

Date of Hearing: April 30, 2025

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Juan Carrillo, Chair

AB 507 (Haney) – As Introduced February 10, 2025

**SUBJECT:** Adaptive reuse: streamlining: incentives.

**SUMMARY:** Establishes the Office to Housing Conversion Act. Specifically, **this bill:**

1) Defines the following terms:

- a) "Adaptive reuse investment incentive funds" to mean an amount up to or equal to the amount of ad valorem property tax revenue allocated to a participating local agency, excluding specified revenue transfers, from the taxation of that portion of the total assessed value of the real and personal property of an adaptive reuse project property that is in excess of the qualified adaptive reuse project property's valuation at the time of the proponent's initial request for funding.
- b) "Program" to mean a city or county incentive funding program for adaptive reuse, as established in this bill.
- c) "Proponent" to mean the party or parties that meet all of the following criteria:
  - i) The party is named in the application for a permit to construct a qualified adaptive reuse project submitted to the city or county.
  - ii) The party will be the fee owner of the qualified adaptive reuse project property upon completion of that development.
- d) "Qualified adaptive reuse project property" means an adaptive reuse project proposed pursuant to this bill that is located within the city or county.

- 2) Specifies that, if a proponent that is receiving adaptive reuse investment incentive amounts subsequently leases the qualified adaptive reuse project property to another party, the lease may provide for the payment to that lessee of any portion of adaptive reuse investment incentive funds. A lessee that receives any portion of adaptive reuse investment incentive funds shall also be considered a proponent for the purposes of this bill.
- 3) Provides that, commencing in the 2026–27 fiscal year, the governing body of a city or county, or city and county, may, by ordinance or resolution, establish an adaptive reuse investment incentive program pursuant to this bill.
- 4) Specifies that a city or county, or city and county, that establishes a program shall, upon the approval by a majority of the entire membership of its governing body of a written request therefor, pay adaptive reuse investment incentive funds to the proponent of a qualified adaptive reuse project property to subsidize the affordable housing units for up to 30 consecutive fiscal years. Nothing in this provision shall prohibit a city or county, or city and county, from paying adaptive reuse investment incentive funds to a proponent for a period of fewer than 30 years.

- 5) Requires a request for the payment of adaptive reuse investment incentive funds to be filed by a proponent in writing with the governing body of the city or county in the time and manner established by that governing body.
- 6) Provides that, after a city or county, or city and county, approves a request for the payment of adaptive reuse investment incentive funds, payment of adaptive reuse investment incentive funds shall begin with the first fiscal year that commences after the qualified adaptive reuse property is issued a certificate of occupancy.
- 7) Specifies that a city or special district may pay to the city or county, or city and county, an amount equal to the amount of ad valorem property tax revenue allocated to that city or special district, but not the actual allocation, derived from the taxation of that portion of the total assessed value of that real property that is in excess of the property's valuation at the time of the proponent's initial request for funding, for the purpose of subsidizing specified affordable housing units.
- 8) Establishes the Office to Housing Conversion Act (Act).
- 9) Defines the following for the purposes of the Act:
  - a) "Adaptive reuse" to mean the retrofitting and repurposing of an existing building to create new residential or mixed uses, including office conversion projects, provided that "adaptive reuse" projects do not include the retrofitting or repurposing of:
    - i) Any industrial use, unless the planning director, or equivalent, position determines that the specific industrial use is no longer economically viable for industrial uses, as specified.
    - ii) Any hotels, or any mixed-use buildings that contain hotel use, except if they have been discontinued for five years from the effective date of this bill.
  - b) "Adjacent portion of the project" to mean the portion of the project located on a site adjacent to and attached to the proposed repurposed existing building, including on the same parcel as the proposed repurposed existing building.
  - c) "Broadly applicable housing affordability requirement" to mean a local ordinance or other regulation that requires a minimum percentage of affordable units and that applies to a variety of housing development types or entitlement pathways.
  - d) "Impact fee" to mean certain fees imposed under the Mitigation Fee Act.
  - e) "Industrial use" to mean utilities, manufacturing, transportation storage and maintenance facilities, warehousing uses, and any other use that is a source that is subject to permitting by an air pollution control district or an air quality management district, as specified. "Industrial use" does not include any of the following:
    - i) Power substations or utility conveyances such as power lines, broadband wires, and pipes.

