
**SENATE COMMITTEE ON
BUSINESS, PROFESSIONS AND ECONOMIC DEVELOPMENT**
Senator Angelique Ashby, Chair
2025 - 2026 Regular

Bill No: AB 797
Author: Harabedian
Version: June 23, 2025
Urgency: Yes
Consultant: Sarah Mason

Hearing Date: June 30, 2025

Fiscal: Yes

Subject: Community Stabilization Act

SUMMARY: An urgency bill that establishes the Community Stabilization Act which requires the California Infrastructure and Economic Development Bank (IBank) to develop and administer a program to issue a security, with the stated purpose of the program as helping stabilize property values in disaster-affected areas by allowing qualified investors to purchase tradable securities with the funding allocated to qualifying investment entities that purchase and manage residential land until it can be resold at fair market value

NOTE: This bill is double-referred, second, to the Senate Committee on Judiciary.

Existing law:

- 1) Establishes the Governor's Office of Business and Economic Development (GO-Biz) within the Governor's Office for the purpose of serving as the lead state entity for economic strategy and marketing of California on issues relating to business development, private sector investment and economic growth. (Government Code (GC) §§ 12096 – 12098.5)
- 2) Establishes the Bergeson-Peace Infrastructure and Economic Development Bank Act and creates the IBank. (GC § 63000 *et seq.*)
- 3) Establishes the GO-Biz as the administrator of the Fund. (GC § 63021)
- 4) Authorizes IBank to make loans, issue bonds, and provide other economic development assistance, among other things. (GC § 63050 *et seq.*)
- 5) Establishes and authorizes the California Housing Finance Agency (CalHFA) to make loans to housing sponsors for housing developments and to qualified mortgage lenders, among others. Provides that the primary purpose of CalHFA is to meet the housing needs of persons and families of low- or moderate-income.

This bill:

- 1) An urgency measure that establishes the Community Stabilization Act which requires IBank to develop and administer a program to issue a security, with the stated purpose of the program as helping stabilize property values in disaster-affected areas by allowing qualified investors to purchase tradable securities with

the funding allocated to qualifying investment entities that purchase and manage residential land until it can be resold at fair market value. Requires profits from these land investments to be shared among investors and the state, with qualifying investment entities being reimbursed for their administrative costs, ensuring disaster-stricken homeowners can recover their equity while helping prevent predatory land grabs.

- 2) Specifies that a qualifying investment entity must be organized as any of the following and is capable of receiving funds before fund dispersal, as determined by IBank, in order to ensure proper stewardship of funds:
 - a) A nonprofit organization with a determination letter from the Internal Revenue Service affirming its tax-exempt status with its principal place of business in California and the primary residences of all board members are located in California. One of the nonprofit's primary activities is the development and preservation of affordable rental or home ownership housing or small business in California and the nonprofit must be registered and in good standing with the Attorney General's Registry of Charities and Fundraisers and the nonprofit does not have any outstanding state or federal tax liabilities or other lien.
 - b) A charity registered with the state.
 - c) An instrumentality of the state or county.
 - d) A local public entity, as defined in Health and Safety Code for purposes of state housing programs.
 - e) A limited partnership in which the general partner is a nonprofit pursuant to the requirements of a) above.
 - f) A limited liability company wholly owned by a nonprofit described in a) above or owned by a nonprofit community land trust.
- 3) Requires IBank to issue a security that meets specified requirements, including that it is: tradeable; allows for purchases in qualifying residential land; complies with municipal federal bonding requirements but specifies the security does not need to be tax exempt; is funded by investments made by qualified investors using funds available pursuant to the federal Community Reinvestment Act of 1977; repays investment based on specified liquidity events; is noninterest bearing and provides an investment return to qualified investors when a liquidity event and; allows for multiple classes of qualified investors to participate in purchasing the security.
- 4) Specifies how the profit from the sale or refinance of the investment must be distributed, including: 5 percent of the profit to the bank; 90 percent of the profit to qualified investors, apportioned according to each qualified investor's percentage of investment in the security and; 5 percent of the qualifying investment entity to be allocated as their administrative fee.
- 5) Requires funds raised from the purchase of a security by qualified investors to be deposited into a new Community Stabilization Fund (Fund) which is continuously

appropriated, without regard to fiscal years, to the IBank. Requires IBank to allocate moneys in the Fund to qualifying investment entities to be invested in a specific region of the state that is covered by a state of disaster declared by the Governor. Requires a qualifying investment entities, upon realization of profits, to transfer those funds to IBank within 30-days.

