
SENATE COMMITTEE ON LOCAL GOVERNMENT

Senator María Elena Durazo, Chair

2025 - 2026 Regular

Bill No: SB 1117

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Fiscal: Yes

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Consultant: Favorini-Csorba

ACCESSORY DWELLING UNITS AND JUNIOR ACCESSORY DWELLING UNITS

Requires local agencies to charge impact fees for an accessory dwelling unit or junior accessory dwelling unit only on the area of the project greater than 750 square feet.

Background

Mitigation Fee Act. When approving development projects, counties and cities can require the applicants to mitigate the project's effects by paying fees—known as mitigation fees, impact fees, or developer fees. The California courts have upheld impact fees for sidewalks, parks, school construction, and many other public purposes.

When establishing, increasing, or imposing a fee as a condition of approving a development project, the Mitigation Fee Act requires local officials to:

- Identify the fee's purpose;
- Identify the fee's use, including the public facilities to be financed;
- Determine a reasonable relationship between the fee's use and the development; and
- Determine a reasonable relationship between the public facility's need and the development.

When imposing a fee as a condition of approving a development project, the Mitigation Fee Act also requires local officials to determine a reasonable relationship between the fee's amount and the cost of the public facility. In its 1987 *Nollan* decision, the U.S. Supreme Court said there must be an "essential nexus" between a project's impacts and the conditions for approval. In the 1994 *Dolan* decision, the U.S. Supreme Court said that conditions on development must have a "rough proportionality" to a project's impacts.

As a result of these decisions and the Mitigation Fee Act, local agencies must conduct a nexus study to ensure any proposed impact fees meet these legal tests. Other requirements in the Mitigation Fee Act ensure that impact fees are appropriately levied and spent, including that a local agency must:

- Hold at least one open and public meeting prior to levying a new fee or increasing an existing one;
- If it decides to adopt capital improvement plans, indicate the approximate location, size, time of availability, and estimates of cost for all facilities or improvements to be financed with the fees;
- Deposit and spend the fees within five years of collecting them; and

- Refund fees or make specific findings on when and how the fees will be spent for construction, if the fees are not spent within five years of collection.

If a local agency levies an impact fee to fund a capital improvement associated with a development, it must deposit the fees with any other fees for that improvement in a separate account or fund. Any person may request an independent audit of how the impact fees have been collected and spent, including an assessment of whether the fees exceed the amount reasonably necessary to cover the costs of the stated projects or services.

Accessory Dwelling Units. The Legislature has long identified accessory dwelling units (ADUs), also known as second units, in-law apartments, or “granny flats,” as a valuable form of housing for family members, students, the elderly, in-home health care providers, the disabled, and others, at below-market prices within existing neighborhoods. In 1982, the Legislature first provided a framework for local governments to enact ordinances that permit the construction of ADUs, while preserving local government flexibility to regulate the units as necessary. When fewer ADUs than anticipated were developed, the Legislature significantly amended ADU law to address some of the barriers property owners encountered while trying to develop them (AB 1866, Wright, 2002).

Legislators have enacted a flurry of changes to ADU laws in recent years. Beginning in 2016, the Legislature revised ADU laws to address some of the barriers to ADU creation that local governments had adopted (SB 1069, Wieckowski and AB 2299, Bloom). These changes prohibited local ordinances from banning ADUs and required a local agency to, among other provisions:

- Designate areas within the jurisdiction where ADUs may be permitted;
- Permit ADUs that do not exceed various zoning requirements set in statute, such as minimum lot sizes and distances from property lines (“setbacks”);
- Limit parking to one space per ADU;
- Approve or disapprove an application for an ADU ministerially without discretionary review if the local government does not have an ADU ordinance when it receives a permit application; and
- Approve building permits to create an ADU ministerially if the ADU is within an existing residence, has independent exterior access, and meets certain fire safety requirements.

AB 2408 (Thurmond, 2016) also allowed local agencies to adopt an ordinance regulating Junior ADUs (JADUs), which are smaller ADUs under 500 square feet, are contained entirely within an existing single-family residence, and may or may not have separate sanitation facilities.

In 2019, the Legislature expanded on many aspects of ADU law through three bills: SB 13 (Wieckowski), AB 68 (Ting), and AB 881 (Bloom). The most significant provisions of these bills:

- Require local governments to allow ADUs to be at least 800 square feet, even if local standards would otherwise reduce the unit size below that threshold;
- Prohibit local governments from imposing square footage limitations on ADUs of 850 square feet, or 1,000 square feet for an ADU that provides more than one bedroom;
- Require local governments to allow one ADU and one JADU on a single-family parcel;

- Allow up to two detached units on the same site as an existing or proposed multifamily dwelling and the ministerial creation of multiple ADUs within the portions of existing multifamily buildings, as specified; and
- Gave the Department of Housing and Community Development (HCD) enforcement authority over ADU ordinances.

Other legislation followed to further remove barriers to ADU law, including SB 1211 (Skinner, 2024), which allowed up to eight detached ADUs on a lot with an existing multifamily building.

