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MATT HANEY
CHAIR

AGENDA

Wednesday, April 29, 2026
9:30 a.m. -- State Capitol, Room 437

HEARD IN FILE ORDER

1.	AB 2270	Arambula	Low-income housing tax credit: farmworker housing. (Tax Levy)
5.	AB 2552	Ávila Farías	California Environmental Quality Act: Transit-Oriented Development Implementation Fund: contributions. (Urgency)
6.	AB 2689	Ávila Farías	Low-income housing tax credits: lease nonrenewal: good cause.

CONSENT

2.	AB 2308	Haney	Redevelopment: successor agency debt: City and County of San Francisco.
3.	AB 2397	Ta	Local government: community facilities districts: financing.
4.	AB 2512	Valencia	Surplus Land Act: exemption: Angel Stadium.

Date of Hearing: April 29, 2026

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
AB 2270 (Arambula) – As Introduced February 19, 2026

SUBJECT: Low-income housing tax credit: farmworker housing

SUMMARY: Requires the California Tax Credit Allocation Committee (TCAC) to amend the low-income housing tax credit (LIHTC) regulatory scoring system to treat farmworker housing as large family projects, and to use the same point allocation as rural set-aside projects when assigning points to farmworker housing based on proximity of amenities to an eligible farmworker housing project.

EXISTING LAW:

1) Authorizes, under the tax on the gross premiums of insurers, the personal income tax (PIT) Law, and the corporate tax (CT) Law, a state LIHTC that is calculated in partial conformity with the federal LIHTC and may only be claimed over a period of four years. (Revenue and Taxation Code (R&TC) Sections 12206, 17058, and 23610.5.)

2) Allocates $70 million on an ongoing basis to the TCAC for the purposes of administering the LIHTC and adjusts this amount for inflation beginning in the 2002 calendar year, plus any unused amounts for the preceding calendar year and any amount returned in the calendar year. (R&TC Sections 12206, 17058, and 23620.5.)

3) Allocates an augmentation to the LIHTC of $500 million, as specified, beginning in the 2020 calendar year, and annually thereafter only if an appropriation is made in the Budget Act. Among other provisions, TCAC is required to develop a scoring system that maximizes the efficient use of public subsidy and benefit created through private activity bonds and LIHTC programs as part of an allocation methodology that emphasizes increased production and cost containment. The factors to consider in making this determination of efficient use include, but are not limited to, the following:

   a) The number and size of units developed including local incentives provided to increase density;

   b) The proximity to amenities, jobs, and public transportation;

   c) The location of the development; and,

   d) The delivery of housing affordable to very low- and extremely low-income households by the development. (R&TC Sections 12206, 17058, and 23610.5)

4) For the 2024 through 2034 calendar years, the lesser of 5% of the $500 million augmentation or $25 million must be set aside for allocation to "farmworker housing" projects, as defined. (R&TC Sections 12206, 17058, and 23620.5.)

5) Requires that at least 20% of the LIHTC subject to the federal ceiling be allocated to rural areas, as defined. (Health and Safety Code (H&SC) Section 50199.20.)

6) Defines "farmworker housing" as housing in which at least 50% of the units are occupied by farmworkers and their households. (H&SC Section 50199.7.)

7) Requires TCAC to consider amending the LIHTC regulations establishing a scoring system, grant, for farmworker housing maximum points to farmworker housing projects under the housing needs category, and an initial five points in the category for site amenities beyond those required as additional thresholds. (R&TC 12206, 17058, and 23610.5)

8) Requires the Department of Housing and Community Development to commission a statewide study of farmworker conditions, needs, and solutions to inform a comprehensive strategy for meeting the housing needs of the state's farmworkers by December 1, 2023 and to develop the comprehensive strategy for implementation no later than January 1, 2026. The comprehensive strategy must be submitted to the Legislature no later than January 1, 2027. (H&SC Section 50408.5.)

FISCAL EFFECT: Unknown.

COMMENTS:

Author's Statement: According to the author, "Farmworkers are an essential part our state's economy helping the state's agricultural sector generate more than $100 billion in economic activity every year. With their hard work they help feed, not only our state and our nation, but the world. Yet, they are often forced to live in aging or substandard housing. The state must do something to provide them with the dignity and respect that they earn through their work. AB 2270 is a modest proposal to further this purpose by ensuring a source of funding that can be used to incentivize the construction of adequate farmworker housing."

LIHTC: In 1986, the federal government authorized the LIHTC program to enable affordable housing developers to raise private capital through the sale of tax credits to investors. Two types of federal tax credits are available and are generally referred to as 9% and 4% credits. TCAC administers the program and awards credits to qualified developers who can then sell those credits to private investors who use the credits to reduce their federal tax liability. The developer, in turn, invests the capital into the affordable housing project.

Each state receives an annual ceiling of 9% federal tax credits. Federal LIHTCs are oversubscribed by a 3:1 ratio. Unlike 9% LIHTC, federal 4% tax credits are not capped; however, they must be used in conjunction with tax-exempt private activity bonds which are capped and are administered by the California Debt Limit Allocation Committee (CDLAC).

In 1987, the Legislature authorized a state LIHTC program to augment the federal tax credit program. Projects that receive either state or federal tax credits are required to maintain the housing at affordable levels for 55 years. Statute authorizes $70 million in state tax credits each year, which has been annually adjusted for inflation and now hovers around $100 million each year.

In 2019, AB 101 (Committee on Budget), Chapter 159, provided an additional $500 million in state LIHTCs. When the additional $500 million was first made available, the federal tax-exempt bond ceiling of approximately $4 billion had not yet been reached. The additional $500 million was coupled with tax-exempt private activity bonds (PABs) and the 4% credit, in part, to encourage developers to fully utilize any remaining federal tax-exempt bonds that were not used. After the $500 million was made available, 4% credit applications increased significantly and the bonds became oversubscribed. As a result, CDLAC instituted a competitive process for awarding tax-exempt bonds.

In 2025, H.R.1 lowered the PAB financing threshold from 50% to 25% of land and building costs. Due to this change, affordable housing developments financed with PABs issued after Dec. 31, 2025, qualify for 4% LIHTCs with much fewer bonds than before. As a result, the PABs and 4% LIHTC will be able to stretch much further than in the past. To fully leverage this change, the state will need additional gap financing to pair with these PABS and credits. Estimates suggest that the state may be able to double our affordable housing production, from 20,000 to 40,000 units, with the additional bond cap.

Farmworker Tax Credit Set-Aside: In 1996, the Legislature created the Farmworker Housing Assistance Tax Credit Program and set aside $500,000 a year from the LIHTC allocation for farmworker housing projects. If the set-aside is unused, it rolls over to the next year. In an effort to streamline administration and make the farmworker program more user-friendly, SB 1247 (Lowenthal), Chapter 521, Statutes of 2008, eliminated the Farmworker Housing Assistance Tax Credit Program as a separate program and consolidated it into the state LIHTC program as a set-aside. SB 1247 also allowed the CTCAC to allocate state credits for projects that did not receive a federal credit if the project was occupied only by farmworkers and their households.

In 2017, AB 571 (Garcia), Chapter 372, made several changes to the farmworker housing tax credit set-aside to make projects more competitive. Changes included allowing projects to offer 50% of the units to non-farmworker households if they meet the income requirements. In addition, AB 571 (Garcia) increased the amount of credits that farmworker tax credit projects can receive by allowing farmworker housing projects to qualify for a 30% boost in federal credits.

In 2022, AB 1654 (R. Rivas), Chapter 638, required that $25 million or 5% of the amount available in the state budget each year for the LIHTC, whichever is less, be set aside for projects that provide farmworker housing, for the next ten years. Any LIHTC that are unallocated from the farmworker housing set-aside after three years revert into the larger pool and are allocated through the LIHTC program.

In the following year, the Legislature again acted to augment the LIHTC to provide additional consideration to farmworker housing. AB 1439 (E. Garcia), Chapter 369, Statutes of 2023, required TCAC to consider granting farmworker housing maximum points under the housing needs category and an initial five points for site amenities beyond those required as additional thresholds.

In response to AB 1439, TCAC amended its regulations in December of 2025, to give farmworker housing projects an automatic five points for site amenities. LIHTC regulations allow a project applicant to receive up to 15 points for site amenities. Farmworker developments would need to score an additional 10 points to be competitive for tax credits. Developments can get additional points through a combination of the following: providing high speed internet,

providing transit passes, being within ½ mile of a bus stop, within ¾ mile of a public park or community center, one mile of a public library, 1½ miles of a grocery store, ½ mile of a public school, 1 mile of a school, or 1 mile of a pharmacy. TCAC has not yet had a round of funding to see what impact this change will have on farmworker housing project applicants.

Rural Set-Aside: TCAC's regulations stipulate that 20% of the LIHTC be set-aside for certain rural projects. Within that set aside, certain scoring criteria must be considered when awarding credits. Among these criteria are the proximity to certain amenities. While all projects applying for LIHTC are subject to the scoring criteria for being proximate to certain amenities, rural projects are awarded the same consideration as non-rural projects if they are located further away from those amenities. This consideration accounts for the often greater distances between locations in rural settings.

By requiring that farmworker housing receive the same point allocation as rural set-aside projects, this bill provides consideration to a project that may not qualify for that consideration. TCAC determines whether any housing meets the definition of a rural set-aside based on location, and independent of the type of housing. This determination is based on a list of eligible census tracts published by the US Department of Agriculture. Thus, as currently drafted, this bill would provide additional consideration to farmworker housing that would not be of sufficient quality to receive a credit, absent this bill.

***Large-Family Projects*:** The LIHTC regulations require that a project meet certain thresholds to qualify as a large-family project, including that the project be comprised of certain percentages of units with specified bedroom sizes and corresponding square footages, provide certain amenities for tenants, and construct appropriate common areas. These requirements ensure that subsidized large-family projects are, in fact, providing quality housing to tenant families.

As currently drafted, this bill would require the CTCAC to define "farmworker housing" as a large-family project. As a result, farmworker housing developments could qualify for tax credits without meeting the bedroom size requirements required by TCAC regulations. Farmworker housing projects can already qualify as large family projects if they meet the requirements of TCAC regulations.

