

Date of Hearing: July 16, 2025

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Juan Carrillo, Chair

SB 21 (Durazo) – As Amended July 7, 2025

SENATE VOTE: 39-0

SUBJECT: Single-room occupancy units: demolition and replacement: housing assistance programs: eligibility for homeless individuals and families

SUMMARY: Allows demolition of single-room occupancy (SRO) units without full replacement of demolished units if the units are converted into affordable housing. Specifically, **this bill:**

- 1) Includes the following definitions:
 - a) “Complete private bathroom” means a bathroom that consists of a toilet and shower, with a vanity sink that may or may not be in the same room;
 - b) “Kitchen” means a section of a dwelling that includes a stove, sink, and refrigerator;
 - c) “Single-room occupancy unit” means a dwelling unit that does not include a complete private bathroom and kitchen; and
 - d) “Studio unit” means a dwelling unit that does not include a separate bedroom, but includes a complete private bathroom and a private kitchen.
- 2) Provides that in the case of a rehabilitation or replacement of an existing SRO building where units are deed restricted at affordable rents to low-income households, do not have separate bedrooms, and do not include both a complete private bath and a kitchen, an affected city or county may reduce the number of required replacement units if it finds, based on substantial evidence in the record, that all of the following conditions are met:
 - a) The reduction is necessary to accommodate the conversion of a SRO unit to a larger unit; to accommodate the addition of facilities, including private bathrooms, kitchens, or community rooms; to increase accessibility for persons with disabilities; or to address code compliance for matters related to health, welfare, life, and safety;
 - b) The conversion of the SRO unit will be completed within four years from the date of rehabilitation or demolition of the SRO unit. Provides that if the completion of improvements will take longer than four years, the city or county may provide for a one-year extension if the delay is outside of the project proponent’s control, as specified;
 - c) The converted SRO unit will be a rental unit with affordable rent at or lower than the applicable affordable rent level of the replaced SRO unit, unless the affordable rent level is precluded due to limitations or other requirements of one or more funding source of the housing development;

- d) The converted SRO unit will only be available to households with a household income at or below the income levels for lower income, very low income, extremely low income, or acutely low income households;
- e) A converted unit will remain available at the applicable affordable rent level of the replaced SRO unit for the longest feasible amount of time, but not less than 55 years. Requires that a covenant of affordability be recorded with the county recorder prior to the issuance of the certificate of occupancy or completion of work as approved by the local agency;
- f) A displaced SRO unit occupant shall have a right of first refusal for admission to a replacement unit, provided the SRO unit occupant would not be precluded due to unit size limitations or other requirements of one or more funding sources of the housing development.
 - i) Requires that if an occupant is precluded from occupying a replacement unit due to a requirement of a funding source of the housing development, as described in f), above, the project proponent must identify in writing the specific funding source and requirement that precludes the occupant's return. Requires that if a displaced single-room occupancy occupant is deemed ineligible for the replacement unit, the project proponent must offer the occupant an alternative, comparable unit within their portfolio;
 - ii) Provides that the initial rent for a returning SRO occupant shall not exceed the rent they paid at the time of displacement by more than 5%, and if the displaced tenant was paying more than 40% of their income toward rent at the time of displacement, the initial rent shall not exceed the rent paid at the time of displacement;
 - iii) Requires subsequent rent increases to not exceed 40% of household income.
- g) Provides that the net loss of SRO units due to a rehabilitation or replacement shall not exceed 25% of the total SRO units in the development, as specified. Provides that a project proponent may further reduce the number of units provided at the replacement project site if those additional units are replaced on a one-for-one basis, by either the project proponent or its designee. Requires the offsite replacement housing to meet all of the following conditions:
 - i) The units must be rental units with affordable rents at the applicable affordable rent level of the replaced SRO units;
 - ii) The units must be available to households with a household income at or below the income levels for lower income, very low income, extremely low income, or acutely low income, as applicable;
 - iii) The units must remain available at the applicable affordable rent level of the replaced SRO unit for the longest feasible time, but not less than 55 years. Requires the covenant or affordability to be recorded with the county recorder prior to the issuance of the certificate of occupancy.

