

ASSEMBLY THIRD READING  
AB 2525 (Ward)  
As Amended April 16, 2026  
Majority vote

## SUMMARY

Exempts lands within Mission Bay Park in the City of San Diego (City) from the Surplus Land Act (SLA), subject to specified conditions.

### Major Provisions

- 1) Exempts land within Mission Bay Park in the City from the SLA, if specified conditions are met.
- 2) Requires the exempted land to be identified in the Mission Bay Park Master Plan and meet all of the following requirements:
  - a) Contains existing commercial, retail, hotel, parking, or conference uses as of January 1, 2026.
  - b) Any expansion of an existing use does not encroach on open space, public recreation, or park uses.
  - c) Is subject to a lease agreement.
- 3) Requires the City to declare the land as "exempt surplus land" at a regular public meeting and make findings that:
  - a) The land is not necessary for the agency's use.
  - b) The disposition will not detrimentally impact public use.
  - c) The lease area remains below the 25% cap established by the city charter.
- 4) Requires the City to notify the California Department of Housing and Community Development (HCD) at least 30 days prior to disposition, including findings and any recorded restrictions, which must include affordability requirements if 10 or more residential units are developed.
- 5) Establishes an HCD review process for the disposition, including:
  - a) HCD must respond within 30 days if the City is in violation.
  - b) The City has 60 days to cure any violation identified by HCD before enforcement action.
  - c) Provides for civil penalties if land is disposed of in violation of the bill and the SLA.
  - d) Specifies that no penalty applies if HCD fails to notify the City within 30 days.
- 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's disposition value into a local housing fund.
  - 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.
  - 11) Defines "fair market value" of a lease as the discounted net present value at the time the lease is executed.

## COMMENTS

*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 dispose, which means to sell or lease for fifteen years or longer, the land to recoup their investments. The 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 public agencies, nonprofit housing developers, schools, and parks and recreation departments. After notifying these groups that the land is available, the disposing agency must negotiate in good faith with these interested parties to try to come to agreement for 90 days before the local agency can dispose of the surplus land.

*Revenue Generation and the SLA.* Generally, 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." AB 480 (Ting), Chapter 788, Statutes of 2023, allowed certain types of exempt surplus land to be declared ministerially, in-lieu of a public hearing. The local agency must publish a notice and allow for public comment for a minimum of 30 days. Land that is being used for an agency's work or operations is not surplus and therefore is not disposed. Pursuant to Government Code, Section 54221 (c), "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.

As a general rule, "agency's use" cannot include commercial or industrial uses or activities, and land disposed of for the purpose of investment or generating revenue cannot be considered necessary for the agency's use. As a result, cities and counties are limited in their ability to dispose of properties for economic development or revenue generation purposes. However, most

special districts are not subject to those restrictions on agency's use as long as they can demonstrate that use of the site will do one of the following:

- 1) Directly further the express purpose of agency work or operations.
- 2) Be expressly authorized by a statute governing the local agency.

The SLA designates certain types of land as "exempt surplus land." Statute provides that the entirety of the SLA does not apply to disposals of exempt surplus land. However, some exemptions have requirements for eligibility. If the disposal is not consistent with the exemption claimed, the disposition may be illegal. All other surplus land must follow the procedures laid out in the SLA before a local agency can dispose of it.

*Process of the SLA.* 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 affordable housing developers, commonly referred to as "housing sponsors," notifying them that land is available for the following purposes:

- 1) Low- and moderate-income housing.
- 2) Park and recreation, and open space.
- 3) School facilities.
- 4) 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, the agency or housing sponsor must notify the disposing agency within 60 days. If multiple entities want to purchase the land, the housing sponsor that proposes to provide the greatest level of affordable housing gets priority. However, if the land is currently being used for open space or park purposes and an entity expresses interest to continue using the land for park or open space purpose, that entity will receive first priority above other interested parties.

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.

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.

- 3) Limits a local agency's authority or discretion to approve land use, zoning, or other entitlement decisions in connection with surplus land.
- 4) Requires a local agency to dispose of land just because it is surplus.

*Penalties under the SLA.* Local agencies that dispose of surplus land in violation of the SLA face penalties totaling 30% of the sales price or the appraised fair market value at the time of disposition for the first violation, and 50% for subsequent violations. These penalty revenues must be deposited in a local housing trust fund. The enforcement process in the SLA requires that: Prior to agreeing to terms for the disposition of surplus land, a local agency must provide HCD a description of the notices of availability sent, and negotiations conducted with any responding entities, as specified. HCD must submit written findings to the local agency within 30 days of receipt of the description of the disposal if the proposed disposal of the land will violate SLA.

A local agency has at least 60 days to respond to the findings before HCD may take further action. The local agency must consider findings made by HCD and then either correct any issues found by HCD or respond in writing explaining why the disposal complied with the SLA. If the local agency does not respond or does not address the issues, HCD must notify the local government and may notify the Attorney General that the disposal violates the SLA. A local agency cannot be held liable for the penalties under the SLA if HCD does not notify the agency that the agency is in violation within 30 days of receiving the description.

