



City Manager's Office

October 2, 2026

To: Honorable Mayor and Members of the City Council

From: Paul Buddenhagen, City Manager *RS*

Re: Referral Response: Analysis of Impact Fees and Parcel Taxes Affecting Housing Development Feasibility

This memo responds to a City Council referral adopted on September 15, 2026, which requested a report evaluating housing-related impact and development fees and parcel taxes across multiple jurisdictions, and the total fee burden on several multifamily housing prototypes. The attached report, prepared for the City by Strategic Economics in summer 2026, provides this analysis.

Overview of the Study

Strategic Economics, an economics consulting firm based in Berkeley, conducted a comparative review of Berkeley's one-time development impact fees, local requirements, and annual property taxes and fixed charges, measured against six peer cities: Oakland, San Francisco, Fremont, Palo Alto, Santa Monica, and Sacramento. The analysis focuses on how these costs affect multifamily development feasibility.

The study includes four building prototypes representing a range of densities, from a fourplex/townhome to an 18-story high-rise. For each prototype and each city, Strategic Economics catalogued applicable impact fees, affordable housing requirements, sewer/wastewater fees, public art requirements, and other local charges. The study also evaluated annual operating costs attributable to property taxes, parcel taxes, and fixed assessments using recent tax bill data. The analysis incorporated Berkeley-specific provisions, including the healthcare and apprenticeship requirements established in Berkeley Municipal Code 13.107 (the "HARD HATS" ordinance).

Key Findings

- **Overall Fee Burden:** Berkeley's average development impact fee burden is generally in the mid-range of the comparison cities. For lower-density prototypes, Berkeley's costs are comparatively modest, versus the sampled peer cities, due to the affordable housing fee exemption for smaller buildings.
- **Higher-Density Development:** For mid-rise and high-rise prototypes, Berkeley's total economic burden rises substantially and is among the highest in the

comparison set, largely driven by the affordable housing requirement and, for the mid-rise prototype, the HARD HATS ordinance.

- **Impact Fee Structure:** Berkeley has fewer categories of impact fees than some comparison cities with lesser amounts (e.g., no citywide parks, transportation, or public safety impact fees) but has comparatively higher fees for public art and affordable housing.
- **Annual Charges:** Berkeley's property taxes, parcel taxes, and fixed charges produce the highest annual per-square-foot burden among the comparison cities, largely due to unique local assessments not found in the compared peer cities. These charges increase operating costs and therefore influence overall financial feasibility.
- **Policy Implications:** The study suggests opportunities for alignment between the City's capital funding needs and its fee structure. It also highlights that affordable housing and HARD HATS requirements account for the largest share of development-related cost burden, though effects vary by project type and may be offset by State Density Bonus incentives.

Next Steps

Staff will use the findings of the attached analysis to inform future policy discussions about potential adjustments to impact fees, parcel tax structures, and local requirements.

Attachments:

1. August 4, 2026 Memorandum: Berkeley Fee Burden Comparative Analysis (Strategic Economics)

cc: David White, Deputy City Manager
Jordan Klein, Director, Planning and Development Department
Jenny Wong, City Auditor
Farimah Brown, City Attorney
Mark Numainville, City Clerk
Matthai Chakko, Assistant to the City Manager



MEMORANDUM

To: Jordan Klein, Planning & Development Director, City of Berkeley

From: Jake Cummings, Senior Associate
Ryan Haight, Associate

Date: August 4, 2026

Project: Berkeley Fee Burden Comparative Analysis

Subject: Study Methodology and Results

INTRODUCTION

The City of Berkeley retained Strategic Economics to analyze the economic burden of certain municipal fees, City requirements, and property taxes and other annual charges on multifamily development in Berkeley compared with other cities in California. First, Strategic Economics analyzed one-time development impact fees and other local requirements on development that would apply in Berkeley and each of six comparison cities. The second part of the analysis focused on the economic burden of annual property taxes, parcel taxes, and other fixed charges and assessments that would apply in each of the cities.

This analysis supports the City's goal to ensure its local fee programs and requirements on multifamily development lie within a reasonable range imposed by comparable cities and align with community priorities and objectives. Although some fees and taxes are charged by a local utility or special taxing district, most impact fees and some annual charges are administered by each city's local government. Strategic Economics included in the analysis each city's affordable requirement, if applicable, and Berkeley's HARD HATS requirement on construction, both of which may have a significant impact on the financials of multifamily development. With a baseline understanding of the relative economic burden of local fees, annual charges, and requirements on development, the City may consider the implications of introducing new fees and/or restructuring existing fees and requirements to balance its capital funding priorities with the feasibility of market rate development.

This memorandum includes the following sections:

- **Study Approach** outlines the scope of fees, local requirements, taxes, and fixed charges analyzed, as well as the cities selected for comparison with Berkeley. This section also describes the data sources, assumptions, and multifamily building prototypes used in the comparative analysis.
- **Analysis of Development Impact Fees and other City Requirements** summarizes and compares the one-time development impact fees, affordable housing requirements, and Berkeley's HARD HATS requirement, for each building prototype in Berkeley and the selected cities.

- **Analysis of Annual Property Taxes, Fixed Charges, and Assessments** summarizes and compares the annual taxes and other charges for each building prototype in Berkeley and the selected cities.
- **Conclusions and Recommendations** includes a summary of analysis findings to guide future policy.

