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No. 2017/030

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TO COUNTY ASSESSORS:

STATE ROUTE 710 AFFORDABLE SALES PROGRAM

The Governor recently signed Assembly Bill (AB) 115 (Stats. 2017, ch. 20) which requires homes sold under the State Route (SR) 710 Affordable Sales Program to specified buyers be valued at the sales price paid. The homes affected by this legislation are located in Los Angeles County. Effective June 27, 2017, section 54238.8 is added to the Government Code and reads:

- (a) Any surplus residential property purchased at an affordable price pursuant to this article shall be assessed at its affordable price for property tax purposes.
- (b) Any surplus residential property purchased at a reasonable price pursuant to this article shall be assessed at its reasonable price for property tax purposes.
- (c) This section shall only apply to surplus residential properties for State Route 710, in the County of Los Angeles.

Generally, when real property undergoes a change in ownership, property is reassessed to fair market value as of the date of change in ownership. Revenue and Taxation Code section 110(a) provides that "fair market value" means the amount of cash or its equivalent that property would bring if exposed for sale in the open market under conditions in which neither buyer nor seller could take advantage of the exigencies of the other, and both the buyer and the seller have knowledge of all of the uses and purposes to which the property is adapted and for which it is capable of being used, and of the enforceable restrictions upon those uses and purposes. Section 110(b) rebuttably presumes that a property's purchase price is its fair market value and that the purchase price means the total consideration provided by the purchaser or on the purchaser's behalf, valued in money, whether paid in money or otherwise. After determining the purchase price paid, Revenue and Taxation Code section 402.1 requires the assessor to consider the effect upon the property's value of any government-imposed restrictions.

Existing law and regulations require the California Department of Transportation (Caltrans) to sell certain surplus residential property related to the SR 710 corridor. Caltrans must offer these properties for sale to potential buyers in a prioritized order at a specified price that depends on the buyer. Income-qualified residents who live in SR 710 homes can buy the home at a specified "affordable price." Public or private affordable housing-related entities that will use these

properties for affordable housing can buy at a specified "reasonable price." Homes sold at these prices are subject to use and resale restrictions imposed by Caltrans.

The selling price for these properties will vary as follows:

- **Affordable price buyers.** An "affordable price" means the maximum price at which the housing cost paid by the buyer does not exceed affordable costs for that buyer. Low or moderate income¹ tenant-occupants who have lived in the home for 2 or more years qualify. Income limits are raised to no more than 150% of area median income for tenants who lived in the home for 5 or more years. For lower income buyers, the price will not exceed a monthly payment price in accordance with Section 8 of the US Housing Act of 1937.
- **Reasonable price buyers.** A "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 and affordable prices. Affordable housing entities that will make the housing affordable to present tenants and households of low or moderate income qualify. If feasible, the entity must first rehabilitate and develop the property as limited-equity cooperative housing offered for sale to existing tenants. Otherwise, the entity must use the property for low and moderate rental or owner-occupied housing.
- **Use and Resale Restrictions.** Caltrans has adopted restrictions² regarding the use and resale of these properties. These government restrictions will be recorded against the property.

When any surplus residential property sells for an "affordable price" or "reasonable price" pursuant to the SR 710 Affordable Sales Program, Government Code section 54238.8 requires the assessor to use the "affordable price" or "reasonable price" paid to establish the property's new base year value. These provisions only apply to surplus residential properties in Los Angeles County sold on or after June 27, 2017 pursuant to the SR 710 Affordable Sales Program; they do not apply to any other properties sold by Caltrans.

If you have any questions regarding these provisions, please contact our County-Assessed Properties Division at 1-916-274-3350.

Sincerely,

/s/ Dean R. Kinnee

Dean R. Kinnee
Deputy Director
Property Tax Department

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¹ Low or moderate income is defined in Health and Safety Code section 50093.

² California Code of Regulations, Title 21, Division 2, Regulations 1475 through 1491.