

Date of Hearing: April 22, 2026

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Matt Haney, Chair

AB 2139 (Garcia) – As Amended April 16, 2026

**SUBJECT:** Surplus lands: exempt surplus land: City of Ontario

**SUMMARY:** Exempts the Ontario Sports Empire in the City of Ontario (City) from the Surplus Land Act (SLA). Specifically, **this bill:**

- 1) Creates a new, project-specific exemption to the SLA for certain land owned by the City that is part of a master-planned regional sports and entertainment district.
- 2) Limits the exemption to specified parcels (identified by assessor parcel numbers (APNs)) that:
  - a) Are subject to a master plan, specific plan, or sectional planning area document consistent with the general plan; and
  - b) Are used for integrated district purposes, including sports facilities, recreation, open space, visitor-serving commercial uses, and supporting infrastructure.
- 3) Requires the Ontario City Council to make findings at a public meeting that:
  - a) The land is part of an integrated, master-planned district;
  - b) The disposition is consistent with the adopted plan;
  - c) Application of the exemption is necessary to facilitate coordinated, phased development; and
  - d) The project advances public benefits such as recreation, economic development, and tourism.
- 4) Restricts the exemption by:
  - a) Capping the total land area at 199 acres;
  - b) Prohibiting land acquired through eminent domain from qualifying; and
  - c) Prohibiting logistics or industrial uses on the site.
- 5) Requires deed-restricted affordable housing if any residential development occurs, including:
  - a) At least 15% of units affordable to lower income households;
  - b) Long-term affordability requirements (55 years for rental, 45 years for ownership); and
  - c) Equity sharing requirements for ownership units.
- 6) Authorizes the City to use the exemption only if it meets one of the following conditions:

- a) It has not received an HCD notice of violation in the prior five years and has facilitated at least 4,000 housing units in that period, with at least 50% affordable to lower income households, and deposits 10% of the land value into a local housing fund; or
  - b) It deposits 30% of the greater of the sales price or fair market value (or lease value) into a local housing fund at the time of disposition.
- 7) Requires funds collected (including any penalties) to be deposited into a local housing-specific set-aside account and used within three years for housing affordable to extremely low-, very low-, or low-income households.
  - 8) Requires unspent funds after three years to revert to the state for deposit into the Building Homes and Jobs Trust Fund or the Housing Rehabilitation Loan Fund for affordable housing in the same jurisdiction, subject to legislative appropriation.
  - 9) Specifies that violations are deemed to impact the availability of affordable housing and are treated as second or subsequent violations under existing SLA penalty provisions.
  - 10) Requires the provisions of this bill to be recorded as a covenant or restriction running with the land and enforceable against future owners.

**EXISTING LAW:**

- 1) Establishes procedures for the disposal of publicly-owned land that is surplus to the needs of local agencies, under the SLA. (Government Code (GOV) Sections 54220 - 54262)
- 2) Requires local officials who want to dispose of public property to 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." (GOV 54221)
- 3) Provides that "agency's use" includes land that is being used, or is planned to be used pursuant to a written plan adopted by the local agency or will be disposed of to support agency work or operations, and excludes land for agency's use from the SLA. (GOV 54221)
- 4) Requires local agencies to follow the procedures laid out in the SLA before surplus land can be sold, including, but not limited to:
  - a) 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 the following purposes:
    - i) Low- and moderate-income housing;
    - ii) Park and recreation, and open space;
    - iii) School facilities; or
    - iv) Infill opportunity zones or transit village plans. (GOV 54222)
  - b) Negotiate in good faith for 90 days with housing sponsors that respond. (GOV 54223)

- 5) Allows the local agency to dispose of the property on the private market if a mutually satisfactory agreement is not reached with interested parties during the good faith negotiations. (GOV 54223)
- 6) Requires the disposing agency to record a covenant or restriction to the property, if a property is disposed pursuant to 5) after completing steps 2)-4), stating that if 10 or more units of housing are developed on the property later, 15% of the units must be sold or rented at an affordable cost to lower income households. (GOV 54233)
- 7) Gives the Department of Housing and Community Development (HCD) enforcement authority over the SLA, as follows:
  - a) Allows HCD to develop guidelines to implement the penalty provisions of the SLA and provides that those guidelines are not subject to the Administrative Procedures Act.
  - b) Requires local agencies to notify the Department of Housing and Community Development (HCD) before agreeing to terms for the disposition of surplus land.
  - c) Imposes penalties of 30% of the disposition value of the land for a first violation and 50% of the disposition value for any subsequent violation for selling land in violation of the SLA.
  - d) Establishes an enforcement process, which provides, among other things, that a local agency cannot be liable for a penalty if it is not notified by HCD that it is in violation of the act. (GOV 54220 – 54262)
- 8) Allows for public and private enforcement of the SLA by affordable housing developers, housing organizations, individuals that would have been eligible to apply for residency in affordable housing, a beneficially interested person or entity, and HCD. (GOV 54221)
- 9) Designates certain types of land as “exempt surplus land” and provides that the entirety of the SLA does not apply to exempt surplus land. (GOV 54221)