STUDY APPROACH

This study performed three comparisons related to development impact fees and annual charges on development. Strategic Economics:

1. Compared Berkeley's impact fee schedule with those in the selected cities and highlighted the varying approaches to calculating the fees;
2. Analyzed and compared the economic burden of each city's impact fees and selected local requirements overall and for the four selected building prototypes; and
3. Analyzed and compared the economic burden of each city's annual property taxes, fixed charges, and assessments over the four selected building prototypes.

The remainder of this section details the analysis methodology, including the comparison cities and building prototypes selected for the analysis and the specific fees and taxes analyzed.

Comparison Cities

In close collaboration with City staff, Strategic Economics included the following cities for a comparative analysis with Berkeley:

- **Oakland**
- **San Francisco**
- **Fremont**
- **Palo Alto**
- **Santa Monica**
- **Sacramento**

Like Berkeley, the selected cities are generally higher-income cities with active markets for higher-density residential development. Four of the cities are in the San Francisco Bay Area, with the remaining two in other regions of the state. Because some fees, taxes, and affordable housing requirements are district-based and do not apply citywide, Strategic Economics assumed a downtown location in each city, where a greater range of building density is more likely to occur. These prototypes are outlined in the next section.

Building Prototypes in the Analysis

Strategic Economics performed the analysis on four multifamily development prototypes, as shown in Figure 1. The four prototypes were selected in consultation with the City of Berkeley and are a subset of prototypes studied in the Berkeley In-Lieu Fee and Housing Policies Economic Feasibility Analysis prepared by Strategic Economics in 2025. The unit densities for the selected prototypes range from 40 dwelling units per acre for a fourplex/townhome product to 480 dwelling units per acre for a high-rise building. Strategic Economics used the building permit valuation, which is the basis for some fees, from the total construction cost estimate in the 2025 study.

FIGURE 1: SUMMARY OF BUILDING PROTOTYPES

	Fourplex/ Townhome	Three-Story Low- rise	Eight-Story Mid- rise	18-Story High-rise
Number of Units	4	10	120	240
<i>Studio</i>	-	-	78	16
<i>1-BR</i>	-	4	20	41
<i>2-BR</i>	4	4	10	16
<i>3-BR</i>	-	-	-	21
Unit Density (DU/Acre)	40	50	240	480
Estimated Building Permit Valuation	\$2,127,120	\$4,939,720	\$42,967,700	\$115,944,350
Parcel Size (acres)	0.1	0.2	0.5	0.5
Building Height (ft.)	30	30	85	195
Residential Area (gsf)	4,800	11,587	89,984	208,727
Commercial Area (gsf)	0	0	2,000	2,000

Source: Berkeley In-lieu Fee and Housing Policies Economic Feasibility Analysis, 2025, Strategic Economics, 2026.

Methodology for Analysis of Development Impact Fees and other Local Requirements

Development impact fees are one-time fees charged on new development to mitigate the development's impact on the need for public infrastructure. For the first part of this analysis, Strategic Economics identified and tabulated the applicable fees in each city. In the second part, Strategic Economics tallied the fees, along with the estimated impact of any applicable affordable housing requirement and Berkeley's HARD HATS requirement, to each building prototype to analyze the overall economic burden on development.

Impact fees may be charged by local municipalities or other agencies, such as utility districts and school districts, that provide public infrastructure. At the request of Berkeley staff, Strategic Economics excluded most utility fees from the analysis, with the exception of sewer/wastewater fees—one of the sewer fees in Berkeley is charged by the City rather than by the utility district. The complete list of fee categories analyzed in this study is below:

- **Traffic/Transportation/Streets** includes any fees for transportation infrastructure improvements for vehicle traffic and other transportation modes. Strategic Economics applied Berkeley's Streets and Open Space Improvement Plan (SOSIP) fee, charged only in the Downtown Area Plan, to this fee category.
- **Park Facilities/Parkland** includes fees for land dedication and improvements for parks, recreation, and open space that serves the public.

- **Capital/Community Facilities** is a general category of fees that may include a combination of infrastructure categories or other miscellaneous community facilities.
- **Schools** includes fees for public schools, usually charged by a school district.
- **Child Care** includes fees for childcare services.
- **Public Art** includes fees for public art and community placemaking, often paid in lieu of a public art requirement for the development.
- **Public Safety/Fire** includes fees for public safety and/or fire facilities.
- **Sewer/Wastewater Connection** includes connection and capacity fees, usually charged by a utility district, for sanitary sewer and wastewater infrastructure.
- **Affordable Housing** includes both affordable housing impact fees and any inclusionary affordable housing requirements. For the purposes of comparison, Strategic Economics assumed the economic burden of an inclusionary requirement would be equivalent to its associated “in-lieu” fee. In practice, however, the economic burden of the requirement is typically experienced as foregone revenue as a result of providing a portion of the units in a new development at below market rates.

In contrast to the affordable housing requirement, Strategic Economics assumed that other development standards, such as parking and usable open space requirements, represent a typical part of development and do not pose a measurable economic burden, even though these requirements sometimes may be met with payment of an in-lieu fee.

