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Rashi Kesarwani
Councilmember, District 1

CONSENT CALENDAR
September 15, 2026

TO: Honorable Mayor and Members of the City Council

FROM: Councilmember Rashi Kesarwani (Author)

SUBJECT: Referral for an Information Report Assessing all Housing Related Impact, Development and Local Parcel Tax Fees to Provide Guidance and Better Understand the True and Total Costs of Developing Housing of All Types in the City of Berkeley

RECOMMENDATION

Referral to the City Manager to direct Planning staff to prepare a comprehensive housing fee study to be presented to Council as an information report that would:

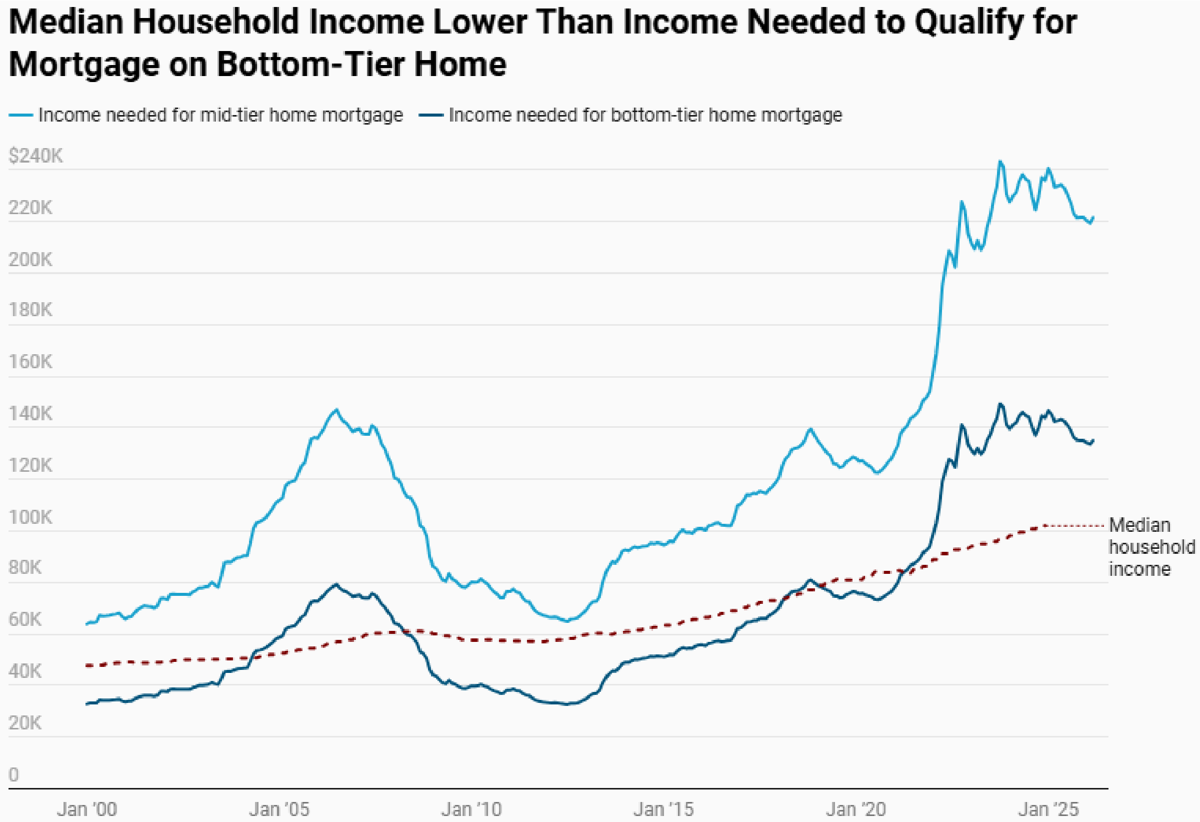
1) Collect Fee and Parcel Tax Data from Berkeley and other cities to create a housing production comparison matrix. Information should include a summary of categories, amounts, and bases for calculating impact fees, other development fees, and parcel taxes in all cities in the matrix; and
2) Calculate local fee and parcel tax costs for housing development prototypes. Information should include the total fee burden applicable to several multifamily housing prototypes (examples could include fourplex/town homes; 10 unit small multifamily; 8-story midrise; 18-story high-rise) and estimate each selected jurisdiction's approximate applicable amount of impact fee, other development fee, and parcel taxes for the respective prototypes.