**FISCAL EFFECT:** Unknown.

**COMMENTS:**

**Author’s Statement:** According to the author, “California’s Surplus Land Act serves an important statewide purpose by prioritizing affordable housing and other public uses when local agencies dispose of land that is no longer needed for agency operations. However, the Act was not designed with every type of large-scale, integrated public project in mind. The Ontario Sports Empire is a unique multi-phase regional sports and entertainment complex intended to function as a unified destination for youth and amateur athletics, community recreation, tourism, hospitality, and economic development. Because the project depends on coordinated planning, phased development, long-term leases, and public-private partnerships across a single master-planned site, applying the Surplus Land Act’s parcel-by-parcel notice and negotiation process to each component could create uncertainty, delay implementation, and undermine the City of Ontario’s ability to deliver the project as intended.

This bill is needed to provide a narrow, project-specific exemption that recognizes the distinct nature of the Ontario Sports Empire while preserving the overall framework of the Surplus Land Act. The proposal is not a broad rollback of surplus land law, but a targeted solution for a defined regional project expected to generate substantial public benefits, including expanded recreational opportunities, youth sports access, job creation, tourism, and local economic activity in the Inland Empire. By allowing the City of Ontario to dispose of and lease land within the project area in a coordinated manner consistent with an adopted plan, this bill will help ensure the successful development of a major community and regional asset.”

**California’s Housing Crisis:** California’s housing crisis is a half-century in the making.<sup>1</sup> After decades of underproduction, supply is far behind demand, and housing and rental costs are soaring. As a result, millions of Californians must make hard decisions about paying for housing at the expense of food, health care, child care, and transportation, directly impacting the quality of life in the state.<sup>2</sup> One in three households in the state doesn’t earn enough money to meet their basic needs.<sup>3</sup> In 2024, over 187,000 Californians experienced homelessness on a given night.<sup>4</sup>

To meet this housing need, HCD determined that California must plan for more than 2.5 million new homes, and no less than one million of those homes must be affordable to lower-income households, in the 6<sup>th</sup> Regional Housing Needs Allocation (RHNA) cycle. By contrast, housing production in the past decade has been under 100,000 units per year – including less than 10,000 units of affordable housing per year.<sup>5</sup> Increasing the overall supply of housing, both market-rate and deed-restricted affordable, is essential to reducing upward pressure on rents and home prices, and to creating a more stable, accessible housing market for Californians across income levels.

The state’s housing crisis is not equally experienced by all Californians. Testimony by the UC Berkeley Turner Center to this Committee showed that the impacts of the housing crisis are significantly more severe for lower-income individuals, single-earner households, Black and Latino Californians, younger and older populations, and those who reside in, or aspire to live and work in, the state’s highest-cost regions.<sup>6</sup>

**SLA:** Local public agencies are major landlords in some communities, owning significant pieces of real estate. When properties become surplus to a local agency’s needs, public officials may want to dispose of the property. They can do so under the SLA to recoup their investment by selling or leasing that land for fifteen years or longer, assuming they follow the process specified in the SLA. The SLA spells out the steps local agencies must follow when they want to dispose of land. In 2023, AB 480 (Ting), Chapter 788, and SB 747 (Caballero), Chapter 786 made significant changes to the SLA. Together, these bills attempted to strike a balance between ensuring comprehensive coverage of dispositions while enacting statutory exemptions and other changes that would streamline the process for local governments.

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<sup>1</sup> California Department of Housing and Community Development, *A Home for Every Californian: 2022 Statewide Housing Plan*. March 2022, <https://storymaps.arcgis.com/stories/94729ab1648d43b1811c1698a748c136>

<sup>2</sup> IBID.

<sup>3</sup> IBID.