In addition to the fees outlined above, Strategic Economics included in the analysis the estimated economic burden of Berkeley’s **HARD HATS ordinance**. HARD HATS requires contractors in all new construction projects greater than 50,000 gross square feet to provide or fund apprenticeship programs and provide healthcare to their workers. For this analysis, **Strategic Economics used its findings in the Berkeley In-lieu Fee and Housing Policies Economic Feasibility Analysis, which estimated a 20 percent increase in construction costs to meet this requirement for the eight-story mid-rise prototype**. The HARD HATS ordinance would not affect the fourplex/townhome or the three-story low-rise prototypes because they fall below the square footage exemption in the ordinance. Strategic Economics also assumed HARD HATS would not affect costs for the 18-story high-rise prototype because that prototype would typically use union contractors and subcontractors that already meet HARD HATS requirements.

Methodology for Analysis of Property Taxes, Fixed Charges, and Assessments

Strategic Economics analyzed the economic burden of annual property taxes, fixed charges, and assessments for each of the four building prototypes. These annual charges include the general one-percent ad valorem tax authorized by Proposition 13, any additional ad valorem taxes levied to service debt from general obligation bonds, as well as special taxes and assessments charged on another basis, such as by building square footage or by parcel. Strategic Economics identified the applicable charges using sample property tax bills for recent multifamily developments in the downtown area of each city. Details on the fee formulas for fixed charges and assessments were collected from city websites and fee schedules from the relevant taxing districts.

ANALYSIS OF DEVELOPMENT IMPACT FEES AND OTHER CITY REQUIREMENTS

This section of the memorandum begins with a comparison of the fee rates and schedules for the selected cities, highlighting the key differences in the set of fees and the basis for the fee charged in each location. This is followed by an analysis of the economic burden of the fees, including affordable housing requirements and Berkeley's HARD HATS requirement. This analysis describes the differences in the overall average economic burden for the prototypes, and, additionally, for each individual prototype.

Comparison of Fee Rates and Schedules

Figure 2 summarizes the impact fee rate and basis for each location. Affordable housing requirements are reflected as the applicable affordable housing impact or inclusionary in-lieu fee. Each fee is colored according to its fee basis, as displayed in the key below. The following key findings reflect takeaways from evaluating fee rates and bases across all comparison cities.

The City of Berkeley charges fees for affordable housing, schools, sewer connection, public art, and streets and open space in its downtown. Unlike some comparison cities, however, the City lacks impact fees for childcare and public safety/fire, as well as transportation and open space facilities outside the downtown.

Consistent with the standard recently set by Assembly Bill 602, most impact fees in the study are charged on a square foot basis. AB 602 requires that any impact fee on residential development adopted since 2022 calculate the fee proportionately to the square footage of development unless a more appropriate fee basis can be established. Each city in the study bases its affordable housing fees on square footage, either gross or net, and most other fees are charged on this basis as well. Sewer/wastewater fees are the exception because demands on this system are more closely related to other factors.

The City of Fremont primarily charges impact fees based on the number of units and unit type. Fremont adopted a set of impact fees in 2017, prior to the passage of AB 602, when dwelling units were a common basis for residential impact fees.

The analysis does not reflect San Francisco's recent measures to reduce fees and requirements on residential development. To support development feasibility, the City of San Francisco adopted a *temporary* fee reduction ordinance in 2023, pending future policy updates, and significantly scaled back its inclusionary housing requirement in July 2026. Currently, pipeline projects may apply for a 33 percent discount from eligible impact fees shown in Figure 2, including those for transportation, public art, open space, and capital facilities. In addition, the City's newly adopted modifications to its inclusionary policy have decreased the citywide percentage affordable requirement from 15 percent to five percent and increased the minimum project size from 11 units to 25 units. The analysis of the City's fees assumed the standard fee schedule and was performed prior to the updates to the inclusionary ordinance.

FIGURE 2: STUDIED IMPACT FEES BY FEE CATEGORY AND CITY

City (District)	Berkeley (Downtown Plan Area)	Oakland (Zone 1)	San Francisco* (Central SOMA)	Fremont (Downtown)	Palo Alto (Downtown)	Santa Monica (Downtown)	Sacramento (Central City Finance Area)
Traffic/Transportation	\$2.23 per gsf	\$1.10 per gsf	\$11.63 - \$13.13 per gsf (Varies by unit count)	\$2,829 - \$4,813 per Unit (varies by Bedroom Count)	\$10,037.58 per Net New PM Trip	\$3,694.15 per Unit	\$880 per Unit
Parkland/Park Facilities	None	None	None	\$5,773 - \$21,957 per Unit (varies by Bedroom Count)	\$44.20 per gsf	\$5,642.87 - \$9,088.88 per Unit (varies by Bedroom Count)	\$2.20 per gsf
Capital/Community Facilities	None	\$1.84 per gsf	Community Services: \$1.70 per gsf Infrastructure: \$13.03 per gsf	\$1,622 - \$4,895 per Unit (varies by Bedroom Count)	Library: \$2.03 per gsf	None	None
					Community Center: \$3.41 per gsf		
					General Gov't Facilities: \$1,385.47		
School District	\$5.17 per gsf	\$5.17 per gsf	\$3.79 per gsf	\$5.38 per gsf	\$4.79 per gsf	\$4.47 per gsf	\$5.13 per gsf
Child Care	None	None	\$1.41 - \$2.80 per gsf (varies by Unit Count)	None	None	\$189.87 per Unit	None
Public Art	.8% of Project Valuation	None	None	\$.80 per gsf	1% of Project Valuation	\$2.00 per Gross Sq. Ft.	None
Public Safety/Fire	None	None	None	\$412 - \$918 per Unit (varies by Bedroom Count)	\$1,100.68 per Unit	None	None
Sewer/Wastewater Connection	Capacity: \$1,712 - \$2,192 per Unit (varies by Unit Size)	\$1,712 - \$2,192 per Unit (varies by Unit Size)	\$14,870 - \$148,704 per Building Meter Size (1"-4")	\$10,728 per Unit	\$10,500 - \$52,500 per Building Meter Size (1"-3")	\$2,194.51 - \$3,790.52 per Unit (varies by Bedroom Count)	\$5,878.02 per Unit (First 25 Units)
	Sewer Connection: \$160.73 per Drainage Fixture Unit				\$210 per Drainage Fixture Unit (Meter Size 4" +)		\$6,948.86 per Unit (Each Unit >25)
Affordable Housing (In-lieu or Impact fees)	\$62.83 per nsf	\$36.17 per gsf	\$249.66 per gsf (Equivalent to \$49.93 and \$74.90 per gsf over all floor area)	\$8.75 - \$17.50 per gsf (varies by unit size)	\$26.55 per gsf	\$45.10 per nsf	\$0 - \$3.56 per gsf (varies by unit density)

