
THIRD READING

Bill No: AB 650
Author: Papan (D), et al.
Amended: 8/29/25 in Senate
Vote: 21

SENATE HOUSING COMMITTEE: 11-0, 7/1/25

AYES: Wahab, Seyarto, Arreguín, Cabaldon, Caballero, Cortese, Durazo,
Gonzalez, Grayson, Ochoa Bogh, Padilla

SENATE APPROPRIATIONS COMMITTEE: 7-0, 8/29/25

AYES: Caballero, Seyarto, Cabaldon, Dahle, Grayson, Richarson, Wahab

ASSEMBLY FLOOR: 79-0, 6/2/25 - See last page for vote

SUBJECT: Planning and zoning: housing element: regional housing needs
allocation

SOURCE: Author

DIGEST: This bill extends a number of timelines in the process of determining regional housing needs (RHND), regional housing needs allocations (RHNA), and housing element revisions, and requires the Department of Housing and Community Development (HCD) to provide specific analysis or text to local governments to remedy deficiencies in their draft housing element revisions.

ANALYSIS:

Existing law:

- 1) Provides that each community's fair share of housing be determined through the RHND and the subsequent Regional Housing Needs Allocation (RHNA) plan for the region. Establishes the RHND/RHNA process as follows: (a) Department of Finance (DOF) and HCD develop regional housing needs estimates; (b) COGs allocate housing within each region based on these determinations, and where a COG does not exist, HCD conducts the allocations;

and (c) cities and counties incorporate these allocations into their housing elements.

- 2) Requires HCD, in consultation with each COG, to determine the RHND for each region using population projections produced by DOF and regional population forecasts used in preparing RTP updates, in consultation with each COG.
- 3) Requires HCD, at least 26 months prior to the housing element adoption deadline for the region and prior to developing the existing and projected housing need for a region, to meet and consult with the COG regarding the assumptions and methodology to be used by HCD to develop the RHND. Requires the COG to provide data assumptions from their projections, as specified.
- 4) Requires HCD, after consultation with the COG, to make a determination of the region's existing and projected housing need based upon the assumptions and methodology determined in 3). Requires the RHND to reflect the achievement of a feasible balance between jobs and housing within the region using the regional employment projections in the applicable regional transportation plan.
- 5) Requires each COG or delegate subregion, at least two years before a scheduled revision of the housing element, to develop, in consultation with HCD, a proposed methodology for distributing the RHNA to cities, counties, and cities and counties within the region or subregion.
- 6) Requires each COG or delegate subregion, at least one and one-half years before a scheduled revision of the housing element, to distribute a draft RHNA allocation plan to each local government in the region or subregion, and HCD, based on the methodology in 5) above, and publish the draft allocation on its website.

This bill:

- 1) Revises the time by which HCD, in consultation with each council of governments (COG), must determine each region's existing and projected housing need (RHND) from two years prior to the scheduled housing element revision in existing law, to three years prior to the scheduled revision. Provides an exception in the following circumstances:

- a) For regions with a scheduled housing element revision due date in the 2027 calendar year, HCD must provide the RHND at least two years before the scheduled revision; and
 - b) For regions with a scheduled housing element revision due date in the 2028 calendar year or the first six months of the 2029 calendar year, HCD must provide the RHND at least 32 months before the scheduled revision.
- 2) Specifies that, for cities and counties without a COG, HCD must determine each region's existing and projected housing need at least 30 months before the scheduled housing element revision. Provides an exception for cities and counties with a scheduled housing element revision due date in the 2027 calendar year or the first six months of the 2028 calendar year, by requiring HCD to provide the RHND at least two years before the scheduled revision.
 - 3) Revises the required timeline for HCD to meet and consult with each COG regarding the assumptions and methodology to be used by HCD to determine the region's housing needs, from at least 26 months prior to the scheduled housing element revision in existing law, to 38 months prior to the due date. Provides an exception for the seventh housing element cycle, by requiring HCD to meet and consult with the COG at least two months prior to developing the existing and projected housing need pursuant to the timelines in 1) and 2) above.
 - 4) Revises the time by which two or more cities and a county, or counties, may form a subregional entity for the purpose of allocating the subregion's RHNA among its members, from 28 months prior to the scheduled housing element update to 34 months prior to the scheduled housing element update.
 - 5) Revises the time by which a COG must determine the share of RHNA assigned to each delegate subregion specified in 4) above, from 25 months prior to the scheduled revision to 31 months prior to the scheduled revision.
 - 6) Revises the time by which each COG or delegate subregion shall develop, in consultation with HCD, a proposed methodology for distributing the RHNA to local governments within the region or subregion, from at least two years prior to the scheduled housing element revision in existing law, to at least two and one-half years prior to the scheduled revision. Provides an exemption for COGs with a housing element revision due date during the 2027 calendar year.

