November 11, 2026

The Honorable Christopher Cabaldon
Senator Majority Whip, 3rd District
State Capitol
Sacramento, CA 9581

RE: Senate Bill 40, The High Density Housing and Zoning Development Act – Oppose Unless Amended

Dear Senator Cabaldon, Chair Limón, Vice Chair Strickland, Members of the Senate Committee on Appropriations, and Members of the Senate,

On behalf of our member employers, the California Chamber of Commerce respectfully opposes Senate Bill 40 unless it is amended. CalChamber represents job creators of every size, from small family-owned businesses to the state's largest employers, and we share the author's goal of building more housing. Employers need workers who can find homes near their jobs. As drafted, however, SB 40 pairs useful zoning reforms with a new tax and rent requirements that raise the cost of building and operating the housing the bill is meant to produce. While SB 40 has cleared the Local Government and Labor Committee, we urge the author, the Appropriations Committee, and the full Senate to amend Section 3 before the bill moves forward.

We support the zoning provisions in Section 2. Section 2(f) provides ministerial approval inside a High Density Friendly Zone, Section 2(g) allows at least 6 dwelling units per parcel, Section 2(d) limits zones to land with electricity, water, and wastewater service, and Section 2(a) leaves the decision to the city or county through a two-thirds vote.

Specifically, CalChamber asks that SB 40 be amended to address the following:

Remove the 5% monthly tax on rent revenue. Section 3(d) takes 5% of landlords' rent revenue every month once units are complete. The tax is based on revenue, not profit, so it applies even when a project is barely covering its costs. Over a year, it equals 60% of one month's rent for every unit. The bill does not say whether it applies to every unit in a zone or only to units financed by the fund, and it does not say who collects it. Section 3(a) already provides $2

million per year from the state budget, and Section 3(b) returns loan repayments to the fund. CalChamber asks that Section 3(d) be removed.

Lower the fixed 8% loan rate. Section 3(b) describes the loans as "low interest" but sets the rate at 8%. A fixed rate leaves HCD no room to adjust to the project or to market conditions. If the rate is too high, developers will not borrow from the fund, and repayments will not return to finance new projects as the bill intends. CalChamber asks that HCD set a rate below the prevailing market rate.

Clarify the rent stabilization formula. Section 3(c) provides that rent will be stabilized "based on the average of median rent level of the particular unit as described in section (2)e." The bill does not say what area or unit type the median covers, how often it is recalculated, how much rents may rise, or which units are covered. Builders and lenders cannot plan revenue without these details. CalChamber asks that any affordability requirement apply only to units that receive loan funding.

Fix the wording of Section 2(d)(4). Section 2(d) lists land that a zone "shall consist of," and item 4 lists Environmentally Significant Areas. As written, it can be read to require that zones be made up of those areas. CalChamber asks that the language state clearly that zones may not include them.

With these amendments, SB 40 would keep its zoning reforms and remove the costs that would make building in those zones harder. We are open to working with the author to provide proposed language for each amendment. If they are adopted, CalChamber would be glad to reconsider our position. If not, our position will remain Opposed. We welcome the chance to meet with the author, the Committee, and members of the Senate to discuss these concerns.

Sincerely,

Aishah Apalara

Aishah Apalara (She/Her/Hers) - Lobbyist

CalChamber