



## Senator Scott Wiener, 11<sup>th</sup> Senate District

### Senate Bill 937 – Fee Deferral and Entitlement Extension

#### SUMMARY

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Senate Bill 937 seeks to minimize the impact of market fluctuations and high interest rates on housing production by delaying local government development fees and providing additional time after a project has been entitled for specified projects.

#### BACKGROUND

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Local governments may apply fees on development projects if the revenue is utilized for necessary services and improvements for their growing population. These fees range significantly between jurisdictions, with Los Angeles reporting a multifamily development fee of \$12,000 per unit, while Fremont reports \$75,000 according to UC Berkeley's Turner Center For Housing Innovation (Turner Center). Additionally, while the magnitude of development fees varies nationwide, the six jurisdictions with the highest recorded fees are all in California, according to the Wall Street Journal.

Although development fees have long been an established feature of the construction industry, they often make up a sizeable portion of a project budget. According to the California Housing and Community Development Department, when compared to total project costs, these fees can range from 10 to 15 percent.

Whether or not a development fee is required by a local government, these jurisdictions are tasked with reviewing proposals and approving those that are deemed compliant, providing them with an entitlement. While timelines can change

depending on jurisdiction, entitlements are not a permanent authority to develop the proposed project. Rather, if delays occur prior to construction, a project's entitlement may expire.

#### PROBLEM

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While development fees are an expected part of construction, they are nonetheless a burden and barrier to new development. While more comprehensive reform has been shown to have positive results, deferring fees strikes a balance between the developer and local government, providing flexibility for the project while ensuring local services remain funded. According to the Turner Center, the deferral of fees can result in less reliance on pre-development funding, which is often more expensive or difficult to secure.

Entitlement extensions provide similar flexibility to the developer with minimal impact to the local government. While this tool has been used in specific instances, such as during the peak of the COVID-19 pandemic, it is clear that the construction market is still in flux and projects may be disrupted due to changes in financing. This is especially true of high interest rates, which, according to Freddie Mac, hit a two decade high in 2023.

Allowing leeway, both through the deferral of fees and through entitlement extensions, provides a layer of security for desperately needed projects.

## SOLUTION

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Senate Bill 937 seeks to aid the production of new homes by doing the following:

- Delay the payment of development fees imposed by a local government until the first certificate of occupancy or first temporary certificate of occupancy is issued. Additionally, local governments may not charge interest rates on any deferred fees.
- Extend housing entitlements issued prior to Jan. 1, 2024 and set to expire on or before Dec. 31, 2025 by 24 months.

Both of the above provisions apply to designated residential development projects that meet any of the following:

- 100% affordable housing projects
- SB 423 (Wiener, 2023)
- AB 2011 (Wicks, 2022)
- Density Bonus Law
- SB 4 (Wiener, 2023)
- SB 2 (Atkins, 2017)
- Projects 10 units or less

## SUPPORT

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- **California Housing Consortium (Sponsor)**
- **Housing Action Coalition (Sponsor)**
- **CA YIMBY (Sponsor)**
- Apartment Association of Greater Los Angeles
- Bakersfield City Councilmember Andrae Gonzales
- Bay Area Council
- Berkeley City Councilmember Rashi Kesarwani
- California Chamber of Commerce
- California Apartment Association
- California Building Industry Association
- California Community Builders
- California Hispanic Chambers of Commerce

- California Rental Housing Association
- Capitola City Councilmember Alexander Pedersen
- Central City Association
- Claremont City Councilmember Jed Leano
- East Bay YIMBY
- El Cerrito City Councilmember Gabe Quinto
- Fremont for Everyone
- Gilroy City Councilmember Zach Hilton
- Grow the Richmond
- House Sacramento
- Housing Trust Silicon Valley
- How to ADU
- LeadingAge California
- Livable Communities Initiative
- MidPen Housing
- Modesto City Councilmember Chris Ricci
- Mountain View YIMBY
- Napa-Solano for Everyone
- Northern Neighbors
- Peninsula for Everyone
- People for Housing, Orange County
- Progress Noe Valley
- Rand Paster Nelson
- San Francisco YIMBY
- San Luis Obispo YIMBY
- San Mateo City Councilmember Amourence Lee
- Santa Cruz YIMBY
- Santa Monica City Councilmember Jesse Zwick
- Santa Rosa YIMBY
- South Bay YIMBY
- Southside Forward
- Streets for People
- Sunnyvale City Councilmember Alysa Cisneros
- Tuolumne County Supervisor Jaron Brandon
- Urban Environmentalists
- Ventura County YIMBY

## FOR MORE INFORMATION

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