

- 5) Prohibits a local agency from imposing any standard that does not permit an ADU with at least 800 square feet of interior livable space provided that four-foot side and rear yard setbacks are possible on the lot.
- 6) Authorizes local agencies to adopt an ADU ordinance that, among other provisions limits the size of detached ADUS to no more and 1,200 square feet.
- 7) Limits development fees that local agencies can apply to ADUs and JADUS in the following ways:
 - a) Prohibits local agencies, special districts, and water corporations, from treating an ADU or JADU as a new residential use for the purposes of calculating connection fees or capacity charges for utilities, unless the unit is constructed with a new single-family dwelling.
 - b) Prohibits local agencies, special districts, and water corporations from imposing impact fees on an ADU or JADU that contains less than 750 square feet or 500 square feet of interior livable space respectively.
 - c) Provides that for an ADU that exceeds 750 square feet of interior livable space, impact fees shall be charge proportionately in relation to the square footage of the primary dwelling unit.
 - d) Prohibits local agencies, special districts, and water corporations from requiring a separate utility connection or imposing a connection fee or capacity charge on an ADU or JADU that is built within the space of an existing single-family dwelling, or within the space of an existing accessory structure, unless the ADU or JADU is conveyed separate from the existing single-family dwelling.

This bill: provides that impact fees that are assessed on ADUS that exceed 750 square feet in size may only be charged on the total square footage that exceeds 750 square feet, not the entirety of the ADU.

Background

ADUs/JADUs. ADUs, also known as mother-in-law units or granny flats, are additional living spaces that have a separate kitchen, bathroom, and exterior access independent of the primary residence; ADUs may be attached or detached from the primary residence. A JADU is a unit of up to 500 square feet within the primary residence. ADU/JADU law has evolved over the years to lower barriers to ADU development which has resulted in a surge in ADUs built in California. SB 1069 (Wieckowski, Chapter 720, Statutes of 2016) and AB 2299 (Bloom, Chapter 735, Statutes of 2016), permitted ADUs by-right on all residentially zoned parcels in the

state. By permitting an ADU as a second unit on all single-family lots, these laws effectively doubled their allowed density. According to HCD, between 2016-2023, the number of ADUs permitted annually in the state grew from 1,336 to 26,924, a 20-fold increase. In 2023, ADUs comprised more than 21% of all homes permitted statewide.

Comments

- 1) *Author's Statement.* "California's housing crisis continues to limit homeownership opportunities and increase housing costs. Housing experts estimate a shortage of between 840,000 and 3.5 million housing units in the Golden State. Because they expand housing supply while enabling homeowners to increase the capacity of their homes and build home equity, ADUs are a key component of the state's housing strategy. For many first-time and middle-class homeowners, the ability to build an ADU can build intergenerational housing and wealth. Senate Bill 1117 will help reduce impact fees for homeowners in California by clarifying existing ADU law to ensure local governments assess impact fees only on the portion of an ADU exceeding 750 square feet. By aligning the fee calculations in statute with the intent of the Legislature, the bill promotes consistent statewide implementation, reduces unnecessary cost burdens on homeowners, and supports continued ADU construction as a pathway to increasing sustainable homeownership in California."
- 2) *Impact fees.* Local governments can charge a variety of fees to a development. These fees, commonly known as impact fees or mitigation fees, go toward infrastructure development (such as adding lanes to roads or supporting additional traffic) or other public benefits (such as new parks, schools, or affordable housing). In the wake of the passage of Proposition 13 in 1978 and the resulting loss of significant property tax revenue, local governments have also turned to development fees as a means to generate revenue. Given that California cities have tightly restricted funding sources, fees are one of the few ways cities can pay for the indirect costs of growth. The Mitigation Fee Act requires local officials, when establishing, increasing, or imposing a fee as a condition of approving a development project, to make a number of determinations including to: identify the purpose of the fee; identify the use of the fee, including the public facilities that the fee will finance; determine a reasonable relationship between the use of the fee and the development; and determine a reasonable relationship between the public facility's need and the development. Local agencies must also produce an annual report on developer and other fees.

3) *ADU Impact fee relief.* The state enacted numerous laws over the last decade streamlining local development approvals for a variety of housing types, including ADUs, duplexes and large affordable developments. None of the various housing streamlining laws can match the 20-fold increase achieved by the recent reforms to ADU Law noted in the background. One notable difference between ADUs and other streamlining laws is that ADUs are entirely exempt from local impact fees if they are less than 750 square feet in size. ADUs that exceed 750 square feet are charged a reduced fee that is calculated based in proportion to the size of the primary dwelling unit local on the same parcel. For example, an ADU that will be half the size of the primary dwelling unit will have an impact fee rate that is 1/2 the normal impact fee that would be charged for a new primary dwelling built on the same site.

For ADUs built in existing neighborhoods on parcels that already have a primary dwelling unit, the property owner or the developer can make a good faith argument that the “impact” to public infrastructure associated with residential uses on the parcel is largely offset by the impact fees, the years of property tax revenue paid by the existing residential unit, or both. This argument is less salient for undeveloped parcels. ADU Law partially acknowledges this by not fully extending the same fee waivers for connection and capacity charges to ADUs that are built alongside entirely new single-family dwellings.

