SENATE COMMITTEE ON LOCAL GOVERNMENT
Senator María Elena Durazo, Chair
2025 - 2026 Regular

Bill No:	AB 2074	**Hearing Date:**	7/1/26
Author:	Haney	**Fiscal:**	Yes
Version:	6/16/26	**Consultant:**	Peterson

REGIONAL TRANSIT HUB DISTRICTS: DOWNTOWN HOUSING DEVELOPMENTS

Requires cities with 400,000 residents or more to establish at least one regional transit hub district, and makes specified housing projects an allowable use in these districts.

Background

Land use. 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 use their police power to enact zoning ordinances that shape development, such as setting maximum heights and densities for housing units, minimum numbers of required parking spaces, setbacks to preserve privacy, lot coverage ratios to increase open space, and others. These ordinances can also include conditions on development to address aesthetics, community impacts, or other particular site-specific considerations. Zoning ordinances and other development decisions must be consistent with the city or county's general plan.

California's housing crisis. California has the largest concentration of severely unaffordable housing markets in the nation, with the average home value in California at $773,363. To keep up with demand, the Department of Housing and Community Development (HCD) estimates that California must plan for the development of more than 2.5 million homes over the next eight years. Many economists point to zoning constraints as a cost driver. Last year, the Legislature passed SB 79 (Wiener, 2025) to remove some of these zoning constraints on projects near transit stops. Building housing near transit is also a strategy to combat climate change, since it can reduce reliance on automobile travel.

Housing streamlining laws. Local governments have broad authority to define the specific approval processes needed to satisfy these considerations. Some housing projects can be permitted by city or county planning staff "ministerially" or without further approval from elected officials, but most large housing projects require "discretionary" approvals from local governments, such as a conditional use permit or a change in zoning laws. This process requires hearings by the local planning commission and public notice and may require additional approvals. In 2017, the Legislature enacted a substantial package of legislation aimed at addressing the state's housing crisis. Among others, the Legislature enacted SB 35 (Wiener) to provide for a streamlined, ministerial process for approving housing developments that are in compliance with the applicable objective local planning standards—including the general plan, zoning ordinances, and objective design review standards. SB 35 was intended to enable developments that face local opposition, but are consistent with local objective development standards, to be constructed. To be eligible for streamlining under SB 35, a specified percentage of the total housing units in the development must be affordable to lower-income households.

SB 423 (Wiener, 2023) extended the sunset for SB 35 until January 1, 2036, and made many changes to SB 35's provisions. Some of the most significant changes included to:

- Authorize SB 35 to apply within the coastal zone, beginning January 1, 2025, consistent with the applicable local coastal plan or land use plan, except in areas that are environmentally sensitive or hazardous;
- Require that, in jurisdictions not meeting their housing targets for above moderate-households, projects eligible for SB 35 streamlining must contain at least 10% of the units affordable to very low-income households (i.e., 50% of the area median income (AMI) or below); and
- Amend labor standards that apply to projects over 85 feet in height above grade.

Senate Bill 79 (Wiener, 2025). SB 79 (1) made transit-oriented development (TOD) an allowable use on any site zoned for residential, commercial, or mixed use; and (2) allowed a transit agency to adopt objective standards for both residential and mixed-use development projects.

TOD development upzoning. SB 79 entitles a housing development within a specified distance of a transit stop in a residential, mixed-use, or commercial zone to specified development standards described in the table below.

<table>
<tr><th>TOD Stop Type</th><th>Dist. from Stop (TOD Zone)</th><th>Standards for Project</th></tr>
<tr><td rowspan="2">Tier 1: Major transit stop, heavy rail transit, or very high frequency commuter rail</td><td>¼ mile from stop</td><td>Max Height: 75 ft or 95 ft if adjacent to stop
Max Density: 30 - 120 units per acre (u/a) plus any density bonus or 160 u/a if adjacent to stop
Floor Area Ratio (FAR): 3.5 or 4.5 if adjacent to stop</td></tr>
<tr><td>¼ - ½ mile from stop in city with population at least 35,000</td><td>Max Height: 65 ft
Max Density: 30 - 100 u/a plus any density bonus
FAR: 3</td></tr>
<tr><td rowspan="2">Tier 2: Not Tier 1 major transit stops served by light rail transit, high-frequency commuter rail, or bus rapid transit</td><td>¼ mile from stop</td><td>Max Height: 65 ft or 85 ft if adjacent to stop
Max Density: 30 - 100 u/a plus any density bonus or 140 u/a if adjacent to stop</td></tr>
<tr><td>¼ - ½ mile from stop in a city with a population at least 35,000</td><td>Max Height: 55 ft
Max Density: 30 - 80 u/a plus any density bonus
FAR: 2.5</td></tr>
</table>