TCAC Regulations: TCAC and the State Treasurer's Office (STO) update the LIHTC program regulations generally every fall. This annual update to the regulations provides the opportunity for stakeholders to share feedback with the Committee and recommend changes to the program. This bill circumvents the regulatory process by directing TCAC to amend the LIHTC regulatory scoring system to treat farmworker housing as large family projects, and to use the same point allocation as rural set-aside projects when assigning points to farmworker housing based on proximity of amenities to an eligible farmworker housing project. The Committee may wish to amend the bill to direct TCAC to consider establishing a farmworker housing project type. This will allow the Committee to consider all scoring options when and how to best evaluate farmworker projects and would not dictate in statute how the regulations should be amended, circumventing the existing public stakeholder process.

Arguments in Support: According to La Cooperativa Campesina de California, "For decades, the LIHTC scoring system has unintentionally disadvantaged farmworker housing by prioritizing proximity to urban amenities such as transit, libraries, and pharmacies; criteria that do not reflect the geographic realities of agricultural communities. Because farmworker housing must be located near agricultural land and employment, these developments are often situated miles from

such amenities and are routinely penalized in the competitive scoring process. This misalignment has created a structural barrier to housing production. Farmworker housing developments typically serve families with children, yet they have not consistently benefited from classification as "Large Family" housing within the scoring system. At the same time, amenity proximity standards assume dense, urban service patterns that are simply not present in rural and agricultural regions. As a result, projects that are appropriately located to serve farmworkers are made less competitive for funding – efficiency or poor design, but because the scoring framework does not reflect agricultural land-use realities."

Arguments in Opposition: None on file.

Committee Amendment: The Committee may wish to consider the following amendment, which requires TCAC to consider making amendments to its regulations to create a housing type specifically for farmworker housing. This will allow the Committee to take all scoring options into consideration without directing a specific change. In addition, the Committee could consider whether to use the same point allocation for rural set-asides projects for farmworker projects.

(V) The California Tax Credit Allocation Committee shall ***consider*** *amend**ing** the regulations establishing a scoring system, as required by this clause,* ***to establish a housing type for*** *~~define~~ farmworker housing ~~as large family~~ projects. For the purpose of assigning points based on the proximity of amenities to an eligible farmworker housing project, the committee shall* ***consider*** *us**ing** the same point allocations as provided for rural set-aside projects.*

Double-Referred: This bill is double-referred. It was heard in the Assembly Committee on Revenue and Taxation and passed on a vote of 5-1 on April 13, 2026.

REGISTERED SUPPORT / OPPOSITION:

Support

LA Cooperativa Campesina De California (Sponsor)
California Human Development
Center for Employment and Training
Central Valley Opportunity Center
Clergy and Laity United for Economic Justice - Ventura County
Comité De Acción Del Valle
First Day Foundation
Friends of Fieldworkers
House Farm Workers!
Housing Opportunities Made Easier
Laborers International Union of North America Local 585
Los Amigos De LA Comunidad, INC.
Mixteco/Indígena Community Organizing Project
Proteus
UnidosUS
Ventura County YIMBY
West Ventura County Business Alliance

Opposition

None on file.

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

Date of Hearing: April 29, 2026

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
AB 2308 (Haney) – As Introduced February 19, 2026

SUBJECT: Redevelopment: successor agency debt: City and County of San Francisco

SUMMARY: Allows the successor agency to the former San Francisco redevelopment agency (RDA) to extend its authority to issue bonds to finance infrastructure required by the Transbay Implementation Agreement (TIA) by specifying that arrangements to extend the time period for pledges of gross sales proceeds and tax increment entered into with the Transbay Joint Powers Authority (TJPA) and San Francisco are included within its existing authority to issue bonds for these purposes. Specifically, **this bill**:

1) Specifies that the authority, rights, and powers of the successor agency to the RDA of San Francisco to issue bonds or incur other indebtedness to finance the infrastructure required by the TIA includes the authority to enter into arrangements with the TJPA and San Francisco to extend the time period for pledges of gross sales proceeds and net tax increment.

2) Finds and declares that a special statute is necessary and that a general statute cannot be made applicable because of the unique transportation and development needs in San Francisco and the unique role the Transbay Project has played in enhancing downtown San Francisco property values.

EXISTING LAW:

1) Article XVI, Section 16 of the California Constitution authorizes the Legislature to provide for the formation of RDAs to eliminate blight in an area by means of a self-financing schedule that pays for the redevelopment project with tax increment derived from any increase in the assessed value of property within the redevelopment project area (or tax increment).

2) Establishes successor agencies to RDAs that would, except in certain situations, be the city, county, or city and county in the territorial jurisdiction of the former RDA. (Health and Safety Code (HSC) Section 34177)

3) Allows a city or county that authorized the creation of an RDA to elect to retain the housing assets and functions previously performed by the RDA. (HSC 34177)

4) Requires the entity assuming the housing functions of the former RDA to submit a list of all housing assets to DOF by August 1, 2012, as specified. (HSC 34177)

5) Allows the entity that assumed the housing functions to designate the use of and commit indebtedness obligation proceeds that remain after the satisfaction of enforceable obligations that have been approved in a Recognized Obligation Payment Schedule and that are consistent with the indebtedness obligation covenants. (HSC 34177)

6) Requires the proceeds to be derived from indebtedness obligations that were issued for the purposes of affordable housing prior to January 1, 2011, and were backed by the Low- and Moderate-Income Housing Fund. (HSC 34177)

7) Allows the RDA of the City and County of San Francisco to, subject to the approval of the Board of Supervisors of the City and County of San Francisco, retain its ability to incur indebtedness exclusively for Low- and Moderate-Income Housing Fund activities, as specified, until January 1, 2014, or until the agency replaces all of the housing units demolished prior to the enactment of the replacement housing obligations in Chapter 970 of the Statutes of 1975, whichever occurs earlier. (HSC 34177.7)

8) Allows the ability of the RDA of the City and County of San Francisco to receive tax increment revenues to repay indebtedness incurred for these Low- and Moderate- Income Housing Fund activities to be extended until no later than January 1, 2044. (HSC 34177.7)

FISCAL EFFECT: None. This bill was keyed non-fiscal by Legislative Counsel.

COMMENTS:

Author's Statement: According to the author, "San Francisco needs modern, connected transit infrastructure to support our growing economy, build housing near jobs, and revitalize our downtowns. The Transbay Program is a transformative investment that will expand regional transit capacity, connect Caltrain and future high-speed rail to the Salesforce Transit Center, and unlock thousands of homes and new economic activity in the heart of San Francisco. However, the COVID-19 pandemic significantly affected the project's bonding capacity, and at a time when federal transit funding opportunities have become less certain, the project needs additional financial stability to move forward. AB 2308 addresses this challenge by extending the timeline for an existing value-capture financing tool tied to former state-owned parcels in the Transbay Redevelopment Area by 25 years. This targeted extension will help ensure the project can secure the financing needed to complete the Downtown Rail Extension, delivering increased transit capacity, new housing, downtown revitalization, and thousands of good, labor-backed construction jobs for California's workers – all without adding any new taxes."

Redevelopment: Article XVI, Section 16 of the California Constitution authorizes the Legislature to provide for the formation of RDAs to eliminate blight in an area by means of a self-financing schedule that pays for the redevelopment project with tax increment derived from any increase in the assessed value of property within the redevelopment project area (or tax increment). Generally, property tax increment financing involves a local government forming a tax increment financing district to issue bonds and use the bond proceeds to pay project costs within the boundaries of a specified project area. To repay the bonds, the district captures increased property tax revenues that are generated when projects financed by the bonds increase assessed property values within the project area.

To calculate the increased property tax revenues captured by the district, the amount of property tax revenues received by any local government participating in the district is "frozen" at the amount it received within a project area prior to the project area's formation. In future years, as the project area's assessed valuation grows above the frozen base, the resulting additional property tax revenues — the so-called property tax "increment" revenues — flow to the tax increment financing district instead of other local governments that would have received those

funds absent the formation of the RDA. After the bonds have been fully repaid using the incremental property tax revenues, the RDA is dissolved, ending the diversion of tax increment revenues from participating local governments.

Prior to Proposition 13, very few RDAs existed; however, after its passage, RDAs became a source of funding for a variety of local infrastructure activities. RDAs were required to set-aside approximately 20% of funding generated in a project area to increase the supply of low and moderate income housing in the project areas [AB 3674 (Montoya), Chapter 1337, Statutes of 1976]. At the time of dissolution, over 400 RDAs statewide were diverting roughly 12% of property taxes, over $5.6 billion yearly.

In 2011, facing a severe budget shortfall, the Governor proposed eliminating RDAs in order to deliver more property taxes to other local agencies. Ultimately, the Legislature approved and the Governor signed two measures, ABX1 26 (Blumenfield), Chapter 5 and ABX1 27 (Blumenfield), Chapter 6 that together dissolved RDAs as they existed at the time and created a voluntary redevelopment program on a smaller scale. In response, the California Redevelopment Association (CRA) and the League of California Cities, along with other parties, filed suit challenging the two measures. The Supreme Court denied the petition for peremptory writ of mandate with respect to ABX1 26. However, the Court did grant CRA's petition with respect to ABX1 27. As a result, all RDAs were required to dissolve as of February 1, 2012.

RDA Dissolution**:** ABX1 26 established successor agencies to manage the process of unwinding former RDA affairs, generally prohibited RDAs from incurring new or expanding existing monetary or legal obligations, and removed the authority for RDAs to engage in most activities except continuing to pay off enforceable obligations. With the exception of seven cities, the city or county that created each former RDA now serves as that RDA's successor agency. One of a successor agency's primary responsibilities is to make payments for the enforceable obligations RDAs entered into. These payments are supported by property tax revenues that would have gone to RDAs, but are instead deposited in the Redevelopment Property Tax Trust Fund (RPTTF). Enforceable obligations include bonds, bond-related payments, some loans, payments required by the federal government, obligations to the state or imposed by state law, payments to RDA employees, judgements or settlements, and other legally binding and enforceable agreements or contracts. Any remaining property tax revenues that exceed these enforceable obligations return to cities, counties, special districts, and school and community college districts to support core services.