- h) Requires the replacement units to be located within the applicable of the following:
 - i) If there is an applicable local community plan area, within the same local community plan area as the converted SRO units;
 - ii) If there is no applicable community plan area, and the converted SRO units are located within a redevelopment project area, within the same redevelopment project area as the converted SRO units;
 - iii) If there is no applicable community plan area, and the converted SRO units are not located within a redevelopment project area, within the same jurisdiction as the converted SRO units.
- i) In lieu of h), above, the replacement units may be located within a census tract or census block group that is designated as highest resource or high resource on the opportunity area maps developed by the California Tax Credit Allocation Committee and Department of Housing and Community Development (HCD) and located within the same jurisdiction;
- j) Provides that replacement units shall not be existing rental units occupied by a low-income household;
- k) Requires that all replacement units be made available for occupancy as soon as possible, but no more than four years from the date of rehabilitation or demolition of the SRO unit, whichever is earlier. If the project takes longer than four years due to extenuating circumstances, the project proponent may present to the jurisdiction a good faith plan demonstrating that occupancy would have been achieved within four years. If the delay is due to circumstances outside the project proponent's control, the jurisdiction may, at its discretion and using objective criteria, grant a one-year extension for project completion.
- l) Requires the project proponent to submit a replacement housing plan prior to the issuance of a permit for demolition, rehabilitation, or conversion of the SRO unit, that includes all of the following:
 - i) A description of the proposed conversion, demolition, or rehabilitation, including the substantial evidence required to show that reduction is necessary to accommodate the conversion of a SRO unit to a studio or larger unit, to accommodate the addition of specified facilities, to increase accessibility for persons with disabilities, or to address code compliance;
 - ii) A report on the current rental rates for each SRO unit, the number of vacancies and length of vacancies in the SRO building, and the length of residency for each occupied unit;
 - iii) A statement as to whether any occupants will be displaced as a result of the proposed project;
 - iv) A statement, with supporting documentation, as to when and why the unit was vacated;

- v) A plan for the replacement of the occupied and vacant SRO units, including but not limited to: the number of existing units, the bedroom composition, whether the property is vacant or occupied, the existing rent levels, and whether affordable covenants exist on that property, and, if so, the nature and duration of those covenants.
 - m) Requires the jurisdiction to review the replacement housing plan described in l), above, within 30 days of submission or resubmission. Prohibits a jurisdiction from issuing a permit for demolition, rehabilitation, or conversion of the SRO without first approving the replacement housing plan;
 - n) Provides that an occupant of a SRO removal is subject to all required relocation benefits, as specified.
- 3) Provides that the following shall apply for determining eligibility for any individual displaced from or returning to a SRO unit undergoing rehabilitation or a replacement unit that received funds from HCD, including for a unit that received funds prior to the enactment of this bill, and is for a homeless individual or family:
- a) An individual or family shall be deemed homeless if they meet any of the following criteria:
 - i) They moved to the unit described in 3), above, and were homeless upon initial occupancy of a prior unit;
 - ii) They are receiving or received supportive services or rental subsidies administered by a continuum of care or other program for people experiencing homelessness, as specified;
 - iii) They are transferring from an existing SRO where units are deed restricted at affordable rents to low-income households, and which is undergoing rehabilitation or replacement, as specified;
 - iv) They are subject to a continuum of care emergency transfer plan.
 - b) An individual or family as described in a), above, shall not be subject to a requirement that the unit be filled through a referral from a coordinated entry system or a similar referral system. A “coordinated entry system” means a centralized or coordinated assessment system designed to coordinate homelessness program participant intake, assessment, and provision of referrals.
 - c) Provides that implementation of 3), above, is contingent upon an appropriation by the Legislature.
- 4) Makes related declarations and conforming changes.

EXISTING LAW:

- 1) Authorizes a city or county to make and enforce within its limits all local, police, sanitary, and other ordinances and regulations not in conflict with general laws. (California Constitution, Article XI § 7)

- 2) Requires each city or county to adopt a general plan for the physical development of the city or county and authorizes the adoption and administration of zoning laws, ordinances, rules, and regulations by cities and counties. [Government Code (GOV) § 65300 *et seq.*]
- 3) Requires the housing element of a city or count to provide for a variety of housing types including multifamily rental housing, factory-built housing, mobilehomes, housing for agricultural employees, supportive housing, single-room occupancy units, emergency shelters, and transitional housing. (GOV §§ 65583 and 65583.2)
- 4) Defines “protected units” as any of the following:
 - a) Deed-restricted affordable units;
 - b) Rent-controlled units;
 - c) Units rented by lower or very low income households within the past five years; and
 - d) Units that were withdrawn from the housing market under existing law (the Ellis Act). (GOV § 66300.6)
- 5) Prohibits specified cities and counties from approving a housing development project that will require the demolition of residential units unless the project will create at least as many units as demolished (i.e., no net loss in housing units) within the last five years. Prohibits approval of a project if it will demolish protected units, unless all of the following apply:
 - a) The project will replace all protected units demolished on or after January 1, 2020, and any protected units replaced must be considered in determining whether the project meets inclusionary requirements;
 - b) The project will include at least as many residential units as the greatest number of residential units that existed on the site within the last five years;
 - c) Any existing occupants will be allowed to occupy their units until six months before the start of construction with proper notice, and any existing occupants required to leave must be allowed to return at their prior rental rate if the demolition does not proceed and the property returns to the rental market; and
 - d) The developer agrees to provide both of the following to the occupants of any protected units:
 - i) Relocation benefits; and
 - ii) A right of first refusal for a comparable unit available in the new housing development affordable to the household at an affordable rent or an affordable cost. (GOV § 66300.6)

FISCAL EFFECT: According to the Senate Appropriations Committee, pursuant to Senate Rule 28.8, negligible state costs.

