

ASSEMBLY THIRD READING
AB 2329 (Fong)
As Amended April 13, 2026
Majority vote

SUMMARY

Makes changes to the Roberti Act to facilitate the sale of properties owned by Caltrans along the 710 freeway.

Major Provisions

- 1) Adds a definition of "condition-adjusted fair market value" to mean the fair market value of the property as of October 13, 2019, as determined by an independent appraiser, and as adjusted as provided in this subdivision
- 2) Requires an appraiser when establishing the condition-adjusted fair market rent of a property to reflect both of the following:
 - a) The existing "as is" condition of the property; and
 - b) The amount needed to make any repairs and capital improvements to make the property safe and habitable based on an independent inspection report.
- 3) Requires Caltrans when disposing of property along the 710 freeway at condition-adjusted market rate value, as specified.
- 4) Requests any dispute between Caltrans and a purchaser regarding the final sales price of surplus residential property offered at the condition-adjusted fair market value sales price shall be submitted to the Office of Administrative Law (OAL) within 60 days of the department's written offer to the purchaser. Requires the OAL to make a determination on the condition-adjusted fair market value sales price within 90 days of receiving a request for review.
- 5) Requires Caltrans to provide to all persons or entities offered surplus residential property and to purchasers of surplus residential property all documents related to the surplus residential property included, but not be limited to, valuation and appraisal materials, property condition, repair, and inspection reports, tenant leases, complete rental history, rent ledgers, including late notices, solicitations sent to prospective purchasers, title reports, and any environmental reports, including reports on lead, asbestos, or geotechnical issues. Prohibits Caltrans from requiring the execution of a nondisclosure agreement relating to these documents.
- 6) Requires Caltrans to provide to a purchaser or potential purchaser of surplus residential property all appraisals, calculations, and documents related to the purchase price, including any adjustments or credits, purchase and sale agreement, escrow instructions, and a written explanation of how rent obligations or other balances, if owed, will be handled before the close of escrow. Prohibits Caltrans from requiring the execution of a nondisclosure agreement relating to these documents.

- 7) Requires any surplus residential property purchased at the condition-adjusted fair market value price pursuant to be assessed at its condition-adjusted fair market value price for property tax purposes.
- 8) Provides that after a property is offered for sale to existing and former tenants, the City of South Pasadena (City) may elect to take the following action:
 - a) Without taking ownership of the surplus residential property, the City may offer the residence to the present tenants, regardless of whether the tenant is in good standing with all rent obligations with the Caltrans, at the condition-adjusted fair market value price. If the tenant executes a purchase and sale agreement with the city and has secured financing, the parties shall proceed with a side-by-side escrow;
 - b) Provides that the transaction between the City and Caltrans shall be expressly contingent upon the closing of the escrow between the City and the purchaser of the surplus residential property;
 - c) Provides that any proceeds realized by the City from the sale shall be placed into an affordable housing trust fund and shall be used at the discretion of the city to increase, preserve, and improve the supply of affordable housing in the city. Uses of the funds may include, but are not limited to, construction of new housing units, rehabilitation or preservation of affordable housing units, assistance to first-time homebuyers, gap financing, or other financial assistance to third parties for the development of affordable housing. Funds may be used for the benefit of both rental and owner-occupied affordable housing; and
- 9) Defines "side-by-side escrow" to mean two escrow transactions, one of which is the escrow between the City and the Caltrans, and the other is the escrow between the City and a purchaser of the surplus residential property, as described in paragraph (1), that are opened concurrently and are contractually interdependent, such that closing of the escrow between the City and the Department of Transportation is contingent upon, and is intended to occur contemporaneously with, the closing of the escrow between the City and the purchaser of the surplus residential property.

COMMENTS

History of SR 710: In the 1950's, Caltrans planned for a freeway to connect the Port of Long Beach north to Interstate 5, Interstate 10 and the Interstate 210 freeway in Pasadena. In 1964, the southern part of SR 710 was built, starting at the Port of Long Beach and heading north. It ended 23 miles later, five miles short of the intended connection to Interstate 210, feeding into local traffic on Valley Boulevard in Alhambra, causing congestion on the neighboring freeways and streets. The gap, which was caused by challenges from the community, affects the surrounding cities of El Sereno, Alhambra, South Pasadena, Pasadena, and a portion of Los Angeles.

In 2018, the Los Angeles County Metropolitan Transportation Authority (Metro) and Caltrans identified alternatives to the freeway gap closure which did not require demolition of any homes. Subsequent legislation prohibits Caltrans from pursuing freeway gap closure. Consequently, many of these properties are no longer needed for the transportation project and are now surplus. Caltrans has begun disposing of properties pursuant to several laws enacted over the last few years.

Changes for City of South Pasadena: Caltrans owns 710 properties in both the cities of Pasadena and South Pasadena. Existing law, known as the Roberti Act, establishes priorities and procedures for the disposition of surplus residential properties in the SR 710 corridor. Under the Roberti Act, the order of priority for offering the sale of properties is as follows:

- 1) Former owners of the properties;
- 2) Current tenants with low or moderate incomes who have occupied a property for two plus years;
- 3) Current tenants whose income do not exceed 150% of the area median income and who have occupied a property for five plus years;
- 4) Present tenants who have occupied a property for five plus years;
- 5) Unoccupied property to the city in which property is located;
- 6) Occupied property to the city in which property is located and then private housing related entity (HRE) - for use as housing for low and moderate income households;
- 7) Current tenants in good standing with Caltrans on rent obligations;
- 8) Former tenants in good standing at time property vacated; and
- 9) Public auction.

