SENATE THIRD READING
SB 1116 (Caballero)
As Amended July 2, 2026
Majority vote

SUMMARY

Makes a series of changes regarding the scope of zoning and subdivision provisions of the Starter Home Revitalization Act (SHRA), established by SB 684 (Caballero), Chapter 783, Statutes of 2023, and later revised by SB 1123 (Caballero), Chapter 294, Statutes of 2024, and voids specified types of covenants that would prohibit SHRA projects.

Major Provisions

1) Voids any covenants and restrictions that either prohibit or physically preclude the development of a project using the SHRA, except in common interest developments.

2) Provides that a local agency shall not impose objective zoning, subdivision, or design standards on SHRA development applications that would: physically preclude the development of units with an average size of 1,750 square feet; prohibit a SHRA development from including additional units or floor area where permitted by objective local standards in the zoning district; restrict the number of floors allowed in a SRHA development; or impose a front setback greater than 10 feet or internal parcel setbacks, except as required in the California Building Standards Code.

3) Removes floor area ratio (FAR) limitations that a local government can impose on SHRA development.

4) Declares that the zoning provisions of the SHRA shall be interpreted liberally in favor of producing the maximum number of total housing units.

5) Replaces the requirement that lots zoned for single-family residential development are either vacant or only contain structures that are abandoned and uninhabitable with a requirement that the structures must be abandoned *or* substantially lack certain building characteristics.

6) Removes the requirement that lots zoned for multifamily residential must be smaller than five acres to be eligible for the SHRA.

7) Replaces the requirement that a lot is substantially surrounded by qualified urban uses to use the SHRA with a requirement that the lots must meet any of the infill criteria established in AB 130 (Committee on Budget), Chapter 22, Statutes of 2025.

8) Allows the minimum lot size established for multifamily parcels and single-family parcels created through an SHRA subdivision to be met with averaging.

9) Requires, where averaging is used pursuant to 9), that none of the newly created parcels are more than half the size of the original lot, except in the case of remainder parcels. Provides that any remainder parcel designated as a part of an SHRA subdivision shall not count toward the residential density calculation with respect to lot size averages.

10) Provides that a designated remainder parcel created pursuant to 10) that exceeds minimum parcel size under the applicable zoning ordinance may be intended for sale, lease, or financing, provided that any such remainder parcel may not be further subdivided under the SHRA or SB 9 (Atkins), Chapter 162, Statutes of 2021.

11) Replaces the existing density requirements that apply to a site proposed for SHRA development with requirements that either the base zoning for the site does not allow for more than 15 units, as specified; or for a site where the local zoning does not specify a maximum number of units, the zoning for the parcel does not allow for more than 26,250 square feet of residential floor area.

12) For a site identified to accommodate a portion of the jurisdiction's share of the regional housing need for low- or very low-income households, any housing development on the site must create a proportional amount of low- or very low income units as projected in the housing element for the site.

13) Requires a local agency to approve or deny an application for a final map for SHRA subdivision within 60 days from the date the local agency receives a completed application. Provides that an application shall be deemed approved if the local agency fails to act within 60 days. Requires a local agency that denies an application to return a full set of written comments identifying the deficiencies in the application and a description of how the application can be remedied to the applicant within 60 days of receiving a completed application.

14) Adds SHRA applications, approvals, permits, and construction statistics to the list of Annual Progress Report (APR) reporting requirements for local governments, beginning with the report due by April 1, 2028.

COMMENTS

Starter Home Revitalization Act: To facilitate missing middle housing production, the SHRA established ministerial approval processes for small lot subdivisions and associated housing development on lots zoned for multi-family use. SB 684 requires cities and counties to ministerially approve the subdivision of a lot into up to 10 parcels, and to ministerially approve housing projects with 10 or fewer total units across those parcels.