Each successor agency has an oversight board responsible for supervising and approving its actions. The Department of Finance (DOF) can review and request reconsideration of an oversight board's decision. Once a successor agency takes over for an RDA, it reviews the RDA's outstanding assets and obligations, and develops a plan to resolve those obligations, also known as a Recognized Obligation Payment Schedule (ROPS). To obtain required DOF approval, a successor agency submits a series of ROPS to DOF. If DOF agrees with the plan, it issues a Finding of Completion acknowledging their progress towards paying off their obligations. Successor agencies issued a Finding of Completion can submit a Last and Final ROPS, meaning that (1) the remaining debt is limited to administrative costs and payments pursuant to enforceable obligations with defined payment schedules, (2) all remaining obligations have been previously listed on the ROPS and approved by DOF, and (3) the agency is not a party to outstanding or unresolved litigation. Successor agencies had until December 31, 2015 to receive their Finding of Completion from DOF. RDA dissolution law states that

successor agencies that did not receive their Finding of Completion by this date, or did not enter into a written installment payment plan with DOF, were to never receive a Finding of Completion. Approximately nine successor agencies did not receive a Finding of Completion by the deadline.

San Francisco's RDA**:** In 2015, the Legislature passed, and the Governor signed, SB 107 (Committee on Budget and Fiscal Review), Chapter 325, Statutes of 2015, which authorized San Francisco's successor agency to issue bonds and incur debt for other projects using RPTTF, including housing projects in Mission Bay, Hunters Point, and pursuant to the TIA. Using RPTTF to fund these projects extended the expected lifespan of the successor agency until 2058. Like its obligations under dissolution law, the successor agency must receive approval for these projects from its oversight board and DOF.

SB 593 (Wiener), Chapter 782, Statutes of 2023, authorized the successor agency to the SFRDA to issue bonds or incur indebtedness to finance the replacement of up to 5,842 units of affordable housing to satisfy the replacement housing obligation of the SFRDA as described in existing law and subsequently certified by the Department of Housing and Community Development.

Transbay Joint Powers Authority**:** TJPA has primary jurisdiction with respect to all matters concerning the financing, design, development, construction, and operation of the Transbay Program. The TJPA is a joint exercise of powers authority created in 2001 by San Francisco, the Alameda-Contra Costa Transit District and the Peninsula Corridor Joint Powers Board; subsequently, in 2017, the California High Speed Rail Authority was added as a member. The TJPA is governed by an 8-member Board of Directors.

According to the TJPA, "The Transbay Program is a transportation and housing project that has transformed downtown San Francisco and the San Francisco Bay Area's regional transportation system by creating a world class transportation hub in the heart of a new neighborhood. The project replaced the former Transbay Terminal at First and Mission streets in San Francisco with a modern regional transit hub connecting the Bay Area and ultimately the State of California through: AC Transit, BART, Caltrain, Golden Gate Transit, Greyhound, Muni, SamTrans, WestCAT Lynx, Amtrak, Paratransit and future High-Speed Rail from the San Francisco to Los Angeles/Anaheim."

Transbay Agreement**:** In 2003, TJPA, San Francisco, and the State of California entered into an agreement in which the State agreed to transfer specified state-owned parcels to San Francisco and the TJPA, subject to certain restrictions. Under the agreement, City and TJPA title to the state-owned parcels is subject to a deed restriction requiring that any such parcel may be sold for development only when the gross sales proceeds are provided to the TJPA to finance development of the Transbay Terminal Project. The agreement further requires that a portion of tax increment revenues attributable to the state-owned parcels, the "net tax increment (NTI)," must be provided to the TJPA to finance development of the Transbay Terminal Project.

According to the Office of Community Investment and Infrastructure (OCII), the successor agency to San Francisco's RDA, the Transbay Redevelopment Plan was adopted in June 2005. The Transbay Plan, its Design for Development, and its Open Space and Streetscape Plan call for the redevelopment, rehabilitation, and revitalization of the area generally bounded by Mission, Main, Second and Folsom Streets in downtown San Francisco.

The Transbay Redevelopment Project Area consists of approximately forty acres of land that previously contained the now-demolished Embarcadero Freeway and ramps to the former Transbay Terminal, which were heavily damaged by the 1989 Loma Prieta earthquake, and surrounding properties.

Transbay is divided into two zones. OCII has land use authority over Zone One, which is located in the southern portion of the Project Area. The Transbay Plan and its Development Controls and Design Guidelines direct the transformation of Zone One from public land previously occupied by the former freeway and ramps into a new, master-planned, high-density, mixed use/residential community. Zone Two is in the northern portion of Transbay and includes the Salesforce Transit Center, Salesforce Tower, and mostly commercial properties along Mission and Howard Streets. Zone Two falls under the land use authority of the San Francisco Planning Department, under the Transbay Plan and the Transit Center District Plan, as provided for in the Transbay Delegation Agreement between the former Agency and the Planning Department.

OCII and the TJPA are responsible for executing the Transbay Plan, pursuant to a 2005 Implementation Agreement. Other agreements that enable the redevelopment of Transbay are between TJPA, OCII, the San Francisco, and the State of California, and include the Transbay Transit Terminal Cooperative Agreement, the Option Agreement for the Purchase and Sale of Property between the City and County of San Francisco, the TJPA and the RDA, and, the Transbay RDA Project Tax Increment Allocation and Sales Proceeds Pledge Agreement.

Arguments in Support: According to the TJPA, the sponsors of this bill, "The Transbay Redevelopment Plan ("Transbay Plan") was adopted in June 2005. Together with its Design for Development and Open Space and Streetscape Plan, the Transbay Plan calls for the redevelopment, rehabilitation, and revitalization of approximately forty acres in downtown San Francisco, generally bounded by Mission, Main, Second, and Folsom Streets. The Plan is centered on construction of the Salesforce Transit Center (already completed) and the Caltrain Downtown Extension (DTX) also known as The Portal, which is still in preconstruction.

"Much of the project area consists of former state-owned land previously occupied by the Embarcadero Freeway and the ramps to the original Transbay Terminal, both of which were severely damaged in the 1989 Loma Prieta earthquake. The State agreed to convey this land to the TJPA at no cost, with the understanding that it would be used either for new public transit infrastructure or redeveloped for housing and other uses. In return, land sale proceeds and NTI generated from these parcels were pledged to support construction for the TJPA's delivery of the Transbay Program.

"The Office of Community Investment and Infrastructure (OCII), as successor to the former Redevelopment Agency, and the TJPA jointly implement the Transbay Plan pursuant to a series of agreements, including the 2005 Transbay Implementation Agreement and the 2008 Transbay Pledge Agreement. These agreements pledge NTI from the former state-owned parcels to the TJPA. Following the dissolution of redevelopment agencies, the California Department of Finance confirmed that these agreements constitute enforceable obligations of OCII as successor agency.

"The TJPA anticipates completing delivery of The Portal, Phase 2 of the Transbay Program, in 2036 when rail service begins operations into the Transit Center. However, COVID-related impacts and shifts in the development market on the former state-owned parcels have

significantly reduced projected tax increment revenues. As a result, the Project Area's bonding capacity has declined by an estimated $275 million, jeopardizing the TJPA's ability to generate the required local match to secure approximately $3.38 billion in federal funding for The Portal.

"Extending the term for collection of Net Tax Increment from 2050 to 2075 would reclaim an estimated $188 million in net present value bonding capacity. This extension is essential to preserving the financial viability of the project and unlocking critical federal investment.

"Importantly, AB 2308 does not alter or reduce revenues from non-state parcels, nor does it change the structure or purpose of the existing NTI pledge. The legislation simply extends the duration of the current pledge on former state-owned parcels from 2050 to 2075 to allow for TJPA to obtain future bond proceeds as intended when the original legislation was approved. It does not create new obligations, redirect funds from other entities, or modify the fundamental financing framework already approved and recognized as enforceable."

***Arguments in Opposition*:** None on file.

Double referred: This bill is double referred. It was heard in the Assembly Committee on Local Government and passed on a vote of 10-0 on April 15, 2026.

REGISTERED SUPPORT / OPPOSITION:

Support

Transbay Joint Powers Authority (Sponsor)
Friends of the Downtown Rail Extension
San Francisco Building and Construction Trades Council
San Francisco Chamber of Commerce
San Francisco County Transportation Authority
South Beach and Rincon and Mission Bay Neighborhood Association Board of Directors
SPUR
Transform

Opposition

None on file.

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

Date of Hearing: April 29, 2026

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
AB 2397 (Ta) – As Amended April 6, 2026

SUBJECT: Local government: community facilities districts: financing

SUMMARY: Prohibits a local agency from abandoning or refusing to create a community facilities district (CFD or Mello-Roos district) to finance specified infrastructure for a housing development for low or moderate income households, unless it makes findings based upon substantial evidence, as specified.

1) Defines "critical housing infrastructure district" to mean a community facilities district that meets all of the following criteria:

   a) The district has been established, or is proposed to be established, solely to finance public utilities and flood water protection services [as defined in Government Code Section (GOV) 53313.5 (e) and (f)], that serve a housing development project that includes units affordable to persons and families of lower income households or moderate income households.

   b) Proceedings for establishment of the district were instituted by petition describing the boundaries of the territory that is proposed for inclusion in the area and specifying the type or types of facilities and services to be financed by the district, is filed with the clerk of the legislative body signed by owners of 100% of the area of land proposed to be included within the district.

   c) Any special taxes proposed to be levied by the district are eligible to be approved by the landowners of the proposed district in accordance with vote threshold in the Mello-Roos Act [Gov 53326 (b)].

2) Prohibits a legislative body from taking any of the following actions with respect to a critical housing infrastructure district unless it makes specified findings:

   a) Abandoning the proposed establishment of the district, as specified;

   b) Refusing to adopt an ordinance levying special taxes, as specified; and

   c) Refusing to adopt a resolution necessary to incur bonded indebtedness, as specified.

3) Requires a legislative body to make the following findings, based upon substantial evidence, before taking the actions described in 2) above:

   a) Establishment of the district, levying the special taxes, or incurring bonded indebtedness, as applicable, would have a specific adverse impact upon the public interest; and

   b) If the site has been identified in the housing element as a site to accommodate any portion of the jurisdiction's regional housing need for low-income or very low income; and households, establishment of the district, levying the special taxes, or incurring bonded

indebtedness, as applicable, is not necessary for development of the site at the densities specified in Housing Element Law.

