Newsletter | Summer 2026

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Update on Public Law

Fiscal Bills on the Governor's Desk

By Michael G. Colantuono, Esq.

Local fiscal authority is framed by an ongoing dialogue of initiative constitutional amendments, court decisions, and legislative clarifications. As usual, the end of the legislative session brings news.

First, some good news. The Governor signed SB 922 (Laird, D-Sta. Cruz), which reverses the *Rogers v. Redlands* decision that interpreted an earlier statute to bar utility fees (solid waste fees in Redlands' case) from recovering costs to repair damage to public streets caused by utility services. Starting January 1, 2027, it will again be lawful to consider such costs in ratemaking. Given how soon the new year will be upon us, agencies should take this new law into consideration in current rate-making efforts.

Two other helpful laws are on the Governor's desk as this article is written, with decision due by late September. SB 1172 (Hurtado, D-Bakersfield) regulates those who assist cities and counties in negotiating sales tax rebate agreements by which vendors relocate a sales office into a community, reporting online and other sales there, generating large sales tax receipts for the host community, in exchange for a rebate of some of the tax. This bill would cap commissions to such agents at the lesser of 5 percent or $250,000. It is motivated by continuing controversy over arrangements in Dinuba and elsewhere, which have paid very large sums over long periods to those who negotiated such deals.

AB 2180 (Ward, D-San Diego) responds to continued litigation over tiered water rates, which become progressively more expensive as water use grows. It is the Legislature's third attempt to aid utilities that wish to use such rates to spread costs to those who make them necessary and to discourage waste. With or without this bill, attention will remain focused on *Dreher v. Los Angeles Department of Water and Power*. CHW successfully defended LA's tiered rates in that case, but the California

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Congratulations, Holly Whatley!

The Public Law Section of the California Lawyers Association announced that CHW's Co-Managing Shareholder Holly O. Whatley will receive the Outstanding Achievement in Public Law Award at its Fall conference. The Award recognizes an individual or team for a recent exceptional accomplishment that has improved the lives of Californians through the representation of a local, state, or federal government entity. Three of Holly's mentees nominated her for recent wins in the U.S. Supreme Court and 9th Circuit upholding San Diego County's Supervisorial districts and Oxnard's campaign contribution limits. They also cite Holly's advocacy for women lawyers and judges.

Congrats, Holly! Everyone at CHW is proud of you!

AB 179 Incentivizes Lower Development Impact Fees

By Mihir A. Karode, Esq.

AB 179, sponsored by the Assembly Budget Committee, takes effect July 1, 2027 to incentivize cities and counties to reduce development impact fees by prioritizing those that do for competitive funding for affordable housing.

It follows the July 1, 2026, establishment of the California Housing and Homelessness Agency to replace the former Business, Consumer Services, and Housing Agency to include the Department of Housing and Community Development, the Housing Development Finance Committee, and other housing agencies.

Health and Safety Code § 50160 will require the California Housing and Homelessness Agency to consider a city's or county's "quantifiable in-kind local contributions" when awarding affordable housing funds. Such contributions can include waiver, reduction, exemption, or deferral of development impact fees, in-lieu affordable housing fees ("linkage fees"), taxes on new construction, and public art and parkland in-lieu fees.

State agencies must weigh in-kind local contributions when evaluating applications to encourage cities and counties to lower development impact fees on state-funded affordable housing projects.

AB 179 also creates a financial consequence when a city chooses not to waive qualifying fees. Under Health and Safety Code § 50161, if a city or county is the lead applicant for an affordable rental or ownership development and does not commit to waiving development impact fees, the awarding state entity must generally reduce the award by the amount of those fees. Funds awarded as formula allocations or block grants are excluded from this requirement, as is funding to house people experiencing or at risk of homelessness.

Not every development impact fee is covered by the law. Among its exclusions are fees imposed by local agencies other than a city or county (like utility districts). Utility capacity and connection fees and charges are also excluded. Cities and counties may continue to charge those fees without risking housing funding or an offset against an award. Reciprocally, cities and counties may not reduce or waive these exempt fees, or fees from which a project is exempted by the Density Bonus Law, to increase their in-kind local contributions.

The takeaway is straightforward: development impact fee policy may soon affect not only the cost of an affordable housing project, but also its competitiveness for state funding. Cities and counties pursuing state affordable housing funds will now be required to evaluate fee waivers, reductions, exemptions, and deferrals early in the project and funding process.

And, of course, cities and counties cannot simply waive development impact fees without replacing them. Impact fees amount to a bargain with payors – they pay their fair share of development-serving infrastructure costs and government provides that infrastructure. Statutes and the takings clause forbid local agencies to charge anyone more than their fair share of such fees. So, if someone does not pay at all, that implicit subsidy must be funded from discretionary resources – competing with core local services like police, fire, street maintenance, parks, libraries, etc.

Development impact fees grew after Proposition 13's significant reduction in property taxes. As local governments can no longer afford to subsidize development, most ask development to pay its way. Now, the Legislature asks local government to subsidize housing as a condition of state housing funding. This amounts to a net reduction in funding for housing, not a magic subsidy that causes hard costs to disappear.

Those who regret the need for development impact fees might consider the plight of countries (New Zealand comes to mind) that cannot achieve the development they desire for a lack of infrastructure – and a way to fund it.

For more information on this subject, please contact Mihir at MKarode@chwlaw.us or 916.898.9256.

