

Date of Hearing: January 12, 2022

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT  
Cecilia Aguiar-Curry, Chair  
AB 672 (Cristina Garcia) – As Amended January 3, 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 for not less than 55 years.
    - 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 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 at the end of 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 and specified in the NOFA. 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.
- 3) Defines, for the purposes of this bill, “Local agency” as any local public agency and excludes any state agency, board or commission from the definition.

**EXISTING LAW:**

- 1) 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 selling 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, does not need to comply with 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, "California is home to 921 public and private golf courses. They vary substantially in size; but often consume about 100 acres of land. Some are better candidates for conversion than others. Ideal sites would be in urban areas with a significant jobs-housing imbalance, and where nearby residents have limited open space. 150 courses could produce 15,000 acres of housing, commercial activity, and open space. In the 80s and 90s, golf was on the upswing; but as the National Golf Foundation reports, since 2006, golf is declining. Golf courses struggle to stay open. Some locales subsidize municipal courses, which means that residents are subsidizing a space that they can only use if they know how to and can afford to golf.

"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 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 672 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 and state audits conducted between 2010 and 2021 found municipal 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 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 want to dispose of land they no longer need. It requires local agencies to give a "first right of refusal" to other agencies and nonprofit housing developers, and to negotiate in good faith with them to try to come to agreement.

Before local officials can dispose of property, they must declare that the land is no longer needed 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.

Before a local agency can enter into negotiations to sell surplus land, they 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 buy or lease the surplus land for one of these purposes, it must tell the disposing agency within 60 days. An entity proposing to use the surplus land for developing low-and moderate-income housing is required to agree to make not less than 25 percent of the total number of units developed affordable to lower income households. If multiple entities want to purchase the land, the housing sponsor that proposes to provide the greatest level of affordable housing gets priority. The two entities have an additional 90 days to negotiate a mutually satisfactory price and terms in good faith. If they can't agree, the local agency that owns the surplus land can sell the land on the private 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 the same desired outcome (provision of affordable housing) 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 Consideration.** The Committee may wish to consider the following:
  - a) **Red Tape and the SLA.** The SLA requires local agencies to make land available to housing sponsors and other entities prior to disposing of the property. The SLA specifically requires entities proposing to use local surplus land for low-and moderate-income housing to ensure that no less than 25 percent of the total units developed are affordable to lower income households. However, the SLA does not guarantee that any housing units developed on surplus land will meet the 25 percent threshold, only that a local agency will engage in good faith negotiations with a housing sponsor seeking to provide this affordability level on land they seek to acquire from the local agency. If negotiations between a local agency and a housing sponsor do not bear fruit, the local agency may dispose of the land on the private market with a reduced affordability covenant that only guarantees that 15 percent of the total number of residential units are affordable, if residential units are built at all.

Pursuant to the SLA, the land associated with projects eligible for grant funding under this bill is considered surplus land and therefore subject to the solicitation, negotiation, and other disposal procedures of the SLA. The projects that are eligible for grant funding in this bill must comply with an affordability threshold that will at least meet, and will often exceed, the minimum affordability levels required of land subject to the SLA. Requiring the projects established in this bill to comply with the disposal procedures of the SLA adds an unnecessary layer of bureaucracy as these projects are already required to meet or exceed the affordability thresholds established in the SLA.

The SLA currently exempts a variety of land dispositions, including several dispositions that include housing development projects that meet or exceed the minimum affordability thresholds specified in the SLA. These exemptions recognize that subjecting the land associated with these projects to the SLA process is unnecessary, as the project will

already achieve the desired policy outcome of the SLA. The Committee may wish to recommend that the author consider amending the SLA to exempt these projects from the requirements of the SLA.

- 8) **Housing And Community Development Committee Amendments.** The author committed to accepting amendments in Housing and Community Development Committee that, due to timing, must be taken in this committee. These amendments include:
  - a) Allow HCD to accept grant applications throughout the 12-month period after issuance of the NOFA, rather than at the end. This enables cities to submit applications at their convenience and in a timely way.
  - b) Specify that HCD must allocate grants in an amount that is pursuant to the NOFA, rather than an amount specified by the NOFA. This reflects that HCD cannot specify the grant amount in the NOFA itself, because it will not know the number of eligible applicants.
  - c) Refine the language to specify that HCD disburse the second half of the grant funding to the local agency after the completion of the development. As currently written, the language reads as if the local agency itself is responsible for completing the development.
  - d) Change the deed restriction for homeownership units to 45 years, in keeping with the length of many state programs, instead of the 55 years contained in the bill. The deed restriction for rental units remains at 55 years.
- 9) **Arguments in Support.** YIMBY Action writes in support, “Golf courses are labeled as open space. Who can access golf courses? Only those who know how to or can afford to play golf. Pay-to-play leisure activities do not serve low and moderate-income Californians. The state can help convert golf courses, which serve hundreds, into housing that saves thousands from homelessness, extreme rents, and denial of access to home ownership.”
- 10) **Arguments in Opposition.** The Northern California Golf Association writes in opposition, “AB 672 would incentivize cities to replace rare green open space in already park-poor ‘densely populated areas’ with yet more high-density residential development – further reducing the amount of green open space in affected areas by 85%. (Section (b)(1)(B)(2). In times of climate change and ever-warming urban cores, elimination of large green open spaces in the inner cities would be a move in exactly the wrong direction. Other than setting a 25% ‘affordable’ minimum and imposing new administrative obligations on cities for housing voucher, compliance monitoring, and equity-sharing programs (Section 50870 [b][1] [A] and [B]), AB672 is vague as to exactly how it would achieve its ‘affordable housing’ goals: Section (e) sets no uniform standards or criteria to clarify housing and development standards, but rather would leave it to the Department of Housing and Community Development to set standards at some unspecified future time”
- 11) **Double-Referral.** This bill is double-referred to the Housing and Community Development Committee, where it is set for hearing on January 12, 2022.
- 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.

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

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

Abundant Housing LA  
Mountain View YIMBY  
Peninsula for Everyone  
People for Housing OC  
Santa Cruz YIMBY  
Streets for People  
Urban Environmentalists  
YIMBY Action  
One Individual

**Oppose**

California Golf Course Owners Association  
First Tee of Silicon Valley  
Goat Hill Golf Club  
Golf Course Superintendents Association of Northern California  
Golf Course Superintendents Association of Southern California  
Hi-lo Desert Golf Course Superintendents Association  
Hoffman Park Business Women's Golf Club  
Lakeside Golf Club  
Northern California Golf Association (NCGA)  
San Francisco Public Golf Alliance  
Youth on Course

**Analysis Prepared by:** Hank Brady / L. GOV. / (916) 319-3958