4) Provides that this bill does not require or prohibit the legislative body from taking any other action authorized by the Mello-Roos Act with respect to a critical housing infrastructure district, including, without limitation, modifying the resolution of intention to create a Mello-Roos district.

EXISTING LAW:

1) Establishes the Mello-Roos Act, which allows local agencies to establish CFD as an alternative method of financing certain public capital facilities and services, especially in developing areas and areas undergoing rehabilitation. (GOV 53313.5)

2) Specifies how a local agency is allowed to create a CFD, including the formation, voter approval, authority to levy taxes, and the types of public facilities and infrastructure. (GOV 53313.5)

3) Specifies a CFD may fund public utility infrastructure and flood and storm protection services, as specified (GOV 53313.5 (e) and (f).

FISCAL EFFECT: Nonfiscal. This bill was keyed nonfiscal by legislative counsel.

COMMENTS:

Author's Statement: According to the author, "The Housing Accountability Act, which is current law, lays out strict guidelines for local governments to follow when approving or denying development projects. However, some local jurisdictions are denying projects that meet the goals of the HAA on the grounds that they disapprove of the project's financing. It is not the intent of this bill to require local governments to take on bonded debt, but rather to ensure that all developers get equal treatment when constructing low and moderate-income housing, which is desperately needed."

Mello-Roos: The Mello-Roos Community Facilities Act allows counties, cities, special districts, and school districts to levy special taxes (parcel taxes), with 2/3rds voter approval, to finance a wide variety of public works, including parks, recreation centers, schools, libraries, child care facilities, and utility infrastructure. A Mello-Roos district issues bonds against these special taxes to finance the public works projects. In addition to financing public capital facilities, Mello-Roos special taxes can fund a limited list of public services: police services, fire protection, recreation programs, library services, museum operations, park maintenance, flood protection, hazardous waste cleanup, street and road maintenance, lighting of parks, parkways, streets, roads, and open space, plowing and removal of snow, and graffiti management and removal.

To initiate the formation of a Mello-Roos district, one of three things must happen: a written request for the establishment of a district signed by two members of the legislative body, a petition signed by not less than 10% of the registered voters, or a petition signed by not less than 10% of landowners owning the requisite portion of the area of a proposed district. The written request or petition filed are not required to be acted upon until payment of a specified fee is paid. Within 90 days of either receiving a written request by two members of the legislative body or a petition filed, and the payment of the required fee, a local agency's legislative body must adopt a

resolution of intention to establish the district, which must do all of the following: describe the district's boundaries; describe the facilities and services proposed to be financed; state that a special tax, secured by a lien against real property, will be annually levied; specify, in detail, the rate, method of apportionment, and manner of collections of the special tax; and, fix a time and place for public hearing. After holding the hearing and considering protests, the legislative body, to establish the Mello-Roos district, must adopt a resolution of formation containing all of the information provided in the resolution of intention; and, if a special tax is to be levied, include additional information about the tax levy that must be approved by registered voters. The local agency may modify the resolution by eliminating proposed facilities or services, by changing the rate or method of apportionment of the proposed special tax in order to reduce the special tax, or by removing territory from the proposed district.

If 50% or more registered voters, or the owners of one-half or more of the area of land in the territory proposed to be included in the district, file written protests against the formation of the district, the district cannot be established. The legislative body must submit the levy of any special taxes to the voters of the district. If there are fewer than 12 registered voters in the territory of the Mello-Roos district, the affected landowners vote. In that case, landowners get one vote per acre included in the Mello-Roos district. The special tax imposed by a Mello-Roos district is a lien upon the real property. Should a property owner fail to pay the special tax, the local governmental entity may (and will typically be required to) foreclose upon the real property to collect the special tax.

Housing Element Inventory: All the state's 540 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. Sites that are sufficient to accommodate the jurisdictions lower income housing needs must be zoned a specified density, called the Mullin Density, that is sufficient to ensure that there are enough units to make the development financially feasible.

This Bill: This bill would prohibit a local agency from abandoning or refusing to create a Mello-Roos district for critical housing infrastructure district which is created to finance a narrow set of infrastructure costs – public utilities and flood and storm water for low or moderate income housing. To qualify 100% of the property owners must petition for the financing. If a local agency does reverse course on financing this type of project, it would be required to make a finding that establishing the district, levying the special taxes, or incurring bonded indebtedness, as applicable, would have a specific adverse impact upon the public interest and the infrastructure is not needed to support the development of the site as the density required by Housing Element Law. The intent of this bill is to ensure that if a developer is relying upon financing form a Mello-Roos district for infrastructure and has followed the correct process for

petitioning to create one, the local agency cannot abandon the creation of the district except in narrow cases.

Arguments in Support: None on file.

Arguments in Opposition: None on file.

Double-Referred: This bill is double-referred. It was heard in the Assembly Committee on Local Government and passed on a vote of 10-0 on April 22, 2026.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

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

Date of Hearing: April 29, 2026

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
AB 2512 (Valencia) – As Amended March 19, 2026

SUBJECT: Surplus Land Act: exemption: Angel Stadium

SUMMARY: Provides that, if an exemption under the Surplus Land Act (SLA) is applied to the disposition of Angel Stadium by the City of Anaheim to the Los Angeles Angels, any disposition documents and promotional or marketing materials shall refer to the team as the Anaheim Angels, except under certain conditions. Specifically, **this bill**:

1) Provides that, if an exemption to the SLA is granted to the City of Anaheim for the disposition of surplus land involving the sale or lease of Angel Stadium to the Major League Baseball (MLB) team known as the Los Angeles Angels, then any materials, including, but not limited to, a lease, deed of sale, and promotional or marketing materials, shall refer to that team as the Anaheim Angels.

2) Provides that it is the intent of the Legislature that the requirements in 1), above, would not apply if the City of Anaheim is able to come to an agreement with the MLB team known as the Los Angeles Angels about their affiliation.

3) Finds and declares a special statute is necessary 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 corruption scandal related to the almost sale of Angel Stadium in 2020, and the current lease agreement with the City of Anaheim.

EXISTING LAW:

1) Establishes procedures for the disposal of publicly-owned land that is surplus to the needs of local agencies, under the SLA. (Government Code (GOV) Sections 54220 - 54262)

2) Defines "disposition" to mean the sale of surplus land or the entering of a lease for surplus land for a term longer than 15 years, inclusive of any extension or renewal option included in the terms of the initial lease, entered into on or after January 1, 2024. (GOV 54221)

3) Provides that "disposition" does not mean the entering of a lease for surplus land for a term of 15 years or less, inclusive of any extensions or renewal options, or the entering of a lease in which no development or demolition occurs, regardless of the term of the lease. (GOV 54221)

4) Provides that a local agency that disposes of surplus in violation of the SLA is liable for a 30% penalty of the applicable disposition value for a first violation, and 50% for any subsequent violation. Defines "disposition value" to mean either of the following:

   a) The final sale price of the land or the fair market value of the surplus land at the time of sale as determined by an independent appraisal of the land, whichever is greater; or

b) The discounted net present value of the fair market value of the lease as of the date the lease was entered into, as determined by an independent appraisal of the lease. (GOV § 54230.5)

5) Requires, if a local agency is disposing of surplus land and has received notification from the Department of Housing and Community Development (HCD) that the disposition violates the SLA, the local agency to hold an open and public meeting to review and consider the substance of the notice of violation. A local agency shall not take final action to ratify or approve the proposed disposal of surplus land until this public meeting is held. This public meeting is no longer required if the local agency ceases to dispose of the surplus land after receiving a notice of violation from HCD. (GOV 54230.7)

6) Provides, until January 1, 2030, that if HCD notifies the County of Orange or a city within the County of Orange that its planned disposition of surplus land is in violation of the SLA, the jurisdiction shall have 60 days from the date of receipt of the notification of the violation to cure or correct an alleged violation, unless HCD decides that the alleged violation is not a violation within the 60 days. If the jurisdiction has not cured or corrected any alleged violation within 60 days, it shall not dispose of the land until HCD determines that the jurisdiction has complied with the SLA or deems the alleged violation not to be a violation. (GOV54230.8)

7) Requires, until January 1, 2030, a jurisdiction that receives a notice of violation from HCD pursuant to e), above, to respond to HCD with a statement describing the actions taken to cure or correct the alleged violation within 60 days of receipt of the notice. HCD shall determine if the local agency's actions have cured or corrected the alleged violation and whether the planned disposal of surplus land would constitute a violation, and notify the jurisdiction of its determination within 30 days. (GOV § 54230.8)

FISCAL EFFECT: Unknown. This bill has been keyed non-fiscal by the Legislative Counsel.

COMMENTS:

Surplus Land Act: Local public agencies are major landlords in some communities, owning significant pieces of real estate. When properties become surplus to a local agency's needs, public officials may want to dispose of the property. They can do so under the SLA to recoup their investment by selling or leasing that land for fifteen years or longer, assuming they follow the process specified in the SLA. The SLA spells out the steps local agencies must follow when they want to dispose of land.

Generally, before local officials can dispose of property under the SLA, they must declare that the land is no longer needed for the agency's use in a public meeting and declare the land either "surplus land" or "exempt surplus land." Before agencies can broadly negotiate to dispose of surplus land on the private market, they must give a "first right of refusal" to other public agencies, nonprofit housing developers, schools, and parks and recreation departments. Public agencies and nonprofit housing developers interested in developing surplus property are referred to as "housing sponsors."

When a local agency wants to dispose of surplus land, it must send a written NOA to let interested parties, including local public entities with jurisdiction where the surplus land is

located and all interested housing sponsors, know that land is available for the following purposes:

1) Low- and moderate-income housing;

2) Park and recreation, and open space;

3) School facilities; or

4) Infill opportunity zones or transit village plans.

If any interested parties respond to the NOA within 60 days, the disposing agency must negotiate in good faith for 90 days with any interested parties who respond to the NOA to try to come to a mutually satisfactory sale or long-term lease agreement. If multiple entities respond to the NOA, the housing sponsor that proposes to provide the greatest number of units, and the highest level of affordable housing, gets priority. If the disposing agency and interested parties cannot agree to mutually satisfactory terms after negotiating in good faith, the agency that owns the surplus land can sell the land on the private market. Before disposing of the land through the private market, the disposing local agency must record a restriction or covenant against the property, maintaining that housing is developed on the property in the future, 15% of the units must be sold or rented at an affordable cost to lower-income households.

