UC Berkeley Terner Center for Housing Innovation

TERNER CENTER BRIEF - JANUARY 2026

Assessing the Cost of Impact Fees on Affordable Housing:

An Analysis of Low-Income Housing Tax Credit Projects in California

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Introduction

Building new affordable housing in California has always been a complex process, and in recent years, the costs of development have increased substantially. In 2023, it cost approximately $630,000 to develop one subsidized housing unit funded with Low-Income Housing Tax Credit (LIHTC) equity in California,[1] nearly 20 percent more than in 2019, after accounting for inflation. There are many reasons for this increase, including rising land values. Construction costs have also increased faster than inflation as a result of factors such as supply chain issues and labor market shortages post-pandemic, while higher interest rates have increased the cost of financing.[2] Insurance rates for multifamily developments have also increased, by an average of 12.5 percent a year between 2020 and 2023, leading to higher operational costs.[3] In addition, research has shown that subsidized housing can face additional cost drivers associated with the regulatory requirements of public funding.[4]

Recently, policymakers have turned attention to the role that local development fees play in increasing the cost of new housing. These fees are charged to all new residential developments by local jurisdictions and other public entities to cover the costs of new housing and generally apply to both market-rate and affordable housing projects. These fees are intended to mitigate the public costs that the new homes and residents will have on municipal facilities and infrastructure, such as sewage or roads. Cities can also impose fees to invest in parks or public art; offset the costs to the school district from new students; or pay to connect the new housing to water, storm water, sewer, electricity, and gas systems. Many cities have also adopted housing impact fees or in-lieu fees that are paid by market-rate developers to expand the supply of affordable housing; these fees are deposited in housing trust funds or other vehicles to ensure that the funds collected are used to increase the affordable housing stock.

When it comes to affordable housing development, however, higher fees increase the amount of public subsidy required. This research brief examines a sample of application data for new construction Low-Income Housing Tax Credit (LIHTC) projects for the years 2020–2023 to describe the costs of development fees for subsidized affordable housing in California. We estimate the per-unit fees charged to projects awarded tax credits and assess the implicit subsidy from federal, state, and local affordable housing programs to those jurisdictions. We also analyze the types of jurisdictions that assess the highest per-unit fees, as well as those that waive, defer, or reduce fees for LIHTC housing. Finally, we provide recommendations for the State to encourage local governments to minimize or waive impact fees for subsidized affordable housing.

Background

Local jurisdictions and other entities in California levy different types of fees on new housing developments to cover a wide range of costs, which we refer to as "development fees" or "impact fees." (*See Box: Types of Housing Development Fees*.) These fees are an important source of local revenues. Actions taken by voters and the legislature over the years have made it more challenging for local officials to fully fund needed services and operations, including limiting their ability

to raise new revenues by other means. As a result, California cities, as well as utility and school districts, are increasingly relying on fees, special taxes, and assessments to cover public services and facilities. The majority apply these fees to all new housing development, including affordable housing.

Due to the relatively small number of affordable homes produced each year compared to market rate development, affordable developments contribute a relatively small portion of overall fee revenue in most cities. However, at the project level, these fees can have a significant impact on overall development costs.

As a result, several cities have adopted ordinances that waive or reduce payment of impact fees on subsidized affordable housing. Lowering development costs reduces the need for additional subsidies and increases project feasibility, expanding the supply of affordable housing. Even impact fee deferrals that enable the payment of fees upon certificate of occupancy rather than at the time of building permit issuance can reduce costs by enabling developers to pay fees with low-cost debt rather than with equity or a higher-cost construction loan.

Types of Housing Development Fees

Housing development fees can broadly be classified into two types:

- **Planning and building service fees**, which compensate a jurisdiction for the staff time and other overhead required during the development process; and
- **Development impact fees**, which are intended to mitigate the costs that the new homes and residents will have on municipal facilities and infrastructure. These can also include impact fees or in-lieu fees that provide funds for affordable housing.

Many development impact fees are subject to the Mitigation Fee Act, which requires localities to establish a "reasonable relationship" between the impacts of a project and the types and amounts of the fees they charge.

But there are other fees that don't fall under the Mitigation Fee Act, including:

- *fees for the public good* to provide for public art or affordable housing;
- *environmental mitigation fees* to offset impacts new development might have on natural habitats and ecosystems;
- *park fees* that pay for new parks and recreation facilities;
- *utility company fees* to cover the costs of connecting new development with water, storm water, sewer, electricity, and gas;
- *school fees* that offset the impact new students moving in will have on the school system; and
- *regional development fees* to cover the costs of significant capital improvement projects that serve multiple jurisdictions.

Methodology

For this policy brief, we analyzed the applications for 691 LIHTC new construction[5] projects awarded tax credits between 2020 and 2023 to identify those that indicated on their applications that they would either pay development fees or that the local jurisdiction had waived or deferred their fees.[6] We include both 4 percent and 9 percent tax credit applications in our analysis.