To be eligible, the project must meet a list of conditions, including that: the lot is no larger than 5 acres and located on an infill site in a city or in an urban area in a county with a population greater than 600,000; the resulting parcels are at least 600 square feet in size; the units are no larger than 1,750 square feet in size, on average; the development is not located in an environmentally sensitive area and does not require the demolition or alteration of specified types of housing, including affordable housing and housing occupied by tenants within the past five years; the development complies with all other objective requirements imposed by the local agency that do not conflict with the law, including subdivision map act requirements and local inclusionary housing requirements; and the project is connected to a public water system and municipal sewer system.

Local governments can impose objective requirements on small lot subdivisions, but cannot impose standards that physically preclude a project being built to densities that allow housing presumed to be affordable to lower-income households; require a setback between units; require more parking or greater setbacks than certain limits; limit the FAR for these projects to less than specified amounts; and apply requirements to these projects on the basis that they are permitted under state law.

SB 1123 (Caballero) expanded the SHRA to single-family lots, provided that the lot proposed to be subdivided is no larger than 1.5 acres and does not contain any structures, unless those structures are vacant and abandoned. Most recently, AB 130 (Committee on Budget), Chapter 22, Statutes of 2025, further expanded the sites on which the SHRA could be used by allowing developers to carve off a "remainder parcel" that retains existing land uses or structures, does not contain any new residential units, and is not exclusively dedicated to serving the housing development project. AB 130 excluded the remainder parcel from counting towards the 10-parcel limit in the SHRA. As developers gain more experience with the SHRA, they have identified barriers to further use of the law to build housing units.

This Bill: This bill would amend the SHRA to address barriers identified by practitioners, the author's office, and the bill sponsors. Among other things, this bill expands the universe of eligible SHRA sites by removing the existing five-acre cap on multifamily parcels, replacing the "substantially surrounded by qualified urban uses" standard with the broader urban infill site criteria established by AB 130 of 2025, and modifying the eligibility requirements for single-family parcels by delineating criteria that would render a single-family home untenable and thereby eligible for the SHRA. This bill also provides additional flexibility for lot design by allowing parcel size averaging, authorizing smaller individual lots where average parcel size requirements are met, and revising the minimum density provisions governing SHRA projects such that the SHRA can be used on sites that would allow for up to 15 units based on density limits or residential square footage restrictions. In addition, this bill requires projects on sites identified in a housing element to accommodate lower-income RHNA to provide a proportional amount of deed-restricted affordable housing consistent with the housing element.

This bill voids certain private covenants and restrictions that prohibit or physically preclude SHRA projects (except for in common interest developments), while preserving objective standards that do not conflict with state law. This bill also narrows the ability of local governments to apply otherwise objective zoning, subdivision, and design standards in a manner that reduces the development capacity authorized by the SHRA. Among other things, this bill prohibits standards that would prevent a project from achieving the average unit size permitted under the SHRA, limit additional units or floor area otherwise allowed by the underlying zoning, restrict the number of floors independent of an applicable height limit, require front setbacks greater than 10 feet, or require internal setbacks between newly created parcels except as required by the Building Standards Code. This bill removes existing FAR limitations that may be applied to SHRA projects and requires the statute to be interpreted liberally in favor of maximizing housing production. This bill establishes additional approval timelines and remedies for final subdivision maps, and requires local governments to report SHRA applications, approvals, permits, and completed units to HCD through the APR.

According to the Author
"California continues to face a severe housing shortage, particularly for entry-level homeownership opportunities. While recent reforms have helped accelerate rental housing production, pathways to homeownership, especially smaller and more affordable homes, remain limited for many Californians. The Starter Home Revitalization Act, enacted through SB 684 (Caballero, 2023), created a streamlined pathway to allow small-lot subdivisions and the

construction of missing-middle housing to expand access to homeownership. SB 1116 incorporates lessons learned during SB 684's early implementation. Local interpretations and regulatory barriers have, in some cases, limited the ability of SB 684 to fully deliver the small-scale, ownership-oriented housing it was designed to produce. SB 1116 clarifies key provisions of the law, strengthens oversight, and ensures that local standards cannot undermine the housing production authorized by the statute. By improving implementation of the Starter Home Revitalization Act, this bill helps unlock more small-scale homeownership opportunities and supports California's broader effort to address its housing shortage."

