

CALIFORNIA ENACTS SIGNIFICANT CEQA REFORMS FOR HOUSING AND ADVANCED MANUFACTURING PROJECTS

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On 30 June 2025, Governor Newsom signed Assembly Bill 130 (AB 130) and Senate Bill 131 (SB 131) into law, introducing some of the most significant changes to the California Environmental Quality Act (CEQA) in recent history, with the goal of increasing housing supply and improving housing affordability in California. The reforms were also partially motivated by legislative concerns over the misuse of CEQA by project opponents to “delay a project for reasons unrelated to environmental protection.”¹ The bills expand CEQA exemptions for certain housing and advanced manufacturing projects, with the goal of facilitating a faster environmental review process and fewer CEQA legal challenges. Businesses focused on housing production and industrial development should pay heed to these significant changes, which will significantly expedite environmental review for development that furthers housing development and advanced manufacturing activity in California. While these changes are effective immediately, the state legislature will likely also consider further CEQA reform bills prior to the end of this legislative session that may have broader applicability.

BACKGROUND

CEQA is one of the most robust state environmental statutes in the United States. It requires public agencies to evaluate the environmental impacts of a project and includes substantive requirements to implement feasible mitigation measures to reduce or eliminate significant environmental impacts and consideration of project alternatives. CEQA also includes statutory and categorical exemptions where certain types of projects have been determined to be unlikely to have a significant effect on the environment and are therefore exempt from undertaking a full environmental review process.

STREAMLINING HOUSING DEVELOPMENT

The most significant changes enacted by AB 130 and SB 131 concern housing developments. AB 130 creates a new statutory CEQA exemption for infill “housing development projects,” which includes residential housing projects and mixed-use residential projects meeting certain requirements.² If a project qualifies for this exemption, CEQA does not apply to “any permits, approvals or public improvements required for the housing development project,” saving project developers significant application processing time and significant study costs.³ To qualify, the exemption includes standards concerning the project’s acreage, location, surrounding uses, and density. First, the project site must be 20 acres or less (or five acres or less in the case of a so-called “builder’s remedy” project).⁴ Second, the project site must be “located within the boundaries of an incorporated municipality [or]

located within an urban area” and either previously developed with an urban use or located adjacent to areas with urban uses.⁵ The project generally may not be located within (1) certain areas of the coastal zone; (2) areas designated as prime farmland; (3) close proximity to wetlands; (4) zones designated as a very high fire hazard severity zone, earthquake fault zone, or FEMA special flood hazard area; (5) hazardous waste sites; (6) regulatory floodways; (7) conservation areas and protected habitats for species protected under the federal Endangered Species Act, California Endangered Species Act, or the Native Plant Protection Act; or (8) lands subject to a conservation easement.⁶ Third, the project must “be at least one-half of the applicable density” listed in Government Code 65583.2(c)(3)(B).⁷ For example, under this latter condition, a project located in a jurisdiction in a metropolitan county would require at least 15 units per acre.⁸ The proposed project must also be consistent with the applicable general plan and zoning ordinance, as well as any applicable local coastal program (under a reasonable person test); not involve the demolition of a registered historic structure; and not propose as part of the project hotel, motel, or other lodging uses.⁹

In addition to the criteria above, the exemption includes several obligations for the local government and developer. First, the local government must invite each California Native American tribe “traditionally or culturally affiliated with the project site” to engage in consultation on the project, with expedited deadlines for the consultation process.¹⁰ Second, the developer must complete a Phase I Environmental Assessment.¹¹ If the assessment finds a “recognized environmental condition,” the developer must prepare a preliminary endangerment assessment.¹² If the assessment determines that a hazardous substance has been released on the project site, it must either be removed or the effects from the release must be mitigated in compliance with state and federal environmental laws.¹³ Third, housing developers of projects with 100% affordable units or that exceed 85 feet in height must pay construction workers the general prevailing rate for their work on the project.¹⁴ Notably, to qualify for the CEQA exemption, a developer's commitment to pay prevailing wages is not a condition for projects that do not fall within either of the above categories.

