

Date of Hearing: June 24, 2026

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Matt Haney, Chair

SB 1383 (Arreguín) – As Amended March 23, 2026

SENATE VOTE: 29-9

SUBJECT: Housing development: density bonus: incentives or concessions: labor standards

SUMMARY: Prohibits a concession or incentive under Density Bonus Law (DBL) from being used to modify labor standards.

EXISTING LAW:

- 1) Establishes DBL, which requires a local government to do all of the following:
 - a) Adopt procedures and timelines for processing a DBL application;
 - b) Provide a list of all documents and information required to submit with the DBL application for it to be deemed complete; and
 - c) Provide an applicant with information related to the amount of density bonus for which the applicant is eligible, and whether the applicant has provided adequate information for the local government to make a determination as to the granting of any requested incentives, concessions, waivers, or reductions in development standards, at the time of application completeness. (Government Code (GOV) 65915)
- 2) Requires local governments to grant a density bonus when an applicant for a housing development, defined as a development containing “five or more residential units, including mixed-use developments,” seeks and agrees to construct a project that will contain at least one of the following:
 - a) 10% of the total units of a housing development for lower-income households;
 - b) 5% of the total units of a housing development for very low-income households;
 - c) A senior citizen housing development or mobile home park;
 - d) 10% of the units in a common interest development (CID) for moderate-income households;
 - e) 10% of the total units for transitional foster youth, veterans, or persons experiencing homelessness;
 - f) 20% of the total units for lower-income students in a student housing development; or
 - g) 100% of the units of a housing development for lower-income households, except that 20% of units may be for moderate-income households. (GOV 65915)

- 3) Requires local governments to grant a density bonus ranging from 20% to 50% for rental developments that include a minimum percentage of units affordable to very low-, low-, or moderate-income households, with the bonus increasing on a sliding scale based on the level of affordability provided. For 100% affordable rental developments, the law provides a bonus of up to 80%, along with additional incentives such as increased height limits, reduced parking requirements, and modified development standards if the project is located within ½ mile of a major transit stop or in a low vehicle miles traveled (VMT) area. In certain cases, 100% affordable projects in qualifying areas may be allowed unlimited density. (GOV 65915)
- 4) Requires a local government to grant an additional density bonus on top of the bonus in 2) if the applicant agrees to include additional rental or for-sale units affordable to very low income households or moderate income households. (GOV 65915)
- 5) Requires applicants to receive concessions and incentives depending on the percentage of affordable housing included in the proposed development. “Concessions and incentives” means the following:
 - a) A reduction in site development standards, or a modification of zoning code requirements, or architectural design requirements, that exceed the minimum building standards, including, but not limited to, a reduction in setback and square footage requirements and in the ratio of vehicular parking spaces that would otherwise be required, resulting in identifiable and actual cost reductions, to provide for affordable housing costs, as specified;
 - b) Approval of mixed-use zoning in conjunction with the housing project if commercial, office, industrial, or other land uses will reduce the cost of the housing development and if the commercial, office, industrial, or other land uses are compatible with the housing project and the existing or planned development in the area where the proposed housing project will be located; and
 - c) Other regulatory incentives or concessions proposed by the developer or the city, county, or city and county that result in identifiable and actual cost reductions to provide for affordable housing costs, as specified. (GOV 65915)
- 6) Provides that the granting of a density bonus, incentive, or concession shall not be interpreted in and of itself, to require a general plan amendment, local coastal plan amendment, zoning change, or other discretionary approval. (GOV 65915)
- 7) Provides that, in no case, may a local government apply any development standard that will have the effect of physically precluding the construction of a development at the densities or with the concessions or incentives permitted by DBL. (GOV 65915)

FISCAL EFFECT: Unknown. This bill is keyed non-fiscal by the Legislative Counsel.

COMMENTS:

Author’s Statement: According to the author, “SB 1383 addresses a critical gap in California’s Density Bonus Law that has allowed its intended purpose to be misapplied. While the law was designed to incentivize affordable housing production, a recent case where labor standards were

waived using the state's density bonus law has set a bad precedent and has broad impacts for worker safety. Labor standards are essential to ensuring Californians have a good paying job that can provide a roof over their head and put food on the table for their families, while at the same time ensuring construction quality for much-needed housing in California.

By allowing labor standards to be waived, this could threaten worker safety, undermine training pipelines, and create unfair competition by allowing bad actors to undercut responsible contractors. SB 1383 ensures that increasing housing supply does not come at the expense of worker protections, a good paying job, or construction quality.”

