

Date of Hearing: August 20, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

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

Policy Committee:	Housing and Community Development	Vote:	12 - 0
	Local Government		10 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill creates an exemption to the Housing Crisis Act (HCA) for the demolition and replacement of Single Room Occupancy (SRO) units if the units are converted into rental units that meet specified affordability, location, and timeline requirements.

Specifically, this bill, among other provisions:

- 1) The case of 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, authorizes an affected city or county to reduce the number of required replacement units if the city or county finds, based on substantial evidence in the record, that certain requirements are met, including, among others:
 - a) The reduction is necessary to accommodate the conversion of an SRO unit to a studio or larger unit, to accommodate the addition of facilities, to increase accessibility for persons with disabilities, or to address code compliance, as specified.
 - b) The converted SRO unit will be completed within four years.
 - c) The converted SRO unit will be a rental unit with affordable rent at or below the applicable affordable rent level of the replaced SRO unit, as specified, and will remain available at the applicable affordable rent level for at least 55 years.
 - d) A displaced SRO unit occupant will have a right of first refusal for admission to a replacement unit, as specified, and the initial rent for a returning SRO unit occupant will not exceed the rent paid at the time of displacement by more than 5%.
 - e) The net loss of SRO units due to rehabilitation or replacement will not exceed 25% of the total SRO units in the development.
 - f) A project proponent submits a replacement housing plan to the jurisdiction prior to the issuance of a permit for demolition, rehabilitation, or conversion of the SRO unit.
 - g) An SRO removal will be subject to all required relocation benefits, as specified, and relocation benefits will be provided to all displaced persons.

- 2) For purposes of determining eligibility for an individual displaced from or returning to an SRO unit undergoing rehabilitation or a replacement unit that received funds from HCD, specifies:
 - a) An individual or family is deemed homeless if they meet certain criteria.
 - b) Prohibits an individual or family meeting the above criteria from being subject to a requirement that the unit be filled through a coordinated entry system (CES) referral.

FISCAL EFFECT:

HCD anticipates minor and absorbable costs to modify multiple program guidelines and internal procedure documents.

This bill makes the implementation of its Section 50406.6, which provides HCD flexibility for SRO occupant relocation purposes, contingent upon an appropriation of the Legislature. Because HCD indicates minor and absorbable costs, this language seems unnecessary and may undermine the purpose of the section since no appropriation is likely.

COMMENTS:

- 1) **Purpose.** 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. [This bill] preserves the role of SROs in providing the stability of a home while enabling their long-term viability in our communities.

- 2) **Background. HCA.** Under the HCA, development projects cannot require the demolition of housing unless the project creates at least as many new homes, and cannot demolish affordable housing units protected by law unless the project replaces the units and allows existing residents to occupy their units until six months before construction starts. The developer must also provide relocation assistance and a right of first refusal to the residents in the new development at affordable rates.

SRO Units. An SRO unit is a small housing unit (usually 200 to 300 square feet) that lacks a kitchen and bathroom. Residents typically share those facilities communally with other units in the same building. These units provide a source of affordable housing for individuals and can serve as an entry point into the housing market for people who previously experienced homelessness. According to HCD, many older SRO units have been lost due to deterioration, hotel conversions, and demolition.

According to the Southern California Association of Nonprofit Housing, sponsor of this bill, some affordable developers face challenges with rehabilitating SROs to create more sustainable affordable housing developments. The sponsor asserts:

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, while low, often unsubsidized, rents fail to cover rising costs. 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 not currently allowed under the HCA's one-for-one replacement rule.

This bill allows a 25% unit reduction in an SRO conversion project if the project meets certain criteria, including affordability requirements and occupant relocation and return rights. Advocates assert this change may keep some SROs from closing down completely and could result in affordable housing that is more financially stable.

Relocation Assistance. Existing law generally prohibits developers from demolishing housing units unless they build an equivalent number of new units, pay relocation benefits to lower-income residents displaced from protected units, and allow those residents a right to return at an affordable rent or housing cost.

This bill provides the above rights to an occupant of an SRO displaced during a rehabilitation or conversion project, including relocation assistance. Most programs that offer permanent supportive housing funded by HCD require tenants be currently homeless and referred through a local CES—criteria SRO tenants may not meet or that require documentation SRO tenants likely do not have.

To provide additional options for SRO relocation assistance, this bill modifies eligibility for HCD-funded programs by deeming SRO tenants “homeless” for relocation purposes and waiving homelessness documentation and CES referral requirements.

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