State of California • State and Consumer Services Agency • Gray Davis, Governor
DEPARTMENT OF GENERAL SERVICES
Executive Office • 707 Third Street • P.O. Box 989052 • West Sacramento, California 95798-9052 • (916) 376-5000

May 28, 2002

Bion M. Gregory
Legislative Counsel
State Capitol, Room 3021, B-30
Sacramento, CA 95814

Dear Mr. Gregory:

Attached is the Department of General Services (DGS) report on the legislative options for using state surplus land for affordable housing purposes required by Senate Resolution 19.
The report presents options, with merits and demerits for using surplus state land in the highest housing cost urban areas for affordable housing, and options for land banking excess land in those areas for affordable housing purposes.

The DGS developed its portion of the report in consultation with the Department of Transportation and the Department of Housing and Community Development. Information received from those agencies are referenced in the Addendum section of the report.

If you have any questions concerning the report, please contact Kenn Kojima, Deputy Director, Real Estate Services Division, Department of General Services at (916) 376-1900.

Very truly yours,

Clothilde Hewlett, Interim Director
Department of General Services

CH:ts:Clothilde 5-22-02 to Bion M. Gregory re Affordable Housing SR 19.dot

cc: See Distribution List #2
Dennis D. Dunne, Chief Deputy Director, Department of General Services
Kenn Kojima, Deputy Director, Real Estate Services Division, Department of General Services
Deborah Hysen, Assistant Deputy Director, Real Estate Services Division, Department of General Services
John Brooks, Chief, Asset Planning and Enhancement Branch, Real Estate Services Division, Department of General Services

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LEGISLATIVE REPORT LISTING

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Legislative Counsel
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Sacramento, CA 95814
(1 original)

Mr. Gregory Palmer Schmidt
Secretary of the Senate
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LEGISLATURE--REVISED 01/28/02

REPORT BY THE DEPARTMENT OF GENERAL SERVICES TO THE SENATE ON SENATE RESOLUTION – SR 19 RELATIVE TO AFFORDABLE HOUSING

INTRODUCTION:

Senate Resolution 19, in part, requests the Department of General Services (DGS) in consultation with the Department of Transportation (Caltrans) and the Department of Housing and Community Development (HCD) to report to the Senate by January 7, 2002, on all of the following:

(a) Legislative options for using surplus state land in the highest housing cost urban areas for affordable housing;
(b) Legislative options for land banking any excess land in those areas that cannot be used immediately for affordable housing purposes;
(c) Possible merits and demerits of each option.

The Asset Planning and Enhancement Branch of the DGS' Real Estate Services Division was responsible for preparation and submittal of the report. The Caltran's Right of Way Program, Real Property Services, provided information applicable to the Department's Excess Land policies. Information and comments were provided by HCD's Division of Community Affairs.

Comments submitted by Caltrans are attached as Addendum B to this report and HCD comments are attached as Addendum C.

CODES, POLICIES AND REGULATIONS:

The DGS

The DGS surplus sales program is administered in accordance with Government Code (GC) Sections 11011 et seq. and 54220 et seq. Where applicable within its jurisdiction under Section 11011, the DGS is responsible for determining if surplus land is needed by any other state agency. If the land is not needed by another state agency, the property is offered to local governments for any of the following purposes: parks and recreation; open-space; low or moderate income housing; and local schools.

Specifically, GC Section 11011.1(d) identifies and establishes conditions for the further use of surplus lands for low or moderate-income housing. The code provides "where the land is suitable to be used for the purpose of providing housing for persons and families of low or moderate income, as defined in Section 50093 of the Health and Safety Code, the Director of the DGS, with the approval of the State Public Works Board, may offer the land to local agencies within whose jurisdiction the land is located." Various conditions including the conveyance at a reasonable cost, which may be less than fair

market value, are applicable to the transfer of lands under this section. Additional subsections (e), (f), (h), (i) and (j) also establish conditions for the availability of lands for identified housing uses.

GC Section 54220 et seq. provides direction to all state and local agencies to make available surplus property to local agencies for the following uses: low or moderate income housing, parks and recreation, open-space, schools, and enterprise zone purposes. GC Section 54227 further identifies uses for low and moderate income housing as having priority over other uses (except where the land is currently used or is planned for use as park or recreational purposes).