We specifically reviewed two sections of the California Tax Credit Allocation Committee (TCAC) application where developers include information on whether fees will be paid and the total amount:

1. In the threshold basis limit section [III. Project Financing - Section 5 (g)], developers can indicate whether they are required to pay development impact fees to local government entities and provide the total amount of the fees charged to the project. They are required to attach certifications from local entities that the fees are required.
2. In the sources and uses budget section of the main application, under "Other Project Costs," developers can include "Local Development Impact Fees" as part of the project budget. This amount includes the total fees assessed, even if a share of those fees is waived. As a result, the data in these two separate sections of the application don't always align.[7]

We then analyzed how many applicants had received fee waivers or reductions in the "Permanent Sources" section of the application. Developers can indicate in the application that one of their funding sources includes deferred or waived impact fees. Waivers and reductions count as local public funding sources, increasing an application's competitiveness for LIHTC credits and State funding sources. We coded where waived or deferred fees were included in the application's permanent funding sources, as shown in Table 1.

Table 1: Approach to Coding Impact Fee Terminology in LIHTC Application

Variable	Description in LIHTC Application
Impact fee waiver	IMPACT FEE WAIVER WAIVED IMPACT FEE FEE WAIVER
Impact fee deferral	IMPACT FEE DEFERRAL DEFERRED IMPACT FEE IMPACT FEE NOTE IMPACT FEE LOAN
Impact fee reduction	IMPACT FEE REDUCTION

Although the LIHTC applications allow us to examine the prevalence and amount of fees levied on subsidized affordable housing, there are some significant limitations to using them as a data source for this project. First, we were not able to comprehensively distinguish the fees that are city-controlled versus those charged by other governmental entities (i.e., school districts, utility companies, and regional bodies). However, we do provide some descriptive analysis from the LIHTC Attachment 18A, which provides more detail on the types of fees levied on each LIHTC project. Second, developers do not always include impact fee waivers on their applications. For the 4 percent LIHTC program, for example, fee waivers do not matter for tax credit competitiveness, so many developers do not bother to report them on their applications. Third, it is not straightforward to identify projects where city-controlled fees are waived or deferred, in part because applications use similar terms for different things. For example, "deferred fees" can refer both to city fees and to deferred developer fees. We therefore rely on the relatively narrow coding of terms included in Table 1.

Table 2 presents an overview of our sample of 691 new construction projects. Two-thirds of the projects (451) accessed 4 percent credits, while 240 accessed 9 percent credits. Overall, these awards will add over 60,000 low-income units, including homes for seniors, families, and people who have experienced homelessness.

Table 2: Sample of LIHTC-Awarded Tax Credit Applications, 2020–2023

	4% Credit Program	9% Credit Program
Number of Projects	451	240
Large Family Housing	195	124
Senior Housing	36	37
Special Needs Housing	116	79
Non-Targeted Housing	104	0
Number of Low-Income Units	46,091	14,393
Per-Unit Development Costs (2024$)	660,514	631,817
Per-Square-Foot Development Costs (2024$)	737	701
Number of Projects Indicating Fees	428	230

Source: Analysis of LIHTC awards for new construction, 2020–2023. Shazia Manji, Pratish Patel, Carolina Reid, and Quinn Underriner (2023)."California Low-Income Housing Tax Credit Database, 2020–2023," Cal Poly, San Luis Obispo, and Terner Center for Housing Innovation, University of California, Berkeley.

On average, total per-unit development costs over this time period (2020–2023) were $660,514 for 4 percent tax credit projects and $631,817 for 9 percent tax credit projects. However, these averages hide significant variations in costs across projects: per-unit development costs depend significantly on geographic location, size (e.g., number of stories), and property characteristics (e.g., parking requirements).[8]

Findings

Finding 1. The majority of new LIHTC construction projects include development impact fees.

Out of the 691 new construction projects, 658 included development impact fees in their project budgets. On average, these fees added $19,806 per unit to total development costs.[9] The prevalence and average amount of fees did not vary between 9 percent and 4 percent projects. However, they did vary by project type. On average, family housing was assessed $24,054 in development fees per unit, compared to $19,133 for senior properties and $13,810 for housing for people with special needs. This is likely because fees are often assessed on a square-foot basis,[10] and family housing units tend to be larger than those for seniors or permanent supportive housing.

Finding 2. Some new construction projects are assessed very high fees per unit.

These averages hide significant variation in per-unit fees. Terner Center research has documented wide variation between jurisdictions in the amount of impact fees levied on projects with the same characteristics.[11] Some cities rely on fee revenue more than others, depending on their service and infrastructure needs. Table 3 includes the range of per-unit fees across the sample, along with the number of new construction projects and units assessed those levels of fees. Approximately 13,660 units of affordable housing—on 134 projects—were assessed more than $30,000 per unit in fees.

