THIRD READING

Bill No: AB 2329
Author: Fong (D), et al.
Amended: 8/13/26 in Senate
Vote: 21

SENATE TRANSPORTATION COMMITTEE: 12-0, 6/30/26
AYES: Cortese, Strickland, Archuleta, Arreguín, Blakespear, Dahle, Grayson, Menjivar, Richardson, Seyarto, Valladares, Wiener
NO VOTE RECORDED: Gonzalez

SENATE APPROPRIATIONS COMMITTEE: 7-0, 8/13/26
AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

ASSEMBLY FLOOR: 79-0, 5/27/26 - See last page for vote

SUBJECT: Surplus residential property: condition-adjusted fair market value: Cities of Pasadena and South Pasadena

SOURCE: Author

DIGEST: This bill makes various changes to the Roberti Act to facilitate the sale of properties owned by the State Department of Transportation (Caltrans) along a specific portion of the State Route 710 (SR 710) corridor, as specified.

ANALYSIS:

Existing law:

1) Allows Caltrans to acquire any real property that it considers necessary for state highway purposes. Whenever it determines that any real property acquired by the state for highway purposes is no longer necessary, Caltrans is allowed to sell or exchange it in the manner and upon terms, standards, and conditions established by the California Transportation Commission (CTC).

2) Otherwise known as the Roberti Act, provides specific direction for the disposal of excess properties in the unconstructed portion of SR 710 corridor where excess properties in this corridor are to be sold in a certain priority order, as provided.

3) Further establishes special provisions for the disposal of surplus property along the SR 710 corridor in the Cities of Pasadena and South Pasadena including allowing the cities to purchase the property at Caltrans' acquisition cost and requiring 3 affordable housing units be produced for every housing unit acquired by the cities.

4) Prohibits Caltrans from selling a nonresidential property to a tenant as described above at a value below the minimum sales price, as defined.

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) 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) Provides that for a low or moderate – income occupant, as defined, that elects to purchase a single-family residence at fair market value or is offered a single-family residence at fair market value, Caltrans is required to set the selling price at fair market value or the condition-adjusted fair market value, whichever is less.

4) Further provides that Caltrans is exempt from providing repairs to single-family residences if the property is sold at the condition-adjusted price.

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, 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, and further clarifies that the Cities are not required for any repairs if the property is sold at condition-adjusted fair market value;

   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; and,

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.

9) 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.

10) 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.

11) 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.

4) *Expediting the process*. However, local stakeholders, public agencies, and tenants continue to assert that challenges remain, and thus the need for subsequent legislation. The proposed provisions specified in this bill intend to expedite / improve efficiencies in Caltrans' process of selling SR 710 properties while providing the Cities of Pasadena and South Pasadena with additional

flexibility to sell SR 710 related residential properties and use the proceeds for various housing-related purposes.

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

According to the Senate Appropriations Committee:

- Caltrans would likely incur administrative workload costs in the high hundreds of thousands of dollars annually for up to three years to make determinations of sales prices based on a condition-adjusted fair market value. 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)

- Unknown revenue losses, potentially in the low 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 rather than fair market value, as well as diversion 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. Actual revenue losses would depend upon the number of properties sold at the lower condition-adjusted value, and the differences between the sales prices and traditional fair market value, which would vary from property to property. (SR 710 Rehabilitation Account, State Highway Account)

- Unknown loss of property taxes, potentially in the low hundreds of thousands of dollars in the aggregate, 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.

SUPPORT: (Verified 8/13/26)

City of Pasadena (as amended)
City of South Pasadena

OPPOSITION: (Verified 8/13/26)

None received

ASSEMBLY FLOOR: 79-0, 5/27/26
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
NO VOTE RECORDED: Celeste Rodriguez

Prepared by: Manny Leon / TRANS. / (916) 651-4121
8/17/26 10:03:12

****** END ******