* San Francisco impact fees in Figure 2 do not reflect the City's 2023 temporary fee reduction ordinance or the City's newly reduced affordable housing requirements as of July 2026

Note: Figure 2 uses the abbreviation "nsf" for square feet of net rentable buildings area, and the abbreviation "gsf" for the square feet of gross building area.

Basis Key

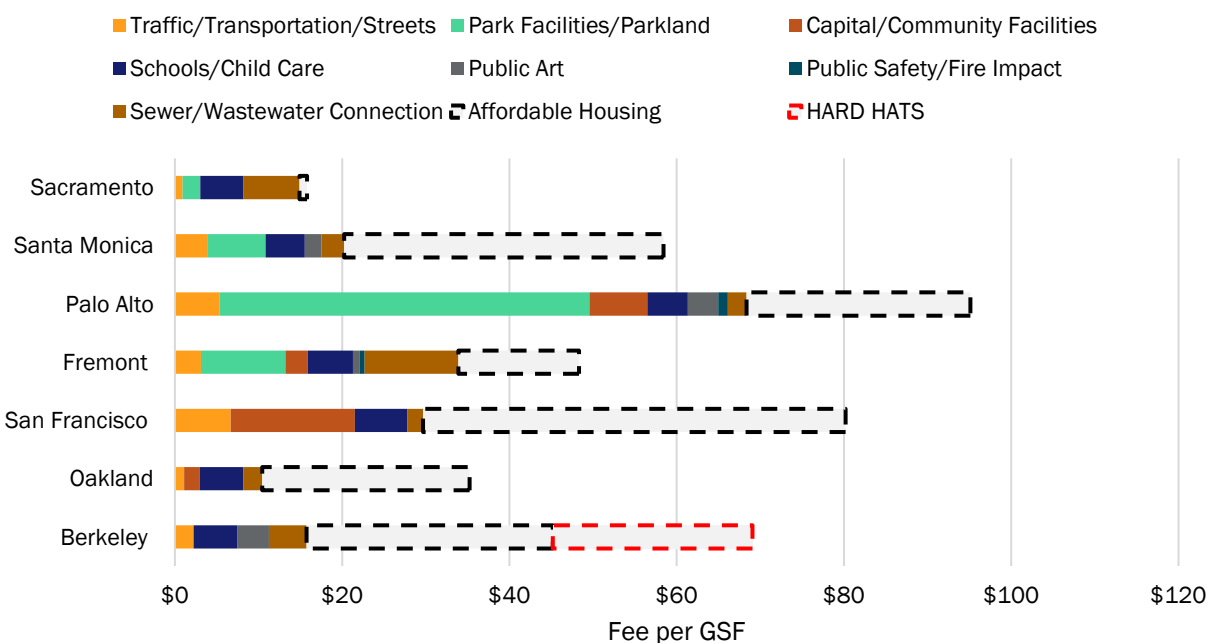
Rentable Square Feet	Project Valuation
Gross Square Feet	Building Meter Size or Drainage Fixture Unit
Unit	Net New PM Trip
Unit by Bedroom Count	Charged by Non-City Entity

Economic Burden of Development Impact Fees and Other Local Requirements

Strategic Economics analyzed the economic burden of development impact fees and affordable housing requirements by applying the fee formulas to each of the building prototypes for each city. Strategic Economics also included the estimated economic burden of the City's HARD HATS requirement, which is expected to increase construction costs for the eight-story mid-rise prototype. Because the economic burden may vary significantly, depending on the type of development, the results and findings are presented first as an average over all building prototypes and then individually for each.

Figure 3 illustrates the economic burden of these fees and requirements averaged over all prototypes in each city. The economic burden is shown as a dollar amount per square foot of gross building area.

FIGURE 3: ECONOMIC BURDEN OF IMPACT FEES AND OTHER REQUIREMENTS PER SQUARE FOOT OF GROSS BUILDING AREA, AVERAGE OF PROTOTYPES



Source: Strategic Economics, 2026.

