TOWN OF WINDSOR
AGENDA REPORT

Joint Windsor Town Council, Windsor Redevelopment Successor Agency and Windsor Water District Meeting Date: September 17, 2025

To: Mayor and Town Council
From: Patrick Streeter, Community Development Director
Subject: Development Impact Fee Pilot Program

Recommendation to Council:
Adopt a resolution establishing a time-limited Development Impact Fee Pilot Program applying a proportional, size-based fee for attached, for-rent multifamily units under 1,200 square feet, effective immediately upon adoption and applied prospectively at building permit issuance to Town-adopted impact fees (Parks, Recreation, Water/Sewer Capacity, Traffic, Drainage, Open Space, Trails, Public Facilities, and Police).

Strategic Plan Element:
The recommended action supports the goal of Livability. Goal Statement: Preserve community character by maximizing the use of existing amenities and creating future opportunities that enhance quality of life for all.

Background:
Impact fees are one-time charges imposed on new development to pay for the construction or expansion of off-site capital improvements that are necessitated by the new development. The authority for cities to impose impact fees in California derives from Assembly Bill 1600 (1987), which established the requirements that must be met to enact such fees. The legislative intent was to offset the public facility and service costs associated with new private development. Common impact fees include those for roads, parks, schools, fire/police facilities and services, utilities, and affordable housing. There must be a reasonable relationship between the fee charged and the burden created by the development.

The Town of Windsor currently imposes several development impact fees on new residential and non-residential projects. Impact fees for fire protection services are imposed separately by the Sonoma County Fire District, while school impact fees are levied by the Windsor Unified School District (WUSD). Fire impact fees are administered by the Town and adjusted only in coordination with the Sonoma County Fire District; school impact fees are set and collected by WUSD.

Windsor's current suite of impact fees was originally adopted in 2000 and 2001. After conducting a fee study with NBS Local Government Solutions, the fees were updated on April 21, 2010. That update added an annual adjustment mechanism using (1) the CPI-U for the San Francisco/Oakland Bay Area and (2) the Engineering News-Record Construction Cost Index (20-city average) for April/May over the prior year. The most recent comprehensive update followed the Colgan Consulting fee study in March 2017, which retained the annual inflation adjustment.

Assembly Bill 602, adopted in 2021, modernized the Mitigation Fee Act for housing development impact fees. For nexus studies adopted on or after July 1, 2022, residential fees must be calculated proportionately to unit square footage or the agency must adopt findings explaining why another

method remains reasonably related and does not overcharge smaller units. AB 602 also requires nexus studies to be adopted at a public hearing with at least 30 days' notice and updated at least every eight years, expands online transparency/posting requirements, and directs the California Department of Housing and Community Development (HCD) to publish nexus-study and residential feasibility templates to support local compliance. These provisions guide how agencies justify and administer fees; they do not set specific fee levels.

To align fee practices with current housing production objectives, particularly the delivery of smaller, more attainable multifamily rental units, this report evaluates a time-limited pilot to apply proportional, size-based impact fees to qualifying units while continuing to support priority capital improvements. Similar pilot programs have recently been adopted by the County of Sonoma and the City of Santa Rosa.

Discussion:
The proposed Development Impact Fee Pilot Program would apply a proportional, size-based fee for attached, for-rent multifamily units under 1,200 square feet. A flat, "per door" fee does not accurately align the fee burden with the impacts it is meant to mitigate. Smaller homes and higher-density formats generally have a proportionally smaller marginal impact on Town infrastructure and facilities than traditional suburban development. Aligning fees with unit size strengthens the "reasonable relationship" and proportionality findings required by the Mitigation Fee Act and related case law, which emphasize a nexus between the fee amount and the development's attributable impacts.

State and regional practice support this calibration. Sonoma County's program development explicitly notes that reductions may be greater for smaller units, consistent with emerging square-footage-based methodologies under AB 602. In addition, California law exempts Accessory Dwelling Units (ADUs) under 750 square feet from most impact fees, reflecting a policy judgment that very small units impose lower incremental impacts.

The pilot program uses a simple proportionality calculation to determine the fees for qualifying residential developments:

- Baseline: 1,200 square feet = 100% of the applicable Town-adopted impact fee.
- Below 1,200 sq ft: Fee = (unit sq. ft. ÷ 1,200) × adopted fee for the pertinent category.
- At/above 1,200 sq ft: Full adopted fee.
- Scope: Applies only to Town-adopted impact fees (e.g., Parks, Recreation, Water/Sewer Capacity, Traffic, Drainage, Open Space, Trails, Public Facilities, and Police). School fees (WUSD) and Sonoma County Fire District fees are not included.