- 7) Revises the time by which each COG and delegate subregion shall distribute a draft RHNA to each local government in the region or subregion and to HCD based on the methodology described in 6) above and to publish the draft RHNA on its website, from at least one and one-half years before the scheduled housing element revision in existing law, to at least two years prior to the scheduled revision. Provides an exemption for the seventh housing element cycle for COGs with a housing element revision due date during the 2027 calendar year.
- 8) Requires HCD, if it finds that a draft housing element or draft amendment does not substantially comply with housing element law, to do both of the following in a written communication to the planning agency:
 - a) Identify and explain the specific deficiencies in the draft element or draft amendment, including a reference to each subdivision of specified portions of housing element law that the draft does not comply with; and
 - b) Provide the specific analysis or text that HCD expects the planning agency to include in the draft to remedy the deficiencies identified pursuant to 8) a) above.
- 9) Requires a local government's legislative body to consider HCD's findings and the specific analysis or text required by HCD pursuant to 8) above prior to the adoption of its draft element or draft amendment.
- 10) Requires the local government's legislative body, if HCD finds that the draft element or draft amendment does not substantially comply with housing element law, to do one of the following:
 - a) Include the specific analysis or text from HCD specified in 8) above in the draft element or draft amendment to substantially comply; or
 - b) Adopt the draft element or draft amendment without the specific analysis or text required by HCD and include written findings in its resolution of adoption that explain the reasons the legislative body believes that the draft substantially complies with the law, despite the specific analysis or text required by HCD.
- 11) Requires HCD, when reviewing adopted housing elements or amendments and any findings under 10) b) above, if it finds the adopted element or amendment is not in substantial compliance, to identify each subdivision of housing element law that the housing element does not substantially comply with and

provide the specific analysis or text to the planning agency that, if adopted, would bring the housing element into substantial compliance.

- 12) Adds a deadline of December 31, 2026, to an existing requirement for HCD to develop a standardized reporting format for programs and actions taken to affirmatively further fair housing via the housing element.
- 13) Resolve chaptering conflicts with AB 130 (Budget Committee, Chapter 22, Statutes of 2025).

Background

RHNA and Housing Elements. All of the state's 539 cities and counties are required to appropriately plan for new housing through the housing element of each community's General Plan, which outlines a long-term plan for meeting the community's existing and projected housing needs. Cities and counties are required to update their housing elements every eight years in most of the high population parts of the state, and five years in areas with smaller populations. Localities must adopt a legally valid housing element by their statutory deadline for adoption. Failure to do so can result in escalating penalties, including an accelerated deadline for completing rezoning, exposure to the "builder's remedy," public or private lawsuits, financial penalties, potential loss of permitting authority, or court receivership.

Among other things, the housing element must demonstrate how the community plans to accommodate its share of its region's RHNA. To do so, each community establishes an inventory of sites designated for new housing that is sufficient to accommodate its fair share. Where a community does not already contain the existing capacity to accommodate its fair share of housing, it must undertake a rezoning program. It is critical that local jurisdictions adopt legally compliant housing elements on time in order to meet statewide housing goals and create the environment locally for the successful construction and preservation of desperately needed housing at all income levels. Adequate zoning, removal of regulatory barriers, protection of existing stock and targeting of resources are essential to obtaining a sufficient permanent supply of housing affordable to all economic segments of the community. Recognizing that local governments may lack adequate resources to house all those in need, the law nevertheless mandates that the community do all it can and not engage in exclusionary and harmful practices.

