

SENATE JUDICIARY COMMITTEE
Senator Thomas Umberg, Chair
2025-2026 Regular Session

AB 797 (Harabedian)
Version: June 23, 2025
Hearing Date: July 15, 2025
Fiscal: Yes
Urgency: Yes
ID

SUBJECT

Community Stabilization Act

DIGEST

This bill establishes the Community Stabilization Act to authorize the California Infrastructure and Economic Development Bank to issue securities to fund qualifying investment entities' purchase of residential properties for redevelopment in a specific region of the state that is covered by a state of disaster, as specified.

EXECUTIVE SUMMARY

In early January 2025, extremely dry conditions and high winds in Los Angeles resulted in two of the worst wildfires in state history: the Palisades and Eaton fires. The fires burned 37,469 acres and damaged or destroyed almost 18,000 structures, including 373 mobilehomes, and resulted in 29 fatalities. In the aftermath of this tragedy, there have been reports that predatory investors are contacting property owners to attempt to purchase their disaster-affected property, often at prices much lower than the property's fair market value. Given these reports and the financial distress that the fires have placed on many homeowners, concerns have been raised by local groups that the disasters are resulting in displacement and gentrification. AB 797 seeks to ensure fair redevelopment of disaster-affected residential properties and help keep such properties in the hands of community members by creating a program by which the California Infrastructure and Economic Development Bank (I-Bank) issues securities to fund the purchase of disaster-distressed residential properties by qualifying investment entities. AB 797 would require these investment entities to purchase the properties for a fair market value, as specified, and to redevelop the properties. AB 797 is author-sponsored, and is supported by the California Community Foundation, the California-Hawaii State Conference of the NAACP, the County of Los Angeles Board of Supervisors, and two individuals. The Committee has received no timely letters of opposition. AB 797 previously passed out of the Senate Business, Professions, and Economic Development Committee by a vote of 8 to 3. This bill contains an urgency clause.

PROPOSED CHANGES TO THE LAW

Existing federal law:

- 1) Establishes the Community Reinvestment Act of 1977 to require the Federal Reserve and other federal banking regulators to encourage insured financial institutions to help meet the credit needs of all borrowers in the communities in which the do business, including low- and moderate-income communities. (12 U.S.C. §§ 2901 et seq.)

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. (Gov. Code §§ 12096 et seq.)
- 2) Establishes the Bergeson-Peace Infrastructure and Economic Development Bank Act and creates the I-Bank, and establishes GO-Biz as the administrator of the I-Bank and the fund. (Gov. Code §§ 63000 et seq.)
- 3) Authorizes the I-Bank to make loans, issue bonds, and provide other economic development assistance, among other things. (Gov. Code § 63050 et seq.)
- 4) 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. (Health & Saf. Code § 50900.)

This bill:

- 1) Makes specified findings and declarations regarding disasters and the importance of homeownership.
- 2) Establishes the Community Stabilization Act to require the I-Bank to develop and administer a program to issue security for the raising of funds to help stabilize property values in disaster-affected areas by allowing qualified investors to purchase tradeable securities with the funding allocated to qualifying investment entities to purchase and manage residential properties until they can be resold at fair market value.
- 3) Requires the I-Bank to issue a security that:

