

Date of Hearing: May 8, 2019

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

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

Policy Committee: Housing and Community Development                      Vote: 8 - 0

Urgency: No                      State Mandated Local Program: No                      Reimbursable: No

**SUMMARY:**

This bill requires the Department of Housing and Community Development (HCD) to conduct a study regarding residential housing fees and requires HCD to post the results of a current study on its website by March 1, 2020. Specifically, this bill:

- 1) Requires HCD, by March 1, 2020, to post on its internet website the results of the study required by AB 879 (Grayson), Chapter 374, Statutes of 2017, evaluating the reasonableness of local fees charged to new developments, due June 30, 2019.
- 2) Requires HCD, by June 30, 2020, to 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 list each category of fees levied and the average amount of each fee in each region. HCD must post this study on its website on or before March 1, 2021.
- 3) Requires HCD, by January 1, 2024, to issue a report to the Legislature on the progress of cities and counties in adopting the recommendations made by HCD's study, due by June 30, 2019, to evaluate the reasonableness of local fees.

**FISCAL EFFECT:**

Onetime costs to HCD of approximately \$2 million (GF) to contract with a consultant to produce the study on local government fees.

Estimated costs to HCD of \$113,000 (GF) in the first year to provide oversight and review the study findings, and \$105,000 ongoing until January 1, 2024.

Unknown costs to HCD for administrative support for the new workload.

**COMMENTS:**

- 1) **Purpose.** This bill seeks to collect and evaluate additional information about local housing development fees. 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.

- 2) **Background.** 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 reach \$157,000 per unit. The study determined that development fees amount to anywhere from 6% to 18% 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.

The HCD study required by AB 879 of 2017 (see above), evaluating the reasonableness of local fees charged to new developments, is required to include findings and recommendations regarding potential amendments to the Mitigation Fee Act to substantially reduce fees for residential development.

3) **Related Legislation.**

AB 1483 (Grayson), of this legislative session, requires, cities and counties to annually collect and report additional specified housing-related data to the Department of Housing and Community Development (HCD) who must place it on its website by January 1, 2021, and develop a publicly accessible data portal by January 1, 2022. That bill is pending hearing in this committee.

AB 1484 (Grayson), of this legislative session, requires, for certain types of housing development projects, each city and county to post on the city or county's website each fee that is applicable to that project. The bill is pending hearing in this committee.

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