- ii) A use where the only source permitted by a district is an emergency backup generator.
- iii) Self-storage for the residents of a building.
- f) “Historical resource” to mean the same as defined in existing law, or a resource listed in the California Register of Historical Resources.
- g) “Local affordable housing requirement” to mean either of the following:
  - i) A local government requirement that a housing development project include a certain percentage of units affordable to, and occupied by, extremely low, very low, lower, or moderate-income households as a condition of development of residential units.
  - ii) A local government requirement allowing a housing development project to be a use by right if the project includes a certain percentage of units affordable to, and occupied by, extremely low, very low, lower, or moderate-income households as a condition of development of residential units.
- h) “Local government” to mean a city, including a charter city, a county, including a charter county, or a city and county, including a charter city and county.
- i) “Mixed use” to mean residential uses combined with at least one other land use, but not including any industrial use.
- j) “Office conversion project” to mean the conversion of a building used for office purposes or a vacant office building into residential dwelling units.
- k) “Persons and families of low or moderate income” to mean persons and families whose income does not exceed 120 percent of area median income, as specified.
- l) “Phase I environmental assessment”, “phase II environmental assessment”, and “preliminary endangerment assessment” pursuant to existing law.
- m) “Residential uses” to include, but not be limited to, housing units, dormitories, boarding houses, group housing, and other congregate residential uses. “Residential uses” does not include prisons or jails.
- n) “Urban uses” to mean any current or former residential, commercial, public institutional, public park that is surrounded by other urban uses, parking lot or structure, transit or transportation passenger facility, or retail use, or any combination of those uses.
- o) “Use by right” to mean that the city’s or county’s review of the adaptive reuse project may not require a conditional use permit, planned unit development permit, or other discretionary city or county review or approval that would constitute a “project”, as specified. Any subdivision of the sites shall be subject to all laws, including, but not limited to, a city or county ordinance implementing the Subdivision Map Act.

- 10) Authorizes a local government to adopt an ordinance to implement this bill and specify the process and requirements applicable to adaptive reuse projects, provided that the ordinance is consistent with, and does not inhibit the objectives of, this bill.
- 11) Specifies that an ordinance adopted pursuant to 10), above, shall not be considered a “project” under the California Environmental Quality Act (CEQA).
- 12) Provides that a local agency that has not adopted an ordinance governing adaptive reuse pursuant to 10), above, shall ministerially without discretionary review approve or disapprove applications the local agency receives for a permit to create or serve an adaptive reuse project pursuant to this bill.
- 13) Specifies that any zoning ordinance authorizing adaptive reuse projects may be adopted or amended even if it is inconsistent with the adopted specific plan, and any conflicting provisions authorizing adaptive reuse projects in the zoning ordinance shall supersede the conflicted provisions in the specific plan.
- 14) Provides that nothing in this bill is intended to preempt the adoption and implementation of a local ordinance that provides alternative procedures and substantive requirements for adaptive reuse projects, provided that the local ordinance does not prohibit an applicant from electing to pursue an adaptive reuse project under this bill or under any ordinance adopted to implement this bill.
- 15) Specifies that an adaptive reuse project that meets the requirements of 16), below, shall be deemed a use by right in all zones, regardless of the zoning of the site, and subject to the streamlined, ministerial review process described in this bill, except that both of the following conditions apply:
  - a) Any nonresidential uses of a proposed mixed-use adaptive reuse project shall be consistent with the land uses allowed by the zoning or a continuation of an existing zoning nonconforming use.
  - b) Any tourist hotel uses of a proposed adaptive reuse project shall be subject to the existing approval processes required by that local jurisdiction.
- 16) Provides that an adaptive reuse project shall comply with all of the following requirements:
  - a) The adaptive reuse project and the site on which it is located shall satisfy both of the following:
    - i) It is a legal parcel or parcels located in a city if, and only if, the city boundaries include some portion of an urbanized area, as designated by the United States Census Bureau, or, for unincorporated areas, a legal parcel or parcels wholly within the boundaries of an urbanized area, as designated by the United States Census Bureau.
    - ii) At least 75 percent of the perimeter of the site adjoins parcels that are developed with urban uses. For the purposes of this section, parcels that are separated by a street, highway, or any other right-of-way shall be considered to be adjoined.
  - b) The adaptive reuse project is proposed for any of the following, as applicable:

