
SENATE COMMITTEE ON LOCAL GOVERNMENT

Senator María Elena Durazo, Chair

2025 - 2026 Regular

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SURPLUS LANDS: EXEMPT SURPLUS LAND: CITY OF ONTARIO

Enact an exemption from the Surplus Land Act for the Ontario Sports Empire.

Background

Surplus Land Act. Public agencies are major landlords in some communities, owning significant pieces of real estate. When properties become surplus to an agency's needs, public officials want to sell the land to recoup their investments. The Surplus Land Act (SLA) spells out the steps local agencies must follow when they want to dispose of land. It requires local governments to give a "first right of refusal" to other governments and nonprofit housing developers, and to negotiate in good faith with them to try to come to agreement. This means that local agencies must open their properties up to affordable housing developers first, even if they have a different purpose in mind for the property.

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." Land that is being used for an agency's use is not subject to the SLA. "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.

The SLA designates a lengthy list of types of land that are "exempt surplus land," such as land that is being transferred to another public entity or an Indian Tribe, or land that is subject to a valid legal restriction that prohibits residential uses on the property. Statute provides that the entirety of the SLA does not apply to disposals of exempt surplus land. All other surplus land must follow the procedures laid out in the SLA before a local agency can sell it.

SLA process. Before agencies can enter into negotiations to dispose of 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 the following purposes:

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

Housing sponsors can notify the Department of Housing and Community Development (HCD) if they are interested in acquiring surplus land to develop affordable housing. HCD maintains a list of notices of availability on its website.

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. The agency and the housing sponsor then have an additional 90 days to negotiate a mutually satisfactory price and terms in good faith. If they cannot agree, the agency that owns the surplus land can sell the land on the private market. If surplus land is not sold to an affordable housing developer, but housing is developed on it later, 15% of the units must be sold or rented at an affordable cost to lower income households.

Local agencies that dispose of surplus land in violation of the SLA face penalties totaling 30% of the sales price, or fair market value of the sale or lease, of land disposed of in violation of the SLA for a first violation, and 50% for subsequent violations. These penalty revenues must be deposited in a local housing trust fund.

Recent SLA revisions. Two bills chaptered in 2023, SB 747 (Caballero) and AB 480 (Ting), made significant changes to the SLA. Collectively, the bills balanced ensuring comprehensive coverage of dispositions, while enacting exemptions and other changes that would streamline the process for local governments. Specifically, SB 747 and AB 480:

- Define “dispose” in the law to include leases of longer than 15 years that are entered into on or after January 1, 2024, but exclude leases of shorter than 15 years and leases where no development or demolition will occur;
- Apply penalties to leases that violate the SLA, but provide that penalties don’t apply to non-substantive violations of the SLA;
- Add numerous categories of exempt surplus land, such as properties of smaller than one-half acre, specified mixed-use developments and developments on larger sites that include affordability requirements, airport land, and others;
- Authorize disposal of certain categories of exempt surplus land without a public hearing, as long as specified notice is provided;
- Establish additional types of activities that explicitly qualify as “agency’s use”; and
- Extend provisions that allow projects with an exclusive negotiating agreement in place to follow a previous version of the SLA.

HCD’s guidelines for the SLA adopted after the chaptering of these bills require agencies proposing to use an exemption to file a notice of exemption with HCD that HCD reviews within 30 days of receipt.

City of Ontario. The City of Ontario, located in San Bernardino County, has a population of approximately 175,000 and spans 50 square miles. The City’s economy is driven primarily by service and logistics industries, the latter due in part to the Ontario International Airport, which is the 8th busiest airport in the United States (based on cargo carried). The City is in the process of trying to develop the Ontario Sports Empire, which is 199 acres and will be home to a minor league baseball stadium, 8 baseball/softball fields, 4 multiuse soccer/football fields, 8 soccer fields, plaza areas, baseball and soccer concession buildings, family activity areas, playgrounds, ticket booths, hotels, retail, dining, entertainment, and parking. Because the City owns the property upon which the Ontario Sports Empire is intended to be developed, it must sell or lease the property, which subjects the property to the SLA.

