SENATE COMMITTEE ON LOCAL GOVERNMENT

Senator María Elena Durazo, Chair
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Pursuant to Rule 29.10(d)

Bill No:	SB 677	**Hearing Date:**	8/28/26
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HOUSING FINANCING: JOINT POWERS AGREEMENTS: BOND APPROVALS: TENTATIVE AND FINAL MAPS: APPEALS

Prohibits an interested person from appealing a parcel map for a housing development project on an urban infill site, and authorizes the State Treasurer to provide specified approvals for tax-exempt private activity bonds under specified circumstances.

Background

Subdivision Map Act. The Subdivision Map Act (Map Act) governs how local officials regulate the division of real property into smaller parcels for sale, lease, or financing. Cities and counties adopt local subdivision ordinances to carry out the Map Act and local requirements. City councils and county boards of supervisors use the Map Act to control a subdivision's design and improvements. Local subdivision approvals must be consistent with city and county general plans. Subdivisions in fire prone areas (the State Responsibility Area [SRA] and the very high fire hazard severity zone [VHFHSZ]) must meet the state's Fire Safe Regulations, or equivalent local requirements, which ensure that the parcels have ingress and egress during a wildfire.

In general, all subdivisions creating five or more parcels require a city or county to approve a tentative map, followed by a final map. Under the Subdivision Map Act, cities and counties can attach scores of conditions to map approvals. The Map Act allows local officials to require, as a condition of approving a proposed subdivision, the dedication of property within a subdivision for streets, alleys, drainage, utility easements, and other public easements and improvements. An applicant who agrees to the conditions and meets the other requirements in the Map Act and local subdivision ordinances may be granted a tentative map. Once subdividers comply with those conditions, local officials must issue final maps. For smaller subdivisions that create four or fewer parcels, local officials usually use parcel maps, but they can instead require tentative parcel maps followed by final parcel maps.

Housing developments that include individually owned units, such as condominiums, townhomes, or subdivisions of detached single-family homes, require a subdivision map so that the individual units or lots may be sold separately. Rental housing developments typically do not require a subdivision map because the project remains under single ownership. However, affordable housing and multifamily rental developments may still seek subdivision approvals for financing, ownership, tax credit, operational, or asset management purposes.

Map Act appeals. The Map Act allows a subdivider to appeal an action of the planning commission (called an "advisory body") related to a tentative map to either an appeal board or legislative body, as designated in the local ordinance, and provides for the appeal from the decision of the appeal board to the legislative body. Originally, only subdividers and tenants in certain residential projects could appeal from adverse administrative decisions concerning tract maps. The Legislature amended the Map Act in 1974 to extend the right to appeal to "interested persons."

The Map Act requires local agencies to hear appeals from the planning commission to the appeals board or legislative body no more than 45 days after the appellant files the request. If there is no regularly scheduled meeting of the legislative body during that time, the local agency can schedule the hearing for the next regularly scheduled meeting, or up to 60 days after the appeal is filed, whichever is shorter.

In June 2025, local residents appealed the approval of a subdivision map for a 136-unit 100% affordable housing project in San Francisco. In July 2025, the San Francisco Board of Supervisors rejected the appeal. The developer, Mission Housing Development Corporation, a nonprofit affordable housing development organization operating in San Francisco, reports that the appeal delayed development of the project by eight weeks.

Bonds. Bonds are a way that governments borrow money. State and local agencies use bonds primarily to pay for infrastructure projects that have a long useful life, such as bridges, dams, prisons, parks, schools, and office buildings. The state or a local government sells bonds to investors to receive up-front funding for these projects and then must repay the investors over a period of time, typically a couple of decades. State and local agencies generally use proceeds from bond sales for their own "public purposes." However, public agencies sometimes loan bond proceeds to non-government entities for public purposes.