The SLA says that nothing in its provisions:

1) Limits the power of any local agency to sell or lease surplus land at fair market value or less than fair market value;

2) Prevents a local agency from obtaining fair market value for the land;

3) Limits a local agency's authority or discretion to approve land use, zoning, or other entitlement decisions in connection with surplus land; or

4) Requires a local agency to dispose of land just because it is surplus.

HCD has enforcement authority over the SLA. Furthermore, the SLA may be enforced by affordable housing developers, housing organizations, individuals who would have been eligible to apply for residency in affordable housing, or a beneficially interested person or entity. Local agencies that improperly dispose of surplus land face penalties of 30% of the sale price or market value for the first violation, and 50% for subsequent violations, with penalty revenues going to a local housing trust fund. Before finalizing land dispositions, agencies must notify HCD and provide HCD with documentation of their compliance with the SLA disposition process. HCD has 30 days to review the submitted materials and respond. If HCD finds violations and notifies the disposing local agency within 30 days, the agency has 60 days to address them. If the violations are not addressed, the disposing agency may incur penalties including referral to the Attorney General. However, penalties are void if HCD fails to notify the local agency of a violation within 30 days.

SLA as a Tool for Affordable Housing Production: The SLA is a powerful tool for the production of affordable housing in California. The SLA requires an entity proposing to use surplus land for developing low- and moderate-income housing to deed restrict at least 25% of

the units as affordable. In the event that multiple entities respond to an SLA NOA with an interest to purchase or lease the land, the local agency is required to give priority to housing projects that meet the aforementioned affordability requirements. The disposing entity must also prioritize the number of units proposed, and the affordability levels of those units, while reviewing responses to the NOA and proceeding with negotiations.

Since January 2021, surplus and exempt surplus land dispositions tracked by HCD have resulted in 37,129 housing units, including over 23,686 units of housing affordable to lower-income households, entering the development pipeline.[1]

Anaheim Stadium Transaction: In September 2020, the Anaheim City Council approved the sale of Angel Stadium and 150 acres of surrounding land to the owner of the Los Angeles Angels. At the time, the sale was criticized because the initial offering price for the land was $320 million, which was below the value of $500 million identified in a city-commissioned appraisal of the site, and which was further lowered to the price of $150 million in exchange for the funding of 466 affordable housing units and a seven-acre park on the property. In December 2021, HCD notified the City of Anaheim that the sale violated the SLA, and on April 25, 2022, the City and the Attorney General agreed to a settlement that required the City to pay $123 million for the development of affordable housing on the site, which includes a $96 million fine equivalent to 30% of the $320 million final sales price of the land. However, in May 2022, allegations of corruption associated with the deal surfaced.

Specifically, reports became public that the Federal Bureau of Investigation (FBI) was investigating the mayor of the City of Anaheim and alleged that he “shared privileged and confidential information with the Angels during stadium sale negotiations, actively concealed same from a grand jury inquiry, and expects to receive campaign contributions as a result.” The mayor subsequently resigned, and on May 24, 2022, the city council voided the deal.

In 2023, SB 34 (Umberg), Chapter 772, and SB 229 (Umberg), Chapter 774, responded to the “almost disposition” of the Angels Stadium. SB 34 prohibited the County of Orange or any city within the County of Orange from disposing of surplus land if the local agency had received a notice of violation from HCD. SB 34 also prohibited the disposition of surplus land from being completed until HCD determines that the proposed disposition complies with the SLA. SB 229 required a local agency to hold an open and public meeting if it has been notified by HCD that the local agency’s planned disposal of surplus land is in violation of the SLA.

This Bill: This bill requires that any documents relating to the disposition (sale or lease of a term of more than 15 years of Angels Stadium by the City of Anaheim to the MLB team known as the Los Angeles Angels reflect the name “Anaheim Angels” if the disposition uses an exemption under the SLA. The requirement to use the name “Anaheim Angels” extends to any promotional or marketing materials for the team.

Arguments in Support: None on file.

Arguments in Opposition: None on file.

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[1] https://www.hcd.ca.gov/housing-open-data-tools/sla-dashboard

Related Legislation:

SB 229 (Umberg), Chapter 774, Statutes of 2023, required a local agency to hold an open and public meeting if it has been notified by HCD that its planned disposal of surplus land is in violation of the SLA.

SB 34 (Umberg), Chapter 772, Statutes of 2023, prohibits Orange County, or any city located therein, from proceeding with a planned disposal of surplus land if it receives a notice of violation from HCD and the violation is not corrected within 60 days.

Double-Referred: This bill is double referred. It was heard in the Assembly Committee on Local Government and passed on a vote of 10-0 on April 15, 2026.

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 29, 2026

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
AB 2552 (Ávila Farías) – As Amended April 16, 2026

SUBJECT: California Environmental Quality Act: Transit-Oriented Development Implementation Fund: contributions

SUMMARY: Adds new conditions and requirements for contributions to the Transit-Oriented Development Implementation Fund (TDIF), the statewide vehicle miles traveled (VMT) mitigation bank for affordable housing created by AB 130 (Committee on Budget), Chapter 22, Statutes of 2025. Specifically, **this bill**:

1) Provides that a lead agency for a land use project may only require the applicant to contribute to the TDIF if both of the following conditions are met:

   a) The cost of the VMT reductions established by the Office of Land Use and Climate Innovation (LCI) is equal to or lesser than the cost of any other VMT mitigation measures that are required for the project by the lead agency, or, if the contribution is the only VMT mitigation measure that is required for the project by the lead agency, it is the least cost mitigation option that is feasible; and

   b) The Department of Housing and Community Development (HCD) and LCI have validated the reductions in VMT that are attributable to the project funded pursuant to this section by contributions to the TDIF from transportation projects.

2) Includes an urgency clause.

EXISTING LAW:

1) Requires lead agencies with the principal responsibility for carrying out or approving a proposed discretionary project to prepare a negative declaration (ND), mitigated negative declaration (MND), or environmental impact report (EIR) for this action, unless the project is exempt from the California Environmental Quality Act (CEQA). (Public Resources Code (PRC) 21000 *et seq.*)

2) Requires LCI to prepare and develop proposed guidelines for the implementation of CEQA by public agencies. Requires the guidelines to include objectives and criteria for the orderly evaluation of projects and the preparation of EIRs and NDs. Also requires the guidelines to include criteria for public agencies to follow in determining whether a proposed project may have a significant effect on the environment. (PRC 21083)

3) Requires LCI to prepare proposed revisions to the CEQA Guidelines establishing criteria for determining the significance of transportation impacts within transit priority areas (TPAs). Requires the criteria to promote the reduction of greenhouse gas (GHG) emissions, the development of multimodal transportation networks, and a diversity of land uses. (PRC 21099)

4) Authorizes LCI to adopt CEQA Guidelines establishing alternative metrics to traffic "levels of service" (LOS) for transportation impacts outside of TPAs. Authorizes the alternative metrics to include the retention of LOS, where appropriate and as determined by LCI. Pursuant to this authority, LCI (under its former name: Office of Planning and Research) revised the CEQA Guidelines to identify vehicle miles traveled (VMT) as the most appropriate metric to evaluate a project's transportation impacts and to apply VMT statewide. (PRC 21099)

5) Establishes the Transit-Oriented Development Implementation Program (TOD Program), to be administered by HCD, to provide local assistance to cities, counties, cities and counties, transit agencies, eligible tribal applicants, and developers for the purpose of developing higher density VMT-efficient affordable housing or related infrastructure, including projects within close proximity to transit stations or projects that could increase public transit ridership. The TOD Program provides gap financing for rental housing developments near transit that include affordable units as well as necessary infrastructure improvements. (Health and Safety Code 53560)

6) Establishes an in-lieu fee mechanism for VMT mitigation through the TDIF, as follows:

   a) Allows a project, which is under the jurisdiction of a regional transportation planning agency (RTPA) and has a VMT mitigation requirement pursuant to CEQA, to satisfy its VMT mitigation requirement by contributing an unspecified amount per VMT to the TDIF, which would then be available, upon appropriation, to HCD to provide financing for transit-oriented affordable housing developments or related infrastructure projects through the TOD Program.

   b) Provides that the TDIF in 6) does not preclude the lead agency's use of other mitigation strategies, including, but not limited to, transportation demand management (TDM), transit improvements, active transportation infrastructure, road diets, or utilizing local or regional mitigation banks or exchanges.

   c) Allows money to be deposited into the TDIF beginning on, or before, July 1, 2026, as determined by HCD;

   d) Makes money deposited into the TDIF available to HCD, upon appropriation, for purposes of awarding funding to affordable housing or related infrastructure, including infrastructure necessary for higher density uses under the TOD Program, in the following order:

      i) First priority to affordable housing or related infrastructure projects in location-efficient areas, as defined in LCI's guidance, within the same region as the project;

      ii) Second priority to affordable housing or related infrastructure projects within the same region as the project; and

      iii) Third priority to affordable housing or related infrastructure projects in location-efficient areas that are outside of the originating region but within an adjacent region, provided the project site is located within a defined proximity radius established by LCI.

e) Requires LCI, in consultation with other state agencies, to issue guidance related to implementation of the TDIF on or before July 1, 2026, and to update the guidance at least once every three years after. The guidance must include:

i) A methodology for determining the amounts that are required to be contributed to the TDIF to mitigate the environmental impacts associated with VMT;

ii) A definition of location-efficient areas that reflects a reasonable nexus between the location of the transportation impact of the project and the location of the VMT-efficient affordable housing or related infrastructure project;

iii) A process for validating a project's VMT funding contribution, which shall be designed to provide certainty to the lead agency and project applicant that the contribution satisfies applicable mitigation requirements for significant transportation impacts; and

iv) A methodology for estimating the anticipated reduction in VMT associated with affordable housing or related infrastructure projects funded pursuant to subdivision.

f) Exempts the drafting of this initial guidance in e) from the Administrative Procedures Act (APA), but requires LCI to provide public notice of the draft, make the draft available for public comment, and consider all comments received during the public comment period before issuing final guidance. Requires LCI to commence the rulemaking process under the APA on or before January 1, 2028.

g) Requires LCI, in consultation with the department, the Transportation Agency, and regions, to evaluate the use of VMT mitigation resources allocated through the TDIF. Requires the evaluation to assess the distribution of funds across project types, the effectiveness of supported projects in reducing VMT, the affordability of the housing units produced, and other relevant metrics that reflect program performance. Based on this assessment, HCD, in consultation with the office and the Transportation Agency, may revise TOD Program guidelines to enhance outcomes.

h) Provides that the TDIF does not prevent a local agency from charging local impact fees based on VMT pursuant to the Mitigation Fee Act. (PRC 21080.43 and 21080.44)

FISCAL EFFECT: Unknown.