Table 3: Distribution of New Construction Developments by Per-Unit Impact Fees

Per-Unit Fees	Number of Projects	Number of Low-Income Units
Less than $5,000	128	9,979
$5,000-$10,000	100	9,199
$10,000-$15,000	98	8,147
$15,000-$20,000	89	7,771
$20,000-$30,000	142	11,788
More than $30,000	134	13,660

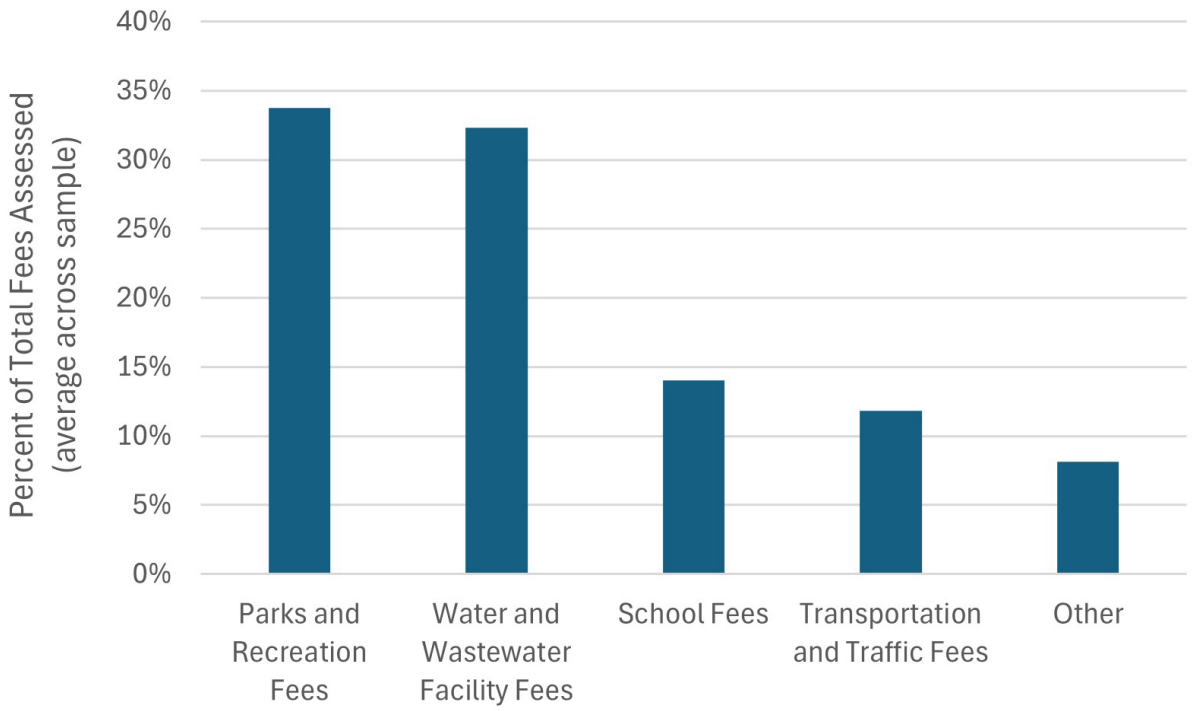
Source: Analysis of LIHTC awards for new construction, 2020–2023. Shazia Manji, Pratish Patel, Carolina Reid, and Quinn Underriner (2023). "California Low-Income Housing Tax Credit Database, 2020–2023," Cal Poly, San Luis Obispo, and Terner Center for Housing Innovation, University of California, Berkeley.

Finding 3. Parks and recreation, water and waste utility, and school fees often account for the largest share of fees on affordable housing projects.

Affordable housing projects are often subject to fees from multiple governmental entities—city, county, special districts, and utilities—many of which act independently. To better understand this mix, we analyzed a random sample of 50 affordable housing projects using TCAC's Attachment 18(A): Local Development Impact Fees, which itemizes all project-level fees.

Across our sample, parks and recreation fees and water and sewer charges generally comprised the largest share of fees assessed on a LIHTC project, comprising, on average, 35 percent of total fees (Figure 1). However, parks and recreation fees varied the most across projects. While some projects were not assessed any parks and recreation fees, more than 10 percent of projects faced assessments above $25,000 per unit—among the highest of all fees. While parks and recreation investments enhance neighborhood livability, relying on development fees to cover those investments can also substantially increase the cost of producing affordable housing.

Figure 1: Affordable Housing Impact Fees by Designated Purpose



Source: Analysis of LIHTC Attachment 18(A): Local Development Impact Fees, N=50, New construction project awards 2020–2023. The category "Other" can include Community Development Fees, Fire Facilities, Law Enforcement Facilities, Library Facilities, and general Public Facilities. See the full list: **https://www.treasurer.ca.gov/ctcac/2021/attachments/attachment-18a.pdf**

Finding 4. Development impact fees on affordable housing generally constitute a small share of overall city revenue, yet they tend to be higher and comprise a larger share of municipal revenue in cities in suburban and exurban areas.