Arguments in Support
A coalition of [Yes In My Back Yard] (YIMBY) organizations, including the bill sponsor (California YIMBY) writes in support: "The SHRA was first enacted in 2023 by SB 684 (Caballero) to allow ministerial approval of small-lot subdivisions (up to 10 units) in qualifying urban areas. However, implementation has revealed barriers that need to be addressed to ensure the SHRA is a strong tool to promote the streamlined construction of missing-middle housing. Ambiguity in eligibility standards and inconsistent local implementation have further limited the law's impact.

The bill tightens limits on local design constraints, protects allowable density and floor area ratios (FAR), clarifies height standards, creates flexibility for minimum parcel sizes, and enhances annual housing reporting requirements to better track progress toward Regional Housing Needs Allocation (RHNA) goals. These changes will ensure the law is implemented more effectively."

Arguments in Opposition
The Rural County Representatives of California (RCRC) and the League of California Cities write in opposition: "SB 1116 substantially alters the framework established under the Starter Home Revitalization Act, legislation that reflected extensive negotiations among housing advocates, local governments, builders, and other stakeholders. SB 1116 removes or weakens many of the established guardrails before the original legislation has had sufficient time to be implemented and evaluated. Rather than building upon the existing framework, the bill fundamentally changes it in ways that merit greater stakeholder engagement and consideration.

Perhaps most importantly, the bill allows additional residential development to proceed without adequately considering the cumulative impacts that continued growth places on communities. Cities and counties are responsible for ensuring that housing is supported by adequate water and sewer capacity, transportation networks, stormwater infrastructure, parks, schools, emergency services, and other public facilities. Planning for housing is not simply a parcel-by-parcel exercise; it requires consideration of the cumulative infrastructure and service needs created as communities grow over time. These changes to the Subdivision Map Act have lasting consequences because subdivisions, once approved and recorded, generally cannot be undone. Decisions regarding parcel configurations, lot dimensions, circulation patterns, utility easements, and ownership arrangements are effectively permanent. For that reason, any expansion of ministerial subdivision authority should proceed cautiously and preserve sufficient local review to ensure subdivisions are properly designed before maps are recorded."

FISCAL COMMENTS

1) Department of Housing and Community Development (HCD) estimates:

   a) Ongoing General Fund administrative costs to implement the changes to the SHRA are absorbable within existing resources.

   b) General Fund costs for ongoing workload to provide technical assistance (TA) to local governments and other stakeholders and to respond to new report requests, as well as one-time costs update the housing element APR form and TA materials and to update IT systems are likely minor and less than $100,000 annually.

      HCD notes there are multiple bills moving through the Legislature that impact the APR. If several of these bills passed and were signed, HCD would need additional resources to absorb new workload created by all the APR-related bills, including this one. HCD estimates the total General Fund costs to be in the hundreds of thousands of dollars, including additional staff time and one-time costs.

2) Costs to local agencies of an unknown, but potentially substantial amount to make changes to planning processes and procedures related to the changes to SHRA statutes and to include additional information regarding SHRA projects in APRs. Local jurisdictions note the APR submission process has grown quite complex, requiring additional staff time as multiple data points have been recently added to the report. However, local costs related to housing element updates are generally not state-reimbursable because cities and counties have the authority to charge and adjust planning and permitting fees to cover administrative costs associated with new planning mandates.

VOTES

SENATE FLOOR: 37-0-3
YES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Ochoa Bogh, Padilla, Pérez, Reyes, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener
ABS, ABST OR NV: Becker, Grove, Niello

ASM HOUSING AND COMMUNITY DEVELOPMENT: 12-0-0
YES: Haney, Patterson, Ávila Farías, Caloza, Garcia, Kalra, Lee, Ward, Ta, Tangipa, Wicks, Wilson

ASM LOCAL GOVERNMENT: 10-0-0
YES: Carrillo, Ta, Johnson, Pacheco, Ramos, Ransom, Blanca Rubio, Stefani, Ward, Wilson

ASM APPROPRIATIONS: 15-0-0
YES: Wicks, Hoover, Arambula, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa

UPDATED

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