MotionCount

Bay Area Impact Fees & Inclusionary Housing

Housing Policy Intelligence — 26 Cities

Report Date: March 24, 2026

153	26	6	3
Agenda Items	Cities	Active IHO Revisions	Nexus Studies Underway

Analysis of 153 agenda items sourced via MotionCount from city councils, planning commissions, and housing commissions across the Bay Area, filtered from 701 raw hits. Covers inclusionary housing ordinance amendments, impact fee and nexus studies, in-lieu fee recalibration, BMR program updates, and commercial linkage fee adjustments.

Agenda data sourced from MotionCount (motioncount.com), a municipal intelligence platform that monitors council agendas across 577+ U.S. cities. Item-level summaries are machine-generated and may not capture full political context. Official meeting packets remain the authoritative source.

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1. The Policy Spectrum

The central question in Bay Area inclusionary policy right now is directional: should cities lower affordability requirements to unlock production, or hold the line and find other ways to close feasibility gaps? The data shows cities distributing across the full spectrum, and the production outcomes are starting to differentiate.

Direction	Cities	Mechanism	Production Signal
Cutting requirements to pull permits	Redwood City, San Jose	Redwood City: temporary 25% IHO reduction. San Jose: AMI shift from 50% to 60–110%	Redwood City at 29% RHNA (regional leader). San Jose: 1,444 MHIP units under construction
Holding steady or evaluating increases	Sunnyvale, Santa Rosa	Sunnyvale: studying BMR increase; formal consideration Aug–Oct 2026. Santa Rosa: no changes recommended	Sunnyvale at 16% RHNA. Santa Rosa: 3,472 of 5,326 units
Restructuring the formula	Alameda, Mountain View	Alameda: income targeting shift + in-lieu overhaul. Mtn View: removing in-lieu, adding land dedication	Mountain View at 16.8% RHNA with 4,914 units in pipeline
Establishing first-time requirements	Antioch, Martinez, San Ramon	Antioch: 25% IHO under development. Martinez: 15% IHO + $100K min in-lieu adopted. San Ramon: 15% IHO + nexus-based fees adopted	Antioch: 1,015 of 3,016 RHNA
Studying feasibility first	Palo Alto, Berkeley, Vallejo, South SF	Palo Alto: $371K KMA fee study. Berkeley: $200K nexus study RFP. Vallejo: EPS analysis found infeasibility. SSF: commercial linkage fee evaluation	Palo Alto: 10.3% RHNA. Vallejo: drafting flexible ordinances for mid-2026

The Redwood City/San Jose comparison is the sharpest test case. Redwood City cut inclusionary requirements 25% for projects pulling permits by June 2027 and leads the region at 29% RHNA completion. San Jose shifted its IHO from 50% AMI to a 60–110% AMI band, expanded its Multifamily Housing Incentive Program to 3,600 units, and is seeing entitled projects move to construction for the first time since 2023. Both cities made the same bet: that production volume at lower affordability thresholds generates more total affordable units than high requirements on a stalled pipeline.

Sunnyvale is evaluating the opposite thesis. A March 24, 2026, study session reviewed a feasibility analysis for increasing inclusionary housing requirements and updating BMR in-lieu fees, with formal consideration tentatively scheduled for August–October 2026. San Jose's feasibility data next door shows two-thirds of entitled towers can't pencil. If Sunnyvale ultimately raises requirements in this environment and sustains its 16% RHNA pace, it would prove well-run cities can extract more affordability from a willing market. If the pipeline stalls, it becomes the counter-case to Redwood City. The experiment is prospective, not yet active.

2. Inclusionary Ordinance Revisions in Detail

San Jose: The Most Contested Recalibration in the Dataset

San Jose's IHO amendments, approved January 27, 2026, represent the most politically charged recalibration in this dataset. Staff proposed shifting on-site rental targets from 50% AMI to 60–110% AMI, reducing affordability terms from 99 to 55 years, and creating a surplus credit exchange. The Mayor's office counter-proposed retaining 99-year terms while adding a 7% at 50% AMI alternative. Assemblymember Kalra and the REAL Coalition pushed back on equity grounds.