Over the building prototypes analyzed, Berkeley has a lower average economic burden than Palo Alto and San Francisco, and also lower than Santa Monica and Fremont if the HARD HATS requirement is not considered. As shown in Figure 3, the average fee burden is \$69 per square foot overall, or the third highest among the seven comparison cities. Excluding the HARD HATS requirement, which only applies to the mid-rise prototype, Berkeley's average economic burden drops to \$45 per square foot, or the fifth highest among the seven comparison cities.

The affordable housing requirement constitutes an average of \$29 per square foot, or 43% of the total economic burden in Berkeley. Excluding HARD HATS, the affordable housing requirement represents 65 percent of the total economic burden in Berkeley. Due to Berkeley's square footage exemption for

its affordable housing in-lieu fee, its economic burden varies significantly depending on the square footage of each building prototype, as discussed in more detail below.

Excluding the affordable housing and HARD HATS requirements, Berkeley has a lower average fee burden than all cities except Oakland. This is significant because developers may effectively reduce or offset the burden of the affordable housing requirement in a variety of ways, most notably by gaining the right to additional density and other incentives via the State Density Bonus law.

Other than affordable housing and HARD HATS requirements, the economic burden applied to multifamily development in Berkeley is mostly due to fees for schools, sewer/wastewater, and the public art requirement. Excluding housing fees, these three fee categories constitute over 85 percent of the remaining economic burden in Berkeley. Berkeley's public art requirement represents a higher economic burden for that category than any of the six comparison cities.

Berkeley's lack of a fee for public safety, or more comprehensive fees for parks or transportation, contributes to a lower economic burden compared with some of the selected cities. As shown in Figure 3, Palo Alto has a significant parks fee that contributes to a high economic burden in that city. San Francisco also has a high economic burden from its affordable housing requirement and a range of impact fees; however, these fees and affordable housing requirements have been significantly reduced by a fee relief program currently in place in San Francisco. Fremont and Santa Monica also have higher fee burden due to the wide range of fees and requirements applied in those cities.

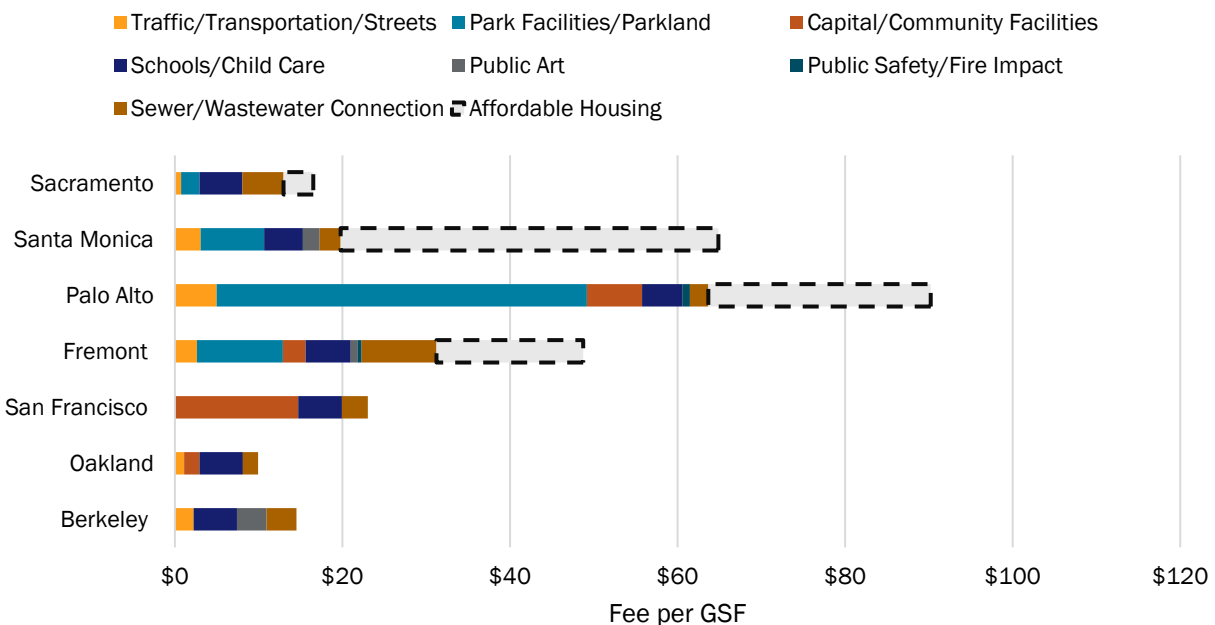
The remainder of this section briefly discusses the economic burden for each prototype.

FOURPLEX/TOWNHOME

Figure 4 illustrates the estimated fee burden for the fourplex/townhome prototype across the comparison cities.

The total economic burden on the fourplex/townhome prototype is \$15 per square foot in Berkeley, the second lowest among comparison cities due to its exemption from an affordable housing requirement. This smallest scale prototype has a residential floor area that is less than the City's 5,000 square foot exemption from the requirement. Small scale development in San Francisco and Oakland similarly benefits from affordable housing relief.

