Date of Hearing: April 24, 2025

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
AB 11 (Lee) – As Introduced December 2, 2024

SUBJECT: The Social Housing Act

SUMMARY: Establishes the California Housing Authority (CHA) for the purposes of developing mixed-income social housing. Specifically, **this bill**:

1) Creates the CHA as an independent state entity with the mission of producing and acquiring social housing for all California residents, eliminating the gap between housing production and regional housing needs assessment targets, and preserving affordable housing.

2) Defines "social housing" to mean housing with the following characteristics:

    a) Units are owned by a public entity such as the CHA, a public entity, or a housing authority;

    b) All social housing developed by the authority must be owned by the authority;

    c) If a housing unit is in a social housing development, the development contains housing units that accommodate a specified mix of household income ranges;

    d) Units that are owned and managed by a mission-driven not-for-profit private entity must be permanently restricted by deed to be affordable;

    e) Residents of CHA units are given, at a minimum, all protections granted to tenants in private property, as specified, but may be evicted for breaking community standards and for non-payment of rent lasting more than one month;

    f) The housing units must be protected for the duration of their useful life from being sold or transferred to a private for-profit entity to prevent the privatization of social housing; and

    g) Residents of the housing units have the right to participate directly and meaningfully in decision making affecting the operation and management of their housing units.

3) Defines the following terms:

    a) "Revenue neutrality" means a system in which all monetary expenditures that result from the development and operation of CHA units are returned through rents, payments on leasehold mortgages, or other specified subsidies;

    b) "Rent and mortgage cross-subsidization" means a system in which the below-cost rents and leasehold mortgages of certain units are balanced by above-cost payments on others within the same multiunit property;

    c) "Cost rent" means a system in which the rent of a dwelling is calculated on the cost of providing for and maintain the dwelling, only allowing for limited or no proceeds;

d) "Limited equity arrangement" means an ownership model in which residents are extended a long-term lease, take out a subsidized leasehold mortgage from the CHA, make monthly mortgage payments, and commit to resell at a price designed to balance ongoing affordability and resident wealth generation;

e) "Regional housing needs assessment" or "RHNA" means a representation of housing needs for all income levels as specified;

f) "Underutilized parcel" means a parcel of property which contains fewer units than the maximum number of units permissible under local zoning regulations;

g) "Multifamily property" means a revenue-neutral collection of units featuring units dedicated to a range of affordability levels from extremely low-income to above-moderate income. It may be a single building, multiple buildings on the same or adjacent parcels, or multiple buildings across several blocks within a single jurisdiction, or may be defined by the CHA; and

h) "Board" means the CHA Board.

4) Specifies income definitions for the following categories, consistent with existing law: extremely low-income, very low-income, low-income, moderate-income, and above moderate-income.

5) Provides that CHA has various powers, including the ability to:

a) Sue and be sued;

b) Have a seal and alter the seal at its pleasure;

c) Make and execute contracts and other instruments;

d) Make rules with respect to its projects, operations, properties, and facilities;

e) Through its executive officer, appoint specified personnel and set various policies;

f) Acquire, by grant or purchase, property or any interest therein and own, hold, clear, improve, rehabilitate, sell, assign, exchange, lease, or otherwise dispose of or encumber it;

g) Enter into development partnerships with municipalities, joint powers of authority, and other public and private entities in order to further its social housing development goals;

h) Arrange for the planning, opening, grading, or closing of roads or other places, for the furnishing of facilities, or for the furnishing of property or services in connection with a project;

i) Prepare project plans for any project, and from time to time modify those plans;

j) Provide advisory, consultative, training, and educational services, technical assistance, and related work as specified;

k) Accept funding in any form from any source; and

l) Call upon the Attorney General for legal services as it may require.

6) Requires the CHA to submit an annual business plan to the Governor and the Legislature which must be made available for public comment at least 60 days before publication.

7) Specifies that the CHA board will consist of nine members who will elect a chair and make decisions by majority vote. The board membership will be as follows:

a) An expert in housing development and finance;

b) An expert in housing construction;

c) An expert in property maintenance;

d) An appointee of the Speaker of the Assembly;

e) An appointee of the Senate Committee on Rules;

f) An appointee of the Governor; and

g) Three representatives of CHA residents, to be appointed initially by specified entities. Following the occupancy of CHA units, resident representatives are to be elected annually according to specified procedures.

8) Tasks the CHA board with the following duties:

a) Establish a strategy to eliminate the gap between housing production and acquisition and RHNA targets, set objective and performance targets to this goal, and monitor CHA's success in achieving the targets;

b) The ability to hire, fire, and monitor performance of an executive officer;

c) Approving the annual budget prepared by the executive officer;

d) Integrating risk management into the authority's strategic planning process and notify the Governor and the Legislature of specified risks facing CHA;

e) Adopting and amend regulations, including on resident board elections; and

f) Holding biannual meetings with resident governance councils.

9) Provides that each CHA-owned multifamily social housing development must form a governance council with specified powers and responsibilities.

10) Requires that the CHA seek to achieve revenue neutrality over the long term and must seek to recuperate the cost of development and operations over the life of its properties through rent cross-subsidization or cost rent.

11) States that the CHA must prioritize development on vacant parcels, certain underutilized parcels without deed-restricted or rent-controlled units, surplus public properties, and parcels near transit.

12) Specifies that if the development requires rehabilitation or demolition of covenanted affordable units, the new development must include a greater number of affordable units.

13) Requires that each multi-unit property must include a variety of mixed income units.

14) Provides that if the development of a property requires the removal of residents, the CHA must cover certain relocation costs and provide displaced residents with the right to live in the new CHA property for their previous rent for one year, or the CHA rent, whichever is lower.

15) Specifies that the CHA will make an annual determination of the required amount of social housing units to be produced as follows:

    a) Annual RHNA targets will be calculated as the total RHNA cycle targets for each jurisdiction divided by the length of the RHNA cycle;

    b) On or before January 1, 2028, and each year thereafter, the CHA will determine the gap between the previous year's RHNA and actual housing construction; and

    c) Within a given year, the CHA may construct at least the number of units to meet the gap between the previous year's construction of units and the RHNA targets.

16) Specifies that, in creating housing, the authority shall employ two different leasing models, the rental model and the ownership model, as specified.

17) Provides that, under the CHA rental model, one-year leases will be used, barring extraordinary circumstances.

18) Puts forth the following requirements for CHA ownership units:

    a) The CHA will extend a 99-year limited equity arrangement lease to individuals who commit to five years of residence. After five years, residents can sell the unit, though the CHA will have first right of refusal to purchase. If the CHA does not purchase then it may be sold to an eligible buyer subject to requirements established by the CHA which give the seller a reasonable return on investment;

    b) Upon the death of the owner, the unit may be transferred to the deceased's heir by device or as any other real property may pass. If a transferee is not eligible to be a resident, the transferee shall sell the unit to the authority;

    c) The CHA must strive to ensure that residents pay no more than 30% of income for housing and rent adjustments will be applied annually in a way that does not discourage increased earnings. If resident income changes, the property manager will rent to an appropriate income household;

    d) Residents will pay a 15% down payment with the purchase price set to be affordable for the purchasing household; and

e) Properties will be sold at the price for which the owner purchased the property, plus documented capital improvements, and adjusted for inflation.

19) Puts forth the following requirements for CHA residency and occupancy and specifies penalties for failure to abide by them:

a) Unless an above-moderate income unit, it must be resident's sole residence;

b) Applicant must be living or working in California at the time of their application subject to specified rules;

c) Allows an applicant with a prior criminal record to reside in CHA units unless there is evidence of a clear and manifest danger to the development or its residents;

d) Allows the CHA or the applicable governance council to allow subleasing of units;

e) Permits a resident to terminate their residency due to specified reasons including job relocation, change in household structure, and serious illness; and

f) Specifies that, with the exception of those displaced during construction, resident selection is by a lottery stratified by income category.

20) Provides that the CHA can conduct ground-up construction and rehabilitation of existing structures and may dedicate space to commercial use with leases to qualifying entities.

21) Specifies that, when appropriate, the state shall gift public lands to the CHA, though the CHA can also purchase land from other entities.

22) States that the CHA must accept a local government's preference on project location if certain conditions, including cost and community amenity access, are met. Also directs the CHA to seek input from the jurisdiction's governing body related to specific site development, height, number of units, and development timeline.

23) Specifies that CHA activities much be conducted with a goal of revenue neutrality, establishes the Social Housing Revolving Loan Fund within the State Treasury to provide zero-interest loans for mixed-income housing, and further states that it is the intent of the Legislature to enact legislation to provide financing for the activities of the authority through the issuance of general obligations bonds.

EXISTING LAW:

1) Specifies that a housing authority may engage in a number of activities in order to provide housing to low income individuals, including:

a) Preparing, carrying out, acquiring, leasing and operating housing projects and developments for persons of low income;

b) Providing for the construction, reconstruction, improvement, alteration, or repair of all or part of any housing project;

c) Providing leased housing to persons of low income; and

   d) Offering counseling, referral, and advisory services to persons and families of low or moderate income in connection with the purchase, rental, occupancy, maintenance, or repair of housing. (Health and Safety Code Section 34312)

2) Requires each city and county to prepare, adopt, and administer a general plan for their jurisdiction, which must include a housing element, to shape the future growth of its community. (Government Code (GOV) Sections 65300 - 65404)

3) Specifies that each community's fair share of housing be determined through the RHNA process, which involves three main stages: (a) the Department of Finance and Department of Housing and Community Development (HCD) develop regional housing needs estimates at specified income levels; (b) councils of government (COGs) use these estimates to allocate housing within each region (HCD is to make the determinations where a COG does not exist); and (c) cities and counties plan for accommodating these allocations in their housing elements. (GOV 65580 - 65589.11)

4) Establishes HCD oversight of the housing element process, including the following:

   a) Local governments must submit a draft of their housing element to HCD for review;

   b) HCD must review the draft housing element and determine whether it substantially complies with housing element law, in addition to making other findings;

   c) Local governments must incorporate HCD feedback into their housing element; and

   d) HCD must review any action or failure to act by local governments that it deems to be inconsistent with an adopted housing element. HCD must notify any local government, and at its discretion the office of the Attorney General, if it finds that the jurisdiction has violated state law. (GOV 65585)

5) Requires each city and county to submit an Annual Progress Report (APR) to the Governor's Office of Planning and Research (OPR) and HCD by April 1 of each year, including the following:

   a) The report must evaluate the general plan's implementation, including the implementation of their housing element, and provide specified quantitative outcomes, such as number of applications for housing projects received and housing units approved;

   b) Authorizes a court to issue a judgement to compel compliance should a city or county fail to submit their APR within 60 days of the statutory deadline; and

   c) Requires HCD to post all city and county APRs on their website within a reasonable time after receipt. (GOV 65400)

6) Requires HCD no later than December 31, 2026, to complete a California Social Housing Study. The study shall consist of a comprehensive analysis of the opportunities, resources, obstacles, and recommendations for the creation of affordable and social housing at scale, to assist in meeting the need identified in the statewide projections for below market rate

housing affordable to households with extremely low, very low, low, and moderate incomes in the sixth Regional Housing Needs Assessment cycle. (HSC 50613)

FISCAL EFFECT: Unknown.

COMMENTS:

Author's Statement: According to the author, Housing is too expensive for millions of Californians. More than two in five households are considered rent burdened and spend over 30% of their income on housing, and more than one in five households spend over 50% of their income on housing. Over 97% of cities and counties haven't produced enough affordable housing, and existing strategies to address the lack of affordable housing have not been nearly enough to meet demand. Affordable housing relies on government subsidies, and there is significantly more demand for them than supply.

Social housing is an important tool to ensure housing is affordable to people of all income levels. Social housing is publicly backed, self-sustaining housing that accommodates a mix of household income ranges. Housing is protected from being sold to a private for-profit entity for the duration of its life, and residents are granted the same protections as tenants in private property, if not more. Many countries throughout the world have successful social housing programs, and in the US, there are social housing developments such as in Montgomery County, Maryland using a similar model. Social Housing is how we provide and realize housing as a human right.

Background on Social Housing: There is no widely shared consensus on how to define social housing. However, all definitions of social housing distinguish it in various ways from privately-owned, for-profit housing provided through market mechanisms. The Assembly Select Committee on Social Housing held an informational hearing on October 20, 2021 and Rob Weiner from the California Coalition for Rural Housing shared the Organization for Economic Cooperation and Development (OECD) definition of social housing as "the stock of residential rental accommodations provided at sub-market prices and allocated according to specific rules rather than according to market mechanisms."[1]

Under this definition, there are an estimated 480,000 subsidized housing units available for rent in California, or about 3.5% of the state's housing stock. These deed-restricted affordable rental units are generally built using a mix of public and private financing and residency is restricted to low-income households that make no more than 80% of county area median income (AMI). Other versions of social housing specify permanent affordability requirements and ownership by the government or a non-profit entity. Most of California's deed-restricted affordable housing is not publicly owned and the length of affordability requirements varies, though permanent affordability is not required in most cases.

Another variation of social housing involves making accommodations available to all individuals regardless of their household income. In particular, Vienna, Austria is often held up as an example of a large city with widespread mixed-income social housing—an estimated 40% of the city's housing stock is social housing. In the Viennese model higher income households pay market rate rents which then subsidize the below market rents for lower-income households. This

[1] https://www.assembly.ca.gov/media/assembly-select-committee-social-housing-20211020/video

mechanism is referred to as "cross-subsidization" and it is the same logic that underlies California's density bonus law, a policy that allows residential developers to receive added density and other concessions and incentives from a local government in exchange for building a certain percentage of affordable units.

Planning for Housing and the RHNA Process: As noted above, with the exception of deed-restricted affordable housing, California generally relies on the private sector to build most housing accommodations. However, cities and counties are required to plan for a certain amount of housing development across various income categories. This happens through "general plans" for land use that each city and county's legislative body adopts. Every general plan must include a "housing element" that details existing housing conditions within the jurisdiction, the need for new housing at various household income levels, and the strategy that the jurisdiction will use to address that need. The need for new housing is determined through the RHNA process, which involves three main stages:

- The Department of Finance and HCD develop regional housing needs estimates at four income levels: very low-income, low-income, moderate-income, and above moderate-income (for the seventh cycle, two additional income categories for acutely low-income and extremely low-income will be added);
- COGs use these estimates to allocate housing needs within each region to cities and counties. HCD makes the determinations where a COG does not exist; and
- Cities and counties plan for accommodating these allocations in their housing elements.

Local governments must adopt a new housing element every eight years (though some rural jurisdictions must do so every five). These adopted housing elements must be approved by HCD, which must find them in "substantial compliance" with the law. Every eight years a new RHNA cycle begins and the process restarts. Currently the state is in the 6th RHNA cycle and housing element updates in this cycle also need to include information on steps the local government is taking to affirmatively further fair housing objectives.

Each year, the local government's planning agency must submit an APR to HCD and OPR that documents implementation of its housing element and progress towards meetings its RHNA target. The APR must include information about all proposed and approved development projects, a list of rezoned sites to accommodate housing for each income level, and information on density bonus applications and approvals, among other provisions. The APRs provide statewide and local data across California's 539 cities and counties which allow for tracking the amount, type, location, and affordability of new housing development. In addition to providing completed residential construction data in the jurisdiction, APRs also include data on the number residential developments which are still in the initial permitting and entitlement phases.

Planning vs. Building Affordable Housing: While the RHNA process requires local governments to plan to address housing need in their jurisdiction, it does not mean housing will actually get built. A number of factors affect housing development and, in order to build affordable units for low-income and very low-income households, government subsidies are generally needed to make the project economically viable. According to the California Housing Partnership Corporation, while California has more than doubled its production of deed-restricted affordable units in the prior three years, in 2021 the available public funding for

affordable housing provided just 16% of the units that would be needed to meet the state's targets for low-income homes.[2]

The lack of affordable housing disproportionately impacts California's most economically-vulnerable households. According to data from the 2019 American Communities Survey, over half of the state's renter households are considered rent-burdened, which is defined as paying more than 30% of their income towards rent. For low-income renter households in the state the share of cost-burdened families is even higher at 80%. To address the shortage of affordable housing options, HCD's most recent update of the Statewide Housing Plan call for the production of over a million units of affordable housing units for lower income households in the coming years.[3]

Creation of the California Housing Authority (CHA): This bill proposes to establish the CHA as a new, independent entity within the state government to develop social housing, which is defined as mixed-income rental and ownership housing that is publicly owned and permanently affordable. The CHA's mission would be to close the gap between a jurisdiction's current level of housing production and their RHNA amount while maintaining revenue neutrality. The CHA would be governed by a nine-member board consisting of: three resident representatives living in CHA accommodations, a housing development and finance expert, a housing construction expert, a property maintenance expert, an appointee of the Speaker of the Assembly, an appointee of the Senate Committee on Rules, and an appointee of the Governor. Decisions would be made by majority vote of the board and the board would also have the authority to appoint a board chair and an executive officer.

Development of CHA Housing: This bill specifies that the CHA could build residential housing to make up the different between a jurisdiction's RHNA and the actual amount of housing built. These calculations would be made annually using each local government's APR data beginning on January 1, 2029. Development would be prioritized on vacant parcels, surplus public properties, and parcels near transit, though the bill does not indicate a particular distance from transit or the frequency of transit service that would be required for a parcel to be considered "near transit." Additionally, underutilized parcels (i.e., those containing fewer than the maximum number of allowable units per the jurisdiction's zoning) would be prioritized for CHA developments so long as they do not contain rent controlled units or deed-restricted affordable housing.

This bill requires the CHA to seek input from the local government about certain aspects of a proposed development, including the number of units and the timeline for completing the project. When the CHA has multiple potential sites for development in a jurisdiction it would need to defer to the local government on their preferred site if property acquisition costs and amenities are generally similar and if the site would allow the local government to meet its RHNA targets. If a CHA development would lead to the displacement of existing residents, those households would be eligible for relocation assistance and would have the first right of refusal to live in a CHA housing unit.

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[2] https://1p08d91kd0c03rlxhmhtydpr-wpengine.netdna-ssl.com/wp-content/uploads/2022/03/California-Affordable-Housing-Needs-Report-2022.pdf
[3] https://statewide-housing-plan-cahcd.hub.arcgis.com/

CHA housing developments are required to be mixed-income housing developments, though the specific mix is not spelled out in the bill and there is no intent language indicating minimum proportions of affordable units nor the depth of affordability. The CHA also has the ability to develop mixed-use buildings with commercial space.

Policies Governing Residency in CHA-Built Housing: In CHA-built developments, individuals could either rent or purchase a unit through an ownership model and the CHA unit would need to be the person's sole residence unless they fall into the above-moderate income category. In the ownership model, CHA provides the resident a 99-year lease and they would need to commit to a minimum of five years of residency in the CHA building. The ownership model requires a down payment of 15% of the purchase price. When a resident in the ownership model wishes to sell their unit, the CHA would have first right of refusal to purchase the unit. If the CHA declines to repurchase the unit then it can be resold to a qualified buyer in a manner that allows the resident to have a reasonable return on investment. The bill states that ownership units would be sold for the original purchase price plus documented capital improvements and an adjustment for inflation.

Renters in CHA units would be required to commit to a year of residency, though exceptions would be allowed in some cases such as illness or employment changes. Renters living in CHA-owned properties are provided tenant protections including protection against termination of tenancy without just cause. Additionally, the bill specifies that each multifamily social housing development produced by the CHA will have a resident governance council elected by residents of the housing complex. Governance councils will host regular meetings, interact with property management, handle budgeting for development, and represent the community at biannual meetings with the CHA board. Though the bill specifies that the governance council is to be made up of no more than 10% of the overall population for development, it is unclear if this is per unit or per resident. In a 20-unit building with only one individual per unit, there would be only two members on the council, which would pose an issue for any decisions that the two members disagree on.

Financing Start-Up Costs and Revenue Neutrality: This bill states that the CHA would operate according to principles of revenue neutrality, though it does not specify the time period over which revenue neutrality would be achieved. Presumably a significant amount of start-up capital would be needed to create the CHA and it would have ongoing expenses including the costs of developing and managing mixed-income housing, mortgage servicing, staff time, facilities, legal services, and IT. AB 11 also includes language stating that it is the intent of the Legislature to fund the CHA's activities through the issuance of general obligations bonds, though no specific timeline or dollar amount for bond issuance is included in the bill text. However, because the Legislature lacks the ability to issue general obligation bonds without voter approval, another bill would need to pass with a two-thirds vote of both houses of the Legislature to put the question of CHA general obligation bond issuance before the voters. The author has introduced a social housing bond that would accompany this bill – AB 590 (Lee). The bill also includes language giving the CHA the ability to issue revenue bonds that would ostensibly be secured with the rental income generated from CHA-provided housing, but such bonds could only be issued after a reliable stream of rental income is being generated from CHA-owned properties.

Policy Considerations: Without further specificity on initial start-up costs and the timeframe for achieving revenue neutrality it is challenging – if not impossible – to predict the amount of housing the CHA could be reasonably expected to produce. It is also unclear how long it would

take for the first units of CHA housing to be built given that the state has not historically undertaken direct construction of rental or ownership housing. The state also generally does not directly manage rental or ownership housing outside of some limited exceptions, such as student housing for California State University campuses and employee housing for a small number of state parks employees.

Moreover, since the goal of the bill is to close the gap between a jurisdiction's RHNA goals and the actual production of housing, presumably a CHA development would not be able to include units from a particular income category (e.g., above moderate) if the jurisdiction has already exceeded their RHNA targets for that category. This may provide an incentive for jurisdictions to quickly approve above moderate income housing to make CHA developments less economically feasible. One way to avoid such an outcome would be to drop the bill's revenue neutrality goal and instead focus the CHA's mission on producing affordable units for low-income households in a more cost-effective manner than the existing affordable housing development process.

CHA and Social Housing in the Context of Other Efforts to Address the Housing Crisis: On the one hand it could be argued that this bill runs counter to the Legislature's recent efforts to streamline and consolidate affordable housing development. For example, AB 434 (Daly), Chapter 192, Statutes of 2020, required HCD to align several rental housing programs administered by HCD with the Multifamily Housing Program (MHP), to allow HCD to issue a single application and scoring system for making coordinated awards under seven different programs. As a result of AB 434 (Daly), HCD released the guidelines for the first MHP "super Notice of Funding Availability (NOFA)" to allow developers to apply for seven different affordable rental programs at one time, and granted the first super-NOFA awards in spring 2023.

On the other hand, the CHA would generally not be aiming to duplicate the funding, oversight, policy, or technical assistance work of other state housing entities. Instead it seeks to do something the state has never attempted to do: build large amounts of permanently affordable mixed-income rental and ownership housing to close the gap between actual housing production and the estimated need for additional housing in a community. This may prove to be a tall order for a state which has a decidedly mixed record with delivering ambitious new programs and infrastructure in recent decades.

Yet, at the same time it is clear that the state's existing approach to housing has left affordable housing out of reach for far too many. As noted above, the current system for producing deed-restricted affordable housing for low-income Californians is not adequately funded. And many of the affordable housing funding sources that the state currently draws on are one-time funds from voter-approved bonds that will be depleted in the coming years. This bill proposes creating a new entity to take on housing development and ongoing management of properties it builds. There may be cost savings and potential efficiencies in state-sponsored housing development through the CHA, but it could also end up costing more to establish a new entity that would be taking on work state governments have not typically engaged in.

SB 555: Stable Housing Act of 2023: In 2023, the Governor signed SB 555 (Wahab), Chapter 402, which requires HCD, no later than December 31, 2026, to develop, adopt, and submit to the Legislature a Social Housing Study for achieving the social housing unit goals included in the bill. The study must include a comprehensive analysis of the opportunities, resources, obstacles, and recommendations for the creation of affordable and social housing at scale, to assist in meeting the need identified in the statewide projections for below market rate housing affordable

to households with extremely low, very low, low, and moderate incomes in the sixth RHNA cycle.

Arguments in Support: According to the California School Employees Association, "California is in the midst of a protracted housing shortage, in 2018 we ranked 49th among the United States in housing per resident. Fifty-five percent of renters are rent burdened, meaning that they spend more than thirty percent of their income on rent. There is a significant shortage of housing that is available to low income Californians, per the California Housing Partnership there are only 480,000 subsidized housing units in California, or about ten percent of the total need. AB 11 would help to create more social housing in California. Social housing is publicly backed mixed-income housing that has already shown its effectiveness in the parts of the United States and beyond. Creating more housing with an eye towards social-economic diversity and affordability can help to alleviate California's housing shortage as well as build a more a more equitable housing environment."

Arguments in Opposition: According to the League of Cities, "AB 11 would disregard this state mandated planning process and force cities to allow housing developments in nearly all areas of a city. This seriously questions the rationale for the regional housing needs allocation (RHNA) process. If the California Housing Authority can build housing on any parcel they own or acquire, why should cities go through the multiyear planning process to identify sites suitable for new housing units for those plans to be ignored and housing built on sites never considered for new housing. Additionally, as a state entity, the California Housing Authority would have full control over the properties they own and would not be required to abide by local zoning, design standards, density requirements, height limitations, parking requirements, or other development standards."

***Related Legislation*:**

AB 2281 (Lee) (2024): Would have enacted the Social Housing Act and establishes the California Housing Authority (CHA) for the purposes of developing mixed-income social housing. This bill was held in Assembly Appropriations Committee.

AB 2053 (Lee) (2022) would have establishes the CHA for the purposes of developing mixed-income social housing. This bill failed passage in the Senate Governance and Finance Committee.

AB 309 (Lee) (2023) would have created the Social Housing Program (Program) within the Department of General Services (DGS) to identify and develop up to three social housing projects on state-owned surplus land deemed suitable for housing, as specified. This bill was vetoed by the Governor.

Veto message:

> *I am returning Assembly Bill 309 without my signature.*
>
> *This bill would create the Social Housing Program in the Department of General Services (DGS). The program would identify and produce three social housing projects on excess state-owned property through development or acquisition.*
>
> *This bill infringes on state sovereignty over state-owned real property by establishing a new*

process for local government review of state projects authorized under the bill and could potentially cost the state several hundred million dollars in capital expenditures.

State-owned sites identified as suitable for housing development already are being developed as affordable housing through the State Excess Sites program. This program, instituted through Executive Order (EO) N-06-19 and further codified through AB 2233 (Quirk-Silva, Chapter 438, Statutes of 2022) and SB 561 (Dodd, Chapter 446, Statutes of 2022), has already awarded state land for 17 residential or mixed-use projects with significant affordable housing components.

While I appreciate the author's commitment to build more affordable housing in the state, this bill creates new additional cost pressures and must be considered in the annual budget in the context of all state funding priorities.

In partnership with the Legislature, we enacted a budget that closed a shortfall of more than $30 billion through balanced solutions that avoided deep program cuts and protected education, health care, climate, public safety, and social service programs that are relied on by millions of Californians. This year, however, the Legislature sent me bills outside of this budget process that, if all enacted, would add nearly $19 billion of unaccounted costs in the budget, of which $11 billion would be ongoing.

With our state facing continuing economic risk and revenue uncertainty, it is important to remain disciplined when considering bills with significant fiscal implications, such as this measure.

For these reasons, I cannot sign this bill.

REGISTERED SUPPORT / OPPOSITION:

Support

AIDS Healthcare Foundation
California School Employees Association
CFT- a Union of Educators & Classified Professionals, AFT, AFL-CIO
City of Alameda
Culver City Democratic Club
Davis College Democrats
Democrats of Rossmoor
East Bay for Everyone
Fremont for Everyone
Indivisible CA: StateStrong
Peace and Freedom Party of California
Redlands YIMBY
Santa Monica Democratic Club

Opposition

California Civil Liberties Advocacy
Camarillo; City of
City of Thousand Oaks

South Bay Cities Council of Governments
Southern California Rental Housing Association

Oppose Unless Amended

Fieldstead and Company, INC.
League of California Cities

Analysis Prepared by: Lisa Engel / H. & C.D. / (916) 319-2085

Date of Hearing: April 24, 2025

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
AB 20 (DeMaio) – As Amended March 24, 2025

SUBJECT: Homelessness: People First Housing Act of 2025

SUMMARY: Eliminates Housing First as a policy in the state, prohibits people from sleeping near public places, requires the state to prioritize shelter beds over permanent housing, and requires state programs to prioritize the use of state funds for drug testing, mandatory testing, and work requirements for program participants. Specifically, **this bill**:

1) Deletes the requirement that all state homelessness programs adhere to the Core Components of Housing First.

2) Prohibits a homeless encampment from operating within 500 feet of a sensitive community area, including but not limited to, a school, open space, or transit stop.

3) Prohibits a person from camping in any public space, including a sidewalk if a homeless shelter bed is available in the city where the public space is located.

4) Allows a state program to do any of the following:

    a) Review the suitability of an applicant based on the applicant's housing readiness; and

    b) Impose program rules and requirements related to sobriety, substance abuse, completion of treatment, mental health, participating in services, and compliance with program rules.

5) Requires an agency or department to allocate state program funding according to the following priority order:

    a) Shelter beds;

    b) Transitory housing units; and

    c) Permanent supportive housing units.

6) Requires an agency or department administering a state program to encourage local providers of permanent supportive housing units to convert those units to transitory housing units when demand warrants.

7) Requires a state program to include a work program that provides paid work opportunities from private or governmental entities or volunteer opportunities serving the community.

8) Requires an agency or department administering a state program to issue regulations to local agencies to prioritize use of agency or department funds for programs that include drug testing, mandatory testing, and work requirements for program participants.

9) Provides that a motel that accepts homeless assistance from the California Work Opportunity and Responsibility to Kids program for 20% or more of rented rooms during the year shall not receive payments unless the motel is approved by the city council of the city in which the motel is located.

10) Provides that a faith-based organization may operate or receive state program funding provided that the funding expressly does not subsidize religion.

11) Includes the following definitions:

    a) "Camp" means set up or remain any place where bedding, a sleeping bag, or other material is used for bedding purposes, or any stove or fire is placed for the purpose of maintaining a temporary place to live;

    b) "Encampment" means a collection of items used for temporary habitation outdoors, including, but not limited to, a tent or structure with a roof or upper covering, or that is enclosed by sides that is of sufficient size for a person to fit underneath or inside while sitting or lying down;

    c) "Housing Readiness" includes consideration of an applicant's sobriety, substance use, mental health, completion of treatment, participation of services, and compliance with other program rules;

    d) "Open space" means any parcel or area of land or water which is substantially unimproved and devoted to an open-space use, as defined in Section 65560 of the Government Code;

    e) "Sensitive community area" includes, but is not limited to, a school, open space, or transit stop; and

    f) "State program" to mean a program a California state agency or department funds, implements, or administers for the purpose of providing emergency shelter, interim housing, housing, or housing-based services to people experiencing homelessness or at risk of homelessness, with the exception of federally funded programs.

EXISTING LAW:

1) Establishes the California Interagency Council on Homelessness (Cal-ICH) with the purpose of coordinating the state's response to homelessness by utilizing Housing First practices. (Welfare and Institutions Code (WIC) Section 8255)

2) Requires agencies and departments administering state programs created on or after July 1, 2017 to incorporate the core components of Housing First. (WIC 8255)

3) Defines "Housing First" to mean the evidence-based model that uses housing as a tool, rather than a reward, for recovery and that centers on providing or connecting homeless people to permanent housing as quickly as possible. Housing First providers offer services as needed and requested on a voluntary basis and that do not make housing contingent on participation in services. (WIC 8255)

4) Defines, among other things, the "core components of Housing First" to mean:

    a) Acceptance of referrals directly from shelters, street outreach, drop-in centers, and other parts of crisis response systems frequented by vulnerable people experiencing homelessness;

    b) Supportive services that emphasize engagement and problem-solving over therapeutic goals and service plans that are highly tenant-driven without predetermined goals;

    c) Participation in services or program compliance is not a condition of permanent housing tenancy;

    d) Tenants have a lease and all the rights and responsibilities of tenancy, as outlined in California's Civil, Health and Safety, and Government codes; and

    e) The use of alcohol or drugs in and of itself, without other lease violations, is not a reason for eviction. (WIC 8255)

5) Defines "recovery residence" to mean a residential dwelling that provides primary housing for individuals who seek a cooperative living arrangement that supports personal recovery from a substance use disorder and that does not require licensure by the department or does not provide licensable services. Provides that a recovery residence may include, but is not limited to, residential dwellings commonly referred to as "sober living homes," "sober living environments," or "unlicensed alcohol and drug free residences." (HSC 11833.05)

FISCAL EFFECT: Unknown.

COMMENTS:

Author's Statement: According to the author, "California has a massive homelessness crisis – all due to a failed policy called "Housing First" that prohibits homeless service providers from requiring their clients adhere to clean, sane and sober living rules. To fix the root cause of homelessness, AB 20 will repeal "Housing First" model and switch our state to the "People First" model that focusses on mental health and substance abuse treatment. AB 20 also strengthens law enforcement's ability to clear out homeless camps and provides greater public oversight into homeless shelter programs."

Housing First: Housing First is an evidence-based model that uses housing as a tool, rather than a reward, for recovery and that centers on connecting people experiencing homelessness to permanent housing as quickly as possible. Housing First is not housing only – people are offered services including mental health support, job training, and substance use treatment that are essential for maintaining long-term stability and preventing returns to homelessness. These supportive services are offered to support people with housing stability and individual well-being, but participation is not required as services have been found to be more effective when a person chooses to engage.

Housing First is a bipartisan, evidence-based approach that was first adopted as federal policy during the George W. Bush Administration. Various studies support the efficacy of Housing First as a policy that ends homelessness. Evidence from a systematic review of 26 studies indicates that Housing First programs decreased homelessness by 88% and improved housing

stability by 41%, compared to programs that require treatment first as a condition of housing. Clients in stable housing experienced better quality of life and showed reduced hospitalization and emergency department use. [1]

Three major studies of the Pathways to Housing program – one of the first Housing First programs in the U.S. – found that Housing First programs were more successful in reducing homelessness than abstinence-based programs. Seventy-nine percent of participants remained stably housed at the end of six months in Housing First programs, compared to 27% in the control group. After two years, Housing First participants spent almost no time experiencing homelessness, while participants in the city's residential treatment program spent on average 25% of their time experiencing homelessness. Participants in the Housing First model obtained housing earlier, remained stably housed after 24 months, and reported higher perceived choice than participants in abstinence-based programs. After five years, 88% of Pathways to Housing participants remained housed, compared to only 47% of the residents in the control group.[2]

In 2016, The Denver Supportive Housing Social Impact Bond Initiative (Denver SIB), found that people who had experienced long-term homelessness who struggled with mental health and substance use who received supportive housing coupled with Housing First over treatment first spent significantly more time in housing. Most participants stayed housed over the long term with 86% remaining housed for over one year, 81% for two years, 77% for three years. Denver SIB also demonstrated that stable, supportive housing can decrease police interactions and arrests and disrupt the homelessness-jail cycle. Denver SIB participants experienced a 34% reduction in police contacts, 40% reduction in arrests, 30% reduction in unique jail stays, and a 27% reduction in total jail days. [3]

Decades of research demonstrate that evidence-based approaches like supportive housing – affordable housing coupled with wrap-around services – resolves homelessness for most individuals. Many state and local programs effectively utilize these evidence-based approaches to address homelessness; however, the number of people falling into homelessness continues to overwhelm the response system and surpasses the affordable housing stock in many communities. To address the complicated issue of homelessness, California chose to utilize an evidence based approach. In 2016, SB 1380 (Mitchell), Chapter 847, required the state to adopt a Housing First approach and required all state-funded programs to comply with Housing First. Yet the continued high cost of housing in California continues to drive increasing numbers of homelessness and housing insecurity.

Despite the decades of evidence that supports Housing First as a proven solution to end homelessness, this bill will instead require the state to direct local agencies to prioritize so-called "housing readiness" programs that include drug testing, mandatory testing, and work requirements for program participants.

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[1] https://pmc.ncbi.nlm.nih.gov/articles/PMC8513528/

[2] https://nlihc.org/sites/default/files/Housing-First-Evidence.pdf#:~:text=%E2%80%93%20Evidence%20from%20a%20systematic%20review%20of,showed%20reduced%20hospitalization%20and%20emergency%20department%20use.

[3] https://www.urban.org/research/publication/breaking-homelessness-jail-cycle-housing-first-results-denver-supportive-housing-social-impact-bond-initiative

The High Cost of Housing: The high cost of housing is the cause of homelessness in California. Other states with higher rates of overdose but lower costs of housing report much lower rates of homelessness. West Virginia leads overdose deaths per capita but has one of the lowest homelessness rates in the country. A study by the National Low Income Housing Coalition found that West Virginia has 50 affordable and available rental homes for every 100 extremely-low-income households, more than double the number that California has. A family in West Virginia can afford a two-bedroom rental on less than $17 an hour – the second-lowest figure in the nation. In California a family would need more than $40 per hour to be able to afford an average two-bedroom rental.

California needs an additional 2.5 million units of housing to meet the state's need, including 643,352 for very low-income households and 394,910 for lower income households. Since 2018, California has permitted 890,000 units of new housing, with 126,000 of those being low- and very low-income units. The Legislature has passed major legislation in recent years to allow affordable housing to be built on almost any site in the state. However, the lack of housing overall and in particular the continued lack of sufficient affordable housing is a problem that is decades in the making.

Millions of Californians, who are disproportionately lower income and people of color, must make hard decisions about paying for housing at the expense of food, health care, child care, and transportation—one in three households in the state doesn't earn enough money to meet their basic needs. Currently, according to HDIS data, for every five individuals who access homelessness services in California, only one is housed each year, leaving four unhoused.

California Statewide Study of People Experiencing Homelessness (CASPEH): The University of California San Francisco Benioff Housing and Homelessness Institute conducted the CASPEH, the largest representative study of homelessness since the mid-1990s and the first large-scale representative study to use mixed methods (surveys and in-depth interviews). They administered questionnaires to nearly 3,200 participants and conducted in-depth interviews with 365 participants. Their report provides evidence to help shape the state's policy response to homelessness. The median age of participants was 47 (range 18-89). Participants who report a Black (26%) or Native American or Indigenous identity (12%) were overrepresented compared to the overall California population. Thirty-five percent of participants identified as Latino/x The report found that people experiencing homelessness in California are Californians. Nine out of ten participants lost their last housing in California; 75% of participants lived in the same county as their last housing.

The median monthly household income in the six months prior to homelessness across all CASPEH participants was $960. Almost all participants met criteria to be considered "extremely low-income" or making less than 30% of the Area Median Income. Participants' inability to afford housing was both the underlying cause of homelessness and the primary barrier to their returning to housing. Evidence and interviews with people who are experiencing homelessness shows that a small amount of shallow subsidy could keep people from falling into homelessness. This finding was true throughout California, not only in the high-cost coastal regions.

Twenty percent of participants who reported current regular substance use indicated that they wanted treatment, but were unable to receive it. Evidence shows that substance use treatment is most effective among those who choose to engage with it. A higher proportion of individuals who used substances regularly live in unsheltered environments. There is a need for increased

access for those who want it, particularly those in unsheltered settings. Promising models for low-barrier, outreach-focused services (including medication treatment) should be expanded.

Shelters: Shelters are a stopgap measure and cannot fully resolve homelessness. According to a recent investigative report by CalMatters, local governments have spent nearly $1 billion on shelters since 2018. The number of beds doubled since 2018 from 27,000 to 61,000. Between 2018 and 2024, annual shelters death rates tripled – a total of 2,007 people died in that time period, which is nearly twice as many deaths as in California jails during the same period. Shelters are often unsafe and dirty places to stay. Many shelters have barriers to entry and prevent people from bringing their possessions, partners, and pets. According to HDIS data collected on shelter exits, fewer than one in four people, about 22%, are able to find housing when they leave a shelter.

Shelters are a costly and ineffective solution to homelessness. The City of New York, the City of Portland and Multnomah County, and the state of Massachusetts have adopted a right to shelter. A right to shelter is a legal mandate that requires local governments to provide emergency shelter to anyone experiencing homelessness. This approach to homelessness has had decidedly mixed results. In the City of New York, the unsheltered population is 4,294 out of 91,897 homeless people. Although many people are housed in New York, they are still homeless because they are living in temporary shelters or transitional housing. Some people have been living in shelters for years with no solution for permanent housing. This approach is also expensive and requires that resources for affordable housing go toward maintaining emergency shelters and not toward building supportive housing or for affordable housing. New York City spends $1.7 billion a year to maintain its shelter system, which is $30,000 per individual per year.

This bill would require the state to prioritize shelter over permanent supportive housing. The committee may wish to consider if the more appropriate action, in response to the abundance of shelter beds and their ineffectiveness in solving homelessness, is to reduce funding for shelter and put greater priority on permanent supportive housing.

State Homelessness Funding: Beginning in 2018, in response to a growing unsheltered homelessness count, the state begin investing significantly in the local homelessness response system. One-time funding for the Homelessness Emergency Assistance Program (HEAP) which evolved into the Homelessness Housing, Assistance, and Prevention Program (HHAP) has provided $3.95 billion to cities with populations over 300,000, counties, and Continuums of Care (CoCs). HHAP is in its fifth round of funding and what began as a block grant program to local governments now has significant accountability attached to it. Applicants must submit monthly fiscal reports and regular reporting on metrics designed to move people experiencing homelessness into permanent housing. Applicants must develop regional plans that identify how multiple sources of funds can be used to support a best-practices framework to move homeless individuals and families into permanent housing. Local Action Plans required HHAP recipients to set outcome goals that prevent and reduce homelessness over a three-year period, informed by the findings from a local landscape analysis and the jurisdiction's base system performance measure from 2020 calendar year data in the HDIS. The outcome goals included definite metrics, based on the US Department of Housing and Urban Development's system performance measures, to do the following:

- Reduce the number of persons experiencing homelessness;
- Reduce the number of persons who become homeless for the first time;

- Increase the number of people exiting homelessness into permanent housing;
- Reduce the length of time persons remain homeless;
- Reduce the number of persons who return to homelessness after exiting homelessness to permanent housing; and
- Increase successful placements from street outreach.

In March of 2024, the voters approved Proposition 1 which authorized $6.4 billion in bonds to finance behavioral health treatment beds, supportive housing, community sites, and funding for housing veterans with behavioral health needs. The Department of Health Care Services (DHCS) will administer $4.4 billion of these funds for grants to public and private entities for behavioral health treatment and residential settings. $1.5 billion of the $4.4 billion will be awarded only to counties, cities, and tribal entities, with $30 million set aside for tribes. HCD will administer $1.972 billion for permanent supportive housing for individuals at risk of or experiencing homelessness and behavioral health challenges. Of that amount, $1.065 billion will be for veterans. The initiative also revised how counties use money collected by Proposition 63: the Mental Health Services Act of 2004, shifting 30% of funds to housing supports to help people experiencing homelessness find and maintain permanent housing. These funds are ongoing and could if used correctly provide an ongoing fund sources to support rental assistance and services for permanent supportive housing.

This bill would require the state to prioritize funding already approved for permanent supportive housing for transitional housing and shelters. In addition, state agencies would be required to encourage local providers to convert permanent supportive housing to shelter beds and transitional housing. The committee may wish to consider if this is a prudent course of action considering there is no evidence that shelter and transitional housing are more effective than permanent housing.

Grants Pass: On June 28, 2024, in a 6-3 decision the Supreme Court ruled in the case of City of Grants Pass v. Johnson that cities can enforce camping regulations against homeless individuals without violating the Eighth Amendment's ban on cruel and unusual punishment. This means cities can penalize individuals for sleeping outside, even if they have no other safe place to go, according to the Supreme Court. This has led to many cities sweeping encampments of homeless people and pushing them out into less populated areas. At least one city proposed an ordinance to criminalize anyone who offers water or other aid to a homeless person. The Mayor of San Jose has proposed to arrest people experiencing homelessness while acknowledging there are not enough mental health beds, permanent supportive housing, or affordable housing units to accommodate people.

Encampment sweeps that do not connect people to housing are ineffective and a waste of money. Los Angeles adopted an ordinance allowing city council members to designate areas in their district where unhoused people cannot sit, lie down, sleep, or keep belongings on sidewalks or other public areas. People are supposed to receive advanced warning and get help finding shelter before encampments are cleared. A report by the Los Angeles Homeless Services Authority (LAHSA) found that these designations and subsequent sweeps failed to keep the areas free of encampments and people largely returned. The report found that the city of Los Angeles spent millions on enforcement and 81% of people who were removed were ticketed, arrested, and later returned to where police cited them. As a result of the sweeps, service providers working to get people indoors lost contact with their clients, making it harder to connect people to shelter. People’s belongings are often thrown away or destroyed in sweeps, including identification

documents and vital records that they or service providers need in order to receive housing vouchers or permanent housing. Ninety-four percent of people forced to leave their location stated they wanted shelter, but only 18% were actually connected to shelter. A recent study in Seattle showed that fines and tickets prolonged people's homelessness by nearly two years.[4]

Research supports encampment resolution when it is done in a coordinated fashion as part of a multi-system strategy to address the impacts of unsheltered homelessness. Shelter should only be an option when a more permanent housing placement is not available.

Arguments in Support: None on file.

Arguments in Opposition: A coalition of over seventy organizations are opposed to AB 20 because it would result in the following:

- People remaining homeless longer and more encampments on sidewalks around the state;
- Ineffective policies based on false assumptions and narratives about people who are unhoused;
- Discrimination and increases in policing against Black and Indigenous Californians;
- Punishment against Californians for experiences beyond their control;
- Violation of California's values; and
- Restriction of local governments' homelessness response toward an ineffective and costly approach.

