SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 2329 (Fong) - Surplus residential property: condition-adjusted fair market value: Cities of Pasadena and South Pasadena

Version: July 2, 2026
Urgency: No
Hearing Date: August 3, 2026
Policy Vote: TRANS. 12 - 0
Mandate: Yes
Consultant: Mark McKenzie

Bill Summary: AB 2329 would make numerous changes to the Roberti Act to facilitate the sale of surplus residential properties owned by the Department of Transportation (Caltrans) in the State Route (SR) 710 corridor, including basing the sales price on a lower "condition-adjusted fair market value," as specified.

Fiscal Impact:

- Caltrans estimates administrative workload costs of approximately $982,000 annually for up to three years to make determinations of sales prices based on a condition-adjusted fair market value and to participate in a specified dispute resolution process related to final sales prices. Caltrans would incur unknown, potentially significant additional costs to pay for appraisals and inspections to determine condition-adjusted fair market value that accounts for costs of repairs and capital improvements. (State Highway Account)

- Caltrans further estimates revenue losses, potentially in the tens of millions of dollars in the aggregate, as a result of lower sales prices associated with valuing properties at the condition-adjusted fair market value, as well as diversions of funds to affordable housing trust funds in Pasadena and South Pasadena. These impacts would result in a reduction of funds available to rehabilitate SR 710 surplus residential properties under the Affordable Sales Program and to fund local transportation projects, as specified in the Roberti Act. (SR 710 Rehabilitation Account, State Highway Account)

- Unknown loss of property taxes related to the bill's requirement that a home sold pursuant to the Roberti Act must be assessed based on the condition-adjusted fair market value, rather than traditional fair market value. Staff notes that property tax revenues are allocated to local agencies, including cities, counties, school entities, and special districts. Any reduction in the amounts that are allocated to schools may result in a commensurate State General Fund impact to backfill school funding reductions, pursuant to Proposition 98 education funding formulas.

- Unknown costs to the Office of Administrative Hearings for workload associated with resolving disputes between Caltrans and purchasers of surplus residential properties over final sales prices. (General Fund)

Background: Under existing law, whenever Caltrans determines that real property acquired for highway purposes is no longer necessary, that property may be sold or exchanged upon terms, standards, and conditions established by the California

Transportation Commission. If a proposed state highway route location is rescinded, existing law requires Caltrans to sell any excess real property acquired for the rescinded route location and use the proceeds to fund the state highway project that is proposed as the alternative to the rescinded route. Proceeds from the sales of Caltrans surplus property are currently dedicated to transportation-related debt service, partially offsetting General Fund payments.

Caltrans currently owns numerous residential and nonresidential properties that were originally purchased in the SR 710 corridor beginning in 1953 with the intent to eventually remove the structures and construct an extension to the existing SR 710 freeway to close 4.5 mile unconstructed gap between SR 10 in Los Angeles to SR 210 in Pasadena, but the project was mired in considerable controversy over the years and was never built.

Existing law, the Roberti Act, establishes priorities and procedures for the disposition of surplus residential properties in the SR 710 corridor. Under the act, Caltrans must offer surplus single-family residences in the following priority order:

- First, at the appraised fair market value to a former owner who currently occupies the residence.
- Second, at an “affordable price” to a current low- or moderate-income occupant who has occupied the property for at least two years, as specified.
- Third, at an “affordable price” to a current occupant with household income of up to 150% of the area median income who has occupied the property for at least five years.
- Fourth, to present occupants who are not the former owners, if the present occupant has had an ownership interest in the property in the last three years.
- Next, to housing-related public and private entities that provide affordable housing at a “reasonable price” necessary to make the housing affordable to present tenants and households of low or moderate income, on the condition that the purchasing entity rehabilitate and develop the property as limited-equity cooperative housing with first right of occupancy to present tenants. If cooperative housing is not feasible, the purchasing entity must use the property for low- and moderate-income rental or owner-occupied housing, with the first right of occupancy to present tenants. The “reasonable price” must not be less than Caltrans’ original purchase price or greater than the fair market value.
- Lastly, at fair market value with priority given to occupants in good standing with rent obligations, then to previous occupants who were in good standing, and then to persons who intend to be owner-occupants.

Properties in the Cities of Pasadena and South Pasadena are subject to modifications to the general requirements of the Roberti Act. Specifically, after a single-family residential property is offered to former owners and present occupants under the first three priorities noted above, existing law requires Caltrans to offer the property at fair market value to present tenants who have occupied the property for five years and are in good standing with all rent obligations current and paid in full, with first right of occupancy to present tenants.