TOD housing development projects must also meet the following requirements:

- The average total area of floor space for the proposed units in the TOD housing development project cannot exceed 1,750 net habitable square feet; and
- The housing development project must include at least five dwelling units and meet the greater of the following:
  - A minimum density of at least 30 dwelling units per acre; or
  - The minimum density required under the local zoning, if applicable.

SB 79 prohibits projects from being located on specified sites subject to rent control within the last seven years. SB 79 projects must also meet specified affordability and labor standards.

SB 79 requires metropolitan planning organizations (MPOs) to create a map of TOD stops and zones. Based on those maps, a local government has to enact an ordinance to make its zoning consistent with SB 79, subject to HCD review. Additionally, they can adopt a local TOD alternative plan that allows them to adopt their own standards provided they maintain the same amount of housing as the general SB 79 provisions.

The State Building & Construction Trades Council of California wants to increase housing production in downtown areas of large cities near transit.

Proposed Law

Assembly Bill 2074 creates regional transit hub districts (RTHDs) and makes downtown housing projects an allowable use in those districts.

RTHDs. At a minimum, an RTHD must meet all of the following requirements:

- Be a contiguous area of land;
- Have a land area of at least 0.25 square miles; and
- Have at least one TOD stop.

By July 1, 2027, each major transit city, meaning a city with a population of at least 400,000 that contains at least two TOD stops, must comply with the applicable requirement:

- A major transit city with a population of at least 400,000 and less than 1 million must designate at least one RTHD with a total area of at least 0.5 square miles;
- A major transit city with a population of at least 1 million and less than 2 million must designate at least one RTHD with a total area of at least 1 square mile; and
- A major transit city with a population of at least 2 million must designate at least one RTHD with a total area of at least 1.5 square miles.

A city can create multiple RTHDs to comply with the measure's requirements. If the city fails to designate an RTHD, then the RTHD's boundaries become the area surrounding the city's highest-ridership TOD stop. Cities that do not meet these population thresholds can, but are not required to, designate a RTHD. Designating a RTHD is exempt from CEQA.

Downtown housing projects. Downtown housing projects are housing development projects within a regional transit hub district that satisfy all the following conditions:

- Comply with SB 423 labor standards;
- Have density of at least 60 units per acre;
- Meet SB 79 affordability requirements;
- Meet SB 79 site eligibility requirements;
- Does not demolish any individually landmarked property on a local, state, or federal historic register; and
- Is consistent with airport land use planning.

RTHDs must make downtown housing developments an allowable use subject to all the following:

- The city cannot set a maximum height limit lower than 150 feet;
- At least 25% of the total area of all the city's RTHDs must allow a maximum height of at least 450 feet;
- Cities cannot set a maximum FAR lower than 6;
- At least 25% of the total area of all the city's RTHDs must allow a maximum FAR of at least 12;
- Cities cannot set a maximum density less than 200 dwelling units per acre;
- At least 25% of the total area of all the city's RTHDs must not have a maximum density limit; and
- The city may set other objective standards related to a downtown housing development within a RTHD if they are consistent with the measure's requirements.

Downtown housing projects may qualify for a density bonus, and AB 2074 required density becomes the base density for purposes of calculating eligibility for density bonus law incentives and concessions.

If utilizing SB 423 streamlined ministerial approval, projects are exempt from most of SB 423's requirements, but must still follow labor and site eligibility standards. As a condition of qualifying for streamlining, the city or county must require the developer to complete a phase I environmental assessment and mitigate any identified issues as specified.