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

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

ACLU California Action
Alliance of Californians for Community Empowerment (ACCE Action)
Berkeley Homeless Union
Buccola Family Homeless Advocacy Clinic
California Coalition for Housing and Survivor Justice
California for Safety and Justice
California Homeless Union Statewide Organizing Council
California Housing Partnership
California Nurses Association
Californians United for a Responsible Budget
Cd11 Coalition for Human Rights

[4] Court-imposed fines as a feature of the homelessness-incarceration nexus: a cross-sectional study of the relationship between legal debt and duration of homelessness in Seattle, Washington, USA | Journal of Public Health | Oxford Academic

CFT- a Union of Educators & Classified Professionals, Aft, AFL-CIO
Coalition on Homelessness
Corporation for Supportive Housing
Disability Rights California
Disability Rights Education & Defense Fund
Downtown Women's Center
Drug Policy Alliance
DSA Loveboat
Equal Rights for Every Neighbor
First Step Housing
Food Not Bombs
Fremont for Everyone
Homeless Action Center
Homeless Union for Friendship and Freedom
Housing California
Housing Is a Human Right - Orange County
Initiate Justice
Initiate Justice Action
Inner City Law Center
LA Raza Community Resource Center
League of Women Voters of California
Lived Experience Advisers
Los Angeles Dependency Lawyers
National Alliance to End Homelessness
National Homelessness Law Center
National Lawyers Guild Los Angeles
Non Profit Housing Association of Northern California
Oakland Homeless Union
Open Doors Crisis House INC.
Orange County Equality Coalition
Public Advocates
Racial Justice Coalition of San Diego
Sacramento Homeless Union
Sacramento Regional Coalition to End Homelessness
Salinas/Monterey County Homeless Union
San Clemente Affordable Housing Coalition
Sister Warriors Freedom Coalition
Southern California Association of Non-profit Housing (SCANPH)
Starting Over INC.
Starting Over Strong
Steinberg Institute
Supportive Housing Alliance
The Bride's Chamber
The Climate Reality Project San Diego Chapter
Together We Stand
Turning Point
Urban Habitat
USC Women's Law Association
Venice Community Housing Corporation

Venice Justice Committee
Vera Institute of Justice
Waking the Village
Welcoming Neighbors Home Initiative
Western Regional Advocacy Project
Wood Street Commons
Individuals - 30

Analysis Prepared by: Lisa Engel / H. & C.D. / (916) 319-2085

Date of Hearing: April 24, 2025

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
AB 21 (DeMaio) – As Amended March 24, 2025

SUBJECT: Common interest developments: association management and meeting procedures

SUMMARY: Establishes the Homeowner Association Accountability and Transparency Act of 2025, which makes various changes to the Common Interest Development (CID) Open Meeting Act, regarding the management and meeting procedures and protocols for CIDs. Specifically, **this bill**:

1) Requires the board of a homeowners association (HOA) to provide individual notice, rather than general notice, prior to any rule changes.

2) States that an HOA's "predecision notice" is not required if an immediate rule change is necessary to address an imminent threat to public health or safety or imminent risk of substantial economic loss to the HOA.

3) Requires an HOA board to deliver individual notice as soon as possible, but not more than 15 days after any rule changes.

4) Makes other technical changes to the notice requirements for rule changes.

5) Prohibits a majority of the members of the HOA board from, outside a board meeting, conducting communications of any kind, directly or through intermediaries, to discuss, deliberate, or take action on any item of business that is within the subject matter jurisdiction of the HOA board.

6) Requires HOA board meeting agendas to include information on how a HOA member may get a copy of an agenda packet for the open session portion of the meeting.

7) Requires the agenda for any open meeting to include the wording of any proposed motions and resolutions.

8) Allows a HOA member to request a copy of the documents included in the agenda packet of the board meetings via mail or email. Upon receipt of the written request, the HOA shall cause the requested materials to be mailed when the agenda is posted or distributed to all or a majority of the HOA directors, whichever occurs first. Prohibits the association from charging more than the actual costs of copying and mailing the documentation to the requestor.

9) Requires an HOA board to announce any litigation that it becomes involved in at a meeting, and requires the meeting minutes to state the name of the court and the case number.

10) Requires an HOA to announce any new insurance claims filed or changes to insurance policies at a meeting. Requires the meeting minutes to state the type of insurance, the insurance carrier, and the policy number.

11) Requires HOA boards meeting in executive session to include discussions regarding ongoing litigation, including the litigation case number, in executive session meeting minute notes.

12) Requires open session HOA board meetings to be recorded either with audio or audio and video, and for the recordings to be considered a record of the association, which shall be made available to HOA members on the same basis as written meeting minutes. Requires notice to be given at the beginning of every open session that the meeting is being recorded.

13) States that there shall be no charge for the emailing of board meeting minutes to any requesting HOA member.

14) Requires HOA board meeting minutes to include the all of following information:

    a) The date of the meeting;

    b) The time of the meeting;

    c) The location of the meeting;

    d) The type of meeting, such as regular, special, emergency, executive, or committee;

    e) Whether notice and an agenda of the meeting was given to the membership;

    f) The names of directors present;

    g) The names of absent directors;

    h) Whether members are also present, and names and titles of any guest speakers. Members names are not required, and no member may be compelled to give their name in order to attend an open meeting of an association, unless the member speaks at the meeting;

    i) Whether a quorum of directors was established;

    j) Whether the board directors left early or reentered the meeting;

    k) The wording of any approvals, resolutions, acceptance of any reports, or motion adopted by the board, and including who moved, who seconded, and how each director voted;

    l) The rationale for board actions and decisions;

    m) A summary of major arguments; and

    n) The statements that support board directors following fiduciary duties.

15) Allows an HOA member to bring civil action for relief, including, but not limited to, declaratory or equitable relief or a combination thereof. Requires a court to void any action taken by the HOA board at a meeting that was shown to be conducted in violation of the law.

16) Provides that if a HOA member prevails in a civil action brought in small claims court against the HOA, the member shall be awarded court costs and reasonable attorney's fees incurred for consulting an attorney in connection with this civil action.

17) Provides that a cause of action may be brought in either the superior court or, if the amount of the demand does not exceed the jurisdictional amount of the small claims court, in small claims court, which court shall have jurisdiction to order declaratory, injunctive, equitable relief, and civil penalties.

18) Prohibits amendments to the HOA's governing documents to include amendments to the operating rules if the vote is being held by secret ballot.

19) Prohibits an HOA member from being denied a ballot to vote in an election for any reason other than not being an HOA member at the time when the ballots are distributed.

20) Requires all HOAs to change their rules to state exactly the following:

    a) "The Association shall not deny a ballot to a member for any reason other than not being a member at the time when ballots are distributed."

    b) "The Association shall not deny a ballot to a person with general power of attorney for a member."

    c) "The Association shall include the ballot of a person with general power of attorney for a member to be counted if the ballot is returned in a timely manner."

    d) "The inspector or inspectors of elections shall deliver, or cause to be delivered, at least 30 days before an election, to each member both of the following documents:

        i) The ballot or ballots.

        ii) A copy of the election operating rules. Delivery of the election operating rules may be accomplished by either of the following methods:

            (1) Posting the election operating rules to an internet website and including the corresponding internet website address on the ballot together with the phrase, in at least 12-point type: 'The rules governing this election may be found here:' or

            (2) Individual delivery."

21) Prohibits a person, including a member of the association or an employee of the management company, from opening either the first or second ballot envelope or otherwise reviewing any ballot before the time and place at which the ballots are counted and tabulated.

22) Requires the meeting minutes reporting the election results for HOA director positions to include the term for each elected director.

23) Requires the HOA board to provide individual notice, rather than general notice, of the tabulated result of the election.

24) Removes the role of inspector or inspectors of elections, so that a member of an association may bring a civil action for declaratory or equitable relief for a violation by the association, including, but not limited to, injunctive relief, restitution, or a combination thereof, not later than one year of either the date that the board notifies the membership of the election results or the cause of action accrues, whichever date is later.

25) Requires all documents constituting an agenda packet to be part of the association records.

26) Changes the definition of "association election materials" to mean any materials related to an election and includes, but is not limited to, returned ballots, signed voter envelopes, the voter list of names, parcel numbers, and voters to whom ballots were to be sent and from whom received, proxies, signature-redacted copies of voter outer envelopes, the candidate registration list, and the tally sheet of votes cast by electronic secret ballot. Signed, but unredacted signature voter envelopes may be inspected, but may not be copied.

27) Requires the association to make available the election records in the custody of an association's vendors to any member of the association or their designated representative.

28) Provides that the association may only bill the requesting member for the direct and actual cost of copying and mailing requested documents, and that there shall be no charge for the emailing of documents already in electronic format and which do not require any redacting.

29) Amends existing law to limit the instances in which an association can receive attorney's fees from the entire article 5 of Civil Code related to record inspection to just one specific section.

30) Allows a HOA member to bring action to enforce their right to inspect and copy the association records, including, but not limited to, declaratory, injunctive, and equitable relief and civil penalties. Prohibits a prevailing association from recovering any costs unless the action is found to be frivolous, unreasonable, or without foundation. Allows a member to be awarded attorney's fees.

31) Gives the small claims court jurisdiction to order declaratory, injunctive, equitable relief, and civil penalties when an HOA member brings action against an HOA to enforce their right to inspect and copy the association's records.

EXISTING LAW:

1) Requires an HOA board to provide general notice of a proposed rule change at least 28 days before adopting it. (Civil Code (CIV) 4360)

2) Requires the HOA board to deliver general notice of an adopted rule change as soon as possible, and no later than 15 days after adoption. For emergency rule changes, the notice must include the text, purpose and effect, and expiration date. (CIV 4360)

3) Authorizes the HOA board to adopt emergency rule changes without prior notice if needed to address an imminent threat to health and safety or substantial economic loss. (CIV 4360)

4) Establishes the CID Open Meeting Act (CIV 4900)

5) Prohibits the HOA board from taking action on any item of business outside of a board meeting. (CIV 4910)

6) Prohibits the HOA board from conducting meetings through a series of electronic transmissions (e.g., email), except when conducting an emergency board meeting under specific conditions. (CIV 4910)

7) Requires an HOA board to provide notice of the time and place of a board meeting at least 4 days in advance, except for:

   a) Emergency meetings (no notice required);

   b) Executive session-only meetings (notice required at least 2 days in advance); or

   c) If governing documents require a longer notice period, that longer period must be followed. This longer period does not apply to emergency or executive session-only meetings unless explicitly stated in the governing documents. (CIV 4920)

8) Requires notice of an HOA board meeting to be delivered by general delivery, and requires the notice to include the meeting agenda. (CIV 4920)

9) Authorizes an HOA board to adjourn to, or meet solely in, executive session to discuss litigation, contracts with third parties, member discipline, personnel matters and assessment payment issues at a member's request. (CIV 4935)

10) Requires the HOA board to meet in executive session for member discipline, if requested by the member, discussion of a payment plan, or to decide on whether to foreclose on a lien. (CIV 4935)

11) Requires any matter discussed in executive session to be generally noted in the minutes of the next open board meeting. (CIV 4935)

12) Requires the HOA board to make minutes, draft minutes, or a summary of any non-executive session board meeting available to members within 30 days of the meeting. (CIV 4950)

13) Requires the HOA board to distribute the minutes, draft minutes, or summary to any member upon request and reimbursement of the association's distribution costs. (CIV 4950)

14) Authorizes an HOA member to bring a civil action for declaratory or equitable relief for violations of this article within one year of the violation. (CIV 4955)

15) Entitles a prevailing member to reasonable attorney's fees and court costs, and allows the court to impose a civil penalty of up to $500 per violation (with only one penalty for identical violations affecting all members equally). (CIV 4955)

16) Prohibits a prevailing HOA association from recovering costs unless the court finds the member's action was frivolous, unreasonable, or without foundation. (CIV 4955)

17) Requires HOA elections on assessments, director elections and removals, governing document amendments, and grants of exclusive use of common area to be held by secret ballot. (CIV 5100)

18) Requires HOA election rules to:

   a) Prohibit denying a ballot to any member except those who are not members at the time of ballot distribution;

   b) Prohibit denying a ballot to someone holding a general power of attorney for a member;

c) Require ballots submitted by a person with general power of attorney to be counted if submitted on time; and

d) Require election inspectors to deliver both the ballot(s) and a copy of the election operating rules at least 30 days before the election;

i) The rules may be delivered by website (with link and specified language), individual delivery, or both, and they may not be amended less than 90 days before an election. (CIV 5105)

19) Authorizes the HOA to adopt a rule allowing elections to be conducted by electronic secret ballot using qualified inspectors, except for regular or special assessment votes. (CIV 5105).

20) Requires all votes to be counted and tabulated by the inspector(s) of elections or their designee in public at a properly noticed open board or member meeting, with the process open to observation by candidates and members. (CIV 5120)

21) Prohibits anyone, including members or management company employees, from opening or reviewing ballots or electronic vote tally sheets before the designated time and place for counting. (CIV 5120)

22) Allows inspectors to verify member information and signatures on outer envelopes before the meeting. (CIV 5120)

23) States that once received by the inspector(s), a secret ballot is irrevocable. (CIV 5120)

24) Requires election results to be promptly reported to the HOA board, recorded in the next board meeting minutes, made available to members, and noticed within 15 days. (CIV 5120)

25) Authorizes an HOA member to bring a civil action for declaratory or equitable relief (e.g., injunction, restitution) for violations of election procedures within one year of the election results notice or when the cause of action accrues, whichever is later. (CIV 5145)

26) Requires a court to void election results if the member proves noncompliance with election laws or rules, unless the HOA proves the violation did not affect the outcome; court findings must be in writing. (CIV 5145)

27) Entitles a prevailing member to reasonable attorney's fees and court costs, and allows courts to impose up to $500 in civil penalties per violation (with only one penalty per identical violation affecting all members equally). (CIV 5145)

28) Prohibits a prevailing HOA from recovering costs unless the member's action is deemed frivolous, unreasonable, or without foundation. (CIV 5145)

29) Allows actions to be brought in superior court or small claims court, with prevailing members in small claims entitled to court costs and attorney consultation fees. (CIV 5145)

30) Requires meeting agendas, minutes, and election materials to be included in an association's records. (CIV 5200)

31) Requires an HOA to make association records available for member inspection and copying. (CIV 5205)

32) Authorizes the HOA to bill the requesting member for the direct and actual cost of copying and mailing records, with prior disclosure and member agreement. (CIV 5205)

33) Prohibits HOA records and member information from being sold or used for commercial or unrelated purposes, and both the HOA and individual members may seek injunctive relief, damages, and attorney's fees for violations, including the unauthorized sale or transmission of personal information. (CIV 5230)

34) Enforces the right to inspect and copy HOA records by bringing legal action if access is unreasonably denied. If a court finds the HOA withheld records without justification, it must award the member reasonable costs and attorney's fees, and may impose a civil penalty of up to $500 for each separate written request. File in small claims court if the demand is within its jurisdiction. A prevailing HOA may recover costs only if the court finds the action to be frivolous, unreasonable, or without foundation. (CIV 5235)

FISCAL EFFECT: Unknown.

COMMENTS:

Author's Statement. According to the author, "With California having over 50,000 homeowners associations, it is essential there is transparency and accountability from the HOA with regard to its individual members. AB 21 will increase transparency and accountability in HOAs through numerous policies that would require recording of meetings, disclosure of litigation and actions having to do with insurance, minimum requirements for meeting minutes, and other code cleanup."

Common Interest Developments. There are over 50,000 CIDs in the state that range in size from three to 27,000 units, with the average CID having 286 residents. CIDs make up roughly 4.7 million housing units, and 36% of Californians (over 14 million Californians) live in a CID. These rates are even higher for homeowners, with approximately 65% of homeowners living in a CID. CIDs include condominiums, community apartment projects, housing cooperatives, and planned unit developments. They are characterized by a separate ownership of dwelling space coupled with an undivided interest in a common property, restricted by covenants and conditions that limit the use of common area, and the separate ownership interests and the management of common property and enforcement of restrictions by a HOA. CIDs are governed by the Davis-Stirling Common Interest Development Act (the Act) as well as the governing documents of the association including bylaws, declaration, and operating rules.

Davis-Stirling Common Interest Development Act. The Act went into effect in 1986 and is the primary body of law governing CIDs in California. The Act provides the legal framework for the creation and management of HOAs, including rules related to governance, assessments, dispute resolution, maintenance responsibilities, and member rights. The law aims to balance the authority of HOAs with the rights of individual property owners, ensuring that communities are managed efficiently and fairly.

Over time, the Davis-Stirling Act has been amended to address the evolving needs of CIDs and to increase transparency, accountability, and consumer protections. Key provisions include

requirements for open meetings, financial disclosures, election procedures, and architectural review processes. The Act also provides mechanisms for resolving disputes, including internal dispute resolution and alternative dispute resolution before certain legal actions can proceed. As CIDs continue to represent a significant portion of California's housing stock, the Davis-Stirling Act plays a critical role in shaping the living environment and governance of millions of residents across the state.

Common Interest Development Open Meeting Act. The CID Open Meeting Act, first enacted in 2004, and significantly reorganized in 2012, enhances transparency and accountability in the governance of HOAs by establishing requirements for open board meetings. The CID Open Meeting Act mandates that, with limited exceptions, all meetings of the board of directors must be open to association members, and it sets clear rules for notice, access, and member participation. This law was enacted in response to growing concerns about HOA boards conducting business without sufficient input or visibility from the broader membership, and is functionally a Brown Act for HOA Boards.

Over time, the Legislature has refined and expanded the CID Open Meeting Act to improve transparency and adapt to changes in communication technology. For example, amendments have clarified that board meetings conducted via teleconference or videoconference must allow members to attend remotely, and that meeting notices must include instructions on how to participate. The law also requires general notice of board meetings to be given at least four days in advance (or two days in the case of executive sessions), typically by posting in a prominent location within the development or via other methods such as mail or email if agreed upon by the member (through an opt-in process). Additional provisions govern emergency meetings, executive sessions, and the ability of members to address the board. These evolving requirements reflect a broader legislative intent to protect homeowner rights and ensure that board decision-making processes remain open and accessible.

This bill would establish the Homeowner Association Accountability and Transparency Act of 2025, amending many portions of the Davis-Stirling Act and the CID Open Meeting Act. The stated purpose of this bill is to increase transparency and accountability to HOA members through numerous policies that would require recording of meetings, disclosure of litigation and actions having to do with insurance, minimum requirements for meeting minutes, and other code cleanup.

While increased transparency and accountability and worthy goals, the Committee may wish to consider whether the approach proposed in this bill strikes the right balance of promoting accountability and transparency while also minimizing the costs on homeowners in these HOAs. Some of the costly measures proposed by this bill include:

1) Requiring individual notice of rule changes and election results, rather than general notice. Under current law, there is a general notice requirement, meaning the HOA Board must individually contact each HOA member, rather than posting about or publicizing these changes or results in a centralized location. While this would increase awareness, it would also be costly, especially for larger HOAs. Email notification, while cost effective, is an "opt-in" process under the Act, not "opt-out." As such, HOAs may be required to mail out hundreds to thousands of notices to members to report these changes or results.

2) Requiring all open session meetings of the board to be electronically recorded. Different associations have different membership sizes and budgets. While some HOAs are professionally managed, others are run by volunteer boards. Obtaining the funding and capabilities to record these meetings may be costly and difficult for some HOAs.

3) Requiring meeting minutes to include information such as whether any board directors left early or reentered, rationale behind board actions and decisions, statements that support board directors following fiduciary duties, among other new meeting minute requirements. Some of the listed requirements in CIV 4950 would be difficult to comply with and may set HOAs up for litigation should one of the detailed and specific requirements not be met.

4) Requiring each HOA to adopt new rules that use the exact language proposed in CIV 5105, rather than the existing requirement that requires HOAs to have rules that do everything proposed in the language. This would make all HOAs update their rules when the rules should already be doing these things.

5) Requiring associations to keep signature-redacted outer envelopes of votes as part of their election materials for subsequent inspection.

The Committee may also wish to consider how the provisions of this bill work in the broader context of the existing Davis-Stirling Act and CID Open Meeting Act. Some provisions of this bill, as proposed, are duplicative of existing law, redundant, or confuse the legislative intent of prior bills. In some instances, clean up may be required in order to better align the provisions of this bill with the technical terms in the field. For example, terms like "agenda packet" are used, when the technical term is a "board packet." The Committee may also wish to consider amending the language included in CIV 4910 to better reflect the provisions of the Brown Act regarding member communication outside of board meetings to ensure increased transparency and accountability within an existing legal framework. Further, this bill proposes adding a new section (CIV 4921) as well as CIV 4955 and 5235, which fall under the purview of the Judiciary Committee. For timing purposes, amendments to those sections, proposed in consultation with the Judiciary Committee and author's office, are included in this analysis for consideration.

Committee Amendments: The Committee may wish to consider the following amendments to balance increased transparency and accountability with the above policy considerations, and to maintain some of the existing provisions recently added to the CID Open Meeting Act:

CIV 4360:

- Delete all changes except for the new text in (e), but change from individual notice to general notice, as follows:

  (e) If an emergency rule change is made under subdivision (d), the ~~***individual***~~ ***general*** notice about the rule change shall include the text of the rule change, a description of the purpose and effect of the rule change, and the date when the rule change will expire.

CIV 4910

(c) A majority of the members of the board shall not, outside a meeting authorized by this article, ~~***conduct***~~ ***use a series of*** communications of any kind, directly or through

intermediaries, to discuss, deliberate, or take action on any item of business that is within the subject matter jurisdiction of the board.

CIV 4920

(d) Notice of a board meeting shall contain the agenda for the meeting, with instructions on how a member may get a copy of the ~~agenda~~ ***board*** packet for the open session portion of the meeting.
~~(e) The agenda for any open meeting shall include the wording of the proposed motions and resolutions.~~
~~(f)~~
(e) A member may request in writing that a copy of the documents constituting the agenda packet of the board meetings be mailed either by postal mail or electronically to that member. Upon receipt of the written request, the association shall cause the requested materials to be mailed when the agenda is posted or distributed to all or a majority of the directors, whichever occurs first. The association may not charge more than the actual costs of copying and mailing the documentation.

CIV 4921

(a) If an association becomes involved in litigation, ***files a claim on one of its insurance policies or substantially amends an existing insurance policy the board shall provide notice to the of such an occurrence as a part of the annual budget report distributed to members pursuant to Section 5300.*** ***~~announce the litigation at its subsequent meeting. The meeting minutes shall state the~~ name of the court and the case number.***
(b) Any member receiving notice pursuant to (a) may request the name of the court and case number of any litigation.
~~If an association files a claim on one of its insurance policies, the board shall announce the claim at its subsequent meeting. The meeting minutes shall state the type of insurance, the insurance carrier, and the policy number.~~
~~(c) If a change to an insurance policy has occurred, as described in Section 5810, the board shall announce the change at its subsequent meeting. The meeting minutes shall state the type of insurance, the insurance carrier, the policy number, and describe the change.~~

CIV 4941

(a) ***If*** open session meetings of the board ***are*** ***~~shall~~*** ~~be~~ electronically recorded using audio, or audio and video, ***~~and~~*** the recordings shall be considered a record of the association, which shall be made available to members on the same basis as written meeting minutes.

CIV 4950

(b) The minutes, or proposed minutes, shall include, but not be limited to, all of the following:
(1) Date of the meeting.
(2) Time of the meeting.
(3) Location of the meeting.
(4) The type of meeting, such as regular, special, emergency, executive, or committee.
(5) Whether notice and an agenda of the meeting was given to the membership.

(6) Names of directors present.
(7) Names of absent directors.
(8) Whether members are also present, and names and titles of any guest speakers. ~~***Members***~~ ***Members'*** names are not required, and no member may be compelled to give their name in order to attend an open meeting of an association, unless the member speaks at the meeting.
~~***(9) Whether a quorum of directors was established.***~~
~~***(10) Whether the board directors left early or reentered the meeting.***~~
~~***(11) The wording of any approvals, resolutions, acceptance of any reports, or motion adopted by the board, and including who moved, who seconded, and how each director voted.***~~
~~***(12) Rationale for board actions and decisions.***~~
~~***(13) Summary of major arguments.***~~
~~***(14) Statements that support board directors following fiduciary duties.***~~

CIV 4955

(a) ***(1)*** A member of an association may bring a civil action for ~~***relief, including, but not limited to,***~~ declaratory or equitable relief ~~***or a combination thereof,***~~ for a violation of this article by the association, ***including, but not limited to, injunctive relief, restitution, or a combination thereof,*** within one year of the date the cause of action accrues.
(2) A court may void any action taken by the board at a meeting that was shown to be conducted in violation of the provisions of this article.
(b) A member who prevails in a civil action to enforce the member's rights pursuant to this article shall be entitled to reasonable attorney's fees and court costs, and the court may impose a civil penalty of up to five hundred dollars ($500) for each violation, except that each identical violation shall be subject to only one penalty if the violation affects each member equally. A prevailing association shall not recover any costs, unless the court finds the action to be frivolous, unreasonable, or without foundation. ~~***If a member prevails in a civil action brought in small claims court, the member shall be awarded court costs and reasonable attorney's fees incurred for consulting an attorney in connection with this civil action.***~~
~~***(c) A cause of action under this section may be brought in either the superior court or, if the amount of the demand does not exceed the jurisdictional amount of the small claims court, in small claims court, which court shall have jurisdiction to order declaratory, injunctive, equitable relief, and civil penalties, as specified in subdivisions (a) and (b).***~~

CIV 5100

~~***(g) No member shall be denied a ballot for any reason other than not being a member at the time when the ballots are distributed.***~~

CIV 5105

Strike this section from the bill.

CIV 5120

(a) All votes shall be counted and tabulated by the inspector or inspectors of elections, or the designee of the inspector or inspectors of elections, in public at a properly noticed open meeting of the board or members. Any candidate or other member of the association

may witness the counting and tabulation of the votes. A person, including a member of the association or an employee of the management company, shall not open ***~~either the first or second ballot envelope~~*** or otherwise review any ballot before the time and place at which the ballots are counted and tabulated. The inspector or inspectors of elections, or the designee of the inspector or inspectors of elections, may verify the member's information and signature on the outer envelope prior to the meeting at which ballots are tabulated. Once a secret ballot is received by the inspector or inspectors of elections, it shall be irrevocable.

(b) The tabulated results of the election shall be promptly reported to the board and shall be recorded in the minutes of the next meeting of the board and shall be available for review by members of the association. For the election results for director positions, the meeting minutes shall state the term for each elected director.

(c) Within 15 days of the election, the board shall give ***~~individual~~*** ***general*** notice pursuant to Section 4045 of the tabulated results of the election.

(d) A person, including a member of the association or an employee of the management company, shall not open or otherwise review any tally sheet of votes cast by electronic secret ballots before the time and place at which the ballots are counted and tabulated.

~~For the elections of director positions, the individual notice shall state the term for each elected director~~

CIV 5145

Strike this section from the bill.

CIV 5200

Strike this section from the bill.

CIV 5205

(a) The association shall make available association ***~~records, including election records in custody of an association's vendors~~***, *records* for the time periods and within the timeframes provided in Section 5210 for inspection and copying by a member of the association, or the member's designated representative.

CIV 5230

Strike this section from the bill.

CIV 5235

(a) *(1)* A member may bring an action to enforce that member's right to inspect and copy the association ~~records.~~ ***records, ~~including, but not limited to, for declaratory, injunctive, and equitable relief and civil penalties.~~*** If a court finds that the association unreasonably withheld access to the association records, the court shall award the member reasonable costs and expenses, including reasonable attorney's fees, and may assess a civil penalty of up to five hundred dollars ($500) for the denial of each separate written request. ~~**A prevailing association may not recover any costs unless the action is found to be frivolous, unreasonable, or without foundation.**~~

(2) The court may award a prevailing party any remedy specified in subdivision (b) of Section 4955.
~~***If a member prevails in a civil action brought in small claims court, the member shall be awarded court costs and reasonable attorney's fees incurred for consulting an attorney in connection with this civil action.***~~
(b) A cause of action under this section may be brought in small claims court if the amount of the demand does not exceed the jurisdiction of that court. ~~***In that case, the small claims court shall have jurisdiction to order declaratory, injunctive, equitable relief, and civil penalties, as specified in subdivision (a).***~~

Arguments in Support: None on file.

Arguments in Opposition: The Community Associations Institute – California Legislative Action Committee (CAI-CLAC) writes in opposition: "AB 21 makes sweeping changes across multiple sections of the Davis-Stirling Act, including—but not limited to—modifications regarding board meetings, recordkeeping, elections, member notices, and internal dispute resolution processes. These changes interfere with the ability of associations to adopt rules that reflect the unique needs and values of their communities. By preempting local discretion and imposing a one-size-fits-all approach, AB 21 diminishes the principle of self-governance that has long guided successful community association operations in California.

In addition, several provisions of the bill will directly increase administrative and legal costs for homeowners associations (HOAs), most of which are operated by volunteer boards with limited resources. Requirements such as expanded notice obligations, restructured governance procedures, and mandated dispute processes will necessitate legal consultation, staff training, and possible amendments to governing documents—all of which impose new financial burdens on homeowners."

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

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

California Association of Community Managers
CFT- a Union of Educators & Classified Professionals, AFT, AFL-CIO
Community Associations Institute – California Legislative Action Committee

Analysis Prepared by: Dori Ganetsos / H. & C.D. / (916) 319-2085

Date of Hearing: April 24, 2025

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
AB 87 (Boerner) – As Amended March 17, 2025

SUBJECT: Housing development: density bonuses: mixed-use developments: short-term rentals

SUMMARY: Requires housing development projects utilizing state Density Bonus Law (DBL) to contain at least 70% residential square footage, with no square footage being used for short term rentals. Specifically, **this bill**:

1) Provides that an applicant shall be ineligible for a density bonus or any other incentive or concession under DBL unless the applicant agrees, and the local government ensures, that a land use restriction or covenant is recorded to the property providing that the resulting housing development will not contain any units that are listed for short-term rental.

2) Defines a "mixed-use development," for purposes of qualifying to use DBL, as a development that meets both of the following criteria:

    a) At least 70% of the proposed square footage is designated for residential uses; and

    b) No square footage of the proposed development is designated for use as a hotel, motel, bed and breakfast inn, or other visitor-serving purposes.

3) Defines a "short-term rental" as a residential dwelling, or any portion of the dwelling unit, that is rented out for 30 consecutive days or less.

4) Makes conforming changes to cross references to DBL in other areas of Government Code (GOV).

EXISTING LAW:

1) Establishes Density Bonus Law, which requires local governments to grant a density bonus when an applicant for a housing development, defined as a development containing "five or more residential units, including mixed-use developments," seeks and agrees to construct a project that will contain at least one of the following:

    a) 10% of the total units of a housing development for lower-income households;

    b) 5% of the total units of a housing development for very low-income households;

    c) A senior citizen housing development or mobile home park;

    d) 10% of the units in a common interest development (CID) for moderate-income households;

    e) 10% of the total units for transitional foster youth, veterans, or persons experiencing homelessness;

f) 20% of the total units for lower-income students in a student housing development; or

g) 100% of the units of a housing development for lower-income households, except that 20% of units may be for moderate-income households. (GOV 65915)

2) Requires local governments to grant a density bonus ranging from 20% to 50% for rental developments that include a minimum percentage of units affordable to very low-, low-, or moderate-income households, with the bonus increasing on a sliding scale based on the level of affordability provided. For 100% affordable rental developments, the law provides a bonus of up to 80%, along with additional incentives such as increased height limits, reduced parking requirements, and modified development standards if the project is located within ½ mile of a major transit stop or in a low vehicle miles traveled (VMT) area. In certain cases, 100% affordable projects in qualifying areas may be allowed unlimited density. (GOV 65915)

3) Provides that, upon the developer's request, the local government may not require parking standards greater than the parking ratios specified in DBL. (GOV 65915)

4) Requires applicants to receive concessions and incentives depending on the percentage of affordable housing included in the proposed development. (GOV 65915)

5) Provides that, in no case may a local government apply any development standard that will have the effect of physically precluding the construction of a development at the densities or with the concessions or incentives permitted by DBL. (GOV 65915)

FISCAL EFFECT: Unknown.

COMMENTS:

Author's Statement: According to the author, "AB 87 ensures Density Bonus Law is being applied as it was intended, to increase California's affordable housing stock to meet increasing needs. Density Bonus Law is a tool that is meant to encourage the construction of units for low income Californians. However, there is currently a loophole in DBL that allows developers to gain incentives while not meaningfully contributing to affordable housing. In my district, a project application was submitted that allowed the development to exceed the city's height limit, a proposed 238-foot tower adding 139 hotel rooms and only 10 affordable units. California needs affordable housing options, and we need to hold developers using DBL to the intent of the law, which is to increase access to affordable housing for hard-working Californians."

California's Housing Crisis: California's housing crisis is a half-century in the making. [1] After decades of underproduction, supply is far behind need, 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

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

in the state.[2] One in three households in the state doesn't earn enough money to meet their basic needs.[3] In 2024, over 187,000 Californians experienced homelessness on a given night.[4]

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 6th 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.[5]

The state's housing crisis is not equally experienced by all Californians. Testimony by the UC Berkeley Terner 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.[6]

Density Bonus Law: California's Density Bonus Law (DBL), originally enacted in 1979, is a key state policy tool aimed at addressing the financial challenges of building affordable housing, particularly in in high-cost markets. Given the state's elevated land and construction costs, the private market struggles to deliver housing that is affordable to low- and moderate-income households without public subsidy. An analysis by the California Housing Partnership compares the cost of market rate developments with the median cost of developing affordable rental homes. In the four regions analyzed, the study found that the cost of developing one unit of affordable housing ranged from approximately $480,000 to $713,000, while the cost of developing one unit of market rate housing in the state ranged from approximately $508,000 to $637,000.[7] The increased cost for the affordable units can be attributed, in part, to the difficulty associated with assembling a capital stack for affordable housing development, the complex regulations that these affordable units must comply with, and the added cost of labor requirements tied to certain funding sources used by affordable housing developers.

DBL seeks to close some of the financial gaps associated with building affordable housing by allowing developers to build more units than local zoning laws typically permit, known as a "density bonus," in exchange for reserving a certain percentage of the housing units as affordable. This increased density allows the fixed costs of development to be spread across more units, helping to offset the lower returns from the affordable units, and reducing the need for direct public subsidy. Under current law, any housing development proposing five or more units, including mixed-income developments, can take advantage of the provisions of DBL.

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[2] IBID.
[3] IBID.
[4] 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
[5] https://www.hcd.ca.gov/policy-research/housing-challenges.shtml
[6] UC Berkeley Terner Center Testimony by Ben Metcalf, Managing Director, at the State Housing Production Legislation: Actions, Outcomes, and Opportunities Informational Hearing, February 12, 2025
[7] Mark Stivers, *Affordable Housing Compares Favorably to Market-Rate Housing From a Cost Perspective*, California Housing Partnership, January 2024: https://chpc.net/affordable-housing-compares-favorably-to-market-rate-housing-from-a-cost-perspective/#:~:text=It%20turns%20out%20that%20costs,market%2Drate%20developments%20do%20not.

Under DBL, when a mixed-income housing development includes a minimum percentage of affordable units, such as 5% very low-income or 10% lower-income, it becomes eligible for a density bonus starting at 20%, with the potential to increase up to 50%, depending on the proportion of affordable units provided. 100% affordable projects can qualify for up to an 80% density bonus, or unlimited density if the proposed development is within ½ mile of a major transit stop, or located in a very low vehicle travel area. Developers are also entitled to receive additional benefits, including up to five regulatory incentives or concessions, such as relaxed design standards, increased floor area ratio (FAR), and reduced parking requirements. These incentives are critical for making affordable housing projects financially feasible.

To qualify for a density bonus, a project must include one of several affordability options, including providing units for lower-income, very low-income, or moderate-income households, or targeting specific populations such as seniors, transition-age foster youth, disabled veterans, or lower-income college students. All affordable units built under DBL must be deed-restricted for at least 55 years to ensure long-term affordability. Importantly, even if a local government has not formally adopted a density bonus ordinance, it is still legally obligated to comply with state law and grant the bonuses and concessions to qualifying projects as requested by developers.

In practice, DBL plays a critical role in the state's housing strategy, both by reducing development costs and by increasing the overall supply of housing at all income levels, particularly in communities that might otherwise see little affordable housing development. By leveraging regulatory flexibility instead of direct public funding, DBL offers a cost-effective mechanism to stimulate the production of both mixed-income and 100% affordable housing projects throughout California.

Tower at the Beach: In recent years, as DBL has been expanded to increase its efficacy and the amount of bonuses, incentives, and concessions, it has come under increased scrutiny regarding its intersection with local planning regulations. In San Diego, a proposed 22-story project at 970 Turquoise Street serves as an interesting case study on the intersection of state and local laws. The project developer is taking advantage of the project vesting provisions established under SB 330 (Skinner), Chapter 654, Statutes of 2019, in combination with DBL, a local San Diego density bonus program, and a unique-to-San Diego hotel provision to propose a 239' tall building where ordinarily a 30' height limit would apply. The site's 30' height limit was established by a 1972 voter initiative, Proposition D, which created San Diego's Coastal Height Limit Overlay Zone (not to be confused with California's Coastal Zone).

The site is locally zoned CC-4-2, which permits high-density commercial uses and limited residential development. Under this zoning, only 31 residential units would typically be allowed on the 0.67-acre site. However, by designating 15% of those base units (five units) for very-low-income households, the developer qualifies for a 50% density bonus under DBL, allowing for 16 additional market-rate units. A second 50% bonus, enabled by AB 1287 (Alvarez), Chapter 775, Statutes of 2023, which went into effect on January 1, 2024, was granted for the inclusion of another five units for moderate-income households. This added 16 more market-rate units. In total, DBL increased the project's residential count by 32 units, in exchange for 10 affordable units, raising the unit count from 31 to 63 units. Additionally, the project leverages local incentives under San Diego's municipal code to access 11 more residential units, through a local density bonus, because the proposal includes three-bedroom units. This brings the total number of residential units to 74.

The remaining 139 "units" included in the proposed development at 970 Turquoise Street are hotel rooms, classified as "visitor accommodations," which are allowed by-right under San Diego's commercial zoning for the site. The developer requested an incentive to the Floor Area Ratio (FAR) requirements of the City's municipal code to increase the project size and financial feasibility, and applied the entirety of that FAR incentive to the "commercial" component of the site (the hotel rooms). This is how the nearly 240' development in a zone with a 30' height limit came to be.

Notably, these hotel units are not intended for short-term tourist stays. Under the version of San Diego's local municipal code in effect at the time the developer submitted its preliminary application, visitor accommodations could legally be rented for more than 30 days, essentially allowing them to be used as housing units. The developer intends to use this provision to operate the hotel rooms, which will include kitchens, as long-term market-rate rental housing. Although San Diego has since updated its development code to prohibit the long-term rental of visitor accommodations, the project is vested under the prior rules under SB 330. As such, the new restrictions on using hotel rooms for long-term rentals do not apply to 970 Turquoise.

In total, the combination of DBL, San Diego's local bonus program, and San Diego's unique provision which previously allowed for the long-term rental of hotel units, resulted in this "213 residential unit" proposal that was not contemplated under San Diego's local planning regulations, in exchange for 10 affordable units under DBL. DBL directly unlocked an extra 32 market-rate units in exchange for the 10 affordable units. San Diego's own bonus program provided an extra 11 units. Finally, the provisions of San Diego's municipal code that allowed hotel units to function as apartment units unlocked an extra 139 "units" once the FAR incentive provided under DBL was applied to the hotel use.

Reining in DBL: In direct response to the aforementioned development proposal at 970 Turquoise Street in San Diego, two bills were introduced this legislative session by San Diego members in order to limit the applicability of DBL. This bill is one of those. Under current law, any developments (mixed-use or 100% residential) proposing 5 or more units are eligible to take advantage of DBL. This bill would instead stipulate that in order to qualify for DBL, mixed-use developments must contain at least 70% residential square footage. Furthermore, this bill would prevent DBL from being used on any mixed-use projects that contain a hotel, motel, bed and breakfast inn, or other visitor-serving purpose, even if those mixed-use developments otherwise meet the 70% residential threshold. Lastly, this bill would require developers using DBL to record a deed restriction to the property stipulating that none of the units in the proposed development will ever be used for short-term rentals.

This bill raises numerous policy considerations. Certainly, the case study at 970 Turquoise Street provides an extreme example of the potential intersection between DBL and local municipal code provisions, however, it is not clear that the answer is to limit the applicability of DBL based on a residential square footage threshold. The portion of DBL that helped the building envelope expand was the fact that the FAR incentive that the developer achieved through DBL was applied to the proposed commercial use (the hotel units).

The Committee may wish to consider amending the bill so that for mixed-use projects containing hotel uses, any incentives or concessions granted under DBL can only be applied to the residential component and not the hotel use, rather than limiting DBL in the way this bill proposes. This approach better targets the core issue, namely, the use of a residential incentive to

significantly expand the hotel square footage. In the case of 970 Turquoise Street, the developer applied the entire FAR incentive derived from affordable housing commitments to the hotel portion of the project, which ultimately enabled a tower nearly 240 feet tall in a zone with a 30-foot height limit. Rather than revising DBL in a way that could broadly restrict mixed-use projects with meaningful housing components, prohibiting incentives or concessions from going towards hotel uses would still allow for mixed-use development, while ensuring that the regulatory relief granted through DBL primarily serves its intended purpose: facilitating the development of affordable housing.

This more precise policy adjustment could preserve the integrity and flexibility of DBL for residential builders while addressing the factor that enabled the outsize hotel development for 970 Turquoise Street. Furthermore, this amendment may help to ensure that DBL can still be used for larger developments and mixed-use projects, such as the revitalization of struggling shopping malls and commercial centers, which are experiencing high vacancy rates due to the shift towards online shopping and remote work.

Arguments in Support: UNITE HERE International Union, writes in support: "The hospitality industry is one of California's largest economic drivers, employing a significant portion of our workforce, including housekeepers, cooks, servers, and other service professionals. These workers, many of whom are low-wage earners, face extreme difficulty finding housing near their places of employment due to skyrocketing rents and limited availability of affordable homes. When density bonus incentives are diverted to hotel developments instead of residential housing, our members and their families are left with fewer options and forced into long, costly commutes that further strain their financial stability and well-being.

AB 87 rightly refocuses DBL incentives on residential projects by requiring that at least 70% of the square footage in mixed-use developments be dedicated to housing, while explicitly prohibiting the use of these incentives for hotels, motels, bed and breakfasts, and other visitor-serving facilities. This reform aligns with the original legislative intent of DBL and ensures that our communities benefit from much-needed affordable housing instead of commercial developments that do not address the urgent needs of working Californians."

Arguments in Opposition: The Home Building Alliance, including the California Building Industry Association, The Two Hundred, SPUR, and the Housing Action Coalition, write in opposition unless amended: "For decades, SDBL has been used as a tool to incentivize private developers to include below market-rate affordable housing in their developments in exchange for additional density, concessions and waivers of development standards to ensure the additional housing can fit on the lot and the project will be financially feasible.

In fact, just in the past few years the Legislature has strengthened and expanded the SDBL to maximize delivery of much-needed mixed-income housing to the extent possible. Among these projects are mixed-use developments of various sizes that often have both a significant commercial ***and*** residential component.

However, the proposed legislation would mandate that all SDBL projects include at least 70% residential square footage and, as written, would inhibit the very kind of walkable, mixed-use urban villages we should be fostering and promoting.

We need to revitalize struggling shopping malls and commercial centers by renovating them and adding housing, however, AB 87 would unfairly prohibit most such mixed-use projects from receiving a density bonus."

Committee Amendments: The Committee may wish to consider the following amendments:

6) Strike the current provisions of the bill, and instead add this language to DBL:

   For a mixed-use housing development containing commercial uses such as a hotel, motel, bed and breakfast inn, or other visitor-serving purpose, none of the incentives or concessions granted pursuant to subdivision (d) may be applied to the portion of the proposed development containing hotel, motel, bed and breakfast inn, or other visitor-serving purpose use.

Related Legislation:

SB 92 (Blakespear) of this legislative session would require housing development projects utilizing DBL to comply with a two-thirds housing requirement. The bill passed out of the Senate Housing Committee with a 9-1 vote and will be heard in the Senate Local Government Committee on 4/23/2025.

SB 838 (Durazo) of this legislative session would amend the definition of a "housing development project" for purposes of the Housing Accountability Act (HAA) to require that no portion of the project is designated for use as a hotel, motel, bed and breakfast inn, or other transient lodging.

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

Bird Rock Community Council
Coronado Democratic Club
Jennifer Campbell Councilmember, Second District, City of San Diego
Neighbors for a Better California
Unite Here International Union, AFL-CIO

Opposition

California Building Industry Association *(unless amended)*
Housing Action Coalition *(unless amended)*
SPUR *(unless amended)*
The Two Hundred *(unless amended)*

Analysis Prepared by: Dori Ganetsos / H. & C.D. / (916) 319-2085

Date of Hearing: April 24, 2025

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
AB 255 (Haney) – As Amended April 21, 2025

SUBJECT: The Supportive-Recovery Residence Program

SUMMARY: Creates a process for abstinence-based housing for people experiencing homelessness to comply with the Core Components of Housing First and receive up to 25% state funding to local jurisdictions for homelessness. Specifically, **this bill**:

1) Includes the following definitions:

    a) "Supportive-recovery residence" (SRR) to mean housing in a residence that serves individuals experiencing, or who are at risk of experiencing, homelessness and who have substance use disorders and that does all of the following:

        i) Satisfies the core components of Housing First pursuant to Section 8255 of the Welfare and Institutions Code;

        ii) Uses substance-use-specific, peer support, and physical design features supporting individuals and families on a path to recovery from substance use disorders;

        iii) Emphasizes abstinence; and

        iv) Offers tenants permanent housing only.

    b) "Housing first model" means housing that satisfies the core components of Housing First pursuant to Section 8255 of the Welfare and Institutions Code.

2) Requires the Department of Health Care Services (DHCS) to adopt the most recent standards approved by the National Alliance for Recovery Residences (NARR), the Substance Abuse and Mental Health Services Administration, or other equivalent standards as the minimum standard for SRR that receive public funding.

3) Provides that an SRR that is certified by an organization currently recognized as an affiliate of NARR and has adopted the standards approved by NARR, including a requirement that a federally approved opioid overdose reversal medication be readily available in case of an onsite opioid overdose emergency, may be presumed to have met the minimum best practices operating requirement adopted by DHCS.

4) Requires DHCS to establish a process for determining if the SRR complies with the core components of Housing First.

5) Authorizes DHCS to charge a fee for certification of SRRs in an amount not to exceed the reasonable cost of administering the program, not to exceed $1,000.

6) Provides that a county is not prohibited from requiring quality and performance standards that are similar or exceed the standards adopted by DHCS when contracting for SRRs.

7) Allows a certifying organization that provides recognition, registration, or certification for SRR to enter into a memorandum of understanding with a county for the purpose of determining if the county's requirements meet or exceed its minimum requirements.

8) Allows a state department or agency to allow programs to fund certified SRR, so long as the state program meets all of the following requirements:

   a) At least 75% of program funds awarded to each jurisdiction from a notice of funding availability (NOFA) is used for housing or housing-based services using a harm-reduction model;

   b) A grantee under the program, prior to awarding sub grants, to confirm that the sub grantee has achieved successful outcomes in promoting housing retention, similar to rates of housing retention as harm-reduction programs;

   c) The state performs periodic monitoring of select SRRs to ensure that they comply with the following:

      i) The SRR otherwise complies with all other components of Housing First in this section, including low barrier to entry;

      ii) Participation in a program is self-initiated;

      iii) Core outcomes emphasize long-term housing stability and minimize returns to homelessness;

      iv) Policies and operations ensure individual rights of privacy, dignity and respect, and freedom from coercion and restraint, as well as continuous, uninterrupted access to the housing;

      v) Holistic services and peer-based recovery supports are available and directly communicated to all program participants along with services that align with participants' choice and prioritization of personal goals of sustained recovery and abstinence from substance use;

      vi) The housing abides by local and state landlord-tenant laws governing grounds for eviction;

      vii) Relapse is not a cause for eviction from housing and tenants receive relapse support;

      viii) Eviction from a SSR shall only occur when a tenant's behavior substantially disrupts or impacts the welfare of the recovery community in which the tenant resides. A tenant may apply to reenter the housing program if expressing a renewed commitment to living in a housing setting targeted to people in recovery with an abstinence focus. Presence of a roommate or roommates shall not be a valid basis for eviction;

      ix) If a tenant is no longer interested in living in a supportive-recovery residence model or the tenant is at risk of eviction, the housing program provides assistance in

accessing housing operated with harm-reduction principles that is also permanent housing. If an eviction proceeding is initiated for an alleged violation of a lease provision agreement as described under viii) above, the sub grantee shall submit documentation of the alleged lease violation to the local continuum of care (CoC) and any other grantor; and

x) The individual or family is also offered at least one harm-reduction housing placement option and the individual or family chooses a SRR over housing offering a harm-reduction approach. The harm-reduction housing placement option and SRR do not have to be available for move-in at the same time.

