

Date of Hearing: March 26, 2025

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Matt Haney, Chair

AB 726 (Ávila Farías) – As Introduced February 18, 2025

SUBJECT: Planning and zoning: annual report: rehabilitated units

SUMMARY: Allows local governments to include in their Annual Progress Report (APR) the number of units of existing deed-restricted affordable housing that have been substantially rehabilitated with at least \$60,000 per unit in funds from the local government, as specified. Specifically, **this bill:**

- 1) Allows a local government to include in their APR the number of units of existing deed-restricted affordable housing with an average affordability no greater than 45% of area median income (AMI) that are at least 15 years old and have been substantially rehabilitated with at least \$60,000 per unit in funds awarded from the city or, for unincorporated areas, the county, inclusive of forgiveness of principal or interest on existing debt.
- 2) Provides that any units included in the APR under 1) above shall not be considered when determining affordability requirements for purposes of the streamlined, ministerial approval process established under SB 35 (Wiener, Chapter 366, Statutes of 2017).

EXISTING LAW:

- 1) Requires a planning agency to provide an APR to the legislative body, the Office of Planning and Research, and the Department of Housing and Community Development (HCD) by April 1 of each year that includes all of the following:
 - a) The status of the general plan and progress in its implementation;
 - b) The progress in meeting its share of the regional housing needs allocation (RHNA), including the need for extremely low-income households, and local efforts to remove governmental constraints to the maintenance, improvement, and development of housing included in the housing element;
 - c) The number of housing development applications received in the prior year, including whether each housing development application is subject to a ministerial or discretionary approval process;
 - d) The number of units included in all development applications in the prior year;
 - e) The number of units approved and disapproved in the prior year, disaggregated into income subcategories within opportunity areas, as specified;
 - f) The degree to which the approved general plan complies with the guidelines developed in existing law for addressing specified matters, including environmental justice matters, collaborative land use planning of adjacent civilian and military lands, consultation with Native American tribes, and road and highway safety;

- g) A listing of sites rezoned to accommodate that portion of the city or county's share of the RHNA for each income level that could not be accommodated on sites identified in the housing element's site inventory and any sites that may have been required to be identified under the No Net Loss Zoning law;
 - h) The number of housing units demolished and new units of housing, including both rental housing and for-sale housing, that have been issued a completed entitlement, a building permit, or a certificate of occupancy, thus far in the housing element cycle, and the income category by AMI that each housing unit satisfies;
 - i) Certain information regarding funding that may have been allocated via the Local Government Planning Support Grants Program;
 - j) The progress of the city or county in adopting or amending its general plan or local open-space element in compliance with its obligations to consult with California Native American tribes and to identify and protect, preserve, and mitigate impacts to tribal places, features, and objects;
 - k) Specified information related to density bonus law applications, including the number of units in a student housing development for lower income students for which the developer was granted a student housing density bonus;
 - l) Specified information related to Affordable Housing and High Road Jobs Act of 2022 applications; and
 - m) A list of all historic designations listed on the National Register of Historic Places, the California Register of Historic Resources, or a local register of historic places by the city or county in the past year, and the status of any housing development projects proposed for the new historic designations. (Government Code (GOV) 65400(a)(2)(A)-(N))
- 2) Requires HCD to post APR reports on its website within a reasonable time of receiving the reports. (GOV 65400(c))

FISCAL EFFECT: Unknown.

COMMENTS:

Author's Statement: According to the author, "Before 2000, much of the affordable housing that the Department of Housing and Community Development (HCD) funded required extremely affordable rents that barely or do not cover the development's annual operating expenses.

These developments have no extra money to fund long-term repairs. The only funding source developed to address this need is the Portfolio Restructuring Program (PRP) at HCD, which was funded at low levels during the last surplus but has since run out of money. Properties cannot wait much longer for repair.

AB 726 incentivizes local governments to invest in the rehabilitation of deeply-affordable housing by allowing them to receive housing element credit for doing so. This bill addresses the need to preserve existing affordable housing stock that is deteriorating due to rents being too low

to cover long-term repairs, and it prevents the potential loss of these vital units. AB 726 will ensure local governments can meet their housing obligations while addressing the urgent need to maintain deeply-affordable housing.”

Annual Progress Reports: Current law requires all local jurisdictions to provide housing information annually to HCD via the APR, including the following information from the current housing element cycle:

- The number of housing development applications received, and whether those applications are subject to ministerial or discretionary approval;
- The number of units included in all development applications;
- The number of units approved and disapproved;
- For each income category, the number of net new units of housing, including both rental housing and for-sale housing, that have been issued a completed entitlement, a building permit, or a certificate of occupancy;
- A unique site identifier (such as assessor’s parcel number) for each entitlement, building permit, or certificate of occupancy; and
- The overall progress in meeting its share of regional housing needs.

This bill creates an option for a local government to include in the housing element progress section of their APR the number of units of existing deed-restricted affordable housing that are at least 15 years old and have been substantially rehabilitated with at least \$60,000 per unit in funds from a local government in the prior year, which may also include the forgiveness of principal or interest on existing debt issued by the local government. The average affordability of these units would have to be no greater than 45% of AMI in order to be reportable under the bill.

The bill further specifies that these substantially rehabilitated units would not be considered when HCD evaluates progress in meeting RHNA targets for purposes of determining if a local government is subject to the streamlined, ministerial approval process created by SB 35 (Wiener), Chapter 366, Statutes of 2017.

It is important to note that APR submission has become a lengthy and involved process for city and county planning staff to undertake each year, and changing components can also prompt HCD to need to reconfigure its existing APR data collection and visualization tools to account for different categories of information. Adding new components to APRs should be considered carefully in light of the additional workload that will be placed on planning staff or consultants as well as HCD. This bill allows, rather than requires, a local government to report this additional information if it so chooses.

Arguments in Support: According to the California Housing Partnership and the California Housing Consortium, the bill’s cosponsors, “Local governments have some resources for affordable housing purposes. However, since investments in the rehabilitation of affordable housing does not give them credit toward their regional housing needs goals, they tend to prioritize their resources for new construction. AB 726 offers a smart solution. By allowing cities and counties to receive Housing Element credit for substantial rehabilitation of deeply-targeted affordable housing, this bill directly incentivizes local investment in these at-risk properties. Granting Housing Element credit for rehabilitation purposes will encourage local governments to dedicate resources to preserving existing affordable housing, alongside new construction.”

Arguments in Opposition: None on file.

Related Legislation:

AB 670 (Quirk-Silva) of the current legislative session would allow a local government to include in its APR the number of units in an existing multifamily building that were converted to affordable housing by the imposition of long-term affordability covenants and restrictions, and modifies reporting requirements for demolished units and replacement housing units, among other changes. This bill is currently pending a hearing in this committee.

AB 1131 (Ta) of the current legislative session would allow a local government to include in its APR the number of units approved for congregate housing for the elderly that is at or below 100% of AMI. This bill is currently pending a hearing in this committee.

SB 721 (Becker) of 2024 would have added to the list of information local governments must provide in their APR the number of new and demolished suite-style student housing quarters by income category thus far in the housing element cycle, as determined by the Department of Housing and Community Development (HCD). That bill was held in the Assembly Appropriations Committee.

Double Referred: This bill was also referred to the Assembly Committee on Local Government where it will be heard should it pass out of this committee.

REGISTERED SUPPORT / OPPOSITION:

Support

California Housing Consortium (Sponsor)
California Housing Partnership Corporation (Sponsor)
Housing California
National Community Renaissance
Resources for Community Development
Southern California Association of Nonprofit Housing
Supportive Housing Alliance

Opposition

None on file.

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