Loan eligibility. AB 2074 creates the Downtown Revitalization Loan Fund, which continually appropriates funds to the California Housing Finance Agency to finance downtown housing projects. Loans cannot exceed 30% of project costs. The applicant must certify they will comply with SB 423 labor standards.

Comments

1. Purpose of the bill. According to the author, "California's downtowns are at a crossroads. In the wake of the pandemic, many of our city centers are struggling with high vacancy rates, declining foot traffic, and reduced economic activity. At the same time, we continue to face a severe housing shortage, especially in the very places where housing makes the most sense: near jobs, transit, and existing infrastructure. AB 2074 responds to both of these challenges by creating a clear, statewide framework to support high-density housing in our downtown cores while ensuring that the jobs created are high-quality, family-supporting jobs.

"This bill establishes regional transit hub districts in major cities and sets baseline zoning standards that allow for meaningful mixed-use and residential high-rise development, while providing a streamlined approval pathway for projects that meet affordability and strong labor standards. It also creates a revolving loan fund through CalHFA to help address one of the most significant barriers to building housing today: access to early-stage financing. By pairing housing production with robust labor protections and financial tools, AB 2074 is designed to unlock housing, support good-paying jobs, and bring new life to our downtowns."

2. Now, do it again. Under existing law, local agencies are subject to many planning requirements, especially when it comes to housing. The housing element process requires local agencies to consider many different factors, including how economic, environmental, fiscal, and community factors influence their ability to address regional housing needs. Among the many factors local agencies must include is a statement of the community's goals, quantified objectives, policies relative to affirmatively furthering fair housing, and to the maintenance, preservation, improvement, and development of housing. After balancing factors such as these, local governments have to identify and implement programs and policies to make sites available to accommodate their share of regional housing needs at all income levels, which, crucially, must include any necessary rezonings.

SB 79 disregarded many of these planning efforts and imposed new restrictions on local agencies near TOD stops. SB 79 allows local governments to enact an ordinance to implement SB 79 that might provide some flexibility. Local agencies are in the midst of implementing SB 79, which goes into effect on July 1, 2026. AB 2074 requires the cities that qualify as major transit cities to go back over their plans for at least one TOD stop to now comply with AB 2074, potentially repeating some of the efforts they just went through for SB 79. Completing these plans takes time and resources. Local agencies may have to divert resources from other planning efforts, or increase planning fees, to come into compliance with AB 2074.

3. Dealer's choice. Valuation of real estate is complicated, but a fundamental principle is that property is as valuable as its highest and best use allows. Land that can only accommodate construction of a few new units of housing is less valuable than land that can accommodate more, all else being equal, and same goes for larger developments versus smaller ones. When zoning rules change to allow more building, property values go up—an effect that was demonstrated in a recent study of upzoning in Chicago.[1] Like SB 79 before it, AB 2074 allows more units to be built and reduces costs associated with developments by granting additional waivers and concessions of development policies. AB 2074 puts a series of requirements on local agencies in terms of heights, density, and FARs it must allow, but allows developers to choose the density, height, and FAR, up to the limits, potentially allowing them to maximize profits by building larger luxury units instead of smaller, lower priced ones. The main requirement for developers as far as project dimensions is that they must build to a minimum density of at least 60 units per acre. Without further direction, a developer could choose to build fewer, relatively large units that would not naturally be affordable to many households. The Committee may wish to consider amending the bill to require the average total area of floor space for the proposed units in the project to not exceed 1,750 net habitable square feet.

[1] *Yonah Freemark*. (2020) "Upzoning Chicago: Impacts of a Zoning Reform on Property Values and Housing Construction." Urban Affairs Review 56(3), 758-789.