- a) Is tradeable;
 - b) Allows for purchases in qualifying residential land for the purposes of the bill;
 - c) Complies with municipal bonding requirements;
 - d) Is funded by investments made by qualified investors using funds available pursuant to the Community Reinvestment Act;
 - e) Is non-interest bearing;
 - f) Allows for multiple classes of qualified investors to participate; and
 - g) Repays investors' investment by either of the following, to occur no later than 10 years from the purchase of the property:
 - i. The refinance of the investment property; or
 - ii. The sale of the investment property.
- 4) Requires any profit realized from the sale or refinance of the investment property to be distributed by the following:
 - a) Five percent to the I-Bank;
 - b) 90 percent to qualified investors, to be apportioned according to each qualified investors' percentage of the investment; and
 - c) Five percent to the qualifying investment entity as an administrative fee.
- 5) Requires funds raised by the purchase of security authorized by (4), above, to be deposited into the Community Stabilization Fund, which this bill creates, for the I-Bank to allocate 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 funds to be used for a qualifying community development project as required by the federal Community Reinvestment Act.
- 6) Requires a qualifying investment entity to be organized as any of the following and be capable of receiving funds before fund dispersal, as determined by I-Bank, 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 must be 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 liens;
 - b) a charity registered with the state;
 - c) an instrumentality of the state or county;
 - d) a local public entity, as defined in the 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; or
 - f) a limited liability company wholly owned by a nonprofit described in a) above or owned by a nonprofit community land trust.
- 7) Requires, upon realization of profits due to a liquidity event, the qualifying investment entity to transfer the funds to the I-Bank within 30 days for disbursement.
- 8) Permits a qualifying investment entity to charge an administrative fee of up to five percent, which must be paid from the profits disbursed to the qualifying investment entity, and requires a qualifying investment entity to publish its administrative fees and submit them to I-Bank for approval. Specifies that a qualifying investment entity with lower administrative fees must be prioritized for the greatest dispersal of funds. Permits a qualifying investment entity to allocate direct cost fees to the operation of the project outside of administrative fees, as specified.
- 9) Permits the I-Bank to remove a qualified investment entity if the qualifying investment entity does not meet any of its obligations under these provisions, and requires any qualifying investment entity that is removed to return the funds it received.
- 10) Requires a qualifying investment entity to use the funds it receives 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.
- 11) Specifies that the purchase price for any property purchased using these funds be the value of the property minus the insured amount of the structure that was damaged or destroyed; if there was no insurance on the structure or the proceeds are not available, the investment entity must make a reasonable determination of the value that otherwise would have been allocated to the structure based on available information. Specifies that proof of the total value of the property may be based on the higher of: an existing official appraisal in the last 12 months prior to the declaration of the state of disaster; publicly available documentation, including internet websites and real estate data; or use of county property tax assessments for the last calendar year.
- 12) Requires the property value to be determined within 30 days of an application being received by a property owner, and requires the property owner to provide proof of ownership and other title releases prior to the approval of the property, and specifies that the property owner may elect not to take the offer proposed by the qualifying investment entity. Requires payment be made to the property owner within 30 days of being approved.

- 13) Requires a qualifying investment entity to hold the property for up to 10 years following the disaster, and requires that the investment entity maintain the property in good standing with the expectations of the community and regularly remove trash. Prohibits the occupancy of the property unless it is developed.
- 14) Requires the investment entity to redevelop the property as soon as practicable, with preference given to preserve the socioeconomic composition of the disaster area to the maximum extent possible. Requires any necessary zoning changes to be approved by the appropriate local government entity, and exempts any property developed under the bill's program from the California Environmental Quality Act (CEQA).
- 15) Permits a qualified investor to purchase the security authorized by the bill within 24 months of a state of disaster declared by the Governor. Permits up to 30 percent of the capital gains realized by a qualified investor to be deferred for up to 10 years, or until any return is realized. Requires any original tax due and any tax on profits realized to be paid within 30 days of the conclusion of the deferral period or liquidity event.
- 16) Requires a qualifying investment entity to annually disclose information relating to the properties it acquires with funds through this bill, to be provided to the I-Bank and posted on the qualifying investment entity's website, as specified.
- 17) Permits a local jurisdiction to limit the number of qualifying investment entities eligible for participation in the program for each specific state of disaster declared by the Governor. Specifies that, if multiple disasters are declared, the area with the least restrictive use of qualifying investment entities is to receive priority consideration.
- 18) Specifies that it is an urgency statute necessary 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.

COMMENTS

1. Author's statement

According to the author:

AB 797 helps stabilize property values in disaster-affected areas, giving homeowners a fair chance to recover without being forced to sell at a loss. It prevents displacement, supports long-term recovery, and ensures communities can rebuild stronger.

2. The Palisades and Eaton fires

In early January 2025, extremely dry conditions and high winds in Los Angeles resulted in two of the most destructive wildfires in state history. The Palisades fire, which started on January 7th, burned a total of 23,448 acres and damaged or destroyed almost 8,000 structures in the Pacific Palisades and Topanga State Park area of West Los Angeles.¹ That same day, another major fire also broke out in the greater Los Angeles area: the Eaton fire. The Eaton fire consumed 14,021 acres and damaged or destroyed more than 10,000 structures, including significant portions of the city of Altadena.² About half of all properties in the Pacific Palisades and Altadena were destroyed by the Palisades and Eaton fires, and both fires together tragically took the lives of 29 civilians and injured a dozen firefighters. Real estate losses have been estimated to be as high as \$30 billion, and just under 13,000 households were displaced by the Palisades and Eaton fires.³ An estimated 9,592 single family homes and condominiums, 678 apartment units, 2,210 duplex and bungalow courts, and 373 mobilehomes were either heavily damaged or destroyed. All told, the January wildfires in Los Angeles were some of the most tragic and destructive wildfires in state history.

