

ASSEMBLY BILL 73 (CHIU & CABALLERO)

HOUSING SUSTAINABILITY DISTRICTS

SUMMARY

AB 73 spurs the creation of housing on infill sites around public transportation by incentivizing local governments to complete upfront zoning and environmental review and rewarding them when they permit housing.

BACKGROUND

In Massachusetts, the Smart Growth Zoning Overlay District Act (Chapter 40R) encourages communities to create dense smart growth zoning districts, including affordable housing units, located near transit stations and in areas of concentrated development. The purpose is to increase the supply of housing and decrease its cost by increasing the amount of land zoned for dense housing. Chapter 40R also targets the need for low- and moderate-income housing by requiring the inclusion of affordable units in most projects. Under Chapter 40R, projects must be developable under the community's smart growth zoning. Upon state review and approval of a local overlay district, communities become eligible for payments from a Smart Growth Housing Trust Fund, as well as other financial incentives.

THE PROBLEM

California is facing a severe housing crisis which, if left unaddressed, will continue to threaten our economic competitiveness, our ability to achieve our climate change goals through proper planning, and the fundamental prosperity and success of our residents.

California's poverty rate is 20th in the nation but, when housing is factored in, it jumps to number one. The lack of significant investment in programs to support construction of housing that is affordable has had a considerable impact on the growing inequity in our state. About 1.7 million low-income renter households (almost 14% of all households) in California report spending *more than half* of their income on housing. California now has an annual affordable housing gap that totals \$50 billion to \$60 billion.

The housing shortage currently costs the California economy between \$143 billion and \$233 billion per year, an effect that will continue to worsen. According to the McKinsey Global Institute, at current

construction rates, California will have a projected housing shortfall of 3.5 million homes by 2025.

THE SOLUTION

AB 73 provides local governments the option of creating "Housing Sustainability Districts" - overlay districts to streamline the residential development process in areas with existing infrastructure and transit. These districts would be zoned at higher densities, near public transit, and an Environmental Impact Report (EIR) on the district would be completed at the front end. Additionally, twenty percent of the housing in the district must be zoned at affordable levels. Once zoning is complete, the housing sites within the district would be subject to ministerial approval and subject to prevailing wage. The bill also creates a streamlined judicial review on any cases challenging the EIR.

In exchange for creating Housing Sustainability Districts, local governments receive incentive payments at two stages:

- a) First, local governments receive an incentive payment when they create housing sustainability districts. This payment would be issued by the Office of Planning and Research upon preliminary approval of the district ordinance and issuance of the EIR.
- b) Once a city permits housing units within a district, it would receive an additional incentive payment. This payment would be issued by the Department of Housing and Community Development.

If no construction has commenced within three years from the date of the first incentive payment, incentive payments must be returned.

Massachusetts' success with Chapter 40R is a strong indicator that incentivizing local governments to complete upfront zoning and environmental review and rewarding them when they permit housing will jumpstart the creation of much needed housing on infill sites around public transportation.

FOR MORE INFORMATION

Lisa Engel
Office of Assemblymember David Chiu
Lisa.engel@asm.ca.gov