Federal law has exempted interest payments from income on municipal bonds issued by state and local agencies for federal tax purposes since the inception of the federal income tax. The California Constitution and state law similarly excludes income from municipal bonds for state tax purposes (Article XIIIA, Section 26). This interest exclusion increases an investor's rate of return when purchasing a municipal bond, which leads to lower interest rates that the agencies must pay to investors. This subsidy is very powerful: public agencies have an interest cost 3.5% lower than comparable taxable bonds at the current 35% federal income tax rate.

Responding to significant revenue losses from the sale of municipal bonds, Congress enacted the Tax Reform Act of 1986 (the Act), which among other reforms, tightened federal law's definition of "public purpose," and instituted a state-by-state ceiling to limit the volume of bonds issued by public agencies for the benefit of private parties. Under the Act, a bond is for a "public purpose," and therefore qualified for the interest exclusion, if either:

- Less than 10% of the proceeds are used directly or indirectly by a non-governmental agency; or
- Less than 10% of the proceeds are secured directly or indirectly by property used in a trade or business.

Federal law determines whether bond interest is taxable or tax-exempt for federal purposes. Bonds meeting either part of the test are considered government bonds, so interest payments are excluded from income for tax purposes. Bonds that don't are considered private activity bonds. However, the Act allows states to issue tax-exempt *qualified* private activity bonds up to a certain amount, known as the volume cap or ceiling, currently set at $135 per person, indexed annually for inflation. California's 2026 ceiling is approximately $5.3 billion. Federal law allows states to issue tax-exempt qualified private activity bonds up to the cap for exempt facilities, mortgage revenue, qualified 501(c)(3)s, qualified student loans, qualified small-issues, and qualified redevelopment, as defined. Federal law excludes from the ceiling bonds for certain governmentally owned facilities and bonds issued to finance the activities of certain charitable organizations.

California Debt Limit Allocation Commission. Created by the Legislature in 1987 to implement the Act, the California Debt Limit Allocation Commission (CDLAC) is a three-member body comprised of the State Treasurer as Chair, the Governor, and the State Controller, housed in the Office of the State Treasurer. CDLAC annually determines the ceiling amount under federal law and then allocates the annual ceiling to applicants, which include state and local agencies, joint powers agencies, special districts, nonprofit public benefit corporations that only issue student loan bonds, and any other public agency legally empowered to issue debt. No agency can issue tax-exempt private activity bonds without CDLAC approval.

Joint Exercise of Powers Act. The Joint Exercise of Powers Act allows two or more public agencies to use their powers in common if they sign a joint powers agreement. Each public agency must independently possess the authority to perform the activity that is to be performed jointly pursuant to a joint powers agreement. Sometimes an agreement creates a new, separate government called a joint powers authority (JPA). Public agencies can also use the JPA law to finance public works, working capital, insurance needs, and other public benefit projects by issuing revenue bonds. Several JPAs issue private activity bonds on behalf of private parties. JPA law prohibits the state from changing the composition of a JPA that issues bonds unless it is approved by a majority of each governing body of a city or county, or, by a majority vote of the qualified electors of each city and county, that is a party to the JPA. A change in composition means adding or removing an agency to the JPA, or adding or removing a member of the governing body of the JPA.

TEFRA approval for private activity bonds. Federal law requires tax-exempt private activity bonds to receive public approval before they may be issued. Commonly referred to as TEFRA approval, deriving from the Tax Equity and Fiscal Responsibility Act of 1982, this process generally requires a public hearing following reasonable public notice and approval by an applicable elected representative. State law designates the Treasurer and the Secretary of State as elected representatives for federal tax purposes of a JPA created to approve or certify the issuance of bonds, notes, or other debt issued by or on behalf of the JPA, to the extent federal law requires that approval.

For affordable multifamily housing developments, tax-exempt private activity bonds are a commonly used financing tool and are frequently paired with certain federal low-income housing tax credits. The California Housing Finance Authority, which is a state agency that acts as a lender to housing projects, can also issue private activity bonds on behalf of housing projects.

