



FACT SHEET FOR AB 2186 (Grayson) TO REDUCE THE COST OF AFFORDABLE HOUSING THROUGH IMPACT FEE WAIVERS

Problem: According to the [Roadmap Home 2030](#), California needs to build 1.2 million new affordable homes, 120,000 per year, to meet the needs of low-income families over the next ten years. Yet California has never produced more than 20,000 new affordable rental homes in any year. An important factor inhibiting increased production is the high impact fees local governments charge all new development to address infrastructure needs. The Turner Center at UC Berkeley has found that California's fees are especially high and can exceed \$150,000 per unit, not including utility fees.¹ A [2014 California Affordable Housing Cost Study](#) found that development impact fees and lesser permitting fees represent on average 6% of the total cost, net of land, of an affordable housing development. These impact fees are particularly problematic for the builders of affordable homes as they significantly increase the need for scarce public funds, money that could otherwise fund the development of additional affordable homes.

Solution: AB 2186 encourages cities and counties to waive or reduce impact fees for affordable rental housing developments by creating the Housing Cost Reduction Incentive Program to reimburse them 50% of the value of fee waivers or reductions granted. This bill will significantly reduce the cost of development and allow for available subsidies to support increased production of affordable rental homes. By providing local governments with access to an incentive pool, the state can accelerate the adoption of local impact fee waiver and reduction programs enabling the production of more lower-cost affordable homes. In the event that incentive claims exceed appropriations in any given year, awards to cities and counties would be pro-rated.

Sponsor: The California Housing Partnership

¹ [Residential Impact Fees in California](#), August 7, 2019, Turner Center

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