

- b) Mixed-use developments with at least 2/3 residential square footage.
 - c) Transitional or supportive housing.
- 2) Requires a local government with a web site to make a fee estimate tool that the public can use to calculate an estimate of fees and exactions for a proposed housing development permit. A local government shall not be responsible for the accuracy of the estimate provided by the fee estimate tool.
 - 3) Requires the fee tool to calculate an estimate of fees for a housing project including but not limited to the following:
 - a) A fee or charge described in the Mitigation Fee Act, as specified.
 - b) In-lieu fees for affordability requirements
 - c) A construction excise tax.
 - d) In-lieu fees for a requirement that the housing development project provide public art
 - e) In-lieu fees for dedications of parkland, as specified.
 - f) A special tax levied on new units pursuant to the Mello-Roos Act.
 - 4) Requires a local government with a population of 500,000 to comply with the provisions of this bill by July 1, 2031.
 - 5) Requires a local government with a population of 500,000 or fewer to comply with the provision of this bill by July 1, 2032.
 - 6) Requires HCD, on or before July 1, 2028, to create both of the following:
 - a) A fee schedule template for proposed housing development projects that local governments may use. The template shall contain, at a minimum, the following:
 - i) A list of fees and exactions with the approximate cost per unit or square foot.
 - ii) The districts or neighborhood where each fee applies.
 - iii) The uses that applies to each fee.
 - iv) Who should be contacted to calculate the fees.
 - b) A list of best practices regarding presenting information for fees and exactions levied by local governments
 - 7) Requires, to the extent practicable, the template to include the fees identified in (3) above.

- 8) Provides that HCD may create a fee estimate tool for local governments to use, and may contract with specified groups to create the tool.

COMMENTS:

- 1) *Author's statement.* "AB 1483 (Grayson, 2019) was a significant step forward in providing greater transparency on development impact fees, and it required jurisdictions to provide information on impact fee schedules, nexus fees studies, and other information that could help inform a developer of a jurisdiction's impact fees. Despite the progress made on providing greater transparency on development impact fees, recent reports by SPUR and the Turner Center found significant shortcomings in compliance with the requirements of AB 1483 by many jurisdictions. AB 3012 will help improve impact fee transparency and eliminate inconsistencies that may exist by requiring HCD to develop a fee schedule template and list of best practices that jurisdictions can utilize. This will harmonize State law with HCD's goals on data sharing, and make it easier for the public and for developers to understand the potential fees that may be encountered during the development process. Additionally, this bill would help advance transparency by requiring that jurisdictions provide a fee estimate calculator by 2032. This will help ensure that developers can arrive at a more accurate estimate for the fees that are required during the development process, and will help make impact fee information more accurate and easier to understand."
- 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) *Do impact fees drive up housing construction costs?* Concerned that mitigation fees could be increasing the cost of housing, the Legislature passed AB 879 (Grayson, Chapter 374, Statutes of 2017), which required HCD to complete a study to evaluate the reasonableness of local fees charged to new developments. In August 2019, HCD released the study, performed by UC Berkeley's Turner Center for Housing Innovation (Turner Center).¹ Among other conclusions, the report argued that fees can be a barrier to development and can raise prices of both new and existing homes; however, it also noted that local governments face substantial fiscal constraints and thus have turned to fees as a source of revenue to fund public services for new developments. The report found that fee transparency could be substantially improved. According to the study, many jurisdictions do not post their fee schedules or their nexus studies online, making it difficult for developers to estimate project costs, while other jurisdictions have adopted best practices such as offering an estimate of the fees that a project would pay. The study recommended requiring local governments to post fees and nexus studies online, as well as annual reports on fee collections, and requiring jurisdictions to provide fee estimates. In response, the Legislature passed AB 1483 (Grayson, Chapter 662, Statutes of 2019), which required cities and counties to post specified housing-related information on their website and required HCD to establish a workgroup to develop a strategy for state housing data.

AB 1483 also requires a city, county, or special district that has an internet website to post on their websites the following information, as applicable:

- a) A current schedule of mitigation fees, exactions, and affordability requirements imposed by the city, county, or special district, including any dependent special districts of the city or county, applicable to a housing development project, in a manner that clearly identifies the fees that apply to each parcel.
- b) All zoning ordinances and development standards, including which standards apply to each parcel.
- c) A list that cities and counties must develop under existing law of projects located within military use airspace or low-level flight path.
- d) The current and five previous annual fee reports or the current and five previous annual financial reports that local agencies must compile pursuant to existing law.

¹ Hayley Raetz, David Garcia, and Nathaniel Decker. *Residential Impact Fees in California* (Turner Center for Housing Innovation, UC Berkely, August 2019). https://turnercenter.berkeley.edu/wp-content/uploads/pdfs/Residential_Impact_Fees_in_California_August_2019.pdf

- e) An archive of impact fee nexus studies, cost of service studies, or equivalent, conducted by the city, county, or special district on or after January 1, 2018.

A city, county, or special district must update this information on their website within 30 days of any change. The measure also required cities and counties to request the total amount of fees and exactions associated with the project from a developer after construction, but the developer does not have to respond. The city or county must post this information on its internet website, and update it at least twice per year.

- 4) *More certainty for developers.* This bill seeks to create more public transparency around fees. Specifically, it requires a local government that has an website to create a fee estimate tool the public can use to calculate an estimate of fees and exactions for a proposed housing development project and make the tool available on its internet website. Cities and counties must comply with these requirements on or before July 1, 2031 if they have more than 500,000 residents. Cities or counties at or under 500,000 residents have until July 1, 2032.

This bill also requires HCD to create, on before July 1, 2028, both a fee schedule template and a list of best practices regarding how to present information for fees and exactions. Additionally, the bill allows HCD to create a fee estimate tool that cities and counties can use to comply with the measure's requirements. HCD can contract with nonprofit or academic institutions to complete the fee schedule template, list of best practices, and the fee estimate tool.

- 5) *Incoming!* This bill passed out of Local Government Committee on June 11, 2024 on a 7-0 vote.

RELATED LEGISLATION:

AB 1483 (Grayson, Chapter 662, Statutes of 2019) — required local jurisdiction to disseminate publicly information about its zoning ordinances, development standards, fees, exactions, and affordability requirements, and requires HCD to develop and update a 10-year housing data strategy.

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.

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

**POSITIONS: (Communicated to the committee before noon on Wednesday,
June 26, 2024.)**

SUPPORT:

Abundant Housing LA
California YIMBY
Eden Housing
Housing Action Coalition
Housing Leadership Council of San Mateo County
Housing Trust Silicon Valley
SPUR
YIMBY Action

OPPOSITION:

None received.

-- END --