must be offered for sale to the occupant at fair market value. (Caltrans reports that there are no longer any properties in the SR 710 corridor occupied by previous owners);
 - b) Second, homes are to be offered to present occupants that have lived in the property for at least two years and who are persons and families of low or moderate income;
 - c) Third, homes must be offered for sale to present occupants that have lived in the home for more than five years and whose household income does not exceed 150% of the area median income;
 - d) Homes offered to income-qualified buyers are to be offered at an affordable price, but not less than the acquisition price or more than fair market value.
 - e) Homes not sold under these terms must then be offered to housing-related private and public entities for a price which is best suited economically to using the property for low- or moderate-income housing; and,
 - f) Any excess homes not sold pursuant to these provisions are then to be sold at fair market value with first priority given to purchasers who are present occupants and then to purchasers who will be owner occupants.
- 6) Directs 50% of the revenue collected by Caltrans from rental of historic property that is located in a freeway right-of-way corridor to be deposited in the Historic Property Maintenance Fund to pay for costs associated with maintenance and operation of the historic properties.
- 7) As set forth in regulations, establishes an Affordable Rent Program by which Caltrans considers affordability when adjusting rents for current residential tenants who are economically disadvantaged.

FISCAL EFFECT: According to the Senate Appropriations Committee, there are unknown one-time revenue losses, potentially up to the low tens of millions, by requiring Caltrans to offer nonresidential properties in the SR 710 corridor for sale to nonprofit and city tenants at less than the full fair market value. Proceeds from the sale of excess Caltrans properties are currently used to offset General Fund payments for transportation-related debt service, so any revenue losses attributable to the bill would result in a commensurate increase in General Fund expenditures. Also, unknown continued loss of rent revenues, to the extent that rents would otherwise have been subject to an increase absent the bill. Rent increases for properties in the corridor are limited to 10% by regulation, and increases are imposed on either annually or twice each year, depending on the property. As of 2017, there were 123 participants in the Affordable Rent Program to which this provision would apply.

COMMENTS: Beginning in the 1950s, Caltrans began acquiring property by eminent domain for the purpose of extending the SR 710 freeway through Alhambra, El Sereno, South Pasadena, and Pasadena. Local political opposition stalled the project, at which point Caltrans began renting the residential properties. Caltrans currently owns over 400 properties in the corridor, most of them single-family homes.

Property management of the homes in the SR 710 corridor has created long-standing tension between SR 710 corridor tenants and Caltrans. Over the years, tenants argued that Caltrans inadequately maintained the homes and failed to make appropriate improvements. Caltrans argued that the homes were being rented on a temporary basis and were expected to be razed to make way for freeway construction; hence, homes were kept up to health and safety standards, but long-term improvements were not a reasonable expense of public funds.

Caltrans and tenants have also long tussled over the issue of appropriate rental rates in this corridor. Tenants in some cases were paying significantly less than current market rent, despite the department's policy generally to charge fair market rates, except within its Affordable Rent Program. That program, developed in regulations in 2013, is intended to protect low-income tenants already living in SR 710 corridor homes from large rental rate increases. (New tenants, however, are required to pay fair market rates.) For tenants who began renting a home prior to 1981, affordable rent equates to 25% of gross monthly income. For tenants who began renting after this date, affordable rent equates to 30% of their gross monthly income.

In 2017, the Legislature passed and Governor Brown signed into law SB 400 (Portantino), Chapter 568, which prohibited Caltrans from increasing the rent for residents in the Affordable Rent Program until January 1, 2020.

No more freeway gap closure: While, over the past fifty years, alternative concepts have been proposed and evaluated to build the SR 710 freeway between I-10 and I-210, community members, particularly residents of Pasadena, have opposed the freeway project because of concerns about the impact of the freeway on their community.

Most recently, the draft Environmental Impact Report (EIR) identified five alternatives to improve transportation in the area. The alternatives included: a transportation system management/ transportation demand management (TSM/TDM) approach, light-rail transit and/or bus rapid transit, a tunnel under Pasadena, and a no build option. Of these options, constructing the tunnel is the most costly option at an estimated \$3 to \$5.6 billion. The TSM/TDM alternative is designed to maximize the efficiency of the existing transportation system by improving capacity on the local street system and reducing the effects of bottlenecks and chokepoints. These relatively low-cost, low-impact strategies include coordinated traffic signal timing to help relieve congestion, ramp metering to control the entry of vehicles onto a freeway, and minor street widening and intersection improvements to improve traffic circulation.