Density Bonus Law: California’s DBL, originally enacted in 1979, is a key state policy tool aimed at addressing the financial challenges of building affordable housing, particularly in high-cost markets. Given the state’s elevated land and construction costs, the private market struggles to deliver housing that is affordable to low- and moderate-income households without public subsidy. An analysis by the California Housing Partnership compares the cost of market rate developments with the median cost of developing affordable rental homes. In the four regions analyzed, the study found that the cost of developing one unit of affordable housing ranged from approximately \$480,000 to \$713,000, while the cost of developing one unit of market rate housing in the state ranged from approximately \$508,000 to \$637,000.¹ The increased cost for the deed-restricted affordable units can be attributed, in part, to the difficulty associated with assembling a capital stack for affordable housing development, the complex regulations that these affordable units must comply with, and the added cost of labor requirements tied to certain public funding sources used by affordable housing developers.

DBL seeks to close some of the financial gaps associated with building affordable housing by allowing developers to build more units than local zoning laws typically permit, known as a “density bonus,” in exchange for reserving a certain percentage of the housing units as affordable. This increased density enables the fixed costs of development to be spread across more units, thereby helping to offset the lower returns from the affordable units and reducing the need for direct public subsidy. Under current law, any housing development proposing five or more units, including mixed-income developments, can take advantage of the provisions of DBL.

To qualify for a density bonus, a project must include one of several affordability options, including providing units for lower-income, very low-income, or moderate-income households, or targeting specific populations such as seniors, transition-age foster youth, disabled veterans, or lower-income college students. All affordable rental units built under DBL must be deed-restricted for at least 55 years to ensure long-term affordability. Local governments are required to adopt a local ordinance implementing DBL. However, even if a local government has not formally adopted a density bonus ordinance, it is still legally obligated to comply with state law and grant the bonuses and concessions to qualifying projects as requested by developers.

Under DBL, when a mixed-income housing development includes a minimum percentage of affordable units, such as 5% very low-income or 10% lower-income, it becomes eligible for a

¹ Mark Stivers, *Affordable Housing Compares Favorably to Market-Rate Housing From a Cost Perspective*, California Housing Partnership, January 2024: <https://chpc.net/affordable-housing-compares-favorably-to-market-rate-housing-from-a-cost-perspective/#:~:text=It%20turns%20out%20that%20costs,market%2Drate%20developments%20do%20not.>

density bonus for additional market-rate units starting at 20%, with the potential to increase up to 50%, depending on the proportion of affordable units provided. Fully affordable projects can qualify for up to an 80% density bonus, or unlimited density if located within ½ mile of a major transit stop, or in a very low vehicle travel area.

In addition to the density bonus, eligible projects are entitled to receive between one and five regulatory incentives or concessions, depending on the share of affordable housing units provided. These may include modifications to development standards such as reduced setbacks, increased building height, higher floor area ratios (FAR), or reduced parking requirements, when those changes result in actual and identifiable cost savings that help support the affordable units. Because DBL applies to mixed-use developments, a project may also receive incentives or concessions for increased intensity or expanded nonresidential uses if doing so would reduce the overall cost of development. Projects can also request other zoning or regulatory modifications that reduce development costs, and local governments must grant those incentives, unless they can make specific findings to deny them as narrowly defined in state law. Developers maintain that these incentives and concessions are critical for making affordable housing projects financially feasible.

In practice, DBL plays a critical role in the state's housing strategy, both by reducing development costs and by increasing the overall supply of housing at all income levels, particularly in communities that might otherwise see little affordable housing development. By leveraging regulatory flexibility instead of direct public funding, DBL offers a cost-effective mechanism to stimulate the production of both mixed-income and 100% affordable housing projects throughout California.

All jurisdictions are required to report projects approved pursuant to DBL in their Annual Progress Reports (APRs) submitted to the Department of Housing and Community Development (HCD). While APR data provides the most comprehensive statewide data available, it is well-documented that these reports contain data quality limitations, including inconsistent reporting practices and project classification errors. Analysis of APR data conducted by the bill sponsor and shared with this Committee points to the efficacy of DBL. In the past five years, DBL has been used to entitle over 140,000 mixed-income units, providing, should these entitled units advance to construction, thousands of deed-restricted affordable homes at no cost to the state.

Local Labor Standards. In 2023, the City of Berkeley adopted the “Helping Achieve Responsible Development with Healthcare and Apprenticeship Training Standards” (HARD HATS) ordinance, intended to improve the recruitment, training, and retention of skilled construction workers. Specifically, the ordinance requires contractors working on certain housing and commercial developments to participate in apprenticeship programs and provide health care coverage to workers. The City also required contractors to pay prevailing wages to construction workers on projects in the City's Southside neighborhood. The ordinance took effect on January 1, 2024, and was the first ordinance of its kind in California.