Caltrans

In addition to applicable GC Sections noted above, the Caltrans excess land program is directed, in part by various sections of the Streets and Highways Code, the Public Utilities Code, and the California Transportation Commission (CTC) resolutions.

GC Section 54235 et seq. provides conditions of excess land sales for affordable housing purposes. Except as provided for in GC Section 54238.3, conveyances of Caltrans excess land is to be made at its fair market value.

HCD

GC Sections 11011.1(d), (e), (f), (h) and (i) provide for the involvement of HCD in surplus property disposal. In addition to actions directed toward low income housing uses, GC Section 11011.1(i) specifically permits HCD to request the DGS to land bank properties suitable for housing purposes.

EXISTING PRACTICES:

While current state law does make state and local agency surplus lands available for low and moderate housing purposes, the practicality is that other factors affect a successful outcome. Economics of a project are affected by the magnitude of the development including associated costs such as the price of land. In some cases, a combination of subsidies or special financing may be necessary.

As evidenced in several of the DGS projects, successful housing developments appear to typically focus on a mixed-use project. To support the cost of an affordable housing component, a combination of several elements could be involved. Depending on the scale and scope of the project, a sufficient amount of market rate housing is generally necessary to carry the cost of the affordable housing component; other additional funding may be needed in the form of land subsidies, local housing authority funds, tax credits or tax exempt financing to private developers and available state and Federal Grant programs. Mixed-use developments with affordable housing as a minority element provide overall benefits to a well-planned project.

Additionally, local governments typically control land use decisions on projects that involve private development. Government or public owned properties are generally unzoned or given a public zoning or land use designation by the local planning authority. Any privately involved or funded housing project proposed on a surplus property should

expect to be subject to approval by the local planning departments and in many cases the city council or county board of supervisors. Support of the local community with varied concerns and issues is also paramount to the viability of the project.

While current practices demonstrate various methods to develop affordable housing projects, over time the only true solution to the housing affordability problem will come if the overall supply of housing is increased close to the rate at which demand is increasing. This can be accomplished if the state is allowed to maximize the use of its surplus lands for housing uses, at both market and below market rates.

Several recent DGS surplus projects demonstrate current methods used to provide affordable housing and the influence local government has, through the planning process, on the success of these projects:

- In 1994, approximately 155 acres of the east campus of Agnews Developmental Center in the City of San Jose was declared as surplus property. The DGS' Asset Planning and Enhancement Branch began efforts to master plan the site for development entitlements to maximize its value when sold. Utilizing market studies and other analyses applicable to development of the property, the DGS concluded the site would be best suited for predominately residential use, including low and moderate-income housing. The City of San Jose Planning Department, however, opposed residential use in favor of a research and development project. Subsequently, they approved appropriate land use/zoning designations and the property was sold to Cisco Systems Inc. for construction of a major office campus. This project provides evidence of local influence, which presently exists in directing the use of surplus property available for sale to private entities. In this case, the City controlled the priority of use on the property and opted not to include a residential component in the final approved land use plan.

- In 1997, over 200 acres of the west campus of Agnews Developmental Center in the City of Santa Clara became available as surplus land. Working with the City, the DGS through its Asset Enhancement Program and through a team of consultants assembled by the state, master planned the property for a mixed-use development which included a predominately residential element of over 3,000 units to address an overall jobs-housing imbalance in the region. In anticipation of having to meet City planning requirements for affordable housing, several sites were identified to accommodate 350 very low and low income family housing; seniors, developmentally disabled, and transitional units. This number exceeded what the City would have imposed and resulted in the greatest number of affordable units ever developed in a single project in the history of Santa Clara County. The affordable housing element was made possible from financing provided through local housing agencies and from state subsidies made possible by increased property values directly created by the entitlement process and realized by the state upon the sale of 153 acres of surplus land to a consortium of major home builders.

  In contrast to the Cisco project, Agnews West successfully accomplished the development of transitional and very low income housing, which traditionally has been the most difficult affordable need to meet. Cooperative efforts between the state, local agencies, and private sector developers resolved multiple issues critical to approval of the development, including a major remediation of hazardous materials necessary to meet residential standards. These efforts contributed to the

City's receipt of a "2001 All-America City" award from the National Civic League. A copy of a letter from the City summarizing this co-operative effort has been attached in Addendum A of this report.