Many homeowners were significantly affected by the wildfires. Many had their properties covered by hazardous debris and ash, significantly damaged, or completely destroyed by the blazes. The wildfires also interrupted numerous businesses and many people's jobs. Homeowners whose homes were damaged or destroyed found themselves searching for temporary housing as they worked to rebuild or clean up their properties, all while still having mortgage payments due and possibly also experiencing interruptions in their employment or income. For homeowners who were uninsured or underinsured, the financial strain of the fires have been even more significant.

3. The fires may contribute to displacement and a decrease in homeownership

In the aftermath of this tragedy, affected property owners are incredibly vulnerable to further victimization and harm. This is the exact vulnerability that some have attempted to capitalize upon. Residents within the affected areas of the fires – particularly in Altadena – have reported being solicited almost immediately after the fires to sell their properties.⁴ Often times, these offers are often far below the market value of the

¹ CalFire, "Palisades Fire," (3/27/2025) <https://www.fire.ca.gov/incidents/2025/1/7/palisades-fire>.

² CalFire, "Eaton Fire," (3/04/2025) <https://www.fire.ca.gov/incidents/2025/1/7/eaton-fire>.

³ Doug Smith and Sandhya Kambhampati, "Real Estate losses from fires may top \$30 billion, from old mobile homes to \$23-million mansions," Los Angeles Times (Feb. 21, 2025)

<https://www.latimes.com/california/story/2025-02-21/real-estate-losses-from-palisades-and-eaton-fires-top-30-billion#:~:text=Los%20Angeles%20Housing%20Department%20records,the%20city's%20rent%20stabilization%20ordinance>.

⁴ Amanda Del Cid Lugo, "Altadena residents sift through calls to sell – but the soul is not for sale," Los Angeles Public Press (Feb. 12, 2025), <https://lapublicpress.org/2025/02/altadena-real-estate-not-for-sale-eaton-property/>.

property. Vulnerable homeowners facing the daunting task of rebuilding and additional financial strains from the wildfires may be easily convinced to take these unscrupulous buyers' offers for the promise of a quick solution or quick cash. When they do, they may lose out on a significant amount of accumulated equity in their homes and the fair market value of the property, and they may be forced to ultimately move out of the community.

For the city of Altadena, a historically African American and working-class city with a strong sense of community, the effects of these predatory property sales may significantly change the community's identity and result in the displacement of families that have resided in Altadena for generations. Some studies have found that disasters like wildfires result in significant displacement and gentrification, as victims of the disaster must move out and wealthier residents and investors buy the distressed properties.⁵ Recently, the wildfire in Lahaina, Maui, raised concerns about speculative real estate investors purchasing destroyed properties and accelerating displacement and gentrification, concerns that resulted in the creation of the Lahaina Community Land Trust to purchase and preserve land in the city.⁶ These concerns caused some in Altadena to start a movement after the wildfires, the "Altadena Not for Sale" movement, to advocate against the predatory buying up of properties in the city that were impacted by the Eaton fire.⁷

In light of these concerns, the Department of Real Estate issued a consumer alert warning homeowners affected by the wildfires of the risks of predatory buyers.⁸ In addition, Governor Newsom issued an Executive Order prohibiting unsolicited offers to buy the property of victims of the wildfires.⁹ But these actions do not provide hard-hit communities with the tools to combat outside investors and gentrification.

4. Go-BIZ and the I-Bank

The Governor's Office of Business and Economic Development(GO-Biz) was created in 2012 to serve as the state's single point of contact for economic development and job creation efforts. GO-Biz offers services to businesses relating to the attraction of customers, retention and expansion of services, site selection, permit streamlining,

⁵ Abdallah Fayyad, "What happens when the California fires go out? More gentrification," VOX (Jan. 17, 2025) <https://www.vox.com/policy/395261/california-wildfires-los-angeles-gentrification-displacement>.