- i) The project is proposed for an existing building that is less than 50 years old.
- ii) The project is proposed for an existing building that is listed on a local, state, or federal register of historic resources and the adaptive reuse project proponent complies with specified requirements.
- iii) The project is proposed for an existing building that is more than 50 years old and the local government has evaluated the site through a preliminary application, as specified, and either of the following are satisfied:
  - (1) The local government determines that the building or site is a historic resource and the adaptive reuse project proponent complies with specified requirements.
  - (2) The local government determines that the building or site is not a historic resource.
- c) The adaptive reuse project meets the following affordability criteria, as applicable:
  - i) An adaptive reuse project for rental housing shall include either of the following:
    - ii) Eight percent of the units for very low income households and 5 percent of the units for extremely low income households.
    - iii) Fifteen percent of the units for lower income households.
- d) The development proponent shall agree to, and the local government shall require, the continued affordability of all affordable rental units included pursuant to this bill through a recorded affordability restriction for a period of 55 years. Rents shall be set at an affordable rent, as specified in existing law.
- e) An adaptive reuse project for owner-occupied housing shall comply with either of the following:
  - i) Thirty percent of the units shall be offered at an affordable housing cost, as defined, to moderate-income households.
  - ii) Fifteen percent of the units shall be offered at an affordable housing cost, as defined, to lower income households.
- f) The development proponent shall agree to, and the local government shall require, the continued affordability of all affordable ownership units through a recorded affordability restriction for a period of 45 years.
- g) If the local government has a local affordable housing requirement, the housing development project shall comply with all of the following:
  - i) The development project shall include the percentage of affordable units required by this bill or the local requirement, whichever is higher.

- ii) The development project shall meet the lowest income targeting required by either this bill or the local requirement.
- iii) If the local affordable housing requirement requires greater than 15 percent of the units to be dedicated for lower income households and does not require the inclusion of units affordable to very low and extremely low income households, then the rental housing development shall do both of the following:
  - (1) Include 8 percent of the units for very low income households and 5 percent of the units for extremely low income households.
  - (2) Fifteen percent of units affordable to lower income households shall be subtracted from the percentage of units required by the local policy at the highest required affordability level.
- iv) Affordable units in the development project shall have the same bedroom and bathroom count ratio as the market rate units, be equitably distributed within the project, and have the same type or quality of appliances, fixtures, and finishes.
- h) If the adaptive reuse project includes mixed uses, at least one-half of the square footage of the adaptive reuse project shall be dedicated to residential uses. Square footage of the project does not include underground space, including basements or underground parking garages.
- i) The local government shall, as a condition of approval of the development, require the development proponent to complete a Phase I environmental assessment.
- j) If a recognized environmental condition is found, the development proponent shall undertake a preliminary endangerment assessment, as defined, prepared by an environmental assessor to determine the existence of any release of a hazardous substance on the site and to determine the potential for exposure of future occupants to significant health hazards from any nearby property or activity.
- k) If a release of a hazardous substance is found to exist on the site, before the local government issues a certificate of occupancy, the release shall be removed, or any significant effects of the release shall be mitigated to a level of insignificance in compliance with current state and federal requirements.
- l) If a potential for exposure to significant hazards from surrounding properties or activities is found to exist, before the local government issues a certificate of occupancy, the effects of the potential exposure shall be mitigated to a level of insignificance in compliance with current state and federal requirements.
- m) The adaptive reuse project complies with all objective planning standards found in the ordinance pursuant to this bill.
- n) A local government shall not impose any local development standard on any project that is an adaptive reuse project pursuant to this bill that would require alteration of the

existing building envelope, except if required by any applicable local building code.

- o) The acreage of the project site is 20 acres or less.
- 17) Provides that the adaptive reuse project that meets all of the requirements in 16), above, may include rooftop structures that exceed any applicable height limitation imposed by the local government, provided that the rooftop structure does not exceed one story and is used for shared amenities or equipment, including, but not limited to, shared cooking facilities, exercise facilities, common area lounges, or mechanical and stair penthouse facilities.
- 18) Specifies that parking shall not be required for the portion of a project consisting of a building subject to adaptive reuse that does not have existing onsite parking.
- 19) Provides that this bill shall not reduce, eliminate, or preclude the enforcement of any requirement imposed on a new multifamily residential or nonresidential development to provide bicycle parking, if feasible.
- 20) Specifies that this bill shall not reduce, eliminate, or preclude the enforcement of any requirement imposed on a project that includes existing onsite parking to provide electric vehicle supply equipment installed parking spaces or parking spaces that are accessible to persons with disabilities that would have otherwise applied to the development if this bill did not apply.
- 21) Requires that an adaptive reuse project shall not violate the terms of any conservation easement applicable to the site.
- 22) Authorizes a housing development proposed pursuant to this bill to be eligible for a density bonus, incentives or concessions, waivers or reductions of development standards, and parking ratios, as specified, and provides for how the density bonus shall be calculated.
- 23) Specifies that a housing development proposed to adaptively reuse a building shall not be eligible for a density bonus, waiver or incentive that has the effect of increasing the height of the adaptively reused building above what is allowed under 17), above.
- 24) Provides that an adaptive reuse project that satisfies the requirements in 15) through 23), above, may include the development of new residential or mixed-use structures on undeveloped areas and parking areas located on the same parcel as the proposed repurposed building, or on the parcels adjacent to the proposed adaptive reuse project site if certain requirements are met, including specified labor standards and location of the adjacent portion of the project.
- 25) Requires the adjacent portion of the project to be eligible for a density bonus, incentives or concession, waivers or reduction of development standards, and parking ratios, as specified.
- 26) Provides that, before submitting an application for an adaptive reuse project for a structure that is more than 50 years old and not listed on a local, state, or federal register of historic resources, the development proponent shall submit to the local government a notice of its intent to submit an application. The notice shall be in the form of a preliminary application that includes certain information.

