

Development Impact Fees

Finance Committee
May 28, 2025

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Background & Approach

Background & Approach

- Comprehensively review development impact fees (DIF)
- Evaluate opportunities to **fund key infrastructure** & facilities that support future growth while ensuring **market feasibility** for development

City of
San Leandro
2025 CITY COUNCIL PRIORITIES

INFRASTRUCTURE

**HOUSING &
HOMELESSNESS**



Defensible Fees

- **Mitigation Fee Act:** nexus between development impacts & fees
- **Recent legislation (e.g., AB 602):** square footage & service levels-based fees
- **Consultant:** NBS



Maximize Revenue

- **Fund Infrastructure:** necessary to serve new development
- **Evaluate New Fees:** consider planned capital needs



Market Feasibility

- **Financial Impact:** development feasibility by product type
- **Market Conditions:** assess today's market & compare to similar cities
- **Consultant:** Bay Area Economics

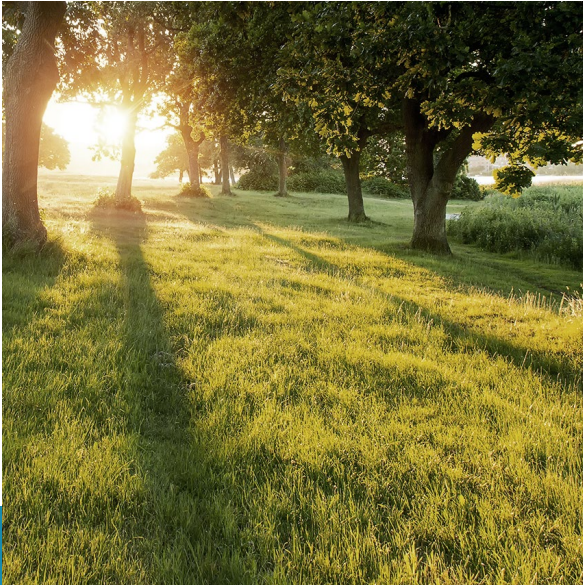


Facilitate Development

- **Constraints:** Lessen or remove governmental constraints to new development per adopted 2023-2031 Housing Element

Fee Categories

Fee Categories



RE-EVALUATED

Park Development Fees

- Park Land Acquisition
- Park Improvement
- Quimby Act in-lieu (new)



EVALUATED

- Community & Recreation Centers
- Library Facilities & Materials
- Fire Protection Facilities
- Police Facilities
- General Government Facilities



NOT RE-EVALUATED

- DFSI* (Streets & Signals)
- Interchange Fees
- Utility Undergrounding

**Pending Plan Updates*

Methodology

Methodology



Nexus / Justification:

- Impact fees can only fund facilities necessary to serve new development
- Impact fees must be proportional to the impact created by a development project



Development Impact Cost Allocation Approach:

- Cost of planned facilities divided by projected demand from new development
- Evaluated fees based on maintaining existing level of service, ensuring infrastructure expansion aligns proportionately with development demands
- Fees calculated so new development pay its fair share of an integrated system of facilities

Market Feasibility



Feasibility Analysis

- Analyzed 10 development prototypes
- Assessed development feasibility in current market conditions
- Utilized pro forma models to project development costs, income, & net residual land values for different prototypes
- Residual land value — projected value after covering all development costs



Development Types

- **Non-Residential:** Office, retail, hotel, industrial/warehouse, & medical clinic
- **Residential:** Multifamily rentals, senior living, for-sale townhomes, accessory dwelling units (ADUs), & 100% affordable multifamily rental units

Market Feasibility

Market Feasibility



Residential

- **For-Sale Townhomes:** Feasible under favorable conditions
- **Market-Rate Multifamily Rentals:** Feasibility challenges due to high development costs, stagnant rental rates, & rising financing costs
- **Affordable Multifamily Rentals:** Strong feasibility challenges with or without impact fees due to significant financing gaps typical in affordable housing

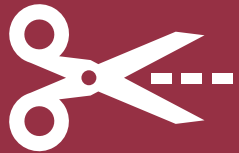


- **Office, Retail, Hotel, & Medical Office Developments:** face financial feasibility challenges in current market even with no City impact fees or fee increase
- **Industrial developments:** marginally feasible in current market



