

Date of Hearing: April 6, 2022

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT
Cecilia Aguiar-Curry, Chair
AB 1910 (Cristina Garcia) – As Introduced February 9, 2022

SUBJECT: Publicly owned golf courses: conversion: affordable housing

SUMMARY: Establishes an incentive program to provide grants to local agencies to facilitate the conversion of municipally owned golf courses into affordable housing and open space.

Specifically, **this bill:**

- 1) Requires, upon appropriation by the Legislature, the Department of Housing and Community Development (HCD) to administer a program to provide incentives in the form of grants to local agencies that enter into a development agreement to convert a golf course owned by the local agency into housing and publicly accessible open space.
- 2) Specifies the following provisions related to the grant program:
 - a) Limits grant eligibility to local agencies that enter into a disposition and development agreement with a developer that, at a minimum, meets all of the following requirements:
 - i) The agreement ensures that at least 25 percent of all new dwelling units developed on the former golf course are affordable to, and occupied by, lower income households.
 - ii) At least 15 percent of the development is publicly accessible open space. Space used as a golf course is not considered open space.
 - iii) No more than one-third of the square footage of the development, excluding the portion reserved for open space, is dedicated to nonresidential uses. Parking is considered a nonresidential use.
 - b) Specifies the requirements for the affordable housing as follows:
 - i) Rental and ownership units developed must be subject to a recorded deed restriction that provides that the units designated for use by lower income households are continuously available to or occupied by lower income households at affordable rents, as specified.
 - ii) Ownership units must be subject to an equity sharing agreement, as specified, and the local agency must utilize any proceeds received from an equity sharing agreement for programs to facilitate lower income home ownership.
 - c) Specifies that HCD must administer the program as follows:
 - i) To the extent that funds are available, HCD must issue a Notice of Funding Availability (NOFA) covering the 12-month period after the NOFA is issued, and, if there was no NOFA for the previous 12-month period, covering the 12-month period before the NOFA was issued. HCD must accept applications from applicants throughout the 12-month period after the NOFA.

- ii) HCD must allocate to each local agency that meets the eligibility criteria a grant amount determined by HCD. Requires HCD to weight grant awards according to the number of affordable units proposed. Specifies that if the amount of funds available to HCD is insufficient to provide each eligible local agency with the full grant amount specified in the NOFA, HCD must reduce the amount of grant funds awarded to each local agency proportionately.
- iii) HCD must disburse half of the grant funds awarded to the local agency after the local agency enters into a development agreement that meets the criteria of the bill, and half of the grant funds after completion of the development of housing and publicly accessible open space that meet the criteria of this bill and the development agreement.
- d) Authorizes HCD to review, adopt, amend, and repeal guidelines to implement uniform standards or criteria that supplement or clarify the terms, references, or standards set forth in this bill and exempt such actions from the Administrative Procedures Act.
- e) Defines the term “local agency” and “lower income household” for the purpose of the bill.

EXISTING LAW:

- 1) Pursuant to Planning and Zoning Law, requires every city and county to adopt a general plan that sets out planned uses for all of the area covered by the plan, and requires the general plan to include seven mandatory elements.
- 2) Requires major land use policies and decisions by cities and counties, such as zoning, specific plans, development agreements, and subdivisions of land, to be consistent with their adopted general plans.
- 3) Establishes programs administered by HCD addressing such topics as the construction, preservation, and rehabilitation of affordable housing, homelessness, homeownership, infrastructure, and planning.
- 4) Establishes, pursuant to the Surplus Land Act (SLA), requirements for local agencies disposing of surplus property. Specifically, the SLA:
 - a) Requires a local agency that wants to dispose of property that it no longer needs to follow specified procedures, including to:
 - i) Designate the land as surplus prior to disposing of the land.
 - ii) Send a notice of availability to “housing sponsors” and enter into good faith negotiations with a housing sponsor that expresses interest in developing affordable housing on the property.
 - b) Provides that disposing of “exempt surplus land,” as defined, is not subject to the SLA.
 - c) Imposes penalties on local agencies that do not comply with the requirements of the SLA.