- 27) Specifies that, upon receipt of a notice of intent to submit an application described in 26), above, the local government shall evaluate the project site for historical resources. The local government shall make a determination that a significant historic resource within 90 days of submission of the notice of intent.
- 28) Provides that submission of a notice of intent does not constitute owner consent for determination of eligibility for the California or national registers of historic places. Any determination of historic resource significance shall apply only for the purposes of this bill and shall not affect or be applicable to any other law.
- 29) Specifies that, if the adaptive reuse project is proposed for an existing building that is listed on a local, state, or federal register of historic resources or if the local government has determined that the project site is a significant historic resource, the adaptive reuse project proponent shall sign an affidavit declaring that the project will only move forward if it complies with specified requirements.
- 30) Provides that, if the adaptive reuse project is proposed for a site that is listed on a local, state, or federal historic register and the adaptive reuse project proponent does not sign an affidavit, the local government shall process the adaptive reuse project as specified, but the local government may deny or conditionally approve the project if the local government makes a finding, based upon a preponderance of evidence in the record, that the project will cause a significant adverse impact to historic resources.
- 31) Authorizes a local agency to impose conditions of approval to mitigate impacts to historic resources and to comply with the United States Secretary of the Interior's Standards for Rehabilitation for the preservation of exterior facades of a building that face a street and interior spaces of a building that are publicly accessible and character defining, including ground floor lobbies, but shall not impose other conditions of approval. Exterior facades that do not face a street and interior spaces that are not publicly accessible and character defining shall not be required to be preserved according to the United States Secretary of the Interior's Standards for Rehabilitation.
- 32) Specifies that an adaptive reuse project pursuant to 26) through 31), above, shall not constitute a "project" for the purposes of CEQA.
- 33) Provides that a local government's evaluation of a site for historical resources and review of an adaptive reuse project shall be conducted by person who meets certain qualifications.
- 34) Specifies that if a local government's planning director or equivalent position determines that an adaptive reuse project is consistent with the objective planning standards specified in this bill, the local government shall approve the adaptive reuse project within the following timeframes:
  - a) Within 60 days of the date that the project has been deemed consistent with 35), below, if the project contains 150 or fewer housing units.
  - b) Within 90 days of the date that the project has been deemed consistent with 35), below, if the project contains more than 150 housing units.



- 35) Provides that, upon determination that an adaptive reuse project is in conflict with any of the specified objective planning standards, the local government staff or relevant local planning and permitting department that made the determination shall provide the development proponent written documentation of which standard or standards the development conflicts with, and an explanation for the reason or reasons the development conflicts with that standard or standards within the following timeframes:
- a) Within 60 days of submittal of the adaptive reuse project to the local government if the project contains 150 or fewer housing units.
  - b) Within 90 days of submittal of the adaptive reuse project to the local government if the project contains more than 150 units.
  - c) Within 30 days of submittal of any adaptive reuse project that was resubmitted to the local government following a determination of a conflict with one or more objective planning standards, as specified.
- 36) Specifies that, if the local government's planning director or equivalent position fails to provide the required documentation pursuant to 35), above, the adaptive reuse project shall be deemed to satisfy the specified objective planning standards, if applicable.
- 37) Provides that an adaptive reuse project is consistent with the objective planning standards, if applicable, if there is substantial evidence that would allow a reasonable person to conclude that the project is consistent with the objective planning standards. The local government shall not determine that an adaptive reuse project, including an application for a modification, is in conflict with the objective planning standards on the basis that application materials are not included, if the application contains substantial evidence that would allow a reasonable person to conclude that the project is consistent with the objective planning standards.
- 38) Specifies that, upon submittal of an application for streamlined, ministerial approval to the local government, all departments of the local government that are required to issue an approval of the adaptive reuse project before the granting of an entitlement shall comply with the requirements within the specified time periods.
- 39) Provides that any design review of the project may be conducted by the local government's planning commission or any equivalent board or commission responsible for design review. That design review shall be objective and be strictly focused on assessing compliance with the criteria required for streamlined projects. That design review shall not in any way inhibit, chill, or preclude the ministerial approval provided by this bill.
- 40) Specifies that any design review for the adjacent portion of the project shall be objective and be strictly focused on assessing compliance with the objective criteria required for streamlined projects, including, as applicable, those for new exterior additions to historic buildings described in Preservation Brief 14: New Exterior Additions to Historic Buildings: Preservation Concerns released by the National Park Service within the United States Department of the Interior.
- 41) Provides that, if the adaptive reuse project is consistent with the requirements of this bill, if applicable, and is consistent with all objective subdivision standards in the local subdivision