- In 1994, the Acton Street Laboratory in Berkeley became surplus state property. The DGS worked with the City of Berkeley and the HCD to sell the property to the City for resale to a developer to create affordable housing on the site. The City approved a mixed-use development that will include 71 units of low, very-low and moderate affordable units. Under GC Section 11011.1 the DGS sold the property for the value of a commercial component in the project but received no cash proceeds for the residential portion. Additional compensation could be available to the state if the developer receives subsidized financing or receives benefits from loan proceeds in excess of actual project costs. This project demonstrates the co-operative effort between local and state governments in obtaining appropriate entitlements and to provide the necessary low cost land to attract a private developer.

- Additional on-going and future projects targeted by the DGS, which are anticipated to contain affordable housing components, are shown in Addendum A of this report.

LEGISLATIVE OPTIONS FOR USING SURPLUS STATE LAND IN THE HIGHEST HOUSING COST URBAN AREAS FOR AFFORDABLE HOUSING

1. Amend or modify existing legislation

GC Section 54227 et seq. gives priority of use of surplus property for low or moderate income housing purposes. GC Section 11011 et seq. does not specifically establish a priority of use to low or moderate income housing and implies that state surplus property be offered on an equal basis with other uses as specified. If the Legislature desired, it could modify GC Section 11011 et seq. to establish low and moderate housing as a priority use.

Various provisions of GC Section 11011 et seq. permit options, conditions or exceptions for other specified uses. If the Legislature desired, it could modify GC 11011.1 Subsections (d), (e), (h) and (i) to eliminate or reduce these conditions.

The existence of GC Section 11011 et seq., applicable only to state surplus property and GC Section 54220 et seq., applicable to both state and local agency surplus property have created conflicts in the direction they provide for agency surplus sale programs. Alternatively, to eliminate conflicting provisions between the two Government Code sections, the Legislature may wish to consider excluding state agencies from GC Section 54220, et seq.

> MERITS: This will provide clarity and compatibility between the existing code sections governing uses of surplus properties. Additionally, modifications as recommended should provide greater opportunities for low and moderate income housing uses.
>
> DEMERITS: This could eliminate or reduce the opportunity to provide surplus property for other viable uses and may restrict prudent business decisions involving land equally or better suited for other uses.

2. **If the Legislature desired it could provide authority directly to itself to zone state surplus property for affordable housing.**

Land use decisions on private sector involved developments are typically local government issues with many urban land use plans containing features addressing affordable housing needs for the community and region. If the Legislature desired, it could intervene in the land use process by passing legislation providing authority for appropriate state agencies to zone or direct uses on suitable state surplus property for low and moderate income housing.

> MERITS: This action would assure that surplus state property would be used for affordable housing without influence of local pressures to direct uses to meet other local needs.
>
> DEMERITS: This action would reduce or eliminate local authority for decisions that affect community-wide land use planning. Opposition from local agencies should be anticipated.
>
> Additionally, developments on state property would need local involvement to provide necessary utilities and street improvements (typically locally controlled) to support a project. Or alternately, state funds could be required to provide necessary infrastructure to support projects.
>
> A state-controlled development could create adverse long-range conditions, which would have significant impact on the local community. Any state-controlled development would need adequate planning to assure that a project with appropriately balanced land uses is built that will be acceptable to the community.

3. **If the Legislature desired, it could require all state surplus property in urban areas to be reviewed by the designated controlling agency to identify appropriateness for affordable housing and to prepare a master plan for uses that include a low or moderate income housing use component. For those properties found appropriate, it would be further required through deed restriction that all or a portion be used for low or moderate income housing prior to any sale, lease, or other conveyance.**

   Additionally, for those properties identified by Caltrans as appropriate for affordable housing uses, an analysis and assessment may be required to determine and quantify the benefits, if any, of affordable housing uses to support the transportation program and goals.

   As noted in the Caltrans comments in Addendum A, Caltrans as a specially funded agency would require its real estate assets or sale proceeds to be used for transportation purposes.

   > MERITS: This action would provide an increased proactive involvement of the state in meeting affordable housing needs.