Fiscal Bills on the Governor's Desk

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Supreme Court granted review. Decision is likely in 2027.

Finally, the ballot box. Although the state Supreme Court kept a wide-reaching initiative off the 2024 ballot as taking too much fiscal power from state and local governments to be a constitutional amendment (which cannot be achieved by initiative), parts of it have returned in a measure sponsored by the Howard Jarvis Taxpayers Association. Originally drafted to rescind LA's controversial Measure U-LA and other special taxes approved without a two-thirds vote and documentary transfer taxes above the state statute's $0.55 per $500 in value, it was amended in a legislative bargain to apply only prospectively and only to special taxes and ad valorem property taxes (i.e., those on assessed value). It appears on the November 3, 2026 ballot as Proposition 43. It has attracted vigorous opposition.

As always, the end of the legislative session and the statewide general election will be consequential for local government finance. Stay tuned!

For more information on this subject, please contact Michael at MColantuono@chwlaw.us or 530.432.7357.

Statute Limits Local Cooperation with ICE

By Heather L. Stroud, Esq.

On July 1, 2026, the California Attorney General issued a model policy limiting local assistance to federal immigration authorities under SB 580 (Durazo D-LA). Codified as Government Code § 12532.5, the law expands the requirement to adopt such policies as to sensitive locations such as hospitals, schools, courts, libraries, and shelters, to all state and local agencies, including cities, counties, and special districts. The Legislature has declared this a matter of statewide concern applicable to charter cities. Local agencies must adopt the model policy or an equivalent by January 1, 2027.

The model policy includes guidelines for:

- Responding to attempts by immigration authorities to access agency facilities, distinguishing public from nonpublic areas, and requiring a judicial warrant to access nonpublic areas.
- Responding to requests for data, including those made under the Public Records Act, as part of a federal grant program, or by judicial subpoena or court order.

Under the model policy, agency counsel has a central role advising on these matters.

SB 580 builds on the California Values Act (SB 54), which bars California law enforcement agencies from using agency resources for immigration enforcement. These laws are intended to maintain trust between state and local governments and communities which include many immigrants, protect privacy, and husband limited state and local resources.

While SB 580 contains no enforcement provisions, the model policy reflects the Attorney General's expectations of local agencies and disregarding them may carry political risk. Agencies should evaluate the model policy and consider whether to adopt it or something like it given legal and contractual obligations, operational constraints, and risk tolerance.

For more information on this subject, please contact Heather at HStroud@chwlaw.us or 916.898.9890.

SB 634: New Limits on Homeless Encampment Aid

By Matthew T. Summers, Esq.

A new state law took effect January 1, 2026, to narrow California cities' authority to regulate homelessness — though it is more targeted than originally proposed.

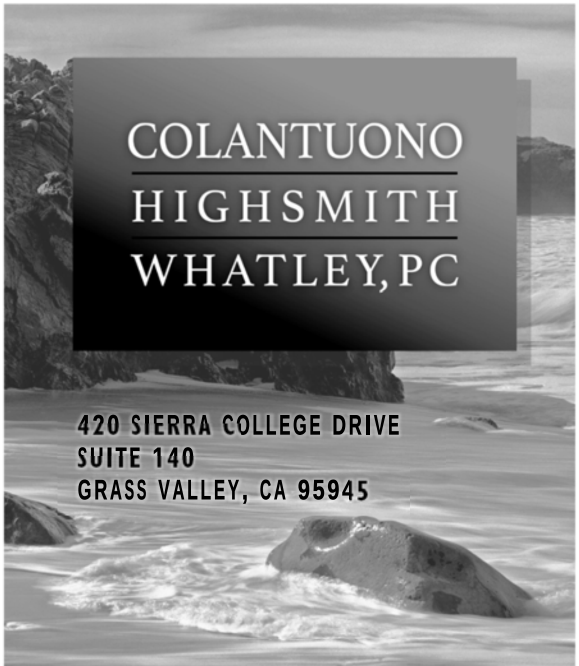
SB 634 (Pérez, D-Pasadena) began as an ambitious measure to bar cities from citing or arresting people for sleeping outdoors. Facing strong pushback from cities and law enforcement, Senator Pérez scaled the bill back significantly. As enacted, the law remains consequential: cities may no longer bar people from providing homeless residents with legal services, medical care, or material support such as food, water, blankets, and tents — even residents of an unpermitted encampment. The bill declares homelessness a matter of statewide concern, reinforcing the State's growing willingness to preempt local laws.

The law was sparked by local controversies. In 2025, Fremont briefly classified aiding, abetting, or concealing an illegal encampment as a misdemeanor, although its Council later repealed the provision. Reaction split along familiar lines: the author described the bill as a common-sense protection for nonprofits and faith-based groups, while San Bernardino County argues it strips cities of tools to protect public safety.

SB 634 follows increased enforcement following the U.S. Supreme Court's 2024 *Grants Pass* decision, which expanded local authority to cite and arrest people for sleeping outside. SB 634 doesn't reduce that authority directly, but it does limit how cities can treat the people and organizations supporting encampment residents.

Local agencies should review local ordinances — including nuisance, camping, or "aiding and abetting" provisions — that could be read to penalize outreach workers, medical providers, or those distributing supplies to the unhoused. Cities and counties that adopted enforcement measures in response to *Grants Pass* should confirm those measures don't reach the service providers SB 634 now protects.

For more information on this subject, please contact Matt at MSummers@chwlaw.us or 213.542.5719.



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