ordinance, an application for a subdivision pursuant to the Subdivision Map Act shall be exempt from the requirements of CEQA and shall be subject to the specified public oversight timelines.

- 42) Specifies that a local government, whether or not it has adopted an ordinance governing automobile parking requirements in multifamily developments, shall not impose automobile parking standards for an adjacent portion of the project that was approved pursuant to this bill in specified instances.
- 43) Provides that a local government shall not require any of the following prior to approving an adaptive reuse project that meets the requirements of this bill:
  - a) Studies, information, or other materials that do not pertain to determining whether the adaptive reuse project is consistent with the objective planning standards applicable to the development.
  - b) Compliance with any standards necessary to receive a postentitlement permit, as defined; however, this does not prohibit a local agency from requiring compliance with any standards necessary to receive a postentitlement permit after a permit has been issued.
- 44) Specifies that, if a local government approves an adaptive reuse project pursuant to this bill, then that approval shall not expire if the project satisfies both of the following requirements:
  - a) The project includes public investment in housing affordability, beyond tax credits.
  - b) At least 20 percent of the units are affordable to households making at or below 80 percent of the area median income.
- 45) Provides that if a local government approves an adaptive reuse project pursuant to this bill, and the project does not satisfy the requirements of 44) above, that approval shall remain valid for three years from the date of the final action establishing that approval, or if litigation is filed challenging that approval, from the date of the final judgment upholding that approval. Approval shall remain valid for a project provided construction activity, including demolition and grading activity, on the development site has begun pursuant to a permit issued by the local jurisdiction and is in progress. For purposes of this provision, “in progress” means one of the following:
  - a) Construction has begun and has not ceased for more than 365 days.
  - b) If the project requires multiple building permits, an initial phase has been completed, and the project proponent has applied for and is diligently pursuing a building permit for a subsequent phase, provided that once it has been issued, the building permit for the subsequent phase does not lapse.
- 46) Authorizes a local government to grant a project a one-time, one-year extension if the project proponent can provide documentation that there has been significant progress toward getting the adaptive reuse project construction ready, such as filing a building permit application.
- 47) Provides that, if the qualified adaptive reuse project proponent requests a modification pursuant to 48), below, then the time during which the approval shall remain valid shall be

extended for the number of days between the submittal of a modification request and the date of its final approval, plus an additional 180 days to allow time to obtain a building permit. If litigation is filed relating to the modification request, the time shall be further extended during the pendency of the litigation. The extension required by this paragraph shall only apply to the first request for a modification submitted by the development proponent.

- 48) Specifies that a development proponent may request a modification to a qualified adaptive reuse project that has been approved under the streamlined approval process provided in this bill if that request is submitted to the local government before the issuance of the final building permit required for construction of the adaptive reuse project.
- 49) Requires the local government to approve a modification if it determines that the modification is consistent with the objective planning standards that were in effect when the original adaptive reuse project application was first submitted.
- 50) Provides that the local government shall evaluate any requested modifications for consistency with the objective planning standards using the same assumptions and analytical methodology that the local government originally used to assess consistency for the adaptive reuse project that was approved for streamlined, ministerial approval.
- 51) Specifies that, upon receipt of the adaptive reuse project proponent's application requesting a modification, the local government shall determine if the requested modification is consistent with the objective planning standard and either approve or deny the modification request within 60 days after submission of the modification, or within 90 days if design review is required.
- 52) Authorizes the local government to apply objective planning standards to an adjacent portion of the project adopted after the project application was first submitted to the requested modification in any of the following instances:
  - a) The adjacent portion of the project is revised such that the total number of residential units or total square footage of construction changes by 15 percent or more. The calculation of the square footage of construction changes shall not include underground space.
  - b) The adjacent portion of the project is revised such that the total number of residential units or total square footage of construction changes by 5 percent or more and it is necessary to subject the project to an objective standard beyond those in effect when the project application was submitted in order to mitigate or avoid a specific, adverse impact, as defined, upon the public health or safety and there is no feasible alternative method to satisfactorily mitigate or avoid the adverse impact. The calculation of the square footage of construction changes shall not include underground space.
  - c) Objective building standards contained in the California Building Standards Code or the California Historical Building Code, including, but not limited to, building plumbing, electrical, fire, and grading codes, may be applied to all modification applications that are submitted prior to the first building permit application. Those standards may be applied to modification applications submitted after the first building permit application if agreed to by the development proponent.

