

Date of Hearing: April 8, 2026

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Matt Haney, Chair

AB 2005 (Ahrens) – As Amended March 19, 2026

SUBJECT: Housing developments: urban lot split: owner-occupancy

SUMMARY: Creates an alternative compliance pathway for the owner-occupancy requirement of SB 9 (Atkins), Chapter 162, Statutes of 2021. Specifically, **this bill:**

- 1) Requires the seller of an urban lot split under SB 9 to disclose, in writing, any owner occupancy requirement for three years after the conveyance of an urban lot split if the seller is the managing or authorized member of a limited liability company (LLC) or the trustee of a living trust.
- 2) Adds the option for an applicant of an SB 9 urban lot split to select a different owner occupancy requirement, which shall be imposed as a condition of approval of a parcel map for the lot split, as follows:
 - a) The applicant shall require, as a condition of sale to the homebuyer, that all of the units of both parcels of the lot split remain owner-occupied for three years, beginning on the date the parcel or unit is conveyed to the homebuyer;
 - b) The local agency must record a notice of the owner-occupancy requirement as a condition of ministerial approval of the parcel map for the lot split;
 - c) The parcel or unit being purchased shall be subject to a recorded deed restriction imposing the owner-occupancy requirement on any subsequent homebuyer who purchases the parcel or unit during the three-year period; and
 - d) The homebuyer shall record a notice of owner-occupancy as a condition to acquiring title to a parcel or unit. The notice shall state that the homebuyer, and any subsequent homebuyer who purchases the parcel or unit during the three-year period, is required to occupy the parcel or unit or designate the parcel or unit as their primary residence.
- 3) Allows the managing or authorized member of an LLC or the trustee of a living trust to be the applicant for an urban lot split under SB 9.
- 4) Provides that a local agency shall not adopt or impose any requirement, process, practice, or procedure, or undertake any course of conduct, that applies to a project solely or partially on the basis of the project being an SB 9 lot split, including, but not limited to, restricting the eligibility of an applicant for an urban lot split.

EXISTING LAW:

- 1) Requires the streamlined and ministerial approval by a local agency of a duplex in a single-family zone (Government Code (GOV) Section 65852.21), and the urban lot split (subdivision) of a parcel zoned for residential use into two parcels, each at least 40% of the original lot's size (GOV 66411.7). Specifically:

- a) Prohibits an urban lot split if the lot was previously split under SB 9, and prohibits an owner or related party from splitting adjacent lots to prevent circumvention of the two-lot limit. (GOV 66411.7)
- b) Provides that an application for a duplex or a lot split must be considered and approved or denied by the local agency within 60 days of the date the local agency receives a completed application. Further provides that:
 - i) If a local agency denies an application for a duplex or lot split, the permitting agency must provide, in writing, a full set of comments to the applicant, with a list of items that are defective or deficient, and a description of how the application can be remedied by the applicant; and
 - ii) If the local agency has not approved or denied the application within 60 days and the application meets all qualifying criteria, the application is deemed approved. (GOV 66411.7 & 65852.21)
- c) Prohibits a local agency from imposing objective standards on a proposed duplex that do not apply uniformly to developments within the underlying zoning district. Otherwise, allows a local agency to adopt or impose objective zoning standards, objective subdivision standards, and objective design standards on development authorized by this section as follows:
 - i) If those standards are more permissive than applicable standards in the underlying zone;
 - ii) If the standards would not physically preclude the construction of up to two units or physically preclude either of the two units from being at least 800 square feet in floor area;
 - iii) A city or county may require a setback of up to four feet from the side and rear lot lines; and
 - iv) A city or county may not require setbacks for an existing structure or a structure constructed in the same location and to the same dimensions as an existing structure. (GOV 66411.7 & 65852.21)
- d) Allows a local agency to impose objective standards for a proposed lot split so long as they are related to the design or to the improvements of a parcel. (GOV 66411.7)
- e) Requires an applicant for an urban lot split to sign an affidavit stating they intend to occupy one of the housing units as their primary residence for at least three years following the lot split. (GOV 66411.7)
- f) Prohibits units created by SB 9 from being used as short-term rentals (i.e., they must be rented for terms longer than 30 days). (GOV 66411.7 & 65852.21)
- g) Requires the Department of Housing and Community Development (HCD) to notify a local government if it has taken an action in violation of SB 9 and authorizes HCD to

notify the Attorney General (AG) if the local government is in violation of SB 9, at HCD's discretion. (GOV 65585 & 65585.1)

FISCAL EFFECT: Unknown.