Most cities do not collect revenue from development fees on subsidized affordable housing, in part because they are not building new affordable housing. Indeed, the majority of cities—256 out of 482 (or 53 percent)—did not receive a single LIHTC award between 2020 and 2023, and 113 cities had only one new LIHTC award over this time period. Only 33 cities were awarded more than three LIHTC projects between 2020 and 2023, with the greatest number in Los Angeles (117). San Diego (33), San Jose (30), Sacramento (20), and San Francisco (18) were the other cities with a significant number of new LIHTC developments.

To estimate the relative contribution that impact fees on LIHTC projects make to city budgets, we merged 2023 data on jurisdictional revenues with cities that were awarded LIHTC developments between 2020 and 2023.[12] We then calculated an annual average of the impact fees paid by LIHTC projects in those places as a share of total jurisdictional revenues. Among cities with LIHTC developments, the fees levied constitute a relatively small share of overall revenues. On average, these fees constitute only 1.1 percent of total city revenues.

However, for about 10 percent of the cities in our sample, fees paid by affordable housing developers contributed more than 2.8 percent of total revenues. We find that higher per-unit impact fees are strongly correlated with whether the city has a newer housing stock. In addition, cities with higher fees are generally smaller cities that are newer and characterized by suburban or exurban developments that require significant new infrastructure, like new roads and utility lines. Cities with a greater share of homeowners assess slightly higher per-unit fees for affordable housing, while cities with larger populations tend to assess slightly lower per-unit fees. (See Appendix for correlation results.) There are exceptions, however, with some high-cost cities imposing higher fees to address infrastructure needs associated with infill development and high-density housing, such as new fire equipment and replacement of aging municipal systems.

Finding 5. While on average, impact fees charged to new construction developments contribute to less than 5 percent of total development costs, the total amount of fees paid by affordable developments over the four-year period is significant at more than $1.2 billion, an average of approximately $300 million a year.[13]

With affordable housing funding in the state constrained, if fees weren't charged, the resulting savings could free up that funding for new affordable homes. As a rough estimate, these funds could have financed the development of another 1,250 units each year, assuming a per-unit subsidy of $200,000.[14]

Finding 6. Fee deferrals and waivers can make a significant difference to project costs.

Prior research by the Terner Center found that in a sample of 41 cities, 78 percent of jurisdictions (or 32) had adopted policies or ordinances that reduced or waived impact fees for affordable housing,

typically conditional on the availability of alternative funding to replace impact fee revenues for those projects. The LIHTC applications show that 54 projects included waived fees as part of their permanent sources in their application submittal, six noted deferred fees, and one indicated an impact fee reduction. Since developers may not include these waivers on their applications, this is likely an underestimate of the total number of projects with waivers and deferrals.[15] These waivers, reductions, and deferrals totaled $39.2 million, as shown in Table 4 (though given that we likely are not observing all waivers, this total could be much higher).[16]

For example, in San Diego, affordable housing developments are exempt from the payment of regional congestion transportation improvement fees.[18] Permanent supportive and transitional housing are also exempt from payment of all development impact fees.[19] In our sample, San Diego had the largest number of projects with waived fees (eight), for a total of $3.5 million. Waived or deferred fees can make a significant difference at the project level. For example, Palo Alto's Mitchell Park Place, which has 49 units of low-income housing—including 25 for people with physical, mental, or developmental disabilities—received a fee waiver of $76,000 per unit, saving the project $3,826,701.[19] The Villa Hermosa Apartments (Phase III) in Indio received waivers for sanitary district and water authority fees in the amount of $2,913,140 (or $29,000 per unit), a reduction of 6.4 percent of total development costs. This reduction in development costs can reduce the need for additional subsidy, enable a project to provide deeper affordability, or increase the number of units that can be built.

Table 4: LIHTC Projects with Fee Waivers, Deferrals, and Reductions, 2020–2023

	Number of Projects	Total Amount
Fee Waivers	54	$35,762,461
Fee Deferrals	6	$3,189,592
Fee Reductions	1	$300,000
Total Fee Amount	61	$39,252,053

Source: Analysis of LIHTC awards for new construction, 2020–2023. Shazia Manji, Pratish Patel, Carolina Reid, and Quinn Underriner (2023). "California Low-Income Housing Tax Credit Database, 2020–2023," Cal Poly, San Luis Obispo, and Terner Center for Housing Innovation, University of California, Berkeley.

Note: Because it is not possible to fully identify all fee waivers, deferrals or reductions from the TCAC applications, these estimates likely underestimate the total number of projects benefiting from reduced or waived fees.

Role the State Can Play

Concerned that development impact fees can increase the cost of housing, legislators have proposed significant new laws over the past decade to govern the timing and methods that jurisdictions can employ when they require the payment of impact fees as a condition of the approval of residential development. For example, Senate Bill (SB) 330 (*Housing Crisis Act of 2019*) includes a requirement that impact fees be locked in once a development application is submitted, as long as all required processing fees are paid and the application meets all requirements set forth by the jurisdiction at the time of application submittal.

