GOVERNOR'S VETO
AB 650 (Papan)
As Enrolled September 15, 2025
2/3 vote

SUMMARY

Extends a number of timelines in the process of regional housing needs determinations (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.

Major Provisions

1) Revises the time by which HCD, in consultation with each council of governments (COG), must determine each region's RHND, from two years prior to the scheduled housing element revision to three years prior to the scheduled revision. Provides an exception to this and other deadline changes for certain regions with housing element revision due dates early in the seventh housing element cycle.

2) 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 to 38 months prior to the due date.

3) 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.

4) Revises the time by which a COG must determine the share of RHNA assigned to each delegate subregion specified in 3) above, from 25 months prior to the scheduled revision to 31 months prior.

5) 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 to at least two and one-half years prior.

6) 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 5) above and to publish the draft RHNA on its website, from at least one and one-half years before the scheduled housing element revision to at least two years prior.

7) 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 7) a) above.

8) Requires a local government's legislative body to consider HCD's findings and the specific analysis or text required by HCD pursuant to 7) above prior to the adoption of its draft element or draft amendment.

9) 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 7) 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.

10) Requires HCD, when reviewing adopted housing elements or amendments and any findings under 9) 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.

Governor's Veto Message
This bill would require the Department of Housing and Community Development (HCD), if it finds that a draft housing element is deficient, to provide the specific analysis and the draft text that should be included in the jurisdiction's housing element.

I share the author's interest in improving the housing element process. In partnership with the Legislature, we have enacted numerous reforms to strengthen this process by demanding more rigorous site inventories, enforceable rezoning, and stronger accountability mechanisms to uphold state law.

Although intended to build on these recent efforts, I am concerned that this bill would inappropriately shift responsibility for preparing housing elements from local jurisdictions to HCD. While HCD provides technical assistance when requested and in response to inadequate housing elements, that support is no substitute to the local government's fundamental responsibility to plan for its share of housing needs. Further, shifting these duties to the state would add at least $11 million in new annual costs.

Housing element law has advanced considerably through recent legislation, much of which is now being implemented in the current planning cycle. As these changes take hold, it is critical to preserve the fundamental structure of local planning responsibility under state oversight. However, I look forward to continuing to work with the Legislature on additional opportunities to further improve this process.

COMMENTS

RHNA and Housing Elements: 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. The RHNA methodology is statutorily obligated to further all of the following objectives:

1) Increase the housing supply and mix of housing types, tenure, and affordability in all cities and counties within the regional in an equitable manner, which must result in each jurisdiction receiving an allocation of units for low- and very low-income households;

2) Promote infill development, socioeconomic equity, the protection of environmental and agricultural resources, and achievement of regional climate change reduction targets;

3) Promote an improved intraregional relationship between jobs and housing, including an improved balance between the number of low-wage jobs and the number of housing units affordable to low-wage workers in each jurisdiction;

4) Allocate a lower proportion of housing need to an income category when a jurisdiction already has a disproportionately high share of households in that income category; and

5) Affirmatively further fair housing.

This bill would push back several RHND and RHNA deadlines for the seventh housing element cycle and beyond by six months, as follows:

1) HCD would be required to consult with each COG at least 38 months prior to the scheduled housing element revision, rather than 26 months prior under existing law;

2) HCD must determine each region's RHND three years (36 months) prior to the scheduled housing element revision, rather than two years under existing law;

3) Each COG must develop its proposed RHNA methodology at least 2.5 years prior to the scheduled housing element revision, rather than two years under existing law; and

4) Each COG must distribute its draft RHNA allocation plan at least two years prior to the scheduled housing element revision, rather than 1.5 years under existing law.

This bill also contains some differences or exceptions to these extended timelines to provide feasible timelines for jurisdictions with due dates earlier in the upcoming seventh housing element cycle. Generally, the additional six months provided by this bill would mean that COGs would have to distribute their draft RHNA plan at least two years before the housing element due date. With the 195-day RHNA methodology appeal timeline in existing law, this change would result in local governments receiving their final RHNA numbers about 1.5 years prior to the housing element due date, providing them an extra six months to prepare housing elements and submit them to HCD for review and approval.

*Adoption and Implementation of 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.

Local governments have a statutory deadline to submit a housing element based on region. At least 90 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. If HCD finds that the draft element does not substantially comply with the law, 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, 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.

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, and would 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.

According to the Author
"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."

Arguments in Support
According to the League of California Cities, the bill's sponsor, "During the 6th RHNA cycle, local governments experienced various challenges in obtaining certification from HCD. Some of the challenges include a short timeline for completing these complex documents and responding to HCD's feedback, a lack of clarity regarding what the state expects from local governments when reviewing additional housing element drafts, and the introduction of new requirements late in the housing element review process. AB 650 would address these issues by allowing local governments to begin updating their housing element six months early. The bill would also require HCD to provide specific text and analysis that must be included in the housing element to remedy deficiencies, ensuring that local governments are not penalized when HCD identifies additional deficiencies not previously identified in prior review letters. AB 650 would provide greater clarity and certainty to the housing element process and help ensure that all jurisdictions adopt a certified housing element on time."

Arguments in Opposition
According to YIMBY Action, "We appreciate the amendments made to this bill in [Assembly] Housing Committee on April 24th. However, we still oppose this bill because it limits the ability of California's Department of Housing & Community Development (HCD) to comment on multiple drafts of a city's Housing Element. In order to adequately enforce Housing Element Law, HCD must be given the ability to provide guidance throughout the very technical process. … California's severe housing shortage is causing skyrocketing homelessness and poverty, crippling our economy, and exacerbating our global climate crisis. These impacts fall disproportionately on California's low-income workers and families and disproportionately affect communities of color. AB 650 will put up more hurdles to addressing our housing shortage and ensuring a welcoming California where everyone can thrive."

FISCAL COMMENTS

According to the Senate Appropriations Committee:

1) 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)

2) 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.

3) 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)

VOTES

ASM HOUSING AND COMMUNITY DEVELOPMENT: 11-0-1
YES: Haney, Ávila Farías, Caloza, Garcia, Kalra, Lee, Quirk-Silva, Ta, Tangipa, Wicks, Wilson
ABS, ABST OR NV: Patterson

ASM LOCAL GOVERNMENT: 9-0-1
YES: Carrillo, Ta, Pacheco, Ramos, Ransom, Blanca Rubio, Stefani, Ward, Wilson
ABS, ABST OR NV: Hoover

ASM APPROPRIATIONS: 14-0-1
YES: Wicks, Arambula, Calderon, Caloza, Dixon, Elhawary, Fong, Mark González, Hart, Pacheco, Pellerin, Solache, Ta, Tangipa
ABS, ABST OR NV: Sanchez

ASSEMBLY FLOOR: 79-0-0
YES: 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

SENATE FLOOR: 40-0-0
YES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Reyes, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener

ASSEMBLY FLOOR: 80-0-0
YES: ddis, 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, Johnson, 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

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