FISCAL EFFECT: This bill is keyed fiscal.

COMMENTS:

- 1) **Author's Statement.** According to the author, "With the Regional Housing Needs Assessment (RHNA) numbers assigned to California's jurisdictions, and very few feasible spaces left to build, the state and local governments need to start thinking outside the box when it comes to building their affordable housing units. The Southern California Association of Governments (SCAG) region alone must build over 1.3 million units, a majority of them being affordable, in order to keep up with the pace of need in California. AB 1910 will give local governments another tool in their toolbox to meet their RHNA numbers while also giving low-income individuals the opportunity to live in a safe and affordable home. This will also give them the opportunity to access open space that was not accessible by them in the past, if they didn't have the desire to golf."
- 2) **State Housing Crisis.** California faces a severe housing shortage. In its most recent statewide housing assessment, HCD estimated that California needs to build an additional 100,000 units per year over recent averages of 80,000 units per year to meet the projected need for housing in the state. A variety of causes contributed to the lack of housing production. Recent reports by the Legislative Analyst's Office and others point to local approval processes as a major factor. They argue that local agencies control most of the decisions about where, when, and how to build new housing, and those agencies are quick to respond to vocal community members that may not want new neighbors. The building industry also points to the review required by the California Environmental Quality Act as an impediment, and housing advocates note a lack of a dedicated source of funds for affordable housing.
- 3) **Public Golf Courses in California.** According to the Southern California Golf Association, California has approximately 1,100 golf courses of which 22 percent are publicly owned. This legislation only applies to publicly owned courses, or roughly 250 courses. City policies typically expect golf courses to be financially self-sustaining. However, the financial performance of municipally run golf courses is mixed. Several municipal audits found that public golf courses frequently require subsidies from the local general fund to cover operating expenses.

The financial viability of golf courses can vary significantly across the state and within individual jurisdictions. The City of San Diego audited its golf course operations in 2015 and found that the three golf courses owned and managed by the city generated net annual income of nearly \$4 million in fiscal years 2012-2014. However, in 2014, the revenue was entirely attributable to one golf course (Torrey Pines, with \$6.3 million in revenue) while the other two golf courses operated by the city combined for an operating loss of more than \$2 million. The City of San Jose also audited its golf course operations in 2015 and found that the city subsidized its three municipal golf courses to the tune of \$2.6 million in fiscal year 2015-2016. The audit found that the city subsidized rounds of golf at more than \$30 per round at two of the city-operated golf courses. Similar to the City of San Diego, two of San Jose's golf courses operated at a loss while one course generated revenue for the city. Despite a checkered financial history for some public courses, several publicly owned golf courses recorded a significant financial uptick recently. This past year, the City of San Jose saw a 62% increase in users at its three golf courses and realized a net operating revenue of \$1.5 million.

The financial performance of public assets is a critical consideration as local agencies balance their budgets and consider other competing priorities (e.g. funding for public safety, roads, etc.). However, the full suite of public benefits provided by municipal golf courses (like many other public amenities such as swimming pools, soccer fields, dog parks, and baseball diamonds) are not reflected in financial balance sheets. These local assets provide recreation opportunities for residents that are often substantially more affordable than comparable offerings in the private market. Local elected officials must weigh and balance the costs and benefits of the services they provide their residents.

- 4) **Local Surplus Lands.** The SLA spells out the steps local agencies must follow when they dispose of land they no longer need. Before local officials can dispose of property, they must declare that the land is no longer necessary for the agency's use in a public meeting and declare the land either "surplus land" or "exempt surplus land." The SLA designates certain types of land as "exempt surplus land," which is not subject to the requirements of the SLA. All other surplus land must follow the procedures laid out in the SLA.

After a local agency declares that a piece of land is surplus to its needs, the agency must send a written notice of availability to various public agencies and nonprofit groups, referred to as "housing sponsors," notifying them that land is available for any of the following purposes:

- a) Low- and moderate-income housing.
- b) Park and recreation, and open space.
- c) School facilities.
- d) Infill opportunity zones or transit village plans.