The RHNA process is used to determine how many new homes, and the affordability level of those homes, each local government must plan for in its housing element to cover the duration of the next planning cycle. The state is currently in the sixth housing element cycle. The RHND is assigned at the COG level, while RHNA is suballocated to subregions of the COG or directly to local governments. RHNA is currently assigned via six income categories: very low-income or 0-50% of area median income (AMI), low-income or 50-80% of AMI, moderate income or 80-120% of AMI, and above moderate income at 120% or more of AMI. Beginning with the seventh cycle, two new income categories will be incorporated for acutely low-income (0-15% of AMI) and extremely low-income (15-30% of AMI).

The cycle begins with HCD and the Department of Finance (DOF) projecting new RHND numbers every five or eight years, depending on the region (and for regions without a COG, HCD allocates the RHND directly to local governments). DOF produces population projections and COGs also develops projections during their Regional Transportation Plan updates. Then, 26 months before the housing element due date for the region, HCD must meet and consult with the COG and share the data assumptions and methodology that they will use to produce the RHND. The COG provides HCD with its own regional data on specific criteria. HCD can take this information and use it to modify its own methodology, if it agrees with the data the COG produced, or can reject it if there are other factors or data that HCD feels are better or more accurate. Then, after a consultation with the COG, HCD makes written determinations on the data it is using for specified factors. HCD uses that data to produce the final RHND, which must be distributed at least two years prior to the region's expected housing element due date. The COG must then take the RHND and create an allocation methodology that distributes the housing need equitably amongst all the local governments in its region.

Comments

Author's statement. "AB 650 will improve the housing element review process by addressing the delays and challenges local governments face in dealing with HCD. This bill makes two key improvements: first, it starts the Regional Housing Needs Allocation (RHNA) process six months earlier, giving municipalities more time work on their housing elements and allowing them to engage with HCD sooner; second, it mandates clear and actionable feedback from HCD to ensure local governments have the guidance they need to comply. These changes will help local

governments develop compliant housing elements on time, supporting the production of much-needed housing and ensuring clarity in the process."

California's Housing Future 2040. Last year, HCD published *California's Housing Future 2040: The Next Regional Housing Needs Allocation* pursuant to statutory directive to develop recommendations to improve the RHNA process and methodology that promotes and streamlines housing development and substantially addresses California's housing shortage following a stakeholder engagement process. One of the recommendations HCD adopted in the report recommends moving up the RHND consultation process by one year. Specifically, HCD includes a recommendation in the report that recommends, "Moving up the date by which the RHND must be provided by one year." HCD additionally noted in its report that requiring the consultation to take place three years prior to the housing element due date will foster more alignment between the housing element cycle and the Regional Transportation Plan (RTP) and Sustainable Community Strategy (SCS) planning cycles.

This bill pushes back several RHND and RHNA deadlines for the seventh housing element cycle and beyond, as specified.

HCD responses and technical assistance to draft elements. Local governments have a statutory deadline to submit a housing element based on region. HCD provides technical assistance (TA) at the COG level prior to the housing element due date, including workshops, regional plans, topic specific workshops, office hours and general TA. At least ninety days before the deadline to adopt a housing element, localities must submit a draft to HCD. HCD is required to review the draft element within 90 days of receipt and provide written findings as to whether the draft amendment substantially complies with housing element law. Halfway through the 90 day period, HCD often provides preliminary feedback on what needs to change. Time permitting, local governments can submit amendments to the draft.

If HCD finds that the draft element does not substantially comply with the law, HCD will issue a findings letter detailing areas of deficiency. These findings are the exclusive list of issues that must be addressed by the local government to reach compliance with state law, unless the local agency makes changes outside the scope of the initial draft. Following receipt of the findings letter, the local government may request additional TA from HCD, including informal review of changes, sample language, examples, or other feedback.