Impact fees under ADU law. ADU law reduces the impact fees that ADUs may be subject to in a variety of ways. ADUs under 750 square feet are exempt from impact fees and impact fees imposed on larger ADUs must be proportional to the square footage of the primary unit. JADUs under 500 square feet also cannot be charged impact fees. An ADU or JADU that is smaller than 500 square feet also cannot be considered residential construction for the purposes of school impact fees. Public utilities cannot require a new connection and cannot charge connection fees or capacity charges for an ADU or JADU on a lot with an existing or proposed single-family home that is either:

- Contained within the primary dwelling; or
- Converted from an existing accessory structure.

As a result of the Legislature's actions on ADUs, annual permits for ADUs have increase 20-fold from 2016 to 2023. Specifically, 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.

Some housing advocates attribute the success of ADUs to the fee limitations that are a unique feature among other housing laws. CA YIMBY wants the Legislature to further reduce fees on ADUs.

Proposed Law

Senate Bill 1117 requires local agencies to charge impact fees for an ADU or JADU only on the area of the ADU or JADU greater than 750 square feet and to use that as the basis for calculating the fee in proportion to the area of the primary dwelling.

Comments

1. **Purpose of the bill.** According to the author, "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. The rich get richer. The fee provisions of ADU law include an unusual quirk: the larger the primary dwelling is, the lower the impact fees for an ADU or JADU. This outcome results from the existing requirement that local agencies calculate their ADU fees proportionately, based on the relative size of the ADU or JADU to the primary dwelling. This inequity carries through SB 1117, which further cuts impact fees for ADUs and JADUs. Currently, ADUs that exceed 750 square feet, or JADUs that exceed 500 square feet, must pay fees on the full square footage of the unit. The per square foot fees are reduced in proportion to the size of the dwelling. SB 1117 reduces the basis for calculating the square footage, so that property owners developing an ADU only pay the proportionally lower fees on even less square footage. For example, under SB 1117, a homeowner who owns a 1,000 square foot house and wants to build a 1,000 square foot ADU will pay 25% of the fees that a comparably-sized single family home must pay; a homeowner who owns a home three times larger who wants to build the same ADU will pay only 8.3% of the fees of the single family home.

These fee reductions may encourage the development of ADUs, but it is unclear whether these fees cuts will meaningfully increase housing affordability. SB 1117 contains no mechanism to ensure that a tenant renting an ADU or JADU benefits from the fee reductions: the benefit can accrue entirely to the property owner, who may then rent the unit out at market rate, pocketing the fee reductions. Because ADU law allows up to eight ADUs on a lot with an existing multifamily building, apartment building owners may also disproportionately benefit. Moreover, the bill’s benefits come at a cost to the public at large. Local agencies can’t shift the cost of the fees onto other types of development for fear of violating the rough proportionality requirement that the Constitution and Mitigation Fee Act imposes on impact fees. To absorb the fee reductions mandated by the bill, local agencies will have to either cut their investments in infrastructure or find money in their general fund to fill up the gap. To reduce the burden on public coffers and ensure the bill’s benefits are more equitably distributed, the Committee may wish to consider amending SB 1117 to:

- Revise or repeal the proportionality requirement while retaining the bill’s requirement that local agencies only impose fees on the square footage above 750 square feet;
- Limit the fee benefits that can accrue to owners of multifamily properties.

3. Charter city. The California Constitution allows cities that adopt charters to control their own “municipal affairs.” In all other matters, charter cities must follow the general, statewide laws. Because the Constitution doesn’t define “municipal affairs,” the courts determine whether a topic is a municipal affair or whether it’s an issue of statewide concern. SB 1117 says that it applies to all cities, including charter cities. To support this assertion, the bill includes a legislative finding and declaration that ensuring housing of is a matter of statewide concern. Because there appears to be a typo in these findings, the Committee may wish to consider amending SB 1117 to refine the bill’s findings.

4. Mandate. The California Constitution requires the state to reimburse local governments for the costs of new or expanded state mandated local programs. Because SB 1117 adds to the duties of local officials when calculating fees, Legislative Counsel says the bill imposes a new state mandate. SB 1117 disclaims the state’s responsibility for providing reimbursement by citing local governments’ authority to charge for the costs of implementing the bill’s provisions.

5. Incoming! The Senate Rules Committee has ordered a double referral of SB 1117: first to the Committee on Housing, which approved the bill at its April 7th hearing on a vote of 10-0, and second to the Committee on Local Government.

Support and Opposition (4/17/2026)

Support: California Yimby (Sponsor)

Apartment Association of Greater Los Angeles
Apartment Association of Orange County
Berkeley Property Owner's Association
California Apartment Association
California Rental Housing Association
Circulate Planning & Policy
Dirt to Keys
East Bay Leadership Council
East Bay Rental Housing Association
Elevate California
Holos Communities
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
Student Homes Coalition
The Two Hundred for Homeownership
Unidosus
Zillow Group

Opposition: California Association of Recreation & Park Districts

California Fire Chiefs Association
California Special Districts Association
California State Association of Counties (CSAC)
City of Belmont
City of LA Verne
City of Paramount
City of Pico Rivera
Equitable Land Use Alliance (ELUA)
Families and Homes San Jose
Fire Districts Association of California
League of California Cities
Neighbors for a Better San Diego
Rural County Representatives of California (RCRC)

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