
THIRD READING

Bill No: AB 507
Author: Haney (D), et al.
Amended: 8/29/25 in Senate
Vote: 21

SENATE LOCAL GOVERNMENT COMMITTEE: 5-2, 7/2/25

AYES: Durazo, Arreguín, Cabaldon, Laird, Wiener

NOES: Choi, Seyarto

SENATE HOUSING COMMITTEE: 8-2, 7/15/25

AYES: Wahab, Arreguín, Caballero, Cortese, Durazo, Gonzalez, Grayson, Padilla

NOES: Seyarto, Ochoa Bogh

NO VOTE RECORDED: Cabaldon

SENATE APPROPRIATIONS COMMITTEE: 6-1, 8/29/25

AYES: Caballero, Cabaldon, Dahle, Grayson, Richardson, Wahab

NOES: Seyarto

ASSEMBLY FLOOR: 64-1, 5/23/25 - See last page for vote

SUBJECT: Adaptive reuse: streamlining: incentives

SOURCE: Author

DIGEST: This bill enacts the Office to Housing Conversion Act, which creates a streamlined, ministerial approval process for adaptive reuse projects and provides certain financial incentives for the adaptive reuse of existing buildings.

ANALYSIS:

Existing law:

- 1) Allows, pursuant to 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.” 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.

- 2) Requires every county and city to adopt a general plan that sets out planned uses for all of the area that it covers.
- 3) Establishes, pursuant to AB 1490 (Lee, Chapter 764, Statutes of 2023), a ministerial, streamlined approval process for the adaptive reuse of buildings into 100 percent affordable housing.
- 4) Establishes, pursuant to SB 423 (Wiener, Chapter 778, Statutes of 2023), a streamlined, ministerial approval process for certain infill multifamily affordable housing projects that are compliant with local zoning and objective standards and that are proposed in local jurisdictions that have not met their regional housing needs allocation.
- 5) Establishes, pursuant to AB 2011 (Wicks, Chapter 647, Statutes of 2022), a streamlined, ministerial approval process for certain infill multifamily affordable housing projects that are located on land that is zoned for retail, office, or parking.
- 6) Allows, pursuant to SB 6 (Caballero Chapter 659, Statutes of 2022), the Middle Class Housing Act of 2022, residential uses on commercially zoned property without requiring a rezoning.
- 7) Authorizes the California Department of Housing and Community Development (HCD) to enforce state housing laws.

This bill:

- 1) Deems an adaptive reuse project that meets the requirements of this bill a use by right in all zones and establishes a streamlined, ministerial review process for these projects, as specified below.
- 2) An adaptive reuse project must be located on an infill site, as specified, and be for an existing building that is one of the following:
 - a) Less than 50 years old.
 - b) Listed on a local, state, or federal register of historic resources and the adaptive reuse project proponent complies with specified historic resource protection requirements described below.

- c) The project is proposed for an existing building and the local government has evaluated the site as specified and determined that the building or site is either: (1) a historic resource and the adaptive reuse project proponent complies with the historic resource protection requirements; or (2) not a historic resource.
- 3) The proponent must complete a specified environmental assessment and avoid or mitigate specified environmental harms.
- 4) If the adaptive reuse project includes mixed uses, at least one-half of the square footage of the adaptive reuse project must be dedicated to residential uses.
- 5) Prohibits a project from violating the terms of any conservation easement applicable to the site.
- 6) Prescribes the operation of density bonus law relative to these projects, including to specify that a project is not eligible for a density bonus waiver or incentive that has the effect of increasing the height of the adaptively reused building above what is allowed by this bill.
- 7) Prohibits hotels from being included in the projects streamlined by this bill.
- 8) Limits the acreage of the project site to 20 acres.
- 9) Prior to submitting an application for an adaptive reuse project for a structure that is more than 50 years old and not listed on a local, state, or federal register of historic resources, the development proponent must submit to the local government a notice of its intent to submit an application, as specified.
- 10) If the adaptive reuse project is proposed for an existing building that is listed on a local, state, or federal register of historic resources, or if the local government has determined that the project site is a significant historic resource, the adaptive reuse project proponent must declare that the project will only move forward if it complies with specified federal standards for rehabilitation of a historic structure.
- 11) Requires an adaptive reuse project to meet specified affordability requirements, generally that the project provide:
 - a) At least 8 percent of the units for very low income households and 5 percent of the units for extremely low income households, or 15 percent for lower income households, for rental projects.