9) Requires that if a tenant is no longer interested in living in a SRR model or the tenant is at risk of eviction, the housing program provides assistance in accessing housing operated with harm-reduction principles that is also permanent housing. If an eviction proceeding is initiated for an alleged violation of a lease provision agreement, a sub grantee shall submit documentation of the alleged lease violation to the local CoC and any other grantor.

EXISTING LAW:

1) Establishes the California Interagency Council on Homelessness (Cal-ICH) with the purpose of coordinating the state's response to homelessness by utilizing Housing First practices. (Welfare and Institutions Code (WIC) Section 8255)

2) Requires agencies and departments administering state programs created on or after July 1, 2017 to incorporate the core components of Housing First. (WIC 8255)

3) Defines "Housing First" to mean the evidence-based model that uses housing as a tool, rather than a reward, for recovery and that centers on providing or connecting homeless people to permanent housing as quickly as possible. Housing First providers offer services as needed and requested on a voluntary basis and that do not make housing contingent on participation in services. (WIC 8255)

4) Defines, among other things, the "core components of Housing First" to mean:

   a) Acceptance of referrals directly from shelters, street outreach, drop-in centers, and other parts of crisis response systems frequented by vulnerable people experiencing homelessness;

   b) Supportive services that emphasize engagement and problem-solving over therapeutic goals and service plans that are highly tenant-driven without predetermined goals;

   c) Participation in services or program compliance is not a condition of permanent housing tenancy;

   d) Tenants have a lease and all the rights and responsibilities of tenancy, as outlined in California's Civil, Health and Safety, and Government codes; and

e) The use of alcohol or drugs in and of itself, without other lease violations, is not a reason for eviction. (WIC 8255)

5) Defines "recovery residence" to mean a residential dwelling that provides primary housing for individuals who seek a cooperative living arrangement that supports personal recovery from a substance use disorder and that does not require licensure by the department or does not provide licensable services. Provides that a recovery residence may include, but is not limited to, residential dwellings commonly referred to as "sober living homes," "sober living environments," or "unlicensed alcohol and drug free residences." (HSC 11833.05)

FISCAL EFFECT: Unknown.

COMMENTS:

Author's Statement: According to the author, "Although housing that does not require sobriety works for thousands of people who aren't yet ready to enter drug free housing, it doesn't work for everyone. There are thousands of people who want, and need, to live in a strictly sober living arrangement, but they can't access it because this type of housing is limited and hard to find. This causes people to live in housing that is not best suited for their sobriety journey and puts them at a higher risk of falling back into homelessness. AB 255 aligns California policy with federal guidelines by recognizing that drug free housing is a component of the housing first model and should get some statewide funding."

Homelessness in California: Based on the 2024 point in time count, 187,000 people experience homelessness on any given night California. Many of those people, 78%, or 143,900 are unsheltered, meaning they are living outdoors and not in temporary shelters. Nearly half of all unsheltered people in the country were in California during the 2024 count. Homelessness grew at a higher rate in the nation (18%) than in California (3%) from 2023 to 2024, driven by a 25% jump in sheltered homeless in the US compared to 9% in California. The homelessness crisis is driven by the lack of affordable rental housing for lower income people. In the current market, 2.2 million extremely low-income and very low-income renter households are competing for 664,000 affordable rental units. Of the six million renter households in the state, 1.7 million are paying more than 50% of their income toward rent. The National Low Income Housing Coalition estimates that the state needs an additional 1.5 million housing units affordable to very-low income Californians.

Housing First: Housing First is an evidence-based model that uses housing as a tool, rather than a reward, for recovery and that centers on connecting people experiencing homelessness to permanent housing as quickly as possible. Housing First is not housing only – people are offered services including mental health support, job training, and substance use treatment that are essential for maintaining long-term stability and preventing returns to homelessness. These supportive services are offered to support people with housing stability and individual well-being, but participation is not required as services have been found to be more effective when a person chooses to engage.

Housing First is a bipartisan, evidence-based approach that was first adopted as federal policy during the George W. Bush Administration. Various studies support the efficacy of Housing First as a policy that ends homelessness. Evidence from a systematic review of 26 studies indicates that Housing First programs decreased homelessness by 88% and improved housing

stability by 41%, compared to programs that require treatment first as a condition of housing. Clients in stable housing experienced better quality of life and showed reduced hospitalization and emergency department use. [1]

Three major studies of the Pathways to Housing program – one of the first Housing First programs in the U.S. – found that Housing First programs were more successful in reducing homelessness than abstinence-based programs. Seventy-nine percent of participants remained stably housed at the end of six months in Housing First programs, compared to 27% in the control group. After two years, Housing First participants spent almost no time experiencing homelessness, while participants in the city's residential treatment program spent on average 25% of their time experiencing homelessness. Participants in the Housing First model obtained housing earlier, remained stably housed after 24 months, and reported higher perceived choice than participants in abstinence-based programs. After five years, 88% of Pathways to Housing participants remained housed, compared to only 47% of the residents in the control group.[2]

In 2016, The Denver Supportive Housing Social Impact Bond Initiative (Denver SIB), found that people who had experienced long-term homelessness, who struggled with mental health and substance use and who received supportive housing coupled with Housing First over treatment first spent significantly more time in housing. Most participants stayed housed over the long term with 86% remaining housed for over one year, 81% for two years, and 77% for three years. Denver SIB also demonstrated that stable, supportive housing can decrease police interactions and arrests and disrupt the homelessness-jail cycle. Denver SIB participants experienced a 34% reduction in police contacts, 40% reduction in arrests, 30% reduction in unique jail stays, and a 27% reduction in total jail days. [3]

The High Cost of Housing: The high cost of housing is the cause of homelessness in California. Other states with higher rates of overdose but lower costs of housing report much lower rates of homelessness. West Virginia leads overdose deaths per capita but has one of the lowest homelessness rates in the country. A study by the National Low Income Housing Coalition found that West Virginia has 50 affordable and available rental homes for every 100 extremely-low-income households, more than double the number that California has. A family in West Virginia can afford a two-bedroom rental on less than $17 an hour – the second-lowest figure in the nation. In California a family would need more than $40 per hour to be able to afford an average two-bedroom rental.

California needs an additional 2.5 million units of housing to meet the state's need, including 643,352 for very low-income households and 394,910 for lower income households. Since 2018, California has permitted 890,000 units of new housing, with 126,000 of those being low- and very low-income units. The Legislature has passed major legislation in recent years to allow affordable housing to be built on almost any site in the state. However, the lack of housing overall and in particular the continued lack of sufficient affordable housing is a problem that is decades in the making.

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[1] https://pmc.ncbi.nlm.nih.gov/articles/PMC8513528/

[2] https://nlihc.org/sites/default/files/Housing-First-Evidence.pdf#:~:text=%E2%80%93%20Evidence%20from%20a%20systematic%20review%20of,showed%20reduced%20hospitalization%20and%20emergency%20department%20use.

[3] https://www.urban.org/research/publication/breaking-homelessness-jail-cycle-housing-first-results-denver-supportive-housing-social-impact-bond-initiative

Millions of Californians, who are disproportionately lower income and people of color, must make hard decisions about paying for housing at the expense of food, health care, child care, and transportation—one in three households in the state doesn't earn enough money to meet their basic needs**.** Currently, according to HDIS data, for every five individuals who access homelessness services in California, only one is housed each year, leaving four unhoused.

California Statewide Study of People Experiencing Homelessness (CASPEH): The University of California San Francisco Benioff Housing and Homelessness Institute conducted the CAPSEH, the largest representative study of homelessness since the mid-1990s and the first large-scale representative study to use mixed methods (surveys and in-depth interviews). They administered questionnaires to nearly 3,200 participants and conducted in-depth interviews with 365 participants. Their report provides evidence to help shape the state's policy response to homelessness. The median age of participants was 47 (range 18-89). Participants who report a Black (26%) or Native American or Indigenous identity (12%) were overrepresented compared to the overall California population. Thirty-five percent of participants identified as Latino/x The report found that people experiencing homelessness in California are Californians. Nine out of ten participants lost their last housing in California; 75% of participants lived in the same county as their last housing.

The median monthly household income in the six months prior to homelessness across all CASPEH participants was $960. Almost all participants met criteria to be considered "extremely low-income" or making less than 30% of the Area Median Income. Participants' inability to afford housing was both the underlying cause of homelessness and the primary barrier to their returning to housing. Evidence and interviews with people who are experiencing homelessness shows that a small amount of shallow subsidy could keep people from falling into homelessness. This finding was true throughout California, not only in the high-cost coastal regions.

Twenty percent of participants who reported current regular substance use indicated that they wanted treatment, but were unable to receive it. Evidence shows that substance use treatment is most effective among those who choose to engage with it. A higher proportion of individuals who used substances regularly live in unsheltered environments. There is a need for increased access for those who want it, particularly those in unsheltered settings. Promising models for low-barrier, outreach-focused services (including medication treatment) should be expanded.

Statue Funding to Address Substance Use: In March of 2024, the voters approved Proposition 1 to provide additional resources to treat people with behavioral health challenges and substance use disorders. The bond authorized $6.4 billion in bonds to finance behavioral health treatment beds, supportive housing, community sites, and funding for housing veterans with behavioral health needs. The Department of Health Care Services (DHCS) will administer $4.4 billion of these funds for grants to public and private entities for behavioral health treatment and residential settings. $1.5 billion of the $4.4 billion will be awarded only to counties, cities, and tribal entities, with $30 million set aside for tribes.

Recovery Housing: Under existing law, "recovery housing" or "sober living homes" are residential dwellings that provide cooperative living in a residential dwelling that support an individual's personal recovery from a substance use disorder. These homes are not licensed by DHCS or any other state or local government. This bill seeks to create a new category of "supportive recovery residence" (SRR) for people who are homeless or at risk of experiencing homelessness who have mental health or substance abuse issues. Recovery housing, as currently

defined under existing law, is not required to comply with Housing First requirements, although some may do so. This bill would require a SRR to comply with Housing First, which means that although the provider of the housing could emphasize abstinence, an individual would be offered options and would choose recovery housing over housing offering a harm-reduction approach; participation would be self-initiated; relapse is not a cause for eviction from housing and tenants receive relapse support; and policies and operations must ensure individual rights of privacy, dignity and respect, and freedom from coercion and restraint, as well as continuous, uninterrupted access to housing. By incorporating the principles of Housing First, an evidence-based approach to housing, supportive recovery residences will ensure greater success for individuals to remain housed.

Federal Department of Housing and Urban Development (HUD) Guidance: [In 2015 HUD provided guidance to CoCs regarding the expected and effective operation of the subset of HUD-funded recovery housing programs to strengthen performance and improve the achievement of outcomes by these programs. HUD stated their intent was not to require CoCs to fund recovery housing but rather, in deciding whether to fund recovery housing, to consider the local conditions including the existing housing inventory, the need, and the preferences of people being served. HUD's guidance emphasized the need to provide people the option to choose either recovery housing or a harm-reduction models.

Housing First requires that housing providers follow landlord-tenant laws and that participants have a lease. HUD's guidance for recovery housing maintains this requirement and states that relapse should not be a reason for eviction and if people are evicted for "behavior that substantially disrupts or impacts the welfare of the recovery community," individuals must be offered a harm-reduction option for housing. This is key to ensuring that people do not fall back into homelessness and waste valuable state and local resources.

This bill would allow up to 25% of funding available to address homelessness in each county to go toward SRR as long as 75% of funds go toward housing using a harm-reduction model. The harm reduction model is an approach aimed at minimizing the negative consequences associated with high-risk behaviors, particularly substance use, and adheres to Housing First.

This bill incorporates the major components of HUD's guidance. People could not be evicted solely for relapse, they would be required to have a lease, and a SRR would have to comply with landlord-tenant law. If a person is evicted, the SRR would be required to connect them with housing that follows a harm-reduction model. Finally, at the time of entering housing, people experiencing homelessness would have to be offered a choice between SRR – which emphasizes sobriety – and harm-reduction housing (permanent supportive housing). SRRs would need to be certified by DHCS to qualify for funding. DHCS would certify that SRRs have in place the policies to conform to Housing First as outlined by this bill.

Arguments in Support: According to San Francisco Mayor Daniel Lurie, a co-sponsor of this bill, "San Francisco currently has more than 3,600 shelter beds and crisis intervention units, as well as 11,500 permanent supportive housing units. These exist alongside outreach and prevention initiatives, relocation assistance, emergency housing vouchers, subsidies, and a robust coordinated entry system. Every night, the City puts a roof over the head of approximately 20,000 people, who would otherwise be living on the streets. Despite our extensive system-it is not enough. Putting an end to homelessness is going to take a multi-faceted approach, so that we can provide every individual with the treatment and housing that they need to recover. One of

my top priorities is to drastically expand the number of shelter beds and crisis interventions in our City, so that we can get everyone off of the street and into housing. Additionally, a key piece of this system is abstinence-based housing for those who are in the midst of their recovery journey. We have to expand abstinence-based options; we never want someone to worry about jeopardizing their recovery in exchange for a roof over their head."

Arguments in Opposition: The County of Santa Clara writes in opposition, "While AB 255 attempts to prevent automatic eviction for individuals in abstinence-based housing who relapse, the County remains concerned that people will return to homelessness at a higher rate than those who participate in Housing First programs. Additionally, local governments are facing extreme uncertainty from the federal budget that will affect core funding and basic operations of safety net services. While we wait for decisions from Congress, counties are bracing for significant impacts, and any deviation of funds will impede our progress toward the development and opening of additional permanent supportive housing. In summary, the County believes AB 255 weakens the Housing First approach to ending homelessness and particularly at a time of scarce resources, is concerned about any diversion of funds towards approaches that are not evidence-based. For these reasons, the County must respectfully oppose AB 255 in its current form."

Related Legislation:

AB 2479 (Haney) (2024) Adds requirements for recovery housing to meet to qualify for state funding under the Housing First definition. This bill was held in Senate Housing Committee.

AB 2893 (Ward) (2024) Establishes a certification process for recovery homes and adds a standard for recovery homes that meets the state's Housing First requirements. This bill was held in Senate Appropriations Committee.

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

REGISTERED SUPPORT / OPPOSITION:

Support

Bay Area Council (Sponsor)
Mayor Daniel Lurie, City and County of San Francisco (Sponsor)
The Salvation Army (Co-Sponsor)
California Catholic Conference
Code Tenderloin
Gensler
Golden Gate Restaurant Association (GGRA)
LeadingAge California
Mayor Matt Mahan, City of San Jose
Mid Market Community Benefit District
North Bay Leadership Council
Tenderloin Housing Clinic
Union Square Alliance
United Playaz

Opposition

County of Santa Clara

Analysis Prepared by: Lisa Engel / H. & C.D. / (916) 319-2085

Date of Hearing: April 24, 2025

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
AB 413 (Fong) – As Introduced February 4, 2025

SUBJECT: Department of Housing and Community Development: guidelines: translation

SUMMARY: Requires the Department of Housing and Community Development (HCD) to translate guidelines that explain rights or services available to the public into any non-English languages spoken by a substantial number of non-English-speaking people.

EXISTING LAW:

1) Provides that HCD has various powers including the power to provide bilingual staff in connection with services of the department and make available departmental publications in a language other than English when necessary to effectively serve groups for which the services or publications are made available. (Health and Safety Code Section 50406)

2) Defines a "substantial number of non-English-speaking people" are members of a group who either do not speak English, or who are unable to effectively communicate in English because it is not their native language, and who comprise 5% or more of the people served by the statewide or any local office or facility of a state agency. (Government (GOV) Code Section 7296.2)

3) Authorizes HCD to review, adopt, amend, or repeal guidelines to implement uniform standards or criteria that supplement or clarify the terms, references, for the implantation of statute governing accessory dwelling units (ADUs). (GOV 66327)

FISCAL EFFECT: Unknown.

COMMENTS:

Author's Statement: According to the author, "California continues to be plagued by its housing crisis, short millions of the units needed to begin to reduce the burden of housing costs. This has contributed to homelessness, eroded our quality of life, and stifled our economy. Recent changes in housing law have reduced barriers to building new units and created pathways and opportunities for households to increase their financial stability while building housing, but awareness of these changes and resources are low, especially among minorities and non-English households.

California has long recognized the right of citizens to be able to communicate with their governments, that language barriers denied citizens of rights and benefits to which they would otherwise be entitled, and declared that we should provide for effective communication with people who are precluded from utilizing public services because of language barriers. To continue to make progress in our housing efforts and access to public information, AB 413 requires the Housing and Community Development Department evaluate its publications and translate materials as required under the law. AB 413 delivers language justice in addition to economic justice while tackling one of our state's greatest crises."

Background: HCD administers many of the state's affordable housing funding programs and oversees the state's land use policy. The department has authority to draft guidelines and regulations to implement funding programs and land use bills. The main user of HCD programs are local governments and affordable housing developers. In a few cases HCD provides guidance to the public on rights and services.

Over the past eight years, the Legislature has created a robust policy to encourage the production of ADUs. ADUs are second units a homeowner can build on their property and rent out, use to house an elderly parent or college age child, or use as additional space to accommodate their family. In 2016, AB 2299 (Bloom) and SB 1069 (Wieckowski), permitted ADUs by-right on all residentially-zoned parcels in the state. By permitting an ADU as a second unit on all single-family lots, these laws effectively doubled their allowed density. Recent ADU legislation is having a significant impact. Prior to the Legislature requiring ministerial approval of ADUs in 2017, ADUs were less than 1% of permitted new construction. Now they are approximately 20%, meaning one in five homes constructed is an ADU. According to cities and counties' Annual Progress Reports, nearly 25,000 ADUs were permitted statewide in 2022.

According to a report published by the UC Terner Center for Housing and Innovation, while ADUs represent an opportunity to build wealth as well as housing, racial and socioeconomic disparities and barriers exist to building ADUs for many low- and moderate-income BIPOC households.[1] The report found: "major obstacles to ADU construction include prohibitive costs coupled with a lack of financing options. Other substantial barriers include the complexity of the process, insufficient local support and access to information, unclear regulations that make it difficult to know how or what to build, and concerns about dealing with tenants or having the unit torn down. To lower these barriers and facilitate the construction of ADUs among low- and moderate-income BIPOC homeowners, policymakers should invest in building the capacity of existing community organizations and programs that provide education, community outreach and technical assistance to these homeowners, encourage local and state agencies to reduce fees and streamline permitting to reduce the cost and complexities of building an ADU, and share solutions that make it easier to bring unpermitted units up to code."

HCD created an ADU Handbook to help the public understand their rights and options in building ADUs. The handbook was updated as recently as January 2025. Providing this handbook in multiple languages could help to facilitate the construction of more ADUs and help to alleviate the state's affordable housing crisis.

***Threshold languages and IHSS*:** Over 200 languages are spoken in California, and approximately 44% of Californians over the age of four live in households where a language other than English is sometimes or always spoken. The Dymally-Alatorre Bilingual Services Act, added by Chapter 1182, Statutes of 1973, states that it is the intention of the Legislature to "provide for effective communication between all levels of government in this state and the people of this state who are precluded from utilizing public services because of language barriers" (GOV 7291). This Act requires state agencies that are directly engaged in providing information and/or services to a "substantial number" of non-English-speaking individuals to take a number of steps to ensure that information and services are provided in languages other

[1] ADUs for All: Breaking Down Barriers to Racial and Economic Equity in Accessory Dwelling Unit Construction, Terner Center and Center for Community Innovation Report • August 2022

than English. These steps include, among others, translating certain materials into any non-English language spoken by a substantial number of the public served by the agency. The Act defines a "substantial number of non-English-speaking people" to mean members of a group "who either do not speak English, or who are unable to effectively communicate in English because it is not their native language, and who comprise five percent or more of the people served by the statewide or any local office or facility of a state agency" (Government Code Section 7296.2).

The languages in which materials and information must be provided to meet the standards of the Dymally-Alatorre Bilingual Services Act or similar requirements are often referred to as "threshold languages." Different programs and localities may establish varying threshold languages. However, counties may establish other threshold languages.

Arguments in Support: According to the Westside for Everyone, a supporter of this bill, "To facilitate the application of state housing laws, the California Department of Housing and Community Development (HCD) produces handbooks, guides, and other resources available to the public. These materials, including explanations on utilizing state laws to construct ADUs and other housing types, are currently available only in English. Recognizing California's linguistic diversity, with approximately 44% of residents over the age of five speaking a language other than English at home, HCD introduced a Language Access Plan in July 2022 to provide equitable language assistance to community partners and customers. Despite this initiative, key resources like the ADU handbook remain untranslated, limiting their accessibility for non-English-speaking residents."

Arguments in Opposition: None on file.

Related Legislation:

AB 401 (Chiu) (2021): Would have required all standard information employee pamphlets to be provided in any language that is a Medi-Cal threshold language in any county, and required EDD to translate its online website. This bill died in in Senate Appropriations Committee.

AB 1848 (Bauer-Kahan) (2022): Would have required school districts, public and charter schools to send all records in the primary language other than English when the primary language is one of the two most commonly spoken languages, is spoken by 15% or more of the pupils enrolled, or is spoken by 15% or more of the residents in any county. This bill died in Assembly Education Committee.

REGISTERED SUPPORT / OPPOSITION:

Support

California YIMBY (Sponsor)
California Community Builders
Casita Coalition
Fremont for Everyone
House Sacramento
Pathway to Tomorrow

Redlands YIMBY
Student Homes Coalition
Ventura County YIMBY
Westside for Everyone

Opposition

None on file.

Analysis Prepared by: Dori Ganetsos / H. & C.D. / (916) 319-2085

Date of Hearing: April 24, 2025

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
AB 507 (Haney) – As Introduced February 10, 2025

SUBJECT: Adaptive reuse: streamlining: incentives

SUMMARY: Establishes the Office to Housing Conversion Act, creating streamlined, ministerial approvals process for adaptive reuse projects, as defined, and provides certain financial incentives for the adaptive reuse of existing buildings. Specifically, **this bill**:

1) Defines the following terms related to the adaptive reuse investment incentive program:

    a) "Adaptive reuse investment incentive funds" means an amount up to or equal to the amount of ad valorem property tax revenue allocated to a participating local agency, excluding certain revenue transfers, from the taxation of an adaptive reuse project property that is in excess of the qualified adaptive reuse project property's valuation at the time of the proponent's initial request for funding;

    b) "Program" refers to a city or county-run incentive funding program for adaptive reuse, as established in this bill; and

    c) "Proponent" is defined as the applicant for construction permits of adaptive reuse projects who will own or lease the property upon completion. Proponents receiving capital investment incentives through an adaptive reuse investment incentive fund may provide for the payment to the lessee of any portion of adaptive reuse investment incentive funds received.

2) Authorizes local governments to establish an adaptive reuse investment incentive program, as specified:

    a) Beginning in fiscal year 2026-27, the governing body of a local government may establish an adaptive reuse investment incentive fund;

    b) Cities or special districts can contribute an amount equal to their allocated property tax revenue from the increased value of the adaptive reuse project, but not the actual property tax allocation, through the adaptive reuse investment incentive program; and

    c) Proponents of qualified adaptive projects can receive incentive funds, upon written request by the proponent and approval by the local government, for up to 30 years, starting the fiscal year after the project is issued a certificate of occupancy.

3) Establishes the Office to Housing Conversion Act (Act).

4) Defines "adaptive reuse" for the purposes of the Act as the retrofitting and repurposing of an existing building to create new residential or mixed uses, including office conversion projects, provided that "adaptive reuse" projects do not include the retrofitting or repurposing of:

i) Any light industrial use, unless the planning director or equivalent position of a local government determines that the specific light industrial use is no longer useful for industrial purposes; and

ii) Any hotels, or any mixed-use buildings that contain hotel use, except if that hotel use has been discontinued for five years from the effective date of this bill.

5) Authorizes local governments to adopt implementing ordinances for the Act, as long as the ordinances are consistent with, and do not inhibit the objectives of this bill.

6) Establishes a streamlined, ministerial approval process for adaptive reuse projects using the Act, as follows:

a) Deems an adaptive reuse project a use by right in all zones, regardless of the underlying zoning, and subjects them to the streamlined, ministerial review process, except that:

i) The nonresidential uses of a proposed mixed-use adaptive reuse project must be consistent with the land uses allowed by the zoning or a continuation of an existing zoning nonconforming use; and

ii) Any tourist hotel uses of a proposed adaptive reuse project is subject to the existing approval processes required by that local jurisdiction;

b) Provides that the Act can only be used on a legal parcel in a city and county if part of the city and county meets the U.S. Census Bureau definition of an urban area, or in an unincorporated area if the parcel itself is wholly within the boundaries of an urbanized area. Further provides that at least 75% of the perimeter of the site must adjoin parcels developed with urban uses, and the site must be 20 acres or less; and

c) Specifies that the adaptive reuse project must comply with any of the following applicable standards related to historic preservation and evaluation. The project must:

i) Be proposed in an existing building that is less than 50 years old;

ii) Follow specific historic preservation protocols for projects proposed for an existing building that is listed on a local, state, or federal register of historic resources; or,

iii) Complete a preliminary application at the local level if the project is proposed for a building older than 50 years old. If the local government determines that the site contains a historic resource during this preliminary application, the project must follow the historic protocols specified in (ii).

7) Provides that projects under the Act must comply with whichever of the following housing affordability requirements is higher, and based on whether the project will contain ownership or rental units:

a) For rental housing: 8% of the units for very low income (VLI) households and 5% for extremely low income (ELI) households, or 15% of the units for lower income households;

b) For ownership housing: 30% of the units for moderate-income households, or 15% for lower income households; or

c) The local affordable housing requirement, unless the local rental affordable housing requirement exceeds 15% of the units and does not require any VLI or ELI units, in which case the development shall do both of the following:

i) (I) Include 8% of the units for VLI households and 5% of the units for ELI households; and

ii) Subtract 15% of units affordable to lower-income households from the percentage of units required by the local policy at the highest required affordability level.

8) Provides that the affordable units developed pursuant to 7) must be substantially similar to the market rate units and evenly distributed throughout the development.

9) Requires at least 50% of the square footage of the adaptive reuse project to be for residential use, exclusive of any underground space.

10) Requires the local government to require the development proponent to complete a Phase I environmental assessment as a condition of approval.

11) Prohibits a local government from imposing any local development standards on a project under this Act that would require the alteration of the existing building envelope, unless required by the local building code.

12) Prohibits a local government from requiring car parking if there is no existing on-site parking. Allows bicycle parking to be required if it is feasible to add to the site.

13) Permits rooftop structures that exceed any applicable height limit imposed by the local government, so long as the rooftop structure does not exceed one story and is used for shared amenities.

14) Specifies that projects under the Act are eligible to take advantage of Density Bonus Law (DBL), but the development is not eligible for a density bonus waiver or incentive that would increase the height above what is allowed in 13).

15) Allows adaptive reuse structures to include the development of new residential or mixed-use structures on undeveloped areas and parking areas on the parcels adjacent to the proposed adaptive reuse project site if all of the following requirements are met:

a) The adjacent portion of the project complies with:

i) Objective zoning, subdivision, and design review standards as they existed either when the development application was submitted or when a notice of intent was filed, whichever is earlier. Objective standards are defined as those that do not require subjective judgment and can be uniformly verified against external benchmarks;

ii) The Affordable Housing and High Road Jobs Act of 2022; or,

iii) The Middle Class Housing Act of 2022.

b) The adjacent portion of the project is on a legal parcel in an urbanized area or urban cluster, and at least 75% of the perimeter of the site is adjoined with urban uses;

c) The adjacent portion of the project is not located in an environmentally sensitive zone;

d) The adjacent portion of the project complies with tenant protection provisions;

e) The applicant and local agency comply with the preapplication requirements;

f) Any existing open space on the proposed project site is not a contributor to a historic resource; and

g) The adjacent portion of the project shall be eligible for a density bonus, incentives or concessions, waivers or reductions of development standards, and parking ratios pursuant to DBL.

16) Applies the following requirements to adaptive reuse projects proposed in buildings over 50 years old:

a) Requires a developer to submit a notice of intent to the local government prior to applying for an adaptive reuse project involving a building over 50 years old and not listed on any historic registers. This notice is a preliminary application containing all required details as specified;

b) Provides the local government with 90 days upon receiving the notice, to assess the site for historic significance;

c) Requires the developer to commit via affidavit, if the building is listed on a historic register, or deemed a significant historic resource, to comply with the U.S. Secretary of the Interior's Standards for Rehabilitation or secure relevant historic rehabilitation tax credits (federal or state);

i) If the developer does not provide the affidavit for a project on a registered historic site, the local government may process the application under standard procedures of the Act, but the local government can deny or conditionally approve the project based on potential impacts to historic resources; and

ii) Local agencies can impose conditions to lessen impacts on historic resources in line with the Secretary of the Interior's Standards for Rehabilitation, but cannot impose other conditions of approval not related to the historic preservation component.

d) Establishes that the review of an adaptive reuse project under these rules does not classify it as a "project" under CEQA.

17) Applies the following review processes to all adaptive reuse projects under the Act:

a) Requires a local government to approve an adaptive reuse project meeting the objective planning standards specified in the regulations in a streamlined, ministerial process within a certain timeframe;

b) Requires a local government to document the reasons for any conflicts with the objective planning standards, and provide this documentation to the development proponent within specified timeframes:

   (1) 60 days for projects with less than or equal to 150 housing units; and

   (2) 90 days for projects with greater than 150 units;

c) Deems a project to satisfy the objective planning standards if the local government fails to provide the required documentation within the specified timeframes;

d) Considers a project consistent with objective planning standards if there is substantial evidence that would allow a reasonable person to conclude that the project is consistent with the objective planning standards. The local government cannot base its decision on the basis of materials not submitted with the application if the existing materials provide substantial evidence of compliance;

e) Requires all relevant local government departments to comply with the following requirements and timelines when an application for streamlined, ministerial approval is submitted:

   i) Design reviews must be objective and focused only on assessing compliance with the criteria required for streamlined projects under the Act;

   ii) Design review, and if all standards are met, approval, must be completed within 90 days for projects with less than or equal to 150 units, and 180 days for larger ones; and

   iii) That design review shall be objective and be strictly focused on assessing compliance with criteria required for streamlined projects. It shall not inhibit, chill, or preclude ministerial approval;

f) Allows development proponents to request modifications to adaptive reuse projects approved before the final building permit is issued. Modifications must be consistent with the objective planning standards in effect when the original application was submitted, with some exceptions. The local government evaluates modifications for consistency using the objective criteria as the original project approval, and the review of modifications benefits from a streamlined, ministerial process. Local governments must make decisions on modifications within 60 days, or 90 days if design review is required;

g) Establishes that project approvals remain valid for three years, extendable by a one-time, one year if substantial progress is demonstrated, unless the following conditions are met:

   i) If the project includes public investment in housing affordability beyond tax credits, or at least 20% of the units are affordable to households making at or below 80 percent of the area median income, then the project approvals shall not expire; and

   ii) If the qualified adaptive reuse project proponent requests a modification, then the time during which the approval shall remain valid shall be extended for the number of days between the submittal of a modification request and the date of its final

approval, plus an additional 180 days to allow time to obtain a building permit. If litigation is filed relating to the modification request, the time shall be further extended during the litigation;

h) Prohibits local governments from imposing automobile parking standards on the adjacent portion of the project if it meets specific conditions, such as proximity to public transit or location within historic districts. If the conditions specified in the Act are not met, parking requirements cannot exceed one space per unit;

i) Requires local governments to issue subsequent permits (such as demolition, grading, and building permits) for approved adaptive reuse projects in the manner specified. The processing of these permits should occur without unreasonable delays and without imposing any additional requirements that are not typically required for other projects. The review and approval of subsequent permits must adhere to the objective standards that were applicable when the original project application was submitted, unless the project proponent agrees to updated standards;

j) If a project involves public improvements like sidewalks, driveways, utility connections, etc., on local government land, the local government is required to approve these improvements without using discretionary powers. The local government must evaluate these public improvement applications based on the objective standards in effect at the time of the original project submission. The review should be conducted in the same manner as it would for any other project;

k) Prohibits local governments from imposing special requirements solely because the project has streamlined or ministerial approval. They must also avoid unnecessary delays in reviewing and approving these public improvement applications;

l) Prohibits a local government from imposing any requirements, such as increased fees inclusionary housing requirements, that do not apply to other housing developments that do not receive streamlined, ministerial approvals;

m) Exempts adaptive reuse projects from all impact fees that are not directly related to the impacts resulting from the change of use of the site from nonresidential to residential or mixed use. Any fees charged shall be proportional to the difference in impacts caused by the change of use. This does not apply to any adjacent portion of the project; and

n) Requires proponents of adaptive reuse projects to sign a contract committing to pay designated fees within a specified timeframe. The obligation to pay fees benefits the local government imposing them and is enforceable by them, even if they are not a party to the contract.

18) Gives Department of Housing and Community Development (HCD) enforcement authority over the Office to Housing Conversion Act.

EXISTING LAW:

1) Requires HCD to convene a working group to identify challenges to, and opportunities to support, the creation and promotion of adaptive reuse residential projects by December 31, 2025. (Health & Safety Code (HSC) Section 17921.9)

2) Establishes, pursuant to AB 1490 (Lee), Chapter 764, Statutes of 2023, a ministerial, streamlined approval process for the adaptive reuse of buildings into 100 percent affordable housing. (Government Code (GOV) Section 65913.12)

3) Establishes, pursuant to SB 423 (Wiener), Chapter 778, Statutes of 2023, a streamlined, ministerial approval process, not subject to CEQA, for certain infill multifamily affordable housing projects that are compliant with local zoning and objective standards and that are proposed in local jurisdictions that have not met their regional housing needs allocation. (GOV 65913.4)

4) Establishes, pursuant to AB 2011 (Wicks), Chapter 647, Statutes of 2022, a streamlined, ministerial approval process, not subject to CEQA, for certain infill multifamily affordable housing projects that are located on land that is zoned for retail, office, or parking. (GOV 65912.100-65912.140)

5) Establishes, pursuant to SB 6 (Caballero), Chapter 659, Statutes of 2022, the Middle Class Housing Act of 2022, allowing residential uses on commercially zoned property without requiring a rezoning. (GOV 65852.24)

6) Authorizes HCD to enforce state housing laws. (GOV 65585)

FISCAL EFFECT: Unknown.

COMMENTS:

Author's Statement: According to the author, "COVID-19 permanently altered the way humans approach work. In the post pandemic era, many businesses realized that developments in technology allow them to move away from the 9 to 5, commuter model that kept downtown office buildings full of people during the work week. As the capital of technological innovation, California has been particularly impacted by this transition as more and more tech companies shift to offering remote work as a benefit to their employees.

A major downside to this transition is California's emptying downtown business districts. Office vacancies across the state have hit record highs with Los Angeles and San Francisco both reaching over 30% vacancy rates. Many economists are theorizing that unless local and state governments act quickly, downtowns may be facing a doom-loop scenario with empty, devalued buildings leading to a severe decrease in local government tax bases, leading to decreased services and blight. Office to housing conversion is a win-win scenario that builds housing, preserves historic buildings, and creates new thriving communities in transit rich areas. California needs to get out of its own way and make office to housing conversions as easy as humanly possible. This bill does exactly that."

California's Housing Crisis: California's housing crisis is a half-century in the making. [1] After decades of underproduction, supply is far behind need 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

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

in the state.[2] One in three households in the state doesn't earn enough money to meet their basic needs.[3] In 2024, over 187,000 Californians experienced homelessness on a given night.[4]

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 6th 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.[5]

The state's housing crisis is not equally experienced by all Californians. Testimony by the UC Berkeley Terner 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.[6]

Adaptive Reuse: Adaptive reuse is the process of converting an existing non-residential building to housing. The ability to adaptively reuse a building is highly dependent on the initially designed use. For example, uses such as warehouses and big box retail could not functionally be adaptively reused, because their tall ceilings, single stories, and rudimentary plumbing would need to be completely reconstituted to be appropriate for human habitation. Office buildings maintain some potential for conversion, because their multi-floor layout is conducive to housing; however, the large floor plate configuration of most office buildings makes it difficult to provide the necessary light and air that is required for residential units throughout 100% of the building's square footage. For these conversions to occur, it would also need to be financially attractive to the property owner – something that has recently increased due to the sharp downturn in the downtown office market since the beginning of the COVID-19 pandemic.

According to an April 24, 2020 brief published by McKinsey and Company, the onset of COVID-19 has aggravated the existing challenges that the retail sector faces, including:

1) A shift to online purchasing over brick-and-mortar sales;

2) Customers seeking safe and healthy purchasing options;

3) Increased emphasis on value for money when purchasing goods;

4) Movement towards more flexible and versatile labor; and

5) Reduced consumer loyalty in favor of less expensive brands.

The buildings most readily converted to housing are hotels and motels. These uses are already divided into quarters designed for short-term human habitation, and units can readily be

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[2] IBID.
[3] IBID.
[4] 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
[5] https://www.hcd.ca.gov/policy-research/housing-challenges.shtml
[6] UC Berkeley Terner Center Testimony by Ben Metcalf, Managing Director, at the State Housing Production Legislation: Actions, Outcomes, and Opportunities Informational Hearing, February 12, 2025

converted to housing with the addition of kitchens. The viability of this conversion is visible in the success of Project Homekey, which has created over 15,000 units of housing to date, with a cost of approximately $306,000 per unit - substantially less than the current cost to build newly constructed housing. Notably, this bill excludes the retrofitting or repurposing of any hotel uses under the Act, unless the hotel use was discontinued for at least 5 years before this bill would go into effect.

A local example of successful adaptive reuse can be found in the City of Los Angeles' Adaptive Reuse Ordinance (ARO). ARO has been a significant policy tool in revitalizing underused buildings within the city's downtown area. Introduced in 1999, the Ordinance was specifically designed to facilitate the conversion of existing commercial buildings into residential or mixed-use properties. By easing certain local requirements, the ARO has enabled developers to transform vacant or underutilized office buildings, theaters, and other commercial structures into vibrant residential units, contributing to urban density and reducing the need to build on undeveloped land. Notably, the Ordinance has been quite successful in adding housing stock to the city; since its inception, the ARO has led to the creation of over 12,000 residential units in downtown Los Angeles by some estimates, significantly impacting the local housing market and revitalizing the historic core of the city.

This bill would establish a streamlined, ministerial review and approval process for adaptive reuse projects that contain at least 50% residential uses. This bill aims to facilitate the conversion of underutilized commercial buildings into housing through adaptive reuse. It would establish a streamlined, ministerial approval process for qualifying projects, exempting them from the CEQA and certain impact fees, thereby reducing bureaucratic hurdles and costs. It would also designate adaptive reuse projects as a "use by right" in all zoning districts in urban areas, eliminating the need for conditional use permits and further expediting development if the proposed residential use conflicts with any local plans, zoning ordinances, or other regulations. This bill includes affordability requirements, ensuring that a portion of the units are reserved for lower-income households. The bill would also allow for the new construction of mixed-use developments on vacant or underutilized parcels adjacent to an adaptive reuse project.

Local governments would be required to approve an adaptive reuse project that met the bill's specifications in an expedited timeframe. Under this bill, local governments can also “opt-in” to establishing an adaptive reuse investment incentive fund, through which they could give the developer financial incentives equivalent to up to 30 years of property tax revenues (but not a direct tax break). By simplifying the approval process and providing financial incentives, these measures encourage the efficient transformation of existing structures into much-needed housing, promoting sustainable urban development and helping to address California's housing shortage.

Recent State Efforts to Address the Housing Crisis: In recent years, the state has taken a series of steps to address land use and regulatory constraints to new housing production. These include polices such as allowing accessory dwelling units by right,[7] reforming single-family zoning,[8] and reforming the process local governments use to determine how much, where, and how to plan for

[7] AB 2299 (Bloom), Chapter 735, Statutes of 2016 and SB 1069 (Wieckowski), Chapter 720, Statutes of 2016.
[8] SB 9 (Atkins), Chapter 162, Statutes of 2021.

housing.[9] The state has also enacted measures to expedite the approval of certain housing projects. This includes measures to make supportive housing a by-right use,[10] and make affordable and market-rate housing by right in jurisdictions where housing production is below identified targets.[11] This also includes measures to regulate and normalize the housing approval process,[12] and limit the ability of local governments to deny, delay, or diminish projects that otherwise meet all of the local objective standards.[13] These recent efforts included the passage of AB 2011 (Wicks), Chapter 647, Statutes of 2022, also known as the Affordable Housing and High Road Jobs Act of 2022. AB 2011 went into effect on July 1, 2023. AB 2011 allows housing development in areas that are zoned for parking, retail, or office buildings, and provides eligible developments with a streamlined, ministerial approvals process. This bill would build on these other efforts by making residential adaptive reuse in urban areas a use by-right, and establishing a streamlined and ministerial process for these reviews.

Cost of Building Housing: It is expensive to build housing in California. The UC Berkeley Terner Center finds that challenging macroeconomic conditions, including inflation and high interest rates, affect the availability and cost of capital, resulting in rising costs for labor and materials.[14] Furthermore, workforce and supply shortages have exacerbated the already high price of construction in California, and economic uncertainty has made equity partners and lenders apprehensive about financing new housing development proposals.[15]

A 2025 study found that California is the most expensive state for multifamily housing production, in part due to the long timeline it takes to go from an application to an approved project.[16] This report found that longer production timelines are strongly associated with higher costs, and the time to bring a project to completion in California is more than 22 months longer than the average time required in Texas.[17]

A separate analysis by the California Housing Partnership compares the cost of market rate development prototypes developed by the Terner Center with the median cost of developing affordable rental homes. In the four regions analyzed, the study found that the cost of developing one unit of affordable housing ranged from approximately $480,000 to $713,000, while the cost of developing one unit of market rate housing in the state ranged from approximately $508,000 to $637,000.[18] The increased cost for the affordable units can be attributed, in part, to the difficulty associated with assembling a capital stack for affordable housing development, the

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[9] This includes many bills, including AB 72 (Santiago), Chapter 370, Statutes of 2017, AB 1397 (Low), Chapter 375, Statutes of 2017, SB 166 (Skinner), Chapter 367, Statutes of 2017, AB 686 (Santiago) Chapter 958, Statutes of 2018, AB 1771 (Bloom) Chapter 989, Statutes of 2018, and SB 828 (Wiener), Chapter 974, Statutes of 2018.
[10] AB 2162 (Chiu), Chapter 753, Statutes of 2018.
[11] SB 35 (Wiener), Chapter 366, Statutes of 2017, SB 423, Chapter 7778, Statutes of 2023.
[12] SB 330 (Skinner), Chapter 654, Statutes of 2019.
[13] AB 1515 (Daly), Chapter 378, Statutes of 2017, and SB 167 (Skinner), Chapter 368, Statutes of 2017.
[14] David Garcia, Ian Carlton, Lacy Patterson, and Jacob Strawn, *Making It Pencil: The Math Behind Housing Development (2023 Update)*, Terner Center for Housing Innovation, December 2023, https://ternercenter.berkeley.edu/research-and-policy/making-it-pencil-2023/
[15] IBID.
[16] https://www.rand.org/pubs/research_reports/RRA3743-1.html
[17] https://www.rand.org/pubs/research_reports/RRA3743-1.html
[18] Mark Stivers, *Affordable Housing Compares Favorably to Market-Rate Housing From a Cost Perspective*, California Housing Partnership, January 2024: https://chpc.net/affordable-housing-compares-favorably-to-market-rate-housing-from-a-cost-perspective/#:~:text=It%20turns%20out%20that%20costs,market%2Drate%20developments%20do%20not.

complex regulations that these affordable units must comply with, and the added cost of labor requirements tied to certain funding sources used by affordable housing developers.

Adaptive Reuse Funding. In the past three years, the Legislature has taken multiple actions to support adaptive reuse. HCD's Homekey program has allocated approximately $3.5 billion to convert hotels and motels to housing Californians at risk of, or experiencing, homelessness. Additionally, the 2022-2023 budget included $450 million one-time General Fund ($200 million in 2022-23 and $250 million in 2023-24) to convert existing commercial or office space to affordable housing. AB 1695 (Santiago), Chapter 639, Statutes of 2022 requires any notice of funding availability issued by HCD for an affordable multifamily housing loan and grant program to state that adaptive reuse of a property for an affordable housing purpose is an eligible activity. SB 451 (Atkins), Chapter 703, Statutes of 2019, established a $50 million program to be administered by the Office of Historic Preservation (OHP) and the California Tax Credit Allocation Committee (CTCAC) for the purpose of facilitating the rehabilitation, including adaptive reuse, of historic buildings.

To help offset the costs associated with adaptive reuse projects, this bill would provide financial incentives for adaptive reuse projects in the following ways:

1) Authorizing local agencies to establish an Adaptive Reuse Investment Incentive Program, through which an amount up to or equal to 30 years' worth of the amount of ad valorem property tax revenues could be transferred to the owners of qualifying adaptive reuse projects;

2) Aligning program requirements so as to encourage the utilization of existing programs such as the Federal Historic Tax Credit, the newly adopted California Historic Tax Credit, the Mills Act, and the California Historical Building Code; and,

3) Limiting a local governments' ability to charge impact fees for adaptive reuse projects that are not directly related to the impacts resulting from the change of use of the site from nonresidential to residential.

Regarding the Adaptive Reuse Investment Incentive Program, this bill would allow for the transfer of property taxes collected by local agencies to market-rate developments with no affordability requirements. The California Constitution allows for the waiver of property taxes for a charitable purpose, as defined in statute. The Legislature defines a charitable purpose for purposes of a property tax welfare exemption as a housing unit restricted to 80% of the area median income (AMI) or less for 55 years. This bill would apply to property taxes collected by a local agency and, therefore, would not violate the welfare exemption. All local agencies wishing to establish an Adaptive Reuse Investment Incentive Program would need to "opt-in" to doing so through an authorizing local ordinance or resolution, to be approved by the governing body of a city or county.

