

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 08/06/2012
POSITION: Oppose
SPONSOR: Los Angeles County Metropolitan Transportation Authority

BILL NUMBER: SB 204
AUTHOR: Liu, Carol

BILL SUMMARY: Local Alternative Transportation Improvement Program: 710 Gap Closure Project

This bill would authorize the Los Angeles County Metropolitan Transportation Authority (MTA) to develop a Local Alternative Transportation Improvement Program (LATIP) that addresses transportation problems and opportunities in the cities in which any excess properties originally acquired for the development of State Highway Route 710 (SR 710) are located.

Furthermore, this bill would: (1) require Caltrans to release the excess properties along the SR 710 for sale and offer tenants of non-residential properties a right of first refusal to purchase the property at fair market value (2) require Caltrans to deposit proceeds from the sale of the excess properties into a separate account to be available for expenditure for the approved LATIP, and (3) establish a Relocation Assistance Program (Relocation Program) to provide monetary assistance to tenant households for relocation assistance.

FISCAL SUMMARY

According to Caltrans, the establishment of the Relocation Program could expose Caltrans to substantial unfunded liabilities up to hundreds of millions of dollars. Relocation assistance would include relocation advice, moving expenses, and replacement housing units. However, this bill does not identify a funding source for this program, and does not authorize the proceeds from Caltrans' sale of excess properties to be used for the Relocation Program.

Furthermore, billions of future federal funding could be at risk because the bill would allow for ineligible tenants, such as tenants who have occupied the property after it was acquired, to receive some level of relocation benefits.

By declaring any properties acquired for the construction of the SR 710 extension as excess property upon elimination of a surface freeway construction alternative, nearly 400 residential properties would be available for sale. The Roberti Act specifies procedures for the sale of this surplus residential property at substantially less than fair market value, which could result in the loss of hundreds of millions of dollars.

COMMENTS

The Department of Finance is opposed to this bill because this bill in conjunction with current law could make hundreds of properties on the proposed SR 710 corridor available for sale as surplus property at prices considerably below market value, resulting in the loss of hundreds of millions of dollars. The Roberti

Analyst/Principal (0751) M.Almy Date Program Budget Manager Kristin Shelton Date
Department Deputy Director Date
Governor's Office: By: Date: Position Approved Position Disapproved
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COMMENTS (continued)

Act should be changed to allow these properties to be sold at market value where higher revenues could then be used to offset some of the higher costs of subsurface construction or other high priority projects.

Additionally, this bill would put future federal funding at risk and, without a clear funding source for the Relocation Program, the state could potentially have to fund the entire cost.

ANALYSIS

1. Programmatic Analysis

State Route 710 is a major interstate freeway running 23 miles from Long Beach to Alhambra, stopping short of Pasadena. The freeway gap between Alhambra and Pasadena is a significant source of traffic congestion, and the construction of a segment to fix this section has been delayed for decades due to community opposition.

Current law authorizes Caltrans, with regard to property acquired for highway purposes but no longer necessary for those purposes, to sell or exchange that excess property under terms and conditions established by the CTC. Where federal funds were used in the acquisition of property, federal law requires the state to utilize the proceeds from the sale of that property for transportation purposes or be subject to reimbursing the federal government. The Roberti Act allows for specified parties to purchase surplus residential property for below fair market value and requires the properties to be brought into a state of good repair before the sale.

This bill would authorize MTA, in conjunction with Caltrans, to develop and file the LATIP for approval from the CTC and to utilize the net proceeds from the sale of excess properties originally acquired for the SR 710 Study Area for the approved LATIP. The bill would require the CTC to follow processes consistent with those developed previously for the SR 84 and SR 238 project areas. This bill would allow MTA, with concurrence of Caltrans and the CTC, to advance a project in the LATIP with its own funds prior to the availability of sufficient funds from the sale of excess property.

This bill would require that the LATIP include a Relocation Program for residents who are eligible for such assistance pursuant to specified provisions of existing law. Additionally, this bill would expand relocation benefits to all low-income individuals, regardless of eligibility. The number of units would be required to match or to exceed the number of units occupied by low and moderate-income tenants who would move as a result of the LATIP and to match or to exceed the number of units occupied by low- and moderate-income tenants who would move as a result of the LATIP. The bill specifically would provide that tenants not otherwise eligible for relocation assistance would receive relocation advice and moving expenses.

This bill would also require the CTC and Caltrans to declare as excess property any properties acquired for the construction of the SR 710 extension, upon the elimination of a surface freeway construction alternative from further consideration in the environmental review of the SR 710 North Gap Closure Project. No proceeds from the sale of excess properties would be authorized to be spent on any activity to advance a subsurface alternative for the SR 710 project. This bill would direct the CTC to allocate the net proceeds from disposal of the properties to the approved LATIP and would exempt those proceeds from formula that generally govern the distribution of capital improvement dollars for transportation. This bill would restrict the use of these proceeds to projects for state highway purposes or for projects in the LATIP that are also in the local voter-approved transportation

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ANALYSIS (continued)

sales tax measures. The bill expressly prohibits excess property or the proceeds from its sale from use for housing purposes.

Discussion: According to the author's office the completion of SR 710 is a highly controversial and litigated project. Moreover, there is dissatisfaction with Caltrans' maintenance and management of vacant properties that are in disrepair.

Caltrans reports that future federal funding for the SR 710 Gap Closure Project could be in jeopardy because the bill would require duplicative relocation assistance and replacement housing to ineligible tenants who occupied one of the various properties or is not lawfully present in the country after it was originally acquired by Caltrans. Furthermore, Caltrans could have to provide assistance to those tenants who breach a lease agreement, default on rental payments, or whose leases were terminated. In some cases, the provisions of this bill could be construed as a gift of public funds to persons otherwise not eligible for assistance under existing law. In addition, the state has already provided relocation assistance to previous occupants of the properties in the SR 710 project right-of-way when those properties were acquired and most current tenants signed leases acknowledging that they are not eligible for relocation assistance.

2. Fiscal Analysis

By declaring any properties acquired for the construction of the SR 710 extension as excess property upon elimination of a surface freeway construction alternative, nearly 400 residential properties would be available for sale. The Roberti Act specifies procedures for the sale of this surplus residential property at substantially less than fair market value, which could result in the loss of hundreds of millions of dollars.

This bill would also require a substantial amount of funding to provide for the Relocation Program. In addition, Finance notes the following:

- As currently written, this bill does not clarify which entity, the state or a local agency, would be liable for funding the Relocation Program required by this bill.
- This bill expressly prohibits State Highway Account funds or proceeds from the sale of excess properties from being expended for the housing provisions of this bill. Therefore, no funding source for the Relocation Program has been identified.
- This bill provides an expanded level of benefits for the Relocation Program.
- According to Caltrans, this bill could jeopardize future federal funding for the SR 710 Gap Closure Project because it would allow current tenants to receive assistance that are expressly ineligible under federal law.
- This bill contains several ambiguous terms that could require litigation, resulting in additional expenses.

BILL ANALYSIS--(CONTINUED)

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Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)					Fund Code
	LA	(Dollars in Thousands)					
	CO	PROP					
	RV	98	FC	2012-2013 FC	2013-2014 FC	2014-2015	
2660/Caltrans	SO	No		----- See Fiscal Analysis -----		0042	
<u>Fund Code</u>	<u>Title</u>						
0042	Highway Account, State, STF						