DEMERITS: Would require increased cost for appropriate agencies to develop necessary criteria and review properties for identification and preparation of plans of this specific use.

COMMENT: As evidenced by the California State Auditor's January 2001 report on **The State's Real Property Assets**, the Legislature may wish to consider additional supplemental legislation to improve the existing methods state agencies apply in reviewing their real estate holdings and identifying properties not required for program needs. As summarized in the report, "state agencies also continue to lack effective procedures or incentives for evaluating their real property holdings and identifying excess. For example, of the eight agencies we queried that have large landholdings in high-cost counties, none had written procedures to evaluate its real property holdings and to identify real property that is surplus to its needs. Few incentives exist for most landowning agencies to actively identify and dispose of property that is surplus to their current and foreseeable program needs."

"The state has not clearly assigned to one agency the responsibility for overseeing property management activities to ensure that landowning state agencies are adequately reviewing their real estate holdings and identifying properties that the agencies do not require for their program needs. Although the law requires General Services to collect and report information on surplus property, General Services has no authority to enforce the legal requirement that other state agencies review their real estate holdings and report excess real estate."

Recommendations were made in the report for the Legislature to "consider empowering an existing agency or creating a new commission or authority with the following responsibilities: establishing standards for the frequency and content of property reviews and land management plans; monitoring agencies' compliance with standards; and, scrutinizing agencies' property retention decisions. Alternatively, this entity could be responsible for conducting periodic reviews of the state's real property and making recommendations to the Legislature regarding the property's retention or disposal. Furthermore, the Legislature should consider providing incentives to state agencies to encourage them to identify surplus and underused property so that the state can free the property for better uses."

<u>LEGISLATIVE OPTIONS FOR LANDBANKING ANY EXCESS LAND IN THOSE AREAS THAT CANNOT BE USED IMMEDIATELY FOR AFFORDABLE HOUSING PURPOSES.</u>

1. **If the Legislature desired, it could enact new legislation or modify existing legislation to authorize and direct the DGS or another appropriate state agency to identify suitable state-owned properties located in urban areas that are declared surplus to be reserved for future affordable housing projects for development within a specified time.**

   GC Section 11011.1 (i) sets forth provisions and conditions for land banking suitable state surplus property, not needed by any state agency to be made available for

development for housing purposes. Specifically this section allows the DGS, upon the request of the HCD, to retain surplus property for a period not to exceed five years during which the DGS shall continue to offer the property for affordable housing. Current legislation lacks a specific requirement or directive for either the DGS or the HCD to establish a process to identify surplus property as suitable for housing purposes and to implement action necessary to develop these properties.

MERITS: Suggested legislation would provide a specific requirement or directive for either the DGS, HCD, or another state agency to establish a process to identify suitable surplus property to be held for a specified period of time for future low income housing uses. This would establish an inventory of state owned surplus real estate assets that could be an identified future source for affordable housing projects.

Establishing an appropriate retention period of five years or more will allow for the normal expected timelines to identify or create necessary financing and complete land use entitlements.

DEMERITS: Retention of state surplus property to hold for future development could have the following effects: agencies should expect to incur holding costs for security, maintenance and management; creating an inventory of otherwise salable property for other uses will add to existing criticism made against the state for not disposing of its surplus property in a timely manner; property retained will remain in state ownership and off local tax rolls for a greater period of time.

Additionally, agencies would incur additional costs to establish a process to identify suitable properties and to create an inventory category to retain necessary data. Also, a process will be required, including needed supplemental legislation, to facilitate project developments. Additional costs to prepare the properties with necessary entitlements can be anticipated.

COMMENTS: Attention is directed to previous comments made above concerning findings and recommendations reported by the California State Auditor in her report on **The State's Real Property Assets**.

A D D E N D U M A

OTHER CURRENT OR FUTURE DGS PROJECTS WITH POTENTIAL AFFORDABLE HOUSING OPPORTUNITIES

CHINO – CALIFORNIA INSTITUTION FOR MEN (CIM):

A master land use plan was initiated to determine the availability and extent of excess land at the 2400-acre facility. As a result of this first phase planning effort, a 350-acre parcel was identified as excess to the operating agency needs and the parcel was subsequently designated as surplus in 2000. The DGS' Asset Planning and Enhancement Branch has recently begun the entitlement process which is anticipated to result in local approvals for a mixed-use development of predominately residential units. Of the expected 2200 residential units, it is anticipated that 15 percent will be designated by the state and City for affordable housing needs.

