
SENATE COMMITTEE ON LOCAL GOVERNMENT

Senator María Elena Durazo, Chair

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HOUSING DEVELOPMENTS: URBAN LOT SPLIT: OWNER-OCCUPANCY

Revises owner-occupancy requirements for an urban lot split.

Background

Planning and approving new housing 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.

Planning and Zoning Law. State law provides additional powers and duties for cities and counties regarding land use. The Planning and Zoning Law requires every county and city to adopt a general plan that sets out planned uses for all of the area the plan covers. Cities’ and counties’ major land use decisions—including most zoning ordinances and other aspects of development permitting—must be consistent with their general plans.

Subdivision Map Act. The Subdivision Map Act (or Map Act) governs how local officials regulate the division of real property into smaller parcels for sale, lease, or financing. Cities and counties adopt local subdivision ordinances to carry out the Map Act and local requirements. City councils and county boards of supervisors use the Map Act to control a subdivision's design and improvements. Local subdivision approvals must be consistent with city and county general plans.

Under the Subdivision Map Act, cities and counties can attach scores of conditions. The Map Act allows local officials to require, as a condition of approving a proposed subdivision, the dedication of property within a subdivision for streets, alleys, drainage, utility easements, and other public easements and improvements. Once subdividers comply with those conditions, local officials must issue final maps. For smaller subdivisions that create four or fewer parcels, local officials usually use parcel maps, but they can require tentative parcel maps followed by final parcel maps. The Map Act also constrains the dedications and improvements that local cities and counties can require as a condition of a subdivision of four or fewer lots to only the dedication of rights-of-way, easements, and the construction of reasonable offsite and onsite improvements for the parcels being created.

Senate Bill 9 (Atkins, 2021). SB 9 requires cities and counties to permit ministerially either or both of the following, as long as they meet specified conditions:

- A housing development of no more than two units (a duplex).
- The subdivision of a parcel into two approximately equal parcels (urban lot split).

To be eligible, a development or parcel to be subdivided must be located within an urbanized area or urban cluster, as defined by the United States Census and cannot be located on any of the following:

- Prime farmland or farmland of statewide importance;
- Wetlands;
- Land within the very high fire hazard severity zone, unless the development complies with state mitigation requirements;
- A hazardous waste site;
- An earthquake fault zone;
- Land within the 100-year floodplain or a floodway;
- Land identified for conservation under a natural community conservation plan, or lands under conservation easement;
- Habitat for protected species; or
- Specified kinds of historic sites.

SB 9 requires a city or county to permit a housing development containing no more than two units ministerially in single family zones if the development meets certain conditions, including the requirements on eligible parcels above. A development can include adding one unit to an existing unit, or constructing two new units.

SB 9 also requires a city or county to ministerially approve or deny a parcel map or a tentative and final map for an urban lot split that meets specified requirements. In addition to the requirements for eligible parcels that apply to both duplexes and urban lot splits, the urban lot split must meet the following requirements:

- The parcel map subdivides an existing parcel to create two new parcels of approximately equal size, such that one parcel cannot be smaller than 40 percent of the size of the original lot;
- Both newly created parcels are no smaller than 1,200 square feet, unless the local agency adopts a smaller minimum lot size;
- The parcel being subdivided is located within a residential zone;
- The proposed lot split would not require demolition or alteration of rent-restricted housing, housing where an owner has exercised their rights under the Ellis Act within the past 15 years, or housing that has been occupied by tenants in the past three years; and
- The parcel being subdivided was not previously created through an urban lot split, and none of the adjoining parcels were created by an urban lot split and owned by the same owner or anyone working in concert with the owner.

SB 9 allows a city or county to approve the lot split only if it conforms to all applicable objective requirements of the Map Act, unless otherwise specified.

In combination, SB 9's provisions allow up to four units to be built in areas where local zoning currently only allows one home.