COMMENTS:

Author's Statement: According to the author, "California's housing shortage—and the growing homeownership crisis—requires solutions at many scales. SB 9 was designed to enable small, incremental housing production led by homeowners, creating opportunities for more attainable, entry-level ownership in existing neighborhoods. It also allows homeowners to unlock value within their own property that is otherwise inaccessible unless they sell and leave their home.

However, implementation has revealed unintended technical barriers that prevent some responsible homeowners from participating, particularly those who use common estate planning tools. AB 2005 clarifies the law, so it works as intended, ensuring these homeowners are not excluded while maintaining strong protections against investor speculation.

By removing these barriers, AB 2005 helps unlock small-scale housing production, expand access to entry-level homeownership, and support long-term wealth building for California families who are increasingly being priced out of the market."

California's Housing Crisis: California's housing crisis is a half-century in the making.¹ After decades of underproduction, supply is far behind demand, and housing and rental costs are soaring. As a result, millions of Californians must make hard decisions about paying for housing at the expense of food, health care, child care, and transportation, directly impacting the quality of life in the state.² One in three households in the state doesn't earn enough money to meet their basic needs.³ In 2024, over 187,000 Californians experienced homelessness on a given night.⁴

To meet this housing need, HCD determined that California must plan for more than 2.5 million new homes, and no less than one million of those homes must be affordable to lower-income households, in the 6th Regional Housing Needs Allocation (RHNA) cycle. By contrast, housing production in the past decade has been under 100,000 units per year – including less than 10,000 units of affordable housing per year.⁵ Increasing the overall supply of housing, both market-rate and deed-restricted affordable, is essential to reducing upward pressure on rents and home prices, and to creating a more stable, accessible housing market for Californians across income levels.

The state's housing crisis is not equally experienced by all Californians. Testimony by the UC Berkeley Turner Center to this Committee showed that the impacts of the housing crisis are significantly more severe for lower-income individuals, single-earner households, Black and Latino Californians, younger and older populations, and those who reside in, or aspire to live and

¹ California Department of Housing and Community Development, *A Home for Every Californian: 2022 Statewide Housing Plan*. March 2022, <https://storymaps.arcgis.com/stories/94729ab1648d43b1811c1698a748c136>

² IBID.

³ IBID.

⁴ U.S. Department of Housing and Urban Development, *Point in Time Counts*.

<https://www.huduser.gov/portal/datasets/ahar/2023-ahar-part-1-pit-estimates-of-homelessness-in-the-us.html>

⁵ <https://www.hcd.ca.gov/policy-research/housing-challenges.shtml>

work in, the state's highest-cost regions.⁶ As it pertains to homeownership, homeownership rates have fallen to historic lows. The median home price in California now exceeds \$800,000, effectively locking out many working families from the ownership market.

SB 9: In 2021, the Governor signed SB 9 (Atkins), Chapter 162, Statutes of 2021, which allowed up to four homes on lots where currently only one exists. It did so by allowing existing single-family homes to be converted into duplexes. It also allowed single-family parcels to be subdivided into two lots, while allowing for a new two-unit building to be constructed on the newly formed lot.

SB 9 has the potential to help address the state's multi-million unit housing deficit. According to a 2021 study from the UC Berkeley Turner Center for Housing Innovation, the passage of SB 9 increased the amount of market-feasible homes statewide by 700,000.⁷ However, a 2023 analysis from the Turner Center determined that, in its first year, the effect of the law has been relatively limited.⁸ Los Angeles had the most activity, with 211 applications for new units under SB 9 in 2022. The state's other large cities all reported very few applications for lot splits or new units. For example, the City of San Diego reported receiving just seven applications for new SB 9 units in 2022.