Arguments in Support: The California Apartment Association writes in support: "As you know, California is in the midst of a shift in work culture. Offices in places like downtown Los Angeles and the financial district in San Francisco are seeing the highest vacancy rates in 30 years. Companies are shifting to hybrid work models with fewer employees working full-time in the office. At the same time, California continues to suffer from a statewide housing shortage. While there is desire to repurpose vacant office buildings to residential ones, there are many technical challenges to doing so. While converting existing buildings to housing is often seen as more cost

effective than a new construction, renovating an existing office building in California is often more expensive than a complete tear-down. AB 507 will help with the conversion challenges."

Arguments in Opposition: The California Contract Cities Association writes in opposition: "While AB 507 allows a city to enact a local ordinance that outlines a streamlined process applicable to adaptive reuse projects, the ordinance must abide by a number of state-mandated requirements, limiting the city's authority over its framework. Considering the important role cities ought to play in overseeing and managing adaptive reuse projects in their communities, we strongly believe local review and approval processes should remain in place. These kinds of projects revitalize existing buildings that can have historical significance within the community. Consequently, it is critical that no city is stripped of their ability to make key determinations about adaptive reuse projects."

Related Legislation:

AB 3068 (Haney) of the prior legislative session was identical to this bill except that it contained skilled and trained workforce provisions that were added to the bill after it went through all policy committees in both houses. The bill was vetoed by the Governor, with the following message:

> *"While I strongly support efforts to address California's housing crisis by promoting adaptive reuse projects, this bill raises several concerns. The proposed compliance and enforcement mechanisms for labor standards, including the issuance of stop-work orders for any violations, represent a significant expansion beyond existing law, which limits this remedy to a narrow subset of violations, such as those posing immediate threats to health and safety. Moreover, the bill lacks clear procedures for contesting violations or addressing noncompliance, creating considerable uncertainty that could lead to delays, and increased costs, potentially making projects financially unviable - ultimately undermining the bill's goal of increasing housing production."*

AB 2488 (Ting), Chapter 274, Statutes of 2024. Authorized San Francisco to designate one or more downtown revitalization and economic recovery financing districts for the purpose of financing office-to-residential conversion projects with incremental tax revenues generated by office-to-residential conversion projects within the district.

AB 2909 (Santiago). Would have facilitated the adaptive reuse of qualified historic properties, starting January 1, 2026, and ending January 1, 2036, by incentivizing property owners of buildings that are at least 30 years old through tax benefits to engage in such preservation and reuse activities. The bill was held in the Senate Local Government Committee.

AB 1490 (Lee), Chapter 764, Statutes of 2023. Established a streamlined, ministerial approval process for "extremely affordable adaptive reuse projects."

AB 529 (Gabriel), Chapter 743, Statutes of 2023. Required the Department of Housing and Community Development to convene a working group no later than December 31, 2024, to identify challenges to, and opportunities that help support, the creation and promotion of adaptive reuse residential projects, as specified, including identifying and recommending amendments to state building standards

SB 423 (Wiener), Chapter 778, Statutes of 2023. Amended SB 35 (Wiener), which created a streamlined, ministerial local approvals process for housing development proposals in jurisdictions that have failed to produce sufficient housing to meet their RHNA.

SB 6 (Caballero), Chapter 659, Statutes of 2022. Established the Middle Class Housing Act of 2022, allowing residential uses on commercially zoned property without requiring a rezoning.

AB 1695 (Santiago), Chapter 639, Statutes of 2022. Requires any notice of funding availability issued by HCD for an affordable multi-family housing loan and grant program to state that adaptive reuse of a property for an affordable housing purpose is an eligible activity.

AB 2011 (Wicks), Chapter 647, Statutes of 2021: Created the Affordable Housing and High Road Jobs Act of 2022, creating a streamlined, ministerial local review and approvals process for certain affordable and mixed-use housing developments in commercial zoning districts and commercial corridors. A current bill, AB 2243 (Wicks) would amend AB 2011 to facilitate the conversion of office buildings to residential uses, among other provisions.

SB 451 (Atkins), Chapter 703, Statutes of 2019. Established a $50 million program to be administered by the Office of Historic Preservation (OHP) and the California Tax Credit Allocation Committee (CTCAC) for the purpose of facilitating the rehabilitation of historic buildings.

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

350 Humboldt: Grass Roots Climate Action
AIDS Healthcare Foundation
California Apartment Association
California Business Properties Association
California Downtown Association
Streets for All

Support if Amended
California Arts Advocates

Opposition

California Contract Cities Association
City of Thousand Oaks
South Bay Cities of Governments

Oppose Unless Amended
City of Norwalk
League of California Cities

Analysis Prepared by: Dori Ganetsos / H. & C.D. / (916) 319-2085

Date of Hearing: April 24, 2025

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
AB 557 (McKinnor) – As Amended March 24, 2025

AS PROPOSED TO BE AMENDED

SUBJECT: California Factory-Built Housing Law

SUMMARY: Allows for the reuse of certain plans or specifications for factory-built housing (FBH) if the plans have previously been approved by the Department of Housing and Community Development (HCD) or a qualified design approval agency (DAA) in the same building code cycle, with conditions. Specifically, **this bill**:

1) Requires HCD to approve plans or specifications of FBH by unit serial number and allows those plans to be used in subsequent development projects within the same triennial California Building Standards Code cycle.

2) Requires HCD or a qualified DAA to limit its review of new plans or specifications for FBH to the portions of plans or specifications that have not received prior approval and have not been previously issued a unit serial number or numbers within the same triennial building code cycle.

3) Requires HCD, if no modifications or changes have been made to FBH building standards in a subsequent building code cycle, to allow for the reuse of previously approved plans or specifications with a unit serial number for the subsequent building code cycle.

EXISTING LAW:

1) Establishes the California FBH Law. (Health and Safety Code (HSC) Section 19960 *et seq.)*

2) Defines "FBH" to mean a residential building, dwelling unit, or an individual dwelling room or combination of rooms thereof, or building component, assembly, or system manufactured in such a manner that all concealed parts or processes of manufacture cannot be inspected before installation at the building site without disassembly, damage, or deconstruction of the part, including units designed for use as part of an institution for resident or patient care, that is either wholly manufactured or is in substantial part manufactured at an offsite location to be wholly or partially assembled onsite in accordance with specified building standards and regulations. Excludes from the definition of FBH a mobilehome, recreational vehicle, or a commercial modular, as specified. (HSC 19971)

3) Requires all FBH manufactured after the effective date of the FBH building standards adopted under the FBH Law that is sold or offered for sale to first users within California to bear insignia of approval issued by HCD. (HSC 19980)

4) Requires all FBH bearing an insignia of approval to be deemed to comply with the requirements of all ordinances or regulations enacted by any city, county, or district that may be applicable to the construction of housing. (HSC 19981(a))

5) Prohibits a city, county, or district from requiring submittal of plans for any FBH manufactured or to be manufactured under the FBH Law for purpose of determining compliance with the FBH Law or regulations, or for determining compliance with any local construction requirement, except as specified. (HSC 19981(a))

6) Requires HCD to provide by regulation for qualification and disqualification of DAAs to perform approval of FBH plans and specifications, and provides that the approvals of DAAs is deemed to be the equivalent of HCD approval. Requires the regulations for qualification of DAAs to specifically provide for the absence of any conflict of interest between manufacturers and DAAs and for HCD oversight of DAA performance. (HSC 19991.3)

7) Requires each local agency, by January 1, 2025, to develop a program for the preapproval of accessory dwelling unit (ADU) plans and for the ministerial approval of ADU applications utilizing a plan for an ADU that has been preapproved by the local agency within the current triennial building code cycle. (Government Code Section 65852.27)

FISCAL EFFECT: Unknown.

COMMENTS:

Author's Statement: According to the author, "California faces an acute housing crisis, marked by a severe shortage of homes to meet the needs of all Californians. Delays in the local government approvals process for housing developments are cited as a significant constraint restricting the housing production pipeline.

Projects utilizing factory-built housing face unnecessary obstacles in the post-entitlement permitting process. Existing California Factory-Built Housing Law only allows for full building approval and does not allow for individual units to be pre-approved. When submitting a new project's factory-built units for state-level permitting approvals, all units must be reviewed and approved for a new permit, even if the units are the same unit models as previously approved for another project.

AB 557 would allow for the reuse of previously approved plans and specifications without having to redo a full review of models or units that have already been reviewed and approved in the same building code cycle. It would allow for the reuse of approved plans and specifications during the next code cycle if the factory-built housing code is not changed from one cycle to the next. This would give the opportunity for the reuse of previously approved unit plans for 3 to 6 years."

Factory-Built Housing: FBH, often referred to as modular, manufactured, or prefabricated housing, involves the construction or assembly of various components of a housing unit or room in a factory and the transport of those components or structures to the construction site, where they are installed and fixed to a building foundation. This is in contrast to traditional ("site-built" or "stick-built") homes, which are built piece by piece on top of the foundation at the actual construction site. The mass production techniques in a factory environment can sometimes be faster and cheaper than site-built construction methods and are not as impacted by weather constraints that might hamper construction progress on a site, though benefits will vary widely between projects.

HCD has maintained building code and plan approval authority over FBH since the California Factory-Built Housing Law was first enacted in the 1960s. HCD currently contracts with various Design Approval Agencies (DAAs) who perform third-party review and approval of FBH designs according to regulations established by HCD and the building standards governing FBH. Approved FBH must bear a California Insignia of Approval on each FBH system or component in the project. There are also Quality Assurance Agencies (QAAs) approved by HCD that inspect FBH during the production phase in the manufacturing facility or offsite. Local agencies maintain authority over a variety of post-manufacture elements of these projects (for example, snow load, wind pressure, building setback, and architectural requirements) and are also responsible for inspecting and approving the installation of the FBH at the project site.[1]

Other Preapproved Plans: The Legislature in recent years has moved forward a handful of bills to require local agencies to review and pre-approve certain types of housing plans, similar to this bill as it is proposed to be amended. The practice is intended to speed up plan check and entitlement approvals for projects that are extremely similar or identical to plans that the local agency has already reviewed and approved, freeing up local planning and building department staff to focus their resources on more intensive projects. Generally these preapprovals have been limited to one triennial building code cycle, as building codes may change each cycle and plans designed to meet prior codes likely need at least minor (if not major) modifications to comply with new or updated building standards.

In 2023, AB 1332 (J. Carrillo), Chapter 759, required local agencies to develop a program for the preapproval of ADU plans and required locals to ministerially approve ADU applications utilizing a plan for an ADU that had been preapproved already by the agency within the same building code cycle. This committee also recently heard and passed AB 1206 (Harabedian) on a vote of 11-0. AB 1206 proposes to require local agencies to develop a program for the preapproval of single-family and multifamily residential housing plans and would require locals to ministerially approve applications utilizing those plans that have been preapproved in the same code cycle.

This bill, as proposed to be amended, would require HCD or DAAs acting on HCD's behalf to approve FBH plans by unit serial number and would allow those plans to be reused in other FBH projects in the same building code cycle without HCD/DAAs having to complete a full review of the same rooms or units that have already been approved and issued a serial number. HCD and DAAs would only need to review the portion of plans that are new and have not received prior approval within the code cycle. If no modifications have been made to the FBH building standards adopted by HCD in a subsequent building code cycle, this bill would allow the reuse of previously approved plans from the prior code cycle.

Arguments in Support: California YIMBY writes in support of the in-print bill, "Factory-built housing is a critical solution to California's housing crisis that can shrink construction timelines by as much as 60%, as well as reduce waste by 80% as compared to traditional construction, while eliminating cost overruns on 55% of the project as factory costs are fixed. Additionally, the technology provides steady manufacturing jobs in controlled, enclosed environments that are safer than traditional construction job sites."

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[1] For more information, see HCD's "Factory-Built Housing Handbook for Local Enforcement Agencies, Builders, and the General Public," https://www.hcd.ca.gov/building-standards/manufactured-modular-factory-built/factory-built-housing/docs/hcdfbh314.pdf

Arguments in Opposition: The California Building Officials write in opposition to the in-print bill, "Factory build housing is a complex design solution, and while it has many efficiency merits, it requires trained inspection and enforcement of applicable health and safety codes. At the local level, building departments and their personnel know the communities they serve best including applicable local codes and ordinances. Although AB 557 applies post-entitlement, removing local inspection and control over factory-built housing raises large concerns for our community of public safety professionals. State-level 'blanket' approvals does little to protect the safety of the local citizenry."

Related Legislation:

AB 1206 (Harabedian) of the current legislative session would require local agencies to develop a program for the preapproval of single-family and multifamily residential housing plans and would require locals to ministerially approve applications utilizing those plans that have been preapproved in the same code cycle. AB 1206 recently passed this committee on a vote of 11-0 and is pending before the Assembly Appropriations Committee.

AB 1332 (J. Carrillo), Chapter 759, Statutes of 2023: Required each local agency, by January 1, 2025, to develop a program for the preapproval of ADU plans and for the ministerial approval of ADU applications utilizing a plan for an ADU that has been preapproved by the local agency within the current triennial building code cycle.

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

Allies for Every Child
California YIMBY
Climate Resolve
Individual - 1

Opposition

California Building Officials
California State Association of Electrical Workers
California State Pipe Trades Council
City of Murrieta
Western States Council Sheet Metal, Air, Rail and Transportation

Analysis Prepared by: Nicole Restmeyer / H. & C.D. / (916) 319-2085

Date of Hearing: April 24, 2025

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
AB 610 (Alvarez) – As Amended April 10, 2025

SUBJECT: Housing element: governmental constraints: disclosure statement

SUMMARY: Makes changes to the contents of the governmental constraints analysis that must be included in a local government's housing element and prohibits local governments from adopting or increasing the stringency of certain "covered governmental constraints" within three years from the date the housing element is considered in substantial compliance, with exceptions. Specifically, **this bill**:

1) Adds to the required housing element analysis of potential and actual governmental constraints upon the maintenance, improvement, or development of housing for all income levels, the inclusion of a governmental constraints disclosure statement containing both of the following:

    a) An identification of each new potential or actual governmental constraint, or a revision increasing the stringency of a governmental constraint, adopted after the due date of the previous housing element; and

    b) An identification of each new or amended potential or actual governmental constraint, or a revision increasing the stringency of a governmental constraint, that is under consideration or proposed to be adopted during the planning period.

2) Defines "covered governmental constraint" for purposes of the bill to mean any of the following actions by a local government:

    a) A fee, exaction, or affordability requirement, as specified;

    b) A development policy or standard that would, with respect to land where housing is an allowable use, have the effect of reducing the intensity of land use for residential development, as specified;

    c) A development policy or standard that would increase the procedural burden on applicants under, or narrow or otherwise restrict the potential benefits to applicants of Density Bonus Law, including, but not limited to, the availability of waivers, concessions, or incentives; or

    d) A new or more stringent historic district or designation affecting a site included in the housing element's inventory of land suitable and available for residential development or identified in a rezone program to provide adequate sites to accommodate the jurisdiction's share of the regional housing need for all income levels.

3) Prohibits a local government from adopting a new or amended "covered governmental constraint" or a more stringent revision of a "covered governmental constraint" for three years from the date the housing element or amendment is considered in substantial compliance with Housing Element Law, unless either of the following conditions is met:

a) The measure was included in the governmental constraints disclosure statement under 1) above and the local government has completed all of the housing element program commitments to eliminate or mitigate covered governmental constraints contained in the prior and current planning periods; or

b) Either of the following conditions is met:

i) Adoption of the measure is required by state or federal law and the local government demonstrates, by a preponderance of the evidence, that the measure is no more stringent than required to comply with state or federal law; or

ii) The local government makes a determination, supported by a preponderance of the evidence, that failure to adopt the measure would create health and safety conditions supporting a moratorium or similar restriction or limitation on housing development, as specified, and the Department of Housing and Community Development (HCD) concurs in the determination.

4) Provides that nothing in this bill limits or restricts HCD's existing authority with respect to reviewing any local government action or failure to act, including pursuant to existing law requiring HCD to review any action or failure to act by a local government that is inconsistent with its adopted housing element, or requiring HCD to notify a local government and authorizing HCD to notify the office of the Attorney General if a local government is in violation of specified state housing laws.

EXISTING LAW:

1) Requires each city and county to adopt a housing element, which must contain specified information, programs, and objectives, including:

a) An assessment of housing needs and an inventory of resources and constraints relevant to the meeting of these needs, including a quantification of the locality's existing and projected housing needs for all income levels; an inventory of land suitable and available for residential development; an analysis of potential and actual governmental and nongovernmental constraints upon the maintenance, improvement, or development of housing for all income levels; and a demonstration of local efforts to remove constraints that hinder the locality from meeting its share of the regional housing need (RHNA), among other things;

b) A statement of the community's goals, quantified objectives, and policies relative to affirmatively furthering fair housing and to the maintenance, preservation, improvement, and development of housing; and

c) A program that sets forth a schedule of actions during the planning period, and timelines for implementation, that the local government is undertaking to implement the policies and achieve the goals and objectives of the housing element, including actions that will be taken to make sites available during the planning period with appropriate zoning and development standards and with services and facilities to accommodate that portion of the local government's share of the regional housing need for each income level that could not be accommodated on sites identified in the sites

inventory without rezoning, among other things. (Government Code (GOV) Section 65583(a)-(c))

2) Requires a local government's inventory of land suitable for residential development to be used to identify sites throughout the community that can be developed for housing within the planning period and that are sufficient to provide for the jurisdiction's share of the RHNA for all income levels. Defines "land suitable for residential development" to include:

   a) Vacant sites zoned for residential use;

   b) Vacant sites zoned for nonresidential use that allows residential development;

   c) Residentially zoned sites that are capable of being developed at a higher density, including sites owned or leased by a jurisdiction; and

   d) Sites zoned for nonresidential use that can be redeveloped for residential use, and for which the housing element includes a program to rezone the site, as necessary and as specified. (GOV 65583.2(a))

3) Requires a local government's housing element to include an assessment of housing needs and an inventory of resources and constraints that are relevant to meeting these needs, including an analysis of potential and actual governmental constraints upon the maintenance, improvement, or development of housing for all income levels, including special needs housing, which must analyze land use controls, building codes and their enforcement, site improvements, fees and exactions, local processing and permit procedures, historic preservation practices and policies, and any locally adopted ordinances that directly impact the cost and supply of residential development. Further requires the analysis to demonstrate local efforts to remove governmental constraints that hinder the locality from meeting its share of RHNA, and from meeting the need for housing for persons with disabilities, supportive housing, transitional housing, and emergency shelters, as specified. (GOV 65583(a)(5))

4) Requires a planning agency to provide an Annual Progress Report (APR) to the legislative body, the Office of Planning and Research, and HCD by April 1 of each year that includes certain information, including the progress in meeting its share of RHNA, and local efforts to remove governmental constraints to the maintenance, improvement, and development of housing included in the housing element (GOV 65400(a)(2))

FISCAL EFFECT: Unknown.

COMMENTS:

Author's Statement: According to the author, "California is facing a housing crisis that demands immediate and decisive action. For too long, local policies have prioritized exclusion and bureaucracy over the urgent need for housing equity. AB 610 represents a vital step toward accountability and transparency, requiring local governments to disclose any new regulations during the planning period while ensuring they first fulfill existing commitments to remove barriers to housing. This bill prioritizes the needs of marginalized communities—those impacted by homelessness, overcrowding, and exploitative conditions—by mandating analysis of emergency shelter capacity and supportive housing.

AB 610 aligns local actions with state goals, urging every city and county to contribute to dismantling barriers rather than building them."

California's Housing Crisis: California is in the midst of a severe housing crisis. Over two-thirds of low-income renters are paying more than 30% of their income toward housing, a "rent burden" that means they have to sacrifice other essentials such as food, transportation, and health care. In 2024, over 185,000 Californians experienced homelessness on a given night, with a sharp increase in the number of people who became homeless for the first time. The crisis is driven in large part by the lack of affordable rental housing for lower income people. According to the California Housing Partnership's (CHP) Housing Need Dashboard, in the current market, nearly 2 million extremely low-income and very low-income renter households are competing for roughly 750,000 available and affordable rental units in the state. Over three-quarters of the state's extremely low-income households and over half of the state's very low-income households are severely rent burdened, paying more than 50% of their income toward rent each month. CHP estimates that the state needs an additional 1.3 million housing units affordable to very low-income Californians to eliminate the shortfall. By contrast, production in the past decade has been under 100,000 housing units per year – including less than 20,000 units of affordable housing per year.[1]

Despite recent investments over the last few years, state and local governments have not significantly invested in affordable housing production in decades, leading to a lack of supply. In addition, local governments have failed to adequately zone or plan for new housing for decades. In the last eight years, the state has taken major steps to increase the supply of housing by requiring local governments to plan and zone for 2.5 million new housing units, holding local governments accountable for approving housing, and streamlining both affordable housing and mixed-income housing.

***Adoption and Implementation of Housing Elements*:** One important tool in addressing the state's housing crisis is to ensure that all of the state's 539 cities and counties appropriately plan for new housing. Such planning is required through the housing element of each community's General Plan, which outlines a long-term plan for meeting the community's existing and projected housing needs. Cities and counties are required to update their housing elements every eight years in most of the high population parts of the state, and five years in areas with smaller populations. Localities must adopt a legally valid housing element by their statutory deadline for adoption. Failure to do so can result in certain escalating penalties, including an accelerated deadline for completing rezoning, exposure to the "builder's remedy," public or private lawsuits, financial penalties, potential loss of permitting authority, or even court receivership.

Among other things, the housing element must demonstrate how the community plans to accommodate its share of its region's housing needs allocation (RHNA). To do so, each community establishes an inventory of sites designated for new housing that is sufficient to accommodate its fair share. Where a community does not already contain the existing capacity to accommodate its fair share of housing, it must undertake a rezoning program to accommodate the housing planned for in the housing element. Depending on whether the jurisdiction met its statutory deadline for housing element adoption, it will have either one year (if it failed to meet the deadline) or three years (if it met the deadline) from its adoption deadline to complete that rezoning program.

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[1] https://www.hcd.ca.gov/policy-research/housing-challenges.shtml

It is critical that local jurisdictions adopt legally compliant housing elements on time in order to meet statewide housing goals and create the environment locally for the successful construction of desperately needed housing at all income levels. Unless communities plan for production and preservation of affordable housing, new housing will be slow to build. Adequate zoning, removal of regulatory barriers, protection of existing stock and targeting of resources are essential to obtaining a sufficient permanent supply of housing affordable to all economic segments of the community. Although not requiring the community to develop the housing, housing element law requires the community to plan for housing. Recognizing that local governments may lack adequate resources to house all those in need, the law nevertheless mandates that the community do all that it can and that it not engage in exclusionary and harmful practices.

One necessary component of the housing element is an assessment of potential and actual governmental constraints upon the maintenance, improvement, or development of housing for all income levels, including land use controls, building codes and their enforcement, site improvement, fees and other exactions required of developers, local processing and permit procedures, and any locally adopted ordinances that directly impact the cost and supply of residential development. This analysis must also demonstrate local efforts to remove governmental constraints that hinder the development of housing at the income levels required by the RHNA process, as well as housing for people experiencing homelessness.

This bill would add to the governmental constraints analysis a requirement for local governments to include a governmental constraints disclosure statement, which must contain both a lookback at any new constraints that were adopted or increased in stringency after the due date of the previous housing element, and a forward-looking identification of possible constraints that are under consideration or proposed to be adopted during the planning period for the current cycle.

Covered Governmental Constraints: This bill proposes to create a new "covered governmental constraint" category for purposes of housing elements, to mean imposition of any of the following by the local government:

- A fee, exaction, or affordability requirement (i.e. inclusionary housing requirement);
- A development policy or standard that would, with respect to land where housing is an allowable use, have the effect of reducing the intensity of land use for residential development, as defined in the Housing Crisis Act of 2019 (HCA);
- A development policy or standard that would increase the procedural burden on applicants under, or narrow or otherwise restrict the potential benefits to applicants of Density Bonus Law (DBL), including the availability of waivers, concessions, or incentives; and
- A new or more stringent historic district or designation affecting a site included in the housing element's sites inventory or in a rezone program to accommodate the RHNA.

The bill would prohibit a local government from adopting a new or more stringent version of any of the above policies for three years after their housing element is deemed to be in substantial compliance with the law, if they did not include the proposed new or revised policy in their housing element. In order to enact a new or more stringent version of these policies in the proposed three-year window, a local government would have had to include the proposal or policy in their "disclosure statement" (as described above) and would have to complete any program commitments they made in their housing element to eliminate or mitigate these same

"covered governmental constraints." If those conditions are met, the local government is free to proceed with adopting any new or modified policies listed under the "covered constraints."

This restriction would not apply in situations where adoption of the measure is required by state or federal law or in situations where there are health and safety conditions that prompt a moratorium or other limitation on housing development – for example, due to flooding risk – to which HCD also agrees.

Policy Considerations: The housing element is a blueprint for how each community plans to accommodate its existing and projected housing needs, how it will facilitate the development and maintenance of a variety of types of housing and emergency shelter, and how it will reduce segregation and improve housing choice over the five- or eight-year planning period. Meeting the requirements of Housing Element Law is not a one-time achievement, but rather the beginning of a contract with the community and with the state to follow through on commitments and timelines identified in the element. Housing Element Law itself (and the HCA for certain affected jurisdictions) already deters or exposes locals to potential consequences if they change policies in ways that negatively impact housing development capacity.

While a local government cannot control the impacts of nongovernmental constraints – or, for that matter, constraints imposed by other government entities – on the development of housing or the capacity of sites identified in their sites inventory or rezone program, it does have significant control over the policies identified in this bill. The constraints analysis already must identify the specific standards and processes of a variety of possible constraints and must assess their impact on the supply and affordability of housing. The analysis also has to determine whether local regulatory standards pose an actual constraint and demonstrate local efforts to remove constraints that hinder its ability to meet its housing needs. Thus, it seems reasonable for a local government to evaluate whether it might seek to newly establish or increase the stringency of certain policies it is already evaluating in the constraints analysis process, and if so, to identify and disclose those plans in the housing element. Particularly with regard to things like impact fees, which very directly impact the cost of new housing, or the parameters of the jurisdiction's Density Bonus Law ordinance, which entices market-rate developers to include affordable units in projects that otherwise would not include them. This bill originally proposed to require that forward-looking analysis and identification of possible policy changes to cover the entire planning period, but recent amendments have limited the time period to three years after the housing element certification, which aligns more closely with the rezoning window afforded to locals who adopt a compliant element by their statutory deadline.

However, there are many other components of the housing element aside from the governmental constraints analysis, some of which may include programs or activities that might fall under the "covered governmental constraints" umbrella as defined in the bill currently. For example, a local government may include adopting an inclusionary housing ordinance to reduce patterns of segregation in its programs to affirmatively further fair housing (another required component of the housing element), or may seek to perform strategic downzoning of sensitive sites like mobilehome parks or sites near sources of pollution in conjunction with upzoning in other areas of the community to accommodate the jurisdiction's RHNA more equitably. Are these "covered governmental constraints" appropriately tailored, and should they be statutorily assumed to be constraints before the analysis of potential and actual constraints is done at the individual local government level? The author may wish to consider how to resolve possible conflicts with other housing element programs and commitments that serve these important goals.

Furthermore, the exemptions in the bill may not be sufficient to cover legitimate or otherwise unexpected situations that might prompt a local government to consider adopting or revising a policy that is defined as a "covered governmental constraint" under the bill. The author may wish to consider creating additional exemptions to preserve the ability of local governments to respond to urgent issues that could not have been foreseen during housing element drafting.

Arguments in Support: According to the California Building Industry Association and SPUR, the bill's cosponsors, "we recognize the importance of a clear and predictable regulatory framework that allows for the efficient planning and construction of new housing. However, many local jurisdictions impose additional regulatory burdens after their housing elements have been certified by the Department of Housing and Community Development (HCD), significantly hampering our ability to meet housing production goals. … The housing crisis in California demands that we remove unnecessary and unpredictable regulatory barriers that delay construction and increase costs. By preventing local governments from implementing unanticipated constraints outside of the standard review process, AB 610 will create a more stable and fair housing development environment."

Arguments in Opposition: The League of California Cities writes in opposition, "For decades, cities have worked with HCD to draft housing plans accommodating their fair share of housing at all income levels. These extensive and complex plans can take years to develop, including public involvement, engagement, and environmental review. Cities go to great lengths to ensure that their housing element substantially complies with the law. Current law requires local agencies to account for any regulatory barriers enacted at the local level that are impacting residential development. … This measure would prohibit local governments from responding to their community to current events in housing policy by making null and void any proposed regulations that were not disclosed in the housing element."

Related Legislation:

AB 650 (Papan) of the current legislative session would extend various timelines in the RHNA and housing element process, require HCD to provide specific analysis or text to local governments to remedy deficiencies in their draft housing elements, and allow local governments to deny applications for "builder's remedy projects" during certain portions of the housing element review process. This bill is currently pending a hearing in this committee.

AB 906 (M. Gonzalez) of the current legislative session would make various changes to the requirement for local governments to affirmatively further fair housing in the housing element. This bill is currently pending a hearing in this committee.

AB 2580 (Wicks), Chapter 723, Statutes of 2024: Required historic preservation policies and practices to be evaluated as potential constraints on housing in the housing element process, and required cities disclose to HCD any newly adopted historical designations via the Annual Progress Report.

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 Building Industry Association (Sponsor)
SPUR (Sponsor)
Abundant Housing LA
California Association of Realtors
California Business Properties Association
California Business Round Table
California YIMBY
Circulate San Diego
East Bay YIMBY
Fieldstead and Company
Grow the Richmond
Inner City Law Center
LeadingAge California
Los Angeles Area Chamber of Commerce
Mountain View YIMBY
Napa-Solano for Everyone
New California Coalition
Northern Neighbors
Peninsula for Everyone
Santa Cruz YIMBY
Santa Rosa YIMBY
SF YIMBY
South Bay YIMBY
South Pasadena Residents for Responsible Growth
Southern California Leadership Council
The Two Hundred
Ventura County YIMBY
YIMBY Action
YIMBY LA
YIMBY SLO

Opposition

California Contract Cities Association
City of Carlsbad
Murrieta; City of

Oppose Unless Amended

League of California Cities

Analysis Prepared by: Nicole Restmeyer / H. & C.D. / (916) 319-2085

Date of Hearing: April 24, 2025

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
AB 647 (Mark González) – As Amended March 28, 2025

SUBJECT: Housing development approvals: residential units

SUMMARY: Establishes the Better Urban Infill and Livable Design (BUILD) Housing Act of 2025, which provides a streamlined and ministerial approval pathway for the development of up to eight residential units on a lot with an existing single family home, or a lot zoned for up to eight residential units. Specifically, **this bill**:

1) Provides a streamlined, ministerial approval pathway, without discretionary review or a hearing, for proposed housing developments containing no more than eight residential units that are located on a lot with an existing single-family home or are zoned for eight or fewer residential units meeting the following requirements:

    a) The proposed development includes at least one deed-restricted affordable housing unit at or below 80% of the Area Median Income (AMI). The unit must be deed-restricted affordable for a period of 55 years for rental units and 45 years for owner-occupied units;

    b) The units in the proposed development may be leased, sold, or conveyed in any manner under applicable law. For example, they can be rental housing, part of a common interest development, part of a tenancy in common, or part of a housing cooperative;

    c) The proposed development must be:

        i) Located in a residential zone; or

        ii) In an incorporated city, the boundaries of which include some portion of an urbanized area, or in an urbanized area or urban cluster as defined by the 2012 U.S. Census Bureau Federal Register;

    d) The proposed development cannot involve the demolition or alteration of any of the following:

        i) Housing that is subject to a recorded covenant, ordinance, or law that restricts rent to levels affordable to persons and families of low, very low, or extremely low income;

        ii) Housing that is subject to any form of rent or price control through a local public entity's valid exercise of its police power; and

        iii) Housing occupied by tenants within the five years preceding the date of the application, including housing that has been demolished or that tenants have vacated before the submission of the application for a development permit;

    e) The proposed development will be served by a public water system and a municipal sewer system;

    f) The housing development is not located on a site that is any of the following:

i) In an area of the coastal zone that is:

(1) Between the sea and the first public road paralleling the sea or within 300 feet of the inland extent of any beach or of the mean high tideline of the sea where there is no beach, whichever is the greater distance; or

(2) On tidelands, submerged lands, public trust lands, within 100 feet of any wetland, estuary, or stream, or within 300 feet of the top of the seaward face of any coastal bluff.

(3) Vulnerable to five feet of sea level rise;

(4) On or within a 100-foot radius of a wetland, or on prime agricultural land;

ii) On either prime farmland or farmland of statewide importance, or land zoned or designated for agricultural protection or preservation by a local ballot measure that was approved by the voters of that jurisdiction;

iii) On wetlands;

iv) Within a high or very high fire hazard severity zone, unless the site has adopted fire hazard mitigation measures such as certain building code or defensible space requirements;

v) On a hazardous waste site, unless:

(1) The site is an underground storage tank site that received a uniform closure letter based on closure criteria established by the State Water Resources Control Board for residential use or residential mixed uses. This does not alter or change the conditions to remove a site from the list of hazardous waste sites; or

(2) The State Department of Public Health, the State Water Resources Control Board, the Department of Toxic Substances Control, or a local agency made a determination that the site is suitable for residential use or residential mixed uses;

vi) Within a designated earthquake fault zone, unless the development complies with applicable seismic building code standards;

vii) Within a special flood hazard area subject to inundation by the 1-percent annual chance flood (100-year flood) as determined by the Federal Emergency Management Agency (FEMA) in any official maps published by FEMA. If a development proponent is able to satisfy all applicable federal qualifying criteria in order to provide that the site satisfies this or is otherwise eligible for streamlined approval, a local agency shall not deny the application on the basis that the development proponent did not comply with any additional permit requirement, standard, or action adopted by that local agency that is applicable to that site. A development may be located on a site on the 100-year flood map if either of the following are met:

(1) The site has been subject to a Letter of Map Revision prepared by FEMA and issued to the local jurisdiction; or

(2) The site meets FEMA requirements necessary to meet minimum flood plain management criteria of the National Flood Insurance Program;

viii) Within a regulatory floodway as determined by FEMA in any official maps published by FEMA, unless the development has received a no-rise certification. If a development proponent is able to satisfy all applicable federal qualifying criteria in order to provide that the site satisfies this and is otherwise eligible for streamlined approval, a local agency shall not deny the application on the basis that the development proponent did not comply with any additional permit requirement, standard, or action adopted by that local agency that is applicable to that site;

ix) Lands identified for conservation in an adopted natural community conservation plan pursuant to the Natural Community Conservation Planning Act, a habitat conservation plan pursuant to the federal Endangered Species Act of 1973, or other adopted natural resource protection plan;

x) Habitat for protected species identified as candidate, sensitive, or species of special status by state or federal agencies, fully protected species, or species protected by the federal Endangered Species Act of 1973, the California Endangered Species Act, or the Native Plant Protection Act; or

xi) Lands under conservation easement.

2) Prohibits a local agency from applying any development standard that would physically preclude the construction of a housing development meeting the requirements in 1), unless the waiver or reduction of those standards would have a specific, adverse impact on public health or safety, and there is no feasible way to mitigate or avoid the specific, adverse impact.

3) Prohibits a local agency from imposing development standards on projects meeting the requirements in 1) that do any of the following:

a) Impose any requirement that applies to a project solely or partially on the basis that the housing development receives approval under the BUILD Act;

b) Require a setback between the units, except as required in the California Building Standards Code;

c) Require that parking be enclosed or covered;

d) Impose side and rear setbacks as follows:

i) No setback shall be required for an existing structure or a structure constructed in the same location and with the same dimensions of an existing structure; and

ii) Notwithstanding (i), a local agency may require a side and rear setback of up to four feet;

e) Impose height restrictions less than that of one story above the maximum height otherwise applicable to the parcel;

f) Imposes off-street parking requirements; or

g) Imposes a floor area ratio (FAR) standard that is less than 2.0.

4) Prohibits a setback, height limitation, lot coverage limitation, FAR, or other standard that would limit residential development capacity from being required by a local government for an existing structure or a structure constructed in the same location and within the same dimensions as an existing structure.

5) Requires a local agency to ministerially consider, without discretionary review or a hearing, an application to construct housing under the BUILD Act within 60 days of a complete application. Failure to act on the application within 60 days will result in the application being deemed approved. If the local agency denies the application, the local agency shall, provide a full set of written comments to the applicant with a list of items that are defective or deficient and a description of how the applicant can remedy the application.

6) Allows a local agency to disapprove a housing development under the BUILD Act if it makes written finding, based upon a preponderance of the evidence, that the proposed housing development project would have a specific, adverse impact on public health and safety and for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact.

7) Allows a local agency to adopt an ordinance to implement the BUILD Act, and specifies that the adoption of said ordinance is not a project under the California Environmental Quality Act (CEQA).

8) Applies this bill to cities, counties, cities and counties, and charter cities.

9) Gives the Department of Housing & Community Development (HCD) enforcement authority.

EXISTING LAW:

1) Requires a city or county to ministerially approve either or both of the following, as specified:

a) A housing development of no more than two units (duplex) in a single-family zone; and

b) The subdivision of a parcel zoned for residential use into two approximately equal parcels (lot split), as specified. (Government Code (GOV) 65852.21 & 66411.7)

2) Requires a local agency to ministerially approve, within specified timelines, an application for a building permit within a residential or mixed-use zone to create one or more ADUs that meet all state and local requirements. (GOV 66310)

3) Requires a local agency to ministerially consider, without discretionary review or a hearing, a parcel map or a tentative and final map for a subdivision resulting in 10 or fewer parcels and a housing development resulting in 10 or fewer units, on certain residential lots. (GOV 66499.41)

4) Establishes the Affordable Housing and High Road Jobs Act of 2022 (Wicks), Chapter 647, Statutes of 2022, which allows the development of 100% affordable and qualifying mixed-income housing development projects in commercial zones and corridors. (GOV 65912.100-65912.140)

5) Establishes, pursuant to SB 35 (Weiner), Chapter 366, Statutes of 2017, and SB 423 (Weiner Chapter 423 Statutes of 2023), until 2036 a streamlined, ministerial review process for infill housing development projects that meet strict objective standards and are sites that are zoned for residential use or residential mixed-use development. (GOV 65913.4)

FISCAL EFFECT: Unknown.

COMMENTS:

Author's Statement: According to the author, "California's housing crisis is not just a policy failure—it's a moral failure. With millions of Californians struggling under the weight of sky-high rents and unattainable homeownership, we cannot afford to let outdated zoning laws and bureaucratic red tape continue to stand in the way of building the homes our communities desperately need. For too long, exclusionary zoning and restrictive housing policies have locked low-income families and communities of color out of high-opportunity neighborhoods—perpetuating segregation, deepening inequality, and denying countless Californians access to stable, affordable housing. AB 647, the Better Urban Infill and Livable Design (BUILD) Housing Act of 2025, is a direct response to these systemic barriers. By streamlining the approval process for small-scale, multi-unit housing in residential neighborhoods, this bill makes it easier to build the homes our state desperately needs—while also expanding access to historically exclusive areas.

AB 647 also includes strong affordability provisions, requiring that at least one unit in each development be reserved for low-income households. It also maintains key tenant protections and environmental safeguards, so that we build fairly, responsibly, and sustainably. California's future depends on our ability to build homes for everyone across our entire state. With the BUILD Housing Act, we are making it clear: every community has a role to play in solving this crisis, and everyone deserves a fair shot at the California Dream."

California Housing Crisis: California's housing crisis is a half-century in the making. [1] After decades of underproduction, supply is far behind need 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. [2] One in three households in the state doesn't earn enough money to meet their basic needs. [3] In 2024, over 187,000 Californians experienced homelessness on a given night.[4]

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[1] California Department of Housing and Community Development, *A Home for Every Californian*: 2022 Statewide Housing Plan. March 2022, https://storymaps.arcgis.com/stories/94729ab1648d43b1811c1698a748c136
[2] IBID.
[3] IBID.
[4] 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

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 6th 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.[5]

The state's housing crisis is not equally experienced by all Californians. Testimony by the UC Berkeley Terner 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.[6]

Local Restrictions on Housing Development and their Implications: Planning for and approving new housing is primarily a local responsibility. The California Constitution allows cities and counties to "make and enforce within [their] limits, all local, police, sanitary and other ordinances and regulations not in conflict with general laws." It is from this fundamental authority—commonly called the police power—that cities and counties derive the ability to regulate behavior in order to preserve the public's health, safety, and welfare, including through land use regulation. Cities and counties exercise this land use authority through zoning regulations that shape and limit development, such as maximum housing densities, height limits, required setbacks, minimum parking requirements, and maximum lot coverage ratios. These ordinances can also impose conditions on development to address aesthetics, community impacts, or other site-specific considerations.

While local governments do not typically build housing, the restrictions they impose on new housing production have contributed to the state's severe housing shortage. Historically, housing supply closely followed market demand. However, this alignment shifted with the emergence of local zoning, which became widespread just over a century ago. The most prominent form of zoning in California limits development to single-family homes on large lots.[7] This type of zoning effectively locks in low density, regardless of actual demand for housing, even as that demand now exceeds millions of additional homes across the state. This mismatch drives up home prices and values, which benefits existing homeowners, who are disproportionately white. [8] At the same time, rising housing costs disproportionately harm communities of color, who are less likely to have generational wealth, own property, or afford escalating rents. [9]

Approximately every eight years, all jurisdictions in California are required to update the Housing Element of their General Plan, setting forth a blueprint for how they will meet the housing needs of current and future residents at all income levels. A key component of the Housing Element is the sites inventory, where jurisdictions must identify parcels with the

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[5] https://www.hcd.ca.gov/policy-research/housing-challenges.shtml
[6] UC Berkeley Terner Center Testimony by Ben Metcalf, Managing Director, at the State Housing Production Legislation: Actions, Outcomes, and Opportunities Informational Hearing, February 12, 2025
[7] UC Berkeley Terner Center, 2018, *Land Use in California* survey of cities and counties: https://californialanduse.org/
[8] UC Berkeley Terner Center, 2018, *Land Use in California* survey of cities and counties: https://californialanduse.org/
[9] Bhutta et al, 2020, *Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances*, US Federal Reserve: https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm

potential to accommodate housing development that meets their share of the state-mandated RHNA. Jurisdictions must demonstrate that these sites are realistically developable, particularly for lower-income housing, and often must complete rezonings to allow for higher densities or residential uses if their existing zoning is insufficient. This process is overseen by the California HCD, which reviews and certifies Housing Elements for compliance with state law.

California is currently in its 6th Housing Element cycle. In this cycle, HCD determined that the state must plan for the development of 2.5 million new homes, including more than 1 million affordable homes. This has prompted an unprecedented volume of rezoning at the local level. However, housing advocates argue that significant improvements are still needed in the Housing Element review and rezoning process. For example, the City of Los Angeles' recent rezoning effort to accommodate over 250,000 new homes has drawn substantial criticism. Despite the fact that single-family neighborhoods make up the majority of the city's residential land, the plan largely excluded those areas from upzoning. Instead, nearly all rezoning was concentrated in already dense, transit-rich areas, particularly Downtown and along commercial corridors. Critics contend that this approach perpetuates racial and economic segregation, misses an opportunity to equitably distribute growth, and places disproportionate pressure on communities that have historically borne the brunt of inequitable planning decisions.

This bill seeks to directly address the perceived deficiencies in the Housing Element process when it comes to opening up exclusionary single-family neighborhoods to denser development. It would do so by allowing up to eight units on lots already containing a single-family home or zoned for up to eight residential units in urban areas or urban clusters, as defined by the U.S. Census Bureau in 2012. These small-scale developments under the BUILD Act would benefit from a streamlined, ministerial approval process. To qualify, the development must meet specific conditions, such as dedicating at least one unit to deed-restricted affordable housing for households earning 80% or less of the area median income, for 55 years (rentals) or 45 years (ownership). This bill takes existing lot conditions into account, by prohibiting the bill from being used on parcels that would require the demolition of affordable housing (either deed restricted or through local rent control), and housing that has been occupied by tenants over the past 5 years. It further excludes BUILD Act developments on parcels in environmentally sensitive areas such as wetlands, high fire zones, or floodplains.

Notably, this bill would limit a local agency's ability to impose certain development restrictions. Under this bill, local governments *cannot* impose development standards on developments of up to eight units that would do the following:

1) Impose any requirement on a project solely or partially because it qualifies under the BUILD Act;

2) Require any setbacks between the units themselves, unless mandated by the California Building Standards Code;

3) Require parking to be enclosed (such as garages) or covered (such as carports);

4) Require side or rear setbacks for existing structures or for new structures built in the exact same location and dimensions of an existing structure; otherwise, side and rear setbacks may not exceed four feet;

5) Impose a height limit that is less than one story above the maximum height otherwise allowed for the parcel;

6) Require any off-street parking;

7) Impose a floor area ratio (FAR) limit of less than 2.0; or

8) Impose any setback, height, lot coverage, FAR, or other standard that would reduce residential capacity for an existing structure or one rebuilt in the same footprint.

Together, these limitations are intended to prevent local jurisdictions from using traditional zoning tools like excessive setbacks, parking requirements, or restrictive height limits to block or downsize qualifying projects. Local governments would be required to act on applications pursuant to the BUILD Act within 60 days of a complete application. Failure to do so would result in the application being deemed approved.

Missing Middle Housing: A 2024 analysis by the UC Berkeley Othering and Belonging Institute found that 95.8% of all of the residential land in California is zoned for just one home at the local level.[10] Single-family only zoning is one form of exclusionary zoning. The same analysis found that jurisdictions with more restrictive zoning have fewer non-white residents.[11] Although California is only 35% white, cities with 96% single-family-only zoning are nearly 55% white.[12] In recent years, the Legislature has sought to increase the amount of land available for housing development, sometimes by overriding local zoning regulations in these single-family communities to increase the allowable density.

In recent years, the Legislature has promoted a shift towards "gentle density," e.g., ADUs, duplexes, fourplexes, townhomes, and other moderately dense developments that were common before the imposition of zoning. In 2016, SB 1069 (Wieckowski), Chapter 720 and AB 2299 (Bloom) Chapter 735 permitted ADUs by right on all residentially-zoned parcels in the state. By permitting attached, detached, and JADUs on all single-family lots, these laws, among others, facilitated the construction of missing middle housing in exclusionary single-family neighborhoods and all residential areas.[13] SB 9 (Atkins), Chapter 162, Statues of 2021 furthered this trend by making duplexes by-right on single-family zoned properties. SB 1211 (Skinner), Chapter 296, Statues of 2024 increased the number of allowable ADUs on multifamily properties. SB 1123 (Caballero), Chapter 294, Statutes of 2024 and SB 684 (Caballero), Chapter 783, Statutes of 2023 made it legal to build up to 10 homes on vacant lots in single-family zones near jobs, schools, transit, and other amenities by providing a streamlined approval process.