- b) 30 percent for moderate income households, or 15 percent for lower income households, for ownership projects.
- 12) Requires that projects meet the labor standards in the Affordable Housing and Jobs Act of 2022 (AB 2011, Wicks, Chapter 647, Statutes of 2022), except that projects involving buildings over 85 feet above grade must use a skilled and trained workforce.
 - 13) Allows an adaptive reuse project to include the development of new residential or mixed-use structures on undeveloped areas and parking areas on the parcel for the site or the parcels adjacent to the proposed adaptive reuse project site if project is on an infill site, meets specified objective standards and environmental criteria, is not a historic resource, and the applicant and local agency follow procedures for identifying impacts to tribal cultural resources.
 - 14) Requires a city or county to approve an adaptive reuse project if the local planning director or equivalent position determines that the project is consistent with the objective planning standards in this bill, and specifies timelines for the planning director to conduct design review and make the determination based on project size.
 - 15) Specifies that if the planning director fails to make a determination as specified, the project shall be deemed to comply with the objective standards. Additionally this bill provides that a project shall be considered consistent with the applicable objective planning standards if there is substantial evidence that would allow a reasonable person to conclude the project is consistent with the standards, as specified.
 - 16) Specifies that if a project involves subdividing the property into smaller parcels, the application for a subdivision is not subject to CEQA if the adaptive reuse project is consistent with specified requirements and all objective subdivision standards in the local subdivision ordinance, and establishes review timelines.
 - 17) Prohibits a city or county from requiring:
 - a) Additional studies that aren't directly related to evaluating compliance with the objective standards.
 - b) Compliance with specified postentitlement permits at the planning stage, but provides that those requirements can be imposed later in the approval process.

- c) Changes to the building's envelope unless required to comply with the building code.
- 18) Provides that it doesn't preempt the adoption and implementation of a local ordinance that provides alternative procedures and substantive requirements for adaptive reuse projects, provided that the local ordinance does not prohibit an applicant from electing to use this bill.
- 19) Exempts an adaptive reuse project from all impact fees that are not reasonably related to the impacts resulting from the change of use of the site from nonresidential to residential or mixed use, and any fees charged must be roughly proportional to the difference in impacts caused by the change of use.
- 20) Allows a city or county to offer financial incentives for up to 30 years to subsidize affordable units that are part of an adaptive reuse project under this bill.
- 21) A project proponent applies to the city or county by filing a request, which must be approved by a majority vote of the city or county's governing body for payments to commence. If approved, a proponent receives a payment equal to the amount of property taxes paid and received by that city or county that is in excess of the adaptive reuse project property's valuation at the time of the proponent's initial request for funding.
- 22) Allows a city or county to adopt an ordinance that is consistent with the requirements of this bill. A local agency cannot impose any requirements on the basis that the project is eligible for approval under this bill. An ordinance adopted by a local government to implement this bill is not a project for the purposes of the California Environmental Quality Act.
- 23) Requires a local government that doesn't adopt an ordinance to ministerially approve applications pursuant to this bill.
- 24) Specifies that a project can use other applicable ministerial streamlining laws, and can benefit from the protections of the Housing Accountability Act.
- 25) Allows the Department of Housing and Community Development to enforce provisions of the law.
- 26) Defines its terms.
- 27) Includes findings and declarations to support its purpose.

Background

Adaptive Reuse. According to an April 24, 2020, brief published by McKinsey and Company, the onset of COVID-19 has aggravated the existing challenges that the retail sector faces, including:

- A shift to online purchasing over brick-and-mortar sales;
- Customers seeking safe and healthy purchasing options;
- Increased emphasis on value for money when purchasing goods;
- Movement towards more flexible and versatile labor; and
- Reduced consumer loyalty in favor of less expensive brands.

As the shift away from traditional office and retail uses accelerates, interest has grown in “adaptive reuse”—the process of converting an existing non-residential building to housing. Adaptive reuse is not a new concept: in 1999, the City of Los Angeles adopted an Adaptive Reuse Ordinance (ARO) to revitalize underused buildings within the city's downtown area by facilitating the conversion of existing commercial buildings into residential or mixed-use properties. By easing some zoning requirements, the ARO enabled developers to transform vacant or underutilized office buildings, theaters, and other commercial structures into residential units.

However, adaptive reuse is not without its challenges. According to a 2021 report by the Turner Center for Housing Innovation, *Adaptive Reuse Challenges and Opportunities in California*: “the potential of adaptive reuse is contingent upon numerous different factors, including architectural considerations related to the existing structure, political and legislative constraints, and issues surrounding economic feasibility.” The report notes light and ventilation requirements differ between commercial and residential uses, which are often fundamental features of the existing structure that may not be easily modified, and bringing older buildings up to current residential codes can be rife with undiscovered challenges, which increase costs. It also states, “streamlining approvals and minimizing parking requirements can significantly increase the feasibility of adaptive reuse projects by reducing risk and costs of conversion. Reducing parking can lead to an increase in the number of units that the project can support. ... Not requiring additional parking also eliminates a barrier to adaptive reuse projects, especially within dense urban areas with no physical space to locate any new parking stalls.”