COMMENTS:

- 1) **Bill Summary.** This bill authorizes a city or county to approve the reduction of required replacement units if it finds substantial evidence that the reduction is necessary to accommodate the conversion of a SRO to a rental unit that meets specified affordability, location, and timeline requirements. This bill requires the project proponent to submit, and the city or county to review prior to approving a permit, a replacement housing plan that includes specified information regarding occupant displacement and replacement of SRO units. This bill modifies eligibility criteria for a resident to occupy a unit that is funded by HCD, including providing that an individual can qualify for a unit for a homeless individual if they are transferring from an existing SRO that is undergoing rehabilitation or replacement.

This bill is sponsored by the Southern California Association of Nonprofit Housing.

- 2) **Author's Statement.** According to the author, "Single Room Occupancy buildings are a critical housing resource in my district and throughout California. Many of these buildings are aging and increasingly unsustainable to operate. Lacking private bathrooms, kitchenettes, and supportive service space, these properties struggle with high vacancy rates, low rents, and insufficient revenue to fund maintenance or upgrades. SB 21 preserves the role of SROs in providing the stability of a home while enabling their long-term viability in our communities."
- 3) **Local Planning.** The California Constitution allows cities and counties to "make and enforce within its limits, all local, police, sanitary and other ordinances and regulations not in conflict with general laws." It is from this fundamental power (commonly called the police power) that cities and counties derive their authority to regulate behavior to preserve the health, safety, and welfare of the public—including land use authority. Cities and counties use their police powers to spell out, through general plans and zoning ordinances, the types of developments that can be built in their jurisdiction, where that development can occur, and what conditions must be satisfied for a development to be approved.
- 4) **Housing Crisis Act of 2019.** In 2019, the Legislature enacted the Housing Crisis Act (HCA) [SB 330 (Skinner), Chapter 654, Statutes of 2019]. Among other things, the HCA set limitations on the ability of cities and counties to reduce the zoned capacity for housing in their jurisdiction and established anti-displacement protections when housing is demolished. SB 8 (Skinner), Chapter 161, Statutes of 2021, extended the sunset on the HCA of 2019 by five years, to January 1, 2030.

Under the HCA, an affected city or county, as defined, cannot approve a housing development project that requires the demolition of one or more residential units unless the project creates at least as many residential units as it will demolish. Furthermore, an affected city or county must not approve a housing development project that requires the demolition of occupied or vacant protected units, or that is located on a site where "protected units" were demolished in the previous five years, unless all the following apply:

- a) The project will replace all protected units demolished on or after January 1, 2020, and any protected units replaced must be considered in determining whether the project meets inclusionary requirements;

- b) The project will include at least as many residential units as the greatest number of residential units that existed on the site within the last five years;
- c) Any existing occupants will be allowed to occupy their units until six months before the start of construction with proper notice, and any existing occupants required to leave must be allowed to return at their prior rental rate if the demolition does not proceed and the property returns to the rental market;
- d) The developer agrees to provide existing lower-income occupants of protected units relocation benefits and a right of first refusal for a comparable unit in the new housing development at an affordable cost, except as otherwise provided.

The HCA defines protected units to be any of the following:

- a) Deed-restricted affordable units;
- b) Rent-controlled units;
- c) Units rented by lower or very low income households within the past five years; or
- d) Units that were withdrawn from the housing market under existing law (the Ellis Act).

These provisions apply only to affected cities and counties, defined as those that HCD determines to be in an urbanized area or urban cluster as designated by the U.S. Census. An affected city does not include any city that has a population of 5,000 or less and is not located within an urbanized area.

- 5) **Single-Room Occupancy Units.** A SRO is a small housing unit (usually 200-300 square feet) that lacks a kitchen and bathroom, so residents share those facilities communally with other units in a building. According to HCD, “these units provide a valuable source of affordable housing for individuals and can serve as an entry point into the housing market for people who previously experienced homelessness. Many older SROs have been lost due to deterioration, hotel conversions, and demolition.”