There are multiple reasons for this slow uptake. It often takes a few years for the construction process to catch up with changes to land use policy. Also, higher interest rates greatly increased the cost to finance a second unit, adding a chilling effect to the housing market. The City of San Diego has a generous local ADU program, providing a local pathway to increasing missing-middle housing which is less restrictive than the provisions of SB 9. SB 450 (Atkins), Chapter 286, Statutes of 2024, amended SB 9 to address some of the early barriers to low utilization of SB 9. SB 450 (Atkins) added a 60-day review period for SB 9 applications, removed the ability of local agencies to deny certain SB 9 projects, prohibited a local agency from imposing standards on SB 9 projects that do not apply to the underlying zoning district, gave HCD explicit enforcement authority over SB 9, and strengthened the statewide concern findings that applied SB 9 to charter cities. The provisions of SB 450 became effective on January 1, 2025, so it is too early to judge the impact of those changes on SB 9 uptake.

SB 9 Owner Occupancy Requirements: SB 9 contains an owner-occupancy requirement for lot splits. Under current law, a local agency must require an applicant for an urban lot split to sign an affidavit stating that they intend to occupy one of the resulting housing units as their principal residence for at least three years following approval of the lot split. This requirement does not apply to applicants that are "community land trusts" or "qualified nonprofit corporations."

HCD has interpreted SB 9's owner-occupancy provision to mean that a living trust, limited liability company, or other legal entity cannot serve as the applicant, even when the beneficiary owner or member is the current owner-occupant of the property. Furthermore, the current statute requires the existing homeowner to serve as the project applicant, who then must be solely responsible for obtaining local approvals, including navigating the subdivision process. This may prove daunting for existing homeowners and may discourage them from pursuing SB 9 projects.

⁶ UC Berkeley Turner Center Testimony by Ben Metcalf, Managing Director, at the State Housing Production Legislation: Actions, Outcomes, and Opportunities Informational Hearing, February 12, 2025

⁷ <https://turnercenter.berkeley.edu/wp-content/uploads/2021/07/SB-9-Brief-July-2021-Final.pdf>

⁸ <https://turnercenter.berkeley.edu/research-and-policy/sb-9-turns-one-applications/>

SB 9 Versus ADU Law: ADU law and SB 9 are complementary strategies aimed at increasing density on single-family parcels, but they operate under different frameworks. Under current law, ADUs may be used in combination with SB 9 so long as the total number of units on a lot does not exceed four. Property owners may use both tools to achieve the maximum allowed density in a configuration that best suits their site and circumstances, for example, two primary units under SB 9 and one ADU per new lot. Through the ADU pathway, a property owner of a single-family home would be able to build four units (one single-family home, one junior ADU, one detached ADU, and one conversion ADU) on that same property. A key distinction between SB 9 and ADU law is that, through ADU law, unless a local jurisdiction has opted-in to for-sale provisions, all of the resulting ADUs would be rental units, while the second lot created under SB 9 would be for-sale.

The distinctions between SB 9 and ADU law may influence which pathway a property owner chooses when seeking to increase density, based on factors such as cost, design flexibility, and regulatory requirements. SB 9 projects often require compliance with local development standards such as height limits and objective design guidelines, and may be subject to proportionate impact fees and infrastructure upgrades, particularly for lot splits. In contrast, ADUs benefit from fewer local restrictions and exemptions from certain fees, especially for units under 750 square feet. Furthermore, SB 9 contains the aforementioned owner-occupancy requirement, and requires the property owner to be the applicant for an SB 9 development, whereas ADU law explicitly prohibits local governments from imposing such a requirement. As a result, some property owners may prefer to pursue multiple ADUs rather than an SB 9 lot split, especially if their goal is to add rental units without added costs or design requirements.

This Bill: This bill revises the provisions of SB 9 related to owner-occupancy requirements for urban lot splits. Specifically, this bill requires a local agency to condition approval of an urban lot split on the applicant selecting one of two owner-occupancy options: either the existing requirement that the applicant occupy one of the units as their principal residence for at least three years, or a new alternative requiring that all of the homes created through the SB 9 lot split remain owner-occupied for three years following their sale to a homebuyer, enforced through recorded deed restrictions and notice requirements. This three-year owner occupancy requirement would begin on the date a parcel or unit is conveyed to the homebuyer, and stays with the property for three years, meaning if the first purchaser sells the property before that three-year expiration period, the owner occupancy requirement would pass on to the subsequent purchaser.

