
UNFINISHED BUSINESS

Bill No: SB 21
Author: Durazo (D), et al.
Amended: 9/4/25
Vote: 21

SENATE LOCAL GOVERNMENT COMMITTEE: 7-0, 4/23/25
AYES: Durazo, Choi, Arreguín, Cabaldon, Laird, Seyarto, Wiener

SENATE HOUSING COMMITTEE: 11-0, 4/29/25
AYES: Wahab, Seyarto, Arreguín, Cabaldon, Caballero, Cortese, Durazo,
Gonzalez, Grayson, Ochoa Bogh, Padilla

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

SENATE FLOOR: 39-0, 5/27/25
AYES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear,
Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez,
Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar,
Niello, Ochoa Bogh, Padilla, Pérez, Richardson, Rubio, Seyarto, Smallwood-
Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener
NO VOTE RECORDED: Reyes

ASSEMBLY FLOOR: 79-0, 9/8/25 - See last page for vote

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

SOURCE: Southern California Association of Nonprofit Housing

DIGEST: This bill allows demolition of single-room occupancy units without
full replacement of demolished units if the units are converted into affordable
housing.

Assembly Amendments of 9/4/25 establish additional rent limitations on
replacement units, remove a requirement that the bill's changes to eligibility for

subsidized units become effective upon appropriation, and make other minor changes.

ANALYSIS:

Existing law:

- 1) Establishes the Housing Crisis Act (HCA) of 2019, which:
 - a) Defines “protected units” as any of the following:
 - i) Deed-restricted affordable units;
 - ii) Rent-controlled units;
 - iii) Units rented by lower or very low income households within the past five years; and
 - iv) Units that were withdrawn from the housing market under existing law (the Ellis Act).
 - b) 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. A project shall not be approved if it will demolish protected units, unless all of the following apply:
 - i) 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 projects meets inclusionary requirements.
 - ii) 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.
 - iii) 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.
 - iv) The developer agrees to provide to the occupants of any protected units:
 - (1) relocation benefits and (2) 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.

This bill:

- 1) Notwithstanding specified provisions of the HCA and authorizes a city or county to approve the reduction of required replacement units if it finds, based on substantial evidence in the record that all of the following are met:
 - a) The reduction is necessary to accommodate the conversion of an A single-room occupancy (SRO) unit to a studio or larger unit, for specified purposes;
 - b) The conversion of the SRO unit will be completed within four years from the date of removal of the SRO unit. If the project will take longer than four years, the jurisdiction may grant an extension of time for project completion for circumstances outside of the project proponent's control;
 - c) The converted unit will be rented at the same level of affordability as the demolished unit for at least 55 years, as specified;
 - d) The converted SRO unit will only be available to lower income households;
 - e) A displaced SRO unit occupant has 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 source of the housing development, as specified;
 - f) The rent for a replacement unit cannot exceed specified limits; and
 - g) No more than 25% of the units in the building will be lost due to the conversion, except that a project proponent can further reduce the number of units provided at another site if those additional units are replaced on a one-for-one basis with newly constructed units and meet the above conditions related to the affordability of the units. These units must be located within specified areas of the local jurisdiction, as provided.
- 2) Requires the project proponent to submit, prior to the approval of a permit for demolition, rehabilitation, or conversion of the SRO unit, a replacement housing plan that includes:
 - a) A description of the proposed conversion, demolition, or rehabilitation, including the substantial evidence required to show that reduction is necessary, the total number of units proposed and all related amenities, the

- total number of existing units, and the bedroom composition of the existing units;
- b) 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 of each occupied unit;
 - c) A statement as to whether any occupants will be displaced as a result of the proposed project;
 - d) A statement, with supporting documentation, as to when and why the unit was vacated;
 - e) 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;
 - f) The time and manner that the replacement units will become available for occupancy; and
 - g) If the removed units exceed 25% of the SRO units, the proposed location of replacement units, with a description of the proposed property, including the location and previous use of the property.
- 3) Requires the city or county to review the replacement housing plan within 30 days of submission or resubmission, and prohibits a city or county from approving a permit for demolition, rehabilitation, or conversion of the SRO without first approving the replacement housing plan.
- 4) Allows a borrower to conduct a market study to support the unit sizes proposed in the replacement housing plan, as specified.
- 5) Modifies eligibility criteria for a resident to occupy units funded by the Department of Housing and Community Development (HCD). Specifically, provides that an individual is eligible for a unit that received funding from HCD and that is for a homeless individual or family as follows:
- a) The individual is deemed homeless if they meet one of a list of specified criteria. One criterion that qualifies an individual as homeless is if they are transferring from an existing SRO that is undergoing rehabilitation or replacement, as specified; and

- b) An individual or family that meets the above criteria is not subject to a requirement that the unit be filled through a referral from a coordinated entry system or a similar referral system.

Background

SRO unit 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.” SROs face unique financial challenges: they face higher insurance costs and vacancy rates relative to other types of housing. This can result in the loss of SRO units as they become financially unsustainable.

One such example is the Mary Andrew Clark Residence in Los Angeles’ Westlake North Neighborhood, which is a 150 unit SRO with shared common kitchens, bathrooms, and shower facilities on each floor. This property has been owned and operated by a non-profit housing organization Abode Communities for the past 34 years and is deed-restricted to households at or below 40% of the area median income. Abode Communities reports that in the last five years, operating expenses have exceeded their rental revenues, and this year faces a shortfall of \$150,000. Abode Communities has proposed to redevelop this building as deed-restricted affordable studio units to make the building more financially stable and provide a better housing experience for its residents. However, because this conversion process would result in the loss of 44 units, the HCA forbids such a plan without replacing all of the units.

The Southern California Association of NonProfit Housing wants the Legislature to grant some flexibility to projects that propose to convert SROs into deed-restricted affordable units.

Comments

Purpose of this bill. 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.”

Demolishing homes to build homes. State law generally blocks developers from demolishing housing units unless they will build an equivalent number of new units, pay relocation benefits to lower-income residents that are being displaced from protected units, and allow those residents a right to return at an affordable rent or housing cost. SB 21 allows demolition of more SRO units than will be replaced as studio or larger units, which could result in more individuals without housing than if the units weren’t demolished. However, affordable housing developers indicate that SRO buildings face unique fiscal challenges that are stretching them to the breaking point: insurance costs for SRO buildings are higher and occupancy rates are lower because they are less desirable places to live. If SRO buildings are likely to close their doors on the natural, SB 21 will result in an increase in affordable housing as these buildings are redeveloped into more financially sustainable projects.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Assembly Appropriations Committee:

- 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.

SUPPORT: (Verified 9/8/25)

Southern California Association of Nonprofit Housing (source)

A Community of Friends

Abode Communities

Art House Pasadena

California Association of Local Conservation Corps

California Council for Affordable Housing

California Faculty Association

California Housing Consortium

California Housing Partnership

California Labor for Climate Jobs

California Rural Legal Assistance Foundation
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
Southern California Association of Non-profit Housing
Sro Housing Corporation
Supportive Housing Alliance
Thai Community Development Center
The People Concern
United Steelworkers District 12
United Steelworkers Local 675

OPPOSITION: (Verified 9/8/25)

None received

ASSEMBLY FLOOR: 79-0, 9/8/25

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Fariás, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio,

Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa,
Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
NO VOTE RECORDED: Nguyen

Prepared by: Anton Favorini-Csorba / L. GOV. / (916) 651-4119
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