Because tax-exempt private activity bonds cannot be issued until the applicable federal requirements, including receiving public agency approval through a TEFRA hearing, have been satisfied, the timing of TEFRA hearings and approvals can affect a project's financing schedule. Affordable housing developments that rely on tax-exempt bonds and associated tax credits are often subject to application deadlines and funding timelines established by state and federal financing programs. Delays in obtaining required approvals may affect a project's ability to proceed within those timelines.

In 2024, the Department of Housing and Community Development's (HCD's) Housing Accountability Unit sent a "Letter of Support and Technical Assistance" to the City of Concord after its City Council failed to approve a TEFRA resolution for a 183-unit affordable housing development that had already received its local land use entitlements. In the letter, HCD argued that denying the TEFRA approval could jeopardize the project's tax-exempt bond financing and potentially conflict with the City's housing element commitments and obligations to affirmatively further fair housing. HCD further noted that the TEFRA approval would not make the City responsible for the debts, liabilities, or obligations associated with the bond issuance.

Affordable housing developers and others want the Legislature to address concerns around TEFRA approvals and subdivision map appeals.

Proposed Law

Senate Bill 677 prohibits an interested person from appealing a parcel map for a housing development project on certain sites, authorizes the State Treasurer to provide TEFRA approvals under specified circumstances.

Map Act appeals limitation. SB 677 prohibits an interested person from filing an appeal of a subdivision map decision related to a housing development project if the site of the project is located entirely within a city that contains an urban area or within an urban area in a county with a population greater than 250,000 people. The site must also have been previously developed with an urban use or must be substantially surrounded by urban uses, as specified. The project must also not be located on a site that is:

- Within specified portions of the coastal zone;
- Either prime farmland or farmland of statewide importance, as defined, or land zoned or designated for agricultural protection or preservation by a local ballot measure that was approved by the voters of that jurisdiction.
- Wetlands;
- Within a very high fire hazard severity zone;
- Within a delineated earthquake fault zone, unless the development complies with applicable seismic protection building code standards;
- Within a regulatory floodway, as specified; or
- Lands under conservation easement.

SB 677 provides that it doesn't prohibit appeals by either:

- An applicant, subdivider, tenant in the case of residential conversion projects, advisory agency otherwise authorized to file an appeal under applicable law; or
- A public agency or a public official acting within the course and scope of their employment.

TEFRA approval procedures. SB 677 allows the Treasurer to, notwithstanding any other law, on behalf of the State of California, enter into a JPA without the approval of the Department of General Services as required by existing law. The state's membership is limited to providing for the Treasurer, on behalf of the state, to:

- Issue TEFRA approval to finance eligible residential rental projects; and

- Provide any member consent or approval required under the joint powers agreement to issue tax-exempt bonds or both tax-exempt and taxable bonds for eligible residential rental projects.

The bill defines "eligible residential rental project" to mean an affordable housing project that qualifies for tax-exempt financing under federal law, as specified, if:

- The project has received an allocation for private activity bonds from CDLAC, or needs TEFRA approval to receive those bonds; and
- The city or county where the project is located is a member of a JPA that plans to issue the private activity bonds for the project, the JPA or the borrower has requested TEFRA approval, and the city or county has either: (1) failed to provide the approval required by federal tax law, or (2) failed to provide any member consent or approval required under the joint powers agreement for that qualified residential rental project or for the issuance of those bonds, as specified.

"Failure to provide the approval required by federal tax law" means that the city or county either:

- Has published a "qualifying document" establishing a standard process and timing to hold a TEFRA hearing, as long as the process and timing doesn't exceed 90 days from a written request by the JPA or borrower to hold the hearing—but has not held the hearing as required in the qualifying document; or
- Has not published a qualifying document and has not held a hearing on the approval within 30 days of a written request to hold the hearing.

Any approval, consent, or other action by the Treasurer pursuant these provisions is deemed to constitute the approval or other action of the city, county, or city and county required to issue bonds under existing law.

