

Date of Hearing: January 23, 2020

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

AB 725 (Wicks) – As Amended January 16, 2020

Policy Committee:	Housing and Community Development	Vote:	7 - 0
	Local Government		5 - 3

Urgency: No State Mandated Local Program: Yes Reimbursable: No

SUMMARY:

This bill creates a density requirement for moderate-income and above moderate-income housing for metropolitan jurisdictions. Specifically, this bill:

- 1) Requires for an incorporated area within a metropolitan jurisdiction, at least 25% of the jurisdiction's share of the regional housing need for moderate-income and above moderate-income housing be allocated to sites with zoning that allow at least two units of housing, but no more than 35 units per acre of housing.
- 2) For sites with this allocation, specifies a project proponent may propose, and a jurisdiction may approve, a single-family detached home.
- 3) For sites with this allocation, specifies the following items and states they are declaratory of existing law:
 - a) A jurisdiction may not deny a project that does not comply with the allocation.
 - b) A jurisdiction may not impose price controls, or in lieu thereof, any exactions or conditions of approval.

FISCAL EFFECT:

No state costs. Any state-mandated local costs are not reimbursable by the state because cities and counties have fee authority to recover those costs.

COMMENTS:

- 1) **Purpose.** This bill seeks to reduce the cost of housing by facilitating the construction of "missing-middle" housing types that accommodate more units per acre, but are not inherently expensive to build. This includes medium-density housing, such as duplexes, fourplexes, garden apartments, town homes etc. According to the author:

As we continue to tackle the housing crisis, "missing middle" developments prompt the loudest outcry and have the best chance of being relatively more affordable for residents who make too much for subsidized housing but still can't afford market-rate homes.

- 2) **Background.** Housing element law requires local jurisdictions to adequately plan to meet their existing and projected housing needs including their share of the regional housing need. The amount of housing required to be planned for is established by the Regional Housing Needs Allocation (RHNA) process.

RHNAs are assigned by four income categories as guideposts for each community to develop a mix of housing types for all economic segments of the population. These income categories include very low income (under 50% of Area Median Income (AMI)), low income (between 50-80% of AMI), moderate income (80%-120% of AMI), and above moderate income (above 120% of AMI). This fair share allocation occurs every eight years, and local governments are required to update their housing element accordingly.

Per housing element law, sites determined to be eligible for very low-income and low-income housing must be zoned for a density of at least 30 units per acre in metropolitan jurisdictions and 20 units per acre in suburban jurisdictions. There is no density minimum for moderate-income and above moderate-income housing sites.

- 3) **“Missing-Middle” Housing.** In 1970, housing in California was 30% more expensive than the U.S. average, now it is 250% more expensive. Only 28% of households can buy the median priced home. More than half of renters and 80% of low-income renters are rent-burdened, meaning they pay more than 30% of their income towards rent. According to a 2016 McKinsey Global Institute report, Californians pay \$50 billion more per year for housing than they are able to afford (nearly \$3,000 per household).

Almost all of the housing built in California is single-family and mid- and high-rise construction (which is expensive to build). One strategy to reduce the cost of housing is to facilitate the construction of “missing-middle” housing types, such as duplexes and townhomes, that accommodate more units per acre, but are not inherently expensive to build. By creating a density requirement for moderate-income and above moderate-income housing, this bill seeks to better accommodate medium-density housing.

- 4) **Related Legislation.** SB 50 (Wiener), of this legislative session, sets minimum density standards in certain areas, including establishing a minimum of four units per parcel. SB 50 is pending hearing in the Senate Appropriations Committee.
- 5) **Previous Legislation.** AB 1771 (Bloom), Chapter 989, Statutes of 2018, made changes to the regional housing needs plan objectives, methodology, distribution, and appeals process.

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