This bill additionally allows a managing or authorized member of an LLC or a trustee of a living trust to apply for an SB 9 urban lot split, and requires local agencies to record and enforce owner-occupancy requirements associated with this new homebuyer-based owner-occupancy pathway. This bill also requires sellers of units resulting from this new SB 9 owner-occupancy pathway to provide written disclosure of the three-year owner-occupancy restriction upon conveyance, and prohibits local agencies from imposing owner-occupancy requirements beyond those established in statute.

Proponents of this bill maintain that it will improve the usability of SB 9 by allowing homeowners to utilize common ownership structures, such as trusts and LLCs, and by creating a pathway for partnerships with builders, which may increase the number of feasible projects and expand small-scale homeownership opportunities. The alternative owner-occupancy option may also help ensure that newly created units are ultimately occupied by homeowners, rather than

serving as investor rental units. On the other hand, opponents may argue that shifting the owner-occupancy requirement away from the applicant and onto future homebuyers could weaken SB 9's original anti-speculation guardrails and introduce additional complexity in enforcement, particularly with respect to tracking and enforcing deed restrictions over time.

Policy Considerations:

- **All Units.** This bill requires, in order to use this alternative owner-occupancy pathway, that “**all units** on both parcels of an urban lot split remain owner occupied for three years.” Under current law, the property owner applicant must reside in just one of the resulting units, and you can construct up to four units on what was previously a single-family lot (two lots, each with two units). It is unclear how, under the current structure of SB 9, one could achieve owner occupancy on all four units without subdividing the lot into four, which is not permitted under SB 9.

The Committee may wish to consider an amendment so that one unit on each of the resulting lots, rather than all units, are subject to this owner occupancy requirement in order to maintain the existing structure of SB 9.

Arguments in Support: The Bay Area Council writes in support: “SB 9 was designed to benefit homeowners by providing a streamlined pathway to create small-scale housing opportunities on existing residential parcels. However, it has been interpreted by the Department of Housing and Community Development (HCD) in a way that limits eligible applicants when applying for urban lot splits. Currently, a living trust or limited liability company (LLC) may not serve as the applicant and, therefore, HCD effectively requires the existing individual homeowner to be included as part of the applicant group in every SB 9 urban lot split project.

The practice of placing a single-family home into a living trust or a limited liability company is a common practice in retirement and estate planning. Yet because a trust or LLC cannot sign the required owner-occupancy affidavit, some homeowners are unable to effectively use SB 9. AB 2005 would amend current law to close this gap and allow members of an LLC or trustees of a living trust who are primary residents of a single-family home to apply for urban lot splits.

The bill shifts the owner-occupancy requirement from the applicant to the homebuyer of the newly created unit, removing barriers and increasing opportunities for entry-level homeowners to partner with experienced builders and local developers. AB 2005 clarifies the intent of current law, empowering existing homeowners to build on their current properties and creating scalable solutions for Californians across the state.”

Arguments in Opposition: None on file.

Committee Amendment: The Committee may wish to consider the following amendment:

66411.7(g)(1)(A)(ii) An applicant for an urban lot split shall require, as a condition of sale to a homebuyer, that ~~all~~ ***one*** of the units on both parcels of an urban lot split remain owner occupied for three years, beginning on the date a parcel or unit is conveyed by the applicant to a homebuyer. If an applicant selects the option in this clause, all of the following shall be required:

Related Legislation:

SB 2601 (Lee) of this legislative session. Makes numerous changes to the processing of subdivisions under existing law, including SB 9, and authorizes the primary dwellings associated with an urban lot split to be developed or converted as condominiums, including allowing condominium conversion of an existing unit, pursuant to applicable state and local condominium law.

SB 450 (Atkins), Chapter 286, Statutes of 2024. Amended the process established by SB 9 (Atkins), Chapter 162, Statutes of 2021 for the ministerial approval of a duplex in a single-family zone and the lot split of a parcel zoned for residential use into two parcels.

SB 9 (Atkins), Chapter 162, Statutes of 2021. Required the ministerial approval by a local agency of a duplex in a single-family zone and the lot split of a parcel zoned for residential use into two parcels.

Double-Referred: This bill was also referred to the Committee on Local Government, where it will be heard should it pass out of this Committee.

REGISTERED SUPPORT / OPPOSITION:**Support**

Bay Area Council
California YIMBY
Equitable Land Use Alliance
Families and Homes San Jose
Housing Action Coalition
SPUR
SV@Home Action Fund
The Two Hundred for Homeownership

Opposition

None on file.

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