Of the "missing middle" legislation passed to date, the cumulative effect of the ADU laws has been a bright spot when it comes to facilitating housing production. ADU laws have established a fast, predictable, uniform, and enforceable process for the approval of ADUs statewide. These laws have transformed ADUs from being less than 1% of new construction before 2017 to now

[10] https://belonging.berkeley.edu/single-family-zoning-california-statewide-analysis
[11] IBID.
[12] IBID.
[13] https://www.hcd.ca.gov/sites/default/files/docs/policy-and-research/adu-handbook-update.pdf

being approximately 20%, with over 23,000 new ADUs legally completed in 2023.[14] The number of ADUs is expected to continue growing as the ADU construction and financing industry matures, which will help meet the market feasibility for ADUs that is estimated to be approximately 1.8 million units in California.[15] With thousands of affordable ADUs being added every year, ADUs have already become an important part of the state's stock of new affordable housing, with a growth potential that is not subject to the state's funding allocations.

Meanwhile, uptake has been slower for SB 9. According to a 2021 study from the UC Berkeley Terner Center for Housing Innovation, the passage of SB 9 increased the amount of market-feasible homes statewide by 700,000.[16] However, a 2023 analysis from the Terner Center determined that, in its first year, the effect of the law has been relatively limited.[17] Los Angeles had the most activity, with 211 applications for new units under SB 9 in 2022. The state's other large cities all reported very few applications for lot splits or new units. For example, the City of San Diego reported receiving just seven applications for new SB 9 units in 2022.

There are multiple reasons for this slow uptake. It often takes a few years for the construction process to catch up with changes to land use policy. Also, higher interest rates greatly increased the cost of financing a second unit, adding a chilling effect to the housing market. The City of San Diego has a generous local ADU program, providing a local pathway to increasing missing-middle housing, which is less restrictive than the provisions of SB 9. SB 450 (Atkins), Chapter 286, Statutes of 2024, amended SB 9 to address some of the early barriers to low utilization of SB 9. SB 450 (Atkins) added a 60-day review period for SB 9 applications, removed the ability of local agencies to deny certain SB 9 projects, prohibited a local agency from imposing standards on SB 9 projects that do not apply to the underlying zoning district, gave HCD explicit enforcement authority over SB 9, and strengthened the statewide concern findings that applied SB 9 to charter cities. The provisions of SB 450 became effective on January 1 of this year, so it is too early to judge the impact of those changes on SB 9 uptake.

This bill would expand significantly on the efforts to open up residential neighborhoods to gentle density by allowing up to 8 units to be built on any parcel that currently allows for one to eight units of residential development, with the above-mentioned limitations to protect tenants and ensure these developments are located in environmentally sound locations. By increasing development capacity, this bill will increase land values. A concern being raised about this bill is that the increased land value will facilitate speculative purchases of land by corporations, including institutional investors, and may lead to gentrification. Such concerns were also raised before and after the passage of the legislation that allowed ADUs and SB 9. However, thus far this concern does not appear to have been borne out: while corporations own 17% of California's housing stock, only 8% of ADUs have been built on their property.[18] One reason that corporations are not building as many secondary units is that construction is not part of their

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[14] Per HCDs "APR Dashboard" https://www.hcd.ca.gov/planning-and-community-development/housing-open-data-tools/housing-element-implementation-and-apr-dashboard. Complete data for 2023 will be made available by June 30, 2024. This statistic relies on data pulled on May 28, 2024.
[15] Monkonnen et al, 2020, *One to Four: The Market Potential of Fourplexes in California's Single-Family Neighborhoods*, UCLA Working Paper Series: https://www.lewis.ucla.edu/research/market-potential-fourplexes/
[16] https://ternercenter.berkeley.edu/wp-content/uploads/2021/07/SB-9-Brief-July-2021-Final.pdf
[17] https://ternercenter.berkeley.edu/research-and-policy/sb-9-turns-one-applications/
[18] Chapple et al, 2020, *Reaching California's ADU Potential: Progress to Date and Progress to Date and the Need for ADU Finance*, UC Berkeley's Terner Center and Center for Community Innovation: https://ternercenter.berkeley.edu/wp-content/uploads/2020/12/ADU-Brief-2020.pdf

business model, which is instead predicated on rising rents providing a greater return than other investment alternatives. Furthermore, the BUILD Act allows for the units developed to be rental, condominiums, part of a tenancy in common, or part of a housing cooperative, potentially providing increased homeownership opportunities.

Policy Considerations:

1) **Bonus!** As currently drafted, this bill would allow developments containing 5-8 units to qualify for State Density Bonus Law (DBL), affording them added density, concessions, and incentives in exchange for some affordable units. The Committee may wish to consider if the stacking of the BUILD Act and DBL is appropriate, as the BUILD Act already imposes a statewide FAR of 2.0, increased density, a height limit one story above what is otherwise allowed by the local government, and relaxed setback requirements.

2) **Urban?** Further, this bill uses a definition of "urbanized areas" and "urban cluster" to define the urban areas where this bill would apply. Those definitions are from 2012 and are no longer supported by the U.S. Census Bureau. The U.S. Census Bureau now uses a 2022 definition of an "urban area." The Committee may wish to consider having this bill use the current definition rather than an outdated one.

3) **Parking.** As currently drafted, a local government is prohibited from imposing any parking requirements on any developments under the BUILD Act. Parking is expensive to build in an already expensive construction environment, by some estimates adding tens of thousands of dollars per parking space to new developments. The state has taken significant steps to alleviate parking requirements near transit and provide developers with options to reduce parking to increase financial feasibility through the use of DBL. Furthermore, there is nothing preventing a developer from electing to add parking if they believe that is an amenity that will be important for future residents. Some jurisdictions, like San Francisco, have completely waived all requirements for new parking spaces in residential development. Nonetheless, since the provisions of this bill apply statewide and not just near existing jobs and transit, the Committee may wish to consider whether the prohibition on any parking requirements is appropriate.

Arguments in Support: The Our Future LA Coalition, the bill sponsor, writes in support: "AB 647 is essential to desegregate California and open neighborhoods of opportunity to all Californians. Lower-income households often face a stark choice: pay upwards of half their income to live within a reasonable distance to their jobs, or accept long commutes from their homes. This is because job rich neighborhoods do not provide adequate housing affordable to all households. Essential workers including teachers, post office workers, and grocery store employees work in every neighborhood in California. Unfortunately, not every neighborhood has affordable housing for our essential community members. AB 647 will move California towards remedying this wrong."

Arguments in Opposition: The California Association of Realtors writes in opposition: "Policies like AB 647 (González) only serve to widen our state's generational wealth gap, as working families face an insurmountable number of state laws that exclude them from the dream of homeownership as state laws favor the investor (i.e., for-profit, non-profit, REIT, hedge fund, deed restricted housing developers, etc.), who seeks to maximize their return on investment using our state's limited homeownership housing stock which is removed from the ownership housing market to increase shareholder profits."

Committee Amendments: The Committee may wish to consider the following amendments to address the policy considerations raised in 1) and 2), above:

1) Add the following language to prevent DBL from being used in conjunction with the BUILD Act:

   (f) An application for a proposed housing development submitted pursuant to this section shall be ineligible for a density bonus, or any incentives, concessions, waivers or reductions of development standards, or parking ratios, provided under Section 65915.

2) Use the current U.S. Census Bureau definition of an urban area, not the 2012 definitions of "urbanized area" and "urban cluster:"

   (I) An incorporated city, the boundaries of which include some portion of an ~~urbanized~~ *urban* area.

   (II) An ~~urbanized area or urban cluster.~~ *urban area.*

   (ii) For purposes of this subparagraph, ~~the following definitions apply:~~ *"urban area" means an urban area designated by the United States Census Bureau, as published in the Federal Register, Volume 87, Number 249, on December 29, 2022.*

   ~~(I) "Urbanized area" means an urbanized area designated by the United States Census Bureau, as published in the Federal Register, Volume 77, Number 59, on March 27, 2012.~~

   ~~(II) "Urban cluster" means an urban cluster designated by the United States Census Bureau, as published in the Federal Register, Volume 77, Number 59, on March 27, 2012.~~

Related Legislation:

AB 956 (Quirk-Silva) of this legislative session would allow for up to 2 detached ADUs on any lot with an existing or proposed single-family home.

SB 1123 (Caballero), Chapter 294, Statutes of 2024 and SB 684 (Caballero), Chapter 783, Statutes of 2023 required local agencies to ministerially approve subdivisions for specified projects in urban areas that include 10 or fewer housing units.

AB 1033 (Ting), Chapter 752, Statutes of 2023: Allowed an ADU to be separately conveyed from the primary residence

SB 897 (Wieckowski), Chapter 664, Statutes of 2022: Created a process for the permitting of unpermitted ADUs.

SB 9 (Atkins), Chapter 162, Statutes of 2021. Required the ministerial approval by a local agency of a duplex in a single-family zone and the lot split of a parcel zoned for residential use into two parcels.

AB 68 (Ting), Chapter 655, Statutes of 2019, AB 881 (Bloom), Chapter 659, Statutes of 2019, and SB 13 (Wieckowski), Chapter 653, Statutes of 2019: Collectively, these bills made changes to ADU and JADU laws, including narrowing the criteria by which local jurisdictions can limit

where ADUs are permitted, clarifying that ADUs must be ministerially approved if constructed in existing garages, eliminating for five years the potential for local agencies to place owner-occupancy requirements on the units, prohibiting an ordinance from imposing a minimum lot size for an ADU, and eliminating impact fees on ADUs that are 750 square feet or less and capping fees on ADUs that are 750 square feet or more to 25 percent

AB 2299 (Bloom), Chapter 735, Statutes of 2016; and SB 1069 (Wieckowski), Chapter 720, Statutes of 2016: Provided legislative intent re ADUs and provided requirements and authorizations for the entitlement of ADUs.

AB 2406 (Thurmond), Chapter 755, Statutes of 2016: Established JADU law.

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

REGISTERED SUPPORT / OPPOSITION:

Support

Abundant Housing LA (Co-Sponsor)
Inner City Law Center (Co-Sponsor)
Our Future Los Angeles (Co-Sponsor)
United Way of Greater Los Angeles (Co-Sponsor)
Abundant Housing Los Angeles
Abundant Housing Pasadena
Abundant Housing Sunset
Active San Gabriel Valley
Alliance of Californians for Community Empowerment (ACCE Action)
Ascencia
Bet Tzedek Legal Services
Bike LA
Black Women for Wellness
Building WeHo
CA Native Vote Project
California Community Builders
California YIMBY
Climate Resolve
CTY Housing, INC.
Downtown Women's Center
DTLA 4 All
East Bay YIMBY
Eastside Housing for All
Everybody's Long Beach
Fathers and Mothers Who Care
Fieldstead and Company, INC.
Glendale YIMBY
Greenbelt Alliance
Grow the Richmond
Habitat for Humanity California
Habitat for Humanity Greater Los Angeles

Healing and Justice Center
Homes for Whittier
HOPICS
Housing Action Coalition
Housing Leadership Council of San Mateo County
Inland Abundant Housing & Housing and Homeless Collaborative of Claremont
Inquilinos Unidos (united Tenants)
Jewish Family Service LA
Justice in Aging
KIWA
LA Forward
LA Voice
Liberty Hill Foundation
LIBRE
LISC Los Angeles
LISC San Diego
Long Beach Forward
Long Beach Gray Panthers
Long Beach Residents Empowered
Los Angeles Neighborhood Land Trust
Mental Health Advocacy Services
Mountain View YIMBY
Napa-Solano for Everyone
Neighborhood Housing Services of Los Angeles County
Northern Neighbors
PATH
Peninsula for Everyone
Presbytery of the Pacific
Redlands YIMBY
Restore Neighborhoods LA
Sacramento Housing Alliance
Safe Place for Youth
San Fernando Valley for All
San Francisco YIMBY
Santa Cruz YIMBY
Santa Monica Forward
Santa Rosa YIMBY
SF YIMBY
Social Justice Learning Institute
South Bay Forward
South Bay YIMBY
South LA Solid
South Pasadena Residents for Responsible Growth
St Joseph Center
Stories from the Frontline
Streets for All
Sunset Abundant Housing
Sustainable Claremont
The Good Seed CDC

The Hmong INC
The People Concern
The Sidewalk Project
Union Station Homeless Services
United Way Bay Area
Urban Environmentalists LA
Ventura County YIMBY
Westside for Everyone
YIMBY Action
YIMBY Democrats of San Diego County
YIMBY Law
YIMBY Los Angeles
YIMBY SLO

Opposition

California Association of Realtors
City of Artesia, California
City of Brea
City of Cypress
City of Garden Grove
City of Hawaiian Gardens
City of Hermosa Beach
City of LA Habra
City of LA Mirada
City of Lakewood CA
City of Lomita
City of Los Alamitos
City of Montclair
City of Ontario
City of Rancho Palos Verdes
City of San Bernardino
City of Seal Beach
City of Stanton
City of Thousand Oaks
City of Tulare
City of Walnut Creek
League of California Cities
South Bay Cities Council of Governments
Individual - 1

Analysis Prepared by: Dori Ganetsos / H. & C.D. / (916) 319-2085

Date of Hearing: April 24, 2025

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
AB 650 (Papan) – As Amended March 28, 2025

SUBJECT: Planning and zoning: housing element: regional housing needs allocation

SUMMARY: Extends various timelines in the regional housing needs determination and allocation (RHNA) and housing element process, requires the Department of Housing and Community Development (HCD) to provide specific analysis or text to local governments to remedy deficiencies in their draft housing elements, and allows local governments to deny applications for "builder's remedy projects" during certain portions of the housing element review process. Specifically, **this bill**:

1) Revises the required timeline for HCD, in consultation with each council of governments (COG), to determine each region's existing and projected housing need, as specified, from two years prior to the scheduled housing element due date for the region as in existing law, to 30 months prior to the due date.

2) Revises the required timeline for HCD to meet and consult with the COG regarding the assumptions and methodology to be used by HCD to determine the region's housing needs, from at least 26 months prior to the scheduled housing element due date for the region as in existing law, to 32 months prior to the due date.

3) Revises the required timeline for each COG or delegate subregion to develop, in consultation with HCD, a proposed methodology for distributing the RHNA to local governments within the region or subregion, from at least two years prior to the scheduled housing element due date as in existing law, to at least two and one-half years prior to the due date. Exempts COGs with a seventh cycle housing element due date in the 2027 calendar year from this timeline revision.

4) Revises the required timeline for each COG and delegate subregion to distribute a draft RHNA to each local government in the region or subregion and to HCD based on the methodology described in 3) above and to publish the draft RHNA plan on its website, from at least one and one-half years prior to the scheduled housing element due date as in existing law, to at least two years prior to the due date. Exempts COGs with a seventh cycle housing element due date in the 2027 calendar year from this timeline revision.

5) Adds a deadline of December 31, 2026 to the existing law requirement for HCD to develop a standardized reporting format for programs and actions taken to affirmatively further fair housing via the housing element, as specified.

6) Requires HCD, if it finds that a draft housing element or amendment does not substantially comply with housing element law, to do both of the following in a written communication to the planning agency:

    a) Identify and explain the specific deficiencies in the draft element or draft amendment, including a reference to each subdivision of specified law that the draft does not comply with; and

b) Provide the specific analysis or text that HCD expects the planning agency to include in the draft to remedy the deficiencies identified under a) above.

7) Requires a local government's legislative body to consider HCD's findings and the specific analysis or text required by HCD under 6) above prior to the adoption of its draft element or amendment.

8) Requires the local government's legislative body, if HCD finds that the draft element or amendment does not substantially comply with housing element law, to do one of the following:

   a) Include the specific analysis or text from HCD under 6) above in the draft element or amendment to substantially comply with housing element law; or

   b) Adopt the draft element or amendment without the specific analysis or text required by HCD and include written findings in its resolution of adoption that explain the reasons the legislative body believes that the draft substantially complies with housing element law despite the specific analysis or text required by HCD.

9) Allows a local government to deny a "builder's remedy project," as specified and notwithstanding specified law, within the planning agency's jurisdiction during either of the following periods:

   a) The duration of HCD's review of a draft element or amendment revised under 8) a) above; and

   b) 90 days from the date HCD notifies the planning agency of additional deficiencies not previously identified by HCD in response to the prior submission of the draft element or amendment.

10) Requires HCD, when reviewing adopted housing elements or amendments and any findings under 8) b) above, if it finds the adopted element or amendment is not in substantial compliance with housing element law, to identify each subdivision of specified law that the housing element does not substantially comply with and provide the specific analysis or text to the planning agency that, if adopted, would bring the housing element or amendment into substantial compliance.

11) Prohibits a local agency, under the Housing Accountability Act (HAA), from disapproving or conditioning approval of a housing development project for very low, low-, or moderate-income households or an emergency shelter in a manner that renders the project infeasible, unless the local agency makes written findings, based upon a preponderance of the evidence in the record, that on the date an application for the project was deemed complete, the jurisdiction did not have an adopted revised housing element that was in substantial compliance with housing element law, the project is a "builder's remedy project," and at least one of the conditions under 9) above applies.

EXISTING LAW:

1) Provides that each community's fair share of housing be determined through the Regional Housing Needs Determination (RHND)/RHNA process. Sets out the process as follows: (a)

Department of Finance (DOF) and HCD develop regional housing needs determination estimates or RHNDs; (b) COGs allocate housing via RHNA within each region based on these determinations, and where a COG does not exist, HCD conducts the allocations; and (c) cities and counties incorporate these allocations into their housing elements. (Government Code (GOV) 65584 and 65584.01)

2) Requires HCD, in consultation with each COG, to determine each region's existing and projected housing need at least two years prior to the scheduled revision of the housing element, as provided, and requires the COG or HCD to adopt a final RHNA that allocates a share of the regional housing need to each city or county at least one year prior to the housing element due date for the region. (GOV 65584(b))

3) Requires HCD to meet and consult with each COG regarding the assumptions and methodology to be used in determining the region's housing needs at least 26 months prior to the housing element due date for the region. (GOV 65584.01(b)(1))

4) Requires each COG or delegate subregion to develop, in consultation with HCD, a proposed methodology for distributing the RHNA to local governments within the region or subregion at least two years prior to the housing element due date for the region. (GOV 65584.04(a))

5) Requires each COG or delegate subregion to distribute a draft RHNA based on the methodology under 4) above to each local government in the region and to HCD, and to publish the draft RHNA on its website, at least one and one-half years prior to the housing element due date for the region. (GOV 65584.05(a))

6) Requires each city and county to adopt a housing element, which must contain specified information, programs, and objectives, including:

    a) An assessment of housing needs and an inventory of resources and constraints relevant to the meeting of these needs, including a quantification of the locality's existing and projected housing needs for all income levels; an inventory of land suitable and available for residential development; an analysis of potential and actual governmental and nongovernmental constraints upon the maintenance, improvement, or development of housing for all income levels; and a demonstration of local efforts to remove constraints that hinder the locality from meeting its share of the regional housing need, among other things;

    b) A statement of the community's goals, quantified objectives, and policies relative to affirmatively furthering fair housing and to the maintenance, preservation, improvement, and development of housing; and

    c) A program that sets forth a schedule of actions during the planning period, and timelines for implementation, that the local government is undertaking to implement the policies and achieve the goals and objectives of the housing element, including actions that will be taken to make sites available during the planning period with appropriate zoning and development standards and with services and facilities to accommodate that portion of the local government's share of the regional housing need for each income level that could not be accommodated on sites identified in the sites inventory without rezoning, among other things. (Government Code (GOV) Section 65583(a)-(c))

7) Requires a local government to submit a draft housing element revision or amendment to HCD at least 90 days prior to adoption of a revision of its housing element, as specified, or at least 60 days prior to the adoption of a subsequent amendment to the housing element. (GOV 65585(b)(1)(A))

8) Requires HCD to review the draft and report its written findings to the planning agency within 90 days of its receipt of the first draft submittal for each housing element revision or within 60 days of its receipt of a subsequent draft. Prohibits HCD from reviewing the first draft submitted for each housing element revision until the local government has made the draft available for public comment for at least 30 days and, if comments were received, as taken at least 10 business days to consider and incorporate public comments, as provided. (GOV 65585(b)(1)(C))

9) Requires HCD, in its written findings under 8) above, to determine whether the draft element or amendment substantially complies with housing element law. (GOV 65585(d))

10) Requires the legislative body of a local government to consider the findings made by HCD under 8) above prior to the adoption of its draft element or amendment. Allows the legislative body to act without the findings if HCD's findings are not available within specified time limits. (GOV 65585(e))

11) Requires the legislative body of a local government, if HCD finds the draft element or amendment does not substantially comply with housing element law, to take one of the following actions:

    a) Change the draft element or amendment to substantially comply with housing element law, as provided; or

    b) Adopt the draft element or amendment without changes, and include written findings in its adoption resolution that explain the reasons the legislative body believes the draft element or amendment substantially complies with housing element law despite the findings of HCD. (GOV 65585(f))

12) Requires HCD to review adopted housing elements or amendments and any findings described under 11) b) above within 60 days and make a finding as to whether the adopted element or amendment is in substantial compliance with housing element law, and report its findings to the planning agency. (GOV 65585(h))

13) Requires HCD to develop a standardized reporting format for programs and actions taken in a housing element to affirmatively further fair housing, which must enable the reporting of specified components of assessing fair housing and include specified fields. (GOV 65583(c)(10)(D))

14) Prohibits, under the Housing Accountability Act (HAA), a local government from disapproving or conditioning approval in a manner that renders infeasible certain housing development projects, including a "builder's remedy project," which is defined to mean:

    a) A housing development project that provides housing for very low, low-, or moderate-income households;

b) On or after the date an application for the project or emergency shelter was deemed complete, the jurisdiction did not have a housing element that was in substantial compliance with the law; and

c) The project meets specified density, location, and affordability requirements. (GOV 65589.5(d)(6), (f)(6), and (h)(11))

FISCAL EFFECT: Unknown.

COMMENTS:

Author's Statement: According to the author, "AB 650 will improve the housing element review process by addressing the delays and challenges local governments face in meeting housing requirements. This bill makes three key improvements: first, it starts the Regional Housing Needs Allocation (RHNA) process six months earlier, allowing municipalities to engage with the Department of Housing and Community Development (HCD) sooner; second, it mandates consistent and clear feedback from HCD to ensure local governments have the guidance they need to comply; and third, it provides relief to cities awaiting HCD's determination by offering a stay on the builder's remedy. These changes will help local governments develop compliant housing elements on time, supporting the production of much-needed housing while ensuring fairness and clarity in the process."

California's Housing Crisis: California is in the midst of a severe housing crisis. Over two-thirds of low-income renters are paying more than 30% of their income toward housing, a "rent burden" that means they have to sacrifice other essentials such as food, transportation, and health care. In 2024, over 185,000 Californians experienced homelessness on a given night, with a sharp increase in the number of people who became homeless for the first time. The crisis is driven in large part by the lack of affordable rental housing for lower income people. According to the California Housing Partnership's (CHP) Housing Need Dashboard, in the current market, nearly 2 million extremely low-income and very low-income renter households are competing for roughly 750,000 available and affordable rental units in the state. Over three-quarters of the state's extremely low-income households and over half of the state's very low-income households are severely rent burdened, paying more than 50% of their income toward rent each month. CHP estimates that the state needs an additional 1.3 million housing units affordable to very low-income Californians to eliminate the shortfall. By contrast, production in the past decade has been under 100,000 housing units per year – including less than 20,000 units of affordable housing per year.[1]

Despite recent investments over the last few years, state and local governments have not significantly invested in affordable housing production in decades, leading to a lack of supply. In addition, local governments have failed to adequately zone or plan for new housing for decades. In the last eight years, the state has taken major steps to increase the supply of housing by requiring local governments to plan and zone for 2.5 million new housing units, holding local governments accountable for approving housing, and streamlining both affordable housing and mixed-income housing.

[1] https://www.hcd.ca.gov/policy-research/housing-challenges.shtml

RHNA and Housing Elements: The RHNA process is used to determine how many new homes, and the affordability level of those homes, each local government must plan for in its housing element to cover the duration of the next planning cycle. The state is currently in the sixth housing element cycle. The RHND is assigned at the COG level, while RHNA is suballocated to subregions of the COG or directly to local governments. RHNA is currently assigned via six income categories: very low-income (0-50% of AMI), low-income (50-80% of AMI), moderate income (80-120% of AMI), and above moderate income (120% or more of AMI). Beginning with the seventh cycle, two new income categories will be incorporated for acutely low-income (0-15% of AMI) and extremely low-income (15-30% of AMI).

The cycle begins with HCD and DOF projecting new RHND numbers every five or eight years, depending on the region. DOF produces population projections and the COG also develops projections during its Regional Transportation Plan update. Then, 26 months before the housing element due date for the region, HCD must meet and consult with the COG and share the data assumptions and methodology that they will use to produce the RHND. The COG provides HCD with its own regional data on several criteria, including:

- Anticipated household growth associated with projected population increases;
- Household size data and trends in household size;
- The percentage of households that are overcrowded, as defined, and the overcrowding rate for a comparable housing market, as defined;
- The rate of household formation, or headship rates, based on age, gender, ethnicity, or other established demographic measures;
- The vacancy rates in existing housing stock, and the vacancy rates for healthy housing market functioning and regional mobility, as well as housing replacement needs, as specified;
- Other characteristics of the composition of the projected population;
- The relationship between jobs and housing, including any imbalance between jobs and housing;
- The percentage of households that are cost burdened and the rate of housing cost burden for a healthy housing market, as defined; and
- The loss of units during a declared state of emergency during the planning period immediately preceding the relevant housing element cycle that have yet to be rebuilt or replaced at the time of the data request.

HCD can take this information and use it to modify its own methodology, if it agrees with the data the COG produced, or can reject it if there are other factors or data that HCD feels are better or more accurate. Then, after a consultation with the COG, HCD makes written determinations on the data it is using for each of the factors bulleted above, and provides that information in writing to the COG. HCD uses that data to produce the final RHND, which must be distributed at least two years prior to the region's expected housing element due date. The COG must then take the RHND and create an allocation methodology that distributes the housing need equitably amongst all the local governments in its region. The RHNA methodology is statutorily obligated to further all of the following objectives:

1) Increase the housing supply and mix of housing types, tenure, and affordability in all cities and counties within the regional in an equitable manner, which must result in each jurisdiction receiving an allocation of units for low- and very low-income households;

2) Promote infill development, socioeconomic equity, the protection of environmental and agricultural resources, and achievement of regional climate change reduction targets;

3) Promote an improved intraregional relationship between jobs and housing, including an improved balance between the number of low-wage jobs and the number of housing units affordable to low-wage workers in each jurisdiction;

4) Allocate a lower proportion of housing need to an income category when a jurisdiction already has a disproportionately high share of households in that income category; and

5) Affirmatively further fair housing.

This bill would push back several RHND and RHNA deadlines for the seventh housing element cycle and beyond by six months, as follows:

- HCD would be required to consult with each COG at least 32 months prior to the scheduled housing element revision, rather than 26 months prior under existing law;
- HCD must determine each region's RHND 2.5 years (30 months) prior to the scheduled housing element revision, rather than two years under existing law;
- Each COG must develop its proposed RHNA methodology at least 2.5 years prior to the scheduled housing element revision, rather than two years under existing law (except for COGs with due dates in the 2027 calendar year); and
- Each COG must distribute its draft RHNA allocation plan at least two years prior to the scheduled housing element revision, rather than 1.5 years under existing law (except for COGs with due dates in the 2027 calendar year).

When the draft RHNA plan is distributed, a 30-day shot clock starts for local governments and HCD to appeal the plan. If no appeals are filed, the COG or delegate subregion must adopt the final RHNA plan within 45 days. If appeals are filed, the COG or delegate subregion must publish all appeals and start a 45-day window for public comment. The COG must hold one public hearing within 30 days of close of the public comment period. The COG then has 45 days after hosting the public hearing to make a final determination on appeals and issue a proposed final RHNA. The COG must adopt the final RHNA within 45 days at another public hearing. Subject to GOV 65584, this must be completed and the final RHNA must be adopted at least one year prior to the housing element deadline, but with the various shot clocks, this yields a total of 195 days from the publishing of the draft RHNA plan (18 months prior to the deadline) to accept and publish appeals, receive comments, hold a hearing, make a determination on appeals, and adopt the final RHNA. This provides local governments with one year at the minimum to prepare and adopt their housing elements, though COGs now have the authority to shorten some of these appeal timelines if they so choose.

The additional six months provided by this bill would mean that COGs would have to distribute their draft RHNA plan at least two years before the housing element due date. With the 195 day appeal timeline, this change would result in local governments receiving their final RHNA numbers about 1.5 years prior to the due date, providing them an extra six months to prepare their housing elements and submit them to HCD for review and approval.

***Adoption and Implementation of Housing Elements*:** All of the state's 539 cities and counties are required to appropriately plan for new housing through the housing element of each community's General Plan, which outlines a long-term plan for meeting the community's

existing and projected housing needs. Cities and counties are required to update their housing elements every eight years in most of the high population parts of the state, and five years in areas with smaller populations. Localities must adopt a legally valid housing element by their statutory deadline for adoption. Failure to do so can result in certain escalating penalties, including an accelerated deadline for completing rezoning, exposure to the "builder's remedy," public or private lawsuits, financial penalties, potential loss of permitting authority, or even court receivership.

Among other things, the housing element must demonstrate how the community plans to accommodate its share of its region's RHNA, described above. To do so, each community establishes an inventory of sites designated for new housing that is sufficient to accommodate its fair share. Where a community does not already contain the existing capacity to accommodate its fair share of housing, it must undertake a rezoning program to accommodate the housing planned for in the housing element. Depending on whether the jurisdiction met its statutory deadline for housing element adoption, it will have either one year (if it failed to meet the deadline) or three years (if it met the deadline) from its adoption deadline to complete that rezoning program.

It is critical that local jurisdictions adopt legally compliant housing elements on time in order to meet statewide housing goals and create the environment locally for the successful construction of desperately needed housing at all income levels. Unless communities plan for production and preservation of affordable housing, new housing will be slow to build. Adequate zoning, removal of regulatory barriers, protection of existing stock and targeting of resources are essential to obtaining a sufficient permanent supply of housing affordable to all economic segments of the community. Although not requiring the community to develop the housing, housing element law requires the community to plan for housing. Recognizing that local governments may lack adequate resources to house all those in need, the law nevertheless mandates that the community do all that it can and that it not engage in exclusionary and harmful practices.

Local governments have a statutory deadline to submit a housing element based on region. Ninety days before the deadline to adopt a housing element, localities must submit a draft to HCD. HCD is required to review the draft element within 90 days of receipt and provide written findings as to whether the draft amendment substantially complies with housing element law. If HCD finds that the draft element does not substantially comply with the law, the local agency may either make changes to the draft element to substantially comply with the law or adopt the element and make findings as to why it complies with the law despite the findings of the department. Following adoption of a housing element, a local agency submits it to HCD. When a local government adopts its housing element without making the changes HCD provides, the process is called "self-certification." Despite the fact that the process allows a local agency to adopt a housing element without making the changes required by HCD to be in substantial compliance, a local agency is not considered compliant until receiving ultimate approval from HCD. Last year, AB 1886 (Alvarez), Chapter 267, further clarified that a housing element is in compliance when both a local agency has adopted a housing element and HCD had found the element in compliance.

This bill would require HCD's findings of noncompliance for either a draft or adopted housing element to identify and explain the specific deficiencies, by reference to each subdivision of housing element law, that the draft does not comply with, and would require HCD to provide the specific analysis or text that would address the deficiencies if the local government were to include them in a revised element or amendment.

Housing Accountability Act (HAA)/Builder's Remedy: In 1982, the Legislature enacted the Housing Accountability Act (HAA). The purpose of the HAA is to help ensure that a city does not reject or make infeasible housing development projects that contribute to meeting their housing need without a thorough analysis of the economic, social, and environmental effects of the action and without complying with the HAA. The HAA restricts a city's ability to disapprove, or require density reductions in, certain types of residential projects. The HAA does not preclude a locality from imposing developer fees necessary to provide public services or requiring a housing development project to comply with objective standards, conditions, and policies appropriate to the locality's share of the RHNA.

One constraint within the HAA on local governments' authority to disprove housing is the "Builder's Remedy." The Builder's Remedy prohibits a local government from denying certain housing developments that do not conform to the local government's underlying zoning, if the local government has not adopted a compliant housing element. A number of developers have attempted to use the Builder's Remedy in the last few years. Last year, AB 1893 (Wicks), Chapter 268, set parameters around the density, underlying zoning, and objective standards that a development must meet in order to qualify for the Builder's Remedy, and reduced the amount of affordable housing a development must include to qualify.

This bill would allow a local government to deny a Builder's Remedy project if the local government has not met its statutory deadline for adopting a compliant housing element and has submitted a second or subsequent draft of a housing element that they revised in response to an initial finding of noncompliance from HCD, for the duration of HCD's review of the subsequent draft. HCD has 60 days to review second and subsequent drafts (90 days for initial drafts). The bill would also allow a local government to deny a Builder's Remedy project for 90 days from the date HCD notifies the local government of additional deficiencies that were not previously identified by HCD in response to a prior draft element.

Arguments in Support: According to the League of California Cities, the bill's sponsor, "During the 6th RHNA cycle, local governments experienced various challenges in obtaining certification from HCD. Some of the challenges include a short timeline for completing these complex documents and responding to HCD's feedback, a lack of clarity regarding what the state expects from local governments when reviewing additional housing element drafts, and the introduction of new requirements late in the housing element review process. AB 650 would address these issues by allowing local governments to begin updating their housing element six months early. The bill would also require HCD to provide specific text and analysis that must be included in the housing element to remedy deficiencies, ensuring that local governments are not penalized when HCD identifies additional deficiencies not previously identified in prior review letters."

Arguments in Opposition: The California Home Building Alliance writes in opposition, "State housing element law exists to ensure there is a sufficient supply of properly zoned sites for residential development in jurisdictions across the state to accommodate the various housing needs of our population over time. The Builder's Remedy is a provision in the Housing Accountability Act, first enacted in 1990, that – when a local jurisdiction is out of compliance with state housing element law – allows housing development project applications to be submitted that conform to prescribed development standards and new affordability requirements recently added to the statute. For jurisdictions that want to avoid Builder's Remedy projects, the law offers a pathway to do so: get their housing elements approved before the deadline. Enforcement of state housing element law is key to addressing our housing affordability and

availability crises and, therefore, we must strongly oppose AB 650 unless amended because it would take us backwards in this effort.

Committee Amendments: Staff recommends the bill be amended as follows:

1) The Builder's Remedy was modified just last year by AB 1893 (Wicks), which imposed new density and location restrictions in the HAA to better conform future Builder's Remedy projects to their surrounding neighborhoods and created more certainty for developers utilizing the Builder's Remedy in jurisdictions lacking compliant housing elements. The larger, more populous regions of the state will not begin preparing their seventh cycle housing elements until 2028, and other elements of this bill proposing to move the RHND and RHNA process earlier in sequence will mean local governments in the seventh cycle will have about 18 months to work on their housing elements, six months more time than under current law. Several factors converged in the sixth cycle that made the process more difficult than expected by many local governments and consultants who are often hired or contracted to prepare housing elements. These include changes to the RHND data methodology that more accurately captured the scale of the housing crisis and generated larger RHNA numbers, the inclusion of robust requirements to analyze fair housing issues and take steps to affirmatively further fair housing and delayed guidance from HCD on how to incorporate AFFH, new limitations on recycling old unbuilt or infeasible sites that prompted more intensive rezoning programs, and significant workload spikes for HCD staff reviewing lengthier and more involved housing elements that contributed to staff turnover challenges. Given the other provisions of this bill adding six months to the housing element preparation window for local governments and requiring HCD to provide more intensive, granular instructions on how to come into compliance, the committee may wish to consider striking the provisions of the bill allowing local governments to deny Builder's Remedy projects:

GOV 65585. (f)(1) If the department finds that the draft element or draft amendment does not substantially comply with this article, the legislative body shall take one of the following actions:

(1) (A) Include the specific analysis or text in the draft element or draft amendment to substantially comply with this article, as required by the department pursuant to subdivision (d).

(B) Any change to a draft element or draft amendment pursuant to subparagraph (A) shall be completed in accordance with subdivision (b). This subparagraph does not constitute a change in, but is declaratory of, existing law.

~~(C) Notwithstanding Section 65589.5, a jurisdiction shall not be required to approve a builder's remedy project, as defined in paragraph (11) of subdivision (h) of Section 65889.5, within the planning agency's jurisdiction during either of the following periods:~~

~~(i) The duration of the department's review of a draft element or draft amendment revised pursuant to this paragraph.~~

~~(ii) Ninety days from the date the department notifies the planning agency of additional deficiencies not previously identified by the department in response to the prior submission of the draft element or draft amendment.~~

GOV 65589.5 (d)~~(7) On the date an application for the housing development project or emergency shelter was deemed complete, the jurisdiction did not have an adopted revised housing element that was in substantial compliance with this article, and the housing development project is a builder's remedy project, and at least one of the conditions described in subparagraph (C) of paragraph (1) of subdivision (f) of Section 65585 applies.~~

2) Both this bill and AB 1275 (Elhawary) propose to modify timelines in the RHND process in different ways. This bill would require HCD to determine each region's RHND at least 30 months prior to the housing element deadline, while AB 1275 proposes to require HCD to determine the RHND at least 36 months prior to the deadline. The committee may wish to consider harmonizing the RHND and COG consultation portions of the two bills by requiring HCD to determine the RHND 36 months prior to the deadline for regions with a COG, and 30 months prior if HCD acts as the region's COG, phased in for those with due dates in 2027-29 as follows:

GOV 65584. (b) The department, in consultation with each council of governments, shall determine each region's existing and projected housing need pursuant to Section 65584.01 at least ~~30 months~~ ***three years*** prior to the scheduled revision required pursuant to Section 65588***, except as provided in subparagraph (1)***. ***For cities and counties without a council of governments, the department shall determine each region's existing and projected housing need pursuant to Section 65584.01 at least 30 months before the scheduled revision required pursuant to Section 65588, except as provided in subparagraph (2)***. The appropriate council of governments, or for cities and counties without a council of governments, the department, shall adopt a final regional housing need plan that allocates a share of the regional housing need to each city, county, or city and county at least one year prior to the scheduled revision for the region required by Section 65588. The allocation plan prepared by a council of governments shall be prepared pursuant to Sections 65584.04 and 65584.05. ***For the seventh housing element cycle, the department shall determine each region's existing and projected housing need as follows:***

(1) For regions with a council of governments, the department, in consultation with each council of governments, shall determine each region's existing and projected housing need pursuant to Section 65584.01 as follows:

> ***(A) For regions with a scheduled housing element revision due date in the 2027 calendar year, the department shall determine the region's housing need at least two years before the scheduled revision.***
>
> ***(B) For regions with a scheduled housing element revision due date in the 2028 calendar year or the first six months of the 2029 calendar year, the department shall determine the region's housing need at least 32 months before the scheduled revision.***
>
> ***(C) For regions with a scheduled housing element revision due date in the second six months of the 2029 calendar year or later, the department shall determine the region's housing need at least three years before the scheduled revision.***

(2) For cities and counties without a council of governments and with a scheduled housing element revision due date in the 2027 calendar year or the first six months of the 2028 calendar year, the department shall determine their existing and projected housing need pursuant to Section 65584.01 at least two years before the scheduled revision.

GOV 65584.01. (b) (1) At least ~~32~~ ***38*** months prior to the scheduled revision pursuant to Section 65588 and prior to developing the existing and projected housing need for a region, the department shall meet and consult with the council of governments regarding the assumptions and methodology to be used by the department to determine the region's housing needs, ***except for the seventh housing element cycle, for which the department shall meet and consult with the council of governments at least two months prior to developing the existing and projected housing need for a region pursuant to the timelines in subparagraph (1) of paragraph (b) of Section 65584***. The council of governments shall provide data assumptions from the council's projections, including, if available, the following data for the region: […]

3) While the bill modifies the timelines for a variety of RHND and RHNA code sections, it omits GOV 65584.03, which allows local governments to form a subregional entity underneath the COG that receives a direct allocation of the RHND from the COG and has the ability to establish its own RHNA methodology and allocation plan. The committee may wish to amend the bill to sync the deadlines in GOV 65584.03 with the amendments in 2) above to preserve the ability of local governments to form these entities.

GOV 65584.03. (a) At least ~~28~~ ***34*** months prior to the scheduled housing element update required by Section 65588, at least two or more cities and a county, or counties, may form a subregional entity for the purpose of allocation of the subregion's existing and projected need for housing among its members in accordance with the allocation methodology established pursuant to Section 65584.04. The purpose of establishing a subregion shall be to recognize the community of interest and mutual challenges and opportunities for providing housing within a subregion. A subregion formed pursuant to this section may include a single county and each of the cities in that county or any other combination of geographically contiguous local governments and shall be approved by the adoption of a resolution by each of the local governments in the subregion as well as by the council of governments. All decisions of the subregion shall be approved by vote as provided for in rules adopted by the local governments comprising the subregion or shall be approved by vote of the county or counties, if any, and the majority of the cities with the majority of population within a county or counties.

(b) Upon formation of the subregional entity, the entity shall notify the council of governments of this formation. If the council of governments has not received notification from an eligible subregional entity at least ~~28~~ ***34*** months prior to the scheduled housing element update required by Section 65588, the council of governments shall implement the provisions of Sections 65584 and 65584.04. The delegate subregion and the council of governments shall enter into an agreement that sets forth the process, timing, and other terms and conditions of the delegation of responsibility by the council of governments to the subregion.

(c) At least ~~25~~ ***31*** months prior to the scheduled revision, the council of governments shall determine the share of regional housing need assigned to each delegate subregion. The share or shares allocated to the delegate subregion or subregions by a council of governments shall be in a proportion consistent with the distribution of households assumed for the comparable time period of the applicable regional transportation plan. Prior to allocating the regional housing needs to any delegate subregion or subregions, the council of governments shall hold at least one public hearing, and may consider requests for revision of the proposed allocation to a subregion. If a proposed revision is rejected, the council of governments shall respond with a written explanation of why the proposed revised share has not been accepted.

(d) Each delegate subregion shall fully allocate its share of the regional housing need to local governments within its subregion. If a delegate subregion fails to complete the regional housing need allocation process among its member jurisdictions in a manner consistent with this article and with the delegation agreement between the subregion and the council of governments, the allocations to member jurisdictions shall be made by the council of governments.

Related Legislation:

AB 1275 (Elhawary) of the current legislative session would requires HCD to determine each region with a COG's existing and projected housing need three years prior to each region's scheduled housing element revision, rather than two years as under existing law, and makes changes to how the transportation and job projections in a region's sustainable communities strategy (SCS) must be incorporated into each COG's RHNA methodology and final RHNA plan. This bill is currently pending a hearing before this committee.

AB 1886 (Alvarez), Chapter 267, Statutes of 2024: Clarified that a housing element or amendment is not considered substantially compliant with housing element law until the local agency has adopted a housing element that HCD has determined is in substantial compliance with housing element law, as specified.

AB 1893 (Wicks), Chapter 268, Statutes of 2024: Revised and clarified the Builder's Remedy in the HAA.

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

League of California Cities (Sponsor)
City of Artesia, California
City of Bell Gardens
City of Beverly Hills
City of Chino Hills
City of Citrus Heights
City of Corona
City of Cypress
City of Dinuba
City of Eastvale
City of Fullerton
City of Garden Grove
City of Hawaiian Gardens
City of Hermosa Beach
City of Indian Wells
City of Kerman
City of La Habra
City of LA Quinta
City of Lakewood
City of Lakewood

City of Lodi
City of Lomita
City of Long Beach
City of Los Alamitos
City of Madera
City of Manhattan Beach
City of Martinez
City of Mission Viejo
City of Oakley
City of Palm Desert
City of Palm Springs
City of Placentia
City of Redding
City of Redlands
City of Scotts Valley
City of Stanton
City of Temecula
City Of Thousand Oaks
City of Tulare
City of Tustin
City of Walnut Creek
City of Whittier
City of Woodland
Liz Morris, Councilmember, City of Delano
Individual - 1

Opposition

South Pasadena Residents for Responsible Growth

Oppose Unless Amended

California Association of Realtors
California Building Industry Association (CBIA)
Greenbelt Alliance
SPUR
The Two Hundred

Analysis Prepared by: Nicole Restmeyer / H. & C.D. / (916) 319-2085

Date of Hearing: April 24, 2025

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
AB 654 (Caloza) – As Amended April 21, 2025

SUBJECT: Homelessness resource telephone system

SUMMARY: Requires Los Angeles County to establish a homelessness resource telephone system to receive telephone calls regarding individuals who are experiencing, or at risk of experiencing, homelessness in order to provide those individuals with resource. Specifically, **this bill**:

1) Defines "homelessness resource telephone system" means a system structured to provide access to resources provided by a local public agency to help address homelessness.

2) Declares the need for a special statute to and that a general statute cannot be made applicable within the meaning of Section 16 of Article IV of the California Constitution because of the unique circumstances facing the County of Los Angeles with regard to homelessness.

EXISTING LAW:

1) Establishes the Warren-911-Emergency Assistance Act, which requires every public agency to have in operation a telephone service which automatically connects a person dialing the digits "911" to an established public safety answering point (PSAP) from any communications device; requires every "911" system to include police, firefighting, and emergency medical, and ambulance services. (Government Code Section 53100 et seq.)

2) Sets a fee on each telephone access line, not to exceed $0.80 per access line per month, to fund the "911" emergency system overseen by the Governor's Office of Emergency Services (OES). (Revenue & Taxation Code Section 41030)

3) Directs the California Public Utilities Commission (CPUC) to fund six public purpose programs through the assessment of surcharges on telecommunications customers which are collectively 7.749 percent of a customer's provider charges as of December 2020. (Public Utilities Code Section 280 et seq. and 873)

4) Designates "988" as the 3-digit dialing code for the National Suicide Prevention Lifeline (NSPL) and requires that service providers transmit all calls initiated by an end user dialing "988" to the current toll free access number for the NSPL no later than July 16, 2022, and pay for the costs of doing so. (Federal Communications Commission (FCC) 20-100)

5) Establishes the federal National Suicide Hotline Designation (NSHD) Act, designating the three-digit telephone number "988" as the universal number within the United States for the purpose of the national suicide prevention and mental health crisis hotline system operating through the NSPL maintained by the Assistant Secretary of the Department of Health and Human Services' Substance Abuse and Mental Health Services Administration (SAMHSA) and the Veterans Crisis line maintained by the Secretary of Veterans Affairs. (Public Law No: 116-172, 10/17/2020)

6) Specifies that county mental health services should be organized to provide immediate response to individuals in pre-crisis and crisis and to members of the individual's support system, on a 24-hour, seven-day-a-week basis and authorizes provision of crisis services offsite, as in mobile services.

FISCAL EFFECT: None.