The author wants to make it easier to convert existing buildings to residential uses.

Comments

- 1) *Purpose of this bill.* According to the author, “COVID-19 permanently altered the way humans approach work. In the post pandemic era, many businesses realized that developments in technology allow them to move away from the 9 to 5, commuter model that kept downtown office buildings full of people during the work week. As the capital of technological innovation, California has been particularly impacted by this transition as more and more tech companies shift to offering remote work as a benefit to their employees.

“A major downside to this transition is California’s emptying downtown business districts. Office vacancies across the state have hit record highs with Los Angeles and San Francisco both reaching over 30% vacancy rates. Many economists are theorizing that unless local and state governments act quickly, downtowns may be facing a doom-loop scenario with empty, devalued buildings leading to a severe decrease in local government tax bases, leading to decreased services and blight. Office to housing conversion is a win-win scenario that builds housing, preserves historic buildings, and creates new thriving communities in transit rich areas. California needs to get out of its own way and make office to housing conversions as easy as humanly possible. This bill does exactly that.”

- 2) *Home rule.* A fundamental principle of zoning since the United States Supreme Court upheld an early zoning ordinance in 1926 (*Village of Euclid v. Ambler Realty Co.*, 272 U.S. 365 (1926)) has been that allowing some uses in one area but prohibiting others can be integral to protecting the public welfare. Local governments have historically separated uses to avoid siting incompatible activities, such as industrial and residential activity, near one another. It also mitigates potential public health issues, such as air pollution impacts from heavy industrial uses on nearby residents. AB 507 makes housing a use by right on properties that were originally sited in non-residential zones, which contravenes this principle. It also undermines the planning decisions made by local officials, who established which uses are allowed and at what intensity. Specifically, some jurisdictions, including the cities of Sacramento and Los Angeles, have enacted adaptive reuse ordinances of their own. Should the state tell local governments to approve this type of residential use in places where local governments have yet to say it’s appropriate?

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

According to the Senate Appropriations Committee:

- Staff estimates that the Department of Industrial Relations (DIR) would incur unknown, potentially significant ongoing workload costs in future fiscal years for oversight and enforcement activities related to prevailing wage and apprenticeship standards requirements on projects constructed pursuant to the provisions of this bill. There could be some penalty revenue gains to partially offset these costs. Actual costs and penalty revenues would depend upon the number of qualifying adaptive reuse 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)
- The Department of Housing and Community Development (HCD) estimates ongoing costs of approximately \$211,000 for 1.0 PY of staff workload to conduct enforcement activities against local agencies that fail to comply with the bill's requirements, and to provide technical assistance to local agencies and project proponents using the streamlined ministerial approval process for adaptive reuse projects. (General Fund)
- Unknown local costs for cities and counties to revise planning requirements for certain adaptive reuse developments, and provide for streamlined and expedited review of those projects. 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)

SUPPORT: (Verified 8/30/25)

Abundant Housing LA
Aids Healthcare Foundation
California Apartment Association
California Big City Mayors Coalition
California Business Properties Association
California Downtown Association
California Yimby
Circulate San Diego
City of Bakersfield
City of Oakland
Fieldstead and Company, INC.

Habitat for Humanity California
Housing Trust Silicon Valley
Monterey Bay Economic Partnership
Spur
Streets for All
The Two Hundred

OPPOSITION: (Verified 8/30/25)

California Contract Cities Association
City of Lake Forest
City of Norwalk
City of Santa Clarita
City of Simi Valley
City of Thousand Oaks
City of Yorba Linda
League of California Cities

ASSEMBLY FLOOR: 64-1, 5/23/25

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Calderon, Caloza, Carrillo, Connolly, Davies, Elhawary, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lackey, Lee, Lowenthal, McKinnor, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Solache, Soria, Stefani, Valencia, Wallis, Ward, Wilson, Zbur, Rivas

NOES: DeMaio

NO VOTE RECORDED: Bryan, Castillo, Chen, Dixon, Ellis, Hadwick, Macedo, Muratsuchi, Nguyen, Sanchez, Sharp-Collins, Ta, Tangipa, Wicks

Prepared by: Jonathan Peterson / L. GOV. / (916) 651-4119
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