<sup>4</sup> U.S. Department of Housing and Urban Development, Point in Time Counts.

<https://www.huduser.gov/portal/datasets/ahar/2023-ahar-part-1-pit-estimates-of-homelessness-in-the-us.html>

<sup>5</sup> <https://www.hcd.ca.gov/policy-research/housing-challenges.shtml>

<sup>6</sup> UC Berkeley Turner Center Testimony by Ben Metcalf, Managing Director, at the State Housing Production Legislation: Actions, Outcomes, and Opportunities Informational Hearing, February 12, 2025

Generally, before local officials can dispose of property under the SLA, 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." Before agencies can broadly negotiate to dispose of surplus land on the private market, they must give a "first right of refusal" to other public agencies, nonprofit housing developers, schools, and parks and recreation departments. Public agencies and nonprofit housing developers interested in developing surplus property are referred to as "housing sponsors." Housing sponsors can notify HCD if they are generally interested in acquiring surplus land to develop affordable housing. HCD maintains a list of housing sponsors and Notice of Availability (NOAs) on its website.

When a local agency wants to dispose of surplus land, it must send a written NOA to let interested parties – including local public entities with jurisdiction where the surplus land is located and all interested housing sponsors – know that land is available for the following purposes:

- 1) Low- and moderate-income housing;
- 2) Park and recreation, and open space;
- 3) School facilities; or
- 4) Infill opportunity zones or transit village plans.

If any interested parties respond to the NOA within 60 days, the disposing agency must negotiate in good faith for 90 days with any interested parties who respond to the NOA to try to come to a mutually satisfactory sale or long-term lease agreement. If multiple entities respond to the NOA, the housing sponsor that proposes to provide the greatest number of units, and the highest level of affordable housing, gets priority. If the disposing agency and interested parties cannot agree to mutually satisfactory terms after negotiating in good faith, the agency that owns the surplus land can sell the land on the private market. Before disposing of the land through the private market, the disposing local agency must record a restriction or covenant against the property maintaining that housing is developed on the property in the future, 15% of the units must be sold or rented at an affordable cost to lower-income households.

The SLA says that nothing in its provisions:

- 1) Limits the power of any local agency to sell or lease surplus land at fair market value or less than fair market value;
- 2) Prevents a local agency from obtaining fair market value for the land;
- 3) Limits a local agency's authority or discretion to approve land use, zoning, or other entitlement decisions in connection with surplus land; or
- 4) Requires a local agency to dispose of land just because it is surplus.

HCD has enforcement authority over the SLA. Furthermore, the SLA may be enforced by affordable housing developers, housing organizations, individuals who would have been eligible to apply for residency in affordable housing, or a beneficially interested person or entity. Local agencies that improperly dispose of surplus land face penalties of 30% of the sale price or market

value for the first violation, and 50% for subsequent violations, with penalty revenues going to a local housing trust fund. Before finalizing land dispositions, agencies must notify HCD and provide HCD with documentation of their compliance with the SLA disposition process. HCD has 30 days to review the submitted materials and respond. If HCD finds violations and notifies the disposing local agency within 30 days, the agency has 60 days to address them. If the violations are not addressed, the disposing agency may incur penalties including referral to the Attorney General. However, penalties are void if HCD fails to notify the local agency of a violation within 30 days.

In summary, the SLA establishes the following clear guidance related to timing:

- 1) Sixty days for parties interested in purchasing or leasing the surplus property to respond to the NOA;
- 2) Ninety days (minimum) good faith negotiation period with interested parties; and
- 3) Thirty days for HCD to review the SLA disposition materials provided by the local public agency to verify compliance with the SLA.
  - a) If no violation is found, the local public agency can proceed with disposing of the property to either an interested party (if a mutually satisfactory sales price or term of lease is reached), or disposing of the property on the private market if not.
  - b) If a violation is found and communicated to the disposing local public agency by HCD in the 30-day timeframe, then the local public agency has 60 days to correct the violation, or face penalties if not corrected.

***SLA as a Tool for Affordable Housing Production:*** The SLA is a powerful tool for the production of affordable housing in California. The SLA requires an entity proposing to use surplus land for developing low- and moderate-income housing to deed restrict at least 25% of the units as affordable. In the event that multiple entities respond to an SLA NOA with an interest to purchase or lease the land, the local agency is required to give priority to housing projects that meet the aforementioned affordability requirements. The disposing entity must also prioritize the number of units proposed, and the affordability levels of those units, while reviewing responses to the NOA and proceeding with negotiations.