COMMENTS:

Author's Statement: According to the author, "Los Angeles County and communities across California are facing a growing crisis at the intersection of homelessness, mental health, and public safety. AB 654 provides local governments with a new tool - a dedicated homelessness response line - to ensure that people experiencing or at risk of homelessness can be connected to appropriate services more efficiently. This bill is a commonsense step to close a critical gap in our emergency and outreach systems and improve outcomes for some of our most vulnerable residents."

Homelessness in California: Based on the 2024 point in time count, 187,000 people are experiencing homelessness on any given night California. Many of those people, 66% or 126,420 are unsheltered, meaning they are living outdoors and not in temporary shelters. Nearly half of all unsheltered people in the country were in California during the 2024 count. However, homelessness grew at a higher rate in the nation (18%) than in California (3%) from 2023 to 2024, driven by a 25% jump in sheltered homelessness in the US compared to 9% in California. The homelessness crisis is driven by the lack of affordable rental housing for lower income people. In the current market, 2.2 million extremely low-income and very low-income renter households are competing for 664,000 affordable rental units. Of the six million renter households in the state, 1.7 million are paying more than 50% of their income toward rent. The National Low Income Housing Coalition estimates that the state needs an additional 1.5 million housing units affordable to very-low income Californians.

The High Cost of Housing: The high cost of housing is the cause of homelessness in California. Other states with higher rates of overdose but lower costs of housing report much lower rates of homelessness. West Virginia leads overdose deaths per capita but has one of the lowest homelessness rates in the country. A study by the National Low Income Housing Coalition found that West Virginia has 50 affordable and available rental homes for every 100 extremely-low-income households, more than double the number that California has. A family in West Virginia can afford a two-bedroom rental on less than $17 an hour – the second-lowest figure in the nation. In California a family would need more than $40 per hour to be able to afford an average two-bedroom rental.

California needs an additional 2.5 million units of housing to meet the state's need, including 643,352 for very low-income households and 394,910 for lower income households. Since 2018, California has permitted 890,000 units of new housing, with 126,000 of those being low- and very low-income units. The Legislature has passed major legislation in recent years to allow affordable housing to be built on almost any site in the state. However, the lack of housing overall and in particular the continued lack of sufficient affordable housing is a problem that is decades in the making. Millions of Californians, who are disproportionately lower income and people of color, must make hard decisions about paying for housing at the expense of food, health care, child care, and transportation—one in three households in the state doesn't earn

enough money to meet their basic needs**.** Currently, according to HDIS data, for every five individuals who access homelessness services in California, only one is housed each year, leaving four unhoused.

"211" Program – The FCC designated "211" to be used to access non-emergency community information and referral (I&R) providers. "211" is a free telephone number providing access to local community services and is available in multiple languages, allowing those in need to access information and obtain referrals to physical and mental health resources; housing, utility, food, and employment assistance; and suicide and crisis interventions. "211" also provides disaster preparedness, response, and recovery during declared emergencies.

Upon dialing "211," a caller is routed to a referral service and then to an agency that can provide information concerning social services such as housing assistance, programs to assist with utility bills, food assistance and other less urgent situations not currently addressed by either "911" or "311" service. In 2003 the CPUC adopted the regulatory policies and procedures needed to implement "211" dialing, whereby Californians can obtain information about, and referral to, community social services via the "211" abbreviated dialing code.[1] The "211" is supported by United Way, public and private funders, and city and county agencies. There are no surcharges on telecommunication customers to support "211". Federal approval is needed to establish a 3-digit number. In order to effectuate the policy in this bill, the County will need to get federal approval.

The City and County of Los Angeles fund the region's LA 211, which is operated by United Way of Greater Los Angeles which maintains and curates a database of approximately 50,000 health and social services available to Los Angeles County residents for free or at a low cost. These services include housing, transportation, employment, legal assistance, mental health, food and more. According to recent reports, more than 12,500 calls came through from Feb. 1 through Feb. 13, but with just 13 operators, they were only able to answer 38% of them.[2] The number of calls increases significantly during poor weather when people are looking to come indoors. LA 211 has identified major resources challenges and estimates only having one-third of the resources necessary to respond to calls.

Arguments in Support: None on file.

Arguments in Opposition: Organizations that operate "211" numbers, are opposed to this bill, they write, "We applaud the Author's goal of ensuring easy, prompt access to live support and resource connections for people experiencing homelessness. This is a goal shared by 2-1-1 and our local partners. However, the solution for locations where homeless callers to 2-1-1 experience long wait times during weather events or due to high volumes of calls is not to create a separate system, but to fund the capacity to meet the demand of the current system. 211 California and over 60 partners and supporters have submitted a budget request to the Assembly and Senate that would address this need and add capacity to the 2-1-1 system. This is the simple solution to address this issue."

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[1] D.03-02-029, Order Instituting Rulemaking to Implement 2-1-1 Dialing in California, February 13, 2003, available here.
[2] https://laist.com/news/housing-homelessness/211-emergency-winter-shelter-long-wait-times

***Double-referred**:* This bill was also referred to the Assembly Committee on Communications and Conveyance where it will be heard should it pass out of this committee.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

2-1-1 Humboldt Info and Resource Center
211 California
211 LA County
211 San Diego
Community Action Partnership of Kern
Community Link Capitol Region
Contra Costa Crisis Center
Eden I&R, INC.
Family Resource Center
Help Central INC / Butte-Glenn 211
Interface Children & Family Services
Nevada Sierra Connecting Point Public Authority
Orange County United Way
United Way Bay Area
United Way Fresno Madera Counties
United Way Monterey County
United Way of Northern California
United Way of Stanislaus County
United Way Tulare County
United Ways of California

Analysis Prepared by: Lisa Engel / H. & C.D. / (916) 319-2085

Date of Hearing: April 24, 2025

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
AB 678 (Lee) – As Introduced February 14, 2025

SUBJECT: Interagency Council on Homelessness

SUMMARY: Requires California Interagency Council on Homelessness (CA-ICH) to identify policies and best practices for culturally competent services for LGBTQ+ people experiencing homelessness. Specifically, **this bill**:

1) Requires CA-ICH to coordinate with representatives from LGBTQ+ communities, including, but not limited to, housing providers, nonprofit organizations, advocates, and researchers, to do all of the following:

    a) Identify and recommended policies and best practices for providing inclusive and culturally competent services to LGBTQ+ people experiencing homelessness; and

    b) Develop recommendations to do all of the following:

        i) Provide education, training, and resources to improve culturally competent services for LGBTQ+ people in state homelessness programs;

        ii) Expand data collection to understand the needs and experiences of LGBTQ+ people in state homelessness programs; and

        iii) Prevent discrimination, harassment, and violence against members of the LGBTQ+ community in state homelessness programs.

2) Defines "state homelessness programs" to mean those programs that are funded, in whole or in part, by the state with the express purpose of addressing or preventing homelessness or providing services to people experiencing homelessness.

3) Requires CA-ICH, on or before January 1, 2027, to submit a report on the recommendations to the Assembly Committee on Housing and Community Development and the Senate Committee on Housing, or their successor committees.

EXISTING LAW:

1) Defines "Housing First" as the evidence-based model that uses housing as a tool, rather than a reward, for recovery and that centers on providing or connecting homeless people to permanent housing as quickly as possible. Housing First providers offer services as needed and requested on a voluntary basis and that do not make housing contingent on participation in services. (Welfare and Intuitions Code (WIC) Section 8255)

2) Establishes CA-ICH to coordinate the State's response to homelessness using Housing First practices with a number of goals including, but not limited to:

    a) Creating partnerships among state agencies and departments;

b) Promoting systems integration to increase efficiency and effectiveness;

c) Coordinating existing funding and application for competitive funding;

d) To set goals to prevent and end homelessness among California's youth;

e) To improve the safety, health, and welfare of young people experiencing homelessness in the state;

f) To increase system integration and coordinating efforts to prevent homelessness among youth who are currently or formerly involved in the child welfare system or the juvenile justice system;

g) To lead efforts to coordinate a spectrum of funding, policy, and practice efforts related to young people experiencing homelessness;

h) To identify best practices to ensure homeless minors who may have experienced maltreatment, as described in Section 300, are appropriately referred to, or have the ability to self-refer to, the child welfare system; and

i) To collect, compile, and make available to the public financial data provided to the council from all state-funded homelessness programs. (WIC 8257)

3) Establishes the Secretary of the Business, Consumer Services and Housing Agency and the Secretary of the California Health and Human Services Agency as co-chairs of CA-ICH, which consists of 20 other members:

a) The Director of Transportation;

b) The Director of Housing and Community Development;

c) The Director of Social Services;

d) The Director of the California Finance Agency;

e) The Director or the State Medicaid Director of Health Care Services;

f) The Secretary of Veterans Affairs;

g) The Secretary of the Department of Corrections and Rehabilitation;

h) The Executive Director of the California Tax Credit Allocation Committee in the State Treasurer's Office;

i) The State Public Health Officer;

j) The Director of the California Department of Aging;

k) The Director of Rehabilitation;

l) The Director of State Hospitals;

m) The Executive Director of the California Workforce Development Board;

n) The Director of the Office of Emergency Services;

o) A representative from the State Department of Education;

p) A representative of the state public higher education system from one of the following:

i) The California Community Colleges;

ii) The University of California; or

iii) The California State University.

q) The Senate Committee of Rules and the Speaker of the Assembly shall each appoint one member to the council from two different stakeholder organizations. (WIC 8257)

4) Requires CA-ICH to have a public meeting at least once every quarter and authorizes CA-ICH to invite stakeholders, members of the philanthropic community, experts, and individuals who have experienced homelessness. (WIC 8257)

5) Requires CA-ICH council staff to collect fiscal and outcome data, including exists from homelessness, from state agencies and departments administering state homelessness programs with a grantee or entity from the state Homelessness Data Information System (HDIS). (WIC 8257)

6) Requires CA-ICH to seek guidance from and meet, at least twice a year, with an advisory committee that include the following:

a) A survivor of gender-based violence who formerly experienced homelessness;

b) Representatives of local agencies or organizations that participate in the United States Department of Housing and Urban Development's Continuum of Care Program;

c) Stakeholders with expertise in solutions to homelessness and best practices from other states;

d) Representatives of committees of African Americans, youth, and survivors of gender-based violence;

e) A current or formerly homeless person who lives in California; and

f) A current of formerly homeless youth who lives in California. (WIC 8257)

FISCAL EFFECT: Unknown.

COMMENTS:

Author's Statement: According to the author, "LGBTQ+ Californians experience homelessness and housing insecurity at disproportionally high rates. LGBTQ+ youth are 120% more likely to experience homelessness than their peers, 48% of older same-sex couples faced discrimination when seeking housing, and nearly 1 in 3 transgender people report experiencing homelessness at some point in their lives. Due to bias and systemic barriers in housing and shelter programs, maintaining safe, stable, and affordable housing remains a challenge, This problem is compounded by the rise of anti-LGBTQ+ rhetoric, legislation, and violence both in California and across the country, disproportionately impacting transgender and non-binary individuals. AB 678 will require the California Interagency Council on Homelessness to work with LGBTQ+ advocates and service providers to identify and recommend best practices and policies to local agencies administering homelessness programs."

CA-ICH*:* In 2016, SB 1380 (Mitchell), Chapter 847, created the Homelessness Coordinating and Financing Council which was renamed the California Interagency Council on Homelessness (CA-ICH) in 2021 (AB 1220 (L. Rivas), Chapter 398) to coordinate the state's response to homelessness. CA-ICH was created to oversee the implementation of "Housing First" policies, guidelines, and regulations to reduce the prevalence and duration of homelessness in California. Housing First is an evidence-based model that focuses on the idea that homeless individuals should be provided shelter and stability before underlying issues can be successfully addressed. Housing First utilizes a tenant screening process that promotes accepting applicants regardless of their sobriety, use of substances or participation in services. CA-ICH also manages the state's Homelessness Information Data System (HDIS) which captures local data collected by Continuums of Care (COCs) through Homelessness Management Information Systems (HMIS) to help coordinate the state's response to homelessness. All 44 CoCs in the state have entered into contracts to provide their HMIS data to CA-ICH. HDIS is intended to give the state a more accurate picture of the local homelessness response system and inform the state's response to homelessness. AB 977 (Gabriel), Chapter 397, Statues of 2021 required grantees of state homelessness programs to enter data to the local HMIS system to help coordinate the state's response to homelessness. The ultimate goal of HDIS is to match data on homelessness to programs impacting homeless recipients of state programs, such as the Medi-Cal program and CalWORKs. CA-ICH is required to set goals to prevent and end homelessness among youth, including integrating and coordinating efforts to prevent homelessness among youth in the child welfare system and juvenile justice system.

CA-ICH also developed a 5-year Action Plan For Preventing and Ending Homelessness in 2020 and just updated the plan for 2025-2027. Currently, according to HDIS data, for every five individuals who access homelessness services in California, only one is able to access permanent housing that year, leaving a gap of four people who continue to experience homelessness. Over the course of this Plan, calendar years 2025 through 2027, CA-ICH aims to reduce that gap in half, so that for every five people served, three people are placed in housing during the year. The Action Plan sets out goals intended to measure progress toward our north star of providing housing and services to everyone experiencing homelessness. The goals include:

- Increase the annual percentage of people who move into emergency shelter, transitional housing, or permanent housing after experiencing unsheltered homelessness, from 42% to at least 70%.

- Increase the annual percentage of people existing homelessness into permanent housing from 18% to at least 60%.

- Ensure that at least 95% of people who move into permanent housing do not experience homelessness within six months.

- Increase access to publicly-funded health and social safety net services for people at-risk of homelessness in order to address health and economic vulnerabilities.

- Permit more than 1.5 million homes, with no less than 710,000 of those meeting the needs of low- and very low-income households.

Funding for Homeless Youth: Since 2018, the budget has included funding for the Homeless Housing, Assistance and Prevention Program (HHAP) to assist big cities (with a population over 300,000), counties, and CoCs to assist the local response system. Ten percent of funds from HHAP goes to addressing youth homelessness. Between 2018-2022, $276 million went to supporting local efforts to reduce youth homelessness. Based on the Point-in-Time (PIT) count Homelessness among unaccompanied and parenting youth went down 21% from 2020-2022, while overall homelessness rose by 6%. In 2022, unaccompanied and parenting homeless youth comprised 6% of the total homeless population in California, the lowest percentage since the U.S. Department of Housing and Urban Development started to measure youth homelessness in 2015. California's decrease in youth homelessness is 2.6 times greater than the reduction in all other states.

The 2024 California Point-in-Time (PIT) count does not provide a specific number for LGBTQ+ individuals experiencing homelessness. However, LGBTQ+ identifying people and particularly LGBTQ+ youth, are disproportionately affected by homelessness. Estimates suggest that up to 40% of homeless youth identify as LGBTQ+, compared to only 10% of the overall youth population. LGBTQ+ youth may be rejected or expelled from their homes due to their sexual orientation or gender identity. A significant percentage of homeless LGBTQ+ youth report being forced to leave their homes due to mistreatment or fear of mistreatment based on their identity.

This bill would require CA-ICH to develop policies and best practices inclusive and culturally competent services to LGBTQ+ people experiencing homelessness.

Arguments in Support: According to Housing California, "by ensuring California's homelessness services are inclusive and affirming, we can improve housing outcomes for LGBTQ+ Californians, help connect people to stable housing, and reduce the risk of LGBTQ+ residents returning to homelessness. This bill strengthens the state's broader efforts to reduce homelessness while ensuring all Californians, regardless of sexual orientation or gender identity, have equitable access to safe and supportive housing."

Arguments in Opposition: None on file.

REGISTERED SUPPORT / OPPOSITION:

Support

Equality California (Co-Sponsor)

SAGE (Co-Sponsor)
ACLU California Action
Alliance for Children's Rights
Asian Americans Advancing Justice-Southern California
Black Leadership Council
California Legislative LGBTQ Caucus
California Teachers Association
Courage California
El/La Para TransLatinas
Housing California
inMind Care
LGBTQ+ Inclusivity, Visibility, and Empowerment (LIVE)
National Alliance to End Homelessness
PFLAG Los Angeles
PFLAG Sacramento
Rainbow Families Action Bay Area
San Francisco Aids Foundation
Santa Clara County Office of Education
The Translatin@ Coalition
Viet Rainbow of Orange Count
Individuals - 4

Opposition

None on file.

Analysis Prepared by: Lisa Engel / H. & C.D. / (916) 319-2085

Date of Hearing: April 24, 2025

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
AB 956 (Quirk-Silva) – As Amended March 17, 2025

SUBJECT: Accessory dwelling units: ministerial approval: single-family dwellings

SUMMARY: Allows for the streamlined and ministerial approval of up to two detached accessory dwelling units (ADUs) on lots with an existing or proposed single-family dwelling.

EXISTING LAW:

1) Defines an ADU as an attached or detached residential dwelling unit that provides complete independent living facilities for one or more persons and is located on a lot with a proposed or existing primary residence. ADUs must include permanent provisions for living, sleeping, eating, cooking, and sanitation on the same parcel as the single-family or multifamily dwelling is or will be situated on. (Government Code (GOV) 66313)

2) Requires a local agency to ministerially approve, within specified timelines, an application for a building permit within a residential or mixed-use zone to create one or more ADUs that meet all state and local requirements, as follows:

    a) On lots with an existing or proposed single-family dwelling, the local agency must allow one detached ADU, one conversion ADU, and one junior ADU (JADU);

    b) On lots with an existing multifamily dwelling, no more than 8 detached ADUs, provided that the number of detached ADUs does not exceed the number of existing dwellings on the lot. Additionally, lots with an existing multifamily dwelling are allowed to have at least one, and up to 25% of the existing number of multifamily dwelling conversion ADUs; and

    c) On lots with a proposed multifamily dwelling; no more than two detached ADUs. (GOV 66323).

3) Provides that a local agency is limited in its ability to establish local development standards that differ from specified standards established in state law for issues such as density, height, square footage, and setbacks. (GOV 66314, 66319)

4) Prohibits a local agency from requiring the replacement of offstreet parking spaces when a garage, carport, or covered parking structure is demolished in conjunction with the construction of an ADU, or converted to an ADU. (GOV 66314)

FISCAL EFFECT: Unknown.

COMMENTS:

Author's Statement: According to the author, "AB 956 is a critical step toward addressing California's housing crisis by making it easier for families to build the housing they need. Too many families are trapped by outdated restrictions when they need space for aging parents, adult children, or essential rental income. This bill cuts through the red tape and ensures that more

Californians can access flexible, affordable housing options. The future of our communities depends on solutions like this: expanding housing, keeping families together, and ensuring every Californian has a place to call home."

California's Housing Crisis: California's housing crisis is a half-century in the making. [1] After decades of underproduction, supply is far behind need 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. [2] One in three households in the state doesn't earn enough money to meet their basic needs. [3] In 2024, over 187,000 Californians experienced homelessness on a given night.[4]

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 6th 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.[5]

The state's housing crisis is not equally experienced by all Californians. Testimony by the UC Berkeley Terner 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.[6]

ADUs and Gentle Density as a Solution: Recently, there has been a national trend toward allowing more "gentle density," such as accessory dwelling units (ADUs), duplexes, fourplexes, townhomes, and other moderately dense housing types that were common before zoning restrictions took hold. In 2016, SB 1069 (Wieckowski), Chapter 720, and AB 2299 (Bloom), Chapter 735, allowed ADUs by right on all residentially zoned parcels in California. SB 1211 (Skinner), Chapter 296, Statutes of 2024, continued this trend by increasing the number of allowable detached ADUs on multifamily properties from two to as many as eight, depending on the number of existing multifamily units on the site. Additional legislation has established statewide standards for ADU setbacks, height limits, square footage, and other land use regulations, regardless of local zoning. ADUs are now required to be reviewed within 60 days by local governments through a streamlined, ministerial process. By permitting attached ADUs, detached ADUs, and junior ADUs (JADUs) on all residential lots, these and other laws have facilitated the construction of "missing middle" housing in exclusionary single-family zones and across all residential neighborhoods in the state.

Taken together, these reforms have created a fast, predictable, uniform, and enforceable approval process for ADUs statewide. As a result, ADUs have gone from representing less than 1% of

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[1] California Department of Housing and Community Development, *A Home for Every Californian*: 2022 Statewide Housing Plan. March 2022, https://storymaps.arcgis.com/stories/94729ab1648d43b1811c1698a748c136
[2] IBID.
[3] IBID.
[4] 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
[5] https://www.hcd.ca.gov/policy-research/housing-challenges.shtml
[6] UC Berkeley Terner Center Testimony by Ben Metcalf, Managing Director, at the State Housing Production Legislation: Actions, Outcomes, and Opportunities Informational Hearing, February 12, 2025

new housing construction before 2017 to approximately 20% today, with more than 23,000 ADUs legally completed in 2023. [7] Their numbers are expected to continue growing as the ADU construction and financing industry matures, helping meet an estimated market potential of 1.8 million units in California. [8] Because ADUs are not dependent on state funding allocations, they are poised to remain a significant and growing part of the state's new housing stock.

ADUs address California's severe housing deficit and offer benefits to both homeowners and future residents. For homeowners, ADUs can generate rental income to help offset mortgage costs or supplement retirement savings. They may also increase property value and support multigenerational living, allowing families to house aging parents, adult children, or caregivers while preserving privacy. JADUs, typically smaller and created from existing space in the main residence, offer a lower-cost way to add living space using existing infrastructure. For renters, ADUs and JADUs expand the housing supply in established neighborhoods, creating more rental opportunities in areas where housing is often scarce or expensive. Because they are typically smaller than average homes and do not require land acquisition, ADUs are generally cheaper to build and rent than other market-rate units, making them more accessible to lower-income households.

A 2021 survey of permitted ADU owners by UC Berkeley found that median construction costs ranged from $100,000 to $177,500, significantly lower than for traditional new construction. [9] Costs vary by type, with detached ADUs being more expensive than garage conversions but still substantially more affordable than standard homes. JADUs are often even less costly, as they require only an efficiency kitchen, repurpose existing space within the main residence, and are not required to have a private bathroom. That same UC Berkeley survey found that in coastal markets, over one-third of ADU owners rented their units at rates affordable to lower-income households. [10]

This bill would authorize the development of one additional detached ADU on lots with an existing or proposed single-family home, allowing up to two detached ADUs per lot. Combined with existing allowances for a conversion ADU and a JADU, a single-family parcel could theoretically accommodate up to five units: one primary residence, two detached ADUs, one conversion ADU, and one JADU. State law has largely preempted local control over ADUs by establishing uniform standards for height, setbacks, and other development regulations. ADUs under 750 square feet are exempt from impact fees, and on-site parking is generally not required, depending on proximity to transit and other factors.

This bill could help increase the supply of small-scale housing, promote homeowner flexibility, and reduce barriers to development, especially in areas with restrictive local zoning. By

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[7] Per HCDs "APR Dashboard" https://www.hcd.ca.gov/planning-and-community-development/housing-open-data-tools/housing-element-implementation-and-apr-dashboard. Complete data for 2023 will be made available by June 30, 2024. This statistic relies on data pulled on May 28, 2024.
[8] Monkonnen et al, 2020, *One to Four: The Market Potential of Fourplexes in California's Single-Family Neighborhoods*, UCLA Working Paper Series: https://www.lewis.ucla.edu/research/market-potential-fourplexes/
[9] Chapple et al, Implementing the Backyard Revolution: Perspectives of California's ADU Owners, UC Berkeley Center for Community Innovation, April 2021: https://www.aducalifornia.org/wp-content/uploads/2021/04/Implementing-the-Backyard-Revolution.pdf
[10] IBID.

expanding ADU rights, the legislation could make it easier for homeowners to add units without navigating complex or costly local processes.

However, critics may raise concerns about the cumulative impacts on neighborhood character, infrastructure, and parking availability, particularly in low-density residential areas. Opponents also highlight the tension between state measures to increase housing supply across the board with the local Housing Element process, where local governments plan for future growth. The bill may also create a parallel development pathway that allows property owners to bypass certain local zoning rules and fees. For example, in areas where local zoning allows up to three units with conditions such as design standards, parking requirements, and impact fees, a property owner might instead opt to develop two detached ADUs under state ADU law, thereby avoiding local regulations while still achieving similar density.

SB 9 (Atkins). ADU law is not the only way through which the state promoted missing middle housing in single-family zoning districts. In 2021, the Governor signed SB 9 (Atkins), Chapter 162, which allowed up to four homes on lots where currently only one exists. It did so by allowing existing single-family homes to be converted into duplexes. It also allowed single-family parcels to be subdivided into two lots, while allowing for a new two-unit building to be constructed on the newly formed lot.

The changes to land use law created by SB 9's passage have the potential to help address the state's multi-million unit housing deficit. According to a 2021 study from the UC Berkeley Terner Center for Housing Innovation, the passage of SB 9 increased the amount of market-feasible homes statewide by 700,000.[11] However, a 2023 analysis from the Terner Center determined that, in its first year, the effect of the law has been relatively limited.[12] Los Angeles had the most activity, with 211 applications for new units under SB 9 in 2022. The state's other large cities all reported very few applications for lot splits or new units. For example, the City of San Diego reported receiving just seven applications for new SB 9 units in 2022.

There are multiple reasons for this slow uptake. It often takes a few years for the construction process to catch up with changes to land use policy. Also, higher interest rates greatly increased the cost to finance a second unit, adding a chilling effect to the housing market. The City of San Diego has a generous local ADU program, providing a local pathway to increasing missing-middle housing which is less restrictive than the provisions of SB 9. SB 450 (Atkins), Chapter 286, Statutes of 2024, amended SB 9 to address some of the early barriers to low utilization of SB 9. SB 450 (Atkins) added a 60-day review period for SB 9 applications, removed the ability of local agencies to deny certain SB 9 projects, prohibited a local agency from imposing standards on SB 9 projects that do not apply to the underlying zoning district, gave HCD explicit enforcement authority over SB 9, and strengthened the statewide concern findings that applied SB 9 to charter cities. The provisions of SB 450 became effective on January 1 of this year, so it is too early to judge the impact of those changes on SB 9 uptake.

ADU law and SB 9 are complementary strategies aimed at increasing density on single-family parcels, but they operate under different frameworks. Under current law, ADUs may be used in combination with SB 9 so long as the total number of units on a lot does not exceed four. Property owners may use both tools to achieve the maximum allowed density in a configuration

[11] https://ternercenter.berkeley.edu/wp-content/uploads/2021/07/SB-9-Brief-July-2021-Final.pdf
[12] https://ternercenter.berkeley.edu/research-and-policy/sb-9-turns-one-applications/

that best suits their site and circumstances, for example, two primary units under SB 9 and one ADU per unit. This bill would not change that cap. Instead, the ability to develop up to five units (a primary residence, two detached ADUs, one conversion ADU, and one JADU) would apply only to single-family lots that are not utilizing SB 9's provisions, including lot splits or duplex conversions.

The distinctions between SB 9 and ADU law may influence which pathway a property owner chooses when seeking to increase density, based on factors such as cost, design flexibility, and regulatory requirements. SB 9 projects often require compliance with local development standards such as height limits and objective design guidelines, and may be subject to proportionate impact fees and infrastructure upgrades, particularly for lot splits. In contrast, ADUs benefit from fewer local restrictions and exemptions from certain fees, especially for units under 750 square feet. As a result, some property owners may prefer to pursue multiple ADUs, including by taking advantage of the provisions of this bill, rather than an SB 9 lot split, especially if their goal is to add rental units without added costs or design requirements. As a result, this bill could cause homeowners and small-scale developers to rethink how density is added in single-family neighborhoods across the state.

Arguments in Support: East Bay for Everyone writes in support: "We have long recognized the value of ADUs in meeting the demands of California's housing crisis, and the key role that the Legislature can play in unlocking development potential across the state - ADU construction provides critically needed new housing while creating major opportunities for property owners. AB 956 would allow new development options on appropriately sized lots and magnify the benefits of existing state law on ministerial approval of ADUs."

Arguments in Opposition: The League of California Cities writes in opposition: "While Cal Cities appreciates your desire to pursue a housing production proposal, unfortunately, AB 956, as currently drafted, will not spur much-needed housing construction in a manner that supports local flexibility, decision-making, and community input. State-driven ministerial or by-right housing approval processes fail to recognize the extensive public engagement and costs associated with developing and adopting zoning ordinances and state-mandated housing elements that are certified by the California Department of Housing and Community Development. It is concerning that cities are being forced to spend tens of thousands of dollars on housing plans only to have them pushed aside and replaced with a one-size-fits-all zoning dictated by the Legislature."

Related Legislation

AB 647 (Mark Gonzalez) of this legislative session would establish a streamlined and ministerial approvals process for up to eight units on all residential properties with a zoned capacity for 1-8 dwelling units in the state's urban areas, with affordability requirements and exclusions for environmental considerations and tenant protections.

SB 1211 (Skinner), Chapter 296, Statues of 2024: furthered the trend towards gentle density by increasing the number of allowable detached ADUs on multifamily properties from 2 to up to 8, depending on the existing number of multifamily units on the site.

SB 477 (Senate Committee on Housing), Chapter 7, Statutes of 2024: Reorganized ADU and JADU law.

AB 976 (Ting), Chapter 751, Statutes of 2023: Prohibits a local agency from imposing owner occupancy requirements on properties with an ADU.

AB 1033 (Ting), Chapter 752, Statutes of 2023: Allowed an ADU to be separately conveyed from the primary residence

SB 897 (Wieckowski), Chapter 664, Statutes of 2022: Created a process for the permitting of unpermitted ADUs.

SB 9 (Atkins), Chapter 162, Statutes of 2021. Required the ministerial approval by a local agency of a duplex in a single-family zone and the lot split of a parcel zoned for residential use into two parcels.

AB 587 (Friedman), Chapter 657, Statutes of 2019: Allowed an ADU to be sold or conveyed separately from the primary residence to a qualified buyer under specified circumstances.

AB 68 (Ting), Chapter 655, Statutes of 2019, AB 881 (Bloom), Chapter 659, Statutes of 2019, and SB 13 (Wieckowski), Chapter 653, Statutes of 2019: Collectively, these bills made changes to ADU and JADU laws, including narrowing the criteria by which local jurisdictions can limit where ADUs are permitted, clarifying that ADUs must be ministerially approved if constructed in existing garages, eliminating for five years the potential for local agencies to place owner-occupancy requirements on the units, prohibiting an ordinance from imposing a minimum lot size for an ADU, and eliminating impact fees on ADUs that are 750 square feet or less and capping fees on ADUs that are 750 square feet or more to 25 percent

AB 2299 (Bloom), Chapter 735, Statutes of 2016; and SB 1069 (Wieckowski), Chapter 720, Statutes of 2016: Provided legislative intent re ADUs and provided requirements and authorizations for the entitlement of ADUs.

AB 2406 (Thurmond), Chapter 755, Statutes of 2016: Established JADU law.

AB 2604 (Torrico), Chapter 246, Statutes of 2008: Authorized a local agency to defer the collection of one of more fees up to the close of escrow.

AB 641 (Torrico), Chapter 603, Statues of 2007: Prohibited local governments from requiring the payment of local developer fees before the developer has received a certificate of occupancy, pursuant to a specified exemption, for any housing development in which at least 49 percent of the units are affordable to low or very low income households.

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 Apartment Association
East Bay for Everyone
LeadingAge California
South Pasadena Residents for Responsible Growth

Opposition

City of Hesperia
City of Murrieta
League of California Cities

Analysis Prepared by: Dori Ganetsos / H. & C.D. / (916) 319-2085

Date of Hearing: April 24, 2025

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
AB 1055 (Boerner) – As Amended April 10, 2025

SUBJECT: Accessory dwelling units: proof of residential occupancy requirements

SUMMARY: Allows a local agency to make a property owner certify that their accessory dwelling unit (ADU) will be occupied as a residential dwelling unit, as specified, and establishes an enforcement structure. Specifically, **this bill**:

1) Allows a local agency to require a property owner seeking to build an ADU to certify that their ADU will be occupied as a residential dwelling unit for at least six months out of each calendar year.

2) Prohibits the certification in 1) from being made under penalty of perjury.

3) Allows a local agency to annually recertify the information provided in 1), for 10 years after ADU construction, through self-certification by the ADU owner, that the ADU is being occupied as a residential dwelling unit for at least 6 months of the calendar year.

4) Establishes that, if there are suspected violations of the 6 month per calendar year residential occupancy provisions:

    a) The local agency must notify the ADU owner of the alleged violation at least twice; and

    b) The local agency cannot:

        i) Require a property owner to tear out their ADU; or

        ii) Charge more than a reasonable fine, as defined, for failure to comply with 1).

EXISTING LAW:

1) Defines an ADU as an attached or detached residential dwelling unit that provides complete independent living facilities for one or more persons and is located on a lot with a proposed or existing primary residence. ADUs must include permanent provisions for living, sleeping, eating, cooking, and sanitation on the same parcel as the single-family or multifamily dwelling is or will be situated on. (Government Code (GOV) 66313)

2) Requires a local agency to ministerially approve, within specified timelines, an application for a building permit within a residential or mixed-use zone to create one or more ADUs that meet all state and local requirements, as follows:

    a) On lots with an existing or proposed single-family dwelling, the local agency must allow one detached ADU, one conversion ADU, and one junior ADU (JADU);

    b) On lots with an existing multifamily dwelling, no more than 8 detached ADUs, provided that the number of detached ADUs does not exceed the number of existing dwellings on the lot. Additionally, lots with an existing multifamily dwelling are allowed to have at

least one, and up to 25% of the existing number of multifamily dwelling conversion ADUs; and

c) On lots with a proposed multifamily dwelling; no more than two detached ADUs. (GOV 66323).

3) Provides that a local agency is limited in its ability to establish local development standards that differ from specified standards established in state law for issues such as density, height, square footage, and setbacks. (GOV 66314, 66319)

4) Prohibits a local agency from requiring the replacement of offstreet parking spaces when a garage, carport, or covered parking structure is demolished in conjunction with the construction of an ADU, or converted to an ADU. (GOV 66314)

5) Prohibits ADUs from being used as short-term rentals. (GOV 66315 & 66323)

6) Prohibits owner-occupancy requirements from being imposed on ADUs. (GOV 66315)

7) Allows a local agency to adopt a local ordinance permitting the separate sale or conveyance of an ADU. (GOV 66342)

FISCAL EFFECT: None.

COMMENTS:

Author's Statement: According to the author, "AB 1055 aligns with the state's housing goals by giving cities the option to require proof of residential occupancy for ADUs and JADUs built using the streamlined ministerial process. State law allows for the streamlining of ADUs and JADUs and these laws were put into place to encourage the construction of alternative housing solutions. However, streamlined ADU and JADU construction has been inappropriately used to allow homeowners to add to the square footage of their homes without contributing to housing stock. California needs affordable housing options and ADUs and JADUs should be part of the solution."

California's Housing Crisis: California's housing crisis is a half-century in the making. [1] After decades of underproduction, supply is far behind need 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. [2] One in three households in the state doesn't earn enough money to meet their basic needs. [3] In 2024, over 187,000 Californians experienced homelessness on a given night.[4]

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

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[1] California Department of Housing and Community Development, *A Home for Every Californian*: 2022 Statewide Housing Plan. March 2022, https://storymaps.arcgis.com/stories/94729ab1648d43b1811c1698a748c136
[2] IBID.
[3] IBID.
[4] 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

households, in the 6th 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.[5]

The state's housing crisis is not equally experienced by all Californians. Testimony by the UC Berkeley Terner 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.[6]

ADUs as a Solution: Recently, there has been a national trend toward allowing more "gentle density," such as accessory dwelling units (ADUs), duplexes, fourplexes, townhomes, and other moderately dense housing types that were common before zoning restrictions took hold. In 2016, SB 1069 (Wieckowski), Chapter 720, and AB 2299 (Bloom), Chapter 735, allowed ADUs by right on all residentially zoned parcels in California. SB 1211 (Skinner), Chapter 296, Statutes of 2024, continued this trend by increasing the number of allowable detached ADUs on multifamily properties from two to as many as eight, depending on the number of existing multifamily units on the site. Additional legislation has established statewide standards for ADU setbacks, height limits, square footage, and other land use regulations, regardless of local zoning. ADUs are now required to be reviewed within 60 days by local governments through a streamlined, ministerial process. By permitting attached ADUs, detached ADUs, and junior ADUs (JADUs) on all residential lots, these and other laws have facilitated the construction of "missing middle" housing in exclusionary single-family zones and across all residential neighborhoods in the state.

Taken together, these reforms have created a fast, predictable, uniform, and enforceable approval process for ADUs statewide. As a result, ADUs have gone from representing less than 1% of new housing construction before 2017 to approximately 20% today, with more than 23,000 ADUs legally completed in 2023. [7] Their numbers are expected to continue growing as the ADU construction and financing industry matures, helping meet an estimated market potential of 1.8 million units in California. [8] Because ADUs are not dependent on state funding allocations, they are poised to remain a significant and growing part of the state's new housing stock.

ADUs address California's severe housing deficit and offer benefits to both homeowners and future residents. For homeowners, ADUs can generate rental income to help offset mortgage costs or supplement retirement savings. They may also increase property value and support multigenerational living, allowing families to house aging parents, adult children, or caregivers while preserving privacy. JADUs, typically smaller and created from existing space in the main residence, offer a lower-cost way to add living space using existing infrastructure. For renters, ADUs and JADUs expand the housing supply in established neighborhoods, creating more rental opportunities in areas where housing is often scarce or expensive. Because they are typically

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[5] https://www.hcd.ca.gov/policy-research/housing-challenges.shtml
[6] UC Berkeley Terner Center Testimony by Ben Metcalf, Managing Director, at the State Housing Production Legislation: Actions, Outcomes, and Opportunities Informational Hearing, February 12, 2025
[7] Per HCDs "APR Dashboard" https://www.hcd.ca.gov/planning-and-community-development/housing-open-data-tools/housing-element-implementation-and-apr-dashboard. Complete data for 2023 will be made available by June 30, 2024. This statistic relies on data pulled on May 28, 2024.
[8] Monkonnen et al, 2020, *One to Four: The Market Potential of Fourplexes in California's Single-Family Neighborhoods*, UCLA Working Paper Series: https://www.lewis.ucla.edu/research/market-potential-fourplexes/

smaller than average homes and do not require land acquisition, ADUs are generally cheaper to build and rent than other market-rate units, making them more accessible to lower-income households.

A 2021 survey of permitted ADU owners by UC Berkeley found that median construction costs ranged from $100,000 to $177,500, significantly lower than for traditional new construction. [9] Costs vary by type, with detached ADUs being more expensive than garage conversions but still substantially more affordable than standard homes. JADUs are often even less costly, as they require only an efficiency kitchen, repurpose existing space within the main residence, and are not required to have a private bathroom. That same UC Berkeley survey found that in coastal markets, over one-third of ADU owners rented their units at rates affordable to lower-income households. [10]

ADU Residential Occupancy Requirements. The same UC Berkeley survey found that ADUs serve a wide range of flexible housing needs: about 51% of new ADUs in California are used as income-generating rental units, 16% provide no-cost housing for a relative, and 7% are occupied by the property owner while the primary home is rented out.[11] Of the remaining ADUs, some were used for non-housing purposes (16%), needed physical upgrades before becoming habitable (7%), were temporarily vacant while seeking a tenant (1%), or had other reasons for not having a long-term resident (2%)[12]

This bill would allow local governments to require property owners to certify that their ADU or JADU is used as a residential unit for at least six months of the year in order to qualify for the streamlined, ministerial review process established under state ADU law. The certification is not made under penalty of perjury and may be required to be renewed annually, through self-certification, for up to 10 years. Any enforcement of this bill by local governments must include at least two notices to the owner and cannot involve requiring the property owner to demolish their ADU if they are out of compliance with the residential occupancy provisions. The local government may charge the property owner with reasonable fines, as defined, if they are not complying with the locally imposed residential occupancy provisions.

Unlike deed-restricted affordable housing or publicly subsidized units, ADUs are privately financed and typically built by homeowners using personal savings, loans, or equity. Currently, a homeowner may legally choose to leave their primary residence, a second home, or even an investment property vacant for any number of personal or financial reasons. This bill would, for the first time, allow local governments to impose a residential use requirement on this class of private housing. That creates a new compliance burden and limits the flexibility that has made ADUs such an attractive and adaptive form of housing. For example, a homeowner might initially build an ADU as a home office, with the intention of using it later to house adult children or to accommodate aging parents. Others might build an ADU with the intent to rent it, but later find they no longer have the time, resources, or confidence to manage tenants, especially if a bad experience prompts them to pause, or stop renting altogether. Some

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[9] Chapple et al, Implementing the Backyard Revolution: Perspectives of California's ADU Owners, UC Berkeley Center for Community Innovation, April 2021: https://www.aducalifornia.org/wp-content/uploads/2021/04/Implementing-the-Backyard-Revolution.pdf
[10] IBID.
[11] IBID.
[12] IBID.

jurisdictions, like Oakland, have imposed vacancy taxes on privately owned vacant parcels and condos, but those would likely not apply to properties where one residence is occupied and a non-condominium rental unit (such as an ADU) sits vacant.

The bill also raises legal and practical implementation concerns. It's unclear how the residential occupancy requirement would interact with provisions in existing law allowing for the separate sale of an ADU from the primary dwelling. If a new owner purchases the ADU but decides not to occupy it for a year or more, could they be subject to fines? And how would enforcement work in practice? Would it rely on neighbor complaints? How would property owners provide proof of occupancy by family members who may not pay rent or appear on formal leases? Additionally, the requirement to certify occupancy at the time of applying for a building permit does not account for unforeseen changes in life circumstances that might alter intended use by the time the permits are issued and the unit is constructed. For example, if the ADU was built to house an aging parent and that parent passes away.

While the bill includes guardrails to soften enforcement, the policy shift it represents could have a chilling effect on ADU construction, particularly for lower-income homeowners or those navigating complex permitting processes in a second language. Importantly, it may also undermine recent legislative efforts to encourage the legalization of unpermitted ADUs, which were designed to improve safety while keeping costs low and barriers minimal. If the perceived risks of non-compliance increase, more homeowners may opt to build ADUs without permits outside the formal system, leading to less oversight and greater risk for occupants.

In sum, while this bill seeks to ensure that ADUs are used to address the state's dire housing deficit, it may have the effect of moving ADU policy away from the flexible, homeowner-driven model that has fueled its success across California, and toward a more restrictive, compliance-heavy framework that could deter participation and reduce housing supply in the long run. This bill also does not take into account the numerous ownership changes that a single property can undergo. What is one family's primary residence and home office could be the next property owner's primary residence and smaller rental ADU, helping to put their children through college. Eventually, that ADU may become a retiree's small home and larger primary rental unit, helping to supplement their retirement income. ADUs are a popular and flexible housing typology that currently represent 1 out of every 5 legally constructed homes in the state. The Committee may wish to consider the chilling effect that a policy such as the one proposed in this bill could have on their continued success.

Arguments in Support: The Coronado Democratic Club writes in support: "California faces a housing crisis and is faced with low housing stock and high rents across the state. ADUs and JADUs were touted as a potential solution, but builders of these units have used streamlining benefits to expand a properties square footage, while not always contributing to housing availability. Our members have run into permitting problems because of this issue when they do want to house a family member affordably in an ADU on their property. This bill will help with this ongoing issue."

Arguments in Opposition: The Casita Coalition writes in opposition: "This bill threatens to undermine one of the few successful pipelines of new homes in our state by creating unnecessary, unworkable and unenforceable restrictions on the use of Accessory Dwelling Units (ADUs)--a vital source of affordable housing in our state. ADUs are helping Californians age in place, keep family nearby, resist displacement, and increase neighborhood diversity–all while

adding much-needed housing. This bill would discourage ADU production, confuse practitioners, planners and homeowners, and burden local agencies by imposing new enforcement programs."

Related Legislation:

AB 2825 (Boerner) of the prior legislative session would have allowed local agencies to conduct inspections to ensure that ADUs are being used for dwelling purposes. That bill was held in this Committee.

SB 477 (Senate Committee on Housing), Chapter 7, Statutes of 2024: Reorganized ADU and JADU law.

AB 976 (Ting), Chapter 751, Statutes of 2023: Prohibits a local agency from imposing owner occupancy requirements on properties with an ADU.

AB 1033 (Ting), Chapter 752, Statutes of 2023: Allowed an ADU to be separately conveyed from the primary residence

SB 897 (Wieckowski), Chapter 664, Statutes of 2022: Created a process for the permitting of unpermitted ADUs.

SB 9 (Atkins), Chapter 162, Statutes of 2021. Required the ministerial approval by a local agency of a duplex in a single-family zone and the lot split of a parcel zoned for residential use into two parcels.

AB 587 (Friedman), Chapter 657, Statutes of 2019: Allowed an ADU to be sold or conveyed separately from the primary residence to a qualified buyer under specified circumstances.

AB 68 (Ting), Chapter 655, Statutes of 2019, AB 881 (Bloom), Chapter 659, Statutes of 2019, and SB 13 (Wieckowski), Chapter 653, Statutes of 2019: Collectively, these bills made changes to ADU and JADU laws, including narrowing the criteria by which local jurisdictions can limit where ADUs are permitted, clarifying that ADUs must be ministerially approved if constructed in existing garages, eliminating for five years the potential for local agencies to place owner-occupancy requirements on the units, prohibiting an ordinance from imposing a minimum lot size for an ADU, and eliminating impact fees on ADUs that are 750 square feet or less and capping fees on ADUs that are 750 square feet or more to 25 percent

AB 2299 (Bloom), Chapter 735, Statutes of 2016; and SB 1069 (Wieckowski), Chapter 720, Statutes of 2016: Provided legislative intent re ADUs and provided requirements and authorizations for the entitlement of ADUs.

AB 2406 (Thurmond), Chapter 755, Statutes of 2016: Established JADU law.

REGISTERED SUPPORT / OPPOSITION:

Support

Bird Rock Community Council
Coronado Democratic Club
Jennifer Campbell Councilmember, Second District, City of San Diego

Neighbors for a Better California

Opposition

A+ Construction Pro
Builders Now
Casita Coalition
How to ADU
HPP Cares
Samara
SnapADU
Wellington & Associates
Individuals (4)

Analysis Prepared by: Dori Ganetsos / H. & C.D. / (916) 319-2085

Date of Hearing: April 24, 2025

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
AB 1152 (Patterson) – As Amended March 28, 2025

SUBJECT: Housing Crisis Act of 2019: development policy, standard, or condition

SUMMARY: Revises the Housing Crisis Act of 2019 (HCA) to permit an affected county or city to allow a conservation easement to preserve residentially zoned property if certain conditions are met. Specifically, **this bill**:

1) Revises the definition of "development policy, standard, or condition" in the HCA to exempt an action by an affected city or county related to allowing a conservation easement, as specified, to preserve residentially zoned property if both of the following conditions are met:

    a) The action will have no impact on the affected county or city's ability to meet the obligations of its adopted housing element; and

    b) The action will not reduce the amount of high-density residentially zoned property within the affected county or city.