- 6) Requires a qualifying investment entity to use funds for a qualifying community development project as required under the federal Community Reinvestment Act of 1977. Requires that a qualifying investment entity use funds to purchase residential property that has been damaged or destroyed by a disaster in an area covered by a state of disaster declared by the Governor. Specifies that the purchase price of the property must be based on the value of the property minus the insured amount of the structure and that if there was no insurance on the structure or if insurance proceeds are not available, the qualifying investment entity shall make a reasonable determination of the value that otherwise would have been allocated to the structure based on available information and subtract that amount from the total amount of value.
- 7) Authorizes a qualifying investment entity to charge an administrative fee of up to 5 percent and specifies that a qualifying investment entity with lower administrative fees shall be prioritized for the greatest dispersal of funds. Authorizes a qualifying investment entity to allocate various fees beyond administrative costs, including escrow costs, maintenance of properties under ownership, including the security of a property, or property tax fees paid to a local government as a result of ownership. Authorizes IBank to remove a qualified investment entity if it does not meet any of its obligations and requires funds to be returned to IBank.
- 8) Specifies how property value and ownership are established and how payment is made to a property owner.
- 9) Requires a qualifying investment entity to hold property acquired for up to 10 years following the disaster and maintain the property in good standing according to community expectations. Prohibits a property from being occupied during this time unless it is developed and requires the qualifying investment entity to redevelop the property as soon as practicable.
- 10) Specifies that preference shall be given to preserve the socioeconomic composition of the disaster area to the maximum extent possible.
- 11) Specifies that necessary zoning changes shall be approved by the appropriate local government entity and exempts a property developed under this bill from the California Environmental Quality Act.
- 12) Authorizes a qualified investor, within 2 years of a state of disaster declared by the Governor, to purchase a security established by this bill. Specifies tax deferral options and tax payment deadlines.
- 13) Requires a qualifying investment entity to annually disclose information to IBank and posted on its website relating to the properties it acquires with funds authorized by this bill.

- 14) Authorizes a local jurisdiction to limit the number of qualifying investment entities eligible for participation in the program.
- 15) Makes findings and declarations that: disasters create a situation where distortions of capital allocation can be created; in some cases, property insurance for the structure is inadequate to meet the overall loss created by a disaster; land, as a portion of the disaster loss, is illiquid immediately following a disaster, limiting options for those most affected; for most working and middle-class families, their home is their single greatest asset and disasters can wipe out that investment or force the sale of that investment at reduced prices; it is imperative that capital is properly allocated to ensure fair market prices are available to those who want to sell their property because of a disaster and; stabilizing the underlying property for communities is a critical factor in helping recovery from a disaster.
- 16) States that it is urgent the bill take effect immediately in order to coordinate efforts at the earliest time possible to rebuild housing in communities in the Counties of Los Angeles and Ventura that were impacted by the wildfires that began on January 7, 2025.

FISCAL EFFECT: Unknown. This bill is keyed fiscal by Legislative Counsel. The prior version of the measure did not establish a program at IBank so the bill in its current form has not been evaluated by a fiscal committee of the Legislature.

COMMENTS:

1. **Purpose.** The Author is the Sponsor of this bill. According to the Author, “In the wake of disasters, too many homeowners are forced to sell at a loss, opening the door to predatory investors and displacing long-time residents. AB 797 offers a targeted solution by leveraging Community Reinvestment Act dollars to empower nonprofits to purchase and manage homes in affected areas—stabilizing property values and protecting community control. This bill ensures that recovery efforts prioritize families and neighborhoods, not speculation, helping communities rebuild stronger and more equitably.”

The Author adds that “The 2025 wildfires in Los Angeles have left over 16,000 structures damaged or destroyed, with insured losses estimated between \$28 billion and \$35 billion. This widespread destruction has devastated homeowners, especially those in working- and middle-class communities, who often rely on their homes as their primary asset. When disasters strike, property values can drop sharply, forcing homeowners to sell at reduced prices. This creates a window for predatory investors to capitalize on the crisis, purchasing devalued properties at a fraction of their worth. These land grabs can lead to gentrification, displacing long-time residents and reshaping communities in favor of profit-driven development. Such shifts further deepen economic inequality and push vulnerable families out of their homes. Additionally, disasters often lead to liquidity issues, leaving homeowners unable to access funds for rebuilding or to sell their properties at fair market value. With insurance claims taking time to process and limited government relief, many families face a prolonged financial struggle, risking foreclosure and

long-term instability. Without stronger protections, the economic impact of disasters can last far beyond the immediate destruction.”

According to the Author, this bill will create a program to stabilize property values in areas affected by disasters, particularly in California, by allowing investors to purchase a tradable security from the state. The security can then be invested in a qualified investment entity (which is a nonprofit organization or charity that is registered with the state) to fund the purchase and management of residential properties in these areas. Investors can earn returns when the properties are sold.