New development may still occur if lower-than-typical land or construction costs (e.g. non-residential development projects with identified tenants)

Market Feasibility - Recommendation



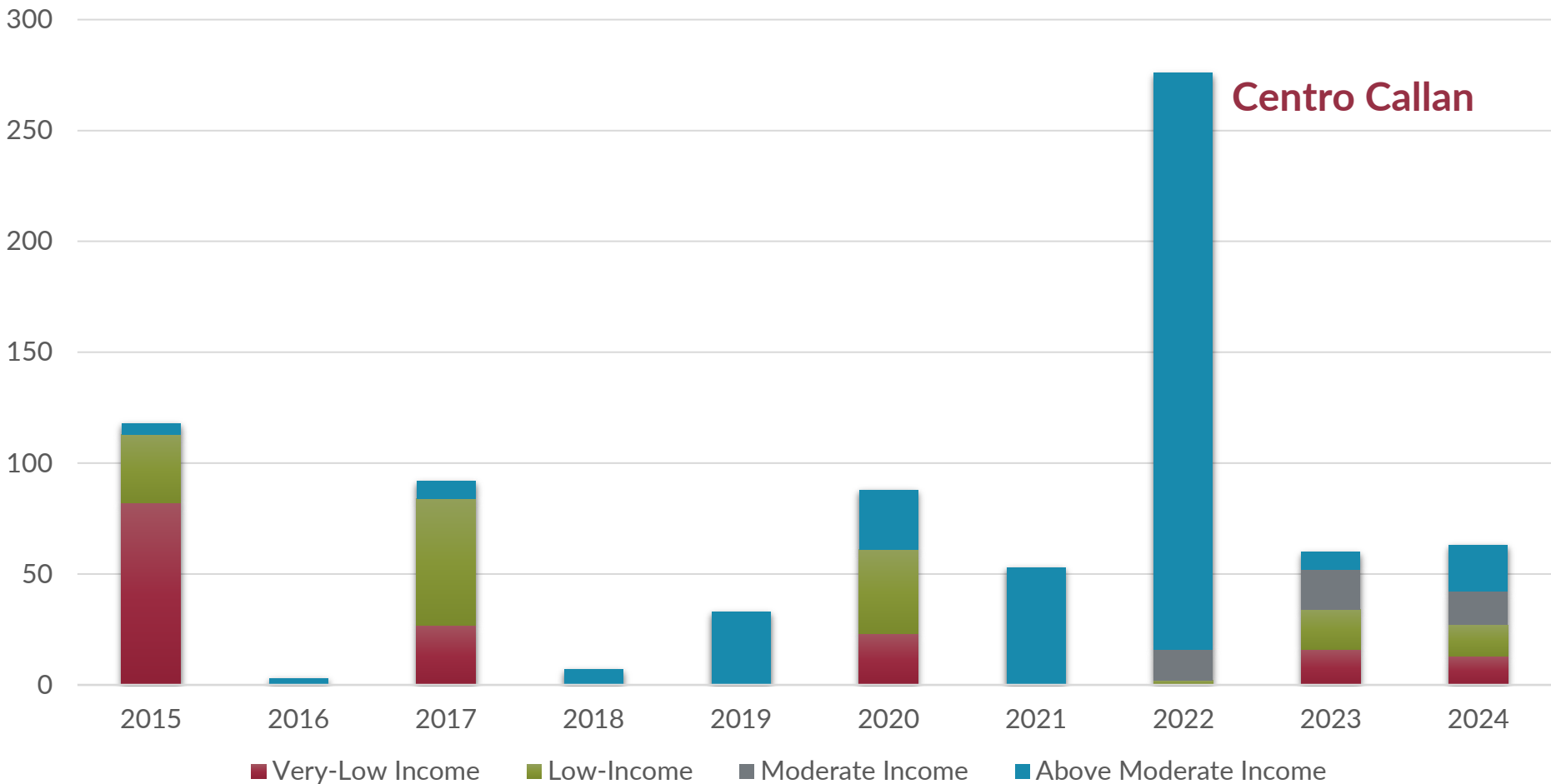
Residential Fee Caps: Limit residential fees to 7–10% of total development costs to remain competitive with regional markets