More recently, Assembly Bill 1820 requires cities to provide an estimate of the impact fees required for a proposed housing development at the time of building permit application. SB 937 *(Development projects: fees and charges),* authored by Senator Scott Wiener, further prohibits local jurisdictions from requiring payment of fees before a certificate of occupancy is issued and requires that the fees charged be the same as if they had been paid prior to building permit issuance.[20] These provisions apply to streamlined projects, 100 percent affordable projects, and mixed-income projects where more than 49 percent of the units are affordable. There are some exceptions for certain public improvements, including utilities (i.e., water, sewer, or wastewater service).

Bills that specifically target impact fees for affordable housing, however, have not made it to the governor's desk in recent years. Several bills that would have provided reimbursements to local agencies for reducing, waiving, and deferring fees for affordable housing were introduced but did not move forward. And while many recent housing reforms have targeted fees, none have focused specifically on affordable housing.

There are a number of potential actions that the State could take to increase affordable housing opportunities by reducing the fee burden now in place.

The State can identify ways to help local jurisdictions fund needed infrastructure.

Local jurisdictions can adopt fee waivers or reductions without State urging, but many depend on the revenue collected to address the infrastructure and service demands that come with new residents. The State can provide a way to offset the cost of the lost revenue and support the need for local infrastructure to address growth. This could be in the form of a funding measure or legislation. The Infill Incentive Grant (IIG) Program, for example, has been an important source of funding for projects, providing funding for parks, open space, traffic mitigation, utilities, and streets and roads, among other public improvements. The State is considering a bond measure for the 2026 ballot, which could include funding for a program like the IIG.

The State could reimburse cities for a portion of waived fees on sharing agreements that enable local jurisdictions to reduce fees on affordable housing.

Although there has been some legislation introduced suggesting this strategy, it is important that this reimbursement doesn't inadvertently create an incentive to keep fees high. Providing assistance as a fixed amount rather

than as a percentage would lessen that concern.[21] In addition, the State would have to evaluate the costs and benefits associated with this type of policy, given that reducing the fees on LIHTC applications could also reduce the federal tax credit subsidy, in effect reducing federal funding and increasing state costs.

The State could require local governments to waive or rationalize fees for affordable housing.

While this would have an impact on city revenues for some public goods like parks or transportation investments, the severity of the housing crisis means that rationalizing those fees is critical to bring down costs and increase the supply of subsidized housing. Waivers could be effectuated in at least three different ways—for example, through:

1. state legislation that provides a clear exemption for all units deed-restricted to low-income households;
2. a far higher level of scrutiny by state regulators during reviews of local jurisdictions' Housing Elements, with a presumption of rebuttal that impact fees for affordable housing are an undue governmental constraint;[22] or
3. a pathway for developers of affordable housing projects that receive state funding to transfer their land to the State in exchange for a 99-year lease, thereby triggering state sovereignty.[23]

In addition, the State should continue to tighten oversight of how cities determine the relationship between a project and its impact on a community, as well as the connection between those impacts and fees charged.

TCAC could consider ways to incentivize cities to waive or reduce fees through the Qualified Allocation Plan.

This could include providing more points for projects seeking tax credits for jurisdictions that waive/reduce fees for affordable housing, although this might have less of an effect in places that tend to oppose affordable housing.