CURRENT SITUATION AND ITS EFFECTS

California Home Prices Exceed the Rest of the Country and Homeownership Rates are Among the Lowest Nationwide.[1] According to the Legislative Analyst's Office's California Housing Affordability Tracker, home prices in this state continue to

[1] The US Economic Development Administration listed California 49 lowest out of 51 (including District of Columbia) for homeownership rates in 2025: https://www.statsamerica.org/sip/rank_list.aspx?rank_label=hou20

be much higher than in the rest of the US.[2] At the same time, California incomes have not kept pace with the rising costs of home prices despite the somewhat stabilized housing cost over the last few years. The report found that the annual household income needed to purchase a mid and a bottom-tier home was significantly higher than the median household income, as highlighted in the chart below:



Source: LAO's California Housing Affordability Tracker (1st Quarter 2026): https://lao.ca.gov/LAOEconTax/Article/Detail/793

As housing is typically the largest expenditure for most households, reducing the costs of housing production has been a key policy goal of state and local politicians and a key element of making the state a more affordable place to live.

Housing Costs in California are High, In Large Part Due to Production Costs. This is true for multifamily housing and single-family homes, both market rate and affordable. Production costs directly influence the costs of both purchasing and renting homes; the higher the production costs, the higher the break-even costs to reach financial viability. High production costs similarly result in less affordable housing built as the gap between break-even rents and the restricted rents that tenants are required to pay increases, resulting in higher required operating

[2] LAO's California Housing Affordability Tracker, April 20, 2026: https://lao.ca.gov/LAOEconTax/Article/Detail/793

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subsidies. Thus, the public funds for producing affordable housing in California yield fewer units built. A 2025 Rand report analysed multifamily housing production costs in California, Colorado and Texas and found that the average market-rate apartment in California – the most expensive of the states for multifamily housing production in all cost categories – is roughly two and a half times the cost of producing a similar sized unit in Texas. This study found several contributing factors to California's high production costs. Among them are:

- Longer production timelines: in California, the amount of time to bring a project to completion is more than 22 months longer than the average time required in Texas;
- Requirements for affordable housing developers in California to pay large architectural and engineering fees, likely related to prescriptive design requirements, as well as above-market wages; and notably
- Municipal impact and development fees: in Texas they are on average $1,000 per unit; in Colorado they are on average $12,000 per unit; and in California they are on average $29,000 per unit.[3]

While our state and local politicians have valiantly adopted several policy solutions that make it easier to create more infill housing, the financing piece of the equation continues to constrain production. Having a better understanding of the contributing factors to high production costs could help guide Berkeley City Council's policy recommendations for future housing developments.

While Development and Impact Fees Offset Administrative and Public Costs of New Development… Generally speaking, development and impact fees are levied on contractors and developers to offset administrative costs for related applications, permits and reviews, and to mitigate the effects of new growth on public services, amenities and infrastructure. These fees apply to both market-rate and affordable housing and commercial projects. Some cities, like Berkeley, have adopted specific affordable housing mitigation fees that developers are required to pay to help fund the development of affordable housing, either on-site or elsewhere within the City. This is one of the primary ways Berkeley adds to our stock of affordable housing. Developers can choose to either set aside 20 percent of the units to rent or sell at an affordable level or pay an in-lieu fee into our housing trust fund that can only be used for building affordable units elsewhere in the city. Other types of imposed impact fees in Berkeley help fund a range of important infrastructure expansions such as sewer systems, and amenities such as public art. These fees help pay for an array of community benefits such as:

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[3] Ward, Jason M and Schlake, Luke, "The High Cost of Producing Multifamily Housing in California," Rand, Research Summary, April 2, 2025: https://www.rand.org/pubs/research_reports/RRA3743-1.html

- Affordable childcare
- Public Art
- Streets and Open Space Improvement Plans (SOSIP)
- Sewer connection fees
- BUSD School facility fees

…They Can Also Significantly Increase Costs of Housing Production. While development and impact fees can be an extremely useful source of revenue, the numerous types of fees, when added up, can significantly increase production costs. In 2018 The Terner Center published a study entitled: "It All Adds Up: The Cost of Housing Development Fees in Seven California Cities" that chose to look at Berkeley in addition to six other cities and found that "development fees are usually set without oversight or coordination between city departments, and the type and size of impact fees levied **vary widely** from city to city." The study also noted that "Individual fees add up and substantially increase the cost of building housing."[4] Having a clear understanding of the different types of fees as well as the total fee burden on developers will provide both City Council and the general public a clearer understanding of why development in Berkeley remains so costly and provide potential access points to lower those costs.

BACKGROUND

The City of Berkeley updated its list of development fees and affordability requirements for potential projects as recently as June 2025.[5] It also has a webpage solely devoted to Planning and Development Fees that includes a comprehensive list of fees charged by the various different Planning Divisions (Building and Safety, Land Use Planning, Toxics Management, and the Office of Energy and Sustainable Development) as well as other City departments relevant to building projects (Public Works Engineering and Transportation, and Fire Department Plan Check).[6] This webpage and the associated fee schedule was updated and effective as recently as July 2025. However, the fee schedule does not include the full range of impact, mitigation or in-lieu fees that have been enacted by City Council, as noted on the webpage itself. To date, there is no single document that aggregates the range of

[4] Mawhorter, Sarah, Garcia, David and Raetz, Hayley, UC Berkeley Terner Center for Housing Innovation: "It All Adds Up: The Cost of Housing Development Fees in Seven California Cities," March, 2018: https://ternercenter.berkeley.edu/wp-content/uploads/2020/12/Development_Fees_Slide_Deck_Final_1.pdf , p. 3.

