
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 726 (Ávila Farías) - Planning and zoning: annual report: rehabilitated units

Version: February 18, 2025

Urgency: No

Hearing Date: August 18, 2025

Policy Vote: HOUSING 10 - 0

Mandate: No

Consultant: Mark McKenzie

Bill Summary: AB 726 would authorize local agencies to include additional information regarding the number of units of existing deed-restricted affordable housing units that have been substantially rehabilitated, as specified, in their annual progress reports (APRs) submitted to the Department of Housing and Community Development (HCD).

Fiscal Impact:

- HCD indicates that this bill would impose ongoing workload to collect, validate, and store reported data on substantially rehabilitated housing units, and provide technical assistance to local agencies, as well as one-time costs to update the housing element APR form and to update IT systems. HCD estimates that costs associated with this bill would be absorbable, assuming resources are approved for other APR-related bills that are pending in the Legislature. Staff estimates that ongoing workload directly attributable to this bill would likely exceed \$50,000 in staff time, and first-year costs could be as high as \$150,000 to \$200,000 if no other APR bills are enacted and HCD would still be responsible for one-time fixed costs to update forms and IT systems, and to provide ongoing data collection and technical assistance services. See Staff Comments. (General Fund)

Background: Existing law requires cities and counties to prepare a general plan comprised of seven mandatory elements, including a housing element that includes an identification of existing and projected housing needs. The housing element must include an inventory of land suitable for residential development, which is used to identify sites that can be developed for housing within the planning period that is sufficient to meet the regional housing needs for all income levels. Housing elements must be updated every eight years in urban areas, and every five years in more rural areas.

Existing law requires each city and county to submit an APR to HCD and the Governor's Office of Land Use and Climate Innovation (LCI) by April 1 of each year that includes specified information relating to the status and progress of implementing the general plan, including steps taken to meet the jurisdiction's share of regional housing needs pursuant to its housing element. Among this information, cities and counties must report zoning and rezoning information, specified information regarding density bonuses granted, the number of housing development applications received in the prior year and the number of proposed units included in those developments, the number of units approved and disapproved in the prior year, the number of housing units that were demolished in the prior year, and the net number of new housing units issued a completed entitlement, building permit, or certificate of occupancy in the housing element cycle, and the income category of each unit.

Existing law authorizes a city or county to meet up to 25% of its RHNA obligation in any income category through “committed assistance” – specifically, the local government commits to providing units at housing costs or rents that are affordable to low- or very low-income households. Existing law establishes a number of conditions on this authority, including that the units constitute a net increase in the community’s stock of housing affordable to low- or very low-income households, the units have long-term affordability covenants and restrictions, and the units were not provided with committed assistance in the prior planning period. Existing law also authorizes a city or county, for up to 25% of its moderate income regional housing need allocation (RHNA) in its APR, to include the number of market rate units in an existing multifamily building that were converted to deed-restricted housing for moderate income, as specified.

Proposed Law: AB 726 would authorize a local agency’s APR to include the number of units of existing deed-restricted affordable housing with an average affordability not greater than 45% of area median income that are at least 15 years old and have been substantially rehabilitated with at least \$60,000 per unit in funds awarded from the local agency, inclusive of forgiveness of principal or interest on existing debt.

The bill would also specify that any units included in the APR under these provisions must not be considered when HCD evaluates progress in meeting RHNA targets for purposes of determining whether a local agency is subject to the streamlined, ministerial approval process created by SB 35 (Wiener), Chap. 366/2017.

Related Legislation: AB 670 (Quirk-Silva), which is currently pending on this Committee’s Suspense File, would require local agencies to include additional information regarding the demolition and replacement of housing units in their APRs, and authorize local agencies to count the number of existing multifamily housing units converted to long-term, deed-restricted affordable housing towards meeting their share of the regional housing need.

AB 1131 (Ta), which is currently pending on this Committee’s Suspense File, would authorize cities and counties to include the number of units approved for congregate housing for the elderly for up to 15% of their RHNA for any income category in their APRs.

AB 130 (Budget Committee), Chap. 22/2025, a recently enacted housing budget trailer bill, includes a provision that requires cities and counties to include specified information in their APRs regarding housing development projects approved and constructed pursuant to the Affordable Housing on Faith and Higher Education Lands Act of 2023.

AB 787 (Gabriel), Chap. 350/2021, authorized cities and counties to receive credit towards their RHNA for the conversion of above moderate-income units to deed restricted moderate-income units, as specified.

Staff Comments: HCD notes that there are multiple bills pending in the Legislature that would revise the information that local agencies include in their APRs, including this bill, as well as AB 670 (Quirk-Silva) and AB 1131 (Ta), all of which would create ongoing staff workload for HCD’s Data and Innovation Unit for new data collection and coordination with local agencies, as well as one-time costs to make changes to the APR form and IT systems. HCD estimates that one-time costs of \$100,000 for APR form

updates and IT changes, and ongoing staff workload costs of \$230,000 for 1.0 PY of new staff that have been identified in the fiscal impact for AB 670 (Quirk-Silva) should be sufficient to accommodate the workload associated with all three of these APR-related bills combined. As such, staff notes that the costs directly attributable to this bill would likely only represent a portion of the one-time and ongoing costs reported by the department if all of the APR-related bills are enacted. If this bill is the only bill enacted that impacts HCD's workload, however, staff notes that HCD would likely incur General Fund costs in the range of \$100,000 to \$150,000 in the first year, and ongoing administrative costs of over \$50,000 for a partial PY of staff time.

Recommended Amendments: Staff notes that AB 130 (Budget Committee), Chap. 22/2025, was recently enacted as a Housing budget trailer bill, and included a provision that amended Government Code 65400, which this bill would also amend. This bill should be amended to avoid chaptering out the changes enacted by AB 130.

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