COMMENTS:

Author's Statement: According to the author, "Last year's budget trailer bill created a promising option under CEQA to mitigate a project's effect on Vehicle Miles Traveled, namely the ability to meet some or all of this obligation by contributing funds to HCD's Transit Oriented Development program to build affordable housing near transit. However, homebuilders are concerned that a lead agency could require a homebuilder to make a contribution to the program even if this form of mitigation were significantly more expensive than other mitigation options or created legal risk. AB 2552 seeks to prevent this possibility by providing that a lead agency may only require use of this mitigation option if the cost is less than or equal to other mitigation options, thereby ensuring that we are reducing the cost of new housing."

California's Statewide Housing Plan: In 2022, HCD released its most recent update to the statutorily required Statewide Housing Plan (Plan). The Plan "lays out a vision to ensure every Californian has a safe, stable, and affordable home."[1] As part of that vision, HCD puts forward a statewide objective of Producing More Affordable and Climate Smart Housing. HCD writes:

"We aim to increase the supply of housing at all affordability levels throughout the state and target production in the places where people need it the most, without displacing existing residents. This objective seeks to facilitate a greater diversity of housing models and typologies, outside of the status quo, to meet California's pressing and diverse housing needs. We must produce new housing in areas with high access to opportunities and services without displacing existing residents, mitigate the risk of climate change while developing new housing units, provide housing units that are affordable to all Californians, lower housing development costs, and continue to enforce existing housing laws to achieve results."[2]

Two of HCD's recommended actions associated with this objective are to:

1) Encourage greater diversity of housing types in all neighborhoods; and

2) Encourage new housing development in existing communities to reduce VMT and mitigate climate change while simultaneously addressing housing need.

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.[3] 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.[4] These conditions are particularly acute during the early stages of development, when projects rely on higher-risk, higher-cost forms of capital, such as predevelopment and construction financing, which are often the most difficult to secure.

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.[5] 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.[6] These cost and timing challenges can make it difficult to build housing at all in the current environment, and are especially pronounced for high-rise and other complex urban developments, which carry higher construction costs, longer timelines, and greater exposure to financing risk. More broadly, when development projects are perceived as too costly or risky, capital may be redirected to lower-risk investments or to other states with

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[1] https://storymaps.arcgis.com/stories/94729ab1648d43b1811c1698a748c136
[2] IBID.
[3] 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/
[4] IBID.
[5] https://www.rand.org/pubs/research_reports/RRA3743-1.html
[6] https://www.rand.org/pubs/research_reports/RRA3743-1.html

more predictable timelines and lower development costs, further constraining housing production in California.

SB 743 and VMT: CEQA requires cities, counties, and other public agencies to evaluate whether a project may have a significant impact on the environment, including transportation-related impacts. Historically, these impacts were assessed by examining whether a project would cause automobile delay at intersections or congestion on nearby roadway segments, typically measured using Level of Service (LOS).

SB 743 (Steinberg), Chapter 386, Statutes of 2013, directed changes to the CEQA Guidelines for evaluating transportation impacts, shifting CEQA analysis away from automobile delay or LOS and toward VMT. CEQA Guidelines section 15064.3 provides that VMT is generally the most appropriate measure of transportation impacts and defines VMT as the amount and distance of automobile travel attributable to a project. Beginning July 1, 2020, the VMT provisions applied statewide, and automobile delay, as measured solely by LOS or similar congestion metrics, generally no longer constitutes a significant environmental impact under CEQA. A project that exceeds an applicable VMT threshold may have a significant transportation impact, and significant impacts must be mitigated or avoided when feasible. Before the statewide implementation date, local agencies had the option to begin using VMT, and LCI noted that cities representing nearly one-fifth of California's population had already done so. VMT mitigation may include a range of strategies, including transit passes, bicycle and pedestrian infrastructure, and transportation demand management programs. In some jurisdictions, developers may also have the option to pay into a VMT mitigation fee or program as a mitigation strategy.

Some Councils of Governments (COGs) have adopted, or are developing, regional programs to address VMT impacts and invest in infill housing development. For example, the Western Riverside Council of Governments has explored a program in partnership with local agencies, including the housing authority, to fund VMT-reducing activities. According to materials presented in a California Association COG webinar, these programs may treat certain affordable housing investments, particularly those located in lower-VMT areas, as a form of VMT mitigation, in some cases comparing their effectiveness or cost-efficiency to other strategies such as transit subsidies or bicycle infrastructure. The Housing Authority of the County of Riverside has identified multiple affordable housing projects with partial funding that could potentially be advanced with additional gap financing, and VMT mitigation funds may be one potential source of funding for such projects.

TOD Affordable Housing Development and VMT: A 2014 analysis of data from Caltrans' California Household Travel Survey (CHTS) by Transform and the California Housing Partnership provides empirical support for the nexus between TOD affordable housing and VMT reduction.[7] The analysis identified over 36,000 surveyed households and divided them into five income groups across three location types defined by proximity to transit. The study found that lower-income households drive 25–30% fewer miles when living within one-half mile of transit compared to those in non-TOD areas, and when living within one-quarter mile of frequent transit (HCD's definition of TOD), they drove nearly 50% less. Higher-income households drive more than twice as many miles and own more than twice as many vehicles as extremely low-income

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[7] Transform and California Housing Partnership Corporation, *Why Creating and Preserving Affordable Homes Near Transit Is a Highly Effective Climate Protection Strategy* (May 2014)

households living within one-quarter mile of frequent transit, indicating that affordable housing near transit produces greater per-unit VMT reductions than market-rate TOD. Within HCD-defined TOD areas, all income groups own cars at a rate at least 30% lower than in non-TOD areas, with extremely low-income households averaging only 0.70 vehicles per household compared to 1.65 for higher-income households.

The VMT reductions associated with affordable housing TOD translate into long-term greenhouse gas benefits. The average difference in daily VMT for extremely low-income and very low-income households in HCD-defined TOD areas versus non-TOD areas is 19.25 VMT per day, or 7,026 VMT annually. While this study is now a decade old and vehicle ownership patterns, transit service levels, and travel behavior continue to evolve, it provides a window into the mechanisms by which affordable TOD can reduce VMT and GHG emissions.

TOD Program and TDIF: Existing law establishes the TOD Program, administered by HCD, to support the development of higher-density, VMT-efficient affordable housing and related infrastructure near transit. The program provides gap financing for affordable housing developments located in proximity to transit, as well as grants for the infrastructure necessary to support those developments, including improvements that enhance transit access and increase transit ridership. Eligible applicants include local governments, transit agencies, developers, and tribal entities.

Recent statutory changes enacted by AB 130 (Committee on Budget), Chapter 22, Statutes of 2025, expand the role of the TDIF by integrating it into CEQA VMT mitigation. Under this framework, if a lead agency determines that a project will have a significant transportation impact, the lead agency may mitigate the transportation impact to a less than significant level by helping to fund or otherwise facilitating VMT-efficient affordable housing or related infrastructure projects. Functionally, this means project proponents may be required, by the lead agency, to pay into the TDIF as a VMT mitigation measure. The statute does not preclude the lead agency from using or requiring other VMT mitigation strategies, including transportation demand management, transit improvements, active transportation infrastructure, road diets, or local or regional mitigation banks and exchanges. AB 130 just added the TDIF as an option for VMT mitigation.

Moneys may be deposited into the TDIF beginning on or before July 1, 2026, and are available, upon appropriation by the Legislature, to HCD for the purpose of funding affordable housing or related infrastructure projects through the TOD Program. AB 130 establishes a priority order for the use of these funds, prioritizing projects in location-efficient areas within the same region as the impacting project, followed by other projects within the same region, and then certain location-efficient projects in adjacent regions. LCI is required to issue guidance establishing, among other things, the methodology for determining TDIF contribution amounts, defining location-efficient areas, validating mitigation contributions, and estimating VMT reductions associated with funded projects. The concept of this TDIF structure was originally proposed as a standalone policy in AB 1244 (Wicks, 2025) and was later incorporated into AB 130 in an amended form.

As reflected in HCD's 2026 draft guidelines, released on April 8, 2026, TOD Program funding is awarded to "mitigating projects" that must include an affordable housing component and may

include related infrastructure improvements.[8] Eligible projects must generally be located in transit-accessible or "location-efficient" areas, meet minimum density and affordability requirements, and demonstrate that the project is financially infeasible without program assistance. Funding is typically structured as low- or no-interest loans for housing developments and grants for infrastructure, with long-term affordability restrictions (generally 55 years) imposed on assisted units.

LCI released its draft TDIF guidance for public comment in April 2026, providing the proposed framework for implementing AB 130's TDIF.[9] The draft guidance outlines the methodology required by statute, including how TDIF contribution amounts would be calculated, how "location-efficient areas" would be defined, and how VMT reductions associated with funded projects would be estimated and validated. It also describes the overall program structure, including the process by which a lead agency determines a significant transportation impact, the "impacting project" elects to use the program subject to lead agency approval, a contribution is calculated and deposited into the TDIF, and HCD subsequently awards those funds to qualifying affordable housing or related infrastructure projects. A December 2025 announcement from LCI provided that the rollout of these measures would be implemented in phases, beginning with publicly funded projects.[10]

TDIF as VMT Mitigation Reactions: The enactment of the TDIF as a VMT-mitigation option through AB 130 faced vocal pushback, particularly from segments of the development community concerned about cost, feasibility, and legal uncertainty. During budget negotiations, developer groups, including the California Building Industry Association, opposed the proposal, warning that a VMT mitigation fee imposed at the discretion of local agencies could add tens of thousands of dollars to the cost of new homes. These concerns appear to be especially acute among greenfield and master-planned community developers, whose developments are more likely to generate significant VMT impacts and may have fewer feasible on-site mitigation options. While AB 130 does not create a new obligation to mitigate those impacts, it establishes a new, standardized pathway for doing so through contributions to the TDIF. As a result, developers have raised concerns that the policy could translate into more consistent and quantifiable mitigation costs, particularly for projects in suburban and rural areas.