- 53) Provides that the local government's review of a modification request shall be strictly limited to determining whether the modification, including any modification to previously approved density bonus concessions or waivers, renders the project inconsistent with the applicable objective planning standards and shall not reconsider prior determinations that are not affected by the modification.
- 54) Requires a local government to issue a subsequent permit required for an adaptive reuse project approved under this bill if the application substantially complies with the project as it was approved. Upon receipt of an application for a subsequent permit, the local government shall process the permit without unreasonable delay and shall not impose any procedure or requirement that is not imposed on projects that are not approved pursuant to this bill.
- 55) Specifies that the local government shall consider the application for subsequent permits based upon the applicable objective standards specified in any state or local laws that were in effect when the original adaptive reuse project application was submitted, unless the proponent agrees to a change in objective standards. Issuance of subsequent permits, as defined, shall implement the approved project, and review of the permit application shall not inhibit, chill, or preclude the adaptive reuse project.
- 56) Provides that, if a public improvement is necessary to implement a project subject to this bill, including, but not limited to, a bicycle lane, sidewalk or walkway, public transit stop, driveway, street paving or overlay, a curb or gutter, a modified intersection, a street sign or street light, landscape or hardscape, an aboveground or underground utility connection, a water line, fire hydrant, storm or sanitary sewer connection, retaining wall, and any related work, and that public improvement is located on land owned by the local government, to the extent that the public improvement requires approval from the local government, the local government shall not exercise its discretion over any approval relating to the public improvement in a manner that would inhibit, chill, or preclude the project.
- 57) Specifies that, if an application for a public improvement described in 56), above is submitted to a local government, the local government shall do all of the following:
- a) Consider the application based upon any objective standards specified in any state or local laws that were in effect when the original adaptive reuse project application was submitted.
  - b) Conduct its review and approval in the same manner as it would evaluate the public improvement if required by a project that is not eligible to receive ministerial or streamlined approval pursuant to this bills.
- 58) Provides that, if an application for a public improvement described in 56), above, is submitted to a local government, the local government shall not do either of the following:
- a) Adopt or impose any requirement that applies to a project solely or partially on the basis that the project is eligible to receive ministerial or streamlined approval pursuant to this bill.
  - b) Unreasonably delay in its consideration, review, or approval of the application.

- 59) Provides that nothing in this bill shall be interpreted to limit the applicability of existing law related to postentitlement permit.
- 60) Specifies that a local government shall not adopt or impose any requirement, including, but not limited to, increased fees or inclusionary housing requirements, that applies to a project solely or partially on the basis that the project is eligible to receive ministerial or streamlined approval pursuant to this bill.
- 61) Provides that this bill shall not affect a project proponent's ability to use any alternative streamlined by right permit processing adopted by a local government.
- 62) Specifies that any project that qualifies as an adaptive reuse project pursuant to this bill shall also qualify as a housing development project entitled to the protections of the Housing Accountability Act.
- 63) Provides that alterations to an existing building necessary to comply with local code, the California Building Standards Code, or the California Historical Building Code shall not disqualify a qualified adaptive reuse project from the streamlined, ministerial review process established under this article.
- 64) Specifies that an adaptive reuse project shall be exempt from all impact fees that are not reasonably related to the impacts resulting from the change of use of the site from nonresidential to residential or mixed use. Any fees charged shall be roughly proportional to the difference in impacts caused by the change of use. This provision shall not apply to any adjacent portion of the project.
- 65) Finds and declares that this bill addresses a matter of statewide concern rather than a municipal affair. Therefore, this bill applies to all cities, including charter cities.
- 66) Provides that no reimbursement is required by this bill because a local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the program or level of service mandated by this bill or because costs that may be incurred by a local agency or school district will be incurred because this bill creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, or changes the definition of a crime.
- 67) Contains additional findings and declarations to support its purposes.