- Current development fees (impact, user, regulatory) range from ~8-11% of total development costs
- Evaluated residential impact fees could add approximately 3–4.9% to total development costs for evaluated prototypes, which could impact development feasibility

Considerations

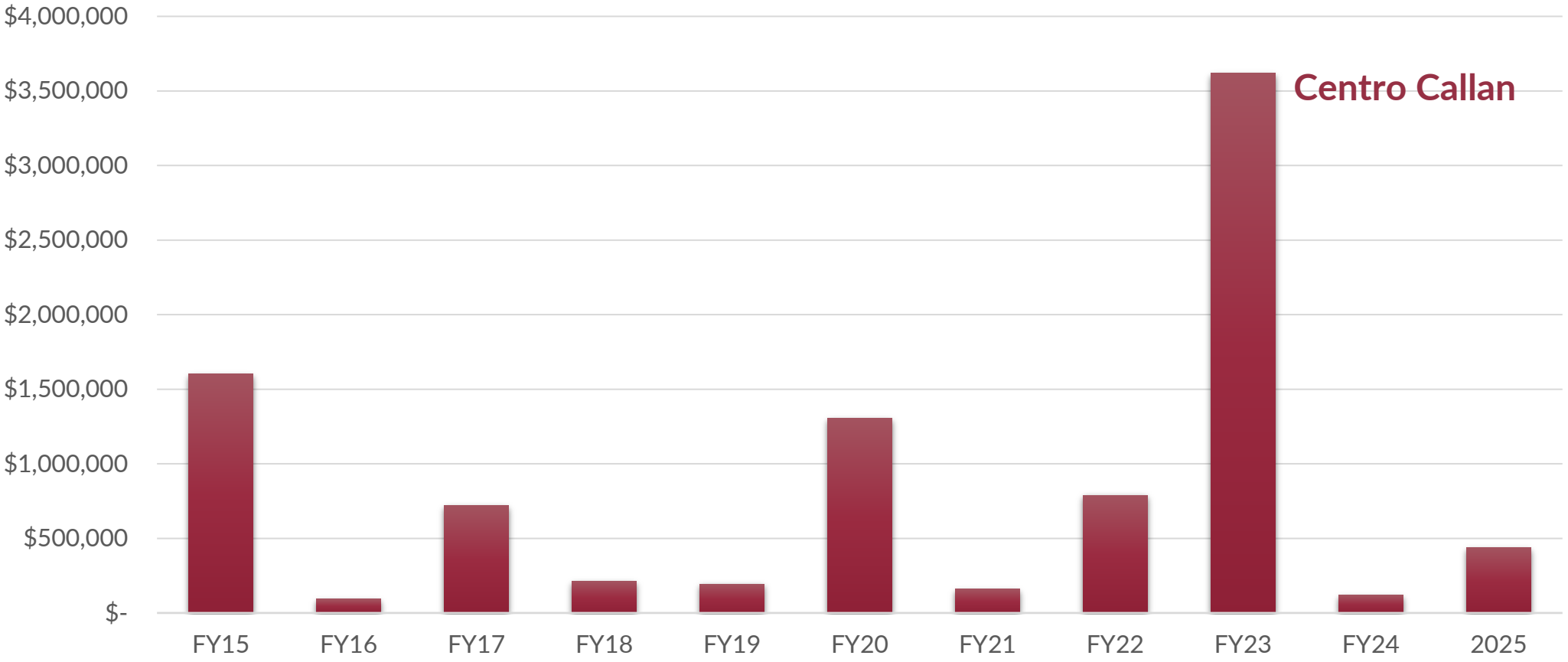
Development Trends

Units Constructed
2015-2025



Park In-Lieu Fee Revenue Trends

Park In-Lieu Fee Revenue
FY15 – FY25

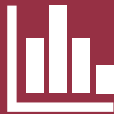


Considerations

Benefits of Residential Development



One-Time
Revenue Through
Permits & DIF



Increased
Property
Taxes



Diverse
Housing
Choices



Multiplier
Effect

Considerations

High impact fees reduce development feasibility
Reduced development = fewer fees/revenue



