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SB-937 Development projects: fees and charges. (2023-2024)

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CALIFORNIA LEGISLATURE— 2023–2024 REGULAR SESSION

SENATE BILL

NO. 937

**Introduced by Senator Wiener
(Coauthor: Assembly Member Grayson)**

January 17, 2024

An act to amend Section 66007 of the Government Code, relating to land use.

LEGISLATIVE COUNSEL'S DIGEST

SB 937, Wiener. Development projects: fees and charges.

The Mitigation Fee Act regulates fees for development projects, fees for specific purposes, including water and sewer connection fees, and fees for solar energy systems, among others. The act, among other things, requires local agencies to comply with various conditions when imposing fees, extractions, or charges as a condition of approval of a proposed development or development project.

The act prohibits a local agency that imposes fees or charges on a residential development for the construction of public improvements or facilities from requiring the payment of those fees or charges until the date of the final inspection or the date the certificate of occupancy is issued, whichever occurs first, except for utility service fees, which the local agency is authorized to collect at the time an application for utility service is received. The act

exempts specified units in a residential development proposed by a nonprofit housing developer if the housing development meets certain conditions.

This bill would limit the utility service fees exception described above to utility service fees related to connections, and cap those fees at the costs incurred by the utility provider resulting from the connection activities. The bill would extend the above-described exemption for those units in a residential development that meets those conditions to any housing developer.

The act authorizes a local agency to require the payment sooner than the date of the final inspection or the date the certificate of occupancy is issued, whichever occurs first, if specified conditions are met, including if the fees or charges are to reimburse the local agency for expenditures previously made.

This bill would, for designated residential development projects, as defined, prohibit a local agency from requiring payment of fees or charges on the residential development for the construction of public improvements or facilities until the date the first certificate of occupancy or first temporary certificate of occupancy is issued, as specified. The bill would authorize the local agency to require the payment of those fees or charges at an earlier time if certain conditions are met, except as specified. For specified units, the bill would authorize a developer to guarantee payment of certain fees or charges by posting a performance bond or a letter of credit from a federally insured, recognized depository institution. If the developer does not post a performance bond or a letter of credit, the bill would authorize the city, county, or city and county to collect certain fees or charges in accordance with a specified procedure.

If any fee or charge described above is not fully paid prior to issuance of a building permit, the act authorizes the local agency issuing the building permit to require the property owner to execute a contract to pay the fee or charge as a condition of issuance of the building permit, as specified.

This bill would authorize the governing body of a local agency to authorize an officer or employee of the local agency to approve and execute contracts described above, and would require the local agency to post a model form of contract on its internet website, if it maintains an internet website, before requiring execution of a contract under the provisions described above.

Vote: majority Appropriation: no Fiscal Committee: no Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 66007 of the Government Code is amended to read:

66007. (a) Except as otherwise provided in subdivisions (b) and (h), any local agency that imposes any fees or charges on a residential development for the construction of public improvements or facilities shall not require the payment of those fees or charges, notwithstanding any other provision of law, until the date of the final inspection, or the date the certificate of occupancy is issued, whichever occurs first. However, utility service fees related to connections may be collected at the time an application for service is received, provided that those fees do not exceed the costs incurred by the utility provider resulting from the connection activities. If the residential development contains more than one dwelling, the local agency may determine whether the fees or charges shall be paid on a pro rata basis for each dwelling when it receives its final inspection or certificate of occupancy, whichever occurs first; on a pro rata basis when a certain percentage of the dwellings have received their final inspection or certificate of occupancy, whichever occurs first; or on a lump-sum basis when the first dwelling in the development receives its final inspection or certificate of occupancy, whichever occurs first.

(b) (1) Notwithstanding subdivision (a), the local agency may require the payment of those fees or charges at an earlier time if (A) the local agency determines that the fees or charges will be collected for public improvements or facilities for which an account has been established and funds appropriated and for which the local agency has adopted a proposed construction schedule or plan before final inspection or issuance of the certificate of occupancy or (B) the fees or charges are to reimburse the local agency for expenditures previously made. "Appropriated," as used in this subdivision, means authorization by the governing body of the local agency for which the fee is collected to make expenditures and incur obligations for specific purposes.