[5] For the most up-to-date list of City of Berkeley Development Fees and Affordability Requirements to which Berkeley projects may be subject see this list found on the City's webpage on Understanding Impact Fees: https://berkeleyca.gov/sites/default/files/documents/List%20of%20devt%20fees%2C%20current_0.pdf

[6] City of Berkeley Website, Planning and Development Fees: https://berkeleyca.gov/construction-development/permits-design-parameters/permit-process/planning-and-development-fees

different types of fees that may be required of different types of development projects and that charts the total fee burden for different types of housing.

More recently, cities throughout the state have begun evaluating and at times waiving or reducing impact and affordable housing fees as a way to close financing gaps, and particularly to incentivize more affordable housing production.[7] Examples of such efforts include:

- Oakland: adopted amendments to the City's Impact Fee Program to promote housing development, eliminating the Affordable Housing Impact Fee in Impact Fee Zone 3 through the end of Fiscal Year 2027-28 (July 2025).[8]
- San Leandro: adopted a resolution to exempt Accessory Dwelling Units (ADUs) from the City's Development Fees for Street Improvements and also waived or reduced Park Land Acquisition and Improvement Fees, also for ADUs (July 2025).[9]
- Sacramento: adopted a new program that provides a zero-dollar impact fee rate for new development of eligible affordable housing units called the "Reduced Residential Development Impact Fees for Affordable Dwelling Units" (May 2019).[10]
- San Francisco: approved the Housing Stimulus and Fee Reform Plan reducing inclusionary housing requirements on new and already approved development projects and deferring development impact fees (July 2023).[11]
- San Jose: adopted a resolution reducing the Inclusionary Housing Ordinance in-lieu fees to $0 for eligible projects for the temporary Multifamily Housing Incentive Program that include at least 5% of units onsite at up to 100% area median income; and realigned parkland in-lieu fees (December 2024).[12]

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[7] See, for instance, Generation Housing's Action Plan: Incentivize Affordability Policy Brief, 2024: https://generationhousing.org/wp-content/uploads/2024/10/HousingActionPlan_IncentivizeAffordability.pdf

[8] CIty of Oakland, Impact Fees Update: City Council Adopts Impact Fee Amendments, July 16, 2025: https://www.oaklandca.gov/News-Releases/Planning-Building/Impact-Fees-Update-City-Council-Adopts-Impact-Fee-Amendments

[9] City of San Leandro Development Impact Fee Update, July 21, 2025: https://www.sanleandro.org/1475/Development-Impact-Fee-Update

[10] City of Sacramento Staff Report: Evaluation of Reduced Residential Development Impact Fees for Affordable Dwelling Units; August 9, 2022 City Council Meeting, Discussion Item 31: https://sacramento.granicus.com/MetaViewer.php?view_id=22&clip_id=5335&meta_id=693032

[11] SF.gov News: "Mayor Breed & President Peskin's Housing Stimulus and Fee Reform Plan Approved by Board of Supervisors, July 25, 2023: https://www.sf.gov/news--mayor-breed-president-peskins-housing-stimulus-and-fee-reform-plan-approved-board-supervisors

[12] December 10, 2024 Minutes, City of San Jose City Council Meeting, item 8.2: Multifamily Housing Incentive Program and North San Jose Parks Fee Realignment: https://www.sanjoseca.gov/home/showpublisheddocument/120944/638815425510830000

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- El Cerrito: adopted a resolution modifying the Inclusionary Housing Requirements, Transportation Impact Fee, and Open Space In-Lieu Fee for housing projects with active building permit applications (September 2025).[13]

FISCAL IMPACT
Staff time to draft the information report.

RATIONALE FOR RECOMMENDATION
Berkeley, like neighbouring cities and cities throughout the state, imposes fees as a way to offset administrative costs and fund key priorities such as improvements to schools, parks and other infrastructure projects, as well as to build affordable housing. While these fees may be necessary, they also add to the cost burden on housing production, making many projects significantly less financially feasible. This item is requesting an information report that the City Council can use to guide future policy decisions to make informed decisions when incentivizing more housing production of all kinds.

ENVIRONMENTAL SUSTAINABILITY
Incentivizing particularly infill housing close to transit aligns with the City's Climate Action Plan to reduce greenhouse gas emissions.

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[13] El Cerrito City Council meeting September 16, 2025, agenda item number 9 E: Modifications to the applicable Inclusionary Housing Requirements, Transportation Impact Fee and Open Space In-Lieu Fee for Housing Projects with Complete Building Permit Applications: https://elcerritoca.portal.civicclerk.com/event/584/files/report/2043

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