To ensure the pilot benefits units that are actually built (and to avoid reserving reductions for projects that stall), staff proposes to apply reductions at building permit issuance, consistent with Sonoma County's program design. Although the pilot reductions are calculated at building permit issuance, some projects may have fee payment timing governed by subdivision conditions or agreements (e.g., at Certificate of Occupancy). In all cases, pilot reductions will apply based on the approved unit sizes and the payment timing applicable to the project. The pilot is a fee reduction, so it may be made effective immediately upon Council adoption (the Mitigation Fee Act requires a 60-day delay but applies only to newly adopted fees and increases, not reductions).

To mitigate for the limited term of the pilot program and to incentivize start-of-construction, the above-described fee reductions will be available to qualifying residential projects for 12 months following the sunset of the pilot program, provided that the entitlement application is deemed complete while the program is in effect, construction begins before or within the 12-month window, and the project remains

substantially conformant to the approved design.

A time-limited pilot allows the Town to test outcomes, monitor fiscal effects, and gather data to inform a future nexus update (anticipated to emphasize square-footage methodologies under AB 602). Staff recommends a two-year term, or sunset upon adoption of the next nexus study, whichever occurs first. This mirrors regional practice and aligns the pilot program with the current two-year budget cycle.

Windsor's 2024 Housing Element Annual Progress Report identifies a robust near-term pipeline of for-rent multifamily projects, many of which include studios and one-bedroom units likely below the 1,200-sq ft threshold. Representative examples include:

- Kashia/Burbank (53 units; permits under review)
- Redwood Glen (43 units; approved and lining up financing)
- Cora Creek Senior Apartments (106 rental units; approved)
- Shiloh Apartments (60 apartments; approved)

This pipeline suggests meaningful uptake potential with limited fiscal exposure, particularly because reductions are applied only when permits are issued.

The Town's fee program must continue to meet Mitigation Fee Act findings: identify purpose and use, and ensure a reasonable relationship between fee amount and attributable facility costs. A size-based structure advances these findings by scaling fees to unit impacts; staff will monitor collections and capital program delivery during the pilot and report annually. Staff supports the pilot as a measured, data-driven approach that better aligns fees with impacts, supports production of smaller rental units, and maintains Windsor's competitiveness while protecting the Town's capital program.

Fiscal Impact:
The pilot program would reduce Town-adopted development impact fees for qualifying for-rent multifamily units under 1,200 square feet by applying a proportional size factor at building-permit issuance. Enterprise fees governed by Proposition 218 (cost-of-service requirements for water/wastewater rate fees) are not part of the pilot, and school (WUSD) and Sonoma County Fire District fees remain unchanged because they pertain to outside agencies. Utility impact fees that are not subject to Proposition 218, water and sewer capacity fees for example, are included in the pilot program.

As a demonstrative example, Redwood Glen (43 units) shows the order of magnitude under today's rates. Using the FY 2025–26 master fee schedule, the baseline (current "per door") total is $1,511,252, allocated as: Parks & Recreation $493,210; Police Facilities $4,300; Drainage $101,298; Traffic $335,083; Public Facilities $59,856; Water Capacity $109,865; and Water Reclamation Capacity $407,640.

Under the pilot, the total collected equals the proportion of each unit's size relative to the 1,200 sf baseline. If the project averaged 900 sf (i.e., 75% of 1,200), the Town would collect about $1,133,439 instead of $1,511,252, a reduction of roughly $377,813 (25%). On a per-unit basis, that is a shift from about $35,145 to $26,359 (approximately $8,786 less per unit). Each fee category would scale proportionally by the same factor.

At a program level, this means every 100 qualifying units averaging 900 sf would reduce Town collections by approximately $878,600 (≈$8,786 per unit). Revenue impacts occur only when permits are issued for projects that move forward. As a reminder, projects that are unable to be constructed due

to inadequate financing result in $0 of impact fees collected for the Town. Staff will track participation and associated revenue reductions during the pilot and provide annual updates to Council. If collections fall materially below forecast, Council may modify the multiplier or establish a minimum floor (60%, for example) by resolution at any time during the pilot.

Environmental Review:
Pursuant to CEQA Guidelines Section 15378, the proposed action is not a "project" subject to the California Environmental Quality Act (CEQA) because it does not have a potential for resulting in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. Additionally, the proposed action is exempt from CEQA pursuant to CEQA Guidelines section 15061(b)(3) because it can be seen with certainty that there is no possibility that the project may have a significant effect on the environment. Individual development projects that qualify for the pilot program are subject to their own review under CEQA.

Attachment(s):
1. Resolution - Fee Pilot Program
14.4 Correspondence - Development Impact Fee (Distributed 2025-09-17)

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Approved by:
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