City of Ontario SLA Notice of Violation. In June 2025, HCD issued a Notice of Violation (NOV) to the City of Ontario regarding disposition of a 2.368-acre portion of the future Ontario Sports Empire site. HCD’s NOV stated:

“HCD initially received a Notice of Alleged Violation (enclosed) pursuant to Section 502 of the SLA Guidelines on March 14, 2025, from UNITE HERE Local 11 (Local 11) regarding the City’s approval of a Disposition and Development Agreement (DDA) for sale of the Property. Local 11 provided prior correspondence, including a letter to the City requesting information on how the action complied with the SLA, prior to the City Council taking action to authorize the sale and disposition of the Property at a public meeting on February 18, 2025.

“On March 21, 2025, HCD requested a meeting with the City to discuss the alleged violations. On April 8, 2025, HCD met with City staff, who asserted that disposition was undertaken pursuant to the Economic Opportunity Law. The City is also in the process of developing this Property in addition to 190 acres of adjacent City-owned lands for the Ontario Regional Sports Complex. The City shared during the conversation that close of escrow and disposition of the Property to Ontario Ranch Hotels, LLC (Developer) was completed on April 4, 2025.”

The NOV further stated that the City did not make the land available pursuant to the SLA, that Economic Opportunity Law does not relieve the City of SLA requirements, and that the City was aware of HCD’s position on this precise issue before finalizing the disposition of the property. A follow-up NOV in September 2025, after the City failed to correct the violation, stated that the City was liable for the penalties under the SLA.

The City of Ontario wants the Legislature to grant an exemption for the properties that will be developed into the Ontario Sports Empire.

Proposed Law

Assembly Bill 2139 enacts an exemption from the SLA for specified parcels comprising the Ontario Sports Empire site, not to exceed 199 acres, if:

- The land is subject to a master plan, specific plan, or sectional planning area document formally adopted by the City of Ontario and is consistent with the general plan;
- The land is being transferred, leased, licensed, exchanged, or otherwise conveyed for specified purposes in accordance with that master plan, specific plan, or sectional planning area document;
- The Ontario City Council makes specified findings, by resolution at a regular public meeting, regarding the benefits and use of the property;
- The land was not acquired via eminent domain;
- If 10 or more units are developed on the property, at least 15% must be affordable to lower income households; and
- The land does not allow logistics uses or industrial uses.

The above restrictions must be recorded in a deed restriction on the property. The City must also deposit 30% of the value of the sale or lease of the property, as specified, into a local housing

trust fund for lower income households. If they aren't used in three years, they revert to a state fund for affordable housing.

At least 30 days prior to disposing of land pursuant to the exemption, the City of Ontario must notify HCD of its findings, and HCD must notify the City within 30 days of receipt of the notification whether the City has violated any provisions of the bill. Failure to submit the notice is a violation of the SLA, and any violation of the bill is presumed to have affected the availability of affordable housing in a manner that is subject to the SLA's penalties. The SLA penalties don't apply if HCD does not tell the City that they have violated the law within 30 days of receiving the notice. Once HCD determines that the declarations and findings comply with the bill, the City may dispose of the parcel.

AB 2139 does not apply to a residential development. The bill also includes findings and declarations to support its purposes.

Comments

1. Purpose of the bill. 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."

2. Bad news bears. Last year, HCD notified the City of Ontario that it was in violation of the SLA for disposing of property for the development of a portion of the Ontario Sports Empire. AB 2139 enacts an exemption for the surrounding sites, if the City pays an amount equivalent to the penalties levied for a first violation under the SLA (30% of the disposition value of the property) into a local housing trust fund, and meets other requirements. Under current law, if the City attempts to dispose of the property in violation of the SLA, it would be subject to a penalty of 50% of the disposition value. AB 2139 allows the city to dispose of the property outside of the SLA for 30% of the value of the sale or lease of the property, effectively reducing the penalties in the SLA for this property—and therefore the disincentive to violate the law. In addition, enacting an exemption for the City of Ontario, even with stringent fee provisions, could encourage others to attempt to undermine the law and follow the precedent set by the bill. The

Committee may wish to consider whether it should grant an exemption to a city that has violated the SLA on the same site.

Assembly Actions

Assembly Local Government Committee:	10-0
Assembly Housing and Community Development Committee:	9-1
Assembly Appropriations Committee:	14-0
Assembly Floor:	70-1

Support and Opposition (6/26/26)

Support: None Submitted

Opposition: California Special Districts Association
East Bay Housing Organizations
Non-profit Housing Association of Northern California (NPH)
Public Advocates
Public Interest Law Project
San Diego Housing Federation
The Kennedy Commission

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