
SENATE COMMITTEE ON HOUSING

Senator Aisha Wahab, Chair

2025 - 2026 Regular

Bill No:	AB 726	Hearing Date:	7/15/25
Author:	Ávila Farías		
Version:	2/18/2025 Introduced		
Urgency:	No	Fiscal:	Yes
Consultant:	Erin Riches		

SUBJECT: Planning and zoning: annual report: rehabilitated units

DIGEST: This bill authorizes a city or county to include in the annual progress report (APR) that it is required to submit to the state Department of Housing and Community Development (HCD), the number of units of deed-restricted affordable housing that have been substantially rehabilitated, as specified.

ANALYSIS:

Existing law relating to housing elements:

- 1) Requires every city and county to prepare and adopt a general plan, including a housing element, to guide the future growth of a community. The housing element must identify and analyze existing and projected housing needs, identify adequate sites with appropriate zoning to meet the housing needs of all income segments of the community, and ensure that regulatory systems provide opportunities for, and do not unduly constrain, housing development.
- 2) Provides that each community's fair share of housing be determined through the regional housing needs allocation (RHNA) process, which is composed of three main stages: (a) the Department of Finance and HCD develop regional housing needs estimates; (b) councils of government (COGs) allocate housing within each region based on these estimates (where a COG does not exist, HCD makes the determinations); and (c) cities and counties incorporate their allocations into their housing elements.

Existing law relating to Annual Progress Reports (APRs):

- 3) Requires each city and county to submit an APR to HCD and the Office of Planning and Research by April 1 of each year that includes all of the following:

- a) Progress in meeting its RHNA share.
- b) Local efforts to remove governmental constraints to the maintenance, improvement, and development of housing.
- c) Actions taken by the city or county towards completing programs contained within the housing element and the status of compliance with deadlines in the housing element.
- d) The number of housing development applications received in the prior year, as well as the number of units included in these applications and the number of units approved and disapproved.
- e) The number of units approved and disapproved in the prior year, including the number of units located in an opportunity area, as specified.
- f) The number of units of housing demolished and new units of housing, including both rental housing and for-sale housing, that have been issued a completed entitlement, a building permit, or a certificate of occupancy, by income category.
- g) A list of sites rezoned to accommodate the city's or county's RHNA allocation for each income level that could not be accommodated on sites identified in the housing element's site inventory, and any additional sites that may be necessary to accommodate the city's or county's share of regional housing need.
- h) The number of net new units of housing, with a unique site identifier including but not limited to the parcel number, including both rental and for-sale housing, that have been issued a completed entitlement, building permit, or certificate of occupancy in the housing element cycle, and the income category that each unit satisfies.
- i) The number of SB 35 (Wiener, Chapter 366, Statutes of 2017) applications submitted and the total number of developments approved the number of building permits issued, and the total number of units including both rental and for-sale housing by area median income, constructed through the SB 35 process.
- j) The number of density bonus applications received, and approved, by the city or county.
- k) A list of all historic designations listed in the city or county in the past year and the status of any housing development projects proposed for new historic designations, as specified.

This bill:

- 1) Authorizes a local government to include in its APR, the number of units of existing deed-restricted affordable housing with an average affordability of no greater than 45% of area median income (AMI) that are at least 15 years old

and have been substantially rehabilitated with at least \$60,000 per unit in funds awarded from the city (or county, for unincorporated areas), including forgiveness of principal or interest on existing debt.

- 2) Provides that any units included in the APR pursuant to 1) shall not be considered when HCD evaluates progress in meeting RHNA targets for purposes of determining if a local government is subject to the streamlined, ministerial approval process created by SB 35 (Wiener, Chapter 366, Statutes of 2017).

Background

Housing Elements and RHNA. Each community's general plan must include a housing element, which outlines a long-term plan for meeting the community's existing and projected housing needs. The housing element demonstrates how the community plans to accommodate its "fair share" of its region's housing needs. Following a staggered schedule, cities and counties located within the territory of a metropolitan planning organization (MPO) must revise their housing elements every eight years, and cities and counties in rural non-MPO regions must revise their housing elements every five years. These five- and eight-year periods are known as the housing element planning period.

Before each revision, each community is assigned its fair share of the region's housing need for four separate income categories (very low-, low-, moderate-, and above-moderate income households) through a two-step process known as RHNA. In the first step, HCD determines the aggregate housing need for the region during the planning period the housing element will cover. In the second step, the council of governments (COG) for the region allocates the regional housing need to each city and county within the region.

In general, a housing element must identify and analyze existing and projected housing needs, identify adequate sites with appropriate zoning to meet its share of the RHNA, and ensure that regulatory systems provide opportunities for, and do not unduly constrain, housing development.

APRs. APRs are an important tool for both local governments and the state, as both parties can rely on them to track progress in implementing the housing policy in their housing element, as well as to track outcomes. They also help highlight implementation challenges that may require technical assistance or other support from HCD. Additionally, APRs are important for informing statewide housing policy. The APRs provide the data that, aggregated across the state's 539 cities and counties, convey the amount, type, location, and affordability of housing be

produced in California. Existing law provides a list of requirements for what must be reported in the APR.