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 these issues (see related legislation below). However, local stakeholders, public agencies, and tenants continue to assert that the challenges remain.

Proposed Law: AB 2329 would make numerous changes to the Roberti Act that are intended to facilitate the sales of surplus residential properties in the SR 710 corridor. Specifically, this bill would:

- Define "condition-adjusted fair market value" as the fair market value of the property as of October 13, 2019, as determined by an independent appraiser, adjusted to reflect the "as is" condition of the property and the amount needed to make any repairs and capital improvements to make the property safe and habitable based on an independent inspection. The selling agency (Caltrans) would be responsible for the costs of the appraiser and inspection, including the inspection report.
- Require Caltrans, when disposing of SR 710 surplus residential properties, to use the condition-adjusted fair market value, rather than fair market value, as specified.
- Require any dispute between Caltrans and a purchaser regarding final sales prices of a surplus residential property offered at the condition-adjusted fair market value to be submitted to the Office of Administrative Hearings (OAH) within 60 days of the department's written offer to the purchaser. The OAH must make a determination on the condition-adjusted fair market value sales price within 90 days.
- Require Caltrans to provide all persons or entities offered surplus residential property and to purchasers of surplus residential property with all documents related to the surplus residential property, as specified. Caltrans would be prohibited from requiring the execution of a nondisclosure agreement relating to these documents.
- Require any properties purchased at the condition-adjusted fair market value to be assessed at its condition-adjusted fair market value price for property tax purposes.
- Authorize the Cities of Pasadena and South Pasadena (Cities), when a property is offered for sale to existing and former tenant, to purchase the property under the following procedures:
    - Without taking ownership of the 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, as specified.
    - The transaction between a City and Caltrans must be expressly contingent upon the closing of escrow between the City and the purchaser.
    - Require any proceeds realized by a City from the sale to 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, as specified.
    - Require each purchase and sale agreement entered into by the City with a purchase to require the purchasing tenant to complete an in-person homebuyer education course, as specified, prior to the close of escrow.
- Define "side-by-side escrow" as 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, as specified, that are opened concurrently and are contractually interdependent, such that closing of the escrow between the City and the Caltrans 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.
- Require the Cities to commence construction or complete acquisition of necessary affordable units within two years from the date on which proceeds from the subsequent sale of an unoccupied home are received, as specified.

Related Legislation: AB 1594 (Harabedian), which is currently pending in this Committee, would exempt a qualifying nonprofit organization that purchased a surplus nonresidential property in the SR 710 corridor from requirements to pay Caltrans any owed net equity or other amounts, regardless of any contractual obligations to pay those amounts, as specified

AB 1038 (Fong), Chap. 347/2024, revised the regarding the terms and conditions for acquiring surplus property from Caltrans in the City of South Pasadena, and required that the proceeds from the subsequent sale of those properties be used for affordable housing purposes, as specified.

SB 959 (Portantino), Chap. 668/2022, made specified changes to the Roberti Act, including authorizing the sale of properties to the City of Pasadena at original purchase price, without inflation adjustment, if those properties are used for low- and moderate-income housing, as specified.

SB 51 (Durazo), Chap. 130/2021, included the following changes to the Roberti Act: revised the priorities and procedures governing the sales of SR 710 properties within the City of Los Angeles; required properties sold to housing-related entities in Los Angeles to be offered in as-is condition at Caltrans original purchase price, not adjusted for inflation; and required Caltrans to adopt emergency regulations.

SB 7 (Portantino), Chap. 835/2019, among other things, required Caltrans to offer surplus nonresidential property it owns in the SR 710 corridor at fair market value based on its current use, if it is sold to a city or nonprofit organization.

SB 580 (Liu), Chap. 709/2016, made specified changes to the Roberti Act governing the sale of surplus residential properties in the SR 710 corridor to specify procedures for the sale of historic homes, and to allow for the resale of certain properties purchased by a public housing entity, under specified circumstances.

SB 416 (Liu), Chap. 468/2013, made numerous changes to the Roberti Act, including a requirement that properties sold at fair market value be offered in as-is condition, and requiring proceeds from residential property sales be deposited into the SR 710 Rehabilitation Account and State Highway Account for SR 710 property rehabilitation purposes and local transportation projects, as specified

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