At the same time, supporters (including environmental and affordable housing advocates) note that the framework could provide a more standardized, CEQA-compliant mitigation option and expand the range of feasible strategies for addressing VMT impacts, an issue that has proven legally and technically challenging for many lead agencies. Supporters also argue that the program aligns transportation mitigation with broader state climate and housing goals by directing mitigation funding toward VMT-efficient affordable housing in transit-accessible areas, rather than relying solely on traditional transportation improvements. In this view, the program allows affordable housing production itself, particularly in infill, transit-oriented locations, to function as a form of climate mitigation, while also helping to close persistent financing gaps for affordable housing developments that might not otherwise be built.

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[8] Department of Housing and Community Development, *Transit-Oriented Development Program 2026 Draft Guidelines*, released April 8, 2026.
[9] Office of Land Use and Climate Innovation, *DRAFT AB 130 Statewide Vehicle Miles Traveled (VMT) Mitigation Program Guidance*, Released April 2026.
[10] https://lci.ca.gov/news/2025/12-30.html

This Bill: This bill provides that a lead agency for a land use project can only require the applicant to contribute to the TDIF as a VMT mitigation measure if both of the following conditions are met:

1) The cost of the VMT reductions established by LCI is equal to, or less than, the cost of any other VMT mitigation measures required for the project by the lead agency. If a contribution to the TDIF is the only VMT mitigation measure that the lead agency requires for the project, it must be the least cost mitigation option that is feasible; and

2) HCD and LCI have validated VMT reductions attributable to affordable housing development or associated infrastructure funded through the TDIF, based on reductions demonstrated through contributions to the TDIF from transportation projects.

In effect, this bill conditions the use of the TDIF as a required VMT mitigation measure on both comparative cost and demonstrated VMT reduction performance, which may limit when lead agencies can rely on the fund to mitigate a land use project's VMT impacts. This bill was substantially amended in the Committee on Natural Resources. As introduced, it would have stipulated that a contribution made pursuant to the TDIF, in the amount determined consistent with LCI's guidance, is a full and complete mitigation for that portion of the project's significant transportation impact and a legally sufficient mitigation measure under CEQA.

Policy Considerations: This bill raises policy considerations about how best to balance cost, flexibility, and effectiveness in mitigating the impacts of VMT under CEQA. Under existing law, lead agencies have discretion to select among a range of mitigation strategies, provided those measures are feasible, supported by substantial evidence, and reasonably related to the project's impacts. By limiting required contributions to the TDIF to circumstances where the contribution is no more expensive than other feasible mitigation measures, this bill would make comparative cost a condition for using that mitigation pathway. Supporters argue that this approach helps ensure that VMT mitigation strategies remain cost-effective and do not unnecessarily increase the cost of housing production, noting that even relatively small cost increases can affect a housing development's financial feasibility and resulting affordability.

Opponents contend that focusing primarily on cost could limit the ability of lead agencies to select mitigation strategies that provide longer-term or more durable environmental benefits. In particular, they note that VMT-reducing affordable housing in transit-accessible locations may offer sustained reductions in vehicle travel over time, which may not be fully captured through a simple cost comparison. They also raise concerns that the bill could constrain the use of the TDIF, which was established to link CEQA mitigation with affordable housing production, and thereby reduce the program's potential to advance both climate and housing goals.

While this bill seeks to provide greater predictability and certainty to developers, in addition to controlling construction costs, it may also impact how frequently the fund is used as a mitigation pathway relative to other strategies, which could have implications for both VMT mitigation outcomes and the availability of funding for affordable housing and related infrastructure in location-efficient areas. Proponents argue that the increased cost-certainty that this bill would provide, and the guaranteed similar, if not lower, costs to use the TDIF as a VMT mitigation measure, will make the TDIF attractive to developers. Opponents maintain that the statutory price ceiling limits the TDIF's viability before the program has even been implemented.

More broadly, the Committee may wish to consider how this bill aligns with the state's housing and climate policy goals. The Statewide Housing Plan identifies reducing VMT and directing new housing to existing, infill, and transit-accessible communities as a core strategy for mitigating climate change. To the extent that VMT mitigation requirements increase costs for higher-VMT, greenfield projects, they may function as a policy tool that discourages sprawl and reinforces these state objectives. By prioritizing lower-cost mitigation options, this bill could reduce those cost differentials, potentially weakening incentives to site housing in lower-VMT locations and shifting development toward areas with higher baseline vehicle miles traveled. The Committee may wish to consider these policy tradeoffs in the context of the state's broader housing production challenges and severe housing deficit. Housing development in California remains among the most expensive in the nation, driven in part by high labor and materials costs, financing constraints, and lengthy and uncertain approval timelines. These conditions can make projects difficult to finance, particularly in the early stages, and may discourage investment in new housing construction. In this context, efforts proposed by this bill to improve cost predictability and reduce financial risk may support sustained housing production. However, they could also limit the range of mitigation strategies that local agencies are able to require, potentially reducing their flexibility to rely on the TDIF as a mitigation tool.

Lastly, this bill raises questions about the clarity of the existing requirements of LCI and HCD, and efforts currently underway by those departments, when it comes to the use of the TDIF as a VMT mitigation measure. Supporters assert that the language requiring validation of VMT reductions by the state on transportation projects before contributions are imposed will help ensure that the program is grounded in demonstrated outcomes and provides a legally defensible VMT mitigation pathway. Opponents, however, argue that similar validation and guidance requirements already exist in statute and in LCI's current program implementation efforts,[11] and that adding additional statutory conditions may be duplicative of existing law and executive branch efforts currently underway.

Arguments in Support: The California Building Industry Association, the bill sponsor, and a broad coalition of 26 building industry associations, chambers of commerce, and other organizations write in support: "AB 2552 is intended to ensure that California's new statewide Vehicle Miles Traveled (VMT) Mitigation Program actually helps reduce emissions without driving up the cost of new housing.

The bill would provide that a lead agency may require a housing project to use the statewide mitigation option only if that option costs no more than other available mitigation measures. It also requires the state to validate that the program is producing real VMT reductions before its use can be imposed on land use projects, helping ensure the program is grounded in demonstrated results rather than assumption alone.

That matters because even modest cost increases can put housing further out of reach for California's working families. A $1,000 increase prices out 11,302 California households. AB 2552 is designed to prevent this new mitigation pathway from becoming an expensive mandate on housing production and instead ensure it remains a workable, cost-effective option that supports both climate goals and housing affordability."

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[11] https://lci.ca.gov/news/2025/12-30.html

Arguments in Opposition: Housing California, the Planning & Conservation League, the California Housing Partnership, Enterprise Community Partners, and Transform write in opposition: "By only allowing a CEQA lead agency to require a project developer to contribute to the TDIF if it is less costly than the cost of other VMT mitigation measures, AB 2552 elevates cost as a singular threshold requirement, even though CEQA provides lead agencies flexibility to evaluate mitigation strategies based on multiple factors, including feasibility, effectiveness, durability, and proportionality - not just cost alone. That flexibility is essential, as agencies often rely on a mix of mitigation strategies, and cost cannot be meaningfully assessed without a clear basis for comparison and without being required to consider the duration of the mitigation relative to a project's significant transportation impacts.

AB 2552 is also inconsistent with a core principle of existing mitigation practices under CEQA: that lead agencies should be able to *choose* the VMT mitigation strategies that best fit project and community needs (among which affordable housing often ranks high). By constraining this flexibility, AB 2552 would limit the use of a proven mitigation strategy and undermine the program's ability to deliver affordable housing and climate benefits. By imposing a new undefined standard, the bill reduces the ability of lead agencies to select mitigation options that effectively and durably address environmental impacts."

Related Legislation

AB 130 (Committee on Budget), Chapter 22, Statutes of 2025, expanded the role of the TDIF by integrating it into CEQA transportation mitigation.

AB 1244 (Wicks) of 2025 introduced the concept of this TDIF for VMT mitigation structure, which was later incorporated into AB 130 in an amended form.

SB 743 (Steinberg), Chapter 386, Statutes of 2013, directed changes to the CEQA Guidelines for evaluating transportation impacts, shifting CEQA analysis away from automobile delay or LOS and toward VMT.

Double-Referred: This bill was also referred to the Committee on Natural Resources, where it passed with a vote of 13-0 on April 13, 2026.

REGISTERED SUPPORT / OPPOSITION:

Support

California Building Industry Association (Sponsor)
American Council of Engineering Companies
Apartment Association of Greater Los Angeles
Boma California
Building Industry Association of Fresno and Madera Counties
Building Industry Association of the Bay Area
Building Industry Association of Tulare/kings County
California Apartment Association
California Association of Realtors
California Business Properties Association
California Business Roundtable
California Chamber of Commerce

California Council for Affordable Housing
California Hotel & Lodging Association
Carlsbad Chamber of Commerce
Central Valley Taxpayers Association
Downtown San Diego Partnership
Family Business Association of California
Home Builders Association of Kern County
Inland Empire Economic Partnership
NAIOP of California
National Association of Royalty Owners - California
North State Building Industry Association
Orange County Business Council
Sacramento Metro Chamber of Commerce
San Diego Regional Chamber of Commerce
Simi Valley Chamber of Commerce
The Two Hundred for Homeownership
United Chamber Advocacy Network Ucan

Opposition

California Housing Partnership Corporation
Enterprise Community Partners
Housing California
Planning and Conservation League
Transform

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

Date of Hearing: April 29, 2026

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
AB 2689 (Ávila Farías) – As Amended April 6, 2026

SUBJECT: Low-income housing tax credits: lease nonrenewal: good cause

SUMMARY: Provides for the Low Income Housing Tax Credit (LIHTC) program, for any low income building that is subject to an enforceable regulatory agreement with a government entity, good cause for a nonrenewal of a lease includes when both a household's income exceeds 140% of the area median income (AMI) for at least two years and the 30% of the households monthly income exceeds the fair market rent for the county in which the unit is located.