According to the author, while decades have passed since the enactment of the Roberti Act, Caltrans has been slow in selling the properties. In the City only one property has been sold to a tenant at fair market value (FMV), one to a housing related entity (HRE) and five to the City. In the meantime, the properties are deteriorating, some with safety issues, and tenants are increasingly expressing frustration with their experience working with Caltrans to purchase the homes, many of whom have lived on the properties for decades. Complaints include unclear requirements, poor or lack of communication, inconsistent application of regulations and changes to the sale price from when they started the process. The law does not specify a timeline or specific procedures for selling the properties. This bill sets out additional parameters necessary to carry out the intent of the Roberti Act, including the following:

- 1) Changes properties sold at FMV to a new "condition-adjusted" FMV based on an appraisal of the FMV as of October 13, 2019, the day after the bill that officially ended the SR 710 freeway project SB 7 (Portantino) Chapter 835, Statutes of 2019 was signed, and adjusted based on current condition of the properties and the amount needed for repairs and improvements to make the properties safe;
- 2) Requires Caltrans to provide specified documents to all individuals and entities offered surplus residential property, including valuation and appraisals, condition of property, rental history, title reports, and any environmental reports (e.g., lead, asbestos); and specified documents to purchasers, including appraisals, calculations and documents related to the purchase price;

- 3) Requires any disputes between Caltrans and purchasers regarding sale price at the condition-adjusted FMV to be submitted to the OAL within 60 days of the written offer and requires the OAL to make a determination within 90 days upon a request for review by the tenant.

Under current law, when an occupied property is not sold to a tenant or a negotiation fails, the property may be offered to the City where the property is located. AB 2329 establishes another option whereby the City may offer the property to the present tenant at the condition-adjusted FMV. Proceeds from the sales will be used by the City for affordable housing purposes.

According to the Author

"The struggle with the sale of State Route (SR) 710 homes has spanned decades, despite the Legislature's clear intent to sell the homes back to former owners and current or former tenants, many of whom have lived on the properties for decades. Constituents have increasingly expressed frustrations with the process, including lack of communication regarding requirements, inability to obtain historical information about the property, including appraisals, and inconsistent application of regulations. AB 2329 addresses the concerns by setting a date in time for determining a sale price and adjusting the price by the condition of the property and the cost for rehabilitation to make the property safe. The bill also requires Caltrans to provide documents related to the property to all offers and purchasers and sets a timeline to request the Office of Administrative Law to resolve disputes in the sale price. If a sale of surplus residential property at the fair market value is unsuccessful within the City of South Pasadena, the bill authorizes the City of South Pasadena to facilitate the sale and use the proceeds for affordable housing purposes. This bill will result in greater transparency with the process and expedite the sale of occupied surplus residential property along the SR 710 corridor."

Arguments in Support

"According to the City of South Pasadena, "The Legislature established the Caltrans Affordable Sales Program to alleviate our housing crisis by helping tenants living in Caltrans surplus properties to acquire their homes. Affordable rent tenants who make up to 150% of area median income are eligible to purchase their homes at a reduced price provided the price is not lower than the price Caltrans paid to acquire the property. Tenants whose household income exceeds 150% of area median income may buy the properties at fair market value as determined by an appraiser. Many South Pasadena tenants have faced lengthy delays in the sale process and received confusing and inconsistent information about their path to homeownership. Some tenants have waited years to receive required appraisals and property disclosures and sales offers. Caltrans demanded that some tenants sign complicated Non-Disclosure Agreements before releasing required property disclosure information. Meanwhile, due to these delays, property prices have skyrocketed, putting a purchase out of reach of some tenants. AB 2329 enacts common sense changes to the program to ensure that tenants have a fair opportunity to purchase homes they have occupied for many years by protecting them from rising purchase prices due to delay in program administration."

Arguments in Opposition

None on file.

FISCAL COMMENTS

According to the Assembly Committee on Appropriations:

- 1) The California Department of Transportation (Caltrans) anticipates costs of approximately \$981,660 annually for up to three years, for additional workload associated with the new definition of "fair market value" and a new dispute resolution process (SR710 RA and State Highway Account (SHA)).

In addition, Caltrans notes that lower sales prices and the diversion of funds could reduce revenues deposited into the SR 710 Rehabilitation Account by tens of millions of dollars, resulting in a reduction of funds available to rehabilitate homes under the Affordable Sales Program and to fund local transportation projects, as specified in the Roberti Act.

- 2) The Department of Housing and Community Development (HCD) estimates minor and absorbable costs.

The Legislative Analyst's Office recently warned of General Fund structural deficits of around \$35 billion per year in the 2027-28 fiscal year and ongoing.

VOTES

ASM HOUSING AND COMMUNITY DEVELOPMENT: 12-0-0

YES: Haney, Patterson, Ávila Farías, Caloza, Garcia, Kalra, Lee, Quirk-Silva, Ta, Tangipa, Wicks, Wilson

ASM APPROPRIATIONS: 15-0-0

YES: Wicks, Hoover, Aguiar-Curry, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa

UPDATED

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