FIGURE 4: ECONOMIC BURDEN OF IMPACT FEES AND OTHER REQUIREMENTS PER SQUARE FOOT OF GROSS BUILDING AREA, FOURPLEX/TOWNHOME



Source: Strategic Economics, 2026.

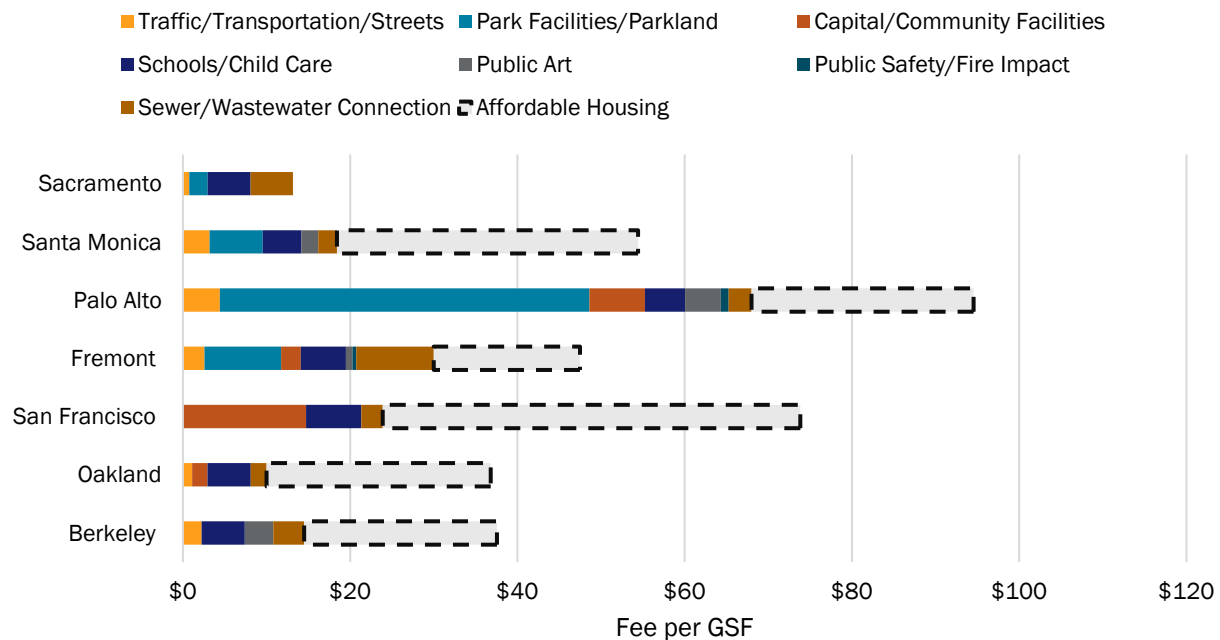
THREE-STORY LOW-RISE

Figure 5 illustrates the estimated fee burden for the three-story low-rise prototype across the comparison cities.

Berkeley's total economic burden on the three-story low-rise prototype is \$38 per square foot and lower than all other cities except Sacramento and Oakland. As shown in Figure 3, Berkeley is more competitive with Oakland for this prototype than with the fourplex/townhome prototype.

For this prototype, the economic burden of Berkeley's affordable housing requirement is significantly reduced by the 5,000 square foot exemption. The in-lieu fee of \$62.83 applies to only 46 percent of the building's floor area, resulting in an effective affordable housing fee of \$28.90 per square foot of gross building area.

FIGURE 5: ECONOMIC BURDEN OF IMPACT FEES AND OTHER REQUIREMENTS PER SQUARE FOOT OF GROSS BUILDING AREA, THREE-STORY LOW-RISE



Source: Strategic Economics, 2026.