SRO buildings are often run by nonprofit entities to preserve a source of affordable housing. For example, in Los Angeles’s Skid Row, there are approximately 6,500 SROs, about 3,500 of which are operated by nonprofit housing organizations. SROs in Los Angeles are subject to various restrictions intended to preserve them, including a settlement agreement (known as the “Wiggins Settlement Agreement”) dating to 2006 that settled allegations that the Central Industrial Plan and City Center Plan adopted by the redevelopment agency in Los Angeles in 2002 did not adequately preserve affordable housing or create job opportunities for low- and very low-income households. The Wiggins Settlement Agreement restricts the use and redevelopment of SROs in downtown Los Angeles to preserve deeply affordable housing and requires any lost SROs to be replaced with units at the same income level. The City of Los Angeles has also adopted an ordinance that requires replacement of any demolished SROs citywide. Los Angeles currently has a total of around 9,000 SROs.

- 6) **Previous Legislation.** SB 330 (Skinner), Chapter 654, Statutes of 2019, restricted, for a period of five years, actions by cities and counties that would reduce the production of housing.

SB 8 (Skinner), Chapter 161, Statutes of 2021, extended the sunset on the Housing Crisis Act of 2019 by five years, and clarified demolition and replacement provisions.

- 7) **Arguments in Support.** According to the Southern California Association of Nonprofit Housing, sponsor of this bill, “SROs, built largely in the early 20th century and rehabbed by nonprofits decades ago, remain a housing lifeline for low-income, elderly, and disabled Californians. Yet many struggle: lacking private bathrooms and kitchens, they face high turnover and vacancies (over 4x more than normal), while low, often unsubsidized rents fail to cover rising costs. 95% report operating deficits, per a recent study by Enterprise Community Partners. Nonprofits, committed to preserving this housing, increasingly subsidize operations with organizational reserves—a practice that, while a testament to their dedication, strains budgets already stretched by rising maintenance and staffing costs. For some, this reliance signals a looming risk of insolvency, threatening not just individual properties but the broader mission of providing affordable housing.

“The collapse of Skid Row Housing Trust (SRHT) highlights these challenges. SRHT’s SRO portfolio—strained by these same issues—played a significant role in its insolvency and disrupted Los Angeles’ affordable housing community considerably. Many properties in severe physical and financial decline proved too risky for other nonprofits to take on, prompting the City of Los Angeles to spend nearly \$40 million on a receiver to maintain habitability—a sobering example of the stakes involved.

“Redeveloping SROs into larger, livable units could ease these pressures. However, these rehabilitations result in an unavoidable reduction in a building’s overall unit count—a change that is not currently allowed under the Housing Crisis Act’s one-for-one replacement rule.

“By allowing a 25% unit reduction, SB 21 empowers owners to upgrade SROs into viable, tenant-friendly units with private amenities and services, reducing turnover and easing reliance on limited organizational funds. In this way, the bill offers a proactive intervention to prevent other organizations from a similar fate to SRHT’s by allowing them to address the physical and financial hurdles before they become insurmountable. The bill also mandates robust tenant protections—right of first refusal, rent caps, and relocation plans—while updating HCD rules to allow tenants access to permanent supportive housing during redevelopment, ensuring stability for those who depend on SROs as housing. Together these provisions help SB 21 balance tenant needs, with owner viability, and California’s urgent housing demands.”

- 8) **Arguments in Opposition.** None on file.
- 9) **Double-Referral.** This bill is double-referred to the Committee on Housing and Community Development, where it passed on a 12-0 vote on July 2, 2025.

REGISTERED SUPPORT / OPPOSITION:

Support

Southern California Association of Nonprofit Housing [SPONSOR]
A Community of Friends
Abode Communities
Art House Pasadena
California Council for Affordable Housing (CDAH)
California Housing Consortium
California Housing Partnership
California Rural Legal Assistance Foundation
California Rural Legal Assistance Foundation, INC.
Eah Housing
East Bay Housing Organization - Ebho
East Los Angeles Community Corporation
Enterprise Community Partners, INC.
Housing California
LA Family Housing
Lafhbuilds
Legal Aid Foundation of Los Angeles
Linc Housing
Little Tokyo Service Center
Long Beach Environmental Alliance
National Core
Our Lady Queen of Angels Housing
People's Self-help Housing
Public Counsel
Public Interest Law Project
Sacramento Housing Alliance
Southeast Asian Community Alliance
Southeast Asian Community Center (SEACC)
Sro Housing Corporation
Supportive Housing Alliance
Thai CDC
Thai Community Development Center
The People Concern

Opposition

None on file.

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