EXISTING LAW:

1) Prohibits an affected county or city from enacting a development policy, standard, or condition that would have any of the following effects with respect to land where housing is an allowable use:

    a) Changing the general plan land use designation, specific plan land use designation, or zoning of a parcel or parcels of property to a less intensive use or reducing the intensity of land use within an existing general plan land use designation, specific plan land use designation, or zoning district in effect at the time of the proposed change, below what was allowed under the land use designation or zoning ordinances of the affected county or city as in effect on January 1, 2018, with certain exceptions;

    b) Imposing a moratorium or similar restriction or limitation on housing development, including mixed-use development, within all or a portion of the jurisdiction of the affected county or city, other than to specifically protect against an imminent threat to the health and safety of persons residing in, or within the immediate vicinity of, the area subject to the moratorium or for projects specifically identified as existing restricted affordable housing, as provided;

    c) Imposing or enforcing design standards established on or after January 1, 2020, that are not objective design standards; or

    d) Establishing or implementing any provision that does any of the following, unless the provision was approved by voters prior to January 1, 2005 and the affected county or city is located in a predominantly agricultural county:

i) Limits the number of land use approvals or permits necessary for the approval and construction of housing that will be issued or allocated within all or a portion of the affected county or city;

ii) Acts as a cap on the number of housing units that can be approved or constructed either annually or for some other time period; or

iii) Limits the population of the affected county or city. (Government Code (GOV) 66300(b)(1))

2) Deems void any development policy, standard, or condition enacted on or after the effective date of the HCA if it does not comply with the HCA. (GOV 66300(b)(2))

3) Requires the Department of Housing and Community Development (HCD) to determine those cities and counties in the state that are affected cities and counties by June 30, 2020, and allows HCD to update the list of affected cities and counties once on or after January 1, 2021 and once on or after January 1, 2025, to account for changes in urbanized areas or urban clusters due to new data from the 2020 census. Provides that HCD's determination remains valid until January 1, 2030. (GOV 66300(d))

4) Clarifies that the HCA does not prohibit an affected county or city, including the local electorate acting through the initiative process, from changing a land use designation or zoning ordinance to a less intensive use, or reducing the intensity of land use, if the county or city concurrently changes the development standards, policies, and conditions applicable to other parcels within the jurisdiction to ensure there is no net loss in residential capacity. (GOV 66300(h))

5) Defines the following terms within the HCA:

a) "Affected city" to mean a city, including a charter city, that HCD determines is in an urbanized area or urban cluster, as designated by the US Census Bureau;

b) "Affected county" to mean a census-designated place, based on the 2013-2017 American Community Survey 5-year Estimates, that is wholly located within the boundaries of an urbanized area, as designated by the US Census Bureau;

c) "Development policy, standard, or condition" to mean any of the following:

i) A provision of, or amendment to, a general plan;

ii) A provision of, or amendment to, a specific plan;

iii) A provision of, or amendment to, a zoning ordinance; and

iv) A subdivision standard or criterion. (GOV 66300(a))

6) Defines "conservation easement" to mean any limitation in a deed, will, or other instrument in the form of an easement, restriction, covenant, or condition, which is or has been executed by or on behalf of the owner of the land subject to such easement and is binding upon successive owners of such land, and the purpose of which is to retain the land

predominantly in its natural, scenic, historical, agricultural, forested, or open-space condition. (Civil Code (CIV) Section 815.1)

7) Establishes that a conservation easement is an interest in real property voluntarily created and freely transferable in whole or in part for the purposes described in 6) above by any lawful method for the transfer of interest in real property in this state, is perpetual in duration, must not be deemed personal in nature, must constitute an interest in real property notwithstanding that it may be negative in character, and the particular characteristics of a conservation easement must be those granted or specified in the instrument creating or transferring the easement. (CIV 815.2)

8) Allows only the following entities to acquire and hold conservation easements:

   a) A tax-exempt nonprofit organization, as provided, which has as its primary purpose the preservation, protection, or enhancement of land in its natural, scenic, historical, agricultural, forested, or open-space condition or use;

   b) The state or any city, county, district, or other state or local governmental entity, if otherwise authorized to acquire and hold title to real property and if the conservation easement is voluntarily conveyed, meaning no local government entity may condition the issuance of an entitlement on the applicant's granting of a conservation easement; or

   c) A federally recognized California Native American tribe or a nonfederally recognized California Native American tribe that is on the contact list maintained by the Native American Heritage Commission to protect a California Native American prehistoric, archaeological, cultural, spiritual, or ceremonial place, if the conservation easement is voluntarily conveneyed. (CIV 815.3)

9) Requires each city and county to adopt a housing element, which must contain specified information, programs, and objectives, including:

   a) An assessment of housing needs and an inventory of resources and constraints relevant to the meeting of these needs, including a quantification of the locality's existing and projected housing needs for all income levels; an inventory of land suitable and available for residential development; an analysis of potential and actual governmental and nongovernmental constraints upon the maintenance, improvement, or development of housing for all income levels; and a demonstration of local efforts to remove constraints that hinder the locality from meeting its share of the regional housing need, among other things;

   b) A statement of the community's goals, quantified objectives, and policies relative to affirmatively furthering fair housing and to the maintenance, preservation, improvement, and development of housing; and

   c) A program that sets forth a schedule of actions during the planning period, and timelines for implementation, that the local government is undertaking to implement the policies and achieve the goals and objectives of the housing element, including actions that will be taken to make sites available during the planning period with appropriate zoning and development standards and with services and facilities to

accommodate that portion of the local government's share of the regional housing need for each income level (RHNA) that could not be accommodated on sites identified in the sites inventory without rezoning, among other things. (GOV 65583(a)-(c))

10) Requires each city or county to ensure its housing element sites inventory can accommodate, at all times throughout the planning period, its remaining unmet share of RHNA and prohibits a city or county from permitting or causing its inventory of sites identified in the housing element to be insufficient to meet its remaining unmet share of RHNA for lower and moderate-income households. (GOV 65863(a))

11) Allows a jurisdiction, if a reduction in residential density for any parcel would result in the remaining sites in the housing element not being adequate to meet the requirements of 9) above and to accommodate the jurisdiction's share of RHNA, to reduce the density on that parcel if it identifies sufficient additional, adequate, and available sites with an equal or greater residential density in the jurisdiction so that there is no net loss of residential unit capacity. (GOV 65863(c)(1))

12) Requires a jurisdiction, if the approval of a development project results in fewer units by income category than identified in the jurisdiction's housing element for that parcel and the jurisdiction does not find that the remaining sites in the housing element are adequate to accommodate the jurisdiction's share of RHNA by income level, to identify and make available additional adequate sites to accommodate the RHNA within 180 days. (GOV 65863(c)(2))

FISCAL EFFECT: None.

COMMENTS:

Author's Statement: According to the author, "Several local governments and the Placer Land Trust have teamed up to preserve hundreds of acres of an oak woodland located in the City of Rocklin. Known as Clover Valley, this scenic, rolling hillside is known for its beauty and tribal artifacts. As zoned, this oak woodland would have been destroyed for the development of million dollar mansions. Due to the hard work of the governments and developer, this land will now be preserved forever through its transfer to the Placer Land Trust. However, when Rocklin annexed this land into the city, it did so as low density housing and it has placed it into its housing element as such. AB 1152 would ensure Rocklin is not penalized by HCD if the mansions are not built, so long as it meets its total number of low density units in other places throughout the city. This ensures enough housing is built while also preserving this land for generations to come. Since Placer County is one of the fastest growing regions in the state, housing development will progress efficiently while Clover Valley is protected."

HCA of 2019: In response to the state's ongoing housing affordability crisis, the Legislature enacted the Housing Crisis Act of 2019 via SB 330 (Skinner), Chapter 654, and subsequent amendments to the HCA that, among other things, extended its sunset to January 1, 2030 in SB 8 (Skinner), Chapter 161, Statutes of 2021. The HCA had several main components, including the following:

- Maintaining the amount of development capacity in the state, by prohibiting certain local actions that would reduce housing capacity;

- Increasing certainty for developers, by prohibiting a local agency from applying new rules or standards to a project after a preliminary application containing specified information is submitted;
- Facilitating a timely approval process, by establishing a cap of five hearings that can be conducted on a project that complies with objective local standards in place at the time a development application is deemed complete; and
- Ensuring there is no reduction of housing in the state, especially affordable housing, by establishing anti-demolition and anti-displacement protections.

This bill only impacts the provision of the HCA that restricts the ability of affected cities and counties to downzone or reduce the amount of development capacity in their communities unless certain conditions are met. The HCA currently prohibits an affected city or county from enacting a development policy, standard, or condition that has the effect of reducing or otherwise limiting the intensity of land use on land where housing is an allowable use below a minimum floor of what was in effect on January 1, 2018 in the jurisdiction. For affected jurisdictions, the HCA declares actions taken in violation of these provisions to be void. There is a "safe harbor" provision that permits a reduction in the intensity of land use if the jurisdiction concurrently increases the allowable density on other parcels such that there is "no net loss" in residential capacity in the jurisdiction.

***Adoption and Implementation of Housing Elements*:** One important tool in addressing the state's housing crisis is to ensure that all of the state's 539 cities and counties appropriately plan for new housing. Such planning is required through the housing element of each community's General Plan, which outlines a long-term plan for meeting the community's existing and projected housing needs. Cities and counties are required to update their housing elements every eight years in most of the high population parts of the state, and five years in areas with smaller populations. Localities must adopt a legally valid housing element by their statutory deadline for adoption. Failure to do so can result in certain escalating penalties, including an accelerated deadline for completing rezoning, exposure to the "builder's remedy," public or private lawsuits, financial penalties, potential loss of permitting authority, or even court receivership.

Among other things, the housing element must demonstrate how the community plans to accommodate its share of its region's housing needs allocation. To do so, each community establishes an inventory of sites designated for new housing that is sufficient to accommodate its fair share. Where a community does not already contain the existing capacity to accommodate its fair share of housing, it must undertake a rezoning program to accommodate the housing planned for in the housing element. Adequate zoning, removal of regulatory barriers, protection of existing stock and targeting of resources are essential to obtaining a sufficient permanent supply of housing affordable to all economic segments of the community. Although not requiring the community to develop the housing, housing element law requires the community to plan for housing. Recognizing that local governments may lack adequate resources to house all those in need, the law nevertheless mandates that the community do all that it can and that it not engage in exclusionary and harmful practices.

The requirement to identify adequate sites to accommodate the jurisdiction's RHNA by income category – and if adequate sites do not exist, to rezone additional sites – is a crucial component of housing element law. To that end, local governments must maintain that adequacy of sites throughout the entire planning cycle (eight years for most urban and suburban areas, five for more rural areas) and not take actions that reduce or permit the reduction of residential density

for any parcel in its housing element that has been identified to meet its share of RHNA. This "no net loss" requirement, similar to the requirement in the HCA, does permit a loss in density on such a site as long as the local government identifies and makes available additional sites to cover the lost portion of RHNA within 180 days.

This Bill: This bill would amend the definition of "development policy, standard, or condition" in the HCA to exclude an action by an affected city or county to allow a conservation easement to preserve residentially zoned property if the action will have no impact on the jurisdiction's ability to meet the obligations of its adopted housing element, and will not reduce the amount of high-density residentially zoned property in the locality.

The author indicates there is a large oak grove known as Clover Valley in the City of Rocklin that various local agencies and the Placer Land Trust have been working to preserve, but because the city originally annexed the land and zoned it for low-density residential housing and had granted an entitlement to a developer who owned the land, the imposition of a conservation easement would likely not be allowed under the HCA's prohibition on reducing a site's development capacity. This bill is intended to allow the recording of the conservation easement after various entities pulled together funding to purchase the remaining portion of the valley from the developer.[1]

The City of Rocklin included the proposed development (Clover Valley Lakes) in their most recent sixth cycle housing element as accounting for an estimated 558 units of their total above moderate-income housing allocation of 1,828 units. The bill only allows the use of the conservation easement if the action will have no impact on the city's ability to meet the obligations of its adopted housing element and as previously mentioned, housing element law imposes a "no net loss" requirement that would also be triggered by the imposition of the easement, giving the city 180 days to identify additional sites to ensure that RHNA capacity is maintained.

Arguments in Support: According to the City of Rocklin, the bill's sponsor, "As more land is developed in cities and counties, there are fewer natural resources available for residents to enjoy. Outdoor recreation is one of the only hobbies that is enjoyed by people of all income levels. Connection to nature and conservation of sensitive cultural and wildlife habitats is vital for a person's health. Numerous studies published in medical and psychology journals point to the importance of nature in maintaining physical and mental health. As areas become more built out, these unique natural resources are being lost. This bill would make it so that placing a conservation easement on properties that are residentially zoned would only be allowable if the agency remained in compliance with their adopted housing element and the easement did not reduce the amount of high-density residentially zoned property. High-density housing is what is needed the most in the state to address the housing crisis. This bill allows conservations easements to be placed on residential properties without losing these vital housing units."

Arguments in Opposition: None on file.

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[1] https://www.abc10.com/article/news/local/rocklins-clover-valley-safe-from-development/103-36fe5b8f-9d17-4e18-b2b8-31c99fbe5e06

Related Legislation:

SB 8 (Skinner), Chapter 161, Statutes of 2021: Made changes to the HCA and extended the sunset to 2030.

SB 330 (Skinner), Chapter 654, Statutes of 2019: Enacted the HCA of 2019, which restricts actions by affected cities and counties that would reduce the production of housing, among other changes, for five years.

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

City of Rocklin (Sponsor)

Opposition

None on file.

Analysis Prepared by: Nicole Restmeyer / H. & C.D. / (916) 319-2085

Date of Hearing: April 24, 2025

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
AB 1157 (Kalra) – As Amended March 27, 2025

SUBJECT: Tenancy: just cause termination: rent increases

SUMMARY: Lowers the allowable rent increase cap in the Tenant Protection Act of 2019 (TPA), expands the TPA to cover single-family residences, and deletes the January 1, 2030 sunset in the TPA. Specifically, **this bill**:

1) Deletes the exemption in the eviction provisions and allowable rent increase cap in the TPA for residential real property that is alienable separate from the title to any other dwelling unit, thereby applying the eviction provisions and rent increase cap in the TPA to single-family residences without regard to their ownership structure or whether the owner has provided written notice that the residential property is exempt from the TPA.

2) Reduces the maximum allowable annual rent increase under the TPA from 5% plus the percentage change in the cost of living (CPI) with a maximum cap of 10%, whichever is lower, to two percent plus the percentage change in the CPI with a maximum cap of 5%, whichever is lower, of the lowest gross rental rate charged for that dwelling or unit any time during the 12 months prior to the effective date of the increase.

3) Deletes the January 1, 2030 sunset date in the TPA, thereby permanently extending the law's provisions.

EXISTING LAW:

1) Enacts the TPA with a sunset date of January 1, 2030. (Civil Code (CIV) Section 1946.2, 1947.12, and 1947.13)

2) Prohibits, until January 1, 2030, a property owner from terminating a residential tenancy without giving written notice of a just cause for the termination starting after all tenants have continuously and lawfully occupied the property for 12 months, or at least one adult occupant has done so for at least 24 months. (CIV 1946.2(a))

3) Defines "just cause" to include either at-fault just cause or no-fault just cause. (CIV 1946.2(b))

4) Establishes at-fault just causes for terminating a tenancy, which include the following:

    a) Default in the payment of rent;

    b) A breach of a material term of the lease, as provided;

    c) Maintaining, committing, or permitting the maintenance or commission of a nuisance, as provided;

    d) Committing waste, as provided;

e) The tenant had a written lease that terminated on or after specified dates and after written request or demand from the owner, the tenant has refused to execute a written extension or renewal of the lease for an additional term of similar duration with similar provisions;

f) Criminal activity by the tenant on the residential real property, including any common areas, or any criminal activity or criminal threat on or off the residential real property that is directed at any owner or agent of the owner of the residential real property;

g) Assigning or subletting the premises in violation of the tenant's lease, as provided;

h) The tenant's refusal to allow the owner to enter the property as otherwise authorized;

i) Using the premises for an unlawful purpose, as provided;

j) The employee, agent, or licensee's failure to vacate after their termination as an employee, agent, or a licensee, as provided; or

k) When the tenant fails to deliver possession of the property after providing the owner written notice, as specified, of the tenant's intention to terminate the hiring of the real property, or makes a written offer to surrender that is accepted in writing by the owner, but fails to deliver possession at the time specified in the written notice. (CIV 1946.2(b)(1))

5) Provides that the following are no-fault just causes for terminating a tenancy:

a) Intent to occupy the residential real property by the owner or their spouse, domestic partner, children, grandchildren, parents, or grandparents for a minimum of 12 continuous months as that person's primary residence;

b) Withdrawal of the residential property from the rental market;

c) The landlord's compliance with a government or court order or local ordinance that requires vacating the residence; or

d) Intent to demolish or to substantially remodel the property, as defined. (CIV 1946.2(b)(2))

6) Exempts the following types of properties from the eviction provisions of the TPA:

a) Transient and tourist hotel occupancies, as defined;

b) Housing in a nonprofit hospital, religious facility, extended care facility, licensed residential care facility for the elderly, or an adult residential facility;

c) Dormitories owned and operated by a K-12 or higher education institution;

d) Housing accommodations in which the tenant shares bathroom or kitchen facilities with the owner who maintains their principal residence at the property;

e) Single-family owner-occupied residences, as defined;

f) A duplex in which the owner occupies one of the units;

g) Housing that has been issued a certificate of occupancy within the previous 15 years;

h) Deed-restricted affordable housing for persons and families of very low, low, or moderate income, as defined; and

i) Residential real property that is alienable separate from the title to any other dwelling unit (primarily single-family residences and condominiums), provided that specified notice of the exemption is given to the tenants and the owner is not a:

i) Real estate investment trust (REIT);

ii) Corporation;

iii) Limited liability company in which at least one member is a corporation; or

iv) Management of a mobilehome park. (CIV 1946.2(e))

7) Prohibits, until January 1, 2030, an owner of residential real property from, over the course of any 12-month period, increasing the gross rental rate for a dwelling or a unit more than five percent plus the percentage change in the cost of living, or 10%, whichever is lower, of the lowest gross rental rate charged for that dwelling or unit at any time during the 12 months before the effective date of the increase, subject to specified conditions. (CIV 1947.12(a))

8) Allows a landlord to establish the initial rental rate for a new tenancy in which no tenant from the prior tenancy remains in lawful possession of the residential real property, and specifies that 7) above only applies to subsequent increases after the initial rental rate has been established. (CIV 1947.12(b))

9) Exempts the following types of properties from the rent cap provisions of the TPA:

a) Deed-restricted affordable housing for persons and families of very low, low, or moderate income, as defined;

b) Dormitories owned and operated by a K-12 or higher education institution;

c) Housing subject to any form of rent or price control through a public entity's valid exercise of its police power that restricts annual increases in the rental rate to an amount less than that provided in 7), above;

d) Housing that has been issued a certificate of occupancy within the previous 15 years, unless the housing is a mobilehome;

e) A duplex in which the owner occupies one of the units; and

f) Residential real property that is alienable separate from the title to any other dwelling unit (primarily single-family residences and condominiums), provided that specified notice of the exemption is given to the tenants and the owner is not a:

i) REIT;

ii) Corporation;

iii) Limited liability company in which at least one member is a corporation; or

iv) Management of a mobilehome park. (CIV 1947.12(d))

10) Requires landlords to notify tenants of the TPA's limitations on rent increases and its requirement of just cause for eviction, as specified. (CIV 1946.2(f) and 1947.12(e))

11) Does not preempt any local laws limiting rent increases or the grounds on which a landlord may terminate a tenancy, except that any local just cause for eviction ordinance enacted after September 1, 2019 must be at least as protective, as defined, as the TPA. (CIV 1946.2(g))

FISCAL EFFECT: Unknown.

COMMENTS:

Author's Statement: According to the author, "California is in a housing affordability crisis, which is the result of decades of neglect in our housing supply. Tenants make up about 44% of the state's population, making California the second largest state for renters in the country. People across the state are struggling to keep up with the increasing cost of rent and are being forced to choose between paying their rent and other basic needs. The Tenant Protection Act of 2019 was signed into law before the pandemic occurred, and even before the global crisis, tenants were rent-burdened, where households were paying anywhere from 30-50% of their hard-earned income towards rent. The cost of rent keeps going up, and wages are not able to keep up, making it harder for families to stay in their homes. The reality of these conditions that renters are dealing with is saddening, and we cannot turn a blind eye to the struggles these families are facing. Housing impacts everyone, and California must take immediate action to help keep people in their homes while we continue to build housing.

While the state marked a historic first step with the Tenant Protection Act of 2019, the annual rent increase cap is still too high, and a portion of tenants are excluded from tenant protections. AB 1157 will stabilize rent by lowering the annual rent increase cap to help bring relief for California renters and prevent them from being pushed into homelessness. In addition, families renting single-family homes will be afforded the same protections as other renters. These changes could mean the difference between stability and homelessness for many families. AB 1157 will bring immediate action while the state continues to build affordable housing and protect the housing stock. Housing is a human right, and every Californian should be afforded safe, stable, and affordable housing."

Struggling Tenants and the Housing Crisis: California is home to approximately 18 million renters – which represents 44% of the state's population. The state's housing crisis has been particularly impactful to this population, as the multi-million unit shortfall of housing has driven up rents considerably.

According to the 2022 Statewide Housing Plan, California needs an additional 2.5 million housing units, including 1.2 million for lower-income households, to meet the state's housing

shortage. Decades of underbuilding have led to a lack of housing overall, particularly housing that is affordable to lower-income households. The state needs an additional 180,000 new units of housing a year to keep up with demand, including about 80,000 units of housing affordable to lower-income households. By contrast, production in the past decade has been under 100,000 units per year, including fewer than 20,000 units of affordable housing per year.

Furthermore, the state's homelessness crisis is driven by the lack of affordable rental housing for lower income people. According to the California Housing Partnership's Housing Need Dashboard, in the current market, over 2 million extremely low-income and very low-income renter households are competing for roughly 750,000 available and affordable rental units in the state. Over three-quarters of the state's extremely low-income households and over half of the state's very low-income households are severely rent burdened, paying more than 50% of their income toward rent each month. In addition, median rent in California has increased by 40% since 2000, while median renter household incomes have only increased 9% over the same time period (after inflation).[1] The burden of high rents and housing instability falls heaviest on residents of the state who are Black, Latinx, Pacific Islander, and American Indian or Alaska Natives, as these individuals are more likely to be renters and more likely to be cost-burdened due to a history of systemic racism, segregation, and housing discrimination that has exacerbated the racial wealth gap and kept homeownership out of reach.

Evictions and large rent increases are a major cause of homelessness. A 2020 U.S. Government Accountability Office study found a $100 median rent increase in a community correlated with a 9% rise in homelessness in the same area.[2] Research by Zillow from 2018 found that some areas with a high percentage of rent-burdened households experienced a rapid increase in homelessness, and areas where high rents are combined with high poverty experienced triple the homelessness rate of the average community.[3] In addition, a 2017 survey in Santa Cruz County found that 14% of individuals experiencing homelessness cited eviction as a primary cause of their homelessness.

Tenant Protection Act of 2019: For decades, several local jurisdictions have imposed limits on how much residential landlords can raise the rent on their tenants each year, usually in combination with laws preventing landlords from terminating residential tenancies unless the landlord has a specific and legitimate reason for doing so. However, throughout the rest of the state and for individuals living in the many units exempt from local rent control, landlords could raise rents by as much as they pleased and could force a tenant to move out for any legal reason or for no reason at all, subject only to requirements for one or sometimes two months' advance notice. This changed in 2019 with the passage of AB 1482 (Chiu), Chapter 597, which provided approximately eight million California renters in certain types of housing units with two critical tenant protections: a prohibition on exorbitant rent increases and protections against unjustified evictions.

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[1] *California Affordable Housing Needs Report 2025*, California Housing Partnership, https://chpc.net/wp-content/uploads/2025/03/CHP_State-Housing-Needs-Report-2025.pdf (March 2025)
[2] *Homelessness: Better HUD Oversight of Data Collection Could Improve Estimates of Homeless Population*, U.S. Government Accountability Office, https://www.gao.gov/assets/gao-20-433.pdf (July 2020) at p. 30.
[3] *Homelessness Rises Faster Where Rent Exceeds a Third of Income*, Zillow Research, https://www.zillow.com/research/homelessness-rent-affordability-22247/ (December 2018)

AB 1482 protected against rent gouging by placing an annual cap on rent increases at 5% plus the change in the CPI, not to exceed 10%. The bill protected against unjustified evictions by requiring a justifiable cause for the termination of a tenancy after 12 months of tenancy. This included specifying a list of "at-fault" causes, where the termination is justified by the action of the tenant, such as failure to pay rent or criminal activity on the premises. Where the reason was not the tenant's fault – such as situations where the owner decides to occupy the unit, where the landlord undertakes demolition or a substantial remodel, or where the landlord elects to withdraw the property from the rental market – AB 1482 made sure tenants received at least some financial assistance for being made to relocate.

Further refinements to the TPA were made in 2023 with SB 567 (Durazo), Chapter 290, to close perceived loopholes that were being exploited to evade the law's protections and to provide additional enforcement tools. Some property owners had effectively achieved rent increases that were not permissible under the law by claiming illegitimate owner move-in or substantial remodel causes to remove existing tenants and replace them with tenants paying substantially higher rents. SB 567 closed these loopholes beginning April 1, 2024.

SB 567 also provided additional enforcement tools to local governments and to harmed tenants by allowing additional public and private rights of action against landlords who violate the provisions of the TPA beginning April 1, 2024. The bill provided explicit authorization for the Attorney General and a city attorney or a county counsel to bring actions to enforce the law and to seek injunctive relief on behalf of harmed tenants, and required landlords to strictly comply with the TPA when providing certain notices to give certainty to all actors regarding what is legal and not legal.

Exclusion of Single-Family Homes*:* Single-family rentals are an important part of the rental market and offer renters the ability to find more spacious housing options than they otherwise might find in multifamily housing, as large multi-bedroom apartments are not as commonly available. Single-family rentals are often in more affluent or desirable neighborhoods compared to traditional apartments, which for decades have been limited to more segregated and lower opportunity areas of communities. Having the opportunity to rent a single-family home might yield better equity and educational outcomes for families with children and other renters who wish to exercise housing choice and access otherwise inaccessible higher-opportunity neighborhoods. According to data from the US Census, there are approximately 2 million single-family rentals in the state out of a total of roughly 6 million renter-occupied housing units – meaning one in three rental units in the state is a single-family residence or condominium.[4]

Neither the rent cap nor the eviction provisions of the TPA currently apply to single-family and condominium rental homes unless the property is owned by a corporation or REIT (or certain mobilehome park-owned rentals), or the property owner has provided written notice to their tenants that the home is exempt from the TPA using the following statement:

> "This property is not subject to the rent limits imposed by Section 1947.12 of the Civil Code and is not subject to the just cause requirements of Section 1946.2 of the Civil Code. This property meets the requirements of Sections 1947.12 (d)(5) and 1946.2 (e)(8) of the Civil Code and the owner is not any of the following: (1) a real estate investment

[4]https://data.census.gov/table/ACSDT1Y2022.B25032?t=Units%20and%20Stories%20in%20Structure&g=040XX00US06

trust, as defined by Section 856 of the Internal Revenue Code; (2) a corporation; or (3) a limited liability company in which at least one member is a corporation."

Various studies have found that despite an uptick in large investors and corporations purchasing single-family units during the mortgage crisis and pandemic, the vast majority of single-family rentals in California and nationally are owned and operated by traditional small and medium-sized landlords. Analysis performed by the California Research Bureau identified approximately 106,000 single-family rentals statewide owned by landlords who owned between 10-100 other properties, and 27,700 homes owned by investors with very large portfolios over 100 properties. For condos, approximately 35,000 appear to be owned by 10-100 owners and another 29,000 by the largest owners.[5] Altogether, this suggests perhaps no more than approximately 200,000 of the 2 million single-family rentals in the state are owned by individuals or corporations who own 10 or more properties. Some portion of that 200,000 – specifically the portion owned by corporations and REITs – are currently covered by the requirements of the TPA, leaving the remaining 1.8+ million unprotected unless their owners neglected to provide the written notice of exemption from the TPA.

From a policy standpoint, it is not clear why an individual landlord who owns one or four or any arbitrary amount of single-family rentals should be treated differently under the law and have their tenants treated differently from a landlord who owns, for example, a single four-unit apartment building. In this scenario, both landlords are individuals offering the same number of units for rent, but by virtue of the physical type of the structures being offered for rent, the TPA's rent cap and just cause eviction rules apply to the apartment building and do not apply to the single-family homes.

This bill would remove the TPA's exemptions for residential real property that is alienable separate from the title to any other dwelling unit (as mentioned before, primarily single-family residences and condominiums), thereby applying the law's protections to tenants who rent one of the millions of these types of units in the state.

Rent Cap and Sunset Clause*:* The TPA's maximum allowable rent cap is 5% plus CPI, up to a maximum cap of 10% (whichever is lower) in a 12-month period. Due to the COVID-19 pandemic and subsequent economic shocks, there was a surge in the inflation rate nationwide that meant the allowable rent increases quickly reached the maximum 10% cap in many regions. Inflation rates decreased and have fluctuated since then, with current allowable increases for most regions between 8.6% and 9.3%.[6] The allowable increases under the TPA also compound year-over-year and have allowed landlords to still raise rents quite dramatically over time. For example, an apartment renting at $2,000 initially, could, under the allowable increases in the TPA rent cap, cost the same tenant $3,221 within just five years. In essence, the TPA does not prevent large rent increases over time. What it prevents is sudden rent spikes while still giving landlords quite broad authority to raise rents regularly over the longer term.

Data from Zillow's Observed Rent Index for Multifamily Residences is instructive. From Q1 of 2019 to Q1 of 2025, the index indicates rents have increased rapidly in most metropolitan statistical areas (MSAs) in the state, with the largest percentage increases occurring in areas that previously had been more affordable (and smaller increases in areas that have a larger amount of

[5] https://public.tableau.com/app/profile/california.research.bureau/viz/CRB-SingleFamilyHousingRentals/MainView
[6] https://www.treasurer.ca.gov/ctcac/2024/supplemental/2024/rent_increase.pdf

housing stock subject to local rent restrictions). Fresno, Bakersfield, Redding, Riverside, Santa Maria, and Modesto MSAs all saw average multifamily asking rents increase over 50% from 2020 to 2025, and many MSAs saw single-family asking rents increase at similar rates.

MSA	MFR Average Asking Rent: Q1 2019	MFR Average Asking Rent: Q1 2025	Percentage Change
Fresno, CA	$930	$1,552	67% increase
Bakersfield, CA	$871	$1,419	63% increase
Redding, CA	$796	$1,259	58% increase
Riverside, CA	$1,505	$2,293	52% increase
Santa Maria, CA	$1,845	$2,805	52% increase
Modesto, CA	$1,137	$1,717	51% increase
Salinas, CA	$1,592	$2,344	47% increase
Stockton, CA	$1,306	$1,899	45% increase
San Luis Obispo, CA	$1,728	$2,497	45% increase
San Diego, CA	$1,945	$2,765	42% increase
Oxnard, CA	$1,967	$2,725	39% increase
Sacramento, CA	$1,490	$2,020	36% increase
Chico, CA	$1,125	$1,516	35% increase
Santa Cruz, CA	$2,275	$3,032	33% increase
Merced, CA	$1,090 (first available data 4/30/22)	$1,406	29% increase
Los Angeles, CA	$2,138	$2,714	27% increase
Vallejo, CA	$1,788	$2,248	26% increase
Santa Rosa, CA	$1,927	$2,397	24% increase
Napa, CA	$2,193 (first available data 10/31/20)	$2,616	19% increase
San Jose, CA	$2,815	$3,131	11% increase
San Francisco, CA	$2,703	$2,839	5% increase

Source: Zillow, Observed Rent Index for Multifamily Residences, accessed 4/19/2025

The author and sponsors point to this and other data to argue that the current rent caps in the TPA still allow for significant increases over time that put renters, whose incomes are largely not increasing at these same rates, at risk of serious housing instability, eviction, and homelessness. To that end, this bill proposes to lower the maximum allowable rent cap to two percent plus CPI, up to a maximum cap of 5%, whichever is lower, in a 12-month period. It is important to note that this bill preserves the 15-year rolling exemption for new construction from the rent cap and just cause eviction provisions of the TPA, which is designed to ensure that statutory limitations

on rent increases do not dissuade developers from investing in building new housing, thus helping to ensure that the supply of rental housing continues to expand. This bill also preserves the TPA's allowance for landlords to reset the rent on a TPA-covered unit to whatever they wish, with no limitation or cap, upon the departure of a tenant (commonly referred to as "vacancy decontrol"). For these reasons, while the bill's opponents argue that it would decrease new housing supply, the author and sponsors believe the bill adequately addresses those concerns. Using the same example above of a unit renting at $2,000, the proposed cap in this bill would allow a landlord to raise rent up to five percent each year, yielding a potential rental rate of $2,552 within five years with the same tenant.

The TPA is currently scheduled to sunset on January 1, 2030. This bill would also delete the sunset clause in the TPA, thereby permanently extending its provisions.

Arguments in Support*:* According to the bill's cosponsors, including Housing Now, ACCE, PICO California, Public Advocates, and Unite Here Local 11, "AB 1157 responds to urgent realities that our organizations are seeing every day in our work on the ground by limiting excessive rent increases and extending basic protections to more renters. California's housing crisis is deepening: between 2000 and today, median rents have increased by 37%, while renter incomes have increased just 7%, adjusted for inflation. The Tenant Protection Act of 2019 was an important step, but its rent cap formula—allowing annual increases of CPI plus 5% (up to a maximum of 10%)—has proven inadequate. Consecutive rent hikes at this level are unsustainable for working families and serve only to deepen the housing insecurity already felt by so many. In practice, the law has permitted compounded rent increases that will total nearly 100% after ten years. … Nearly all of the 35 cities and counties that have rent stabilization laws have set the allowable annual rent increases lower than the CPI+2% proposed in AB 1157. In other words, the proposed rent increase formula in AB 1157 is more generous to landlords than where most local jurisdictions have landed on this issue."

Arguments in Opposition: A coalition of opponents, including the California Association of Realtors, California Apartment Association, and California Chamber of Commerce, write in opposition to this bill. They express concerns that imposing the TPA's provisions on single-family rentals will push owners to exit the rental market, that the bill places blame on rental housing providers rather than the severe housing shortage at the root of the housing crisis, that the rent cap provisions of the bill do not include a means-testing provision and may benefit wealthy renters, and that the bill will deter private and institutional investment in financing rental housing construction in California.

Another coalition of rental housing providers write in opposition: "Rental housing providers across California have endured years of moratoriums on evictions and rent increases under COVID-era regulations, many have lost property due to the wildfires, inflationary pressures have increased costs of labor and supplies, new regulations have increased risk and legal exposure, and today we find ourselves in a terrible insurance crisis with rapidly rising insurance premiums (2x to 3x) and far lower coverage. Now is not the time to further burden the state's rental housing providers with lower rent caps. We need more rental housing, but AB 1157 will cause more of us housing providers to exit the rental market for good."

Related Legislation:

SB 567 (Durazo), Chapter 290, Statutes of 2023: Revised the no-fault just cause eviction provisions of the TPA and provided additional enforcement mechanisms for violations of restrictions on residential rent increases and no-fault just cause evictions.

AB 1482 (Chiu), Chapter 597, Statutes of 2019: Enacted the TPA.

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

REGISTERED SUPPORT / OPPOSITION:

Support

ACCE Action (Sponsor)
Housing Now! (Sponsor)
PICO California (Sponsor)
Public Advocates (Sponsor)
UNITE HERE, Local 11 (Sponsor)
AAPI FORCE
ACLU California Action
Alameda Labor Council
All Home
All of US or None
Alliance San Diego
Amelia Ann Adams Whole Life Center
Asian Americans Advancing Justice Southern California
Asian Pacific Environmental Network
Bet Tzedek Legal Services
Black Humboldt
Black Organizing Project
Black Women for Wellness Action Project
Black Women Organized for Political Action (BWOPA)
California Black Power Network
California Coalition for Rural Housing
California Democratic Renters Council
California Environmental Justice Alliance (CEJA) Action
California Federation of Labor Unions, AFL-CIO
California Green New Deal Coalition
California Healthy Nail Salon Collaborative
California Native Vote Project
California State Council of Service Employees International Union (SEIU California)
California Teachers Association
California Working Families Party
Californians for Disability Rights
CD11 Coalition for Human Rights
Center on Policy Initiatives
Central Coast Alliance United for a Sustainable Economy
Child Care Law Center
CHISPA

CLUE (Clergy and Laity United for Economic Justice)
Coalition for Economic Survival (CES)
Coalition for Humane Immigrant Rights (CHIRLA)
Communities for a Better Environment
Communities United for Restorative Youth Justice (CURYJ)
Community Legal Services of East Palo Alto
Congregations Organized for Prophetic Engagement
Courage California
Creating Justice LA
Debt Collective
East Bay for Everyone
East Bay Housing Organizations
El Concilio of San Mateo County
Empowering Pacific Islander Communities (EPIC)
End Child Poverty in California Powered by GRACE
End Poverty in California (EPIC)
Equal Rights Advocates
Evolve California
Faith in Action Bay Area
Faith in the Valley
FIAEB
Filipino Advocates for Justice
Fresno Metro Black Chamber of Commerce
Friends Committee on Legislation of California
Glendale Tenants Union
Ground Works Consulting
Hmong Innovating Politics
Homes for All - California
Housing California
Housing Justice as Health Equity Collaborative
Housing Rights Initiative
Human Impact Partners
Inland Congregations United for Change
Inland Empire Black Worker Center
Inland Equity Community Land Trusts
Inner City Law Center
LA Forward Institute
LA Voice
Law Foundation of Silicon Valley
Leadership Counsel for Justice and Accountability
Legal Aid Society of San Mateo County
Legal Services for Prisoners with Children
Liberty Hill Foundation
Long Beach Forward
Los Angeles Alliance for a New Economy (LAANE)
Los Angeles Black Worker Center
Mar Vista Voice
Million Voters Project
National Alliance to End Homelessness

National Housing Law Project
New Life Christian Church
New Life Community Connection Development Corp.
Oakland Tenants Union
Orange County Communities Organized for Responsible Development
Orange County Congregation Community Organization
Orange County Equality Coalition
Pacifica Progressive Alliance and Alliance Members
Pasadena Tenant Union
Peninsula Solidarity Cohort
PolicyLink
Power CA Action
Prevention Institute
Public Counsel
PUENTE DE LA COSTA SUR
Race & Equity in All Planning Coalition (REP-SF)
Resilience OC
Rise Economy
Rising Juntos
Rubicon Programs
RYSE
Sacramento Area Congregations Together
San Diego Organizing Project
San Francisco Anti-displacement Coalition
San Francisco Tenants Union
Santa Monicans for Renters' Rights
SCOPE
SDBWC
Silicon Valley De-Bug
Social Justice Learning Institute
Soul Force Project
Starting Over, INC.
Strategic Actions for a Just Economy
TechEquity Action
Tenants Together
Tenants United Anaheim
The Big Tent San Leandro
The Community Action League
The Row LA - the Church Without Walls - Skid Row
TRUST South LA
Unite Here Local 11
United Way Bay Area
Urban Habitat
Urban Peace Movement
Victor Valley Family Resource Center
We Are Not Invisible
West Valley Community Services
Western Center on Law & Poverty, INC.
Working Partnerships USA

Youth Leadership Institute
Youth United for Community Action
Western Center on Law & Poverty
Individuals -14

Opposition

Apartment Association of Greater Los Angeles
Apartment Association of Orange County
Berkeley Property Owners Association
Building Owners and Managers Association of California
California Apartment Association
California Association of Realtors
California Building Industry Association
California Business Properties Association
California Chamber of Commerce
California Mortgage Bankers Association
California Rental Housing Association
Commercial Real Estate Development Association, NAIOP of California
East Bay Rental Housing Association
Institute of Real Estate Management
National Rental Home Council
Nor Cal Rental Property Association
North Valley Property Owners Association
Santa Barbara Rental Property Association
Small Property Owners of San Francisco Institute
Southern California Rental Housing Association
Individuals - 3

Analysis Prepared by: Nicole Restmeyer / H. & C.D. / (916) 319-2085

Date of Hearing: April 24, 2025

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
AB 1275 (Elhawary) – As Amended March 24, 2025

SUBJECT: Regional housing needs: regional transportation plan

SUMMARY: Requires the Department of Housing and Community Development (HCD) to determine each region with a council of governments (COG)'s existing and projected housing need three years prior to each region's scheduled housing element revision, rather than two years as under existing law, and makes changes to how the transportation and job projections in a region's sustainable communities strategy (SCS) must be incorporated into each COG's final regional housing needs allocation (RHNA) plan. Specifically, **this bill**:

1) Requires HCD, in consultation with each COG, to determine each region's existing and projected housing need at least three years before each region's scheduled housing element revision, rather than two years as under existing law.

2) Requires HCD, for cities and counties without a COG, to determine each region's existing and projected housing need at least two years before the scheduled housing element revision.

3) Requires a COG's final RHNA plan to be informed by the transportation and job projections included in the SCS, rather than requiring it to allocate housing units within the region consistent with the development pattern included in the SCS.

4) Requires a COG or delegate subregion to revise its draft RHNA methodology in consultation with HCD if HCD determines the draft methodology does not further the statutory objectives of RHNA, as specified.

5) Allows a COG or delegate subregion to reduce the weighting of the SCS development pattern in its methodology in consultation with HCD to further the statutory objectives of RHNA under 4) above.

6) Requires the COG or delegate subregion's resolution approving the final RHNA plan to demonstrate that the plan is informed by the transportation and job projections included in the SCS in the regional transportation plan (RTP), rather than requiring the resolution to demonstrate the plan is consistent with the RTP/SCS as under existing law.

EXISTING LAW:

1) Provides that each community's fair share of housing be determined through the Regional Housing Needs Determination (RHND)/RHNA process. Sets out the process as follows: (a) Department of Finance (DOF) and HCD develop regional housing needs determination estimates or RHNDs; (b) COGs allocate housing via RHNA within each region based on these determinations, and where a COG does not exist, HCD conducts the allocations; and (c) cities and counties incorporate these allocations into their housing elements. (Government Code (GOV) 65584 and 65584.01)

2) Requires HCD, in consultation with each COG, to determine each region's existing and projected housing need at least two years prior to the scheduled housing element revision, as provided, and requires the COG or HCD to adopt a final RHNA that allocates a share of the regional housing need to each city or county at least one year prior to the region's housing element due date. (GOV 65584(b))

3) Requires a RHNA plan to further all of the following objectives:

    a) Increasing the housing supply and the mix of housing types, tenure, and affordability in all cities and counties within the region in an equitable manner, which must result in each jurisdiction receiving an allocation of units for low- and very low-income households;

    b) Promoting infill development and socioeconomic equity, the protection of environmental and agricultural resources, the encouragement of efficient development patterns, and the achievement of the region's greenhouse gas reduction targets provided by the State Air Resources Board, as specified;

    c) Promoting an improved intraregional relationship between jobs and housing, including an improved balance between the number of low-wage jobs and the number of housing units affordable to low-wage workers in each jurisdiction;

    d) Allocating a lower proportion of housing need to an income category when a jurisdiction already has a disproportionately high share of households in that income category, as compared to the countywide distribution of households in that category from the most recent American Community Survey; and

    e) Affirmatively furthering fair housing. (GOV 65584(d))

4) Requires HCD to meet and consult with each COG regarding the assumptions and methodology to be used in determining the region's housing needs at least 26 months prior to the region's housing element due date. (GOV 65584.01(b)(1))

5) Requires each COG or delegate subregion to develop, in consultation with HCD, a proposed methodology for distributing the RHNA to local governments within the region or subregion at least two years prior to the region's housing element due date. (GOV 65584.04(a))

6) Requires each COG or delegate subregion, to the extent that sufficient data is available from local governments or other sources, to consider including several factors in developing the RHNA methodology, one of which is the distribution of household growth assumed for purposes of a comparable period of RTPs and opportunities to maximize the use of public transportation and existing transportation infrastructure. (GOV 65584.04(e)(3))

7) Requires each COG or delegate subregion to explain in writing how each of the factors under 6) above was incorporated into the RHNA methodology and how the methodology furthers the statutory objectives of RHNA under 3) above. Allows the methodology to include numerical weighting. (GOV 65584.04(f))

8) States the intent of the Legislature that housing planning be coordinated and integrated with the RTP, and requires the RHNA plan to achieve this goal by allocating housing units within the region consistent with the development pattern included in the SCS. (GOV 65584.04(m)(1))

9) Requires the COG or delegate subregion's resolution approving the final RHNA plan to demonstrate that the plan is consistent with the SCS in the RTP and furthers the statutory objectives of RHNA under 3) above. (GOV 65584.04(m)(3))

10) Requires each regional transportation planning agency (RTPA) to prepare and adopt an RTP directed at achieving a coordinated and balanced regional transportation system. (GOV 65080(a))

11) Requires the RTP to include an SCS prepared by each metropolitan planning organization (MPO), as specified, containing land use, housing, and transportation strategies that, if implemented, would allow the region to meet regional greenhouse gas (GHG) emission reduction targets established by the California Air Resources Board (CARB). (GOV 65080(b)(2))

12) Requires the SCS to do all of the following:

    a) Identify the general location of uses, residential densities, and building intensities within the region;

    b) Identify areas within the region sufficient to house all the population of the region, including all economic segments of the population, over the course of the planning period of the RTP, taking into account net migration into the region, population growth, household formation and employment growth;

    c) Identify areas within the region sufficient to house an eight-year projection of the RHNA for the region;

    d) Identify a transportation network to service the transportation needs of the region;

    e) Gather and consider the best practically available scientific information regarding resource areas and farmland in the region;

    f) Consider the state housing goals, as specified;

    g) Set forth a forecasted development pattern for the region, which, when integrated with the transportation network, and other transportation measures and policies, will reduce GHG emissions from automobiles and light trucks to achieve, if there is a feasible way to do so, GHG reduction targets approved by CARB; and,

    h) Allow the regional transportation plan to comply with Section 176 of the federal Clean Air Act (42 U.S.C. Sec. 7506). (GOV 65080(b)(2)(B))

FISCAL EFFECT: Unknown.

COMMENTS:

Author's Statement: According to the author, "California can't afford to keep planning housing and transportation in separate conversations. AB 1275 strengthens how we plan for the future by making sure our housing and transportation systems are working together—not against each other.

This bill moves up the release of Regional Housing Needs Determinations by one year, giving local and regional leaders more time to meaningfully integrate housing needs into transportation plans. When we do this right, we can ensure new housing is built near transit, near jobs, and in communities that have been historically left out of access to opportunity.