⁶ Nina Lakhani, "First came the Maui wildfires. Now come the land grabs: 'Who owns the land is key to Lahaina's future'," *The Guardian* (Mar. 15, 2024) <https://www.theguardian.com/us-news/2024/mar/15/maui-wildfires-community-land-trust>.

⁷ *Id.*

⁸ Cal. Dept. of Real Estate, "Public Notice: Los Angeles property owners near wildfires urged to report unsolicited offers to buy their properties under fair market value," (Jan. 17, 2025), https://www.dre.ca.gov/Consumers/PublicNotice_01172025_LA_Wildfires.html#:~:text=An%20unsolicited%20offer%20is%20an,%2C%20phone%20call%2C%20or%20mail.

⁹ Governor Gavin Newsom, Executive Order N-7-25 (Jan. 14, 2025).

regulatory hurdles, small business assistance, international trade development, and assistance with state government, among others.¹⁰ The California Infrastructure and Economic Development Bank (I-Bank) is housed within GO-Biz, and was created “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.”¹¹ The I-Bank is able 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. It currently operates the Infrastructure State Revolving Fund (ISRF) Loan program, Expanding Venture Capital Access program, the Climate Catalyst Revolving Loan Fund, the Small Business Finance Center, and the Bond Financing Program. It provided \$1.4 billion in bonds and loans, 1,024 business loan guarantees, and more than \$58 billion in total finance activity in the 2023-2024 fiscal year.¹²

5. AB 797 creates the Community Reinvestment Act to provide nonprofits and community groups the ability to purchase and develop properties destroyed by disaster

AB 797 proposes to create the “Community Reinvestment Act of 2025” to provide funding for local community organizations and nonprofits to purchase properties damaged or destroyed by the wildfires. It does so by leveraging securities sold by the I-Bank to major insured financial institutions to raise funds that will then be provided by I-Bank to qualifying nonprofits and other entities for the purchase and redevelopment of properties damaged or destroyed by a disaster. The securities sold under the bill would be tradeable, zero-interest securities purchased by major banks and other depository institutions that have obligations to invest in low- and moderate-income communities under the federal Community Reinvestment Act of 1977. (12 U.S.C. § 2901.)

The raised funds would be disbursed by I-Bank to qualifying investment entities, who would then use the funds to purchase distressed properties to redevelop. Qualifying investment entities under the bill include: a California-based 501(c)(3) nonprofit that develops and preserves affordable housing or small businesses in California; a charity registered with the state; an instrumentality of the state or county; a local public entity; or a limited partnership or limited liability company that is owned by a nonprofit or community land trust. When purchasing a property with the bill’s funds, the investment entity would have to buy the property for a price based on the value of the property prior to the disaster, less any insurance amount for the structure that used to exist on the property, or less a reasonable determination of the value of the previous

¹⁰ State of California, “Governor’s Office of Business and Economic Development (Go-Biz)” (Dec. 24, 2024), <https://www.ca.gov/departments/237/>.

¹¹ Cal. Infrastructure & Econ. Dev. Bank, “What is IBank?” (accessed Jul. 11, 2025) <https://www.ibank.ca.gov/>.

¹² *Id.*

structure. The investment entity would be required to seek to redevelop the property as soon as practicable, and the property would not be permitted to be occupied until it is redeveloped.

The investment entity would have to conduct a liquidity event within 10 years of purchasing the property, which could be the refinancing of the property, or the sale of the property. All proceeds from the liquidity event, less a five percent administrative fee, would be split between the investors in the security and the I-Bank.

6. Amendments

The author has agreed to amendments that: provide a definition of a qualified investor; clarify that purchased properties may not be occupied or leased during the time in which the qualified investment entity owns the property under the bill's program; and specify that the sale of a redeveloped property purchased by a qualified investment entity must prioritize owner occupancy. A full mock-up of these amendments is attached at the end of this analysis.

7. Arguments in support

According to the California Community Foundation, which supports AB 797:

Los Angeles County proudly supports AB 797, the Community Stabilization Act, which would enable qualified investors, such as nonprofit organizations, to fund the acquisition and management of residential properties. Administered through the California Infrastructure and Economic Development Bank (I-Bank), this bill would leverage Community Reinvestment Act dollars, which banks are tasked with investing in underserved communities, to create a zero-interest investment vehicle.

