

CONCURRENCE IN SENATE AMENDMENTS

AB 1338 (Solache)

As Amended June 10, 2026

Majority vote

SUMMARY

Requires the California Department of Transportation (Caltrans), upon request from the City of Lynwood, to develop and enter into an agreement with the city to transfer the deed restriction imposed on a property to an adjacent property.

Senate Amendments

- 1) Define “Fernwood Avenue property” to mean the parcel owned by the City of Lynwood, located in the City of Lynwood between Fernwood Avenue and Imperial Highway, legally described and identified as Parcels 1 and 2 in the City of Lynwood Certificate of Compliance having Instrument Number 20250434105, and to be developed as affordable and market-rate housing.
- 2) Define “Imperial Highway property” to mean the parcel located in, and owned by, the City of Lynwood, legally described in the California Department of Transportation Director’s Deed having Instrument Number 20170260321, and formerly identified as the California Department of Transportation Parcel Number DD 058166-01-01.
- 3) Require Caltrans, upon request from the City of Lynwood, to develop and enter into an agreement with the city to release and remove the deed restriction imposed on the Imperial Highway property if all the following requirements are met:
 - a) The City of Lynwood agrees to transfer the deed restriction to the Fernwood Avenue property.
 - b) The Fernwood Avenue property is equal to or greater in size than the Imperial Highway property.
 - c) The Fernwood Avenue property is appraised at a value equal to, or greater than, the appraised value of the Imperial Highway property on a per-acre basis.
 - d) The deed restriction to be applied to the Fernwood Avenue property is 45 years, beginning on the date that the deed restriction is recorded.
- 4) Stipulate that the appraised value of the Imperial Highway property shall be based on the appraised value of the parcel at the time of its acquisition from the department, and the appraised value of the Fernwood Avenue property shall be based on the appraised value of the parcel at the time of the transfer of the deed restriction.
- 5) Require the City of Lynwood, if they enter into an agreement with Caltrans, to submit a report to the Legislature, including the Assembly and Senate Committees on Transportation, on the use of the bill to develop the Imperial Highway property and the Fernwood Avenue property.

- 6) Require the report to be submitted within one year of the agreement and annually thereafter until the planned development projects are completed.
- 7) Require each report to include, but not be limited to, all of the following:
 - a) Plans for the development of the properties, including types of development.
 - b) The status of any pending projects on the properties.
 - c) The number of affordable housing units, affordability level, and size of units.
 - d) Any public financing or grants that were used to build the developments.
- 8) Declare that a special statute is necessary because of the unique nature of the Imperial Highway property located in the City of Lynwood in the County of Los Angeles and the state's goal and commitment to affordable and market-rate housing.

COMMENTS

Under current law, Caltrans can sell or exchange property considered “excess,” meaning real property acquired by the state for a transportation purposes that is no longer necessary for those purposes. Excess property is sold at auction, either by an oral public auction or a sealed bid auction. Under certain circumstances, excess property may be offered for sale directly to adjoining property owners. It may also be offered for direct sale to public agencies if the property is to be used for a public purpose. Under state and federal law, Caltrans must set the price of excess property at current fair market value, however, Caltrans can offer property to public agencies for less than fair market value for continued public use, such as parks.

The California Transportation Commission (CTC) is tasked with developing the terms, standards, and conditions for any property sale. Additionally, CTC approves the final sale or transfer of any excess property at a public meeting.

The Federal Highway Administration (FHWA) also has requirements for the sale or lease of any excess real property in which federal funds were used in the original acquisition. This includes, as mentioned previously, that current fair market value must be charged, except for certain public interest exceptions, and the property must continue to be dedicated for a public use, as defined and allowed by FHWA. State departments of transportation must apply to FHWA for approval of transaction prior to action by CTC.

City of Lynwood purchased Caltrans property and cleaned it up. The City of Lynwood is in Los Angeles County located near South Gate and Compton and has a population of roughly 67,000. The city owns multiple adjoining parcels of land directly adjacent to Interstate 105 in the west part of the city that were purchased at two different times from Caltrans as part of the department's excess property process. The city purchased for fair market value both the so-called Fernwood Avenue property in 2004 and the Imperial Highway property from Caltrans in 2016.

As a condition of the sale, the Caltrans Director's Deed required that it be used exclusively for public purposes for 15 years from the recorded date of the deed. The deed also states that if the property ceases to be used exclusively for public purposes Caltrans may terminate the deed, and

the property would revert to Caltrans. Current state law does not define what a public purpose is for the purposes of Caltrans and CTC's approval processes.

