

CALIFORNIA LEGISLATURE—2025-2026 SIMULATION SESSION

SENATE BILL

NO 32

Introduced by Senator Christopher Cabaldon

An act to amend Sections 65912.159, 65912.160, and 65912.162 of, and to add Section 65912.163 to, the Government Code, relating to land use.

October 1, 2025

LEGISLATIVE COUNSEL'S DIGEST

SB 32, as introduced, Cabaldon. Housing development: Equity-First Transit-Oriented Development.

Existing law, the Planning and Zoning Law, requires each county and city to adopt a general plan that includes a housing element. Recent proposed legislation, which this bill amends, would require a housing development project within a specified distance of a transit-oriented development (TOD) stop to be an allowed, by-right use if it meets minimum density and affordability standards. That legislation aimed to address the severe statewide housing shortage by streamlining the approval process for dense, infill housing.

This bill would amend that proposed law to strengthen the state's commitment to equitable development, anti-displacement, and deep affordability. It would create a Local Anti-Displacement and Infrastructure Fund. The bill mandates that 30 percent of the increased property tax increment revenue generated by TOD projects be dedicated to this fund, which must be spent exclusively on transit improvements, tenant protection, and green infrastructure within the transit zone. Furthermore, to accelerate the production of deeply affordable housing, the bill grants full exemption from the California Environmental Quality Act (CEQA) for any TOD project where 50 percent or more of the units are dedicated to lower-income households. This bill identifies the Department of Housing and Community Development (HCD) as the agency responsible for overseeing compliance. No new funds are appropriated; the mandated local property tax increment allocation covers costs.

Vote: majority or 2/3 Appropriation: no Fiscal Committee: yes Local Program: yes or no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 65912.159 of the Government Code is amended to read:

65912.159. (a) A housing development project proposed pursuant to Section 65912.157 shall be eligible for streamlined ministerial approval pursuant to Section 65913.4 in accordance with all of the following:

(1) The proposed project shall be exempt from subparagraph (A) of paragraph (4) of, and paragraph (5) of, subdivision (a) of Section 65913.4.

(2) The proposed project shall comply with the affordability requirements in subclauses (I) to (III), inclusive, of clause (i) of subparagraph (B) of paragraph (4) of subdivision (a) of Section 65913.4.

(3) The proposed project shall comply with all other requirements of Section 65913.4, including, but not limited to, the prohibition against a site that is within a very high fire hazard severity zone, pursuant to subparagraph (D) of paragraph (6) of subdivision (a) of Section 65913.4.

(4) Notwithstanding paragraphs (1) and (3), a proposed project in which 50 percent or more of the total units are dedicated to lower income households, as defined in Section 50079.5 of the Health and Safety Code, shall be fully exempt from Division 13 (commencing with Section 21000) of the Public Resources Code (the California Environmental Quality Act) review. For the purposes of this section, the project shall be limited to housing and mixed-use residential uses, with no more than 20 percent of the total project area dedicated to non-residential use.

(b) Any housing development proposed pursuant to Section 65912.157 not seeking streamlined approval under Section 65913.4 shall be reviewed according to the jurisdiction's development review process and Section 65589.5, except that any local zoning standard conflicting with the requirements of this chapter shall not apply.

SEC. 2.

Section 65912.163 is added to Division 1 of Title 7 of the Government Code, to read:

(a) The increased property tax increment revenue generated by any housing development project approved pursuant to Section 65912.157, beyond the base year value, shall be directed as follows:

(1) Dedicated Funding. Thirty percent of the increased property tax increment shall be deposited into a newly created Local Anti-Displacement and Infrastructure Fund managed by the local government.

(2) Allowable Uses. Funds deposited in the Local Anti-Displacement and Infrastructure Fund shall be used exclusively for:

(A) Transit Service Enhancements: Funding increased frequency and operational capacity of transit services within the transit-oriented development zone.

(B) Anti-Displacement Measures: Direct rental assistance, legal aid, or tenant protection programs for existing lower-income residents within the transit-oriented development zone.

(C) Green Infrastructure: Public improvements such as utility upgrades, bicycle infrastructure, pedestrian safety measures, and streetscape improvements directly benefiting the transit-oriented development zone.

(b) The Department of Housing and Community Development (HCD) shall oversee compliance with the collection and expenditure of the funds required by this section, and a local government shall annually

report to the department on the expenditure of the funds, demonstrating that expenditures align with the requirements of subdivision (a).

SEC.. 3. The provisions of this act are severable. If any provision of this act or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

SEC. 4.

No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because a local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the program or level of service mandated by this act or because costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or violation, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.