The nonprofit can then invest those dollars back into the community. 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

California Community Foundation
California-Hawaii State Conference of the NAACP
County of Los Angeles Board of Supervisors
Two individuals

OPPOSITION

None received

RELATED LEGISLATION

Pending Legislation:

SB 851 (McKinnor, 2025) prohibits a buyer of residential real property in specified ZIP codes from making an unsolicited offer to purchase the property, requires that the buyer and seller execute a specified written attestation affirming that the contract was not entered into as a result of an unsolicited offer, and provides various civil and criminal enforcement provisions. AB 851 is currently pending before the Senate Appropriations Committee.

SB 641 (Ashby, 2025) authorizes the Real Estate Commissioner to revoke the real estate license of any realtor who makes an unsolicited offer to an owner of real property to purchase the property for an amount less than the fair market value if the property is located in a declared disaster area, and would make a violation of that provision a misdemeanor. SB 641 is currently pending before the Assembly Appropriations Committee.

SB 610 (Pérez, 2025) requires, among other things, that the Commissioner of Financial Protection and Innovation of the Department of Financial Protection and Innovation to coordinate with mortgage lenders and servicers operating in the state to facilitate and monitor the implementation and promotion of mortgage forbearance, foreclosure prevention, and loss mitigation programs available to borrowers who experience a material decrease in household income or an increase in household expenses due to a wildfire, upon the declaration of a state of emergency due to wildfire. AB 610 is currently pending before the Assembly Judiciary Committee.

AB 493 (Harabedian, 2025) requires mortgage lenders that make loans secured by property containing one- to four-family residences to pay two percent interest on any insurance proceeds following property damage or loss that is held by the mortgage lender. AB 493 is currently pending before the Senate Appropriations Committee.

AB 238 (Harabedian, 2025) authorizes a borrower experiencing financial hardship due to the wildfire disasters in Los Angeles County in January 2025 to request forbearance on their residential mortgage loan, and requires a mortgage servicer to offer mortgage payment forbearance for an initial period of up to 90 days, which can be extended up to 12 months. AB 238 is currently pending before the Senate Appropriations Committee.

Prior Legislation:

SB 455 (McGuire, Ch. 873, Stats. 2023) required that, when a mortgage on a property located within the geographic area of a declared state of emergency or local emergency is transferred to a new mortgage servicer, the transferor mortgage servicer provide the new mortgage servicer with any written records between the borrower and the

mortgage servicer relating to the borrower's use of insurance proceeds to repair or replace property damaged or destroyed by the disaster, and required the new mortgage servicer to honor any previous written agreements between the borrower and the previous mortgage servicer.

SB 101 (Bergeson, Ch. 749, Stats. 1994) established the Bergeson-Peace Infrastructure Bank Act, creating the California Infrastructure and Economic Development Bank (I-Bank).

PRIOR VOTES:

Senate Business, Professions and Economic Development Committee (Ayes 8, Noes 3)

Assembly Floor (Ayes 69, Noes 3)

Assembly Appropriations Committee (Ayes 11, Noes 1)

Assembly Economic Development, Growth, and Household Impact Committee (Ayes 7,
Noes 0)

Mock-up of Amendments for AB-797 (Harabedian (A))

(Amendments may be subject to technical changes by Legislative Counsel)

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. The Legislature finds and declares all of the following:

- (a) Disasters create a situation where distortions of capital allocation can be created.
- (b) In some cases, property insurance for the structure is inadequate to meet the overall loss created by a disaster.
- (c) Land, as a portion of the disaster loss, is illiquid immediately following a disaster, limiting options for those most affected.
- (d) 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.
- (e) 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.
- (f) Stabilizing the underlying property for communities is a critical factor in helping recovery from a disaster.

SEC. 2. Article 11 (commencing with Section 63049.80) is added to Chapter 2 of Division 1 of Title 6.7 of the Government Code, to read:

Article 11. Community Stabilization Act

63049.80. This article shall be known, and may be cited, as the Community Stabilization Act.

63049.81. (a) The bank shall develop and administer a program to issue a security. The purpose of the program is to help 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. The profits from the land investments shall be shared among investors and the state pursuant to this article, with qualifying investment entities being reimbursed for their administrative costs, ensuring disaster-stricken homeowners can recover their equity while helping prevent predatory land grabs.

