

- 2) Applies the demolition protections for protected housing units to all development projects, not just housing development projects. The bill also specifies if the development project is not a housing development project, the proponent must ensure the required replacement housing is developed prior to, or concurrently with, the development project;
- 3) Clarifies the demolition protections apply to existing protected units and protected units demolished on or after January 1, 2020, consistent with the enactment of the HCA.
- 4) Applies the demolition protections to sites where protected housing units were demolished in the previous five years.
- 5) Amends the notice requirements for existing occupants of units proposed to be demolished, to require:
 - a) The project proponent to provide the notice to the occupants of the proposed demolition project in writing, and include the date they must vacate, and their rights under this section of law.
 - b) The project proponent to provide the written notice at least six months before the date that existing occupants must vacate.

COMMENTS:

- 1) *Author's statement.* "AB 1218 provides needed clarity to ensure that the replacement housing and relocation assistance provisions of SB 330 are implementable and can achieve their intended impact. Low-income tenants should be getting the relocation assistance the law promises. In addition, it makes no sense in a housing crisis as severe as California's to allow affordable housing to be lost to commercial and industrial development. Developers should have a plan to replace affordable units regardless of the type of project they are building, consistent with the rules that apply under Housing Element Law."
- 2) *California's Housing Crisis.* California has the largest concentration of severely unaffordable housing markets in the nation and the statewide average home value reached a new record in June 2022 at \$793,300. To keep up with demand, HCD estimates that California must plan for the development of more than 2.5 million homes over the next eight years, and no less than one million of those homes must meet the needs of lower-income households (more than 640,000 very low-income and 385,000 low-income units are needed). For

decades, not enough housing was constructed to meet need, resulting in a severe undersupply of housing.

As a result of the severe housing shortage, millions of Californians, who are disproportionately lower-income and people of color, must make hard decisions about paying for housing at the expense of food, health care, child care, and transportation—one in three households in the state don't earn enough money to meet their basic needs. A lack of affordable housing is the biggest contributor to homelessness. As housing costs continue to rise, rent becomes less affordable for lower-income households, who are forced to live beyond their means (paying more than 30% of income on housing costs) or are pushed out of their homes, leading to rapid increases in homelessness. Variation in rates of homelessness cannot be explained by variation in rates of individual factors such as poverty or mental illness, however, cities with higher rents and lower rental vacancy rates (i.e., tighter housing markets) are directly linked to higher per capita rates of homelessness.

- 3) *HCA and housing demolition protections.* In response to the housing crisis, the Legislature enacted the Housing Crisis Act of 2019 (HCA) (SB 330 (Skinner, Chapter 654, Statutes of 2019) and subsequent amendments to the Act that, among other things, extended its sunset to January 1, 2030 (SB 8 (Skinner, Chapter 161, Statutes of 2021)). The HCA prohibits local governments from reducing the capacity for housing development within their jurisdictions and includes demolition protections designed to ensure that there is no net reduction of housing in the state, especially affordable housing.

Under the HCA, 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.

- 4) *Expanding existing housing demolition protections.* This bill moves the demolition protections to a new stand-alone article in the HCA and makes the following changes:
 - a) Applies the demolition protections for sites with protected units that are proposed to be developed for non-residential purposes (e.g., offices, retail, warehouses). The non-residential development projects would be responsible to relocate displaced tenants and to replace demolished protected units. This will prevent the loss of units affordable to lower-income

households in the instance when a proposed development is not a housing development project.

- b) Applies the demolition protections to sites where protected housing units were demolished in the previous five years. This five-year lookback provision is the same as the demolition protections contained in both housing element law and density bonus law.
- c) Specifies that the notice to the occupants of the proposed demolition project proponent must be written and include the date they must vacate, and their rights under this section of law. This replaces the current noticing requirements that are challenging to implement.
- d) Requires that the project proponent must provide written notice at least six months in advance of the date that existing occupants must vacate. This provision will help existing occupants of units to be demolished identify new accommodations.

5) *Opposition.* The California Business Properties Association are opposed to provisions that require commercial developers to replace demolished housing units. They are concerned that these developers don't build residential units, and that the units may not be appropriate to be constructed on site.

6) *Here, there, and everywhere.* This bill was heard in the Governance and Finance Committee on June 28 and passed on a 5-0 vote.

RELATED LEGISLATION:

SB 8 (Skinner, Chapter 161, Statutes of 2022) — extended the sunset on the HCA of 2019 by five years, to January 1, 2030, and makes other changes.

SB 330 (Skinner, Chapter 654, Statutes of 2019) — established the Housing Crisis Act of 2019, which, until January 1, 2025, places restrictions on certain types of development standards, amended the Housing Accountability Act (HAA), and made changes to local approval processes and the Permit Streamlining Act.

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

POSITIONS: (Communicated to the committee before noon on Wednesday, July 5, 2023.)

SUPPORT:

California Rural Legal Assistance Foundation (Co-Sponsor)
Public Interest Law Project (Co-Sponsor)

California Housing Partnership
Disability Rights California
Livable California
Western Center on Law & Poverty

OPPOSITION:

California Business Properties Association

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