(2) (A) Paragraph (1) does not apply to units reserved for occupancy by lower income households included in a residential development proposed by a housing developer in which at least 49 percent of the total units are reserved for occupancy by lower income households, as defined in Section 50079.5 of the Health and Safety Code, at an affordable rent, as defined in Section 50053 of the Health and Safety Code. In addition to the contract that may be required under subdivision (d), a city, county, or city and county may require the posting

of a performance bond or a letter of credit from a federally insured, recognized depository institution to guarantee payment of any fees or charges that are subject to this paragraph. Fees and charges exempted from paragraph (1) under this paragraph shall become immediately due and payable when the residential development no longer meets the requirements of this paragraph.

(B) The exception provided in subparagraph (A) does not apply to fees and charges levied pursuant to Chapter 6 (commencing with Section 17620) of Part 10.5 of Division 1 of Title 1 of the Education Code.

(c) All of the following apply to designated residential development projects:

(1) If a local agency imposes any fees or charges on the residential development for the construction of public improvements or facilities, then all of the following conditions apply:

(A) (i) Notwithstanding any other law, the local agency shall not require the payment of those fees or charges until the date the first certificate of occupancy or first temporary certificate of occupancy is issued, whichever occurs first.

(ii) Notwithstanding clause (i), utility service fees related to connections may be collected at the time an application for service is received, provided that those fees do not exceed the costs incurred by the utility provider resulting from the connection activities.

(iii) Clause (i) shall not apply if construction of the residential development does not begin within five years of the date upon which the building permit is issued.

(B) The amount of the fees and charges shall be the same amount as would have been paid had the fees and charges been paid prior to the issuance of building permits, and the local agency shall not charge interest or other fees on any amount deferred pursuant to this paragraph.

(C) If the development contains more than one dwelling, the local agency may determine whether the fees or charges described shall be paid on a pro rata basis for each dwelling when it receives its certificate of occupancy, on a pro rata basis when a certain percentage of the dwellings have received their certificate of occupancy, or on a lump-sum basis when all the dwellings in the development receive their certificate of occupancy.

(D) Notwithstanding any other law, the local agency may withhold a certificate of occupancy or a temporary certificate of occupancy until payment of those fees or charges is received.

(2) (A) Notwithstanding paragraph (1), the local agency may require the payment of those fees or charges at an earlier time if either of the following conditions is met:

(i) The fees or charges are to reimburse the local agency for expenditures previously made to the extent those expenditures have not been paid or reimbursed by another party.

(ii) The local agency determines both of the following:

(I) The fees or charges will be collected for any of the following public improvements or facilities:

(ia) Public improvements or facilities related to providing water service to the residential development.

(ib) Public improvements or facilities related to providing sewer or wastewater service to the residential development.

(ic) Public improvements or facilities related to providing fire, public safety, and emergency services to the residential development.

(id) Roads, sidewalks, or other public improvements or facilities for the transportation of people that serve the development, including the acquisition of all property, easements, and rights-of-way that may be required to carry out the improvements or facilities.

(ie) Construction and rehabilitation of school facilities, if a school district has a five-year plan pursuant to subdivision (c) of Section 17017.5 of Education Code.

(II) An account has been established and funds appropriated for the public improvements or facilities described in subclause (I). "Appropriated," as used in this subclause, means authorization by the

governing body of the local agency for which the fee is collected to make expenditures and incur obligations for specific purposes.

(B) (i) Subparagraph (A) does not apply to units reserved for occupancy by lower income households included in a residential development proposed by a housing developer in which at least 49 percent of the total units are reserved for occupancy by lower income households, as defined in Section 50079.5 of the Health and Safety Code, at an affordable rent, as defined in Section 50053 of the Health and Safety Code. Fees and charges exempted from subparagraph (A) under this subparagraph shall become immediately due and payable when the residential development no longer meets the requirements of this subparagraph.

(ii) The exception provided in clause (i) does not apply to fees and charges levied pursuant to Chapter 6 (commencing with Section 17620) of Part 10.5 of Division 1 of Title 1 of the Education Code.

(iii) (I) The developer may elect to post a performance bond or a letter of credit from a federally insured, recognized depository institution to guarantee payment of any fees or charges that are subject to this subparagraph.

(II) If the developer does not post a performance bond or letter of credit pursuant to subclause (I), the city, county, or city and county may collect any fees and charges subject to this subparagraph that are not paid at the time the first certificate of occupancy or first temporary certificate of occupancy is issued, whichever occurs first, in accordance with the following procedure:

(ia) On or before August 10 of each year, the building official of the local agency shall furnish in writing to the county auditor a description of each parcel of land for which a performance bond or letter of credit has not been posted within the local agency's jurisdiction upon which fees or charges are unpaid and the amount of the unpaid fees or charges.

