

SB 543 Clarifies Accessory Dwelling Unit Limitations for School Impact Fees

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As of January 1, 2026, accessory dwelling units (ADU) or junior accessory dwelling units (JADU) are not “new residential construction” for purposes of assessing school impact fees, even if they are detached from the primary residence. Senate Bill (SB) 543 clarifies that ADUs and JADUs with 500 square feet or less of interior livable space are not subject to school impact fees. SB 543 also clarifies that a local agency, special district, or water corporation cannot assess impact fees on JADUs. Characterized as a “clean-up bill” by the bill’s author, SB 543 makes various technical, organizational, and clarifying changes to ADU and JADU law.

Background: ADUs, JADUs, and Developer Fees

ADU and JADU law has seen substantial changes between 2016 and 2024, most of which indicate a preference towards lowering the barriers to development. For more information on the most recent changes see, [The Ongoing Evolution of State ADU Laws](#) and [California Legislature Amends Multiple Housing Laws in Budget Trailer Bill](#). In 2024, SB 477 consolidated ADU and JADU law into chapter 13, division 1, title 7 of the Government Code.

Government Code section 66313 provides the relevant definitions. ADUs are secondary residential units attached or detached to a primary residential unit, with a “complete independent living facility,” on the same lot with an existing primary residence. JADUs are smaller residential dwelling units, less than 500 square feet, created within an existing single-family or multi-family residence.

Education Code section 17620 permits school districts to levy a school impact fee on “new residential construction,” subject to limitations imposed by the Mitigation Fee Act (the Act), to help offset the impacts on school facilities from students generated by residential construction.

School districts may also levy fees on “other residential construction” that increases “assessable space” by more than 500 square feet. Assessable space includes the area within the perimeter of a residential structure, but does not include features outside the perimeter such as garages, carports, or other detached accessory structures.

Additionally, Government Code section 66311.5 (formerly section 66324), prohibits local agencies, special districts, and water corporations, from imposing impact fees on ADUs less than 750 square feet. Before SB 543, the law did not address whether JADUs are included in the prohibition or whether the 750 square foot limitation was inclusive of the entire ADU footprint.

What SB 543 Clarifies for School Districts

Prior to January 1, 2020, there was no express limitation on the ability of a school district to impose school impact fees on ADUs. School districts had to assess whether the ADU or JADU qualified as “new residential construction” or “other residential construction” under the Education Code to determine whether the school district could levy school impact fees. Some school districts treated standalone detached ADUs as new residential construction because school impact fees for “other residential construction” are determined by the “assessable space in the same residential structure.” Furthermore, Government Code section 65995 defines “assessable space” as square footage within a residential structure, but does not include detached accessory structures. Therefore, some school districts considered detached ADUs that were not in the same structure as new residential construction and collected developer fees on the entire development.

SB 13 and related bills further clouded the issue of how school districts should levy school impact fees on ADU and JADU development, by prohibiting *some* local agencies from collecting impact fees on ADUs less than 750-square feet. While SB 13’s legislative history referred to school districts in several instances, ultimately, a school district was not included in the definition of a “local agency.” ADU and JADU law define a local agency as a city, county, or city and county.

Accordingly, prior to the passage of SB 543, two things were unclear for school districts: (1) whether the legislature intended to impose the 750-square-foot ADU limitation on school districts in addition to cities, counties, special districts, and water corporations; and (2) whether a detached ADU qualified as “new residential development,” for which school impact fees can be charged for the entirety of the development, or “other residential development,” for which school impact fees can be charged only if the development exceeds 500 square feet of assessable space. SB 543 resolves these ambiguities.

First, the Legislature did not add school districts to the definition of “local agency” or the list of public agencies in Government Code section 66311.5, subdivision (c), that are restricted from imposing fees on ADUs under 750 square feet. Second, SB 543 added subdivision (c)(3) to Government Code section 66311.5, which expressly states that for purposes of school impact fees authorized by the Education Code, an ADU or JADU containing less than 500 square feet of “interior livable space” is considered “other residential construction.” Since the definition of ADUs includes both detached and attached residential dwelling limits, its limitation applies to both ADU types. Thus, SB 543 harmonizes the Government Code and the Education Code with respect to limits on levying school impact fees on construction of ADUs or JADUs 500 square feet or less. As a result, school districts can continue to impose fees on ADUs over 500 square feet.

What SB 543 Changes for Other Local Agencies

For local agencies, special districts and water corporations imposing impact fees on residential construction, SB 543 also clarifies that the 750 square foot limitation applies to interior livable space as opposed to the entire construction footprint. Additionally, impact fees cannot be levied on JADUs since JADUs by statutory definition are no more than 500 square feet of interior livable space. The bill also amends Government Code section 66317 to clarify the time a permitting agency must review a building permit application for an ADU, inform the applicant whether the application is incomplete, allow the applicant to cure and correct the deficiencies in the application and then make an ultimate determination. An application is deemed complete if the permitting agency fails to make a timely determination of completeness.

Practical Takeaways for School Districts

Because SB 543 took effect January 1, 2026, school districts should ensure their current fee collection practices are aligned with the updated statutory framework. School district staff may wish to take the following steps:

- **Review developer fee practices and administrative procedures.** Ensure that staff understand which ADUs and JADUs are exempt from fees under the new law.
- **Update fee justification studies as appropriate.** School districts should consult with their facilities planners to assess whether the change in law impacts the school district's projections regarding residential development impacts to school facilities.
- **Coordinate with local planning departments.** Improved communication may help school districts track ADU activity and plan for potential student increases.

Conclusion

California's evolving ADU laws continue to shift the balance between the desire to spur housing development and local agency control. SB 543 represents another step in that evolution, but is also one of many ADU related bills enacted in the 2025-26 legislative session. In January 2026, the Department of Housing and Community Development (HCD) issued an addendum to its Accessory Dwelling Unit Handbook that summarizes legislation that went into effect since the handbooks last publication in January 2025. HCD's ADU Handbook can be accessed [here](#).

If you have questions about SB 543, developer fees, or ADU and JADU law, please contact the authors of this Client News Brief or an attorney at one of our [eight offices](#) located statewide. You can also subscribe to our [podcast](#), follow us on [Facebook](#) and [LinkedIn](#), or download our [mobile app](#).

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