Cannot accurately
predict level of new
development or
Impact Fee revenue



Impact Fees only for new
facilities or major capital
projects – not ongoing
maintenance



One- time, highly
regulated revenue
vs.
ongoing revenue from
new development

Examples



Maple Lane Development (former Manor Bowl)

- 39 Units
- Property Tax: +\$65,489/year ongoing



Centro Callan Development (former CVS)

- 197 Units
- Property Tax: +\$38,288/year ongoing

Recommendations



Recommendations

- Balance infrastructure funding with market feasibility
- Revise Park Facilities Impact Fee
 - Market conditions not supportive of new DIFs
 - Prioritize improvements to existing parks (75%) vs. acquiring new land (25%)
- Consider new Public Art Program
- Create new Fee Waiver Program
 - Affordable Housing
 - ADUs

Re-evaluate fees as market conditions change

Current and Proposed Park Fees

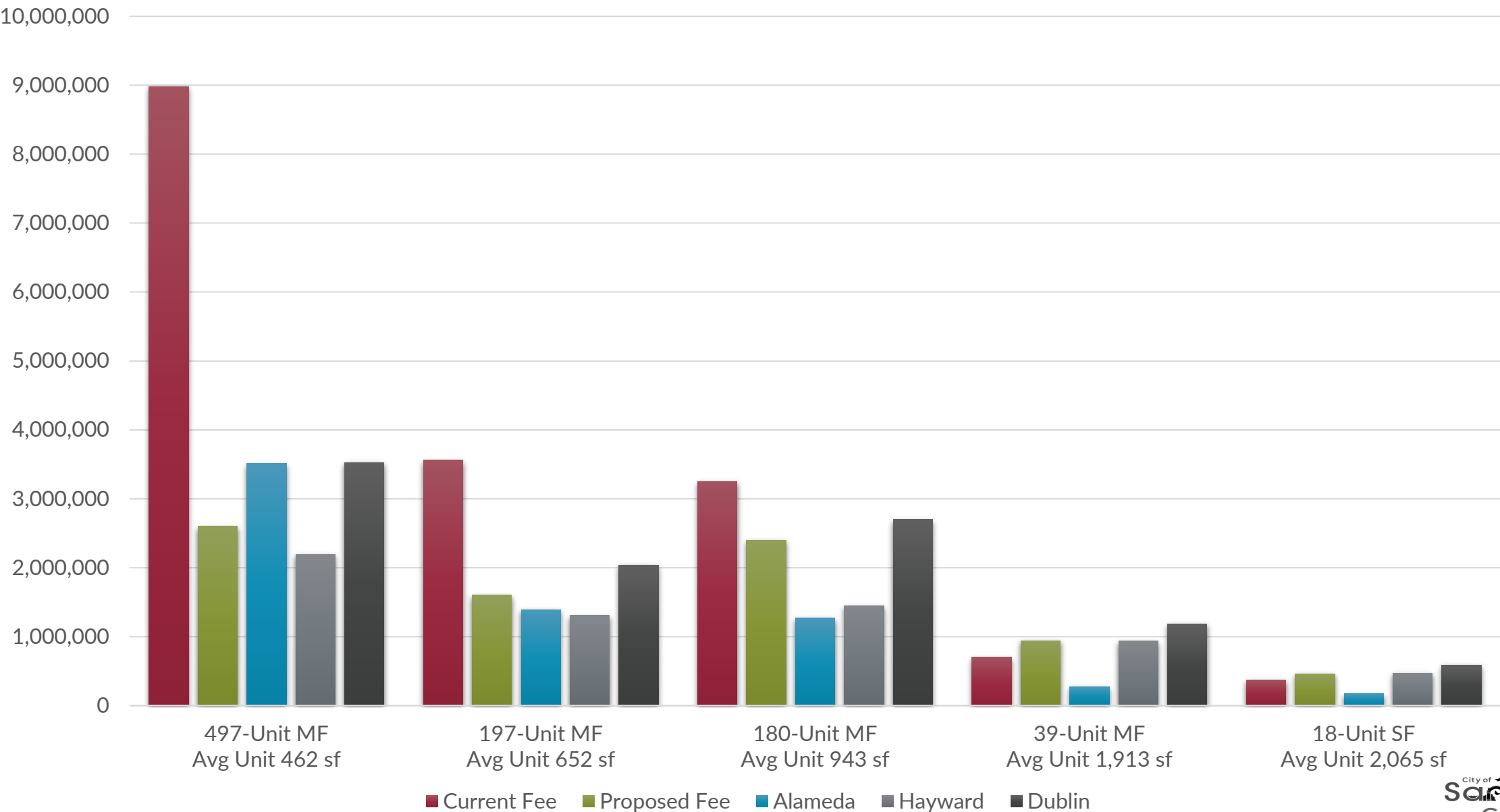
Current

Unit Type	Park Land Acquisition	Park Improvements	Total
Single-Family	17,670	3,009	20,679
Multi-Family	15,444	2,630	18,074
Special Unit	7,723	1,315	9,038
ADU \geq 750 sf	6,693	1,140	7,833

Proposed

Unit Size	Park Land Acquisition	Park Improvements	Total
<550 sf	1,513	4,539	6,052
550-750 sf	1,891	5,674	7,565
751 - 1,150 sf	2,900	8,700	11,600
1,151-1,650 sf	4,035	12,105	16,140
1,651-1,950 sf	5,170	15,509	20,679
>1,950 sf	6,431	19,292	25,723

Sample Project Comparison



Sample Project Comparison

Type	Avg sf / Unit	Units	Current Fee	Proposed Fee	Variance	Alameda	Hayward	Dublin
MF	943	180	3,253,320	2,401,790	(851,530)	1,271,340	1,447,178	2,697,677
SF	2,065	18	372,222	463,008	90,786	174,024	472,086	590,631
MF	462	497	8,982,778	2,602,528	(6,380,250)	3,510,311	2,195,155	3,528,247
MF	1,913	39	704,886	942,660	237,774	275,457	934,389	1,185,362
MF	652	197	3,560,578	1,600,857	(1,959,721)	1,391,411	1,307,800	2,039,450



Public Art Program

- Public Art Master Plan calls for establishing an art obligation for private development projects
