
THIRD READING

Bill No: AB 726
Author: Ávila Farías (D)
Amended: 9/4/25 in Senate
Vote: 21

SENATE HOUSING COMMITTEE: 10-0, 7/15/25

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

NO VOTE RECORDED: Cabaldon

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

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

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

SUBJECT: Planning and zoning: annual report: rehabilitated units

SOURCE: Author

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.

Senate Floor Amendments of 9/4/2025 address chaptering conflicts with AB 670 (Quirk-Silva).

ANALYSIS:

Existing law:

- 1) 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 regional housing needs allocation (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

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

Comments

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."

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. 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 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.

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.

Incentivizing rehabilitation of affordable housing. This bill seeks to address the loss of affordable properties 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).

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

According to the Senate Appropriations Committee:

- HCD indicates that this bill would impose ongoing workload costs 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 make IT systems upgrades. 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. (General Fund)

SUPPORT: (Verified 9/4/25)

California Contract Cities Association
 California Housing Consortium
 California Housing Partnership
 City of Norwalk
 City of Sunnyvale
 County of Monterey
 East Bay Housing Organizations
 Eden Housing
 Enterprise Community Partners, INC.
 Housing California
 League of California Cities
 Non-profit Housing Association of Northern California
 Resources for Community Development
 South Bay Cities Council of Governments
 Supportive Housing Alliance

OPPOSITION: (Verified 9/4/25)

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: Hank Brady / HOUSING / (916) 651-4124
9/8/25 21:21:15

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