**EXISTING LAW:**

- 1) Requires HCD to convene a working group to identify challenges to, and opportunities to support, the creation and promotion of adaptive reuse residential projects by December 31, 2025. (Health & Safety Code (HSC) Section 17921.9)
- 2) Establishes, pursuant to AB 1490 (Lee), Chapter 764, Statutes of 2023, a ministerial, streamlined approval process for the adaptive reuse of buildings into 100 percent affordable housing. (Government Code (GOV) Section 65913.12)
- 3) Establishes, pursuant to SB 423 (Wiener), Chapter 778, Statutes of 2023, a streamlined, ministerial approval process, not subject to CEQA, for certain infill multifamily affordable

housing projects that are compliant with local zoning and objective standards and that are proposed in local jurisdictions that have not met their regional housing needs allocation. (GOV 65913.4)

- 4) Establishes, pursuant to AB 2011 (Wicks), Chapter 647, Statutes of 2022, a streamlined, ministerial approval process, not subject to CEQA, for certain infill multifamily affordable housing projects that are located on land that is zoned for retail, office, or parking. (GOV 65912.100-65912.140)
- 5) Establishes, pursuant to SB 6 (Caballero), Chapter 659, Statutes of 2022, the Middle Class Housing Act of 2022, allowing residential uses on commercially zoned property without requiring a rezoning. (GOV 65852.24)
- 6) Authorizes HCD to enforce state housing laws. (GOV 65585)

**FISCAL EFFECT:** This bill is keyed fiscal and contains a state-mandated local program.

**COMMENTS:**

- 1) **Bill Summary.** This bill provides by-right ministerial approval of adaptive reuse projects that convert properties, inclusive of the structures and open space adjacent to the building, that have or may have historic significance. The bill provides financial assistance for affordable housing units required as part of the development. The bill establishes that adaptive reuse projects under the bill, adjacent development to the building eligible for adaptive reuse, or modifications to the development shall be subject to objective review and ministerial approval. These projects, adjacent development, and modifications are not subject to CEQA. This bill also requires that the project proponent enter into a contract with the public agencies to pay the fees by the time certificate of occupancy is issued.

This bill is author sponsored.

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

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

- 3) **California’s Housing Crisis.** California faces a severe housing shortage. A variety of factors have contributed to the lack of housing production. A major cause of the housing crisis is the mismatch between the supply and demand for housing. The Statewide Housing Plan adopted by the Department of Housing and Community Development (HCD) in 2022 found California needs approximately 2.5 million units of housing, including one million units affordable to lower income households, to address this mismatch over the next eight years. That would require production of over 300,000 units a year, including over 120,000 units a year of housing affordable to lower income households.

The Legislative Analyst’s Office wrote in a January 24, 2024 article, California Housing Affordability Tracker, “California home prices have long been—and continue to be—much more expensive than the rest of the US. Prices for mid-tier homes are more than twice as expensive as the typical mid-tier US home. (Mid-tier homes reflect home values in the 35<sup>th</sup> to 65<sup>th</sup> percentile range.) Perhaps even more importantly for a first-time home buyer, a bottom-tier home in California is now about 33 percent more expensive than a mid-tier home in the rest of the U.S.—a gap that has widened over the last decade (Bottom-tier homes are those with values in the 5<sup>th</sup> to 35<sup>th</sup> percentile range.)”

“Monthly payments for a newly purchased mid-tier home—including mortgage, taxes, and homeowners’ insurance—have increased dramatically over the last couple of years. Payments for a mid-tier home were over \$5,500 a month in December 2023—an 80 percent increase since January 2020. Payments for a bottom-tier home were over \$3,400 per month—an 85 percent increase since January 2020. Also, the gap between the monthly costs of purchasing a bottom-tier home versus renting are near levels that have not been seen since the housing bubble in the mid-2000s. This rapid increase in monthly costs for homebuyers was driven by higher home prices and increasing mortgage rates, both of which we discuss in more detail below.”

- 4) **Adaptive Reuse.** Adaptive reuse is the process of converting an existing non-residential building to housing. The ability to adaptively reuse a building is highly dependent on the initially designed use. For example, uses such as warehouses and big box retail are not generally suitable to adaptive reuse, because their tall ceilings, single stories, and rudimentary plumbing would need to be completely redone to be appropriate for human habitation. Office buildings maintain some potential for conversion, because their multi-floor layout is conducive to housing; however, the large configuration of most office buildings makes it difficult to provide the necessary light and air that is required for residential units. For these conversions to occur, it would also need to be financially attractive to the property owner – something that has increased due to the sharp downturn in the downtown office market since the beginning of the COVID-19 pandemic. However, other commercial properties, like hotels and motels, are more conducive to adaptive reuse, since they already have separate residential units, often with bathrooms.
- 5) **Recent State Adaptive Reuse Efforts.** One of the state’s primary efforts to address homelessness during the COVID-19 pandemic involved turning existing hotels and motels into housing for individuals experiencing homelessness, known as Project Homekey. These uses are already divided into quarters designed for short-term human habitation and can readily be converted to housing with the addition of kitchens. As of February 29, 2024, the Legislative Analyst’s Office reported that Project Homekey has funded 250 projects and assisted 15,319 units of housing with a total expenditure of \$3.35 billion. The cost of

