

Date of Hearing: April 24, 2019

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

David Chiu, Chair

AB 831 (Grayson) – As Amended April 8, 2019

SUBJECT: Department of Housing and Community Development: study: local fees: new developments

SUMMARY: Adds reporting requirements for the fee study the Department of Housing and Community Development (HCD) is required to complete by June 30, 2019. Specifically, **this bill:**

- 1) Requires HCD to post the results of its current study to evaluate the reasonableness of local fees charged to new developments on its internet website on or before March 1, 2020.
- 2) Requires, by June 30, 2020, that HCD must complete a study to determine the total average residential fee burden per housing unit in each of the 47 council of government (COGs) regions of the state. The study must also list each individual category of fees levied and the average amount of each fee in each region. HCD must post this study on its internet website on or before March 1, 2021.
- 3) Requires, by January 1, 2024, that HCD issue a report to the Legislature on the progress of cities and counties in adopting the recommendations made by HCD's study to evaluate the reasonableness of local fees, which is due by June 30, 2019.

EXISTING LAW:

- 1) Requires HCD to collect, publish, and make available to the public information about federal, state, and local laws regarding housing and community development (Health and Safety Code Section 50456(a)).
- 2) Requires that, by June 30, 2019, HCD must complete a study to evaluate the reasonableness of local fees charged to new developments. The study must include findings and recommendations regarding potential amendments to the Mitigation Fee Act to substantially reduce fees for residential development.
- 3) Establishes the Mitigation Fee Act and requires a local agency to do all of the following when establishing, increasing, or imposing a fee on a development project:
 - a) Identify the purpose of the fee;
 - b) Identify the use to which the fee is to be applied;
 - c) Determine how there is a reasonable relationship between the fees use and the type of development project on which the fee is imposed; and
 - d) Determine how there is a reasonable relationship between the need for a public facility and the type of development project on which the fee is imposed.

(Government Code Sections 66000 – 66205)

FISCAL EFFECT: Unknown

COMMENTS:

Purpose of the Bill: According to the author, “A March 2018 report by UC Berkeley’s Turner Center for Housing Innovation found that development fees often lack transparency, impose high costs, and have arbitrary structures. All of these factors combine to make development riskier, more costly, and ultimately serve to reduce the amount of housing that gets built. Given the extent of our housing production and affordability crisis, we need to explore all options to reduce barriers to development.”

Background: California has a substantial and growing housing production and affordability gap. In its *Final Statewide Housing Assessment 2025* (2018), HCD estimates that 180,000 new homes annually by 2025 to meet projected population and household growth. However, over the past 10 years California has on average produced less than 80,000 new homes annually.

Impact Fees and Housing Production: Cities levy development fees to pay for services needed to build new housing or to offset the impacts of growth in a community. These fees can make up a substantial portion of the cost to build new housing in California cities. In a March 2018 report, UC Berkeley’s Turner Center for Housing Innovation found that development fees for multifamily housing in California can be as high as \$75,000 per unit. In some areas, fees for a single family home can reach \$157,000 per unit. The study determined that development fees can amount to anywhere from 6 to 18 percent of the median home price, depending on location. According to a 2015 national survey, California’s development fees were nearly three times the national average. These development fees are often passed along to homebuyers, putting homeownership further out of reach for many Californians.

AB 879 (Grayson, 2017) directed HCD, by June 30, 2019, to complete a study to evaluate the reasonableness of local fees charged to new developments. This study is required to include findings and recommendations regarding potential amendments to the Mitigation Fee Act to substantially reduce fees for residential development. As of the date of this analysis, the study has not been published.

This bill requires HCD to post this study on its internet website on or before March 1, 2020. It also requires, by June 30, 2020, that HCD must complete another study to determine the total average residential fee burden per housing unit in each of the 47 council of government (COGs) regions of the state, and that this further study must be posted on HCD’s internet website on or before March 1, 2021. Finally, this bill requires HCD to undertake a follow-up study by January 1, 2024, describing the progress of cities and counties in adopting the recommendations made by HCD’s study.

Previous Legislation:

AB 879 (Grayson), Chapter 374, Statutes of 2017: Makes a number of changes to housing element law, and directs the Department of Housing and Community Development to complete a study evaluating the reasonableness of local fees charged to new developments.

REGISTERED SUPPORT / OPPOSITION:

Support

California Association of Realtors

Opposition

None on file

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