(b) The bank shall issue a security that has all of the following features:

(1) Is tradeable.

(2) Allows for purchases in qualifying residential land for the purposes of this article.

(3) Complies with municipal bonding requirements set forth in Section 149 of Title 26 of the United States Code, except that the security does not need to be tax exempt.

(4) Is funded by investments made by qualified investors using funds available pursuant to the federal Community Reinvestment Act of 1977 (12 U.S.C. Sec. 2901 et seq.).

(5) Repays investment based on either of the following liquidity events, which shall occur within 10 years of the purchase of an investment property:

(A) The refinance of the investment property.

(B) The sale of the investment property.

(6) Is noninterest bearing and provides an investment return to qualified investors when a liquidity event, as described in paragraph (5), occurs. Any increase in value to the security shall be distributed as described in Section 63049.82.

(7) Allows for multiple classes of qualified investors to participate in purchasing the security.

(c) For the purposes of this article, "qualified investor" means an "insured depository institution" as defined in 12 U.S.C. Sec. 1813.

63049.82. (a) For any profit realized by the sale or refinance of the investment property, the proceeds shall be distributed as follows:

(1) The bank shall receive 5 percent of the profit.

(2) The qualified investors shall receive 90 percent of the profit to be apportioned according to each qualified investor's percentage of investment in the security.

(3) A qualifying investment entity shall receive 5 percent of the profit, to be allocated as their administrative fee, pursuant to Section 63049.86.

(b) An investment entity shall return the proceeds of profits received upon a liquidity event to the bank for disbursement as described in subdivision (a).

63049.83. (a) Funds raised from the purchase of the security by qualified investors shall be deposited in the Community Stabilization Fund, which is hereby created. Notwithstanding Section 13340, all moneys in the fund are continuously appropriated, without regard to fiscal years, to the bank for purposes of this article. The moneys in the fund shall be allocated by the bank 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.

(b) A qualifying investment entity shall use funds for a qualifying community development project as required under the federal Community Reinvestment Act of 1977 (12 U.S.C. Sec. 2901 et seq.).

63049.84. A qualifying investment entity shall meet both of the following requirements:

(a) Be any of the following:

(1) A nonprofit organization formed under Section 501(c)(3) of the Internal Revenue Code that meets all of the following requirements:

(A) It has a determination letter from the Internal Revenue Service affirming its tax-exempt status pursuant to Section 501(c)(3) of the Internal Revenue Code and is not a private foundation as that term is defined in Section 509 of the Internal Revenue Code.

(B) It has its principal place of business in California.

(C) The primary residences of all board members are located in California.

(D) One of its primary activities is the development and preservation of affordable rental or home ownership housing or small business in California.

(E) It is registered and in good standing with the Attorney General's Registry of Charities and Fundraisers, pursuant to the Supervision of Trustees and Fundraisers for Charitable Purposes Act (Article 7 (commencing with Section 12580) of Chapter 6 of Part 2 of Division 3 of Title 2).

(F) It has no outstanding state or federal tax liabilities or other lien.

(2) A charity registered with the state.

(3) An instrumentality of the state or county.

(4) A local public entity, as defined in Section 50079 of the Health and Safety Code.

(5) A limited partnership in which the general partner is a nonprofit corporation, as described in paragraph (1).

(6) A limited liability company wholly owned by either of the following:

(A) One or more nonprofit corporations described in paragraph (1).

(B) A community land trust, as defined in subdivision (a) of Section 402.1 of the Revenue and Taxation Code that is a nonprofit corporation, as described in paragraph (1).

(b) Prove its capability to receive funds before fund dispersal, as determined by the bank, to ensure proper stewardship of funds for the purposes of this article.

63049.85. Upon realization of profits due to a liquidity event, the qualifying investment entity shall, within 30 days of the funds being received by the qualifying investment entity, transfer those funds to the bank for disbursement as described in Section 63049.82.

63049.86. (a) A qualifying investment entity may charge an administrative fee of up to 5 percent, which shall be paid from the profits disbursed to the qualified investment entity pursuant to paragraph (3) of subdivision (a) of Section 63049.82.

(1) A qualifying investment entity shall publish its administrative fees and submit a copy of the fees to the bank prior to dispersal of funds.

