

THIRD READING

Bill No: AB 2005
Author: Ahrens (D), et al.
Amended: 8/11/26 in Senate
Vote: 21

SENATE LOCAL GOVERNMENT COMMITTEE: 5-1, 6/10/26
AYES: Durazo, Arreguín, Ashby, Cervantes, Laird
NOES: Seyarto
NO VOTE RECORDED: Choi

SENATE HOUSING COMMITTEE: 6-2, 6/30/26
AYES: Arreguín, Cabaldon, Caballero, Cortese, Durazo, Padilla
NOES: Seyarto, Ochoa Bogh
NO VOTE RECORDED: Gonzalez, Grayson

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

ASSEMBLY FLOOR: 66-1, 5/14/26 - See last page for vote

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

SOURCE: Author

DIGEST: This bill revises owner-occupancy requirements for an urban lot split under SB 9 (Atkins, Chapter 162, Statutes of 2021) until January 1, 2032.

Senate Floor Amendments of 8/11/26 require the applicant using the authority granted by the bill to require the sale within three years of the approval of the lot split, and make other minor changes.

ANALYSIS:

Existing law:

- 1) Allows, under the California Constitution, 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.”
- 2) Requires, under SB 9, a city or county to ministerially approve either or both of the following, as specified:
 - a) A housing development of no more than two units (duplex) in a single-family zone; or,
 - b) The subdivision of a parcel zoned for residential use, into two approximately equal parcels (urban-lot split), as specified.
- 3) Authorizes a city or county to impose objective zoning, subdivision, and design review standards that do not conflict with state standards, except:
 - a) A city or county shall not impose objective standards that would physically preclude the construction of up to two units or that would physically preclude either of the two units from being at least 800 square feet in floor area. A city or county may, however, require a setback of up to four feet from the side and rear lot lines; and,
 - b) A city or county shall not require a setback for an existing structure or a structure constructed in the same location and to the same dimensions as the existing structure.
- 4) Requires a city or county to ministerially approve a parcel map for an urban-lot split only if the local agency determines that the parcel map for the urban-lot split meets specified requirements.
- 5) Provides that a local government shall not be required to permit more than two units on a parcel.
- 6) Requires an applicant for an urban-lot split to sign an affidavit 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.

This bill:

- 1) 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 signs an affidavit stating they intend to sell both parcels of an urban lot split after issuance of a certificate of occupancy within 3 years from the date of the approval of the urban lot split.
 - b) The applicant requires, as a condition of sale to the homebuyer, that one of the units on each parcel of the lot split remain owner-occupied for three years, beginning on the date the parcel or unit is conveyed.
 - c) The local agency records a notice of the owner-occupancy requirement as a condition of ministerial approval of the parcel map for the lot split.
 - d) The parcel or unit being purchased is 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.
 - e) The homebuyer records 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.
- 2) Requires all applicants for SB 9 urban-lot splits to sign an affidavit, under penalty of perjury, stating that they intend to comply with the owner occupancy requirement.
 - 3) Allows a natural person who is the managing or authorized member of a limited liability company (LLC) or the trustee or beneficiary of a living trust to be the applicant for an urban-lot split under SB 9.
 - 4) Provides that an applicant for an urban-lot split who is the managing or authorized member of an LLC who violates the SB 9 owner occupancy requirements shall be liable for civil penalties.
 - 5) Excludes the boundaries of the 2025 Palisades or Eaton Fires in Los Angeles County from the bill.
 - 6) Prohibits a local agency from adopting or imposing 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.

- 7) 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 LLC or the trustee of a living trust.
- 8) Sunsets the provisions of SB 9 that are added by this bill on January 1, 2032.

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 specified types of sites with certain environmental conditions.

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. 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, Chapter 286, Statutes of 2024). 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.

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.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

SUPPORT: (Verified 8/19/26)

Abundant Housing Los Angeles
Bay Area Council
California Apartment Association
California Yimby
Casita Coalition
Circulate Planning & Policy
East Bay for Everyone
East Bay Yimby
Equitable Land Use Alliance (ELUA)
Families and Homes San Jose
Fieldstead and Company, INC.
Grow the Richmond
Housing Action Coalition
Mountain View Yimby
Napa-solano for Everyone
New California Coalition
Northern Neighbors Sf
Peninsula for Everyone
San Francisco Yimby
San Jose Yimby
San Mateo Forward
Santa Cruz Yimby
Santa Rosa Yimby
South Bay Yimby
Spur
Student Homes Coalition
Sv@home Action Fund
The Two Hundred for Homeownership
Ventura County Yimby
Yes! in Redwood City
Yimby Action
Yimby Los Angeles
Yimby Monterey Peninsula
Yimby Slo

OPPOSITION: (Verified 8/19/26)

California Association of Realtors
California Bankers Association
California Escrow Association
California Land and Title Association

California's Credit Unions
Sustainable Community Development Corporation
United Neighbors

ASSEMBLY FLOOR: 66-1, 5/14/26

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bennett, Berman, Bonta, Bryan, Calderon, Caloza, Carrillo, Chen, Connolly, Davies, Dixon, Elhawary, Ellis, Fong, Gabriel, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lackey, Lee, Lowenthal, McKinnor, Nguyen, Ortega, Pacheco, Papan, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NOES: DeMaio

NO VOTE RECORDED: Arambula, Bauer-Kahan, Boerner, Castillo, Flora, Gallagher, Johnson, Macedo, Muratsuchi, Patel, Celeste Rodriguez, Sanchez, Schiavo

Prepared by: Anton Favorini-Csorba / L. GOV. / (916) 651-4119
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