What passed:

- Minimum project size raised to 20 units for IHO applicability
- For projects at 30+ du/ac: the 5% at 110% AMI requirement removed, replaced with alternatives of 7% at 50% AMI or 5% at 30% AMI
- For-sale: 10% of units at or below 120% AMI (reduced from 15%)
- 99-year affordability term retained (staff's 55-year proposal rejected)

Alameda: Restructuring Without Reducing

Alameda held three workshops (Planning Board November 10, City Council November 18 and December 2, 2025) to redesign its inclusionary program. The Street Level Advisors feasibility study found most new multi-family development infeasible under current market conditions regardless of inclusionary requirements. Staff proposed maintaining 15% total inclusionary while restructuring the income targeting and compliance mechanics.

Element	Current	Proposed
Rental income target	4% VLI / 4% LI / 7% Mod	15% Low Income (or equivalent)
Ownership target	Mixed	5% Low / 10% Moderate
In-lieu fee basis	Per-unit	Per-net-square-foot ($25/sf rental, $50/sf ownership)
In-lieu threshold	Projects of 9 or fewer units	Projects of 10+ units
Affordability term	59 years	99 years or life of project
Clustered compliance	Informal	Formal criteria, City Manager approval

Developer feedback (Greystar, Pacific Development) emphasized that current moderate-income requirements contribute to infeasibility and advocated for a lower in-lieu fee ($10/sf for large-scale rental). Existing moderate-income units at the Launch development are experiencing high vacancy, an empirical signal that the current income targeting may be miscalibrated.

Mountain View: Removing In-Lieu, Adding Land Dedication

Mountain View’s BMR program overhaul (Environmental Planning Commission, March 4, 2026; City Council first reading scheduled April 28, effective June 25, 2026) is the most structurally ambitious revision in this dataset. The city is eliminating in-lieu fees as a compliance pathway, limiting alternatives to land dedication, off-site development, and acquisition/preservation of existing units. The logic: in-lieu fees produce revenue but not units, and the city wants units.

Additional changes:

- In-lieu fee rates updated: 17% decrease for rental ($98/sf), 23% decrease for townhomes ($118/sf), 36% increase for other ownership ($91/sf)
- Annual escalation shifted from CPI to the California Construction Cost Index
- Graduated fee reduction for projects of 1–6 units tied to maximum permissible density
- 15% of BMR units (or one unit, whichever is greater) must be designated accessible
- BMR Guidelines now updated administratively rather than by resolution

Antioch, Martinez, and San Ramon: New Frameworks from Scratch

Three cities adopted or are developing first-time inclusionary frameworks in this period. Antioch, which has no existing inclusionary ordinance, is targeting a 25% requirement for new residential developments, informed by an economic feasibility study and tied to its 6th Cycle Housing Element. The ordinance is expected for City Council adoption in 2026. Martinez adopted Ordinance 1480, establishing a 15% inclusionary requirement for projects of 11+ units with a $100,000 minimum in-lieu fee per inclusionary unit, paired with a condominium conversion replacement requirement. San Ramon adopted Ordinance 537, maintaining its 15% requirement for projects of 10+ units while restructuring its in-lieu fee formula to 25% of total new residential livable square footage multiplied by the city’s per-square-foot rate, anchored to its updated Nexus Fee Study.

3. Fee Studies and Nexus Recalibration

Three cities have active nexus or comprehensive fee studies underway. The timing is not coincidental: AB 602 requires nexus study updates every eight years, several cities' last studies predate the post-2022 cost spike, and the Sheetz v. County of El Dorado decision has raised the legal bar for fee defensibility.

City	Scope	Consultant	Budget	Status
Palo Alto	Impact fees (parks, community centers, libraries, govt, transportation, public safety) + in-lieu fees + affordable housing fees + BMR feasibility update	Keyser Marston Associates / NBS	$371,415	Contract approved Dec 2025; final reports after June 2026
Berkeley	Nexus studies for 5 development fees: affordable housing, childcare, cultural trust, SOSIP, POPOS	RFP issued Feb 25, 2026	$200,000 (est.)	Bids due March 25, 2026
San Ramon	Comprehensive nexus fee study covering child care, parks, arts, open space, inclusionary, commercial linkage, parkland	Completed	N/A	Ordinance 537 adopted March 24, 2026

Palo Alto's study is the most consequential. It includes 18 financial pro forma analyses for residential prototypes to evaluate the impact of proposed fees on housing production. The city currently holds $33.2M in unexpended Residential Housing In-Lieu Fees and $4.7M in Commercial Housing Impact Fees. The Geng Road builder's remedy project has already signaled a fee protest under Sheetz, claiming the city owes a $3.5–4M credit for demolishing 190,000 sf of existing office space against parkland dedication fees. The KMA study will establish the legal defensibility baseline for Palo Alto's entire fee structure.