If another agency or housing sponsor wants to purchase or lease the surplus land for one of these purposes, it must tell the disposing agency within 60 days. Except where the surplus land is currently used for park or recreational purposes, the local agency must give priority to the housing sponsor that proposes to provide the greatest level of affordable housing on the land. If the surplus land is currently used for park or recreational purposes, the disposing agency must give first priority to an entity that agrees to continue to use the site for park or recreational purposes.

If the local agency and any of the prioritized entities are not able to negotiate a mutually satisfactory price after 90 days of good faith negotiations, the local agency may proceed to sell the land on the open market.

- 5) **Exemptions from the SLA.** The SLA exempts a series of potential land dispositions from its requirements. Exempt dispositions are not required to go through the solicitation and negotiation process outlined in the SLA. This reflects the reality that certain dispositions provide intrinsic value to residents, are necessary for an agency's use, will provide one of the desired outcomes (provision of affordable housing, or preservation of park lands) envisioned in the SLA, or that the land that is being disposed of is incompatible with housing. For example, surplus land that will be developed with a large mixed-use development that dedicates at least 25 percent of the units to lower income households is considered "exempt surplus land" as the affordability levels provided are equivalent to the minimum requirements

of the SLA. This exemption allows local agencies to more expeditiously dispose of land while achieving the same desired outcome of the SLA.

- 6) **Bill Summary.** This bill will, upon appropriation, create a grant program that provides funding to local agencies that enter into development agreements to convert publicly owned golf courses into housing. The bill stipulates that grant eligibility is conditioned on the development agreement specifying that at least 25 percent of the new dwelling units developed on the former golf course are affordable to lower income households, that at least 15 percent of the development is preserved as publicly accessible open space and that no more than one-third of the square footage of the development is dedicated to nonresidential uses.
- 7) **Policy Considerations.** The Committee may wish to consider the following.
 - a) **Disposal of Surplus Land Under the SLA.** The SLA requires local agencies to make surplus land available to housing sponsors and other specified entities for the development of affordable housing or recreational uses prior to disposing of the property on the open market. The lands associated with projects eligible for grant funding under this bill are surplus land and therefore subject to the prioritization, solicitation, negotiation, and other disposal procedures of the SLA.

The SLA requires local agencies disposing of surplus land that is currently used for park and recreational purposes to give first priority to entities that propose to continue to use the surplus land for those purposes. In practice, a local agency could only receive the funding envisioned in this bill if none of the entities identified in the SLA express interest in acquiring the golf course land for park or recreational purposes, or if negotiations with those entities fail. The author may wish to consider whether the current provisions and prioritization requirements of the SLA will diminish the number of local agencies eligible for the grant funding this bill seeks to create.

- 8) **Arguments in Support.** California YIMBY writes in support, “In the most recent statewide housing assessment, the California Department of Housing and Community Development estimated that California needs to build an additional 100,000 units per year over recent averages of 80,000 units per year to meet the projected need for housing. One of the many contributions to the housing crisis is the lack of housing production. One of the reasons that housing is difficult to build is a shortage of land that this bill would help address. The Legislature should expand opportunities for local governments to address the housing shortage by expanding and adding flexibility to their jurisdiction of building more homes.”
- 9) **Arguments in Opposition.** The Trust for Public Land (TPL) writes in opposition, “While we have several concerns with the bill, the bill creates an incentive for local governments to develop failing golf courses into a combination of market-rate development, some affordable housing and minimal open space, leaving it largely up to the developer and the local government to decide, and completely leaving the community and their voice out of the process.

“TPL is currently working on a golf course in Orange County, where the citizens of Santa Ana overwhelmingly want more park space, and had to sue the city to prevent it from rushing to build a water park and market-rate housing. We think this bill would just empower more

cities to ignore the SLA, and monetize the property as much as possible, even if that's not what the community wants.”

10) **“Double-Referral.** This bill is double-referred to the Housing and Community Development Committee, where it passed on a 6-2 vote on March 23, 2022.