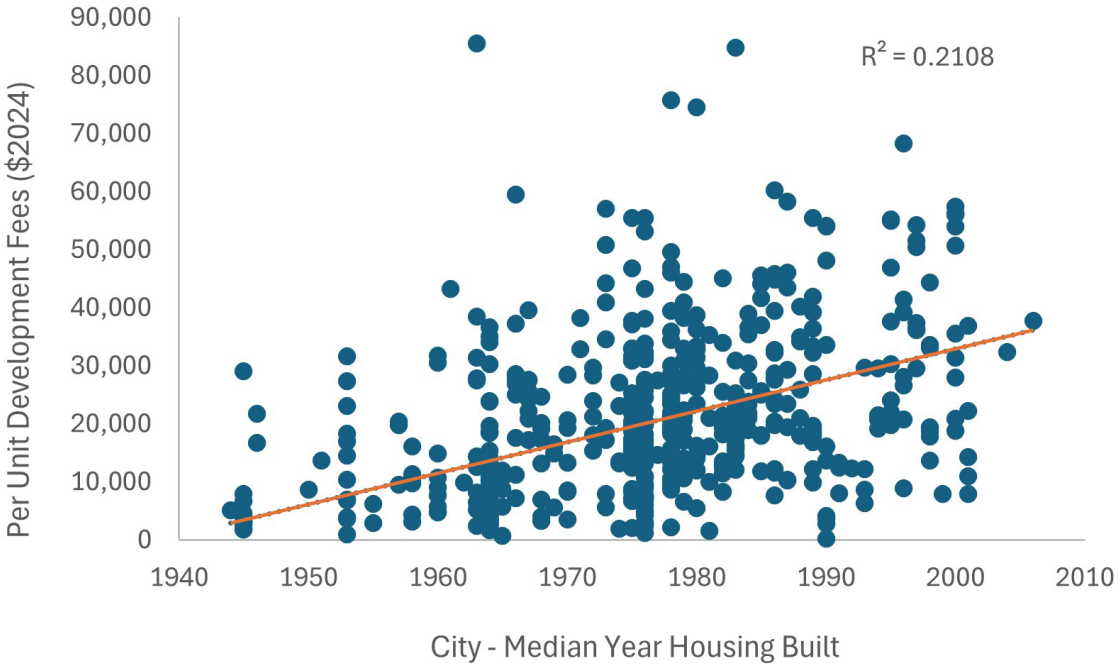
Conclusion

While for the most part, development impact fees constitute a small share of the affordable housing development funding stack, the total amount of the fees our sample projects paid to local agencies was significant. Between 2020 and 2023, LIHTC projects paid an average of $300 million in fees each year. As noted above, these funds could have financed the development of approximately 1,250 units each year, assuming a hypothetical per-unit subsidy of $200,000. Given California's housing crisis, reforming local development fees could help bring down the costs of development and expand the supply of much needed affordable housing.

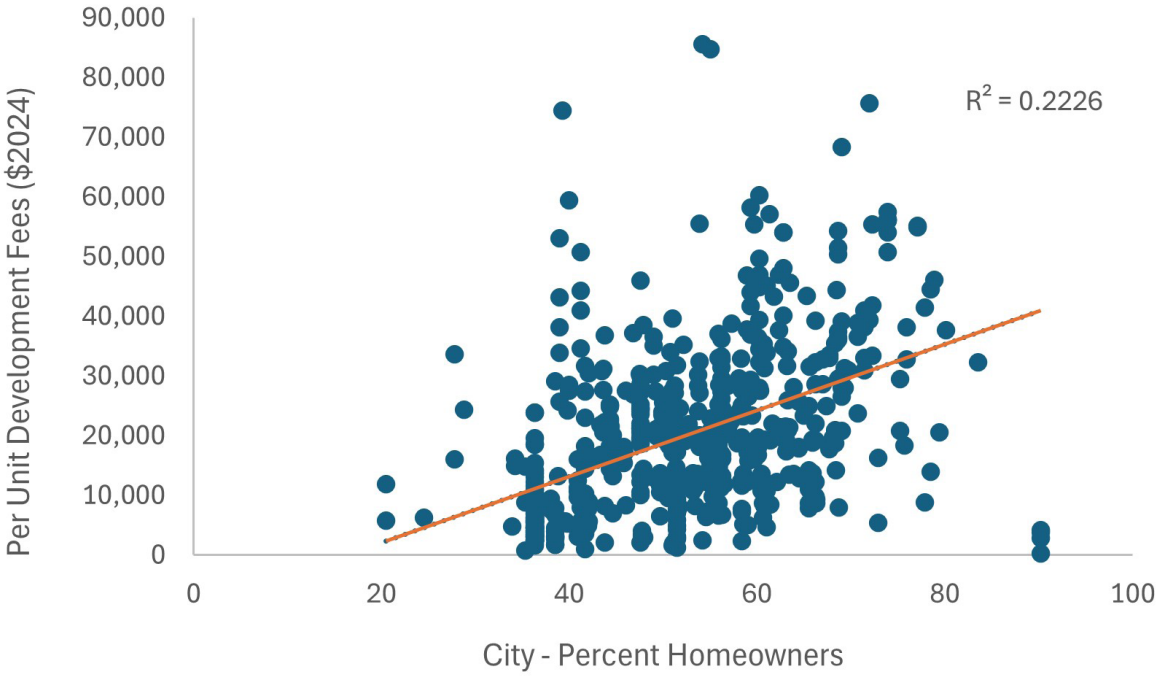
APPENDIX

The charts below present the correlation analyses that show how development fees are related to different city characteristics, including the age of the housing stock, the percent of homeowners, and the population.