If the state becomes a member of a JPA as authorized by the bill, SB 677 deems the state a member public agency, and the geographic jurisdiction of the JPA includes the geographical boundaries of the state.

SB 677 provides that the state's entry into a joint powers agreement under the bill does not expand, limit, or otherwise affect the authority of a JPA to do either of the following:

- Exercise any power, except issue bonds, within the geographic boundaries of the JPA's local agency members; and
- Exercise any authority outside of the geographic boundaries of JPA's local agency members.

It also prohibits the state or the Treasurer from exercising any authority of the JPA except the ability to issue bonds if the state becomes a member of a JPA under the bill.

SB 677 makes other conforming changes and provides that these portions of the bill do not expand, limit, or otherwise affect:

- The authority of the state to enter into a JPA or cause the state to become a member of a JPA under any other law;

- The authority of a JPA of which the Treasurer or the state is not a member to issue bonds or other obligations;
- The authority of the Treasurer to approve or certify the issuance of bonds, notes, or other evidence of indebtedness, issued by or on behalf of a JPA of which the Treasurer is not a member; or
- The authority of a JPA to issue bonds or other obligations that are not tax-exempt private activity bonds, including bonds the interest on which is taxable for federal income tax purposes.

Finally, SB 677 makes other clarifying and conforming changes to JPA law.

Comments

1. Purpose of the bill. According to the author, "To address our housing crisis, we must build more housing, faster. California has taken great strides to zone for more homes and cut red tape for housing development. While state law prohibits appeals for certain entitlement and postentitlement permit approvals, such projects can still have their parcel maps appealed. Moreover, local governments can delay or hold up public tax-exempt financing for affordable housing projects. These delays can result in projects missing financing deadlines and losing out on tax-exempt financing opportunities, killing projects. SB 677 cracks down on frivolous parcel map appeals and helps affordable housing projects avoid delays in approval of tax-exempt financing, ensuring that the state continues accelerating housing production."

2. Power from the people. Interested persons have been able to administratively appeal local subdivision map decisions without going to court since 1974. This provision ensures that cities and counties adhere to the Map Act and their own local ordinances when approving subdivision maps and grants the public the ability to point out errors in these decisions. SB 677 prohibits interested persons from appealing subdivision map decisions on housing projects that are located within certain urban, infill areas at the local level. The bill's limitation is intended to reduce frivolous appeals for housing projects in locations that are unlikely to have negative impacts, but in doing so, it could raise barriers to addressing legitimate issues with local approvals by requiring appellants to engage an attorney to sue in court to get a local agency to revisit its subdivision map decisions.

3. Not so fast. In the land use arena, claimants regarding local decisions must generally exhaust all their administrative remedies prior to litigating. Exhaustion of administrative remedies serves numerous purposes, including to allow the agency to develop the factual record, rely on the agency with expertise to make the decision or exercise its discretion, and preserve efficiency by allowing an agency to fix its errors without resorting to a lengthy court process. The Map Act allows an interested party to appeal a city or county's map decision and requires that agency to decide the appeal within no more than 70 days following the request. SB 677 prohibits appeals by interested parties of certain subdivision map decisions by a city or county, with the goal of reducing delays for new housing. However, the bill's limitation may *slow* housing approvals by requiring interested parties to sue to correct an error instead of appealing to the local agency, subject to the short timeframes in law. It could also lead to additional litigation costs for developers and the public alike. It is unclear whether the appeal limitations in SB 677 will achieve the goal of accelerating housing production.