*SLA Reform.* In 2023, AB 480 (Ting), Chapter 788 and SB 747 (Caballero), Chapter 786 made significant changes to the SLA. Together the bills attempted to strike a balance between ensuring comprehensive coverage of dispositions, while enacting exemptions and other changes that would streamline the process for local governments. Specifically, AB 480 and SB 747:

- 1) Defined "dispose" to include leases of longer than 15 years that are entered into on or after January 1, 2024, but excluded leases of terms shorter than 15 years and leases where no development or demolition will occur.
- 2) Applied penalties to leases that violate the SLA, but provided that penalties don't apply to non-substantive violations of the SLA.
- 3) Added numerous categories of exempt surplus land, such as properties smaller than one-half acre, specified mixed-use developments and developments on larger sites that include affordability requirements, airport land, and others.
- 4) Authorized disposal of certain categories of exempt surplus land without a public hearing, as long as specified notice is provided.
- 5) Established additional types of activities that explicitly qualify as "agency's use".

Extended provisions that allow projects with an exclusive negotiating agreement in place to follow a previous version of the SLA.

### **According to the Author**

"Mission Bay Park is one of California's most extraordinary public recreational resources. Encompassing more than 4,200 acres, it is one of the largest aquatic parks in the United States and welcomes millions of residents and visitors each year to enjoy its beaches, waterways, trails, and open spaces."

"In 1944, the state conveyed much of the tidelands now comprising Mission Bay Park to the City of San Diego through the San Diego Tidelands Trust. The grant required the land to be used for public trust purposes, such as navigation, fisheries, recreation, and visitor-serving facilities. For more than sixty years, the park has been protected as dedicated parkland under the San Diego City Charter, ensuring that it remains open and accessible for recreation and public enjoyment."

"AB 2525 provides a narrow exemption from the Surplus Land Act for lands within Mission Bay Park so that the City of San Diego can continue maintaining and modernizing park facilities consistent with this long-standing dedication. This bill ensures that Mission Bay Park can continue to be maintained, enhanced, and enjoyed by generations of Californians while preserving its status as one of the state's premier public parks."

### **Arguments in Support**

San Diego Mayor Todd Gloria, the bill sponsor, writes in support of a previous version of the bill: "For decades, the City has utilized carefully structured leases within Mission Bay Park for visitor-serving uses such as lodging, recreation, and event facilities that complement the park's recreational mission. These leases provide amenities that enhance public access and enjoyment of the park while supporting the region's tourism economy. They also generate important lease revenues that are reinvested into the maintenance, environmental restoration, and improvement of Mission Bay Park, helping ensure that this extraordinary public resource remains vibrant, accessible, and well maintained for the millions of residents and visitors who enjoy it each year."

"However, under current law, the [SLA] triggers a robust procedural process whenever a local government renews or enters a long-term lease on public property. While the SLA plays an important role in facilitating housing opportunities statewide, its requirements are not feasible on lands such as Mission Bay Park that are dedicated as parkland and where residential development is prohibited. Because Mission Bay Park is protected by the San Diego City Charter, any conversion of these lands to residential use would require approval by a two-thirds vote of San Diego's electorate—an outcome that is neither feasible nor supported by the community."

"AB 2525 provides a narrow, site-specific solution by exempting lands within Mission Bay Park from the Surplus Land Act, allowing the City to proceed with modernizing visitor-serving facilities consistent with the park's long-standing recreational purpose while preserving all other applicable state laws, including the California Coastal Act."

### **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 previous version of the bill: "Should this bill be approved, it would establish a precedent where local agencies can propose that any land be exempt from the SLA without any commensurate public benefit. This would incentivize local agencies across the state to routinely

seek exemptions which in the past has included such uses as protecting parking lots from being redeveloped or only allowing luxury residential development with no affordability component. "

"There are multiple pathways for the City to pursue its preferred disposition of the lands in Mission Bay Park without establishing a troubling precedent for the SLA. For instance, the City could declare the land surplus and identify local legal requirements of the land disposition consistent with the SLA statute and HCD guidelines in its Notice of Availability. A Notice of Availability allows the City to communicate its local priorities upfront, giving affordable housing sponsors the opportunity to respond before the land is committed to other uses. This approach, which has been followed by other jurisdictions throughout the state, would allow for the City to be compliant with the SLA while still meeting any local legal requirements. This approach would negate the need for a bill."

"For these reasons the coalition is respectfully opposed to AB 2525 (Ward) unless amended to include a 25% minimum residential affordability provision in alignment with the SLA should there be any hotel or residential development, and penalties for noncompliance."

## **FISCAL COMMENTS**

Minor and absorbable costs to HCD.

## **VOTES**

### **ASM LOCAL GOVERNMENT: 10-0-0**

**YES:** Carrillo, Ta, Johnson, Pacheco, Ramos, Ransom, Blanca Rubio, Stefani, Ward, Wilson

### **ASM HOUSING AND COMMUNITY DEVELOPMENT: 10-1-1**

**YES:** Haney, Patterson, Caloza, Garcia, Kalra, Lee, Quirk-Silva, Ta, Tangipa, Wilson

**NO:** Ávila Farías

**ABS, ABST OR NV:** Wicks

### **ASM APPROPRIATIONS: 15-0-0**

**YES:** Wicks, Hoover, Bauer-Kahan, Calderon, Caloza, Ellis, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa

## **UPDATED**

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