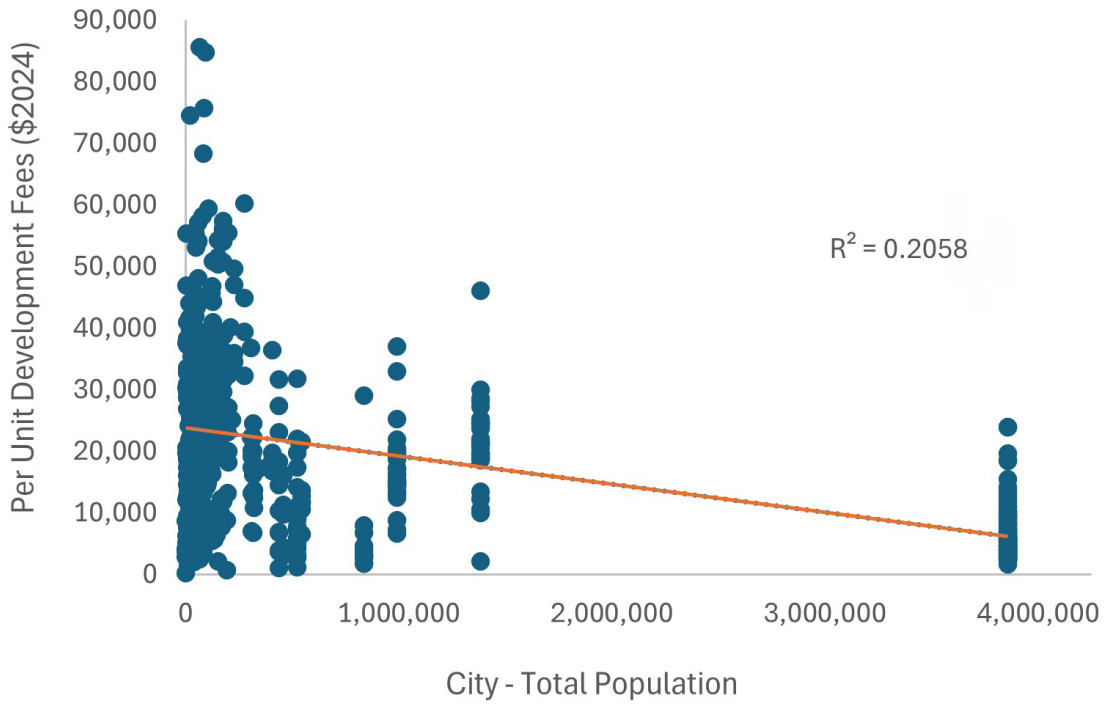
Appendix Figure 1: Correlation between Assessed Fees and Age of Housing Stock in the City



Appendix Figure 2: Correlation between Assessed Fees and Percent Homeowners in the City



Appendix Figure 3: Correlation between Assessed Fees and City Population



ENDNOTES

1. This cost estimate is for new construction projects only.

2. Wong, J. (2024). "The Effect of Inflation, Supply Chain Disruption, and Labor Shortages on Real Estate Development," Pepperdine Caruso School of Law. Retrieved from: **https://law.pepperdine.edu/surf-report/posts/effect-inflation-supply-chain-disruption-labor-shortages-real-estate-development-justin-wong.htm**

3. Waters, E. (2024, June 25). "Rising Insurance Costs and the Impact on Housing Affordability." Bipartisan Policy Center. Retrieved from: **https://bipartisanpolicy.org/blog/rising-insurance-costs-and-the-impact-on-housing-affordability/#:~:text=Between%202020%20and%202023%2C%20multifamily,higher%20deductibles%20and%20reduced%20coverage**

4. Reid, C. (2020). "The Costs of Affordable Housing Production: Insights from California's 9% Low-Income Housing Tax Credit Program." Terner Center for Housing Innovation, University of California, Berkeley. Retrieved from: **https://ternercenter.berkeley.edu/wp-content/uploads/pdfs/LIHTC_Construction_Costs_March_2020.pdf**; Kneebone, E. & Reid, C. (2021). "The Complexity of Financing Low-Income Housing Tax Credit Housing in the United States." Terner Center for Housing Innovation, UC Berkeley. Retrieved from: **https://ternercenter.berkeley.edu/wp-content/uploads/2021/04/LIHTC-Complexity-Final.pdf**

5. Only 19 out of 168 acquisition/ rehabilitation projects between 2000 and 2023 reported that they would pay impact fees, with an average per-unit fee of just $2,377.

6. This analysis focuses on development impact fees and not permitting fees.

7. In addition to differences in the intent of the two sections, there were four applications with inconsistent data. Two applications indicated that they were paying impact fees, and then did not include the amount in their eligible basis but did include it in the sources and uses budget (20-442 and 21-456). Two others (20-537 and 20-737) indicated that they were paying fees in the eligible basis, but not in the sources and uses. However, their permit fee amount in the sources and uses was very high, suggesting that the fees were indicated in the wrong line. (Application 20-537 indicated that they were paying $1,898,630 in eligible basis, sources and uses was empty, but the permitting processing fee line was $2,259,839.)

8. Reid, C. (2020). "The Costs of Affordable Housing Production: Insights from California's 9% Low-Income Housing Tax Credit Program." Terner Center for Housing Innovation, University of California, Berkeley. Retrieved from: **https://ternercenter.berkeley.edu/wp-content/uploads/pdfs/LIHTC_Construction_Costs_March_2020.pdf**; Terner Center (2024). "Low-Income Housing

Tax Credit Construction Costs: An Analysis of Prevailing Wages." Terner Center for Housing Innovation, University of California, Berkeley. Retrieved from: **https://ternercenter.berkeley.edu/wp-content/uploads/2024/08/Low-Income-Housing-Tax-Credit-Construction-Costs-An-Analysis-of-Prevailing-Wages-August-2024.pdf**

9. The median estimate of fees on new construction is consistent with other studies, including California YIMBY's 2024 report, "The Impact of Fees: Rethinking Local Revenues for More Multifamily Housing," which found that the average impact fee on a multifamily unit in California was $21,703. Retrieved from: **https://cayimby.org/reports/the-impact-of-fees/**