(ib) The amount of the unpaid fees or charges shall constitute a lien upon the land for which the fees or charges are unpaid.

(ic) The unpaid fees or charges shall be collected in the same manner and at the same time as county ad valorem taxes.

(id) The unpaid fees or charges shall be subject to the same penalties, lien priority, and procedure and sale in case of delinquency that apply to county ad valorem taxes.

(ie) All laws applicable to the levy, collection, and enforcement of county ad valorem taxes shall be applicable to the unpaid fees and charges.

(iv) Clause (iii) does not apply to projects that dedicate 100 percent of units, exclusive of a manager's unit or units, to lower income households, as defined by Section 50079.5 of the Health and Safety Code, and have a recorded regulatory agreement with the California Tax Credit Allocation Committee, the California Debt Limit Allocation Committee, or the Department of Housing and Community Development.

(3) If the local agency does not issue certificates of occupancy for the type of residential developments described in this subdivision, the final inspection shall serve as the certificate of occupancy.

(4) For purposes of this subdivision, "designated residential development project" means a residential development project that meets any of the following conditions:

(A) The project dedicates 100 percent of units, exclusive of a manager's unit or units, to lower income households, as defined by Section 50079.5 of the Health and Safety Code.

(B) The project meets the requirements described in Section 65662.

(C) The project is approved by a local government pursuant to Article 2 (commencing with Section 65912.110) or Article 3 (commencing with Section 65912.120) of Chapter 4.1.

(D) The project meets the requirements described in subdivision (a) of Section 65913.4.

(E) The project meets the criteria described in subdivision (c) of Section 65913.16.

(F) The project is entitled to a density bonus pursuant to subdivision (b) of Section 65915.

(G) The project includes 10 or fewer units.

(d) (1) If any fee or charge specified in subdivision (a) or (c) is not fully paid prior to issuance of a building permit for construction of any portion of the residential development encumbered thereby, the local agency issuing the building permit may require the property owner, or lessee if the lessee's interest appears of record, as a condition of issuance of the building permit, to execute a contract to pay the fee or charge, or applicable portion thereof, within the time specified in subdivision (a) or (c). If the fee or charge is prorated pursuant to subdivision (a) or (c), the obligation under the contract shall be similarly prorated.

(2) The obligation to pay the fee or charge shall inure to the benefit of, and be enforceable by, the local agency that imposed the fee or charge, regardless of whether it is a party to the contract. The contract shall contain a legal description of the property affected, shall be recorded in the office of the county recorder of the county and, from the date of recordation, shall constitute a lien for the payment of the fee or charge, which shall be enforceable against successors in interest to the property owner or lessee at the time of issuance of the building permit. The contract shall be recorded in the grantor-grantee index in the name of the public agency issuing the building permit as grantee and in the name of the property owner or lessee as grantor. The local agency shall record a release of the obligation, containing a legal description of the property, in the event the obligation is paid in full, or a partial release in the event the fee or charge is prorated pursuant to subdivision (a) or (c).

(3) The contract may require the property owner or lessee to provide appropriate notification of the opening of any escrow for the sale of the property for which the building permit was issued and to provide in the escrow instructions that the fee or charge be paid to the local agency imposing the same from the sale proceeds in escrow prior to disbursing proceeds to the seller.

(4) The governing body of a local agency may authorize an officer or employee of the local agency to approve and execute contracts under this subdivision on behalf of the local agency.

(5) Before requiring execution of a contract under this subdivision, the local agency shall post a model form of contract on its internet website, if it maintains an internet website.

(e) This section applies only to fees collected by a local agency to fund the construction of public improvements or facilities. It does not apply to fees collected to cover the cost of code enforcement or inspection services, or to other fees collected to pay for the cost of enforcement of local ordinances or state law.

(f) "Final inspection," "temporary certificate of occupancy," or "certificate of occupancy," as used in this section, has the same meaning as described in Sections 305 and 307 of the Uniform Building Code, International Conference of Building Officials, 1985 edition.

(g) Methods of complying with the requirement in subdivision (b) that a proposed construction schedule or plan be adopted, include, but are not limited to, (1) the adoption of the capital improvement plan described in Section 66002, or (2) the submittal of a five-year plan for construction and rehabilitation of school facilities pursuant to subdivision (c) of Section 17017.5 of the Education Code.

(h) A local agency may defer the collection of one or more fees up to the close of escrow. This subdivision shall not apply to fees and charges levied pursuant to Chapter 6 (commencing with Section 17620) of Part 10.5 of Division 1 of Title 1 of the Education Code.