SENATE THIRD READING
SB 1383 (Arreguín)
As Amended August 21, 2026
Majority vote

SUMMARY

Prohibits a concession or incentive under Density Bonus Law (DBL) from being used to modify local labor standards for any building taller than 85 feet above grade, provided that the local labor standards do not exceed the labor requirements that exist for the Streamlined Ministerial Approval Process (SMAP), as they existed on December 31, 2025.

Major Provisions

1) Defines "labor standard" as any legal requirements regarding wages paid, hours worked, and other conditions of employment, pursuant to Section 1205 of the Labor Code adopted by a local government entity.

2) Provides that "labor standards" in 1), above, are those that do not exceed the labor requirements in SMAP, as they existed on December 31, 2025, in Government Code Section 65913.4(a)(8).

3) Prohibits labor standard, as defined, from being included in or related to a concession or incentive under DBL for the reduction in site development standards, a modification of zoning requirements or architectural design requirements, or to result in identifiable and actual cost reductions to provide affordable housing for buildings taller than 85 feet above grade.

4) *Incorporates nonsubstantive chaptering amendments.*

COMMENTS

Density Bonus Law: California's DBL, originally enacted in 1979, is a key state policy tool aimed at addressing the financial challenges of building affordable housing, particularly in high-cost markets.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.

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[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.

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 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.[3][4]

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 local labor standards adopted by a local government entity for buildings that are taller than 85 feet above grade. It also provides, for purposes of DBL and concessions and incentives related to local labor standards, that the provisions of this bill only apply if the local labor standards do not exceed the labor requirements in SMAP, as they existed on December 31, 2025, as found in Government Code Section 65913.4(a)(8).

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[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."

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."

Arguments in Support
None on file for current bill version.

Arguments in Opposition
The California Housing Consortium, the California Building Industry Association, the California Business Properties Association, the Building Owners and Managers Association of California, and the Commercial Real Estate Development Association write in opposition: "SB 1383 further limits the flexibility available to local governments and housing developers under the state's Density Bonus Law, reducing the ability to craft project-specific solutions that help make housing, in particular affordable housing, financially feasible.

California's housing crisis disproportionately impacts low-income families who have a higher housing cost burden. The Assembly should focus on measures that reduce barriers to housing production and make housing more affordable.

SB 1383 reduces flexibility, threatens the financial viability of housing projects, and slows the production of much-needed housing across California.

FISCAL COMMENTS

None.

VOTES

SENATE FLOOR: 29-9-2
YES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Durazo, Gonzalez, Grayson, Hurtado, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Reyes, Richardson, Rubio, Smallwood-Cuevas, Stern, Umberg, Wahab, Weber Pierson
NO: Alvarado-Gil, Choi, Dahle, Grove, Jones, Ochoa Bogh, Seyarto, Strickland, Valladares
ABS, ABST OR NV: Niello, Wiener

ASM HOUSING AND COMMUNITY DEVELOPMENT: 9-2-1
YES: Haney, Ávila Farías, Caloza, Garcia, Kalra, Lee, Ward, Ta, Wilson
NO: Tangipa, Wicks
ABS, ABST OR NV: Patterson

ASM LOCAL GOVERNMENT: 9-0-1
YES: Carrillo, Ta, Pacheco, Ramos, Ransom, Blanca Rubio, Stefani, Ward, Wilson
ABS, ABST OR NV: Johnson

UPDATED

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