The local agency may either make changes to the draft element or adopt the element and make findings as to why it complies with the law despite the findings of the department. Following adoption of a housing element, a local agency submits it to HCD. Despite the fact that the process allows a local agency to adopt a housing element without making the changes required by HCD to be in substantial compliance, a local agency is not considered compliant until receiving ultimate approval from HCD. Last year, AB 1886 (Alvarez, Chapter 267, Statutes of 2024) further clarified that a housing element is in compliance when both a local agency has adopted a housing element and HCD had found the element in compliance.

In the sixth housing element cycle, however, many local agencies failed to submit draft housing elements to HCD, or to adopt housing elements prior to the deadline to adopt a revised housing element. Many of these jurisdictions subsequently prepared and adopted housing elements, following consultation with HCD, long after the original deadline to comply.

This bill would require HCD's findings of noncompliance for either a draft or adopted housing element to identify and explain the specific deficiencies, by reference to each subdivision of housing element law that the draft does not comply with. It would also require HCD to provide the specific analysis or text that would address the deficiencies if the local government were to include them in a revised element or amendment.

Senate Appropriations Amendments. Author's amendments taken in the Senate Appropriations resolve chaptering conflicts with AB 130 (Budget Committee, Chapter 22, Statutes of 2025).

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

According to the Senate Appropriations Committee:

- HCD estimates ongoing costs of approximately \$11.1 million annually for 52.0 PY of new staff as a result of the bill shifting core responsibilities for identifying and correcting deficiencies in local agencies' housing elements from cities and counties to HCD. Additional staff would be needed to research local conditions such as site availability, zoning ordinances, and demographic trends, to draft housing element content tailored to each jurisdiction, to conduct stakeholder outreach with developers, experts, and community members, and lead public engagement in order to provide the required feedback to local

governments. (General Fund)

- HCD indicates that any costs associated with earlier consultation with regional councils of government (COGs) and determining each region's existing and projected housing deed would be minor and absorbable (General Fund). Staff notes that, in the most recent housing element cycle, HCD moved up the consultation timeline with the state's largest COGs by an additional year, consistent with the requirements of this bill.
- By imposing new duties on regional COGs and revising the process for local agencies to remedy deficiencies in their housing elements, the bill creates a state-mandated local program. Any additional costs to COGs would be minor, and staff notes that COGs are not eligible for reimbursement from the state for costs associated with new mandates or higher levels of service. Local agencies would likely experience overall cost savings by requiring HCD to identify housing element deficiencies and to provide specific text or analysis to bring a local agency's housing element into compliance. Any costs incurred by local agencies related to the housing element revisions would not be state-reimbursable because cities and counties have general authority to charge and adjust planning and permitting fees to offset any increased costs associated with this bill. (local funds)

SUPPORT: (Verified 8/29/25)

California Housing Consortium
California State Association of Counties
Cities Association of Santa Clara County
City of Tustin
City of Bakersfield
City of Belmont
City of Carson
City of Chino Hills
City of Corona
City of Cupertino
City of Dinuba
City of Eastvale
City of El Cerrito
City of Foster City
City of Fullerton
City of Goleta
City of Laguna Beach
City of Lake Forest

City of Long Beach
City of Menifee
City of Moorpark
City of Morgan Hill
City of Orinda
City of Palo Alto
City of Pico Rivera
City of Placentia
City of San Marcos
City of San Mateo
City of Santa Barbara
City of Stanton
City of Temecula
City of Thousand Oaks
City of Tulare
City of Visalia
City of Westlake Village
City of Whittier
City/county Association of Governments of San Mateo County
County of Santa Clara
League of California Cities
Mayor's and Councilmembers' Association of Sonoma County Legislative Committee
San Bernardino County
San Diego Association of Governments
Southern California Association of Governments (SCAG)
Tri-valley Cities of Dublin, Livermore, Pleasanton, San Ramon, and Town of Danville

OPPOSITION: (Verified 8/29/25)

None received

ASSEMBLY FLOOR: 79-0, 6/2/25

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca

Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta,
Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

Prepared by: Alison Hughes / HOUSING / (916) 651-4124

9/2/25 18:04:40

**** **END** ****