BAY AREA RESEARCH AND EXTENSION CENTER – SANTA CLARA (BAREC - WINCHESTER)

The University of California operated an agricultural research facility on 17 acres of land located on Winchester Blvd. in the City of Santa Clara. In March 2000 the Regents of the University determined the property was no longer necessary for their needs and made the property available for other purposes without restrictions. Once the property is declared surplus, the DGS will require funds to conduct due diligence and begin the pre-entitlement process. Since much of the surrounding area is residential it is anticipated that residential development would be expected on the site. Based on the DGS' experience with the Agnews west project, also in the City of Santa Clara, an affordable housing component can be expected. It must be pointed out that the ultimate approval of project uses rest with the local planning agency and it is not known what the final land use plan will contain or if it will be consistent with current expectations.

SAN QUENTIN STATE PRISON

In June 2001 the DGS, as required by the 2000 Budget Act, prepared a "Preliminary Analysis of Potential Reuse and Relocation of San Quentin Prison". Three alternates containing mixed-use designations, predominately residential, were presented in determining the feasibility of selling the property for a non-state use. Each alternative considered an affordable housing component of 15 percent of proposed residential densities, which could create anywhere from 76-527 units. It should be emphasized that no decision has been made or is anticipated anytime soon that would declare this property surplus. Many issues remain to be resolved.

CAPITOL AREA DEVELOPMENT PLAN

In the early 1960s, to provide for the long-term needs of its facilities in Sacramento, the state embarked on a program to acquire property to hold for anticipated office and parking projects. As economic conditions and facility needs changed, much of this property was placed on a hold status pending decisions concerning future state needs.

In 1977 the Capitol Area Plan was created, and was updated in 1997, as a master plan to direct the orderly development on state owned property surrounding the State Capitol. The DGS and the Capitol Area Development Authority (CADA) a joint powers authority comprised of the state and City of Sacramento are responsible for certain elements of the plan, with the DGS responsible for implementing the state office and parking elements and CADA controlling land uses for residential and commercial elements or parcels not needed for office buildings.

GC Section 8193 states that CADA is required to have occupied or make available 25 percent of its units at affordable rents to low income households. A CADA Board resolution was adopted in December 2000 stating that CADA would meet its 25 percent obligation by directly subsidizing units, utilizing external funding sources to subsidize units it manages, and causing or assisting in the development of affordable units by third parties.

While this project does not specifically involve property that has been designated as surplus state land it provides an example of utilizing a long range master plan to include affordable housing uses on property the state has determined not to be immediately available for state uses.

Santa Clara
All-America City
2001
OFFICE OF THE MAYOR

THE CITY OF SANTA CLARA
CALIFORNIA

CITY HALL
1500 WARBURTON AVE.
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August 21, 2001

Barry D. Keene, Director
Department of General Services
Executive Office
1325 J Street, Suite 1910
Sacramento, CA 95814-2928

Dear Mr. Keene,

It is our pleasure to announce that the City of Santa Clara is one of only ten communities of the thousands in the United States to be given a 2001 All-America City award from the National Civic League. To be named an All-America City, a community must demonstrate successful resolution of community issues through collaborative effort of local business, government and nonprofit organizations.

The State of California Department of General Services played a key role in working collaboratively with Santa Clara in meeting a major challenge of how to reuse the large parcel of state surplus land, the former site of Agnews Hospital. The former state-owned property is now the corporate headquarters of a major company, Sun Microsystems, with restored historical buildings available for public use, new facilities for day care and a shelter for homeless families.

The Department of General Services staff then successfully worked with the City and community on the Rivermark project, utilizing the bulk of the remaining Agnews site. This will eventually contain 3000 new housing units, commercial center, fire and police stations, and a new school.

What has resulted is the best possible use of the land in a way that serves many interests and needs. It is an example of using grassroots democracy to meet community challenges.

Thank you and the State of California for your contributions to our success in winning the All-America City award.