Vallejo and South San Francisco both commissioned feasibility analyses and reached the same conclusion: current development prototypes are not financially feasible even before applying proposed fees. Vallejo's EPS study (June 2025) led the City Council to direct staff to draft ordinances with greater flexibility, expected mid-2026. South San Francisco's Strategic Economics analysis found no commercial buildings currently feasible, so no commercial linkage fee adjustment was recommended.

4. In-Lieu Fee Mechanics

In-lieu fees are the variable most cities are adjusting, and the direction is not uniform. The table below captures the fee structures where specific rates are disclosed in the agenda data.

City	In-Lieu Fee Structure	Direction of Change
Alameda	$25/sf rental, $50/sf ownership (proposed). Currently per-unit basis	Restructuring: per-unit to per-sf
Mountain View	$98/sf rental (-17%), $118/sf townhome (-23%), $91/sf other ownership (+36%)	Mixed: rental/townhome down, other ownership up

City	In-Lieu Fee Structure	Direction of Change
Redwood City	$25/sf single-family, $20/sf condo/apartment (2015 nexus study rates)	Stable; no update proposed
Sunnyvale	7% of contract sales price (ownership)	Under review (Mar 24 agenda)
Martinez	$100,000 minimum per inclusionary unit	New (Ordinance 1480)
Hayward	$2.875M for 83 units ($34.6K/unit) or $3.16M at occupancy	Stable; existing Master Fee Schedule
San Jose	Rental in-lieu reduced to $0 for MHIP-eligible projects with 5% at 100% AMI	Aggressive reduction for incentive-eligible projects
Berkeley	$844,321 for 65-unit project ($12,990/unit at 2298 Durant)	Study underway

Mountain View's decision to eliminate in-lieu fees as a compliance pathway is the most consequential structural change. The city's position is that in-lieu fees decouple affordable housing production from market-rate development: they generate fund balances (Mountain View's BMR fund seeded the $1M Affordable Housing Initiative with LAMVCF), but they don't produce units at the pace or location the Housing Element requires. Restricting alternatives to land dedication, off-site development, and acquisition/preservation forces developers to internalize affordability rather than write a check.

5. The Feasibility Wall

The most consistent finding across every fee study, feasibility analysis, and staff report in this dataset is that current market conditions render most new multi-family development infeasible before any local affordability requirement is applied. This is the structural context for every policy decision described above.

City	Finding	Source
San Jose	Two-thirds of entitled tower projects financially infeasible	2025 Cost of Residential Development Study (CSG/EPS)
Alameda	Most new multi-family development infeasible under current conditions	Street Level Advisors September 2025
Vallejo	Current residential and commercial prototypes not feasible even before proposed fees/requirements	EPS Feasibility Analysis June 2025
South SF	No commercial buildings currently feasible; no fee adjustment recommended	Strategic Economics 2025
Santa Clara	High-rise residential and office infeasible; only townhomes showing near-term potential	RSG Economic Analysis February 2026
Cupertino	Impact fees and Park Land Ordinance identified as constraints on higher-density development on Priority Housing Sites	2025 General Plan APR

The implication for inclusionary policy is direct: cities cannot extract affordability from projects that don't get built. San Jose's response (MHIP: $0 in-lieu fee, 50% construction tax reduction, capacity for 3,600 units) and Redwood City's (temporary 25% IHO cut) represent the production-first approach. Mountain View's (restructured BMR with accessible unit mandates and land dedication) represents the recalibrated-but-maintained approach. Both are rational responses to the same data. The question is which produces more total affordable units over the RHNA cycle.

Santa Clara's Downtown Precise Plan feasibility analysis adds a geographic dimension: the RSG study concludes that affordable housing is most likely to be delivered through disposition of city-owned sites at low or no cost, not through private market-rate development. Cupertino's Mary Avenue Villas project confirms this pattern: land sold for $1, $3M city loan, $2.16M in waived park impact fees, 40 units with 19 for residents with intellectual disabilities. The innovation is in the subsidy structure, not the regulatory framework.

6. Emerging Instruments

Cities are supplementing traditional inclusionary and fee tools with financing mechanisms that operate on a different logic: capturing future tax increment rather than extracting current development exactions.