- Opportunity to establish a new art requirement without negatively affecting development feasibility

Requirement set as a percent of construction value – typically 1%

Art In Lieu Fee

Public Art Program could include optional in-lieu fee that could be used to fund art in public locations

Program details would be developed after receiving Council direction

Fee Waiver Program

- **Feasibility Challenges:** Substantial financing gaps for affordable housing in current market, even without impact fees.
- **Recommendations:** BAE recommends exploring impact fee waiver program for affordable housing, which could help reduce financing gaps and make projects more feasible.

01

Hayward

50-100% park impact fee waivers reductions for qualified development types of and 100% waivers for Traffic Impacts

02

Pleasanton

100% waivers of affordable housing fee, transportation development fee, and waivers on a case-by-case basis

03

San Ramon

Up to 100% waiver on all fees where projects are at or below 80% of area median income, with a 55-year restriction

04

Redwood City

Tiered waiver reductions for qualified development types of park impact fees and fee reductions of Traffic Impact Fees varying on location

05

San Jose

100% waivers on certain taxes, 50% reduction on the Park Impact Fee

Proposed Fee Waiver Program

Affordable Housing Developments

- **Current Fees:**
 - **Multi-Unit:** \$18,074 / unit
 - **Single-Unit Fee:** \$20,679 / unit
- **Proposed Fee Waiver:**
 - **Non-Profit Affordable Development:** 100% of Park Impact Fees
 - **For-Profit Affordable Development or Inclusionary Units:** 50% of Park Impact Fees

Accessory Dwelling Units (ADUs)

- **Current Fees**
 - **<750 sf:** No Fees per State Law
 - **≥750 sf:** Fees proportional to main unit
- **Proposed Fee Waiver:** 100% of Park Impact Fees and DFSI (Streets & Signals)



Committee Input

Staff is seeking Finance Committee feedback on the proposal to proceed with:



Updated Park Development
Impact Fees



Public Art Program



Fee Waiver Program