

- 5) Requires Caltrans to impose appropriate terms, conditions, and restrictions for nonresidential properties being sold on the SR 710 corridor if the offered price is less than fair market value.

This bill:

- 1) Makes findings and declarations pertaining to surplus nonresidential property used for public purposes along the SR 710 corridor, as specified.
- 2) 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.
- 3) 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.
- 4) Requires Caltrans when disposing of property along the 710 freeway to use condition-adjusted market rate value, as specified.
- 5) Changes the definition of “value in use” to mean the value of nonresidential property for its current specific use, including a public-serving active or passive recreation area, open space, or community garden use, regardless of whether that use is the property’s highest and best use on the effective date of the property’s appraisal.
- 6) 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 OAL to make a determination on the condition-adjusted fair market value sales price within 90 days of receiving a request for review.
- 7) 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.

- 8) 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.
- 9) 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.
- 10) Provides that after a property is offered for sale to existing and former tenants, both the City of Pasadena and South Pasadena (Cities) may elect to take the following action:
 - a) Without taking ownership of the surplus residential property, the Cities may offer the residence to the present tenants, regardless of whether the tenant is in good standing with all rent obligations with 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 Cities 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 Cities 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,

- d) Further provides that fifteen percent of the proceeds are to be retained by the Cities as an administrative fee to cover staff and various costs.
- 11) Provides that for both cities, if surplus residential properties are not resold within two years upon purchase from Caltrans, the properties are to be used for affordable housing or workforce housing, as specified.
- 12) Regarding unimproved property within the SR 710 corridor in the Cities of Pasadena and South Pasadena, if sold to these cities by Caltrans, each city may utilize the properties for either affordable housing or workforce housing purposes, as provided.
- 13) Defines “side-by-side escrow” to mean two escrow transactions, one of which is the escrow between the City and 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:

- 1) *Purpose of the bill.* 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 and the City of Pasadena, the bill authorizes the cities 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.”

- 2) *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.

- 3) *Challenges associated with selling SR 710 properties*. Since the official termination of the SR 710 extension project in 2019, the process to sell these properties to both previous and current tenants has been riddled with challenges. Several of these challenges include regulatory and emergency rulemaking delays, tenant disputes, deferred maintenance and safety issues, and the complex phased / staggered sales process itself. In response, a variety of legislative proposals have been both introduced and enacted in attempt to resolve some of the abovementioned challenges (see related legislation below). However, local stakeholders, public agencies, and tenants continue to assert that the challenges remain, and thus the need for subsequent legislation.
- 4) *Expediting the process?* The proposed provisions provided in this bill intend to expedite / improve efficiencies in Caltrans' process of selling SR 710 properties. While the frustrations regarding the selling of SR 710 properties from stakeholders are completely within reason, it is unclear if several of the provisions included in this measure may in fact expedite the selling process. For example, OAL's primary responsibilities are to review regulations to ensure compliance with the California Administrative Procedure Act (APA) and provide education and trainings to state employees to ensure compliance with APA. It's unclear whether OAL would need to create an entire new process to intake, review, and respond to SR 710 property disputes. Additionally, proposing substantial changes to the Roberti Act such as requiring properties to be assessed at condition-adjusted fair market value may trigger a regulatory update to guarantee regulatory procedures are in alignment with statutory

requirements. On the other hand, it's worth noting that these potential up-front administrative delays may result in a more expedited / streamlined process in future years.

- 5) *Article 19: restricted use of funds.* The California State Constitution directly specifies the uses of motor vehicle taxes (i.e. "gas tax"). Specifically, Article 19, Section 2 and 2(a) states:

"Revenues from taxes imposed by the State on motor vehicle fuels for use in motor vehicles upon public streets and highways, over and above the costs of collection and any refunds authorized by law, shall be deposited into the Highway Users Tax Account (Section 2100 of the Streets and Highways Code) or its successor, which is hereby declared to be a trust fund, and shall be allocated monthly in accordance with Section 4, and shall be used solely for the following purposes:

"(a) The research, planning, construction, improvement, maintenance, and operation of public streets and highways (and their related public facilities for nonmotorized traffic), including the mitigation of their environmental effects, the payment for property taken or damaged for such purposes, and the administrative costs necessarily incurred in the foregoing purposes."

SR 710 properties were purchased with gas tax revenue for the construction of the extension project and in turn, being that the extension project never commenced, the revenues generated from these property sales are subject to Article 19 restrictions, including returning to the Highway Users Tax Account and again being utilized under the direction of section 2(a).

The Roberti Act, including the specific directions for cities, under certain circumstances allows for properties to be sold for less than fair market value to certain individuals and entities contingent on their income levels or based on the services provided on the property (i.e. "value in use"). One tool used by Caltrans in order to ensure the state remains in compliance with Article 19 is including a requirement that the potential owner must pay Caltrans the "net equity" (i.e. in-use selling price - fair market value) sometime in the future (typically 30 years). Currently there are several public entities and nonprofit organizations engaging with Caltrans to purchase nonresidential properties for below fair market value where net equity is also in the process of being negotiated.

Several provisions in this bill, including authorizing up to 15% of property sales revenue to be used for City administrative purposes related to housing and

waiving the net equity obligation for several properties leased by Pasadena and South Pasadena currently being used as public gardens raises Article 19 compliance questions. While both provisions are generally serving a public good, it's unclear whether the proposed changes are in compliance / alignment with the direction provided under the State Constitution.

RELATED/PREVIOUS LEGISLATION:

AB 1594 (Harabedian, 2026) – Provides a certain exemption associated with the purchase of nonresidential property on SR 710 corridor for a specific nonprofit organization, as specified. *This bill is currently pending in this Committee.*

AB 1038 (Fong, Chapter 347, Statutes of 2024) – Specified the terms and conditions for acquiring surplus property from Caltrans in the City of South Pasadena, and requires that the proceeds from the subsequent sale of those properties be used for affordable housing purposes.

SB 959 (Portantino, Chapter 668, Statutes of 2022) – Makes changes to the Roberti Act to encourage the sale of homes owned by Caltrans for low- and moderate-income housing in the State Route 710 corridor in the City of Pasadena.

SB 381 (Portantino, Chapter 362, Statutes of 2022) – Makes changes to the Roberti Act to encourage the sale of homes owned by Caltrans for low- and moderate-income housing in the State Route 710 corridor in South Pasadena.

SB 51 (Durazo, Chapter 130, Statutes of 2021) – Made changes to the Roberti Act to encourage the sale of homes owned by Caltrans for low- and moderate-income housing in the City of Los Angeles and makes changes to the Surplus Land Act.

SB 7 (Portantino, Chapter 835, Statutes of 2019) – Was signed into law on October 12, 2019, to officially end the SR 710 freeway project.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

POSITIONS: (Communicated to the committee before noon on Wednesday, June 24, 2026.)

SUPPORT:

City of Pasadena (as amended)
City of South Pasadena

OPPOSITION:

None received

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