Enhanced Infrastructure Financing Districts

City	EIFD	Housing	Projected Revenue	Term
San Francisco	Stonestown	3,491 units (350 affordable)	$3.124B allocated + $2.239B conditional	45 years per project area
San Francisco	3333/3700 California	1,200 units (125 on-site affordable; $31M in-lieu for off-site)	$477M allocated + $342M conditional	45 years
San Francisco	Downtown Revitalization	Conversion projects	$610M projected	30 years per project
Santa Cruz	Downtown Expansion	2,382 rental + 675 affordable	$89M present value ($217M nominal)	50 years

San Francisco's EIFD strategy is the most ambitious in the state. The Stonestown EIFD alone would finance approximately $438M in infrastructure and affordable housing costs through future tax increment; the 3333/3700 California EIFD adds approximately $351M. The Downtown Revitalization Financing District adds $610M for commercial-to-residential conversions, with 100% of incremental property tax returned to opted-in projects for up to 30 years. Both Stonestown and 3333/3700 California are subject to judicial validation actions; the outcomes will determine whether this model is replicable statewide.

Other Instruments of Note

San Jose L.I.V.E. Program. City master-leasing ~197 units in a distressed tower at 80–110% AMI for $11.2M. Not a traditional affordable housing program; a market intervention tool that takes an equity position in distressed assets. If it works, it creates a new category of workforce housing at a fraction of new construction cost.

San Francisco Rent Control Waiver. Ordinance 250815 allows projects outside Priority Equity Geographies to waive inclusionary requirements entirely if all units are placed under rent control for the life of the project. A direct exchange: the city trades inclusionary extraction for permanent rent stabilization of the entire building.

Mountain View Master Lease Option. 490 E. Middlefield DA includes a city option to master-lease 30–60 additional units as rent-guaranteed housing for a minimum of seven years. Converts market-rate supply to controlled-rent supply without changing the inclusionary requirement.

7. What to Watch

Sunnyvale's inclusionary increase (formal consideration Aug–Oct 2026).

A March 2026 study session reviewed feasibility of raising BMR requirements and updating in-lieu fees. Formal consideration is tentatively scheduled for August–October 2026. Adjacent San Jose data shows two-thirds of towers can't pencil. If Sunnyvale raises requirements and sustains production, it proves the demand-side thesis. If the pipeline stalls, Redwood City's cut-and-build approach gains further empirical support.

Palo Alto's KMA fee study (final reports after June 2026).

The 18-prototype feasibility analysis will establish whether Palo Alto can legally defend new affordable housing impact fees for both residential and non-residential development. With $33M in unexpended in-lieu fees and builder's remedy projects already protesting existing fee levels under Sheetz, the study's conclusions will set the fee defensibility baseline for the entire South Bay.

Alameda's inclusionary ordinance adoption.

The workshops are done; the next step is a formal ordinance. The per-square-foot in-lieu fee transition ($25/sf rental, $50/sf ownership) and the 59-to-99-year affordability term extension are both significant. Developer pushback on the in-lieu rate ($10/sf requested for large-scale rental) will test whether the city holds at $25.

Mountain View BMR program effective date: June 25, 2026.

Eliminating in-lieu fees as a compliance pathway is untested at this scale. The first projects processed under the new rules will reveal whether land dedication and off-site development are operationally viable alternatives or whether developers find ways to avoid them.

San Francisco EIFD judicial validation.

Stonestown and 3333/3700 California. If upheld, tax-increment financing becomes the replicable model for infrastructure and affordable housing funding. If challenged successfully, the financing structure for nearly 5,000 planned units and billions in projected revenue is at risk.

San Jose's development fee framework.

The Scaled Development Fee Framework and SB 937 implementation (deferring impact fees to certificate of occupancy) will determine how the city structures fees for the next RHNA cycle. With a $56M General Fund shortfall and 62,200 RHNA units to deliver, every dollar of fee design matters.

Vallejo's draft inclusionary and commercial linkage ordinances (mid-2026).

A city where EPS found zero development prototypes currently feasible is still drafting mandatory requirements. The ordinance design will reveal how cities thread the needle between state housing mandates and market reality.

Source: MotionCount continuous monitoring of municipal council agendas across 577+ U.S. cities. Item-level summaries are AI-generated from per-item attachment sets. This report prioritizes structural patterns and financial data over political narrative. All financial figures, unit counts, and dates are as stated in source materials and have not been independently verified. Official meeting packets remain the authoritative source. This document does not constitute investment, legal, or policy advice.

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