

SENATE THIRD READING

SB 1117 (Cervantes)

As Amended July 8, 2026

Majority vote

SUMMARY

Provides that impact fees charged for certain accessory dwelling units (ADUs) that exceed 750 square feet in size may only be charged on the total square footage that exceeds 750 square feet of interior livable space, instead of the entirety of the ADU.

Major Provisions

- 1) Provides that for up to two ADUs on a lot, any impact fees charged for an ADU that has more than 750 square feet of interior livable space shall be charged proportionately in relation to the square footage of the primary dwelling unit, and only on the area in excess of 750 square feet of interior livable space.
- 2) Specifies that for properties with more than two ADUs on a lot, any impact fees charged for an ADU that has more than 750 square feet of interior livable space shall be charged proportionately in relation to the square footage of the primary dwelling unit.

COMMENTS

Impact Fees and Exactions: Impact fees are a type of development fee imposed to offset the public costs of new infrastructure incurred by the larger community. In the wake of the passage of Proposition 13 in 1978 and the loss of significant property tax revenue, local governments have 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 development and other fees.

While impact fees are vital for maintaining local government revenues and ensuring municipal infrastructure is developed and maintained, they can add costs to housing development projects. According to the UC Berkeley Turner Center for Housing Innovation, between 2008 and 2015, California fees rose 2.5%, while the national average decreased by 1.2%.¹ Development fees can comprise 17% of the total development costs of new housing, and in California in 2015, impact fees were nearly three times the national average.² More recently, the Turner Center found that,

¹ Sarah Mawhorter, David Garcia and Hayley Raetz, *It All Adds Up: The Cost of Housing Development Fees in Seven California Cities*, Turner Center for Housing Innovation, March 2018, <https://turnercenter.berkeley.edu/research-and-policy/it-all-adds-up-development-fees>

² IBID.

on average, development impact fees added \$19,806 per unit to affordable housing developments receiving Low Income Housing Tax Credits.³

ADUs: Recently, there has been a national trend to allow for more "gentle density," e.g., ADUs, duplexes, fourplexes, townhomes, and other moderately dense developments that were common before the imposition of zoning. In 2016, SB 1069 (Wieckowski), Chapter 720, and AB 2299 (Bloom) Chapter 735, permitted ADUs by right on all residentially-zoned parcels in the state. SB 1211 (Skinner), Chapter 296, Statutes of 2024 furthered the trend towards gentle density by increasing the number of allowable ADUs on multifamily properties. By allowing attached, detached, and junior accessory dwelling unit (JADUs) on all residential lots, these laws, among others, facilitated the construction of missing middle housing in exclusionary single-family neighborhoods.⁴ Since then, various pieces of legislation have been passed to establish statewide standards regarding ADU setbacks, height limits, square footage requirements, and other land use controls, regardless of the underlying zoning district. As a result, ADUs are now required to be reviewed within 60 days by local governments in a streamlined and ministerial fashion.

Taken as a whole, ADU and JADU Laws have established a fast, predictable, uniform, and enforceable process for the approval of ADUs statewide. These laws have transformed these units from being less than 1% of new construction before 2017 to now being approximately 20%.⁵ The number of ADUs and JADUs is expected to continue growing as the ADU construction and financing industry matures, which will help meet the market feasibility that is estimated to be approximately 1.8 million units in California.⁶ With thousands of ADUs being added every year, ADUs have already become an important part of the state's stock of new housing, with a growth potential that is not subject to the state's funding allocations.

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 housing and mixed-income developments. None of the various housing streamlining laws can match the 20-fold increase achieved by the recent reforms to ADU Law noted above. 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 located 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 ½ the normal impact fee that would be charged for a new primary dwelling built on the same site.

This Bill: This bill builds on the existing proportionality calculation in ADU Law and allows developers who build larger ADUs to deduct 750 square feet from the chargeable size of the ADU when they calculate the impact fee for up to two ADUs on a lot. For properties with more than two ADUs on a lot, any impact fees charged for an ADU that has more than 750 square feet

³ Carolina Reid, Leslye Corsiglia, and Ben Metcalf, *Assessing the Cost of Impact Fees on Affordable Housing: An Analysis of Low-Income Housing Tax Credit Projects in California*, January 2026.