10. Fees can also be assessed on a per-unit basis.

11. Raetz, H., Garcia, D., & Decker, N. (2019). "Residential Impact Fees in California: Current Practices and Policy Considerations to Improve Implementation of Fees Governed by the Mitigation Fee Act." Terner Center for Housing Innovation, UC Berkeley. Retrieved from: **https://ternercenter.berkeley.edu/research-and-policy/residential-impact-fees-in-california/**

12. Data on local revenues for 2023 were obtained from the California State Controller's Office Local Government Financial Data website: **https://bythenumbers.sco.ca.gov/w/ky7j-fsk5/default?cur=YXXl8vyzmj6&from=Oee5u-w4Tca**

13. The total fees paid by year varies depending on how many projects are awarded funding. In 2022 and 2023, the total fees amounted to approximately $250 million. In 2020 and 2021, total fees were higher due to more awarded projects in the sample ($320 million and $400 million respectively).

14. The $200,000 per-unit subsidy is a hypothetical number that we use to illustrate the potential for additional affordable homes, though we acknowledge that per-unit subsidies can vary significantly depending on geography, the type of construction and project details, as well as the LIHTC type. A recent report from Enterprise and the Bay Area Housing Finance Authority analyzed projects that received 4 percent LIHTC awards between 2021 and 2023 to project the need for subsidy for pipeline projects. The report estimated that new projects would require subsidies of $286,000 per unit, though it noted that this number reflected Bay Area costs and included a number of assumptions. The subsidy was modeled at 35 percent of the capital stack, assuming 20 percent local subsidy and 15 percent State subsidy. The analysis further assumes that the 4 percent LIHTC program remains competitive despite recent expansions to the program under the federal 2025 tax bill. Impact fees increase the per-project costs, and the federal government subsidizes a portion of that cost; hence, inclusion of impact fees in a project's budget could generate net new funding into California were the program to revert to being "over the counter."

15. There are two other plausible reasons the LIHTC applications may have a smaller percentage of fee waivers indicated on their applications than noted in the Terner Center report. First, the Terner Center study found that many cities describing waivers conditioned them on replacement funding; those were coded as cities offering waivers even though not all affordable projects actually received them. Second, some of the cities in the Terner Center sample stated that they work to make waivers available for affordable development but received no affordable development applications.

16. The $3 million in deferred payments refers to the amount that was deferred, not the amount that was saved by deferring fee payments. However, some unknown portion of these deferred fees may also be de facto waivers. For example, the City of Los Angeles defers park fees for the entire duration of projects' affordability covenants.

17. City of San Diego Planning Department. Build Better SD: City of San Diego Regional Transportation Congestion Improvement Program (RTCIP) Funding Program. Retrieved from: **https://www.sandiego.gov/sites/default/files/2024-03/2.-updated-rtcip-funding-program-_clean.pdf**

18. City of San Diego. Development Impact Fee Program Manual. Retrieved from: **https://www.sandiego.gov/sites/default/files/appendix-u-dif-program-manual_0.pdf**

19. The City of Palo Alto exempts 100 percent affordable housing projects from the payment of parkland dedication fees, traffic fees, and other facility fees (e.g. libraries, public safety, and community centers). See: **https://www.cityofpaloalto.org/files/assets/public/v/4/development-services/planning-review/6.-planning-fees/fy26-impact-fee-information-sheet.pdf**

20. CalMatters. "SB 937: Development projects: fees and charges." Retrieved from: **https://calmatters.digitaldemocracy.org/bills/ca_202320240sb937**

21. Michael, J. A. and McCarty, S. (2023). "Reforming Impact Fees to Support Housing Affordability: A Case Study of Four Inland California Cities," *California Western Law Review*: Vol. 60: Iss. 1, Article 3. Available at: **https://scholarlycommons.law.cwsl.edu/cwlr/vol60/iss1/3**

22. See: **https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV&sectionNum=65583**

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ACKNOWLEDGMENTS

We would like to thank the staff at California Housing Partnership for their willingness to discuss the complexities of LIHTC applications and how impact fees are/and are not included. We also want to acknowledge the staff at the California Tax Credit Allocation Committee for responding quickly to our request to obtain LIHTC Attachment 18(A): Local Development Impact Fees documentation.

We also would like to thank the Terner Center team—particularly Ryan Finnigan and Sarah Karlinsky—for their helpful comments and support on this paper.

We are deeply grateful to Crankstart and the Conrad N. Hilton Foundation for their support of the Terner Center's work on this publication.

This research does not represent the institutional views of the University of California, Berkeley or of Terner Center's funders. Funders do not determine research findings or recommendations in Terner Center's research and policy reports.

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The Terner Center formulates bold strategies to house families from all walks of life in vibrant, sustainable, and affordable homes and communities. Our focus is on generating constructive, practical strategies for public policy makers and innovative tools for private sector partners to achieve better results for families and communities. The Terner Center is housed within the University of California, Berkeley's College of Environmental Design.

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