



MATT HANEY

Assemblymember, District 17

AB 2074 – Downtown High Rises

SUMMARY

California cities are searching for ways to bring life back to their downtowns. Many business districts are struggling to attract visitors, workers, and residents, leaving once-vibrant areas quiet after the workday ends. At the same time, California faces a severe housing shortage.

AB 2074 responds to both challenges by creating a clear pathway for high-rise housing and mixed-use development in major regional downtown hubs. The bill takes a four-pronged approach to downtown revitalization by:

1. increasing allowable density for buildings in city centers;
2. establishing clear, state-defined downtown hub districts;
3. providing streamlining benefits for projects that include well-paid construction jobs; and
4. supplying early-stage financing through a state-backed revolving loan fund.

BACKGROUND

Downtowns are critical to the economic health of California's cities. Because of their density of activity, investment in downtown areas generates outsized economic returns. While downtowns make up an average of just 3% of citywide land, they produce roughly 16% of property tax revenue, 42% of hotel tax revenue, and 12% of sales tax revenue.

However, the shift to remote and hybrid work following the pandemic has dramatically reduced daily office activity. Many downtowns have struggled to recover their pre-pandemic levels of foot traffic, revenue, and visitation.

At the same time, interest in building housing in downtown areas remains high. But projects are often stalled by high construction costs, outdated local plans that limit density, and uncertain or unstable financing.

EXISTING LAW

Over the years, the Legislature has enacted a range of policies to encourage housing production and support urban development. These include laws that streamline housing approvals, promote housing near transit, fund affordable housing development, revitalize downtowns, and ensure construction workers receive fair wages. Despite these efforts, significant barriers remain to building dense housing in downtown cores.

PROBLEM

California faces two overlapping challenges: a severe housing shortage and struggling downtown business districts. While cities urgently need more housing, the areas best suited for dense residential development -- downtowns near major transit -- remain underutilized.

At the same time, high construction costs, financing challenges, and regulatory uncertainty have stalled housing development. Material costs for key inputs like steel, lumber, and concrete have risen 10-30% since the pandemic, adding as much as \$35-\$55 per square foot to project costs. Projects are increasingly difficult to finance as interest rates and fees rise, with some feasibility studies showing that fewer than 5% of planned multifamily projects can currently secure financing in major California cities.



MATT HANEY

Assemblymember, District 17

Meanwhile, many downtown office districts remain underused as remote and hybrid work persist, with office vacancy rates in some California downtowns exceeding 30%. Without new pathways to build housing in these areas, California risks leaving valuable downtown land empty while the housing crisis deepens.

SOLUTION

AB 2074 creates a direct pathway to high-rise housing and mixed-use development in major regional downtown hubs. It does so through four coordinated strategies: expanding allowable building envelopes, establishing state-defined downtown transit hub districts, providing streamlining for projects that meet labor requirements, and supplying early-stage financing through a state-backed revolving loan fund.

Under the proposal, seven California cities with populations over 400,000 and at least two major transit stops must designate a “downtown transit hub district” for residential and mixed-use development. Cities that fail to designate a district would have one automatically established around their highest-ridership transit station. These districts would be subject to uniform state zoning standards, and qualifying projects would be eligible for low-interest loans through the revolving fund.

By unlocking housing development in downtown cores, AB 2074 could enable tens of thousands of new homes across these cities. Even a modest acceleration of projects would strengthen transit systems, support local businesses, stabilize downtown real estate markets, and help restore California’s downtowns as vibrant, active neighborhoods.

SUPPORT

California Building Trades (Co-Sponsor)
California YIMBY (Co-Sponsor)
Climate Action Campaign

FOR MORE INFORMATION

Dori Ganetsos | *Senior Consultant*
Office of Assemblymember Matt Haney
(916) 319-2017

Dori.ganetsos@asm.ca.gov