⁴ <https://www.hcd.ca.gov/sites/default/files/docs/policy-and-research/adu-handbook-update.pdf>

⁵ Per HCDs "APR Dashboard" <https://www.hcd.ca.gov/planning-and-community-development/housing-open-data-tools/housing-element-implementation-and-apr-dashboard>. Complete data for 2023 will be made available by June 30, 2024. This statistic relies on data pulled on May 28, 2024.

⁶ Monkonnen et al, 2020, *One to Four: The Market Potential of Fourplexes in California's Single-Family Neighborhoods*, UCLA Working Paper Series: <https://www.lewis.ucla.edu/research/market-potential-fourplexes/>

of interior livable space shall be charged proportionately in relation to the square footage of the primary dwelling.

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, for properties with up to two ADUs, 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.

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."

Arguments in Support

California [Yes In My Back Yard] (YIMBY), the bill sponsor, writes in support: "The current interpretation of state law in some jurisdictions has resulted in an arbitrary "fee cliff." While ADUs of 750 square feet or smaller are exempt from most local impact fees, homeowners who construct slightly larger units often face impact fees that apply to the full square footage of the ADU, including the first 750 square feet that would typically be exempt. In communities where fees range from \$10 to \$30 per square foot, this can lead to a sudden increase in project costs by thousands of dollars. For many homeowners, these unexpected expenses make constructing an ADU financially unfeasible.

SB 1117 clarifies and strengthens the existing ADU law by ensuring local governments assess impact fees only on the portion of an ADU exceeding 750 square feet. By aligning the fee calculations in law with the intent of the Legislature, the bill promotes consistent statewide implementation, reduces unnecessary cost burdens on homeowners, and supports continued ADU permitting as a pathway to increasing sustainable homeownership in California."

Arguments in Opposition

The League of California Cities, California Special Districts Association, California Association of Recreation and Park Districts, California State Association of Counties, and Rural County Representatives of California write in opposition: "SB 1117 completely disregards the Mitigation Fee Act (MFA), which strictly regulates how local agencies impose impact fees. Under the MFA, impact fees must be limited to the specific service and may cover only the cost of providing that service. Arbitrarily capping these fees would prevent the development of the public improvements and services necessary to meet the needs of residents living in the newly constructed ADU. Further, the inability to ensure that the applicable fees will generate sufficient funding to construct the necessary facilities within a reasonable timeframe may make it more

difficult to rely on those fee mechanisms as mitigation for environmental impacts, thereby encouraging legal challenges and consequent delays.

Development impact fees—grounded in required nexus studies rather than set arbitrarily—serve as a critical, and in some cases the only, funding source for local governments with limited revenue options. Nexus studies require evidence-based reasoning to validate the proposed fees and cover the reasonable cost of providing the service, which local governments must complete before adopting impact fees under the Mitigation Fee Act. Without these funds, many jurisdictions lack the ability to build essential public facilities."

FISCAL COMMENTS

According to the Assembly Committee on Appropriations: No state costs. One-time and ongoing administrative costs to cities and counties, as well as foregone revenues of an unknown amount, but potentially in the high hundreds of thousands of dollars or more statewide due to impact fee losses to the extent property owners build ADUs exceeding 750 square feet. The magnitude of the revenue losses would vary depending on the dollar amount of the fees and the square footage of the newly built ADUs. The administrative costs and revenue losses are not reimbursable by the state.

VOTES

SENATE FLOOR: 37-0-3

YES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Ochoa Bogh, Pérez, Reyes, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener
ABS, ABST OR NV: Becker, Niello, Padilla

ASM HOUSING AND COMMUNITY DEVELOPMENT: 10-0-2

YES: Haney, Patterson, Ávila Farías, Caloza, Ward, Kalra, Lee, Quirk-Silva, Ta, Wicks
ABS, ABST OR NV: Tangipa, Wilson

ASM LOCAL GOVERNMENT: 8-0-2

YES: Carrillo, Ta, Johnson, Pacheco, Ransom, Blanca Rubio, Stefani, Ward
ABS, ABST OR NV: Ramos, Wilson

ASM APPROPRIATIONS: 13-0-2

YES: Wicks, Hoover, Arambula, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Solache, Ta
ABS, ABST OR NV: Sharp-Collins, Tangipa

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