4) *Deductions.* This bill builds on the existing proportionality calculation and allows developers that build larger ADUs to deduct 750 square feet from the chargeable size of the ADU when they calculate the impact fee. Under existing law, a 1,000 square foot ADU is charged a proportionally reduced rate on the full 1,000 square feet of the ADU. Under this bill, the same 1,000 square foot ADU will only pay the proportionally reduced rate on 250 square feet. Much as a tax deduction can reduce an individual’s total taxable income, this bill effectively reduces the total “chargeable” square feet of an ADU that can be assessed by a local government.

The table below provides three examples of how ADU impact fees are calculated today, and how they will be calculated if this bill takes effect.

<u>Scenario 1</u>	
ADU: 1,000 square feet	
Primary dwelling unit: 2,000 square feet	
Standard impact fee: \$10/square foot	
Proportional ADU impact fee rate: $((1000/2000) \$10) = \$5/\text{square foot}$	
Existing Law	SB 1117

<ul style="list-style-type: none"> • Standard impact fee: \$20,000 • AB 1117 fee deduction: N/A • ADU impact fee: \$5,000 	<ul style="list-style-type: none"> • Standard impact fee: \$20,000 • AB 1117 deduction: (750) X (\$5) = \$3,750 • ADU impact fee: \$1,250
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<u>Scenario 2</u>	
ADU: 1,000 square feet Primary dwelling unit: 1,000 square feet Standard impact fee: \$10/square foot Proportional ADU impact fee rate: $((1000/1000) \$10) = \$10/\text{square foot}$	
Existing Law	SB 1117
<ul style="list-style-type: none"> • Standard impact fee: \$10,000 • AB 1117 fee deduction: N/A • ADU impact fee: \$10,000 	<ul style="list-style-type: none"> • Standard impact fee: \$10,000 • AB 1117 deduction: (750) X (\$10) = \$7,500 • ADU impact fee: \$2,500
<u>Scenario 3</u>	
ADU: 1,000 square feet Primary dwelling unit: 3,000 square feet Standard impact fee: \$10/square foot Proportional ADU impact fee rate: $((1000/3000) \$10) = \$3.33/\text{square foot}$	
Existing Law	SB 1117
<ul style="list-style-type: none"> • Standard impact fee: \$30,000 • AB 1117 fee deduction: N/A • ADU impact fee: \$3,333 	<ul style="list-style-type: none"> • Standard impact fee: \$30,000 • AB 1117 deduction: (750) X (\$3.33) = \$2498 • ADU impact fee: \$832

The existing proportional impact fee calculation creates a regressive fee structure where the same size ADU is charged less if the existing primary dwelling unit is larger. The fee deduction created by this bill does not remedy the existing calculation, but it will mitigate the existing imbalance by benefiting owners of small properties seeking to add an ADU the most (see Scenario 2).

5) *Double-referral*. This bill was also referred to the Local Government Committee.

Related/Prior Legislation

AB 894 (Friedman, Chapter 749, Statutes of 2023) — required local agencies to allow developments to count underutilized and shared parking spaces toward a parking requirement imposed by the agency, under specified conditions.

AB 976 (Ting, Chapter 751, Statutes of 2023) — removed the "sunrise" provision of SB 13, and thus permanently removed the ability for local governments to require owner-occupancy of the units on a parcel with an ADU.

AB 2097 (Friedman, Chapter 459, Statutes of 2022) — prohibited public agencies from imposing minimum automobile parking requirements on specified residential, commercial and other developments located within one-half mile of public transit.

SB 13 (Wieckowski, Chapter 653, Statutes of 2019) and AB 881 (Bloom, Chapter 659, Statutes of 2019) — eliminated, for five years, the potential for local agencies to place owner-occupancy requirements on the units.

AB 879 (Grayson, Chapter 374, Statutes of 2017) — directed HCD to complete a study evaluating the reasonableness of local fees charged to new developments, as defined.

SB 1069 (Wieckowski, Chapter 720, Statutes of 2016) and AB 2299 (Bloom, Chapter 735, Statutes of 2016) — required a local government to ministerially approve ADUs if the unit complies with certain parking requirements, the maximum allowable size of an attached ADU, and setback requirements. Also allowed a local government to require owner-occupancy of the units on a parcel with an ADU.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

POSITIONS: (Communicated to the committee before noon on Wednesday, April 1st, 2026).

SUPPORT:

California YIMBY (Sponsor)
 Apartment Association of Greater Los Angeles
 Apartment Association of Orange County
 Berkeley Property Owner's Association
 California Rental Housing Association
 California Yimby
 Circulate Planning & Policy
 Dirt to Keys
 East Bay Rental Housing Association
 Elevate California

Nor Cal Rental Property Association
North Valley Property Owners Association
Santa Barbara Apartment Association, INC. Dba Santa Barbara Rental Property Association
Small Property Owners of San Francisco Institute
South Pasadena Residents for Responsible Growth
Southern California Rental Housing Association
The Two Hundred for Homeownership

OPPOSITION:

California Association of Recreation & Park Districts
California Special Districts Association
California State Association of Counties (CSAC)
City of Pico Rivera
Equitable Land Use Alliance (ELUA)
Families and Homes San Jose
League of California Cities

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