
UNFINISHED BUSINESS

Bill No: SB 561
Author: Dodd (D)
Amended: 8/23/22
Vote: 21

PRIOR VOTES NOT RELEVANT

ASSEMBLY FLOOR: Not available

SUBJECT: State surplus property: digital inventory: affordable housing

SOURCE: Author

DIGEST: This bill requires the Department of General Services (DGS), in consultation with the California Department of Housing and Community Development (HCD), to develop criteria to evaluate the suitability of excess state-owned parcels for affordable housing, as specified.

Assembly Amendments delete the previous version of the bill and instead require DGS to develop criteria to evaluate the suitability of excess state-owned parcels for affordable housing, as specified.

ANALYSIS:

Existing law:

- 1) Establishes DGS for purposes of, among other things, planning, acquiring, constructing, and maintaining state buildings and property.
- 2) Authorizes DGS, subject to legislative approval, to sell, lease, exchange, or transfer various specified properties for current market value, or upon such other terms and conditions that DGS determines are in the best interest of the state.

- 3) Requires, by executive order, DGS to, among other things, create a digitized inventory of all excess state land, create screening tools for prioritizing affordable housing development on excess state land, and issue requests for proposals and select affordable housing developments on excess state land, as described.
- 4) Establishes criteria for state agencies to use in determining and reporting excess lands. A state agency must report land as surplus that is:
 - a) Not currently utilized, or is underutilized, for any existing or ongoing programs;
 - b) Land for which the agency cannot identify a specific utilization relative to future needs; and,
 - c) Land not identified by the state agency within its master plan for facility development.
- 5) Requires DGS to dispose of surplus state real property in a specified manner, and prescribes the priority of disposition of the property before DGS may offer it for sale to private entities or individuals.
- 6) Authorizes DGS to sell surplus real property to a local agency or to a nonprofit affordable housing sponsor for affordable housing projects at a sales price less than fair market value if DGS determines that such a discount will enable housing for persons and families of low or moderate income.
- 7) Authorizes the Department of Transportation, if it determines that real property or an interest therein acquired by the state for highway purposes is no longer necessary for those purposes, to sell to DGS surplus property at less than the property's current fair market value, to the extent permissible, if the property is used for the development of affordable housing.

This bill:

- 1) Requires DGS, in consultation with HCD, to develop criteria to evaluate the suitability of state-owned parcels to be used for affordable housing by September 1, 2023.
- 2) Requires DGS, using the criteria described above, to conduct a comprehensive survey of all state-owned parcels, by July 1, 2024, and every four years thereafter.

- 3) Requires, DGS, upon conclusion of each comprehensive survey, to update its digitized inventory of all state-owned parcels that are determined or declared excess of the state's foreseeable needs and suitable for affordable housing development.

Background

Purpose of the Bill. According to the author's office, "as has been documented, the State of California is facing a tremendous need for affordable housing. Understanding this problem, Governor Newsom issued Executive Order N-06-19 in 2019, which prioritized the use of excess and surplus state-owned land to support the development of affordable housing. In 2021, the State Auditor issued a report which found that while the executive order had proven effective in its intent, the executive order could have been improved by, among things, establishing portions of the executive order into statute. SB 561 seeks to establish some of the recommendations that the State Auditor made to continue to leverage state own property for the construction of affordable housing in California."

Current Process for Disposal of surplus property. DGS is currently responsible for the disposition of state-owned property that has been declared surplus to future state needs. The Legislature must declare the property to be surplus and must authorize the Director of DGS to sell, exchange, lease, or transfer the surplus property according to specified procedures set forth in law.

Generally, current law requires surplus property to be transferred or sold at market value, or upon such other terms and conditions that DGS determines are in the best interest of the state. Current law gives right of first refusal on any surplus property to a local agency and then to a nonprofit affordable housing sponsor, prior to being offered for sale to private entities or individuals in the open market. In addition, DGS is authorized to sell surplus property to a local agency or to a nonprofit affordable housing sponsor at a sales price less than fair market value if DGS determines that such a discount will enable housing for individuals or families of low or moderate income.

Executive Order N-06-19. In January 2019, Governor Newsom issued Executive Order (EO) N-06-19, which directed DGS and HCD to identify and inventory excess state-owned property for affordable housing projects. Within the required three months, DGS reviewed over 44,000 parcels, and identified 92 properties that were potentially suitable for housing. As of March 2022, DGS had offered 19 of

these properties for affordable housing development, each of which is proceeding through the planning, development, or construction phase. The properties will provide approximately 1,700 affordable housing units.

State Audit Report. In March of 2022, the State Auditor issued an audit titled *State Surplus Property: the State Should Use Its Available Property More Effectively to Help Alleviate the Affordable Housing Crisis*. The audit was mostly positive about the EO, stating that the audit had “found that the executive order has proven effective in its intent, and we estimate that it could ultimately make way for more than 32,000 housing units.” It also found that the EO has resulted in the pace of converting excess state property to affordable housing has accelerated from less than one per year to more than six.

However, the audit went on to identify a number of issues with implementation of the EO, including that:

- 1) At current staffing levels, it will take DGS seven more years to offer up the remaining 73 properties identified in the initial analysis;
- 2) Given the expedited nature of the initial review, DGS missed sites that would have been identified using more rigorous search criteria; and
- 3) That the EO did not create an ongoing process for reviewing, identifying, and disposing of surplus land for possible development of affordable housing.

The audit concludes with recommendations for the Legislature, DGS, and HCD. The audit recommended that the Legislature pass legislation to put the provisions of the EO permanently into statute. This bill would implement some of the audit’s recommendations regarding codifying the EO and related policies.

Related/Prior Legislation

AB 2233 (Quirk-Silva, 2022) requires DGS to develop a plan to facilitate the development of affordable housing on state-owned excess land, as specified. (Pending on the Senate Floor)

AB 2592 (McCarty, 2022) requires DGS to prepare and report to the Legislature a streamlined plan to transition underutilized multistory state buildings into housing, as specified. (Pending on the Governor’s Desk)

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

According to the Assembly Appropriations Committee, DGS estimates General Fund (GF) costs of \$200,000 every four years for consultant support to review all state-owned property and identify parcels potentially viable for affordable housing.

Additionally, DGS estimates one-time GF costs of \$250,000, to screen out certain categories of properties, such as lakes and sites in remote areas of the state. DGS anticipates the task of reviewing all state-owned property can be partially automated to reduce workload by automatically screening out certain properties prior to beginning the review.

SUPPORT: (Verified 8/18/22)

None received

OPPOSITION: (Verified 8/18/22)

None received

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