

Executive Summary

Recent reforms to California's longstanding density bonus law ("Bonus Law") have quietly transformed housing approvals in the Golden State.

For years, California has suffered from affordability challenges. The lack of housing supply drives up costs for everyone. Additionally, too few lower-income households have access to deed-restricted affordable homes.

California's Bonus Law offers homebuilders a win-win bargain. If they choose to build affordable homes in their projects, then they can receive a package of benefits to more than offset those added costs.

In 2020, Governor Newsom signed Assembly Bill 2345 into law. That bill allows projects that include affordable homes to grow a full 50 percent larger than underlying zoning restrictions would allow. Assembly Bill 1287 in 2023 provided a second stackable 50 percent bonus, if a project includes even more affordable homes. These two pieces of legislation now allow projects with enough affordable units to build to twice the size of their zoning capacity.

Since the adoption of Assembly Bill 2345, Bonus Law has become the most widely used streamlining law tracked by the California Department of Housing and Community Development. It was not understood at the time of its adoption to be a transformative law. Nevertheless, after its adoption Bonus Law has been used to approve:

- More than 140,000 homes overall,
- More than 69,000 deed-restricted affordable homes,
- In 2024, 47 percent of all homes approved in multifamily projects,
- In 2024, 78 percent of all homes in 100 percent affordable projects, and
- In 2024, ten times more homes than every other tracked streamlining law combined.

These recent changes to Bonus Law take seriously the idea that builders will include affordable homes if it is financially advantageous. These reforms were designed to drive win-win rational economic choices by homebuilders.

The incremental changes to Bonus Law resulted in large numbers of new housing approvals, because the reforms built on an existing large baseline of multifamily production.

Bonus Law helps projects achieve their housing capacity by providing strong tools to overcome and repair broken land use rules. The policy has also been bolstered with other more incremental legislative changes, as well as sustained enforcement from the executive and judicial branches.

Changes to data collection practices in California allow for a clearer picture of housing approvals than was possible in earlier years. This presents an opportunity for advocates and policymakers to evaluate the impact of streamlining laws. It should also inform where to spend future efforts, to secure the most impactful policy changes.

The report concludes with a variety of recommendations for how the legislature and California’s housing agencies can further improve the performance of Bonus Law. California has an opportunity to build on this successful law, to make the California dream more affordable.

California Homes Approved Annually Using Bonus Law

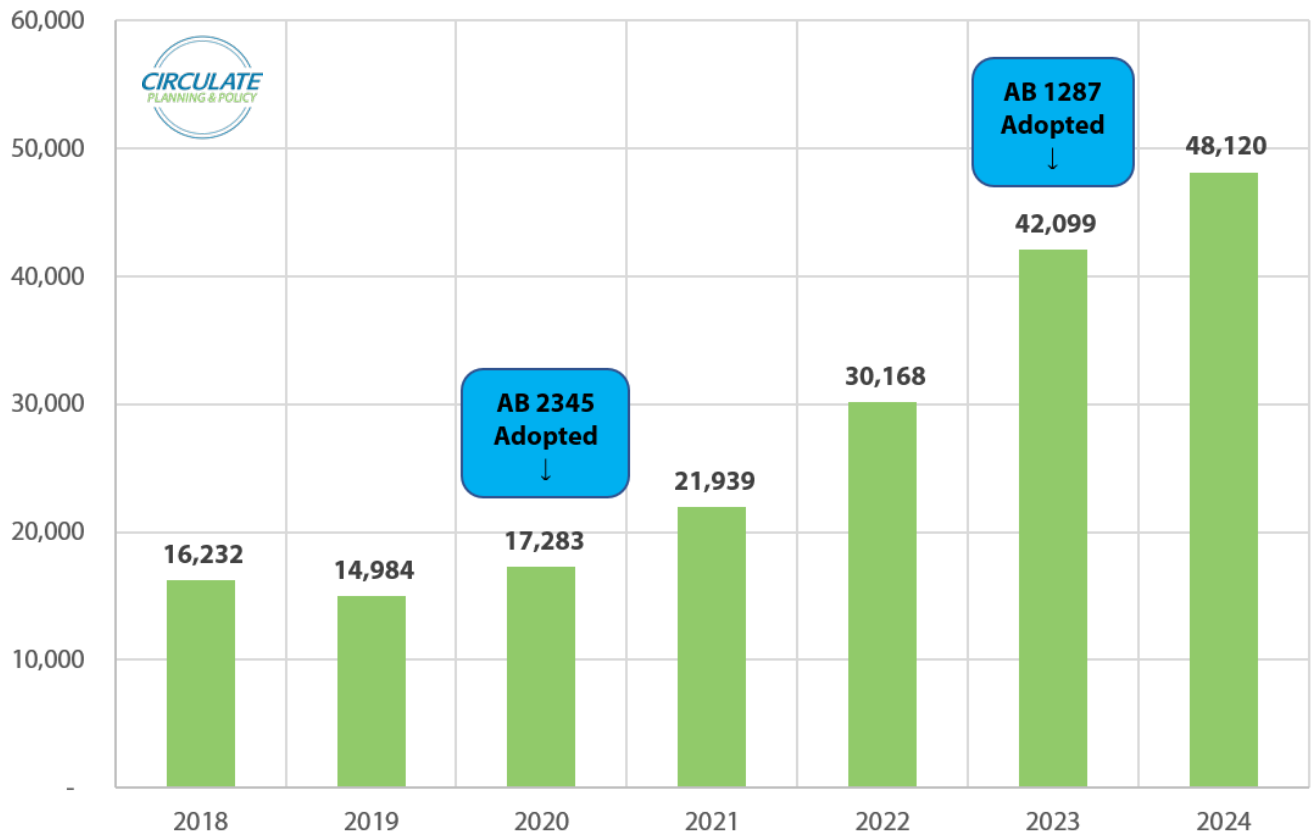


Figure 1