

Date of Hearing: April 9, 2025

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Juan Carrillo, Chair

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

**SUBJECT:** Planning and zoning: annual report: rehabilitated units

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

- 1) Updates an outdated reference to the Governor’s Office of Land Use and Climate Innovation (LCI).
- 2) Allows a local government to include the number of units of existing deed-restricted affordable housing with an average affordability no greater than 45% of area median income (AMI) that are at least 15 years old and have been substantially rehabilitated with at least \$60,000 per unit in funds awarded from the city or, for unincorporated areas, the county, inclusive of forgiveness of principal or interest on existing debt in its annual report to LCI and the Department of Housing and Community Development (HCD).
  - a) Provides that units eligible to be included in the APR shall not be considered to meet determining affordability requirements for purposes of an application for a streamlined, ministerial approval process established by SB 35 (Wiener) Chapter 366, Statutes of 2017.

**EXISTING LAW:**

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

collaborative land use planning of adjacent civilian and military lands, consultation with Native American tribes, and road and highway safety;

- g) A listing of sites rezoned to accommodate that portion of the city or county's share of the RHNA for each income level that could not be accommodated on sites identified in the housing element's site inventory and any sites that may have been required to be identified under the No Net Loss Zoning law;
  - h) The number of housing units demolished and new units of housing, including both rental housing and for-sale housing, that have been issued a completed entitlement, a building permit, or a certificate of occupancy, thus far in the housing element cycle, and the income category by AMI that each housing unit satisfies;
  - i) Certain information regarding funding that may have been allocated via the Local Government Planning Support Grants Program;
  - j) The progress of the city or county in adopting or amending its general plan or local open-space element in compliance with its obligations to consult with California Native American tribes and to identify and protect, preserve, and mitigate impacts to tribal places, features, and objects;
  - k) Specified information related to density bonus law applications, including the number of units in a student housing development for lower income students for which the developer was granted a student housing density bonus;
  - l) Specified information related to Affordable Housing and High Road Jobs Act of 2022 applications; and
  - m) A list of all historic designations listed on the National Register of Historic Places, the California Register of Historic Resources, or a local register of historic places by the city or county in the past year, and the status of any housing development projects proposed for the new historic designations. [Government Code (GOV) § 65400(a)(2)(A)-(N)]
- 2) Requires HCD to post APR reports on its website within a reasonable time of receiving the reports. [GOV § 65400(c)]
- 3) Authorizes local agency zoning and permit fees to include costs reasonably necessary to prepare and revise the plans and policies that a local agency is required to adopt before it can make any necessary findings and determinations. (GOV § 66014)

**FISCAL EFFECT:** This bill is keyed fiscal.

**COMMENTS:**

- 1) **Bill Summary.** This bill allows a local government to include in its APR the number of rehabilitated affordable housing units that have received at least \$60,000 per unit in funds from the local government.

This bill is sponsored by the California Housing Consortium and the California Housing Partnership.

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

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

"AB 726 incentivizes local governments to invest in the rehabilitation of deeply-affordable housing by allowing them to receive housing element credit for doing so. This bill addresses the need to preserve existing affordable housing stock that is deteriorating due to rents being too low to cover long-term repairs, and it prevents the potential loss of these vital units. AB 726 will ensure local governments can meet their housing obligations while addressing the urgent need to maintain deeply-affordable housing."

- 3) **General Plan.** A general plan serves as a local government's blueprint for long-term growth and development, outlining policies and goals to shape the community's future. Required by state law, every city and county in California must adopt a general plan that addresses key planning topics, known as elements. At a minimum, these include land use, circulation, housing, conservation, open space, noise, and safety. The general plan provides a foundation for zoning regulations, infrastructure investments, and public services, ensuring that development aligns with both local priorities and state requirements.

According to state law, "The general plan shall consist of a statement of development policies and shall include a diagram or diagrams and text setting forth objectives, principles, standards, and plan proposals" (GOV § 65302). As communities evolve, general plans are periodically updated to reflect changing demographics, economic conditions, and environmental factors, making them a critical tool for sustainable and equitable development.

While state law mandates that general plans cover specific topics, cities and counties have broad discretion in their structure, content, and level of detail. General plans range from 200 to over 2,000 pages and vary significantly based on local conditions and priorities. This flexibility reflects the Legislature's recognition that "the diversity of the state's communities and their residents requires planning agencies and legislative bodies to implement (general plan law) in ways that accommodate local conditions and circumstances, while meeting its minimum requirements" (GOV § 65300.7).

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

not adopt a compliant housing element within 120 days from their statutory deadline also must complete any rezones within one year of their deadline, rather than the three years afforded to on-time adopters.

Among other things, the housing element must demonstrate how the community plans to accommodate its share of its RHNA which is a figure determined by HCD through a demographic analysis of housing needs and population projections. HCD establishes its determination of each COG's regional housing targets across the state for the next five- or eight-year planning cycle. Each COG (or in some areas, HCD acting directly as COG) then sub-allocates the RHNA to each local government within the COG's jurisdiction, and in turn each jurisdiction uses its housing element to show how it will accommodate that number of new housing units, split out by income level and with a focus on certain special needs housing types and on affirmatively furthering fair housing.

It is critical that local jurisdictions adopt legally compliant housing elements on time in order to meet statewide housing goals and create the environment for the successful construction of desperately needed housing at all income levels. Unless communities plan for production and preservation of affordable housing, new housing will be slow or extremely difficult to build.

Adequate zoning, removal of regulatory barriers, protection of existing stock and targeting of resources are essential to obtaining a sufficient permanent supply of housing affordable to all economic segments of the community. Although not requiring the community to develop the housing, housing element law requires the community to plan for housing. Recognizing that local governments may lack adequate resources to house all those in need, the law nevertheless mandates that the community do all that it can and not engage in exclusionary zoning practices.

