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Sheetz v. County of El Dorado on Remand: Court of Appeal Upholds Impact Fees Imposed on Project Based on Nexus Study for Fee Schedule for Applicable Class of Projects

Pursuant to a California Court of Appeal decision issued last week—*Sheetz v. County of El Dorado*, 2025 WL 2116363, decided on remand from the Supreme Court—a local government may refute a *Nollan/Dolan* takings claim alleging that impact fees imposed as a condition of project approval, pursuant to a previously adopted fee schedule for classes of projects, by relying on a nexus study that had been prepared for adoption of the applicable fee schedule.

The governing bodies of local agencies commonly take legislative actions (ordinances and resolutions) to adopt development impact fees pursuant to the Mitigation Fee Act, relying on analysis in nexus studies to show that the fees have a reasonable relationship to mitigation of the impacts of new development. The legislative action typically measures impacts of new development within categories of similarly situated types of projects (e.g., distinguishing single-family residential, commercial, and industrial uses) that require the construction of public facilities (e.g., streets and parks) to be funded with development impact fees. After the legislative action is taken by the governing board to establish the fee amounts, the local agencies impose those impact fees as conditions of approving individual development projects.

Prior to the United States Supreme Court’s decision in *Sheetz v. County of El Dorado* (2024) 601 U.S. 267, imposition of such impact fees on projects, pursuant to previously approved legislation and nexus studies, could not be subject to inverse condemnation (takings) lawsuits claiming that the impact fees unconstitutionally exact property without just compensation. In *Sheetz*, the Supreme Court rejected that rule, holding that the Fifth Amendment’s Takings Clause requires local governments to satisfy the nexus and rough proportionality standards at the project level, even if the government adopted the fees by legislation to apply to classes of similarly situated projects.

But the Supreme Court expressly left open the question of whether project class-based evidence was sufficient to satisfy the rough proportionality standard. That is, whether the local government may

satisfy essential nexus and rough proportionality standards for an individual project based on evidence in the fee program establishing the required connection between (a) the impacts of a class of projects in which the project is included, and (b) the public facilities required to mitigate those impacts and the corresponding costs to provide those facilities. (See our prior summary at <https://www.bwslaw.com/news/public-law-update-takings-claim-may-be-filed-to-challenge-development-impact-fees-imposed-pursuant-to-legislation-supreme-court-rules/>)

In a decision issued on remand on July 29, 2025, the Third District Court of Appeal extensively analyzed the Supreme Court's decisions in *Sheetz* and prior precedents evaluating unconstitutional exactions (commonly known as the *Nollan/Dolan* doctrine), including *Nollan v. California Coastal Commission* (1987) 483 U.S. 825, *Dolan v. City of Tigard* (1994) 512 U.S. 374, and *Koontz v. St. Johns River Water Management Dist.* (2013) 570 U.S. 595. The Court of Appeal determined that the Supreme Court precedents support the conclusion that local governments may satisfy essential nexus and rough proportionality standards, when suit is filed as to imposition on a particular project, by demonstrating that the legislatively adopted fee program establishes an essential nexus and rough proportionality between the impact fees and the applicable class of projects.

Further, with respect to the rough proportionality standard, the Court of Appeal closely analyzed the Supreme Court's reasoning in *Dolan v. City of Tigard*—which established this standard—as well as the reasoning of California courts that have refined the Mitigation Fee Act's reasonable relationship standard. The Court of Appeal ultimately concluded that the Takings Clause's rough proportionality and the Mitigation Fee Act's reasonable relationship standards are functionally equivalent.

After thoroughly analyzing these issues, the Court of Appeal considered whether the County of El Dorado unconstitutionally exacted \$23,420 from Mr. Sheetz when it imposed a traffic impact fee in this amount as a condition of approval of his single-family home project, pursuant to a legislatively approved program of traffic impact fees for single-family home projects. The Court held that the County satisfied the constitutionally required essential nexus and rough proportionality requirements, pursuant to the evidence supporting the adoption of traffic impact fees on similarly situated single-family home projects pursuant to the Mitigation Fee Act. Accordingly, the Court of Appeal affirmed the Superior Court's dismissal of Mr. Sheetz's inverse condemnation cause of action.

Thus, a local government may rely on nexus studies prepared for the adoption of fee schedules for classes of projects, pursuant to the Mitigation Fee Act, to refute a *Nollan/Dolan* takings claim alleging that

the impact fees, imposed by the local government as a condition of project approval, lack nexus and rough proportionality to impacts caused by that specific project. But whether that evidence is sufficient can only be decided on a case-by-case basis, and we thus recommend consulting with your counsel when imposing fees on projects.

Sheetz v. County of El Dorado (July 29, 2025) __ Cal.App.5th __, 2025 WL 2116363.

Attorneys at Burke regularly advise clients on legal matters related to compliance with the *Nollan/Dolan* Doctrine and the Mitigation Fee Act.

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