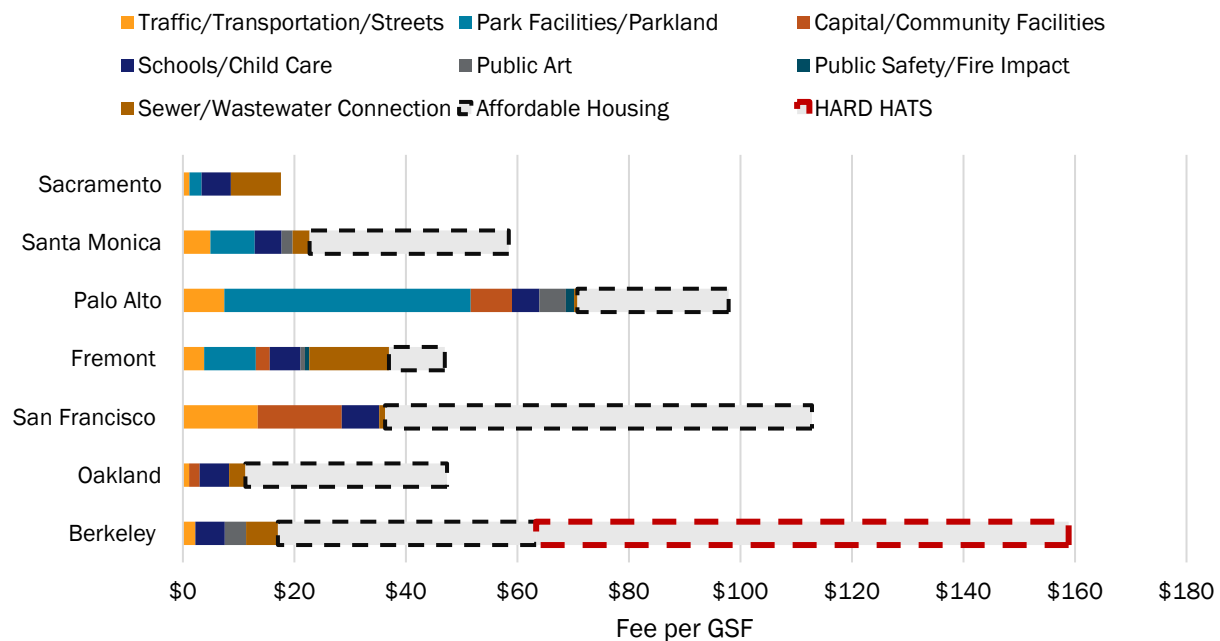
EIGHT-STORY MID-RISE

Figure 6 illustrates the estimated fee burden for the eight-story mid-rise prototype across the comparison cities.

For the eight-story mid-rise prototype, the total economic burden of Berkeley's impact fees and other requirements total \$159 per square foot—the highest among comparison cities, mainly due to the affordable housing and HARD HATS ordinances. Impact fees total \$17 per square foot, the affordable housing fee is effectively \$46 per square foot, and HARD HATS adds an estimated \$96 per square foot in costs. As mentioned earlier, HARD HATS is only expected to add costs to low- and mid-rise developments that are greater than 50,000 square feet and might otherwise be built with non-union labor. Because HARD HATS is a relatively new program with little data to observe its impact on development costs, this component of the analysis may vary significantly for each specific development.

Excluding the cost burden of HARD HATS, Berkeley's economic burden on the eight-story mid-rise prototype is lower than San Francisco and Palo Alto, but higher than the other comparison cities. As shown in the results for this and for the 18-Story High-rise, the 5,000 square foot exemption from affordable housing fees has a significantly reduced effect on these larger developments.

FIGURE 6: ECONOMIC BURDEN OF IMPACT FEES AND OTHER REQUIREMENTS PER SQUARE FOOT OF GROSS BUILDING AREA, EIGHT-STORY MID-RISE



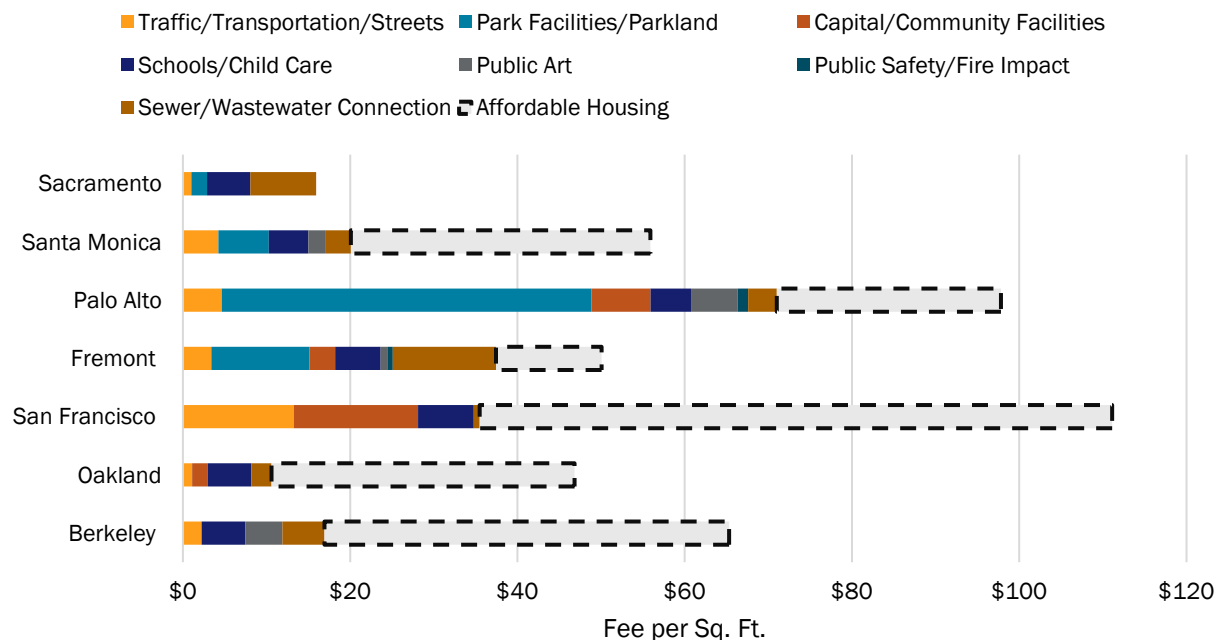
Source: Strategic Economics, 2026.

18-STORY HIGH-RISE

Figure 7 illustrates the estimated fee burden for the 18-story high-rise prototype across the comparison cities.

Berkeley's total economic burden for the 18-story Highrise is \$65 per square foot, which is higher than all comparison cities except San Francisco and Palo Alto. The affordable housing requirement constitutes 74 percent of this amount.

FIGURE 7: ECONOMIC BURDEN OF IMPACT FEES AND OTHER REQUIREMENTS PER SQUARE FOOT OF GROSS BUILDING AREA, 18-STORY HIGH-RISE



Source: Strategic Economics, 2026.