(2) A qualifying investment entity with lower administrative fees shall be prioritized for the greatest dispersal of funds.

(b) A qualifying investment entity may allocate direct cost fees to the operation of the project outside of administrative fees. Direct cost fees may include any of the following:

(1) Escrow costs, including insurances for purchase and title of property.

(2) Maintenance of properties under ownership, including the security of a property.

(3) Property tax fees paid to a local government as a result of ownership. A qualifying investment entity shall continue to pay property tax to the local government while a property is under ownership.

63049.87. (a) A qualified investment entity may be removed by the bank or its designee if the qualifying investment entity does not meet any of its obligations required under this article.

(b) If a qualifying investment entity is removed, the qualified investment entity shall return the funds it received pursuant to this article to the bank.

63049.88. (a) A qualified investment entity shall use funds that it receives pursuant to this article 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.

(b) (1) The purchase price of the property shall be based on the value of the property minus the insured amount of the structure.

(2) 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 as determined by subdivision (c).

(c) Proof of the total value of the property may be based on the higher of any of the following:

(1) Existing official appraisal in the last 12 months prior to the declaration of a state of disaster.

(2) Publicly available documentation, including internet websites and real estate data, demonstrating a fair market value and agreed upon price.

(3) Use of county property tax assessments for the last calendar year.

63049.89. (a) Property value shall be determined within 30 days of an application being received by a property owner.

(1) A property owner shall provide proof of ownership and other title releases prior to approval of property acceptance as required by law and customary real estate transactions.

(2) A property owner may elect not to take the offer proposed by the qualifying investment entity and instead retain their property.

(b) Payment will be made to a property owner within 30 days of an application being approved.

63049.90. (a) Property acquired shall be held by the qualifying investment entity for up to 10 years following the disaster.

(1) During the time of ownership, the qualifying investment entity shall maintain the property in good standing with the expectations of the community.

(2) Regular trash removal shall take place.

(3) ~~A property shall not be occupied during the period of ownership by the qualifying investment entity unless it is developed.~~ *A qualified investment entity shall not lease, rent, or otherwise allow occupancy of the property.*

(b) A qualified investment entity shall seek to redevelop the property as soon as practicable.

(1) Preference shall be given to preserve the socioeconomic composition of the disaster area to the maximum extent possible.

(2) Any necessary zoning changes shall be approved by the appropriate local government entity.

(3) A property developed under this section shall be exempt from the California Environmental Quality Act (Division 13 (commencing with Section 21000 of the Public Resources Code)).

(c) Upon the sale of the property, the profits realized from the appreciation of the property shall be returned by the qualifying investment entity to the bank for distribution as provided in Section 63049.82.

(d) Priority shall be given to ensuring that the sale of the property by the qualifying investment entity results in owner occupancy.

63049.91. (a) Within 24 months of a state of disaster declared by the Governor, a qualified investor may purchase the security authorized pursuant to this article.

(b) Up to 30 percent of the capital gains realized by a qualified investor pursuant to this article may be deferred for up to 10 years or until any return is realized on the investments made pursuant to this article.

(c) The original tax due and any tax on profits realized shall be paid within 30 days of the conclusion of the deferral period or liquidity event realized.

63049.92. A qualifying investment entity shall annually disclose information relating to the properties it acquires with funds from this article. The information shall be submitted to the bank and shall be posted on the qualifying investment entity's internet website. The information shall include all of the following:

- (a) The total number of properties owned and under management.
- (b) The total dollars received by a qualifying investment entity and invested in a land purchase.
- (c) An accounting of allowable expenses.
- (d) The total number of properties sold and acquired.
- (e) The total dollar amount of properties sold.
- (f) The allocation of profits.
- (g) Any public accounting of operation of the qualifying investment entity otherwise disclosed to public sources in consideration for qualifying as a nonprofit entity, including tax returns as required by state and federal laws.

63049.93. (a) A local jurisdiction may limit the number of qualifying investment entities eligible for participation in the program pursuant to this article for each specific state of disaster declared by the Governor.

(b) If multiple disasters are declared, the area with the least restrictive use of qualifying investment entities shall receive priority consideration.

SEC. 3. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the California Constitution and shall go into immediate effect. The facts constituting the necessity are:

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, it is necessary for this act to take effect immediately.