4. Priorities. Financing deed-restricted, affordable housing units is a complicated endeavor. Affordable housing developers have to rely on piecing together multiple funding sources, and often rely on government subsidies to get across the finish line. In other words, without state and local funds, these units reserved for lower-income households may never get built. Predominantly market-rate projects are not as reliant on government subsidies, and do not come with a guarantee that units will be offered at an affordable cost. There is no guarantee that a market-rate developer uses funds to build more units than they otherwise would, nor that the developer offers those units at below-market rates. AB 2074 sets up a new loan program out of CalHFA to help finance RTHDs, but the only restriction on the funds is that the loan cannot cover more than 30% of project costs. While loans eventually get repaid, setting up a new loan program has costs. First, there are ongoing costs to administer the program. Second, there are one-time costs to capitalize the loan program so that the first loans can go out. Since these resources could be used for other purposes, an effective loan program is one that maximizes public benefits. In this case, loan funds can go to any project in one of these districts regardless of whether the project can only get built if it has access to additional capital. Since projects with more deed-restricted, affordable units generally require greater public subsidies than purely market rate projects, the loan program could be designed to finance only the deed-restricted, affordable units. This would ensure resources get used in a way to maximize public benefits.

5. Public funds. Article XVI, Sec. 6 of the State Constitution prohibits a gift, including the lending of credit, of public funds. However, courts have found that funds used for a public purpose do not constitute a gift of public funds. There is no statutory definition of public purpose. So, it is up to the courts to determine whether the gift of public funds is for a "public" or "private" purpose. In some instances, the courts have deferred to legislative findings of public purpose if they are reasonable. For example, courts have typically found that funding affordable housing is a public purpose. AB 2074 makes findings that helping to address the statewide housing crisis and loans issued pursuant to this subdivision do not constitute a gift of public funds, but it is unclear whether those findings are sufficient to justify using public funds to finance market-rate housing. Limiting AB 2074's loan funds to affordable housing would limit this potential legal uncertainty.

6. Who, Me? AB 2074 applies to "major transit cities," which the measure defines as a city with a population of at least 400,000 that contains at least two TOD stops. This would include the following cities:

Los Angeles	San Diego
San Jose	San Francisco
Long Beach	Sacramento
Oakland	

7. Charter city. The California Constitution allows cities that adopt charters to control their own "municipal affairs." In all other matters, charter cities must follow the general, statewide laws. Because the Constitution does not define municipal affairs, the courts determine whether a topic is a municipal affair or whether it is an issue of statewide concern. AB 2074 says that its statutory provisions apply to charter cities because addressing the statewide housing crisis is a matter of statewide concern.

8. Mandate. The California Constitution requires the state to reimburse local governments for the costs of new or expanded state mandated local programs. Because AB 2074 adds to the duties of local officials, Legislative Counsel says the bill imposes a new state mandate. AB 2074 disclaims the state's responsibility for providing reimbursement by citing local governments' authority to charge for the costs of implementing the bill's provisions, while acknowledging the state may have to reimburse costs the local agency cannot recover through fees.

9. Incoming! The Senate Rules Committee has ordered a double referral of AB 2074: first to the Committee on Housing, which is set to hear the bill at its June 30^{th} hearing.

Assembly Actions

Assembly Housing and Community Development Committee:	10-1
Assembly Local Government Committee:	8-1
Assembly Natural Resources Committee:	11-3
Assembly Appropriations Committee:	12-2
Assembly Floor:	64-6

Support and Opposition (6/26/26)

Support: State Building & Construction Trades Council of California (Sponsor)
Caity Maple, City of Sacramento Councilmember
Mayor Matt Mahan, City of San Jose
Big City Mayors
Business for Good San Diego
California Big City Mayors Coalition
California Downtown Association
California Yimby
Central City Association of Los Angeles
City of Anaheim
City of Bakersfield
City of Fresno
City of Irvine
City of Long Beach
City of Los Angeles
City of Oakland
City of Riverside
City of Sacramento
City of San Diego
City of San Francisco
City of San Jose
City of Stockton
Climate Action Campaign
Coalition for Clean Air
Downtown San Diego Partnership
Dtla Residents Association
Greenbelt Alliance
San Diego County Bicycle Coalition

Southern California Black Chamber of Commerce
Yimby Democrats of San Diego County

Opposition: California Housing Partnership Corporation
Housing California

-- END --