Since January 2021, surplus and exempt surplus land dispositions tracked by HCD have resulted in 37,129 housing units, including over 23,686 units of housing affordable to lower-income households, entering the development pipeline.<sup>7</sup>

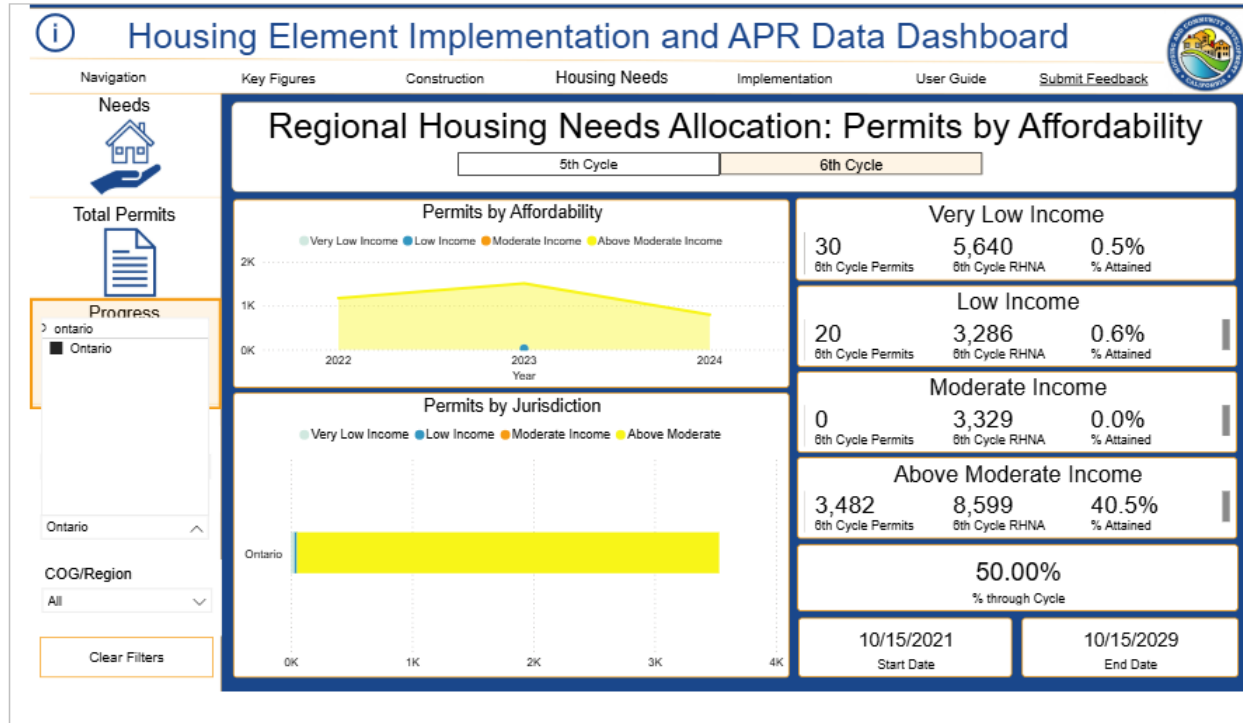
***Housing Production in Ontario:*** The City of Ontario's housing production trends reflect a significant imbalance across income levels, with particularly limited progress toward its lower-income RHNA obligations. As reflected in its Housing Element progress, the City has permitted thousands of above-moderate income units, achieving approximately 40% of its market-rate Regional Housing Needs Allocation (RHNA) target about halfway through its 6<sup>th</sup> RHNA Cycle, while production of deed-restricted affordable housing has been minimal. To date, the City has permitted only a handful of very low- and low-income units, representing less than 1% of its

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<sup>7</sup> <https://www.hcd.ca.gov/housing-open-data-tools/sla-dashboard>

RHNA targets in those categories, and no moderate-income units, despite substantial unmet need. This pattern is consistent with the City’s adopted Housing Element, which identified a lack of affordable housing projects in the development pipeline sufficient to meet its lower-income RHNA allocation of 8,926 units. The City recently released a draft amendment to its Housing Element on April 2 of this year, which proposes changes to its Affordable Housing Overlay standards. That draft has not yet been reviewed by the public or HCD, and it remains unclear whether additional sites or policy changes may be necessary to meet RHNA obligations.