- 5) **Planning for Housing and Tracking Outcomes.** Each year, the local government's planning agency must submit an APR to HCD and LCI that documents the jurisdiction's progress towards meeting its general plan goals, including the implementation of its housing element and progress towards meeting its RHNA. Current law requires all local jurisdictions to include the following information from the current housing element cycle in its APR:
- a) The number of housing development applications received, and whether those applications are subject to ministerial or discretionary approval;
  - b) The number of units included in all development applications;
  - c) The number of units approved and disapproved;
  - d) For each income category, the number of net new units of housing, including both rental housing and for-sale housing, that have been issued a completed entitlement, a building permit, or a certificate of occupancy;
  - e) A unique site identifier (such as assessor's parcel number) for each entitlement, building permit, or certificate of occupancy; and
  - f) The overall progress in meeting its share of regional housing needs.

APRs are an important tool for both local governments and the state, as both parties can rely on them to track progress in implementing the housing policy in their housing element, as well as to track outcomes. They also help highlight implementation challenges that may require technical assistance or other support from HCD. Additionally, APRs are important for informing statewide housing policy. The APRs provide the data that, aggregated across all of the state's cities and counties, convey the amount, type, location, and affordability of housing produced in California.

- 6) **Show Me the Money!** In 2002, the Legislature changed state law to allow development fees to include “costs reasonably necessary to prepare and revise the plans and policies that a local agency is required to adopt before it can make any necessary findings and determinations” (AB 2936 (Aroner), Chapter 963, Statutes of 2002). It is important to note that as more is added into preparing the general plan, the housing element, or the APR, a local government may need to increase staff and acquire additional resources. By allowing a local government to add data to its APR, a local government is empowered to weigh the demands of their budget and consider pathways to meet policy goals in ways that consider the local governments’ current and projected workload and staffing levels. In contrast, imposing additional requirements to the planning process, including the APR, may prompt a local government to consider raising development fees to increase staffing and resources in order to comply with state law. This bill allows, instead of requiring, a local agency to provide data on rehabilitated units in their APR.
- 7) **Related Legislation.** AB 670 (Quirk-Silva) makes changes to the information that local governments must report in their APR each year regarding demolished and replacement units, and allows local governments to report the number of units in an existing multifamily building that were converted to affordable housing, as specified, for up to 25% of a jurisdiction’s RHNA for lower income units. This bill is currently in the Assembly Local Government Committee.

AB 1131 (Ta) authorizes a planning agency to include in the APR the number of units approved for congregate care for the elderly at or below 100% of the area median income, as defined. This bill is in the Assembly Housing and Community Development Committee.

SB 681 (Wahab) requires a city or county that has a local density bonus ordinance to submit as part of their annual report a copy of the text of that ordinance. This bill is in the Senate Housing Committee.

SB 733 (Wahab) requires a local agency to identify in its APR the number of low barrier navigation centers permitted as a use by right. This bill is in the Senate Appropriations Committee.

- 8) **Previous Legislation.** SB 721 (Becker) of 2024 would have required a local jurisdiction to include in its APR the number of new and demolished “suite-style student housing quarters,” and would have allowed a local jurisdiction to count these units towards meeting its RHNA. This bill was held in the Assembly Appropriations Committee.

AB 2653 (Santiago), Chapter 657, Statutes of 2022, authorized HCD to reject the housing element portion of a planning agency's APR if the report is not in substantial compliance with the law.

AB 2094 (Rivas), Chapter 649, Statutes of 2022, required cities to include progress towards meeting their share of regional housing needs for extremely low-income households in their APR submitted to the HCD.

AB 787 (Gabriel), Chapter 350, Statutes of 2021, authorized cities and counties to receive credit towards their RHNA for the conversion of above moderate-income units to moderate-income units.

AB 2936 (Aroner), Chapter 963, Statutes of 2002, authorized local agency zoning and permit fees to include costs reasonably necessary to prepare and revise the plans and policies that a local agency is required to adopt before it can make any necessary findings and determinations.

- 9) **Arguments in Support.** The California Housing Consortium and the California Housing Partnership write in support, “California faces a looming crisis. A significant portion of the affordable housing stock built prior to the 2000s is in need of critical repairs. Rents in these developments, intentionally set at deeply-affordable levels, struggle to cover basic operating expenses, leaving no reserves for long-term repairs. The only funding source developed to address this need is the Portfolio Reinvestment Program (PRP) from the Department of Housing and Community Development (HCD), which was funded at low levels during the last surplus but has since run out of money. Without intervention, these properties will continue to deteriorate, risking the permanent loss of deeply-targeted affordable housing. This situation demands urgent action, and AB 726 offers a timely solution...

“...By allowing cities and counties to receive Housing Element credit for substantial rehabilitation of deeply-targeted affordable housing, this bill directly incentivizes local investment in these at-risk properties. Granting Housing Element credit for rehabilitation purposes will encourage local governments to dedicate resources to preserving existing affordable housing, alongside new construction.”

- 10) **Arguments in Opposition.** None on file.

- 11) **Double-Referral.** This bill is double-referred to the Assembly Housing and Community Development Committee, where it passed on a 10-0-1 vote on March 26, 2025.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

California Housing Consortium (Co-Sponsor)  
 California Housing Partnership (Co-Sponsor)  
 Housing California  
 League of California Cities  
 National Community Renaissance  
 Resources for Community Development  
 Southern California Association of Nonprofit Housing  
 Supportive Housing Alliance

**Opposition**

None on file.

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