In May of 2018, the Los Angeles County Metropolitan Transportation Authority (LA Metro) Board of Directors voted to no longer consider project alternatives that are deemed “unfundable,” specifically referring to the tunnel, and began developing details for funding the TSM/TDM alternative. In November of 2018, as the implementing agency, Caltrans finalized the EIR and recommended the TSM/ TDM option as the preferred alternative. This officially enables LA Metro to begin spending regional funds to implement the TSM/TDM program.

With a clear pathway now set for the SR 710 corridor, the provisions specified in this bill provide for additional direction. As noted, Caltrans currently owns over 400 properties in the SR 710 corridor, including 330 homes and 103 multi-family housing units. Additionally, six nonprofits currently reside in properties owned by Caltrans within this corridor. Many of these properties are no longer needed due to the selection of the TSM/TDM alternative. Early in 2017, Caltrans began dispensing of properties and is currently continuing to sell excess properties.

This bill does three things related to the SR 710 corridor. First, it aims to provide the nonprofits in the SR 710 corridor the opportunity to purchase the properties they currently inhabit at a more affordable rate by offering the properties for sale at “current use” rate versus a general “fair market value” rate. Using the current use rate will allow for the property value to be assessed at a rate that is comparable to its value based on the property’s current use (i.e. a nonprofit services) and not its overall potential value.

Second, this bill permanently prohibits Caltrans from increasing the rent for residents in the Affordable Rent Program, until the homes in which these residents reside have been sold. Caltrans expects to have all of these homes sold in the next few years.

Finally, this bill restricts Caltrans from implementing a freeway tunnel, surface freeway, or expressway for SR 710 between SR 10 and SR 210. This is similar but does not conflict with an Assembly bill this committee heard in April, AB 29 (Holden), which removes from the state freeway and expressway system the section of SR 710 between SR 10 and SR 210. AB 29 is currently pending in the Senate Transportation Committee.

According to the author, with the release of the Final EIR, this bill enables the state to begin to fully address the selling of the surplus properties in the SR 710 corridor and prevents a tunnel or surface route from ever being built.

Writing in support, the Los Angeles County Board of Supervisors argues that this bill provides clarity for tenants of Caltrans surplus properties and creates a path forward to facilitate the easing of local congestion. In addition, the Pasadena Ronald McDonald House, which rents three Caltrans-owned homes in the corridor, writes in support that this bill is essential for them to continue to serve the community.

The City of Alhambra opposes this bill unless the author amends it to include language to relinquish the land to the local jurisdictions so that the cities can exercise local control over the land.

Related legislation: AB 29 (Holden) removes from the state freeway and expressway system the section of SR 710 between I-10 and I-210. This bill is pending in the Senate Transportation Committee.

Previous legislation: AB 533 (Holden, 2018) removed a certain portion of SR 710 from the state’s freeway or expressway system by January 1, 2024 or when the SR 710 North Project is complete, whichever is sooner. This bill was held in the Senate Transportation and Housing Committee.

AB 287 (Holden, 2017) required Caltrans, along with LA Metro, to create an SR 710 North Advisory Committee, prohibited the advisory committee from considering a tunnel or freeway extension, and explicitly prohibited Caltrans from building a freeway tunnel or surface freeway to fill the SR 710 gap. This bill was held in the Assembly Transportation Committee.

SB 400 (Portantino), Chapter 568, Statutes of 2017, prohibits Caltrans from increasing the rent of tenants enrolled in the Affordable Rent Program in the SR 710 corridor until January 1, 2020.

SB 580 (Liu), Chapter 709, Statutes of 2016, made changes to the Roberti Act governing the sale of surplus properties in the SR 710 corridor.

SB 416 (Liu), Chapter 468, Statutes of 2014, expedited the sale of surplus residential properties in the cities of Los Angeles, South Pasadena, and Pasadena that do not fall within the boundaries of any alternate route being considered in the North Route 710 Project Draft Environmental Impact Report/Environmental Impact Statement.

SB 204 (Liu, 2012) authorized LA Metro along with Caltrans and jointly with specified cities, to develop and file with the commission a local alternative transportation improvement program that addresses transportation problems and opportunities in specified cities. This bill was vetoed by Governor Brown, who cited an ongoing review by Caltrans of their owned properties and an ongoing environmental impact report by LA Metro.

REGISTERED SUPPORT / OPPOSITION:

Support

Arlington Garden in Pasadena
City of Pasadena
City of South Pasadena
Cottage Co-op Nursery School
Los Angeles County Board of Supervisors
Los Angeles County Metropolitan Transportation Authority
Los Angeles County Supervisor Kathryn Barger
No 710 Action Committee
Pasadena Heritage
Ronald McDonald House Pasadena
Sequoyah School
Sierra Club California
South Pasadena Preservation Foundation
Waverly School
Westridge School
Four Individuals

Opposition

City of Alhambra (unless amended)

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