Sincerely,

Judy Nadler
Mayor

Aldyth Parle
Vice Mayor

Patricia Mahan
Council Member

Rod Diridon, Jr.
Council Member

John L. McLemore
Council Member

Jamie L. Matthews
Council Member

Pat Kolstad
Council Member

cc: Governor Gray Davis

2001-796

STATE OF CALIFORNIA - BUSINESS, TRANSPORTATION AND HOUSING AGENCY

ADDENDUM B

GRAY DAVIS, Governor

DEPARTMENT OF TRANSPORTATION
DIVISION OF RIGHT OF WAY
1120 N STREET, MS-37
P. O. BOX 942873
SACRAMENTO, CA 94273-0001
PHONE (916) 654-5075
FAX (916) 653-8762
INTERNET ADDRESS http://www.dot.ca.gov/hq/row/

November 29, 2001

J. Frank Davidson, Assistant Chief
Asset Planning and Enhancement Branch
Department of General Services
Real Estate Services Division
1102 Q Street, Suite 6000
Sacramento, CA 95814

Dear Mr. Davidson:

Subject: Senate Resolution 19 – Using Excess Lands for Affordable Housing

Caltrans has the existing statutory and regulatory authority to sell unimproved properties at fair market value to other state agencies or local agencies for low- and moderate-income housing. For such sales, we can provide financing with a minimum 5% down payment and up to a 40-year payment term. These transactions may be consummated directly, without exposing the properties for public sale.

As we discussed, Caltrans currently has no statutory authority to convey properties for less than fair market value for low/moderate income housing, other than as provided by GC 54235 et seq. (commonly referred to as the "Roberti Bill"). Additionally, since Caltrans is a specially-funded agency (provided by motor fuel taxes), our ability to participate would be subject to Constitutional limitations that generally require a transportation use for our assets, whether those assets are real property or revenues generated from the sale or lease of real property.

If a transportation or transportation-related benefit could be quantified, it is possible that our assets could be put to this kind of use. For example, surplus property or Park and Ride facilities may have potential for housing near mass transportation nodes with a transportation benefit; i.e., this type of development may reduce the number of vehicles on state highways by shifting travel to mass transit. Caltrans is studying the feasibility of proposing enabling legislation for this purpose.

Please contact Gene Mattocks, Chief, Real Property Services, at (916) 654-6475, if you require additional information or assistance.

Sincerely,

Brice D. Paris,
Chief
Division of Right of Way

c: DGMattocks
SIkeda
Larry Buczyk, DGS

Addendum C

Facilitating the Use of Surplus State-Owned Sites For Affordable Housing

A Supplement to the Report of the Department of General Services (DGS) to the Senate In Response to Senate Resolution SR 19 of 2001

Department of Housing and Community Development / December 2001

Senate Resolution SR 19 requests state agencies to submit two reports to the Senate by January 7, 2001:

1. The Department of Housing and Community Development (HCD), along with the California Housing Finance Agency (CHFA) and the Tax Credit Allocation Committee (TCAC), is requested to report to the Senate on legislative options (with merits and demerits of each) for making existing and proposed state homeownership subsidies, such as predevelopment loans, available for affordable housing land trusts.
2. The Department of General Services (DGS), along with Caltrans and HCD, is requested to report to the Senate on legislative options (with merits and demerits of each) for using state surplus lands in urban high housing cost areas for affordable housing, and on options for landbanking excess land in those areas that cannot be used immediately for affordable housing.

HCD is preparing a separate report in response to item 1. These notes are provided as background for the present DGS report in response to item 2.

Surplus lands have been a subject of state concern for many years. In January 2001 the State Auditor issued a report stating that the state has thousands of acres it is not using in counties with high housing costs, and should consider creating a separate agency to speed up sales of surplus sites. The audit found that DGS and Caltrans, the biggest state-agency owners of surplus land, owned nearly 2,000 parcels totaling 2,583 acres in the 15 high-cost counties the report studied. Most were not available for purchase.

HCD's archives also include a 1983 Auditor General's report titled "California Could Earn Millions of Dollars from Better Management of its Excess Land."

HCD's statutory role in the use of surplus state sites for housing: State law imposes certain state agency obligations regarding surplus sites. Government Code Section 11011.1, among other things, requires that in the case of surplus land that is suitable for low or moderate income housing, the DGS may offer it to local agencies where the land is located, at less than market

value. HCD is required to recommend to the DGS a cost for the site which will enable the provision of affordable housing. HCD has performed this function, on request of the local jurisdiction, twice in the last four years.