In authorizing the purchase of the Imperial Highway property, in 2016, the City of Lynwood approved a resolution stating that the purchase of the property would further the aims of the Housing Authority to promote the development and construction of low- and moderate-income housing opportunities in the city. Further, that the property is part of the larger site, when coupled with the previously purchased Caltrans property, and noting that the full site required major environmental remediation to be ready for development. Subsequently, the city spent approximately \$10 million on the environmental cleanup.

The City of Lynwood has been working with a developer to design and construct a mixed-use development which would encompass both the Fernwood Avenue property and the Imperial Highway property. The planned development would include commercial buildings, affordable apartments, and for-sale townhomes. The entire project has been environmentally cleared.

LACDA's most recent guidelines, published April 2026 prior to a new round of funding, included language specifically stating that housing projects located within 500 feet of a freeway may only be considered for funding if all other eligible projects have been considered for funding and funds are still available. Overall state and local policy discourage building affordable housing projects within 500 feet of a freeway, due to health concerns, especially regarding air quality. Only recently, with the passage of AB 2243 (Wicks, Chapter 272, Statutes of 2024), the Legislature expanded which housing projects are eligible for streamlined, ministerial review to those on a site located within 500 feet of a freeway.

As described above, both properties that would include the multi-use development were purchased through the Caltrans excess property process. Both contained a 15-year deed restriction requiring the property to be used for a public purpose. Although public purpose is not defined in state law, the city expressed its intent to build affordable housing on the site. The 15-year clock on the Fernwood Avenue property has run out, meaning the city may develop the property for any type of use, including commercial. However, the deed restriction on the Imperial Highway property still has roughly 6 years.

The problem identified by the city and the reason for this bill is that the Imperial Highway Property abuts Interstate 105, within 500 feet, and would therefore not be able to compete for needed affordable housing funds. Additionally, as mentioned, there are serious health and safety concerns with building housing that close to the freeway and it would require mitigation.

This bill would essentially swap the deed restriction requiring development for public purposes from the Imperial Highway property to the Fernwood Avenue property. The city and the developer have moved forward with the project, planning for the Imperial Highway deed restriction to either be cancelled or swapped. As noted, they are ready to move forward with construction of the commercial development, which is currently slated for the Imperial Highway property site. Phase II of the project to build the residential units is being designed for the Fernwood Avenue site.

This bill requires Caltrans, upon request from the city, to develop and enter into an agreement to release and remove the deed restriction imposed on the Imperial Highway property and further defines the requirements for the agreement including:

- 1) The city agrees to transfer the deed restriction to the Fernwood property.
- 2) The Fernwood Avenue property is equal to or greater in size than the Imperial Highway property.
- 3) The Fernwood Avenue property is appraised at a value equal to, or greater than, the appraised value of the Imperial Highway property on a per-acre basis.
- 4) The deed restriction for the Fernwood Avenue property is 45 years.

According to the Author

“AB 1338 would help the City of Lynwood resolve a unique land utilization issue in order to develop a mix of affordable housing and retail space for the benefit of the surrounding, underserved community. The larger project area will be designed and developed to provide affordable housing and public benefit to the City and would ensure that the public use remains for an extended time.”

Arguments in Support

Writing in support of the bill, Los Angeles County Supervisor Janice Hahn states, “California is in a housing crisis, and the State has made housing production one of its most urgent priorities. AB 1338 reflects exactly the kind of local-state partnership and creative problem-solving that is needed to meet that challenge. The City of Lynwood is a fully built-out community with limited land available for new development. Every city-owned parcel is precious, and the City has worked diligently to make the most of this one — completing environmental remediation, complying with the Surplus Land Act, and engaging in a thorough disposition process. AB 1338 removes the last structural barrier standing between Lynwood and the housing its residents need.”

Arguments in Opposition

None on file.

FISCAL COMMENTS

Unknown.

VOTES:

ASM ENVIRONMENTAL SAFETY AND TOXIC MATERIALS: 7-0-0

YES: Connolly, Hadwick, Hart, Castillo, Lee, McKinnor, Papan

ASM APPROPRIATIONS: 15-0-0

YES: Wicks, Sanchez, Arambula, Calderon, Caloza, Dixon, Elhawary, Fong, Mark González, Hart, Pacheco, Pellerin, Solache, Ta, Tangipa

ASSEMBLY FLOOR: 74-3-2

YES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, Dixon, Elhawary, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Ortega, Pacheco, Papan, Patel, Pellerin, Petrie-

Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NO: DeMaio, Ellis, Patterson

ABS, ABST OR NV: Jeff Gonzalez, Nguyen

UPDATED

VERSION: June 10, 2026

CONSULTANT: Farra Bracht / TRANS. / (916) 319-2093

FN: 0004305