4. Homes and habitat. The Legislature has enacted numerous housing streamlining laws in recent years. In cases where those laws have reduced opportunities for public input by reducing environmental reviews, those laws have exempted a long list of sensitive environmental sites. SB 677 limits appeals for housing on urban infill sites, and includes a similar—but not identical—list of environmental sites where appeals would still be allowed. Specifically, the bill differs from past legislation because it does not allow appeals on sites that are habitat for protected species or otherwise protected under certain habitat protection plans if those sites otherwise meet the requirements in the bill. Environmentalists are concerned that failing to include protections for habitat could impair that habitat and the species that depend on them. However, some jurisdictions have attempted to use habitat exemptions in previous years to avoid the application of housing streamlining laws, raising concerns among housing advocates. Housing advocates argue that because this bill in and of itself doesn't avoid up-front environmental review, the habitat exemption is unnecessary. Should appeals of subdivision map decisions related to housing projects be allowed on sites that provide habitat if they otherwise qualify as urban infill sites?

5. How does this work? Affordable housing developers and others have raised concerns that stalled TEFRA approvals can jeopardize housing projects by undermining the financing necessary to build affordable units. Currently, there are a few avenues for securing TEFRA approval when a local agency fails to do so. Under current law, the State Treasurer can serve as an applicable elected representative for TEFRA approvals, but some bond counsels may be hesitant to authorize JPA-issued bonds without direct state membership in the JPA. Alternatively, a developer can transfer the issuing authority for the bonds to another issuer, such as CalHFA, but some developers may perceive this step as cumbersome. To address concerns over delays in TEFRA approvals, SB 677 explicitly authorizes the Treasurer to issue a TEFRA approval if the local government fails to act promptly on the approval. It also provides statutory certainty that the Treasurer can issue TEFRA approvals statewide by clarifying provisions of existing law. These provisions may allow affordable housing developers to secure TEFRA approvals while allowing them to retain their preferred issuers rather than transferring projects to CalHFA. While these provisions may not strictly be necessary to secure the needed approvals, they may reduce friction in the affordable housing development process.

6. Gut and amend. As introduced in January 2025, SB 677 made numerous changes to various state housing streamlining laws. On January 5th, 2026, the author amended the bill to remove those contents and insert provisions pertaining to a separate housing streamlining law (SB 79, Wiener, 2025). That version passed the Senate. The author amended SB 677 again on June 8th, 2026, to remove the contents of the bill and insert provisions modifying subdivision map appeals and TEFRA approvals. Because these topics were never heard in the Senate, the Senate Rules Committee referred the amended bill under Senate Rule 29.10(d) to the Senate Committee on Local Government for a hearing on the Assembly's amendments. At its hearing, the Committee has four choices:

- Send the bill back to the Senate Floor, recommending concurrence;
- Send the bill back to the Senate Floor, recommending nonconcurrence;
- Send the bill back to the Senate Floor, without recommendation; or
- Hold the bill.

Assembly Actions

Assembly Housing and Community Development Committee:	11-0
Assembly Local Government Committee:	9-0
Assembly Appropriations Committee:	14-1
Assembly Floor:	63-2

Support and Opposition (8/26/26)

Support: California Council for Affordable Housing (Co-Sponsor)
California Yimby (Co-Sponsor)
Housing Action Coalition (Co-Sponsor)
Mission Housing Development Corporation (Co-Sponsor)
AARP
Abundant Housing Los Angeles
Council of Infill Builders
Cypress Equity Investments
East Bay Yimby
Eden Housing
Grow the Richmond
Inner City Law Center
Mayor Todd Gloria, City of San Diego
Midpen Housing Corporation
Monterey Peninsula Yimby
Mountain View Yimby
Napa-solano for Everyone
Northern Neighbors Sf
Peninsula for Everyone
San Francisco Yimby
San Jose Yimby
San Mateo Forward
Santa Cruz Yimby
Santa Rosa Yimby
South Bay Yimby
Southern California Association of Non-profit Housing (SCANPH)
Spur
Ventura County Yimby
Yes! in Redwood City
Yimby Action
Yimby Los Angeles
Yimby Slo

Opposition: California Habitat Conservation Planning Coalition
California Native Plant Society
Center for Biological Diversity
Endangered Habitats League
Equitable Land Use Alliance (ELUA)
Green Foothills
Neighbors for a Better San Diego
Planning and Conservation League

Save Lafayette
Wake Up California

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