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**This Bill:** This bill would create a project-specific exemption from the SLA for certain City of Ontario–owned parcels that are part of a master-planned regional sports, recreation, and entertainment district. As proposed, this bill allows the City to treat specified parcels as “exempt surplus land” where those parcels are governed by an adopted planning framework and are used for integrated district purposes, including sports facilities, recreational amenities, visitor-serving commercial uses, and supporting infrastructure.

Amendments taken in the Committee on Local Government strengthened this bill’s requirements as it pertains to the SLA. This bill requires the Ontario City Council to make findings at a public meeting that the land is part of a coordinated, master-planned project, that the disposition is consistent with the adopted plan, that application of the exemption is necessary to carry out the phased development of the district, and that the project advances public benefits such as recreation, economic development, and tourism. The exemption is further limited by restricting its application to identified parcels totaling no more than 199 acres, prohibiting land acquired through eminent domain from qualifying, and disallowing logistics or industrial uses.

<sup>8</sup> <https://www.hcd.ca.gov/housing-open-data-tools/apr-dashboard>

This bill also includes provisions intended to preserve some level of housing benefit despite exempting the land from the SLA's affordable housing disposition requirements. If residential development occurs, at least 15% of units must be affordable to lower income households and subject to long-term affordability restrictions.

More significantly, this bill conditions the City's use of this exemption on compliance with one of two pathways: either demonstrating a strong recent track record of compliance with state housing laws and affordable housing production (specifically, no violations from HCD in the prior five years and the facilitation of at least 4,000 housing units, with at least 50% affordable to lower income households) combined with a 10% contribution of the land's value into a local housing fund; or, alternatively, providing a substantially higher upfront contribution equal to 30% of the greater of the land's sales price or fair market value (or, for leases, the discounted net present value of the lease). All funds collected pursuant to these provisions must be deposited into a local housing-specific set-aside account and expended within three years on housing affordable to extremely low-, very low-, and low-income households. If the funds are not expended within that timeframe, they revert to the state for deposit into the Building Homes and Jobs Trust Fund or the Housing Rehabilitation Loan Fund for use within the same jurisdiction, subject to legislative appropriation. This bill further establishes an HCD notification and review process prior to disposition and subjects violations to existing penalty provisions, including enhanced penalties for actions that undermine the availability of affordable housing.

***Policy Considerations:*** While this bill reflects an effort to accommodate the unique characteristics of a large, master-planned regional development, the Committee may wish to consider the broader implications of creating project-specific exemptions from the SLA, especially in jurisdictions falling far behind their lower-income RHNA targets. The SLA is intended to ensure that publicly owned land is prioritized for affordable housing, and exemptions, particularly those premised on claims of unique local circumstances, can create pressure for similar treatment from other jurisdictions and, over time, undermine the consistency and effectiveness of the statewide framework. In this case, this bill seeks to justify the proposed exemption based on the scale, configuration, and integrated nature of the proposed sports and entertainment district, as well as the need to facilitate coordinated, phased development and public-private partnerships.

Amendments taken in the prior committee to this bill attempt to balance this exemption by requiring either demonstrated housing production performance or significant financial contributions toward affordable housing, as well as a modest on-site inclusionary requirement if residential development occurs. However, these provisions substitute a monetary contribution for the opportunity to directly use publicly owned land for affordable housing development, which is a core objective of the SLA. The Committee may wish to consider whether these financial contributions, while substantial, are an adequate replacement for the potential long-term affordability and locational benefits that could be achieved through direct development on public land, particularly in areas that may have strong economic or amenity value.

Further, against the backdrop of minimal affordable housing permitting in the City, this bill would exempt up to 199 acres of City-owned land from the SLA, removing those sites from a key state framework designed to prioritize public land for affordable housing development. Given the City's current shortfall in lower-income housing production, this exemption could further limit opportunities to accommodate affordable housing by exempting publicly owned

sites. The Committee may wish to consider the precedent that this bill might set, potentially incentivizing additional bills requesting SLA exemptions moving forward.

***Arguments in Support:*** The City of Ontario writes in support of a prior version of this bill: “This bill is needed to provide a narrow, project-specific exemption that recognizes the distinct nature of the Ontario Sports Empire while preserving the overall framework of the Surplus Land Act. The proposal is not a broad rollback of surplus land law, but a targeted solution for a defined regional project expected to generate substantial public benefits, including expanded recreational opportunities, youth sports access, job creation, tourism, and local economic activity in the Inland Empire. By allowing the City of Ontario to dispose of and lease land within the project area in a coordinated manner consistent with an adopted plan, this bill will help ensure the successful development of a major community and regional asset. As such, we request support for AB 2139 as proposed to be amended.”