Subsequently, multiple developers of housing projects in Berkeley have requested to use a concession under DBL to exempt their projects from the City's labor requirements. In requesting concessions to reduce labor standards, project developers in Berkeley cited the cost of those standards as a barrier to making the project pencil out. There is some debate surrounding the cost impacts of labor standards in development projects. Both affordable housing and market rate advocates have testified to this committee regarding the cost impacts of labor standards

associated with state streamlining laws on housing development projects, citing labor standards as a barrier to making projects “pencil out” in certain regions. One study compared costs for developing permanent supportive housing in Los Angeles with and without using funding from Measure HHH, a local bond measure approved by voters in 2016.² Projects over 65 units that receive funding from Measure HHH must include a project labor agreement (PLA), which is a collective bargaining agreement between a project developer and a union. The study found that costs for HHH projects over 65 units were 21% higher than permanent supportive housing projects that did not receive funding from HHH. Another study found no effect or even reduced costs and faster completion times for projects with PLAs because union labor was more productive and PLAs reduced the delays and costs associated with skilled labor shortages.³⁴

Ultimately, the City of Berkeley’s Planning Commission approved those concessions, and the City Council declined to overturn the approval, largely due to expressed concerns that DBL did not allow them to deny such a concession.

This bill would amend DBL to explicitly prohibit a concession or incentive from being used to modify labor standards.

Arguments in Support: The State Building and Construction Trades Council of California and the Western States Council of Sheet Metal Workers, the bill co-sponsors, write in support: “In Berkeley, developers successfully used the Density Bonus Law to seek waivers from critical local labor standards, including prevailing wage requirements, apprenticeship utilization standards, and employer-provided health care protections. These standards are not minor regulatory details—they are fundamental safeguards that ensure construction workers receive fair wages, proper training, and access to health care while working on demanding and often hazardous construction projects.

The concessions contemplated under the Density Bonus Law were intended to address development regulations such as zoning standards, parking requirements, or design elements that might otherwise hinder housing production. We do not believe the State of California ever intended these concessions to be used to eliminate basic labor protections that safeguard the health, safety, and livelihoods of the workers who build our communities. Allowing labor standards to be waived undermines the very workforce responsible for constructing the housing California urgently needs. Prevailing wage laws ensure workers are paid fairly and help maintain a stable middle-class workforce. Apprenticeship standards guarantee the development of the next generation of skilled tradespeople through state-approved training programs. Health care protections ensure that workers and their families are not forced to bear the financial burden of injuries or illnesses resulting from physically demanding construction work.”

Arguments in Opposition: YIMBY Action, including a coalition of local YIMBY Action chapters, write in opposition: “Though SB 1383 purports to support labor standards, its intent and practical effect would be to obstruct necessary housing production. The Density Bonus Law

² Jason Ward, *RAND*. “Revisiting the Effects of the Proposition HHH Project Labor Agreement Using Cost Data from Completed Projects.” (2024)

³ Michael McFadden, Sai Santosh, and Ronit Shetty, *Independent Project Analysis*. “Quantifying the Value of Union Labor in Construction Projects.” (2022)

⁴ Larissa Petrucci, Matthew Hinkel, and Grace Dunn, *Cornell School of Industrial and Labor Relations*. “Timely Construction: The Effect of Project Labor Agreements on Time to Completion for Public Works Construction in Sacramento County, California.”

incentivizes construction of affordable units by relaxing certain building standards to offset project costs. SB 1383 undermines that framework by allowing local jurisdictions to impose labor requirements that would make otherwise affordable projects financially infeasible. Allowing the adoption of unworkable labor standards would pit construction and housing advocates against one another without meaningfully helping either party's goals.

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. SB 1383 would only make our housing shortage worse and do nothing to ensure a welcoming California where everyone can thrive. For these reasons, we express our opposition to SB 1383."

Related Legislation:

AB 2433 (Alvarez), of this legislative session, would, among other provisions, grant qualifying housing developments with two additional incentives or concessions for homeownership projects. AB 2433 is currently in the Senate policy committee process.

Double-Referred: This bill was also referred to the Committee on Local Government, where it will be heard should it pass out of this Committee.

REGISTERED SUPPORT / OPPOSITION:

Support

State Building & Construction Trades Council of California (Co-Sponsor)
Western States Council Sheet Metal, Air, Rail and Transportation (Co-Sponsor)
Bluegreen Alliance
California Federation of Labor Unions, AFL-CIO
California Safety and Legislative Board, Smart – Transportation Division (smart – Td)
California State Association of Electrical Workers
California State Pipe Trades Council
City of Berkeley Commission on Labor

Opposition

None on file.

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