Owner-occupancy requirements. Among other conditions, SB 9 requires that an applicant for an urban lot split submit a sworn affidavit to the city or county stating that the applicant intends to occupy one of the housing units as their principal residence for a minimum of three years from the date of the approval of the urban lot split. It also prohibits a local agency from imposing other owner occupancy standards.

Because housing developers focus on selling properties to other owners after they complete construction, SB 9's owner-occupancy requirement effectively prohibits anyone other than an owner-occupant from building the maximum of four units allowed by the law.

Recent reports on SB 9's effectiveness. In July 2021, as SB 9 was proceeding through the legislative process, the Turner Center for Housing Innovation at UC Berkeley (Turner Center) completed an analysis that estimated it could make approximately 700,000 units financially feasible to construct. The report emphasized that this number represents a maximum potential number of units, and was not a forecast of the number of units that would be developed.

After one year of SB 9 implementation, the Turner Center evaluated SB 9's effectiveness through another report. The report found that SB 9's impact has been limited, and some larger cities have only seen a few, if any, applications for lot splits or new units. According to the report:

We found that SB 9 activity is limited or non-existent in these thirteen cities (Table 1). Los Angeles had the most overall 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. To put these numbers into context, the city of San Diego permitted over 5,000 new homes in all of 2021 and Los Angeles permitted just under 20,000 new homes in 2021.

The report listed a variety of changes that could increase use of the law, including:

- Establishing more flexible standards for new home design—such as larger maximum home sizes and heights—and limiting extra costs—such as impact fees, particularly for single-family home to duplex conversions; and
- Revisiting the owner-occupancy requirement to encourage higher usage, while maintaining proper guardrails to protect against speculation by institutional investors and displacement in vulnerable communities.

In 2024, the Legislature amended SB 9 to address some of the early barriers to low utilization of the law through SB 450 (Atkins). SB 450 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 the Department of Housing and Community Development (HCD) explicit enforcement authority over SB 9, and strengthened the statewide concern findings that applied SB 9 to charter cities. However, SB 450 did not modify the law's owner-occupancy requirements.

Uptake in recent years has increased: HCD's Annual Progress Report dashboard reports, as of June 2026, that 1,671 SB 9 projects have been submitted statewide, with 862 projects submitted

in the City of Los Angeles alone. The author wants to further encourage the use of SB 9 to build additional units.

Proposed Law

Assembly Bill 2005 revises the owner-occupancy requirements for an urban lot split. Specifically, AB 2005 allows an urban lot split to proceed without the owner-occupancy requirement if the applicant for an urban lot split signs an affidavit stating that they intend to sell both parcels of an urban lot split after issuance of a certificate of occupancy and shall require, as a condition of sale to a homebuyer, that 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 uses this option,

- The local agency must record a notice of the owner-occupancy requirement as a condition of ministerial approval of the urban lot split;
- A parcel or unit being purchased must 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
- The homebuyer must record a notice of owner-occupancy as a condition to acquiring title to a parcel or unit.

The bill allows an applicant for an urban lot split to be the managing or authorized member of a limited liability company or the trustee of a living trust. A seller that is a limited liability company or trustee of a living trust to disclose the owner-occupancy requirement in a real-estate transaction, and an applicant for an urban lot split who is the managing or authorized member of a limited liability company who violates the requirements of the bill is liable for civil penalties.

AB 2005 also prohibits a local agency from taking an action that applies to a project solely or partially on the basis that the project is an urban lot split, including, but not limited to, restricting the eligibility of an applicant of an urban lot split, and makes other conforming and technical changes.

Comments

1. Purpose of the bill. 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.

“In my district, I still need to rent because the average price of a first-time home exceeds \$ 1 million. AB 2005 can help create greater equity in homeownership, removing barriers that 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.”

