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California State Senate

SENATOR
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EDUCATION

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EDUCATION
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JOINT COMMITTEE
ARTS



February 12, 2026

Received 2/12/2026

The Honorable John Harabedian, Chair
Joint Legislative Audit Committee
1020 N Street, Room 107
Sacramento, CA 95814

Re: Audit Request – State Route 710 Affordable Sales Program

Dear Chair Harabedian,

We respectfully request an independent audit of the California Department of Transportation's (Caltrans) administration of the 710 Extension Project properties, including its administration of the State Route 710 Affordable Sales Program (Affordable Sales Program). The Affordable Sales Program is intended to return homes acquired for the now-defunct 710 freeway extension to the community through affordable housing opportunities. However, many of our constituents have brought forward alarming reports of mismanagement, inconsistent enforcement of policies, and a lack of transparency that severely impact tenants' health, financial stability, and access to affordable housing.

We have concerns that Caltrans has failed to maintain vacant and occupied properties in a safe and habitable condition. For example, in South Pasadena, there are three vacant properties situated on a hill that appear to be in deteriorating condition, potentially at the risk of collapse, which pose a significant danger to nearby residents. Numerous tenants residing in Caltrans-owned homes also report issues such as rat infestations, mold and structural hazards that are not adequately addressed. In one instance, a family had a leak that was causing mold and making one family member sick. Instead of bringing in a remediation company, a plumber was called who opened up the wall, reportedly spreading the mold throughout the house. The resulting damage forced the family out of their home for nearly a year. Although Caltrans halted rent collection during this time and initiated settlement negotiations, Caltrans is now demanding hundreds of thousands of dollars in back rent.

We are also concerned about inconsistencies and lack of transparency in how Caltrans is implementing the sales process. Some tenants have been denied lot splits, while lot splits have been approved for others. Constituents also report receiving conflicting eligibility information as well as short and confusing deadlines. Several tenants report being deemed ineligible due to income calculations that rely on unexplained or unverifiable assumptions. For example, one tenant was sent conflicting letters, first offering a home at market rate and then declaring their eligibility for an affordable price sale. The tenant was later subjected to restrictive and unclear purchase conditions. In other cases, Caltrans has failed to adequately inform tenants of their right to pursue limited equity cooperative ownership, as required by state law. Some applications to purchase multifamily homes did not include this option at all. These missed opportunities further call into question whether Caltrans is acting in good faith to comply with the law and serve the public interest.

The sales process has been equally frustrating for non-residential tenants, with many tenants reporting delays for appraisals, exceedingly long wait times for replies to basic questions from Caltrans, and inconsistent application of state law. For example, under state law, nonprofit and municipal tenants are supposed to purchase properties at their "value in use." Ronald McDonald House, a nonprofit in Pasadena, waited years before finally receiving a sales contract from Caltrans. That contract, however, included a provision requiring the nonprofit to repay the difference between the fair market value and the value-in-use price after 25 years, a condition not found in the law. This fundamentally undermines the intent of the Affordable Sales Program and makes participation in the program untenable for many nonprofits.

An audit report published in August 2012 titled "California Department of Transportation: Its Poor Management of State Route 710 Extension Project Properties Costs the State Millions of Dollars Annually, Yet State Law Limits the Potential Income From Selling the Properties" found that Caltrans has consistently mismanaged hundreds of properties it acquired for the State Route 710 extension project. The audit revealed that Caltrans failed to maintain the properties adequately, resulting in unsafe conditions and substantial financial losses due to deferred maintenance, under-market rental rates, and prolonged vacancies. These findings highlight systemic issues within Caltrans' property management practices and underscore the need for a follow-up audit.

An independent audit is essential to uncover and correct systemic issues, hold Caltrans accountable, and ensure that the program delivers on its promise of affordable, stable, and equitable housing for those qualified. The audit scope should include but not be limited to the following:

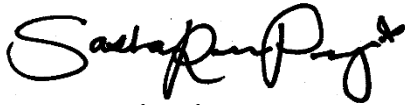
1. Evaluate whether Caltrans has administered the State Route 710 Affordable Sales Program (Affordable Housing Program) in accordance with the Roberti Act and other applicable laws, including prioritization of sales to current occupants, income-eligible buyers, Housing-Related Entities, and nonprofit groups.
2. Assess the timeliness of the sales process for both vacant and occupied properties.

3. Determine whether Caltrans properly defined and applied affordability criteria for prospective purchasers and tenants. Review the methodology used by Caltrans to calculate "affordable" home purchase prices for eligible tenants and evaluate the consistency, accuracy, and transparency of cost inputs (e.g., insurance, utilities). Also, determine whether calculations are applied equitably across cases and whether documentation supports determinations.
4. Examine Caltrans' appraisal process for properties included in the State Route 710 Affordable Sales Program. Assess the timeliness, accuracy, and adequacy of property appraisals, including whether the comparable properties selected for appraisals are appropriate given the condition of the structures. Determine whether procedures exist and are reasonable, allowing tenants or prospective purchasers to appeal or dispute appraisal findings.
5. Review the roles and responsibilities of Caltrans's respective realtor(s) and Caltrans in administering the program. Evaluate any reports of inconsistent communications and potential misconduct by Caltrans or its realtor(s) and assess whether Caltrans has provided appropriate oversight. Determine whether sales contracts contain appropriate terms, conditions, and restrictions.
6. Evaluate Caltrans' accounting records and practices and determine whether records of rent owed and paid are accurate, consistent, and supported.
7. Assess the process Caltrans uses to procure and manage contracts for property maintenance services, including the following:
 - a. Review timelines and adequacy of contractor solicitation, qualifications, selection and availability (e.g., pest control, repairs).
 - b. Evaluate the effectiveness, timeliness and reliability of the tenant reimbursement process for maintenance-related expenses.
 - c. Examine oversight and quality control mechanisms in place to ensure licensed contractors perform work to appropriate standard.
8. Evaluate Caltrans' process for addressing needed improvements at vacant properties, especially dilapidated or hazardous properties that may pose a significant danger to nearby residents.
9. Follow up on audit findings and recommendations contained within the California State Auditor's 2012 audit report on the 710 Extension Project titled "California Department of Transportation: Its Poor Management of State Route 710 Extension Project Properties

Costs the State Millions of Dollars Annually, Yet State Law Limits the Potential Income From Selling the Properties.”

Thank you for your consideration of this audit request. If you have any questions, please to Edmundo.Cuevas@sen.ca.gov with my office.

Sincerely,



SASHA RENÉE PÉREZ

Senator, 25th Senate District



MIKE FONG

Assemblymember, 49th Assembly District