
THIRD READING

Bill No: AB 797
Author: Harabedian (D)
Amended: 8/29/25 in Senate
Vote: 27 - Urgency

SENATE BUS., PROF. & ECON. DEV. COMMITTEE: 8-3, 6/30/25
AYES: Ashby, Archuleta, Arreguín, Grayson, Menjivar, Smallwood-Cuevas,
Umberg, Weber Pierson
NOES: Choi, Niello, Strickland

SENATE JUDICIARY COMMITTEE: 10-2, 7/15/25
AYES: Umberg, Allen, Arreguín, Ashby, Caballero, Durazo, Laird, Stern, Weber
Pierson, Wiener
NOES: Niello, Valladares
NO VOTE RECORDED: Wahab

SENATE APPROPRIATIONS COMMITTEE: 5-2, 8/29/25
AYES: Caballero, Cabaldon, Grayson, Richardson, Wahab
NOES: Seyarto, Dahle

ASSEMBLY FLOOR: 69-3, 6/2/25 - See last page for vote

SUBJECT: Community Stabilization Act: Counties of Los Angeles and Ventura

SOURCE: Author

DIGEST: This bill 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.

ANALYSIS:

Existing law:

- 1) Establishes the Bergeson-Peace Infrastructure and Economic Development Bank Act and creates the IBank. (Government Code (GC) § 63000 *et seq.*)
- 2) Authorizes IBank to make loans, issue bonds, and provide other economic development assistance, among other things. (GC § 63050 *et seq.*)
- 3) 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) Establishes the Community Stabilization Act until January 1, 2030, 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 how a qualifying investment entity must be organized in order to ensure proper stewardship of funds.
- 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: five percent of the profit to the bank; 90% of the profit to qualified investors, apportioned according to each qualified investor's percentage of investment in the security and; five percent of the qualifying investment entity to be allocated as their administrative fee.
- 5) 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 the January 7, 2025 wildfires in Los Angeles and Ventura Counties.
- 6) Authorizes a qualifying investment entity to charge an administrative fee of up to five 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.
- 7) Specifies how property value and ownership are established and how payment is made to a property owner.
- 8) Specifies that preference shall be given to preserve the socioeconomic composition of the disaster area to the maximum extent possible.
- 9) 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.
- 10) Authorizes a qualified investor, within two years of a state of disaster declared by the Governor, to purchase a security established by this bill.
- 11) 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.

- 12) Authorizes a local jurisdiction to limit the number of qualifying investment entities eligible for participation in the program.
- 13) Requires IBank to submit a final report on the program to the Legislature, Governor, and the Department of Finance by January 1, 2034 that includes the total number of properties acquired, held, and sold under the program; the total amount of capital invested and distributed and; an assessment of the program's effectiveness in stabilizing disaster-impacted property value.

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.

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

According to the Senate Committee on Appropriations, the Governor's Office of Business and Economic Development (GO-Biz) reports one-time General Fund costs of approximately \$12.7 million and \$2.7 million ongoing for IBank to develop and administer the program. GO-Biz also notes potential cost pressures in the millions of dollars depending on program demand.

SUPPORT: (Verified 8/29/25)

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
Eaton Fire Survivors Network
Global Empowerment Mission

OPPOSITION: (Verified 8/29/25)

None received

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 writes 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.”

ASSEMBLY FLOOR: 69-3, 6/2/25

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Davies, Elhawary, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NOES: DeMaio, Macedo, Tangipa

NO VOTE RECORDED: Castillo, Chen, Dixon, Ellis, Hadwick, Lackey, Sanchez

Prepared by: Sarah Mason / B., P. & E.D. /
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