According to the Author, the program established in this bill directly addresses the economic fallout of disasters like the 2025 wildfires in Los Angeles and:

- Prevents Predatory Land Grabs – Without intervention, disaster-stricken homeowners may be forced to sell at reduced prices, allowing profit-driven investors to buy up properties and drive gentrification. This bill ensures that nonprofit organizations, rather than speculative investors have the opportunity to stabilize affected neighborhoods.
- Stabilizes Property Values – When disasters hit, property values often plummet. By allowing qualified investors to purchase and manage properties, the act helps maintain home values, preventing further financial losses for struggling homeowners.
- Provides a Path for Homeowners to Recover Equity – Many homeowners face liquidity issues after a disaster, struggling to rebuild or sell at a fair price. The program creates a structured way for properties to be managed and resold, allowing owners to regain financial stability.
- Leverages Federal Community Reinvestment Act (CRA) Funds – By aligning with the CRA, this bill encourages banks to invest in community recovery, making use of existing financial mechanisms to fund disaster relief in a sustainable way.
- Encourages Responsible Redevelopment – The act requires that purchased properties be maintained and redeveloped within ten years, ensuring long-term investment in disaster-affected areas rather than allowing abandoned or neglected properties to degrade further.

2. Background.

IBank. According to its website, IBank exists within GO-Biz and “was created in 1994 to finance public infrastructure and private development that promote a healthy climate for jobs, contribute to a strong economy and improve the quality of life in California communities. IBank has broad authority to issue tax-exempt and taxable revenue bonds, provide financing to public agencies, provide credit enhancements, acquire or lease facilities, and leverage State and Federal funds. IBank’s current programs include the Infrastructure State Revolving Fund (ISRF) Loan Program, California Lending for Energy and Environmental Needs (CLEEN)

Center, the Climate Catalyst Revolving Loan fund, Small Business Finance Center and the Bond Financing Program.”

Wildfires and housing. California continues to experience the impacts of climate change with disasters of increasing scale and frequency destroying whole communities at an unprecedented scale. In the first month of 2025, major wildfires burned more than 50,000 acres. The Eaton and Palisades fires alone destroyed or damaged more than 18,000 structures including homes, small businesses, schools, and places of worship in Los Angeles County. The destruction of homes in Los Angeles County exacerbates the existing housing crises facing that region and California as a whole.

The California Housing Finance Agency (CalHFA) is the state’s affordable housing bank. CalHFA borrows money from the private financial market at below-market interest rates by issuing tax-exempt revenue bonds. CalHFA passes these interest rate savings on to low- and moderate-income first-time homebuyers and affordable rental housing developers by offering below market-rate mortgages. These bonds are backed only by CalHFA revenues and not by the state General Fund. CalHFA also provides downpayment assistance in the form of deferred, “silent second” mortgages (i.e., the borrower makes no monthly payments but repays the loan at sale or refinance) for families who need extra assistance achieving homeownership.

3. **Arguments in Support.** The California Community Foundation writes “We support AB 797 because it is a thoughtful, market-based solution for communities to address several urgent challenges we consistently hear from our partners closest to the ground, particularly in Altadena, where homeownership has long been a cornerstone of generational wealth-building for families otherwise historically excluded from that opportunity. For many Altadenans, their homes are not just structures—they are their most important financial asset, one that holds deep familial, cultural, and community meaning. For too many, this asset is now a source of uncertainty. They face the tough decision of whether to rebuild or to sell, and selling isn’t a simple choice when faced with the prospect of selling to predatory investors with no commitment to preserving the fabric of this vibrant, historic, and diverse community. This bill creates a pathway for mission-driven nonprofits to leverage Community Reinvestment Act funds to acquire homes at fair market value and ensure those properties are redeveloped or resold in ways that benefit the community, not just private equity. It’s a smart, fiscally responsible model that protects homeowners from predatory practices, prevents neighborhood destabilization, keeps wealth circulating locally, and puts the possibility of preserving the character of beloved neighborhoods like Altadena within reach.”

The California-Hawaii State Conference of the NAACP writes that “By stabilizing communities and safeguarding property values, AB 797 ensures long-term recovery for disaster victims.”

The County of Los Angeles Board of Supervisors write that “By keeping ownership and operation of the land in community hands, AB 797 offers a sustainable path to neighborhood stabilization and helps protect residents from predatory speculation.”

SUPPORT AND OPPOSITION:

Support:

Alpha Kappa Alpha Sorority, Inc. - Pasadena Chapter
Alpha Kappa Alpha Sorority, Inc., Omega Upsilon Omega
Altadena Tenants Union
California Community Foundation
California-Hawaii State Conference of the NAACP
County of Los Angeles Board of Supervisors
Global Empowerment Mission

Opposition:

None received

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