2. There’s gold in them thar hills. The urban lot split provisions of SB 9 attempt to strike a balance between encouraging widespread, but less visible, densification of single-family zones and the desire to keep community ties intact. It allows homeowners to build generational wealth by splitting off a portion of their lot to be used to develop new housing, while keeping them in their home and the community they have connections to. SB 9’s current owner-occupancy requirement allows urban lot splits in these circumstances, but prevents developers, who may have more expertise and capacity to build new units but do not occupy the units they build, from maximizing the number of units built through SB 9. AB 2005 revises the owner-occupancy requirement to allow sale of units developed using an urban lot split to future homeowners who occupy the property. This could enable more SB 9 units to be built, which are smaller and therefore may sell for cheaper than the currently available homes. Opponents of the measure are concerned that this could lead to displacement of vulnerable residents if investors see a profitable opportunity and flip less-expensive housing into more expensive new homes that are unaffordable to existing community members. To afford an opportunity to review the effect of these owner-occupancy requirement changes on community makeup, the Committee may wish to consider amending AB 2005 to include a sunset.

3. Disaster recovery. In early January 2025, extremely dry conditions and high winds in Los Angeles resulted in two of the most destructive wildfires in state history. The Palisades fire, which started on January 7th, burned a total of 23,448 acres and damaged or destroyed almost 8,000 structures in the Pacific Palisades and Topanga State Park area of west Los Angeles. The Eaton fire consumed 14,021 acres and damaged or destroyed more than 10,000 structures, including significant portions of the unincorporated community of Altadena. The fires destroyed about half of all properties in both Palisades and Altadena and caused the deaths of 30 people. Governor Newsom declared a state of emergency the day the fires started, put into place protections against price gouging, and issued an executive order prohibiting landlords in Los Angeles from evicting tenants for violating their leases by providing shelter in their unit for residents displaced by the fires. The Governor also issued executive orders aimed at promoting and streamlining the construction of temporary shelters and the rebuilding of structures destroyed by the fires. On July 30, 2025, the Governor issued Executive Order N-32-25, which authorized Los Angeles County to condition or deny SB 9 projects in very high fire hazard severity zone within the boundaries of those fires. Because Altadena exists largely outside the boundaries of the very high fire hazard severity zone, SB 9 remains in force there. Since the fires, community members have raised concerns about investors purchasing lots with plans to develop in a way that may not be consistent with the needs or desires of the community. AB 2005 allows limited liability companies to apply for an urban lot split, which could make it easier for builders to purchase lots and develop them. On the one hand, opening up more parcels to SB 9 development may help build more homes faster in disaster-affected areas, adding sorely needed housing units. On the other hand, it could enable unscrupulous investors to take advantage of especially vulnerable individuals that are recovering from a disaster. Should AB 2005 do more to ensure that disaster-affected communities don’t experience unintended consequences?

4. Mandate. The California Constitution requires the state to reimburse local governments for the costs of new or expanded state mandated local programs. Because AB 2005 imposes new duties on local officials, Legislative Counsel says that it imposes a new state mandate. AB 2005 disclaims the state’s responsibility for providing reimbursement by citing local governments’ authority to charge for the costs of implementing the bill’s provisions.

5. Related legislation. AB 2601 (Lee) requires cities and counties to process urban lot splits, entitlements, and building permits for SB 9 projects concurrently. AB 2601 is currently pending in the Senate Housing Committee.

6. Coming and going. The Senate Rules Committee has ordered a double referral of AB 2005: first to the Committee on Local Government, which has jurisdiction over local permitting, and second to the Committee on Housing.

Assembly Actions

Assembly Housing and Community Development Committee:	11-0
Assembly Local Government Committee:	10-0
Assembly Appropriations Committee:	14-0
Assembly Floor:	66-1

Support and Opposition (6/5/26)

Support: Abundant Housing Los Angeles
 Bay Area Council
 California Yimby
 Circulate Planning & Policy
 East Bay for Everyone
 Equitable Land Use Alliance (ELUA)
 Families and Homes San Jose
 Fieldstead and Company, INC.
 Housing Action Coalition
 Spur
 Sv@home Action Fund
 The Two Hundred for Homeownership

Opposition: California Association of Realtors
 United Neighbors

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