converting a unit under Project Homekey, at \$218,683 per unit, is less than the current cost of constructing a new multifamily unit which averages at a little under \$600,000 a unit as calculated by a recent report from the UC Berkeley's Turner Center for Housing Innovation, *Making it Pencil: the Math of Housing Development-2023*. This report found that for a multifamily mixed-use project with five stories of residential and a nonresidential ground floor, the average cost per unit in the Bay Area is \$637,000 in the East Bay and \$623,000 in the South Bay, \$594,000 in Los Angeles, and \$508,000 in Sacramento.

The Legislature has also enacted other policies to facilitate the conversion of commercial properties into housing. This includes:

- a) SB 6 (Caballero, 2022) which enacted the Middle Class Housing Act of 2022, which established housing as an allowable use on any parcel zoned for office or retail uses.
  - b) AB 2011 (Wicks, 2022) established a streamlined, ministerial approval process, not subject to the California Environmental Quality Act (CEQA), for certain infill multifamily affordable housing projects that are located on land that is zoned for retail, office, or parking.
- 6) **Welfare Exemption.** The California Constitution allows for the waiver of property taxes for a charitable purpose, as defined in statute. The Legislature defines a charitable purpose for purposes of a property tax welfare exemption as a housing unit restricted to 80% of the area median income (AMI) or less for 55 years. This bill would apply to property taxes collected by a local agency and, therefore, would not violate the welfare exemption. All local agencies wishing to establish an Adaptive Reuse Investment Incentive Program would need to “opt-in” to doing so through an authorizing local ordinance or resolution, to be approved by the governing body of a city or county.
- 7) **Arguments in Support.** The California Apartment Association writes in support: “As you know, California is in the midst of a shift in work culture. Offices in places like downtown Los Angeles and the financial district in San Francisco are seeing the highest vacancy rates in 30 years. Companies are shifting to hybrid work models with fewer employees working full-time in the office. At the same time, California continues to suffer from a statewide housing shortage. While there is desire to repurpose vacant office buildings to residential ones, there are many technical challenges to doing so. While converting existing buildings to housing is often seen as more cost effective than a new construction, renovating an existing office building in California is often more expensive than a complete tear-down. AB 507 will help with the conversion challenges.”
- 8) **Arguments in Opposition.** The California Contract Cities Association writes in opposition: “While AB 507 allows a city to enact a local ordinance that outlines a streamlined process applicable to adaptive reuse projects, the ordinance must abide by a number of state-mandated requirements, limiting the city's authority over its framework. Considering the important role cities ought to play in overseeing and managing adaptive reuse projects in their communities, we strongly believe local review and approval processes should remain in place. These kinds of projects revitalize existing buildings that can have historical significance within the community. Consequently, it is critical that no city is stripped of their ability to make key determinations about adaptive reuse projects.”



- 9) **Related Legislation.** AB 3068 (Haney) of 2024 was substantially similar to this bill except that it contained skilled and trained workforce provisions that were added to the bill after it went through all policy committees in both houses. The bill was vetoed by the Governor, with the following message:

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

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

AB 2909 (Santiago) of 2024 would have facilitated the adaptive reuse of qualified historic properties, starting January 1, 2026, and ending January 1, 2036, by incentivizing property owners of buildings that are at least 30 years old through tax benefits to engage in such preservation and reuse activities. The bill was held in the Senate Local Government Committee.

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

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

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

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

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

AB 2011 (Wicks), Chapter 647, Statutes of 2021, created the Affordable Housing and High Road Jobs Act of 2022, creating a streamlined, ministerial local review and approvals

process for certain affordable and mixed-use housing developments in commercial zoning districts and commercial corridors. A current bill, AB 2243 (Wicks) would amend AB 2011 to facilitate the conversion of office buildings to residential uses, among other provisions.

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

10) **Double-Referred.** This bill is double-referred to the Assembly Housing and Community Development Committee, where it passed on a 10-0 vote on April 24, 2025.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

California Arts Advocates (If Amended)  
350 Humboldt: Grass Roots Climate Action  
Aids Healthcare Foundation  
California Apartment Association  
California Business Properties Association  
California Downtown Association  
Streets for All

**Opposition**

California Contract Cities Association  
City of Simi Valley  
City of Thousand Oaks  
League of California Cities (Unless Amended)  
Norwalk; City of (Unless Amended)  
South Bay Cities Council of Governments

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