

ASSEMBLY THIRD READING

AB 1997 (Lee)

As Amended May 18, 2026

Majority vote

SUMMARY

Requires a lead agency for a development project to approve or disapprove a housing development project where 90% of the units are affordable to very low- or extremely low-income households within 30 days of certifying an environmental impact report (EIR).

Major Provisions

- 1) Requires a lead agency for a development project to approve or disapprove the project within 30 days from the date of certification by the lead agency of the EIR for a housing development project where the following conditions are met:
 - a) At least 90% of the units in the development project are affordable to very low or extremely low-income households, as specified.
 - b) Prior to the application being deemed complete, the lead agency received written notice from the project applicant that an application has been made or will be made for an allocation or commitment of financing, tax credits, bond authority, or other financial assistance from a public agency or federal agency.
 - c) There is prior confirmation that the application has been made to the public agency or federal agency prior to certification of the EIR.
- 2) Provides that no reimbursement is required by the 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 the bill.

COMMENTS

- 1) *Police Powers.* Planning for and approving new development is mainly a local responsibility. The California Constitution allows cities and counties to "make and enforce within its limits, all local, police, sanitary and other ordinances and regulations not in conflict with general laws." It is from this fundamental power (commonly called the police power) that cities and counties derive their authority to regulate behavior to preserve the health, safety, and welfare of the public – including land use authority. Cities and counties enforce this land use authority through zoning regulations, as well as through an "entitlement process" for obtaining discretionary as well as ministerial approvals.

The scale of the proposed development, as well as the existing environmental setting determine the degree of local review that occurs. For larger developments, the local entitlement process commonly requires multiple discretionary decisions regarding the subdivision of land, environmental review pursuant to CEQA, and project review by the local agency's legislative body (city council or county board) or by a planning commission delegated by the legislative body.

- 2) *Permit Streamlining Act*. Permit Streamlining Act. The 1977 Permit Streamlining Act (PSA) requires public agencies to act fairly and promptly on applications for development permits, including housing. Public agencies must compile detailed lists of information that applicants for development projects must provide and explain the criteria they will use to review permit applications. Public agencies have 30 days to determine whether applications for development projects are complete; failure to act results in an application being "deemed complete."

Once a complete application for a development has been submitted, the PSA requires public officials to act within a specific time period after completing any environmental review documents required under the California Environmental Quality Act (CEQA), ranging from 60 to 180 days depending on the project and the environmental review required. If the public agency fails to approve or disapprove the application in the applicable time period, the application is "deemed approved," and the applicant may file suit in state court to order the local government to issue the permit.

The PSA applies different requirements to "lead agencies and "responsible agencies. Lead agencies are the public agency with principal responsibility for carrying out or approving a project. Most often, particularly for housing projects, the lead agency is a city or county. The lead agency determines whether CEQA applies and prepares the relevant CEQA document. The timelines above apply to lead agencies.

A responsible agency is any other public agency with discretionary approval over part of the project, such as issuing a permit or license. Examples include water boards, air districts, utility providers, or agencies overseeing habitat or coastal resources. Once the lead agency has certified or adopted the CEQA document, responsible agencies must approve or disapprove qualifying projects within the longer of 180 days from the lead agency's approval, or 180 days from the date the responsible agency accepts the application as complete. For housing development projects, a shorter PSA timeline applies:

- a) 90 days from the lead agency's approval.
- b) 90 days from receipt of a complete application.

Most recently, AB 1007 (Rubio), Chapter 502, Statutes of 2025, shortened the period of time a responsible agency has to approve or disapprove for residential or mixed-use residential projects.

- 3) *Housing and CEQA*. A project is exempt from CEQA if it is ministerial (i.e., it does not involve discretionary decisions), or if there is a specific statutory or categorical exemption that applies to the project. Statutory exemptions are created by the Legislature and apply even if a project has the potential to significantly affect the environment. In contrast, categorical exemptions, which are listed in the CEQA guidelines, generally do not apply if there are significant environmental impacts associated with the project, including if (1) there is a reasonable possibility of a significant effect on the environment due to unusual circumstances; (2) significant cumulative impacts from projects of the same type will result; or (3) the project will have impacts on a uniquely sensitive environment.

Affordable housing, as a subset of housing, could be eligible for any of these exemptions so long as the project meets the specific criteria for a given exemption. These exemptions come

with their own eligibility criteria, including that projects meet certain urban density and size requirements, avoid impacts on sensitive habitat, wildlife, and the environment, and are not on sensitive sites.

According to the Author

"This bill will expedite home construction by reducing the approval time for housing applications. By reducing approval timeframes after environmental reviews have been completed, projects will move into construction faster. Finally, the bill creates a working group within the Governor's Office of Land Use and Climate Innovation to recommend ways to speed up housing developments for local jurisdictions."

Arguments in Support

The AIDS Healthcare Foundation, the bill sponsor, writes in support to a previous version of the bill, "AB 1997 seeks to build on innovative success as well as thoughtful recommendations from housing development experts to effect reforms statewide. The bill would shorten the timeframes for permit approval for housing developments once the entitlement process has been completed.

- 1) "The deadlines during this phase of permit approval under the Permit Streamlining Act would be shortened in many cases.
- 2) "In addition, a new deadline of 30 days would be instituted for housing projects that provide 90% of their units for very low and extremely low-income households."

Arguments in Opposition

The Cucamonga Valley Water District writes in opposition to a previous version of the bill, "As this bill and many others are positioning to truncate existing processes and timelines for permit approvals, we encourage thoughtful consideration on the impact this may have on a large scale. The shortening of timelines can create issues with thorough examination of permit applications and often many of the delays in permitting are not caused by the entity issuing the permit, but with the completion of the work and final review. As the state seeks to address the housing crisis, being mindful of ensuring we are also protecting the infrastructure that serves those housing developments goes hand-in hand with those goals."

FISCAL COMMENTS

No state costs. Local costs are not reimbursable by the state because local agencies have general authority to charge and adjust planning and permitting fees to cover their administrative expenses associated with new planning mandates.

VOTES

ASM LOCAL GOVERNMENT: 8-0-2

YES: Carrillo, Pacheco, Ramos, Ransom, Blanca Rubio, Stefani, Ward, Wilson

ABS, ABST OR NV: Ta, Johnson

ASM HOUSING AND COMMUNITY DEVELOPMENT: 11-1-0

YES: Haney, Patterson, Ávila Farías, Caloza, Garcia, Kalra, Lee, Quirk-Silva, Ta, Wicks, Wilson

NO: Tangipa

ASM APPROPRIATIONS: 11-1-3

YES: Wicks, Aguiar-Curry, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache

NO: Tangipa

ABS, ABST OR NV: Hoover, Dixon, Ta

UPDATED

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