AB 1275 builds on California's commitment to climate action and equity by making it easier to plan for sustainable, infill housing and reduce emissions—without sacrificing the needs of everyday people. It's a practical step toward a California where planning is intentional, coordinated, and centered on the people who live here."

RHNA and Housing Elements: The RHNA process is used to determine how many new homes, and the affordability level of those homes, each local government must plan for in its housing element to cover the duration of the next eight-year planning cycle. The state is currently in the sixth housing element cycle. The RHND is assigned at the COG level, while RHNA is suballocated to subregions of the COG or directly to local governments. RHNA is currently assigned via six income categories: very low-income (0-50% of AMI), low-income (50-80% of AMI), moderate income (80-120% of AMI), and above moderate income (120% or more of AMI). Beginning with the seventh cycle, two new income categories will be incorporated for acutely low-income (0-15% of AMI) and extremely low-income (15-30% of AMI).

The cycle begins with HCD and DOF projecting new RHND numbers every five or eight years, depending on the region. DOF produces population projections and the COG also develops projections during its Regional Transportation Plan update. Then, 26 months before the housing element due date for the region, HCD must meet and consult with the COG and share the data assumptions and methodology that they will use to produce the RHND. The COG provides HCD with its own regional data on several criteria, including:

- Anticipated household growth associated with projected population increases;
- Household size data and trends in household size;
- The percentage of households that are overcrowded, as defined, and the overcrowding rate for a comparable housing market, as defined;
- The rate of household formation, or headship rates, based on age, gender, ethnicity, or other established demographic measures;
- The vacancy rates in existing housing stock, and the vacancy rates for healthy housing market functioning and regional mobility, as well as housing replacement needs, as specified;
- Other characteristics of the composition of the projected population;
- The relationship between jobs and housing, including any imbalance between jobs and housing;
- The percentage of households that are cost burdened and the rate of housing cost burden for a healthy housing market, as defined; and

- The loss of units during a declared state of emergency during the planning period immediately preceding the relevant housing element cycle that have yet to be rebuilt or replaced at the time of the data request.

HCD can take this information and use it to modify its own methodology, if it agrees with the data the COG produced, or can reject it if there are other factors or data that HCD feels are better or more accurate. Then, after a consultation with the COG, HCD makes written determinations on the data it is using for each of the factors bulleted above, and provides that information in writing to the COG. HCD uses that data to produce the final RHND. The COG must then take the RHND and create an allocation methodology that distributes the housing need equitably amongst all the local governments in its region. The RHNA methodology is statutorily obligated to further all of the following objectives:

1) Increase the housing supply and mix of housing types, tenure, and affordability in all cities and counties within the regional in an equitable manner, which must result in each jurisdiction receiving an allocation of units for low- and very low-income households;

2) Promote infill development, socioeconomic equity, the protection of environmental and agricultural resources, and achievement of regional climate change reduction targets;

3) Promote an improved intraregional relationship between jobs and housing, including an improved balance between the number of low-wage jobs and the number of housing units affordable to low-wage workers in each jurisdiction;

4) Allocate a lower proportion of housing need to an income category when a jurisdiction already has a disproportionately high share of households in that income category; and

5) Affirmatively further fair housing.

Once the methodology is developed, the COG creates a draft RHNA allocation plan assigning individual allocations to each local government, who must then incorporate these allocations into their housing elements. This bill would push back the RHND deadlines for the seventh housing element cycle and beyond by requiring HCD to determine each region's RHND three years prior to the scheduled housing element revision, rather than two years under existing law.

RTP/SCS: In California, regional transportation planning is primarily conducted by 18 Metropolitan MPOs in urban areas and 26 RTPAs in rural areas. MPOs must prepare a key planning document called the RTP. The RTP has a long-term horizon of at least 20 years and identifies existing and future transportation needs in the region. It includes rough cost estimates for transportation projects and is fiscally constrained (i.e., the total anticipated cost of the proposals is limited to the total reasonably anticipated revenues for the term of the plan), however, specific fund sources are usually not identified for the individual transportation proposals. The RTP must also conform with federal air quality requirements in nonattainment or maintenance areas. Federal law requires MPOs/ RTPAs submit an RTP at least every four years.

The Sustainable Communities and Climate Protection Act, SB 375 (Steinberg), Chapter 728, Statutes of 2008, added a new element to regional planning and requires MPOs to develop SCS, or long-range plans, which align transportation, housing, and land use decisions toward achieving GHG emissions reduction targets set by CARB. As part of the SB 375 process, CARB establishes regional GHG emissions reduction targets for each jurisdiction. MPOs must produce

a SCS that (i) identifies the general location of uses, residential densities, and building intensities within the region; (ii) identifies areas within the region sufficient to house all the population of the region, including all economic segments of the population, over the course of the planning period of the RTP taking into account net migration into the region, population growth, household formation and employment growth; (iii) identifies areas within the region sufficient to house an eight-year projection of the regional housing need for the region; (iv) identifies a transportation network to service the transportation needs of the region; (v) gathers and considers the best practically available scientific information regarding resource areas and farmland in the region; (vi) considers the state housing goals, as specified; (vii) sets forth a forecasted development pattern for the region, which, when integrated with the transportation network, and other transportation measures and policies, will reduce GHG emissions from automobiles and light trucks to achieve the GHG emission reduction targets approved by CARB.

Existing law requires the RTP/SCS be consistent with the RHNA, but in practice alignment is challenging. One problem is that the current timeline for the adoption of the RHND leaves insufficient time for regions to incorporate the RHND into their updated RTP/SCS. Another problem is that the RHND is required to plan for both project population growth as well as the existing unmet housing needs in the region (as measured by factors such as cost burden, overcrowding, homelessness, and jobs/housing imbalance), while RTP/SCS plans sometimes only address population growth.

AB 1275 seeks to implement two recommendations from HCD's report, "California's Housing Future 2040: The Next Regional Housing Needs Allocation." In particular, the bill implements recommendations to move up the RHND determination by one year and clarifies what should occur if the RTP/SCS forecasted development pattern does not further the statutory objectives of RHNA.

Arguments in Support: According to Abundant Housing LA, the bill's sponsor, "In order to build a more affordable and sustainable California, it is imperative that we expand sustainable transportation infrastructure and build dense housing in close proximity to those investments. This will make it easier to live in communities with low carbon emissions, while helping to end our state's housing shortage. California laid the foundation for such a vision in 2008, with the passage of SB 375 (Steinberg), which created a framework for local leaders to reduce greenhouse gas emissions, by directing metropolitan planning organizations (MPOs) to draft Sustainable Communities Strategies and incorporate best environmental practices into regional urban planning systems. Unfortunately, 17 years later, there is still more work to do. That is because the state's regional planning frameworks lack alignment with one another in a few important ways. … AB 1275 amends state law to require that HCD release RHNDs a year earlier in the cycle. That change would give regions more time to incorporate the RHND (and therefore estimates of existing unmet housing need) into their population forecast modeling for the RTP/SCS and lead to higher alignment between RHND and SCS housing targets. Second, AB 1275 clarifies that RHNA allocations to local jurisdictions should be informed by the RTP/SCS development pattern—but should not follow it exactly if doing so would prevent regions from meeting objectives of the RHNA process. This amendment will create alignment between both regional plans while ensuring regions plan for sufficient housing in infill jurisdictions and those with high levels of unmet housing needs."

Arguments in Opposition: None on file.

Committee Amendments: Staff recommends the bill be amended as follows:

1) Both this bill and AB 1275 (Elhawary) propose to modify timelines in the RHND process in different ways. This bill would require HCD to determine each region's RHND at least 36 months prior to the housing element deadline, while AB 650 proposes to require HCD to determine the RHND at least 30 months prior to the deadline. The committee may wish to consider harmonizing the RHND and COG consultation portions of the two bills by requiring HCD to determine the RHND 36 months prior to the deadline for regions with a COG, and 30 months prior if HCD acts as the region's COG, phased in for those with due dates in 2027-29 as follows:

GOV 65584. (b) The department, in consultation with each council of governments, shall determine each region's existing and projected housing need pursuant to Section 65584.01 at least three years before the scheduled revision required pursuant to Section 65588***, except as provided in subparagraph (1)***. For cities and counties without a council of governments, the department shall determine each region's existing and projected housing need pursuant to Section 65584.01 at least ~~two years~~ ***30 months*** before the scheduled revision required pursuant to Section 65588, ***except as provided in subparagraph (2)***. The appropriate council of governments, or for cities and counties without a council of governments, the department, shall adopt a final regional housing need plan that allocates a share of the regional housing need to each city, county, or city and county at least one year prior to the scheduled revision for the region required by Section 65588. The allocation plan prepared by a council of governments shall be prepared pursuant to Sections 65584.04 and 65584.05. ***For the seventh housing element cycle, the department shall determine each region's existing and projected housing need as follows:***

(1) For regions with a council of governments, the department, in consultation with each council of governments, shall determine each region's existing and projected housing need pursuant to Section 65584.01 as follows:

> ***(A) For regions with a scheduled housing element revision due date in the 2027 calendar year, the department shall determine the region's housing need at least two years before the scheduled revision.***
>
> ***(B) For regions with a scheduled housing element revision due date in the 2028 calendar year or the first six months of the 2029 calendar year, the department shall determine the region's housing need at least 32 months before the scheduled revision.***
>
> ***(C) For regions with a scheduled housing element revision due date in the second six months of the 2029 calendar year or later, the department shall determine the region's housing need at least three years before the scheduled revision.***

(2) For cities and counties without a council of governments and with a scheduled housing element revision due date in the 2027 calendar year or the first six months of the 2028 calendar year, the department shall determine their existing and projected housing need pursuant to Section 65584.01 at least two years before the scheduled revision.

GOV 65584.01. (b) (1) At least ~~26~~ ***38*** months prior to the scheduled revision pursuant to Section 65588 and prior to developing the existing and projected housing need for a region, the department shall meet and consult with the council of governments regarding the assumptions and methodology to be used by the department to determine the region's housing needs, ***except for the seventh housing element cycle, for which the department shall meet and consult with the council of governments at least two months prior to developing the existing and projected housing need for a region pursuant to the timelines in subparagraph (1) of paragraph (b) of Section 65584***. The council of governments shall provide data assumptions from the council's projections, including, if available, the following data for the region: […]

2) HCD is required to review the COG's proposed RHNA methodology to determine whether the methodology furthers a set of objectives outlined in statute. This bill would add a second layer of subsequent HCD review of the methodology solely relating to the weighting of the SCS development pattern. The committee may wish to consider the following amendments to remove the duplicative review and instead incorporate the development pattern set forth in the region's SCS into the statutory objectives the RHNA methodology must further, as follows:

GOV 65584.04. (e) To the extent that sufficient data is available from local governments pursuant to subdivision (b) or other sources, each council of governments, or delegate subregion as applicable, shall consider including the following factors in developing the methodology that allocates regional housing needs:

(1) Each member jurisdiction's existing and projected jobs and housing relationship. This shall include an estimate based on readily available data on the number of low-wage jobs within the jurisdiction and how many housing units within the jurisdiction are affordable to low-wage workers as well as an estimate based on readily available data, of projected job growth and projected household growth by income level within each member jurisdiction during the planning period.

(2) The opportunities and constraints to development of additional housing in each member jurisdiction, including all of the following: […]

(3) The distribution of household growth assumed for purposes of a comparable period of regional transportation plans and opportunities to maximize the use of public transportation and existing transportation infrastructure.

(4) Agreements between a county and cities in a county to direct growth toward incorporated areas of the county and land within an unincorporated area zoned or designated for agricultural protection or preservation that is subject to a local ballot measure that was approved by the voters of the jurisdiction that prohibits or restricts conversion to nonagricultural uses.

(5) The loss of units contained in assisted housing developments, as defined in paragraph (9) of subdivision (a) of Section 65583, that changed to non-low-income use through mortgage prepayment, subsidy contract expirations, or termination of use restrictions.

(6) The percentage of existing households at each of the income levels listed in subdivision (f) of Section 65584 that are paying more than 30 percent and more than 50 percent of their income in rent.

(7) The rate of overcrowding.

(8) The housing needs of farmworkers.

(9) The housing needs generated by the presence of a private university or a campus of the California State University or the University of California within any member jurisdiction.

(10) The housing needs of individuals and families experiencing homelessness. If a council of governments has surveyed each of its member jurisdictions pursuant to subdivision (b) on or before January 1, 2020, this paragraph shall apply only to the development of methodologies for the seventh and subsequent revisions of the housing element.

(11) The loss of units during a state of emergency that was declared by the Governor pursuant to the California Emergency Services Act (Chapter 7 (commencing with Section 8550) of Division 1 of Title 2), during the planning period immediately preceding the relevant revision pursuant to Section 65588 that have yet to be rebuilt or replaced at the time of the analysis.

(12) The region's greenhouse gas emissions targets provided by the State Air Resources Board pursuant to Section 65080.

(13) The development pattern set forth in the region's sustainable communities strategy of its regional transportation plan.

(~~13~~***14***) Any other factors adopted by the council of governments, that further the objectives listed in subdivision (d) of Section 65584, provided that the council of governments specifies which of the objectives each additional factor is necessary to further. The council of governments may include additional factors unrelated to furthering the objectives listed in subdivision (d) of Section 65584 so long as the additional factors do not undermine the objectives listed in subdivision (d) of Section 65584 and are applied equally across all household income levels as described in subdivision (f) of Section 65584 and the council of governments makes a finding that the factor is necessary to address significant health and safety conditions.

(f) The council of governments, or delegate subregion, as applicable, shall explain in writing how each of the factors described in subdivision (e) was incorporated into the methodology and how the methodology furthers the objectives listed in subdivision (d) of Section 65584. The methodology may include numerical weighting. This information, and any other supporting materials used in determining the methodology, shall be posted on the council of governments', or delegate subregion's, internet website.

(g) The following criteria shall not be a justification for a determination or a reduction in a jurisdiction's share of the regional housing need:

(1) Any ordinance, policy, voter-approved measure, or standard of a city or county that directly or indirectly limits the number of residential building permits issued by a city or county.

(2) Prior underproduction of housing in a city or county from the previous regional housing need allocation, as determined by each jurisdiction's annual production report submitted pursuant to subparagraph (H) of paragraph (2) of subdivision (a) of Section 65400.

(3) Stable population numbers in a city or county from the previous regional housing needs cycle.

(h) Following the conclusion of the public comment period described in subdivision (d) on the proposed allocation methodology, and after making any revisions deemed appropriate by the council of governments, or delegate subregion, as applicable, as a result of comments received during the public comment period, and as a result of consultation with the department, each council of governments, or delegate subregion, as applicable, shall publish a draft allocation methodology on its internet website and submit the draft allocation methodology, along with the information required pursuant to subdivision (e), to the department.

(i) Within 60 days, the department shall review the draft allocation methodology and report its written findings to the council of governments, or delegate subregion, as applicable. In its written findings the department shall determine whether the methodology furthers the objectives listed in subdivision (d) of Section 65584. If the department determines that the methodology is not consistent with subdivision (d) of Section 65584, the council of governments, or delegate subregion, as applicable, shall take one of the following actions:

(1) Revise the methodology to further the objectives listed in subdivision (d) of Section 65584 and adopt a final regional, or subregional, housing need allocation methodology.

(2) Adopt the regional, or subregional, housing need allocation methodology without revisions and include within its resolution of adoption findings, supported by substantial evidence, as to why the council of governments, or delegate subregion, believes that the methodology furthers the objectives listed in subdivision (d) of Section 65584 despite the findings of the department.

(j) If the department's findings are not available within the time limits set by subdivision (i), the council of governments, or delegate subregion, may act without them.

(k) Upon either action pursuant to subdivision (i), the council of governments, or delegate subregion, shall provide notice of the adoption of the methodology to the jurisdictions within the region, or delegate subregion, as applicable, and to the department, and shall publish the adopted allocation methodology, along with its resolution and any adopted written findings, on its internet website.

(l) The department may, within 45 days, review the adopted methodology and report its findings to the council of governments, or delegate subregion.

(m) (1) It is the intent of the Legislature that housing planning be coordinated and integrated with the regional transportation plan. To achieve this goal, the allocation plan shall be informed by the ~~transportation and job projections~~ ***development pattern*** included in the sustainable communities strategy. ~~If the department determines that the draft allocation methodology does not further the objectives listed in subdivision (d) of Section 65584, as determined under subdivision (i), the council of governments, or delegate subregion, as applicable, shall revise the methodology in consultation with the department. In order to revise the methodology, the council of governments, or delegate subregion, as applicable, in consultation with the department, may reduce the weighting of the sustainable communities strategy development pattern in the methodology.~~

(2) (A) The final allocation plan shall ensure that the total regional housing need, by income category, as determined under Section 65584, is maintained, and that each jurisdiction in the region receive an allocation of units for low- and very low income households.

(B) For the seventh and subsequent revisions of the housing element, the allocation to each region required under subparagraph (A) shall also include an allocation of units for acutely low and extremely low income households.

(3) The resolution approving the final housing need allocation plan shall demonstrate that the plan is informed by the ~~transportation and job projections included in the~~ sustainable communities strategy in the regional transportation plan and furthers the objectives listed in subdivision (d) of Section 65584.

(n) This section shall become operative on January 1, 2025.

Related Legislation:

AB 650 (Papan) of the current legislative session would extends various timelines in the RHNA and housing element process, require HCD to provide specific analysis or text to local governments to remedy deficiencies in their draft housing elements, and allow local governments to deny applications for "builder's remedy projects" during certain portions of the housing element review process.

AB 1335 (Zbur) of 2023 would have made changes to the housing projections included in RTP/SCSs and added new reporting requirements for local governments. This bill was held in the Senate 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

Abundant Housing LA (Sponsor)
California Building Industry Association (CBIA)
California YIMBY
Circulate San Diego
Inner City Law Center
SPUR
The Two Hundred

Opposition

None on file.

Analysis Prepared by: Nicole Restmeyer / H. & C.D. / (916) 319-2085

Date of Hearing: April 24, 2025

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
AB 1296 (Bonta) – As Amended April 10, 2025

SUBJECT: Local educational agencies: reserve funds

SUMMARY: Requires the Department of Housing and Community Development (HCD) to create a form for local educational agencies (LEAs) to express interest in using their property for housing development and requires HCD to offer technical assistance to LEAs for predevelopment activities on such projects, especially in high-need or high-cost areas. Specifically, **this bill**:

1) Requires HCD to create and post a form on its website by January 1, 2027, for LEAs to notify HCD of a LEA's interest in using its real property for housing development.

2) Requires HCD to review the information submitted pursuant to 1) and make the information provided publicly available on its website.

3) Provides that HCD shall offer technical assistance to LEAs for predevelopment activities related to building housing on LEA-owned land.

4) Authorizes HCD to provide this technical assistance directly or through contracts with qualified third-party entities, including legal firms, financial advisors, housing development consultants, and nonprofit technical assistance providers.

5) Specifies that technical assistance provided by HCD or the third-party entities pursuant to 4) must include legal advice, funding guidance, project feasibility analysis, assistance navigating through the local approvals process, and help with drafting and negotiating development agreements.

6) Provides that any legal advice or other assistance provided by HCD or the qualified third-party entities to the LEAs does not establish an attorney-client relationship, and the HCD is not liable for any damages, liabilities, or other obligations that a LEA incurs.

7) Requires HCD to prioritize technical assistance for LEAs serving high-need student populations or located in areas with high housing cost burdens or areas that face educator staffing shortages.

EXISTING LAW:

1) Requires HCD to maintain an up-to-date listing of all notices of availability submitted by local agencies seeking to dispose of surplus land. (Government Code (GOV) Section 54222).

2) Requires cities and counties to inventory and report surplus and excess local public lands to HCD to be included in a statewide inventory. (GOV 54230)

3) Specifies that LEAs can restrict occupancy on housing developed on their own land to teachers and school district employees of the school district. (Health & Safety Code Section 53571)

4) Authorizes LEAs to establish and implement programs that address the housing needs of teachers and school district employees who face challenges in securing affordable housing. (GOV 53571-53574)

5) Requires the Department of General Services (DGS) to update the digital inventory of state excess sites, required by Executive Order No. N-06-19, with state-owned land meeting an established criteria that is suitable for affordable housing development. (GOV 14684.3)

6) Allows the governing board of a school district to elect, not to appoint, a school district advisory committee if the school district will sell, lease, or rent excess real property to be used for teacher or school district employee housing. (Education Code Section 17391)

7) Provides that a housing development project shall be deemed an allowable use on any property owned by an LEA if the housing development satisfies all of the following:

    a) The housing development consists of at least 10 units;

    b) A majority of the units of the housing development shall be set at an affordable rent to lower-income or moderate-income households; however, 30% of the units must be affordable to lower-income households. The housing development shall have a recorded deed restriction of at least 55 years;

    c) One hundred percent of the housing shall be rented to LEA employees, local public employees, and general members of the public pursuant the following priorities:

        i) The LEA's employees;

        ii) Employees of other LEAs;

        iii) Public employees who work for a local agency within the jurisdiction of the LEA;

        iv) Members of the general public; and

        v) The LEA offers units that become unoccupied or available for rent to the LEA's employees first.

    d) The residential density for the housing development as measured on the development footprint shall be the greater of the following:

        i) The residential density allowed on the parcel by the city or county, as applicable; or

        ii) The applicable density required to accommodate housing for lower-income households as specified in Housing Element Law.

    e) The height limit for the housing development shall be the greater of the height limit allowed on the parcel by the city or county or 35 feet;

    f) The property is next to a property that permits residential uses as a principally permitted use;

g) The property is located on an infill site in an urban area and meets either of the following criteria:

   i) The site has not been previously developed for urban uses, and both of the following apply:

      a. The site is immediately adjacent to parcels that are developed with qualified urban uses or at least 75% of the perimeter of the site adjoins parcels that are developed with qualified urban uses, and the remaining 25% of the site adjoins parcels that have previously been developed for qualified urban uses; and

      b. No parcel within the site has been created within the past 10 years unless the parcel was created as a result of the plan of a redevelopment agency; or

   ii) The site has been previously qualified for urban uses;

h) The housing development shall satisfy other local objective zoning standards, objective subdivision standards, and objective design review standards that do not preclude the housing development from achieving the allowable density and height;

i) The property is located entirely within any applicable urban limit line or urban growth boundary established by local ordinance; and

j) The LEA maintains ownership of a housing development for the length of the 55-year affordability requirements. (GOV 65914.7)

FISCAL EFFECT: Unknown.

COMMENTS:

Author's Statement: According to the author, "California's educator workforce is being pushed out of the communities they serve. Over half of California school districts are in counties where new teachers are rent-burdened. The burden of unaffordable housing falls hardest on Black and Latinx educators and school staff—undermining efforts to build a diverse and inclusive workforce that reflects the students our schools serve. At the same time, California has over 75,000 acres of public school land that could support housing—but many school districts lack the capacity to act on this opportunity. AB 1296 connects LEAs interested in pursuing housing projects with potential partners and directs the Department of Housing and Community Development to offer technical assistance to LEAs to support predevelopment activities. AB 1296 is about equity, access, and supporting the people who support our students. This bill ensures that workforce housing is not just an option for well-resourced districts, but a real opportunity for every community."

California's Housing Crisis. California's housing crisis is a half-century in the making. [1] After decades of underproduction, supply is far behind need and housing and rental costs are soaring. As a result, millions of Californians must make hard decisions about paying for housing at the

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

expense of food, health care, child care, and transportation, directly impacting the quality of life in the state.[2] One in three households in the state doesn't earn enough money to meet their basic needs.[3] In 2024, over 187,000 Californians experienced homelessness on a given night.[4]

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 6th 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.[5]

The state's housing crisis is not equally experienced by all Californians. Testimony by the UC Berkeley Terner 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.[6]

Housing Affordability and LEA Employee Need. California is facing a worsening educator workforce crisis, driven in large part by the state's extreme housing affordability challenges. According to the California Teachers Association's State of California's Public Schools survey published in January 2025, 4 in 10 educators are considering leaving the profession in the next few years, with 77% citing financial strain as a key reason.[7] More than half of those surveyed said they know colleagues who have already left due to financial pressure.[8] Among younger educators, 35% are considering leaving, and a staggering 92% point to financial hardship as the reason why.[9]

The same survey found that housing affordability is a major driver of this trend. Eighty-four percent of educators say that housing affordability is a serious issue near their workplaces. Nearly one-third of teachers are rent-burdened, and rates are even higher for non-teaching staff like teacher assistants and food service workers. These burdens fall disproportionately on Black and Latino school employees, further undermining efforts to build a diverse and stable education workforce. These financial pressures have contributed to roughly 10,000 current educator vacancies across California's public schools.

At the same time, there are over 1,000 LEAs in California that collectively own more than 150,000 acres of land.[10] According to recent research, of the land owned by LEAs, there are 7,068 properties with potentially developable land of one acre or more, totaling 75,000 acres statewide. At a modest density of 30 dwelling units per acre, such properties could contain 2.3

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[2] IBID.
[3] IBID.
[4] 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
[5] https://www.hcd.ca.gov/policy-research/housing-challenges.shtml
[6] UC Berkeley Terner Center Testimony by Ben Metcalf, Managing Director, at the State Housing Production Legislation: Actions, Outcomes, and Opportunities Informational Hearing, February 12, 2025
[7] *California Teachers Association's State of California's Public Schools survey (January 2025)*
[8] https://citiesandschools.berkeley.edu/wp-content/uploads/Report-Education-Workforce-Housing-in-CaliforniaCCS-cityLAB-Terner-Center2022-1.pdf
[9] *California Teachers Association's State of California's Public Schools survey (January 2025)*
[10] See footnote [4]

million units of housing – more than enough to house the state's 300,000 teachers and 350,000 other LEA employees.

Despite the potential for development, there is very little housing currently built on LEA property. This is understandable, given that the primary function of this land is for educational purposes. It is also because there are myriad impediments to completion of employee housing on LEA property, including:

1) Lack of expertise: the core competency of LEAs is education. To the degree there is expertise in new construction or facilities management, it is focused on educational facilities, not on building and managing housing.

2) Lack of funding: given exceedingly high construction costs, the price of new market-rate housing exceeds what is affordable to most LEA staff. As such, to develop employee housing, LEAs will need to identify and obtain public sources of funding to ensure continued affordability.

3) Lack of permission: getting housing approved in California is often a laborious and risky process for seasoned developers, let alone LEAs. This is due in part to the complexity of the local approvals process and required analysis under the California Environmental Quality Act (CEQA).

State and local officials are increasingly exploring ways to facilitate housing on LEA property, as a way to help LEAs recruit and retain employees. The Teacher Housing Act of 2016 (SB 1413, Leno, Chapter 732, Statutes of 2016), created a state policy to support housing for teachers and school district employees, and specified that projects can receive local or state funds or tax credits if developments are restricted to school district employees. AB 3308 (Gabriel), Chapter 199, Statutes of 2020 specified that LEAs building housing could restrict occupancy on projects developed on their own land to teachers and employees of the school district. To address land use barriers to building housing, AB 2295 (Bloom), Chapter 652, Statutes of 2022, authorized a housing development project as an allowable use on any real property owned by a LEA, regardless of the underlying local zoning designation.

This bill would further chip away at one of the key remaining barriers to LEA housing development – the lack of expertise. Due to California's current regulatory framework, it is difficult for even the most seasoned developers to successfully gain local approval to build housing, assemble a capital stack for an affordable housing project, navigate through the construction stage, and then manage an affordable housing development for the full term of its affordability covenants. This bill would help LEAs seeking to build housing without the in-house expertise in the following ways:

1) Publication of available land: LEAs with land that they would like to see housing built on would be able to submit their property information to HCD, who would then make that information available to the public. This could help to match LEAs with qualified developers.

2) Technical assistance: HCD, or a qualified third-party that HCD contracts with, would be required to provide technical assistance to LEAs to help them navigate the regulatory maze that is gaining approval to build housing. This technical assistance includes, but is not limited to:

a) Legal advice regarding statutory requirements, surplus land procedures, and local land use regulations;

b) Guidance on available funding sources, including state and federal grants, tax credits, and loan programs;

c) Assistance with project feasibility analysis and partnership models, including joint ventures with housing developers or public agencies;

d) Support navigating state and local regulatory processes related to planning, zoning, and environmental review; and

e) Drafting, reviewing, and negotiating agreements with housing developers, including ground leases, joint development agreements, and other public-private partnership contracts.

Under this bill, HCD would be required to prioritize its technical assistance for LEAs that serve high-need student populations, or that are located in areas experiencing high housing-cost burdens or educator staffing shortages. In doing so, it seeks to empower LEAs to build housing for their employees, while ensuring that the help is first directed to the highest-need LEAs.

Public Land for Affordable Housing: California already has proven models for using public land to build affordable housing. The Excess Sites Program, administered jointly by DGS and HCD, identifies underutilized state-owned properties and prioritizes them for affordable housing development. As of the end of the 2023 Fiscal Year, the last year with available data, the Excess Sites Program sparked 19 partnerships between the state, affordable housing developers, and local communities, amassing a pipeline of approximately 5,500 new homes.[11] Complementing this effort, the Surplus Land Act (SLA) requires local agencies to prioritize affordable housing when disposing of publicly owned land by establishing certain processes that they must follow. Since January 1, 2021, over 32,200 units have been unlocked through the SLA, with over 20,000 deed-restricted affordable units.[12]

Together, these policies create a powerful framework for unlocking public land for housing, with strong requirements for affordability and transparency. In both the excess sites program and the SLA, the state maintains a map of the excess sites and surplus land that is available for affordable housing development.[13][14] This bill would build on that proven model by requiring HCD to maintain a list of LEA land that is available for affordable housing development, if the LEA elects to participate by submitting that information to HCD.

Related Legislation:
AB 1021 (Wicks), of this legislative session, proposes changes to existing law to help LEAs build housing on real property owned by them. The bill passed out of this Committee and is pending hearing in the Committee on Local Government.

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[11] HCD FY 22-23 Annual Report, accessed here: https://www.hcd.ca.gov/policy-and-research/plans-and-reports
[12] https://www.hcd.ca.gov/planning-and-community-development/housing-open-data-tools/surplus-land-act-dashboard
[13] https://experience.arcgis.com/experience/f9b1ccf48e864ac8af8014cbb89371b8
[14] https://www.hcd.ca.gov/planning-and-community-development/housing-open-data-tools/notices-of-available-locally-owned-surplus-land-map

AB 1381 (Maratsuchi), of this legislative session, would create a no-interest revolving loan fund to support predevelopment of educational workforce housing by LEAs, and designate a statewide educational nonprofit organization to help LEAs develop housing. The bill is pending hearing in the Committee on Education.

SB 502 (Arreguín), of this legislative session, would require that 20% of the money deposited in the Building Homes and Jobs Trust Fund be expended for affordable owner-occupied workforce housing or for LEAs to build low- to moderate-income workforce housing. The bill is pending hearing in the Senate Housing Committee.

AB 2295 (Bloom), Chapter 652, Statutes of 2022, authorized a housing development project as an allowable use on any real property owned by a local educational agency (LEA), as specified.

AB 2233 (Quirk-Silva), Chapters 438, Statutes of 2022, and SB 561 (Dodd), Chapters 446, Statutes of 2022 required DGS to update the digital inventory of state excess sites, required by Executive Order No. N-06-19, with state-owned land meeting an established criteria that is suitable for affordable housing development.

AB 1486 (Ting), Chapters 664, Statutes of 2019 required HCD to maintain an up-to-date listing of all notices of availability submitted by local agencies seeking to dispose of surplus land.

AB 1255 (R. Rivas), Chapters 661, Statutes of 2019 required cities and counties to inventory and report surplus and excess local public lands to HCD to be included in a statewide inventory.

AB 3308 (Gabriel), Chapter 199, Statutes of 2020 specified that permitting schools could restrict occupancy on land owned by school districts to teachers and school district employees of the school district.

SB 1413 (Leno), Chapter 732, Statutes of 2016 authorized a school district to establish and implement programs, as provided, that address the housing needs of teachers and school district employees who face challenges in securing affordable housing.

Arguments in Support: None on file.

Arguments in Opposition: None on file.

Double Referred: This bill was also referred to the Committee on Education, where it will be heard should it pass out of this Committee.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

Analysis Prepared by: Dori Ganetsos / H. & C.D. / (916) 319-2085

Date of Hearing: April 24, 2025

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
ACA 3 (Haney) – As Introduced January 16, 2025

SUBJECT: University of California: home down payment loans for support staff

SUMMARY: Amends the California Constitution to require the Regents of the University of California (UC) to extend portions of homeownership assistance, currently provided to senior executives and faculty, to eligible support staff, on or before January 1, 2027. Specifically, **this bill**:

1) Requires the UC Regents on or before January 1, 2027 to extend a portion of the homeownership assistance provided to UC senior executives and faculty to eligible support staff to provide down payment loans. Provides that this extension shall not increase student tuition or impact the state's General Fund.

2) Requires the UC Regents to provide the same number of down payment loans to eligible support staff as housing loans provided to senior executives and faculty during the 2023-24 fiscal year.

3) Provides that for each fiscal year thereafter, the total number of down payment loans for eligible support staff shall equal the total number of all housing loans made to senior executives and faculty in the preceding fiscal year, but no fewer than the total number of loans made to senior executives and faculty in the 2023–24 fiscal years.

4) Requires the UC Regents to ensure that all repayments and revenue generated by down payment loans are used for future down payment loans for support staff.

5) Requires that 75% of down payment loans be made available to eligible support staff whose household incomes that are at or below the area median income (AMI).

6) Allows the Legislature to enact laws or delegate to an appropriate body or agency the power to implement the down payment loan program created by this Act including the following:

    a) Establish priorities and procedures;

    b) Specify the type and condition of properties for which loans may be provided;

    c) Specify the terms, underwriting, and additional eligibility criteria for loans; and

    d) Determine whether the Regents shall also provide low-interest primary mortgages to eligible support staff, but only to the extent that providing low-interest primary mortgages is necessary for eligible support staff to qualify for down payment loans.

7) Includes the following definitions:

    a) "Area median income" means the median family income of a geographic area of the state;

b) "Down payment loan" means a no-interest, deferred-payment, subordinate, shared-appreciation loan for 20% of a home's purchase price, that may be used only for a down payment on the purchase of the borrower's primary residence. Provides that when the home is sold or the primary mortgage is refinanced, the borrower shall repay the amount of the subordinate down payment loan plus 20% of the appreciated home value to the UC;

c) "Eligible support staff" means career employees who have worked for UC for at least five years and are first-time homebuyers. "Eligible support staff" does not include loan applicants who are UC supervisors, managers, senior executives, or members of the UC faculty in the Academic Senate;

d) "Faculty" means UC faculty in the Academic Senate;

e) "Low-interest" means a rate comparable to the lowest rates the UC offers on home loans it provides to senior executives and faculty, or 3.25% per annum, whichever is lower;

f) "Provide" means to originate, loan, arrange or cause to be made available, directly or indirectly, including through the UC Home Loan Program Corporation, or any other mortgage-originating entity;

g) "Senior executives" means those executives and senior managers in the UC's senior management group; and

h) "University of California" or "regents" means the Regents of the UC, and includes any affiliated mortgage originating entity such as the UC Home Loan Program Corporation;

8) Includes a severability clause.

9) Provides that if this measure and another measure or measures relating to the provision of housing loans by the Regents or employees appear on the same statewide election ballot, the provisions of the other measure or measures shall not be deemed to be in conflict with this measure, and if approved by the voters, this measure shall take effect notwithstanding approval by the voters of another measure or measures relating to the provision of housing loans by the Regents of the UC employees by a greater number of affirmative votes.

10) Provides that if this measure is approved by the voters but superseded by any other conflicting ballot measure approved by the voters at the same election, and the conflicting measure is later held invalid, this measure shall be self-executing and given the full force of law.

11) Provides that this measure shall be liberally construed, interpreted, and implemented in order to achieve the purposes set forth in this measure.

EXISTING LAW:

1) Establishes the UC as a public trust to be administered by the Regents and grants the Regents full powers of organization and governance subject only to legislative control as necessary to

ensure the security of funds, compliance with terms of its endowments, and the statutory requirements around competitive bidding and contracts, sales of property, and the purchase of materials, goods, and services. (Article IX, Section (9) (a) of the California Constitution)

2) Establishes a number of housing assistance programs for affordable housing at the Department of Housing and Community Development (HCD), including CalHOME, which provides grants to individual homebuyers to purchase a home and loans to nonprofit developers to construct single-family homes. The program also provides grants to nonprofit organizations and local governments to make loans to individual homeowners to construct ADUs or JADUs. (Health and Safety Code (HSC) Section 50650.3)

3) Establishes and authorizes the California Housing Finance Agency (CalHFA) to make loans to housing sponsors for housing developments and to qualified mortgage lenders, among others. Provides that the primary purpose of CalHFA is to meet the housing needs of persons and families of low- or moderate-income. Provides that CalHFA is administered by a board of directors and is supervised on a day-to-day basis by an executive director.

FISCAL EFFECT: Unknown.

COMMENTS:

Author's Statement: According to the author, "As a renter, I understand first-hand that saving for a down payment is one of the biggest hurdles Californians face when striving for homeownership. As housing prices and rents continue to rise, so does the challenge to save for a down payment. As UC continues to invest in its Executives, Faculty and Chancellors to ensure they are able to own a home near where they work, we must also invest in all UC employees so that they are not travelling hours or sleeping in their cars during the workweek to avoid their long-distance commutes. Once approved on the ballot, the people of California will see that this ACA is a modest but important step as it begins to assist hundreds of families each year. In time, the measure will help thousands of families without impacting taxpayers; guaranteeing that UC sees loans repaid as well as a return on their investment."

Disparities in Homeownership: Homeownership rates in California are the second lowest in the country, according to 2016-2020 estimates from the American Community Survey. Statewide, only 56% of households own the home they live in, compared to 65% in the rest of the country. Only New York has a lower rate (55%). Across the state (and nation), homeownership rates tend to be high in rural and suburban places, and low in large cities and metropolitan areas. California, like the nation as a whole, has lower homeownership rates among communities of color. According to Census data, 65% of white Californians are homeowners while Asian/Asian-Americans have a homeownership rate that is six percentage points lower at 59%. About one in two Californians of Native/Indigenous descent are homeowners (49%), while the rate of homeownership amongst the Latinx population is 44%. Black Californians have the lowest rate of homeownership across racial/ethnic groups California with only about 1 in 3 owning their home (35%).

For Black Californians who do own homes, racial disparities also exist in the valuation of their assets. Black-owned homes in majority-Black areas of both the San Francisco-Oakland-Hayward Metropolitan Statistical Area (MSA) and the Los Angeles-Long Beach-Anaheim MSA are worth substantially less than equivalent homes with the same structural characteristics and neighborhood amenities in non-majority-Black areas. In the Bay Area, the average devaluation

of homes in majority-Black neighborhoods is 22.3%, and in the Los Angeles area it is 17.1%. Differences in credit scores also contribute to racial disparities in homeownership. About 54% of Black Americans report having no credit or a credit score of below 640. About 41% of Latinx Americans report falling into this category as well. In contrast, 37% of white Americans and 18% of Asian Americans report similar credit circumstances. Home Mortgage Disclosure Act (HMDA) data show that Black applicants are denied loans at twice the rate of white applicants, controlling for income and gender. Even when approved for home loans, HMDA data also show that Black and Latinx borrowers are more likely to be offered higher-cost mortgages.

State Support for Homeownership: The state has several programs to encourage homeownership in the state. The largest investment in homeownership the state makes is the mortgage interest deduction. Homeowners can deduct the mortgage interest on up to $750,000 of qualified residence loans ($375,000 for married individuals filing separately) on their primary home and a second home that they live in part of the year. The mortgage interest deduction costs the state General Fund approximately $5 billion each year. In addition to the mortgage interest deduction, CalHFA offers two down payment assistance programs targeted at borrowers making 80% of area median income or less.

CalHFA is the state's affordable housing lender. In addition to multi-family loans and grant programs, CalHFA runs several programs to support first time homebuyers, including a 30 year fixed interest mortgage and down payment assistance. The fixed interest first mortgage is an FHA-insured loan that is secured on a property. CalHFA does not lend money directly to consumers. CalHFA-approved lenders qualify consumers and make all mortgage loans. CalHFA purchases closed loans that meet CalHFA's requirements.

CalHFA offers two down payment assistance programs. The MyHome program provides up to three percent in down payment assistance to low- and moderate-income households. Lenders identify borrowers who qualify for the program and refer them to CalHFA for assistance. MyHome offers a deferred-payment junior loan of an amount up to the lesser of 3.5% of the purchase price or appraised value to assist with down payment closing costs of a home that is capped at $15,000. There is no cap on the amount of down payment buyers can receive if they are a veteran, school employee, have an income of 80% of AMI or less, and are purchasing a new home, manufactured home, or a home with an ADU. Grants may be made to households making up to 120% of AMI. Buyers must be first time homeowners (have not owned a home in the last three years), complete homebuyer education, and meet the income qualifications (which extend to households up to 150% of AMI in high cost areas). CalHFA received $150 million for home purchase assistance from Proposition 1 (2018) bond funds to provide first and junior loan options for low- to moderate-income families, including low to zero interest rate down payment assistance loans. CalHFA issues bonds to fund the mortgages and uses the proceeds of mortgage repayments to repay the bonds. Down payment assistance is funded by voter-approved bonds and through repayment of assistance as buyers sell or refinance their homes. CalHFA provides first-mortgages to buyers who income qualify. CalHFA is not a direct lender but partners with qualified lenders that offer their products.

The Dream for All Program operates in the say way as the MyHOME program except for a few key differences. The 2022-23 budget included $300 million which was awarded to 2,500 homeowners with an average appreciation loan of $112,000. The 2023-24 budget includes an additional $200 million for the program with a requirement that the program be revamped to

focus on providing down payment assistance to homebuyers who would not otherwise be able to purchase a home. The goal of the program is to create generational wealth for families who have not had a history of homeownership. Borrowers can receive 20% in down payment assistance up to $150,000 and are required to share a portion of any equity increase in the home with the state when the home is sold. These funds are then recycled back into the program to provide for future down payments. Borrowers must also be a first homebuyer and a first generation homebuyer. To qualify as a first generation homebuyer, borrowers must not have a living parent or deceased parent that owns/owned a home or an interest in a home in the Unites States or be an individual who has at any time been placed in foster care or institutional care.

According to CalHFA's 2023-24 Annual Report, 6,037 homebuyers were helped through down-payment assistance with $157 million in down payment assistance and closing costs and $2.57 billion in first mortgage lending. Demographic data collected on homebuyers shows the following breakdown by race and ethnicity: 8% of borrowers were Asian, 5% of borrowers were Black, 47% Hispanic/Latino, 30% white, and 10% unknown.

UC Homeownership Program: Higher education institutions use affordable home loans and other products to recruit executives and faculty. UC provides several different types of mortgage products to senior executives and faculty, including adjustable rate mortgages, second mortgages, and down payment assistance. The loans are funded by the UC Office of the President's central bank while others are funded by campus discretionary funds.

This ACA would create a constitutional requirement for UC to create a down payment loan program for eligible support staff that are not faculty or executives. A down payment loan is defined as a no-interest, deferred-payment, subordinate, shared-appreciation loan for 20% of a home's purchase price. The loan may only be used for a down payment on the purchase of the borrower's primary residence. When the home is sold or the primary mortgage is refinanced, the borrower is required to repay the amount of the subordinate down payment loan plus 20% of the appreciated home value to UC. Eligible staff would have to have worked for UC for at least five years and be first time homebuyers. Seventy-five percent of the loans would have to go to staff who are at or below AMI.

The Legislature would have discretion on how to set up the down payment assistance loans and could also require the UC Regents to set up additional mortgage products. This program would have no impact on the state General Fund, however it would impact the UC's discretionary fund which it uses to pay the salaries of its employees. As currently structured, UC services the mortgages made to executives and faculty, the payments are enough to cover the cost of the mortgage and are funneled back into UC's discretionary fund. This creates limited risk for UC.

Arguments in Support: According to the sponsors, AFSCME Local 3299, "ACA 3 is limited to long-term UC support staff who are first-time homebuyers whose modest incomes will additionally limit the type of home they can afford and the size of the downpayments needed. ACA 3 limits the number of loans offered and does not extend to support staff the more robust, longstanding UC home mortgage program available to executives and faculty. But by using the same UC Short-Term Investment Pool, these first-time homebuyer down payment loans will likewise have no impact on student tuition, no impact on the State's General Fund, and no impact on California taxpayers. The shared-appreciation framework guarantees that UC will recoup money loaned, earn a fair return, and recirculate it for future UC support staff to purchase their starter-home. This is a modest proposal to address a portion of our growing housing problem."

Arguments in Opposition: According to the University of California, "ACA 3 is unnecessary as it requires the University to duplicate an existing down payment loan program created and funded by the Legislature and Governor at the California Housing Finance Agency (CalHFA). Since its creation, CalHFA has helped more than 226,000 low- and moderate-income homebuyers. At a time when the state deficit and federal cuts are creating severe budgetary shortfalls, ACA 3 represents a needless and inefficient use of public resources. A better approach would be to work with the University and aid in accelerating our existing efforts on workforce housing that benefit all University employees. For example, the University has been in discussions with CalHFA for almost a year to extend the state's down payment assistance program to the University's employees, leveraging the state's current resources to provide broad access to this program with less overhead and administrative cost. This can be accomplished without a constitutional amendment or bill, but it will require resources to maximize the reach and effectiveness of this partnership. The University is willing to provide funding for this endeavor and is hopeful that the Legislature sees the value in this responsible and efficient use of public funds."

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

REGISTERED SUPPORT / OPPOSITION:

Support

AFSCME Local 3299 (Sponsor)
Alameda Labor Council
Alliance of Californians for Community Empowerment (ACCE Action)
American Federation of State, County and Municipal Employees (AFSCME) Local 57
American Federation of State, County and Municipal Employees, AFL-CIO
California Federation of Labor Unions, AFL-CIO
California LULAC State Organization
California State Council of Service Employees International Union (SEIU California)
California Teamsters Public Affairs Council
CFT – a Union of Educators & Classified Professionals, AFT, AFL-CIO
Clergy and Laity United for Economic Justice
Contra Costa Central Labor Council
Courage California
Housing and Economic Rights Advocates
Labor Council for Latin American Advancement- Sacramento Chapter
Los Angeles Alliance for a New Economy
Los Angeles County Federation of Labor, AFL-CIO
National Union of Healthcare Workers
North Valley Labor Federation
Orange County Labor Federation, AFL-CIO
Sacramento Central Labor Council, AFL-CIO
San Diego & Imperial Counties Labor Council
San Francisco Labor Council
United Here International Union, AFL-CIO
UCLA Undergraduate Student Association Council
University of California Student Association

UPTE-CWA 9119

Opposition

Bay Area Council
California Chamber of Commerce
Central City Association of Los Angeles
Los Angeles Area Chamber of Commerce
University of California
Valley Industry and Commerce Association
West Los Angeles Chamber of Commerce

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