***Arguments in Opposition:*** The Public Interest Law Project, Non-Profit Housing Association of Northern California, East Bay Housing Organizations, Public Advocates, and San Diego Housing Federation write in opposition to a prior version of this bill: “This bill would create an exception allowing a master development of 199 acres owned by the City of Ontario – the Ontario Sports Empire-- without inclusion of any affordable housing. It is directly contrary to the purpose of the SLA and creates a dangerous precedent.

The City’s current housing element indicates that there were no affordable housing developments in the pipeline to accommodate any of the City’s 8,926 unit regional housing need for lower income housing. AB 2139 would remove 199 acres of land from even the possibility of helping satisfy the unmet RHNA obligations.”

***Related Legislation:***

*AB 2525 (Ward)* would create an SLA exemption in the City of San Diego in Mission Bay Park. AB 2525 is pending in this Committee.

*AB 2512 (Valencia)* provides that, if an exemption under the SLA is applied to the disposition of Angel Stadium by the City of Anaheim to the Los Angeles Angels, any disposition documents and promotional or marketing materials refer to the team as the Anaheim Angels, except under certain conditions. AB 2512 is pending in this Committee.

*AB 79 (Alvarez)* would have modified the affordability and density requirements of the Surplus Land Act (SLA) exemption that applies to land subject to a sectional planning document adopted prior to January 1, 2019. AB 79 was vetoed by the Governor.

*AB 480 (Ting), Chapter 788, Statutes of 2023*, made numerous changes to the SLA, including the disposal process, the authority of the Department of Housing and Community Development (HCD), and penalties for violations.

*AB 1734 (Jones-Sawyer), Chapter 769, Statutes of 2023*, creates, until January 1, 2034, a specific process under the SLA for the disposition of land in the City of Los Angeles for affordable housing and low barrier navigation centers.

*AB 457 (Joe Patterson)* created an SLA exemption for parcels that abut state highway right of way that a local agency identified in its circulation element or capital improvement plan for

future roadway development. AB 457 was substantially amended into a different subject matter.

*AB 837 (Alvarez) of 2023* creates an SLA exemption for land acquired by a local agency for the development of a university and innovation district. AB 837 is pending in the Senate Local Government Committee. However, a substantially similar policy adopted via a budget trailer bill was enacted into law in 2023.

*AB 983 (Cervantes) of 2023* would have categorized as exempt surplus land, properties that are designated in an adopted downtown revitalization plan, as specified. AB 983 was held in the Assembly Local Government Committee.

*AB 2319 (Bonta) Chapter 963, Statutes of 2022*, created an exemption from the Surplus Lands Act (SLA) for the Alameda Naval Air Station (Alameda Point).

*AB 1271 (Ting) of 2021* would have expanded the types of land exempt from the SLA, imposed new procedural requirements on local agencies disposing of surplus land, and made various technical changes to the SLA. AB 1271 was held in the Assembly Housing Committee.

*AB 1486 (Ting) Chapter 664, Statutes of 2019*, expanded the scope of local agencies subject to the SLA, revised the definitions of “surplus land” and “exempt surplus land,” revised the noticing requirements relative to local agencies, housing sponsors and HCD, and added penalties for local agencies that sell land in violation of the SLA.

*SB 747 (Caballero), Chapter 786, Statutes of 2023*, makes numerous changes to the Surplus Lands Act (SLA), including modifying SLA procedures, defining disposals of surplus land to include leases of longer than 15 years, altering the definition of exempt surplus land, and other changes.

*SB 719 (Min) of 2021* would have provided that land comprising the former Tustin Marine Corps Air Station is exempt surplus land for the purposes of the SLA if certain affordability standards for residential developments and other conditions are met.

***Double-Referred:*** This bill was also referred to the Committee on Local Government, where it passed with a vote of 10-0 on April 15, 2026.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

City of Ontario (Sponsor)  
California Association for Local Economic Development

### ***Support If Amended***

Western Electrical Contractors Association

### **Opposition**

East Bay Housing Organizations  
Non-profit Housing Association of Northern California  
Public Advocates

Public Interest Law Project  
San Diego Housing Federation

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