Comments

- 1) *Author statement.* “Before 2000, much of the affordable housing that the Department of Housing and Community Development (HCD) funded required extremely affordable rents that barely or do not cover the development’s annual operating expenses. These developments have no extra money to fund long-term repairs. The only funding source developed to address this need is the Portfolio Restructuring Program (PRP) at HCD, which was funded at low levels during the last surplus but has since run out of money. Properties cannot wait much longer for repair. AB 726 incentivizes local governments to invest in the rehabilitation of deeply-affordable housing by allowing them to receive housing element credit for doing so. This bill addresses the need to preserve existing affordable housing stock that is deteriorating due to rents being too low to cover long-term repairs, and it prevents the potential loss of these vital units. AB 726 will ensure local governments can meet their housing obligations while addressing the urgent need to maintain deeply-affordable housing.”
- 2) *Preserving affordable units.* According to the California Housing Partnership (CHP), the state lost 18,056 affordable units between 2000 and 2024 due to expiring restrictions on government-assisted multifamily developments and owner decisions to opt out, sell, or allow their properties to convert to market rate. An additional 6,800 homes may be lost as soon as next year, and 47,869 homes are at risk of losing affordability in the next 10 years.¹ CHP further notes that an estimated 189,051 “formerly unsubsidized affordable units” are no longer affordable to low-income households. An unsubsidized affordable property is defined as a multifamily building with at least five units where at least half the units previously had rents affordable to households at 80% of the area median income (AMI), and rents have since increased beyond that threshold. These properties comprise nearly a quarter of the state’s multifamily housing units, totaling an estimated 901,764 units. Of these, these 39,738 units are currently at very high risk of losing their affordability; several hundred thousand more are at high or moderate risk, with the highest concentrations in Southern California and the Bay Area.²

¹ California Housing Partnership, *6,800 Affordable Homes At Risk*, April 2025, [CHP 2025-Subsidized-At-Risk-Report.pdf \(chpc.net\)](#).

² California Housing Partnership, *40,000 Unsubsidized Affordable Homes At Risk*, April 2025, [CHP 2025-Unsubsidized-At-Risk-Report.pdf \(chpc.net\)](#)

Increasingly, these properties have been targeted for acquisition and conversion by for-profit entities seeking to maximize rents, which is leading to the displacement of low-income residents and the loss of affordability for future low-income residents. CHP notes that acquiring and preserving more of these units would provide an opportunity to immediately create new deed-restricted homes, as opposed to lengthy financing and construction timelines for new units.

- 3) *Committed assistance.* Existing law allows a locality that met its lower-income RHNA allocation in the prior planning period, to meet up to 25% of its obligation in the next period through “committed assistance” – essentially, a legally enforceable agreement to rehabilitate and preserve existing units. Since the purpose of RHNA is to identify a locality’s capacity to meet housing need by identifying development for new housing units, this exception was written to be used only under narrow circumstances. Localities should arguably be committing to rehabilitate and preserve existing units in addition to adding new units, not as a replacement for new units.
- 4) *Incentivizing rehabilitation of affordable housing.* This bill seeks to address the loss of affordable properties discussed in 2) above by authorizing a local government to include in the housing element portion of its APR, affordable units that have been substantially rehabilitated. Specifically, the units must be in existing deed-restricted affordable housing with an average affordability of no greater than 45% AMI, must be at least 15 years old, and must have been substantially rehabilitated with at least \$60,000 per unit in funds awarded from the city (or county, in unincorporated areas).

Unlike committed assistance, discussed in 4) above, this bill does not authorize a local government to claim RHNA credit for these units; instead, it authorizes them to report these units as a demonstration of progress toward meeting their housing element goals. However, this bill specifically excludes these rehabilitated units from HCD consideration of progress toward RHNA targets for purposes of determining whether or not the streamlined, ministerial process for certain affordable housing projects established by SB 35 (Wiener, Chapter 366, Statutes of 2017) and updated in SB 423 (Wiener, Chapter 778, Statutes of 2023) applies to the jurisdiction.

The author and sponsors state that this bill would help deteriorating affordable housing developments that have no cash to finance a rehabilitation due to very low rents. This bill does not provide a direct incentive in terms of granting RHNA credit; however, the sponsors argue that it would help local governments who are eager to show more progress on meeting housing needs in

their jurisdictions. Although RHNA is focused primarily on construction of new housing to increase the state's overall housing supply, incentivizing local governments to help fund rehabilitation of affordable units could help preserve the existing portion of the state's housing supply that is affordable to lower income households.

Related/Prior Legislation

AB 670 (Quirk-Silva, 2025) – adds a number of requirements to the annual progress report (APR) that local cities and counties are required to submit to the state Department of Housing and Community Development (HCD) in relation to demolished and replacement housing units. *This bill is pending hearing in the Senate Appropriations Committee (July 14, 2025).*

AB 1131 (Ta, 2025) – authorizes cities and counties to include the number of units approved for congregate housing for the elderly in their APRs. *This bill is pending hearing in the Senate Appropriations Committee (July 14, 2025).*

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

POSITIONS: (Communicated to the committee before noon on Wednesday, July 9, 2025.)

SUPPORT:

California Contract Cities Association
California Housing Consortium
California Housing Partnership
City of Norwalk
City of Sunnyvale
County of Monterey
East Bay Housing Organizations
Housing California
League of California Cities
Non-profit Housing Association of Northern California (NPH)
Resources for Community Development
Supportive Housing Alliance

OPPOSITION:

None received

-- END --