Government Code Section 54222 requires any state or local agency disposing of surplus land that meets certain criteria for housing suitability to send written offers to the locality where the land is located and to housing sponsors who have requested notification. HCD, as a housing agency, occasionally receives written notice from other state agencies of the disposal of surplus sites. HCD does not own (except in case of foreclosure) or directly develop projects, so these offers are not responded to.

An HCD Surplus Lands Program was established in 1978 in response to Governor's Executive Order B-40-78, which was in turn a response to constituent appeals to assist the then-declining housing construction industry. The program identified surplus sites, published an inventory of them, analyzed them for housing suitability, notified local government agencies and developers about them, and provided technical assistance to developers to use them.

The program's 1982-83 annual report says 197 sites were analyzed for housing potential, and six "new and proposed surplus land program projects" were identified, totalling about 80 acres, with 205 potential dwelling units and a total projected valued of $15.35 million when completed. Projects started with program staff assistance in the three program years before 82-83 are reported to total $178.8 million in projected value, using 714 acres, and providing over 3,900 units. An appendix to the report lists sixteen projects on surplus sites with varying degrees of HCD involvement, of which six had apparently been completed.

Despite the encouraging tone of the annual report, the HCD program lapsed later during the 1980s. Reasons for this are not known for certain, but may have included the preemption of stafftime for higher priority loan and grant processing. There was no specific funding appropriation to support the surplus site effort. Other reasons may have included a disappointing rate of success in turning sites into actual affordable housing projects. Evidence includes an undated 4-page paper that describes HCD's program. Among other topics, it discusses "two surplus lands myths:" 1) that there exists a hidden treasure trove of properties, and 2) that surplus sites are great bargains.

Legislative Options: The present DGS report suggests several options to increase the use of surplus state lands for affordable housing, including increasing the statutory priority for housing uses of surplus sites, authorizing preemptive state zoning of surplus sites for housing, and increasing the state's review of surplus sites with the intention of designating suitable sites and planning for their housing use. On the subject of landbanking, this report suggests authorizing or directing a state agency to identify suitable surplus sites for housing and authorizing it to reserve them for that use for a specified period.

While HCD will reserve its positions on these issues pending specific legislation, it does consider the DGS' options to cover a reasonable range of alternatives. HCD offers the following general comments on these options.

Merits: Landbanking or surplus sites programs have the potential to increase the number and variety of sites available for affordable housing in a locality.

Landbanking can save sites for housing that would be lost to other uses, and can preserve them at prices below their eventual value at development.

At least two state audit reports, 18 years apart, concluded that state surplus lands could be more efficiently managed and disposed of.

In many, perhaps most, California localities it is difficult to find sites usable for affordable or high-density housing development.

Demerits: There are many reasons why surplus sites are not used more often for housing. These include various combinations of unsuitable size, shape, location, zoning, previous uses, infrastructure, remaining fixtures and improvements, price, availability, neighborhood resistance to affordable or high-density housing, etc. A state program to increase the use of surplus sites for housing should address the difficult question of whether to improve the usability of sites by rezoning, or conducting site enhancement measures such as improving infrastructure or surveying for toxic substance clearances.

The shortage of suitable housing sites in many, perhaps most, jurisdictions is due not to a literal shortage of land, but to issues of zoning and land use, and local resistance to affordable or high-density housing development.

Landbanking may tie up land and state financial resources for periods of possibly several years in length, and impose additional overhead costs. Capital that could have been used for immediate housing development would be locked up in land.

The potential administrative and capital costs of an effective surplus sites program might include surveying sites for housing suitability, maintaining a register of suitable sites, disseminating information on suitable sites, assisting potential housing developers in their use, and in taking active measures to improve the usability of sites. In a time of recession these costs may lead to consideration of whether to use existing housing subsidy funds to pay for the program. During 2000/01, HCD's loan and grant programs accepted approximately 1.4 applications per award. So long as demand for our funds for the immediate development of affordable housing exceeds the supply, to lock up these funds in surplus sites or landbanking is not an attractive alternative.