
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 797 (Harabedian) - Community Stabilization Act

Version: July 17, 2025

Policy Vote: B., P. & E.D. 8 - 3, JUD. 10 - 2

Urgency: Yes

Mandate: No

Hearing Date: August 18, 2025

Consultant: Janelle Miyashiro

Bill Summary: AB 797 requires the California Infrastructure and Economic Development Bank (IBank) to develop and administer a program 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.

Fiscal Impact:

- The Governor's Office of Business and Economic Development (GO-Biz) reports one-time costs of approximately \$12.7 million and \$2.7 million ongoing for IBank to develop and administer the program (General Fund). GO-Biz also notes potential cost pressures in the millions of dollars depending on program demand.
- Unknown significant General Fund revenue impacts, ranging in the hundreds of millions of dollars, from potential capital gains deferrals.

Background: According to IBank's website, IBank 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 Loan Program, California Lending for Energy and Environmental Needs Center, the Climate Catalyst Revolving Loan fund, Small Business Finance Center and the Bond Financing Program.

Proposed Law:

- Establishes the Community Stabilization Act, which requires IBank to develop and administer a program to issue a security, for the purpose of 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.
- Requires a security issued by IBank to have specified features.

- Requires proceeds from any profit realized by the sale or refinance of the investment property to be distributed as follows:
 - 5 percent of the profit to IBank.
 - 90 percent of the profit to qualified investors, to be apportioned according to each investor's percentage of investment in the security.
 - 5 percent of the profit to a qualifying investment entity, to be allocated as their administrative fee.
- Upon realization of profits due to a liquidity event, requires a qualified investment entity to transfer those funds to IBank within 30 days of the funds being received, to be allocated in the above specified disbursements.
- Authorizes a qualifying entity to charge an administrative fee of up to 5 percent, to be paid from the profits disbursed. Requires a qualified investment entity to publish its administrative fees and submit a copy of the fees to IBank prior to dispersal of funds. Provides that a qualified investment entity with lower administrative fees be prioritized for the greatest dispersal of funds. Authorizes a qualifying investment entity to allocate direct cost fees to the operation of the project outside of administrative fees, as specified.
- Creates the Community Stabilization Fund, and requires funds raised from the purchase of the security by qualified investors to be deposited into the fund.
- Specifies requirements for an entity to be a qualifying investment entity.
- Authorizes IBank to remove a qualified investment entity or its designee if the entity does not meet its obligations required under the Act. Requires a qualified entity that is removed to return any funds it received.
- Requires a qualified investment entity to use funds it receives under the Act 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, as specified. Requires property acquired by a qualified investment entity to be held for up to 10 years following the disaster, and imposes specified requirements on the entity for maintenance of the property.
- Specifies how property value and ownership are established and how payment is made to a property owner.
- Authorizes a qualified investor, within 24 months 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.
- 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 under the Act.
- Authorizes 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.

- If multiple disasters are declared, provides that the area with the least restrictive use of qualifying investment entities receive priority consideration.
- States the measure is an urgency statute necessary 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.
- States legislative findings and declarations.

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