SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 2074 (Haney) - Regional transit hub districts: downtown housing developments

Version: July 2, 2026
Policy Vote: HOUSING 6 - 0, L. GOV. 6 - 0
Urgency: No
Mandate: Yes
Hearing Date: August 3, 2026
Consultant: Mark McKenzie

Bill Summary: AB 2074 would require specified “major transit cities” to designate one or more “regional transit hub districts,” and makes certain housing development projects within those districts an allowable use by-right, subject to specified labor and affordability standards. The bill would also require the California Housing Finance Agency (CalHFA) to conduct a specified housing construction loan and financing study and submit it to the Legislature by December 31, 2027.

Fiscal Impact:

- CalHFA estimates one-time costs of up to $250,000 to conduct the required study, including contracted data analysis and staff time for coordination with stakeholders, data collection, and preparation of the final report. (General Fund)

- The Department of Housing and Community Development (HCD) estimates ongoing costs of approximately $236,000 annually for 1.0 PY of staff to update guidelines related to streamlined and ministerial provisions, and respond to an expected significant increase in technical assistance inquiries from housing advocates, local agencies and developers related to compliance with the bill, designation of districts, and processing of applications. (General Fund)

- The Department of Industrial Relations (DIR) estimates Labor Commissioner’s Office costs of approximately $1.1 million in the first year and $1 million annually ongoing for oversight and enforcement activities related to prevailing wage and apprenticeship standards on projects constructed pursuant to the provisions of this bill. There would also be penalty revenue gains, potentially in the hundreds of thousands of dollars annually, to partially offset these costs. Actual costs and penalty revenues would depend upon the number of qualifying projects constructed under this bill and the number of complaints and referrals to the Division of Labor Standards and Enforcement that require enforcement actions, investigations, and appeals. (State Public Works Enforcement Fund)

- Unknown local mandated costs. The bill would impose new costs on seven major transit cities to establish regional transit hub districts and to revise planning requirements and considerations for specified housing development projects within those districts. These costs are not state-reimbursable because local agencies have general authority to charge and adjust planning and permitting fees to cover their administrative expenses associated with new planning mandates. (local funds)

Background: Under current law, cities and counties have the authority to regulate behavior to preserve the health, safety, and welfare of the public, including land use authority. Specifically, they can 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, and lot coverage ratios to increase open space. Such 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.

Local governments generally 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. Projects reviewed ministerially require only an administrative review designed to ensure they are consistent with existing general plan and zoning rules, as well as meet standards for building quality, health, and safety. Most large housing projects are not allowed ministerial review. Instead, these projects are vetted through both public hearings and administrative review, including design review and appeals processes. Most housing projects that require discretionary review and approval are subject to California Environmental Quality Act (CEQA) review, while projects permitted ministerially are not.

In 2017, 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 sought to enable developments that face local opposition, but are consistent with local objective development standards, to be constructed. To be eligible for streamlining under the bill, a specified percentage of the total housing units in the development must be affordable to lower-income households, and projects must be constructed using a skilled and trained workforce, as specified.

In 2023, SB 423 (Wiener) extended AB 35's sunset until January 1, 2036, but also made many significant modifications to the original bill, including (1) authorizing 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, (2) requiring that, in jurisdictions not meeting their housing targets for above moderate-households, projects eligible for SB 35 streamlining must contain at least 10 percent of the units affordable to very low-income households (i.e., 50 percent of the area median income (AMI) or below), and (3) amending labor standards that apply to projects over 85 feet in height above grade. Applicable labor standards include requirements to pay prevailing wages (enforced by the Labor Commissioner), and additional standards apply to projects of 50 or more units, including requirements for project proponents to certify with a local agency that contractors will be paid prevailing wages, and for contractors to participate in an apprenticeship program and make health care expenditures for each employee, as specified, and subject proponents to additional compliance reporting regarding payroll records, the apprenticeship program participation, and health care requirements.