11) **Related Legislation.** AB 672 (Garcia) of 2021 is substantially similar to this bill. AB 672 was held in the Assembly Appropriations Committee.

SB 15 (Portantino) of 2021 is substantially similar to SB 1299 (Portantino) of 2020. SB 15 is pending referral in the Assembly.

12) **Previous Legislation.** SB 1299 (Portantino) of 2020 would have established a program administered by HCD to provide grants to local agencies for the production of workforce housing on idle commercial shopping center properties. SB 1299 was held on the Assembly Floor.

REGISTERED SUPPORT / OPPOSITION:

Support

Abundant Housing LA
 Aids Healthcare Foundation
 California Environmental Voters (formerly Clcv)
 California Yimby
 Culver City for More Homes
 East Bay Yimby
 Mountain View Yimby
 Peninsula for Everyone
 People for Housing - Orange County
 San Francisco Baykeeper
 Santa Cruz Yimby
 Streets for People Bay Area
 Unite Here Local 11
 Urban Environmentalists
 Ventura County Yimby
 Yimby Action
 Yimby Slo

Oppose Unless Amended

Trust for Public Land

Opposition

145 Individuals
 American Society of Golf Course Architects
 Apple Valley Men's Golf Club
 Audubon International
 Bay Area Golf Club of Northern California

Birch Hills Women's Golf Club
Brookside Men's Golf Club
California Alliance for Golf
California Golf & Travel Magazine
California Golf Course Owners Association
California Golf Course Superintendents Association
Camarillo Springs Senior Men's Golf Club
Catalysts for Local Control
Cathedral Canyon Men's Golf Club
Century Golf Club of San Francisco
Colony Women's Golf Club
Costa Mesa Women's Golf Club
David L Baker Ladies Golf Club
Doctors Orders: Play Golf
El Dorado Park Men's Golf Club
El Niguel Country Club
El Prado Women's Golf Club
Emerald Isle Golf Course
Fallbrook Seniors Golf Group
First Tee - Fresno
First Tee - Greater Sacramento
First Tee - Silicon Valley
First Tee Monterey County
Friends and Family Golf Club
Gardena Royal and Ancient Golf Association
Goat Hill Park Golf Course
Golf Course Superintendents Association of Northern California
Golf Course Superintendents Association of Southern California
Golftec Enterprises LLC
Hansen Dam Men's Golf Club
Harding Park Golf Club
Harding Park Women's Golf Club
Hi-lo Desert Golf Course Superintendents Association
Latina Golfers Association
Los Angeles County Fire Golf Association
Los Paisanos Golf Club
Los Verdes Women's Golf Club
Mabuhay Golf Club of San Francisco
Mariners Point Golf and Practice Center
Mickey Mouse Golf League
Mission Street Neighbors
Montebello Golf Players Club
Morro Bay Golf Club
National Golf Course Owners Association
National Golf Foundation
New Livable California DbA Livable California
North Kern Women's Golf Association
Northern California Golf Association (NCGA)
Northern California Section Pga of America

Nui Menehuni Golf Club
Par Boilers Golf Club
Pro Kids, First Tee - San Diego
Rancho San Joaquin Men's Club
Rancho San Joaquin Senior Men's Golf Association
Richardson Danner Golf Course Architects
Rio Hondo Men's Golf Club
San Francisco First Tee
San Francisco Mayors Womens Golf Council
San Francisco Public Golf Alliance
Scholl Canyon Golf Club
Seabee Golf Club
Sepulveda Golf Club
Soboba Springs Men's Golf Club
South Bay Public Links Golf Club
South Bay Youth Golf Coalition
Southern California Golf Association
Southern California Pga Section
Surety Home Care
Tahquitz Creek Women's Golf Club
The First Tee of Greater Pasadena
The Golfers of Southern California
The Ranch At Laguna Beach
Tijeras Creek Women's Golf Association
Tom Bendelow Society of Hickory Golf
Torrey Pines Men's Golf Club
United States Golf Association
Upland Hills Country Club Women's Golf Association
Victoria Senior Men's Golf Club
Vista Valencia Senior Men's Golf Club
Youth on Course

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