Projects that are exempt under AB 130 receive streamlined approval. The lead agency must approve or disapprove a project within 60 days after determining that it is exempt from CEQA or 30 days after tribal consultation has been completed, if applicable.¹⁵

SB 131 also includes provisions to expedite approval and development of housing projects. Generally, for a project to be approved through a statutory or categorical exemption under CEQA, it must meet all of the qualifying conditions and standards associated with that exemption. SB 131 provides that, if a project would be exempt from CEQA but for a single condition, the CEQA environmental review will “be limited to effects upon the environment that are caused solely by that single condition,” thereby limiting the scope of the environmental review.¹⁶ These provisions do not apply to projects involving distribution centers, oil and gas infrastructure, or project sites involving certain environmentally sensitive lands.¹⁷

NEW STATUTORY EXEMPTION FOR ADVANCED MANUFACTURING

Beyond the provisions seeking to streamline approval and development of residential housing, SB 131 also exempts projects used exclusively for advanced manufacturing, including manufacturing facilities involving microelectronics and nanoelectronics (including semiconductors), advanced materials, integrated computational materials engineering, nanotechnology, additive manufacturing, and industrial biotechnology.¹⁸ “Advanced manufacturing” also generally includes “systems that result from substantive advancement, whether incremental

or breakthrough, beyond the current industry standard, in the production of materials or products” as well as “sustainable manufacturing systems and manufacturing technologies that minimize the use of resources while maintaining cost and performance.”¹⁹ The project must be located on a project site zoned exclusively for industrial purposes and cannot be located on “natural and protected lands,” which generally includes certain identified environmentally sensitive areas.²⁰ While the housing related exemptions in AB 130 have received much media attention, the potential applications of the SB 131 CEQA exemptions cannot be understated in potentially streamlining so-called “advanced manufacturing” development projects with a cooperative lead public agency.

TAKEAWAYS

AB 130 and SB 131 are the latest attempt by California's State Legislature and Governor Newsom to address California's housing crisis through expediting permitting and development of residential housing and residential mixed-use projects. CEQA is often cited as one of the most significant impediments to project development and construction. The changes will expand the scope of residential housing projects that can be considered exempt from most CEQA environmental review processes and expedite review and approval of applicable projects. Similarly, SB 131 provides a first-of-its-kind statutory exemption for advanced manufacturing projects in so-called “advanced manufacturing” industrial sectors. Developers of applicable projects should seek to avail themselves of these CEQA exemptions when possible with the advice of counsel, while ensuring that they meet all applicable criteria.

Note that while the above CEQA reforms were adopted in the legislature's budget bill, the legislature is likely to consider further CEQA reforms later in this session. Please check back on our page for further updates.

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FOOTNOTES

¹ 2025 Cal. Stat., ch. 24, § 2(c) (“CEQA should not be used primarily for economic interests, to stifle competition, to gain competitive advantage, or to delay a project for reasons unrelated to environmental protection”).

² Cal. Pub. Res. Code § 21080.66.

³ Cal. Pub. Res. Code § 21080.66(a).

⁴ Cal. Pub. Res. Code § 21080.66(a)(1). A “builder's remedy project” refers to “a housing development project that provides housing for very low, low-, or moderate-income households” that has density requirements and is located in a jurisdiction that “did not have a housing element that was in substantial compliance with this article.” Cal. Gov. Code § 65589.5(h)(11).

⁵ Cal. Pub. Res. Code § 21080.66(a). The project site must have “been previously developed with an urban use[;] [a]t least 75 percent of the perimeter of the site adjoins parcels that are developed with urban uses[;] [a]t least 75 percent of the area within a one-quarter mile radius of the site is developed with urban uses[;] [or] [f]or sites with four sides, at least three out of four sides are developed with urban uses and at least two-thirds of the perimeter of the site adjoins parcels that are developed with urban uses.” Cal. Pub. Res. Code § 21080.66(a)(3).

⁶ Cal. Pub. Res. Code § 21080.66(a)(6); Cal. Gov. Code § 65913.4(a)(6).

⁷ Cal. Pub. Res. Code § 21080.66(a)(5).

⁸ Cal. Gov. Code § 65583.2(c)(3)(B).

⁹ Cal. Pub. Res. Code § 21080.66(a)(8).

¹⁰ Cal. Pub. Res. Code § 21080.66(b).

¹¹ Cal. Pub. Res. Code § 21080.66(c).

¹² *Ibid.*

¹³ *Ibid.*

¹⁴ Cal. Pub. Res. Code § 21080.66(d).

¹⁵ Cal. Gov. Code § 65950(a).

¹⁶ Cal. Pub. Res. Code § 21081(b).

¹⁷ *Id.*

¹⁸ Cal. Pub. Res. Code §§ 21080.69(a)(4); 26003(a)(1)(A) (defining “advanced manufacturing”).

¹⁹ Cal. Pub. Res. Code § 26003(a)(1)(B).

²⁰ Cal. Pub. Res. Code §§ 21080.69.

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