Last year, SB 79 (Wiener) was enacted to make certain transit-oriented development (TOD) projects an allowable use on any site zoned for residential, commercial, or mixed use and benefit from specified "upzoned" development standards providing for specified height limits, increased maximum densities, and floor area ratios depending on proximity to a transit stop and type of transit stop. TOD projects with more than 10 units must comply with any of the following affordability requirements: at least 7% of the total units are dedicated to extremely low-income households, at least 10% of the units are dedicated to very low-income households, or at least 13% of the units are dedicated to low-income households. If a local inclusionary housing ordinance mandates a higher percentage or deeper affordability level, then the local inclusionary standards apply. A TOD project must also comply with specified SB 423 labor standards, including the provision of prevailing wages if the project is not entirely a public work, and projects that are over 85 feet, as specified. TOD projects may not be constructed on specified sites that would require demolition of rent control units or sites subject to rent control within the past seven years.

Proposed Law: AB 2074 would require specified "major transit cities" to designate one or more "regional transit hub districts," and makes certain housing development projects within those districts an allowable use by-right, subject to specified labor and affordability standards. Specifically, among other things, this bill would to the following:

- Require each major transit city (a city with a population of at least 400,000 that contains at least two TOD stops, as defined in SB 79), and authorize other cities, to establish a regional transit hub district (district) by July 1, 2027 that includes at least one TOD stop as follows:
    - A major transit city with a population of 400,000 to 1 million must designate at least one district with a total area of at least 0.5 square miles.
    - A major transit city with a population of 1 million to 2 million must designate at least one district with a total area of at least 1 square mile.
    - A major transit city with a population of over 2 million must designate at least one district with a total area of at least 1.5 square miles.
- Authorize a city to create multiple districts to comply with the bill's requirements, and specify that if a city fails to establish a district, then the district boundaries would be the area surrounding the city's highest ridership TOD.
- Exempt the designation of a district from CEQA.
- Define a "downtown housing development" as a housing development project that meets all of the following conditions:
    - Complies with SB 423 labor standards, as specified.
    - Has a density of at least 60 units per acre.
    - Meets SB 79 affordability requirements, as specified.
    - Meets SB 79 site eligibility requirements, as specified.
    - Does not demolish any individually landmarked property on a local, state, or federal historic register.
    - Is consistent with airport land use planning, as specified.
- Require a district to 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 floor area ratio (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.
    - 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.
- Specify that both of the following apply to a downtown housing development:
    - The project may qualify for a density bonus and other incentives, concessions, and standards applicable in density bonus law or local density bonus program, using the bill's requirements as the base density.
    - Require projects in the bill to qualify for streamlined ministerial approval under SB 423's requirements, but those projects would be exempt from specified requirements of SB 423 except specified labor and site eligibility standards must still be met.
- Require local agencies to require projects subject to this bill to complete a phase I environmental assessment, and take specified actions if certain environmental or hazardous conditions are found.
- Require CalHFA to conduct a housing construction loan and financing study that includes detailed specified analyses and recommendations, and to submit the study to the Legislature by December 31, 2027.

Related Legislation: SB 79 (Wiener), Chap. 512/2025, made specified TOD projects an allowable use by right on any site zoned for residential, commercial, and mixed use, subject to specified labor standards and affordability criteria.

SB 423 (Wiener), Chap. 778/2023, expanded the applicability of a streamlined, ministerial approval process for certain infill, multifamily, mixed-income housing projects that are proposed in local jurisdictions that have not met regional housing needs if the projects meet specific labor standards and affordability criteria.

AB 2011 (Wicks), Chap. 647/2022, created a ministerial, streamlined approval process for 100% affordable housing projects in commercial zones and for mixed-income housing projects along commercial corridors. The bill also imposed specified labor standards on those projects, including requirements that contractors pay prevailing wages, participate in apprenticeship programs, and make specified healthcare expenditures.

Staff Comments: The bill's mandated local costs would not be subject to state reimbursement because local agencies have the authority to charge and adjust planning and permitting fees as necessary to cover administrative costs. Existing law authorizes planning and zoning fees to "include the costs reasonably necessary to prepare and revise the plans and policies that a local agency is required to adopt before it can make any necessary findings and determinations." Case law and previous decisions by the Commission on State Mandates support the position that local governments' planning costs are not reimbursable when the state imposes new planning mandates.

Recommended Amendments: The bill was amended in policy committee to delete provisions establishing a Downtown Revitalization Loan Fund, but a definitional provision still references that fund. The bill should be amended to delete that provision on page 3, lines 22-23 of the bill (Gov.Code Sec. 65913.13 (a)(2)).

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