EXISTING LAW:

1) Authorizers, under the tax on the gross premiums of insurers, the personal income tax (PIT) Law, and the corporate tax (CT) Law, a state LIHTC that is calculated in partial conformity with the federal LIHTC and may only be claimed over a period of four years. (Revenue and Taxation Code (R&TC) Sections 12206, 17058, and 23610.5.)

2) Allocates $70 million on an ongoing basis to the TCAC for the purposes of administering the LIHTC and adjusts this amount for inflation beginning in the 2002 calendar year, plus any unused amounts for the preceding calendar year and any amount returned in the calendar year. (R&TC Sections 12206, 17058, and 23620.5.)

3) Provides that an owner of a property financed using LIHTCs shall continue to be treated as occupied by a lower income household for purposes of the property tax welfare exemption if the occupants qualified as lower income (80% or less of AMI) when they first occupied the unit even if their income increases to 140% of AMI, adjusted for family size. However, the unit shall cease to be treated as a lower income unit if the income of the occupants of the unit increases above 140% of AMI, adjusted for family size. (R&TC 214)

FISCAL EFFECT: Unknown. This bill has been keyed non-fiscal by the Legislative Counsel.

COMMENTS:

Author's Statement: According to the author, "Millions of Californians struggle to find and afford housing. However, the demand far outweighs the supply. Waitlists for public housing or federal housing voucher units can be extensive, with families often waiting months and even years before there is an open unit. Furthermore, current law does not provide a transition for tenants in deed-restricted units who begin to earn significantly more in annual income. AB 2689 creates metrics for affordable housing managers to transition higher income tenants out of units intended for the low-income families. This bill would establish that good cause for nonrenewal of a lease where the nonrenewal relates to a household whose income exceeds 140% of the area median income for at least 2 consecutive years and 30% of the household's monthly income exceeds the fair market rent for the county where they reside. This in return would allow 100% affordable housing managers to transition higher income tenants out of units intended for the low-income families. This bill is about providing a fair, dignified process for affordable housing managers to transition units from over-income tenants to families who desperately need them."

Affordable Housing Need: According to the California Housing Partnership, California funded upwards of 23,000 new affordable homes in 2025, yet the state is only funding 20% of what is needed to meet its goals. Renters need to earn 2.8 times the state minimum wage to afford average asking rent in California, which increased by 1.8% from last year. Seventy-nine percent of extremely low-income (ELI) renter households pay more than half of their income on housing costs compared to 6% of moderate-income renter households. The U.S Department of Housing and Urban Development considers housing to be affordable when a household spends 30% or less of its income on housing costs. For households that spend more than that, are considered "rent burdened."

Vacancy Rates: Low vacancy rates contribute to the challenges for both lower income and moderate-income households finding housing that is affordable. The California Housing Partnership found that lower income households face more significant challenges in finding available units in areas with low vacancy rates, but median income households are also impacted. Extremely low-income households (earning 30% or less of AMI) cannot afford the average rent in any county in the state and lower-income households (60% AMI) can only afford average rents in 18 counties. The California Housing Partnership analyzed vacancy rates in all California counties and found that median-income households (100% AMI) face substantial accessibility challenges—with an average statewide two-bedroom vacancy rate of 4.95% for apartments with asking rents affordable to households making between 80% and 100% AMI, 41 of 58 counties experience vacancy rates below 5%.

LIHTC: In 1986, the federal government authorized the LIHTC program to enable affordable housing developers to raise private capital through the sale of tax credits to investors. Two types of federal tax credits are available and are generally referred to as 9% and 4% credits. TCAC administers the program and awards credits to qualified developers who can then sell those credits to private investors who use the credits to reduce their federal tax liability. The developer in turn invests the capital into the affordable housing project.

Each state receives an annual ceiling of 9% federal tax credits. Federal LIHTCs are oversubscribed by a 3:1 ratio. Unlike 9% LIHTC, federal 4% tax credits are not capped; however, they must be used in conjunction with tax-exempt private activity bonds (PABs) which are capped and are administered by the California Debt Limit Allocation Committee (CDLAC). In 1987, the Legislature authorized a state LIHTC program to augment the federal tax credit program. Projects that receive either state or federal tax credits are required to maintain the housing at affordable levels for 55 years. Statute authorizes $70 million in state tax credits each year, which has been annually adjusted for inflation and now hovers around $100 million each year.

In 2019, AB 101 (Committee on Budget), Chapter 159, provided an additional $500 million in state LIHTCs. When the additional $500 million was first made available, the federal tax-exempt bond ceiling of approximately $4 billion had not yet been reached. The additional $500 million was coupled with PABs and the 4% credit, in part, to encourage developers to fully utilize any remaining federal PABs that were unused. After the $500 million was made available, 4% credit applications increased significantly and the bonds became oversubscribed. As a result, CDLAC instituted a competitive process for awarding PABs.

In 2025, H.R.1 lowered the PAB financing threshold from 50% to 25% of land and building costs. Due to this change, affordable housing developments financed with PABs issued after

Dec. 31, 2025, qualify for 4% LIHTCs with much fewer bonds than before. As a result, the PABs and 4% LIHTC will be able to stretch much further than in the past. To fully leverage this change, the state will need additional gap financing to pair with these PABS and credits. Estimates suggest that the state may be able to double our affordable housing production, from 20,000 to 40,000 units, with the additional bond cap.

Property Tax Welfare Exemption: Article XIII, Section 4(b) of the California Constitution authorizes the Legislature to exempt property used exclusively for religious, hospital, or charitable purposes, as specified, from taxation. The Legislature has implemented this "welfare exemption" in R&TC Section 214. AB 2144 (Filante), Statutes of 1989 amended R&TC Section 214 to specifically exempt low-income housing developments operated by non-profit organizations. As noted in the Senate Revenue and Taxation Committee analysis, AB 2144's proponents argued that the property tax funds then being paid "could better be used in furtherance of the goals of providing low-income housing." Generally, to qualify for the welfare exemption, the law requires that the rental housing be financed with specified tax-exempt bonds, government loans, or grants, or that the property's owner receives LIHTC under IRC Section 42. The welfare exemption extends to "units serving lower income households." To qualify, the State Board of Equalization has noted that a unit must be occupied by a lower income household (with a maximum income of 80% AMI).

In 2017, AB 1193 (Gloria), Chapter 756, Statutes of 2017 provided that, in cases where a property owner is eligible for the LIHTC, a unit shall continue to be treated as occupied by a lower income household if the occupants was lower income on the lien date in the fiscal year in which occupancy began and the unit continues to be rent restricted, notwithstanding an increase in the income of the occupants to 140% of AMI. However, under AB 1193, if the occupants' income increases over this threshold, the unit ceases to be treated as a lower income unit. This law was designed to provide income flexibility roughly in line with federal law governing the LIHTC.

Income Qualifying: The average income of a LIHTC project is 60% of AMI. To qualify for a LIHTC unit, tenants must income-qualify when first renting the unit. There are no federal tax laws limiting how much a tenant's income can increase once they are in a LIHTC unit. In addition, a developer can receive the property tax welfare exemption on any units where the tenant's income when first occupying the unit was 80% of AMI or less. State law allows a property owner to continue to receive the welfare exemption until the tenant's income reaches 140% of AMI. Once a tenant's income exceeds 140% of AMI, a property owner can no longer receive the property tax welfare exemption. There are no financial penalties in federal tax law governing LIHTC if a tenant's income exceeds 140% of AMI.

In a LIHTC project where there is a mix of lower income units and market rate units, federal law dictates the "The Available Unit Rule" (Rule). Under the Rule, a property owner is required to maintain the level of affordability agreed to receive the LIHTC. If development is required to have 20% of the unit's deed restricted to lower income units and a tenant in a deed-restricted units income exceeds 140% of AMI, the property owner must move that person to a market rate unit when one is available and replace the lower income unit with an income qualified tenant. In developments that are 100% affordable, developers cannot move tenants because all of the units are deed restricted to lower-income and a property owner cannot raise the rent if the tenant's income exceeds 140% of AMI because the unit is deed restricted to lower income. As a result,

the property owner loses the property tax welfare exemption on that unit, subsidy that is needed to support the operation on the development because the rents are below market rent.

This bill would give a developer the option to not renew a tenant's lease if, for two years, their income exceeds 140% of AMI and they can rent a unit in the county in which they live and only pay 30% of their income toward rent. Housing costs are considered affordable if an individual pays 30% of their income toward the cost of housing. This policy would give property owners the option to fill a deed restricted lower income unit with an income qualified tenant, only if an existing tenant's income has grown to above moderate income and renting a unit in the private market allows them to continue to keep their housing costs at an affordable level. The intent of this bill is to ensure that scarce, state-subsidized units are made available to tenants who are lower-income, while ensuring that tenants whose incomes grow to more than triple the income required to initially qualify for a lower income unit are not displaced in high-cost markets. Tenants whose income grows to 140% of AMI would only have their leases not renewed if they could afford fair market rent, while paying 30% toward their rent. This ensures that tenants' house costs remain affordable. The Committee may wish to consider adding a notice requirement to the bill so that when tenants' income reaches 140% of AMI, they are notified and can begin preparing for a market rate rental, including saving up for a security deposit and any other moving expenses.

Arguments in Support: None on file.

Arguments in Opposition: None on file.

Committee Amendments: The Committee may wish to consider adding a notice requirement to the bill for tenants whose income exceeds 140% of AMI.

(b) If, during any income certification, the household's income exceeds 140 percent of the area median income, the owner shall provide the household with written notice of the household's income threshold exceedance within 30 days of the certification and include a statement that the household's income exceeds 140 percent of the area median income and that if the household's income exceeds 140 percent of the area median income for two consecutive years, and if 30 percent of the household's monthly income exceeds the fair market rent, the owner may have good cause for nonrenewal of the lease pursuant to this section.

(c) If paragraphs (1) and (2) of subdivision (b) are satisfied and the owner elects to not renew the lease pursuant to this section, the owner shall issue a Notice of Nonrenewal at least 90 days prior to the expiration of the lease term and include a citation to this section as the basis for nonrenewal and a statement that the nonrenewal is for good cause because the household's income has exceeded 140 percent of the area median income for two consecutive years and 30 percent of the household's monthly income exceeds the fair market rent for the county.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

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