ANALYSIS OF ANNUAL PROPERTY TAXES, FIXED CHARGES, AND ASSESSMENTS

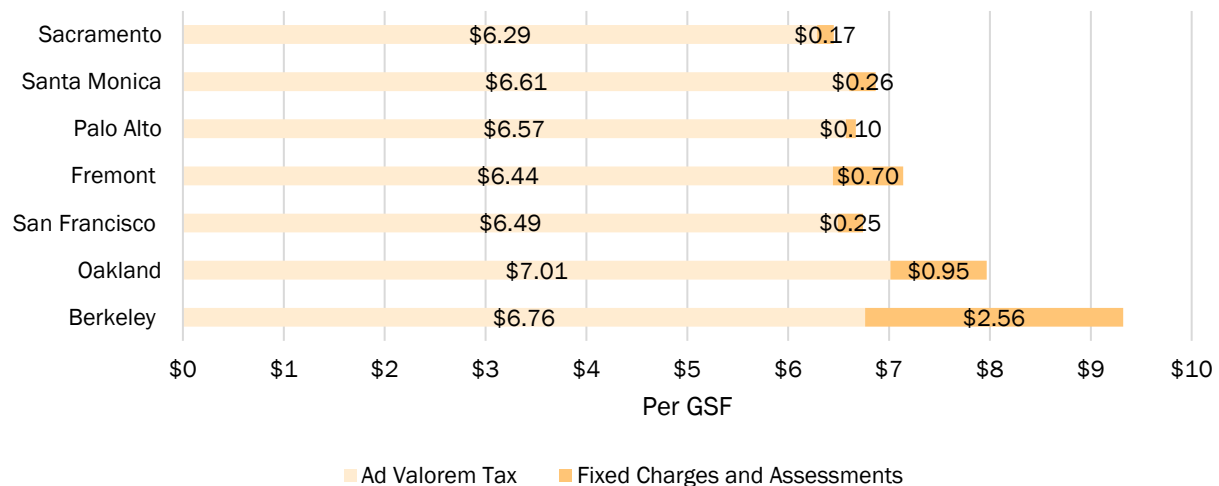
This section includes a brief summary of the economic burden of annual property taxes, fixed charges, and assessments for each city. Although these annual charges do not affect the cost of multifamily development, they impact financial feasibility by increasing annual operating costs. When operating costs are elevated, a multifamily development must be able to generate higher rental revenues in order to yield a sufficient return for investors.

Figure 8 illustrates the economic burden averaged over all prototypes in each city. The economic burden is shown as an annual dollar amount per square foot of gross building area.

Property tax and other annual charges on multifamily development in Berkeley total an average of \$9.32 per square foot, which is higher than all comparison cities. This economic burden ranges from 17 to 44 percent higher than other comparison cities.

The high economic burden of property taxes and annual charges in Berkeley is primarily due to numerous local charges and assessments that apply, the most significant of which are East Bay-specific assessments such as the East Bay Regional Park District and Landscaping and Lighting District fees. In addition, the City of Berkeley levies more per square foot fixed charges and assessments than other comparison cities, which levy more charges and assessments on a per parcel or unit basis.

FIGURE 8: ANNUAL AD VALOREM TAX, FIXED CHARGES, AND ASSESSMENTS (PER AVERAGE OF PROTOTYPES)



Source: Strategic Economics, 2026.

CONCLUSIONS AND RECOMMENDATIONS

Berkeley's impact fees and requirements on multifamily development highlight the City's priorities for affordable housing, workforce development, and public art and placemaking. The City's requirements in these areas tend to be higher than most comparison cities, but the economic burden of these requirements is at least partially offset by Berkeley's lower or no impact fee in the areas of transportation, parks and open space, public safety, or specialized community facility fees charged in some other cities.

The burden of Berkeley's impact fees and requirements falls most heavily on higher density development, reflecting the City's strategy to capture value from this development while encouraging lower density "missing middle" housing types that may struggle with financial feasibility. The City's square footage exemption from affordable housing requirements represents a significant reduction in the overall economic burden on lower density product types. Conversely, Berkeley has among the highest burden affordable housing requirements for the eight-story mid-rise and 18-story high-rise prototypes.

Strategic Economics recommends that the City of Berkeley review its highest priority capital funding needs and consider adjustments to its set of impact fees and local requirements to match these priorities. If the City is considering new fees to generate funds for a new category of infrastructure, there may be an opportunity to adjust some existing fees and requirements to avoid increasing the burden on development feasibility. In considering any realignment of impact fees and local requirements, the City will need to weigh the added burden of its significantly higher property taxes and other annual charges, which affect the income that can be generated by multifamily developments.

The affordable housing and HARD HATS requirements are the highest categories of economic burden, and, therefore, represent the deepest opportunities for future policy adjustments. However, modifying these requirements would be complicated by the fact that their impact tends to be highly variable from project to project, and the impact of HARD HATS is mostly limited to a range of low- and mid-rise project types. Further, the burden of the affordable housing requirement is often offset by State Density Bonus Law incentives.

The City could modify other fees and requirements, but, taken individually, these have a relatively minor impact on development feasibility. Although Berkeley has a higher public arts requirement than the comparison cities, this and the other fee categories each represent less than one percent of development costs in the typical case.