

TOWN OF WINDSOR AGENDA REPORT

Joint Windsor Town Council, Windsor Redevelopment Successor Agency and Windsor Water District Meeting Date: January 7, 2026

To: Mayor and Council
From: Patrick Streeter, Community Development Director
Subject: Informational Report on the Town's Inclusionary Housing Ordinance and In-Lieu Fee Alternative Provision

Recommendation to Council:

Receive an informational report on the Town of Windsor's Inclusionary Housing Ordinance, including its applicability, compliance requirements, and the in-lieu fee option.

Strategic Plan Element:

The recommended action supports the goals of Infrastructure and Livability. Goal Statement: Through a lens of sustainability and innovation, invest in the Town's infrastructure and public facilities to meet the needs of future generations. Goal Statement: Preserve community character by maximizing the use of existing amenities and creating future opportunities that enhance quality of life for all.

Background:

Inclusionary housing ordinances are local land use regulations intended to facilitate the production of deed-restricted affordable housing units as part of new residential development. These ordinances typically require that a portion of newly constructed market-rate housing be affordable to households at specified income levels, expressed as a percentage of Area Median Income (AMI). Inclusionary housing requirements are generally implemented through zoning regulations and may allow alternative means of compliance, including payment of an in-lieu fee, dedication of land, or construction of affordable units at an off-site location.

The Town of Windsor adopted its Inclusionary Housing Ordinance in 2004. Since adoption, the ordinance has been amended periodically with the objective of incentivizing the production of affordable housing while maintaining the feasibility of market-rate residential development. The ordinance is codified in [Chapter 17.98 of the Windsor Municipal Code](#).

Under the current ordinance, inclusionary housing requirements apply to new residential developments of ten (10) or more dwelling units or parcels intended and designed for permanent occupancy. Projects meeting this applicability threshold must provide deed-restricted affordable housing units at one of the following set-aside levels, depending on the income category served:

- 10 percent of units for moderate-income households;
- 7.5 percent of units for low-income households; or
- 5 percent of units for very low-income households.

The ordinance provides several compliance options. In addition to constructing the required affordable units on-site, an applicant may:

1. Pay an in-lieu fee, calculated based on the square footage of the market-rate units and paid prior to issuance of building permits;

2. Dedicate land suitable for affordable housing development, subject to valuation and feasibility standards;
3. or Construct affordable units off-site, where the Town determines that doing so would provide a greater public benefit.

In-lieu fees collected pursuant to the ordinance are deposited into the Town's Inclusionary Housing Fund and may be used to support the development of new affordable housing units or the preservation of existing affordable housing. Since adoption of the ordinance, most qualifying residential developments in Windsor have elected to satisfy inclusionary requirements through payment of the in-lieu fee rather than on-site construction, however in recent years, several market-rate projects have included on-site affordable units. In addition to satisfying the Inclusionary Housing Ordinance, on-site affordable units allow a development project to benefit from several favorable provisions in density bonus law as well as other California legislation.

In December 2023, the Town prepared a report that included a comparison of inclusionary housing programs in Windsor and other Sonoma County and North Bay jurisdictions. That comparison, originally prepared in June 2019, illustrates that inclusionary housing policies vary considerably with respect to applicability thresholds, required affordability percentages, income targeting, and use of in-lieu fees.

The comparison shows that:

- Several jurisdictions, including Santa Rosa, Novato, and Rohnert Park, apply inclusionary requirements or housing impact fees to projects smaller than Windsor's ten-unit threshold, including single-unit or small multi-unit developments.
- Many cities require 15 to 20 percent affordable units for qualifying projects, with income targeting split between low- and moderate-income households.
- Most jurisdictions allow some form of in-lieu fee, though the conditions under which the fee may be used vary widely. Some cities restrict the fee to smaller projects, apply flat per-unit fees, or limit its use to fractional unit obligations, while others do not allow an in-lieu option at all.

Windsor's ordinance is notable within this comparison for applying inclusionary requirements only to developments of ten or more units and for allowing the in-lieu fee as a discretionary compliance option at the election of the applicant.

On April 3, 2024, the Windsor Town Council received an Impact Fees Informational Report, which included background information on the Town's development impact fees and the Inclusionary Housing Ordinance. That report explained that the housing in-lieu fee is treated separately from other AB 1600 impact fees and is derived from the Town's inclusionary housing requirements rather than a traditional nexus study.

During the April 3, 2024, discussion, the Town Council expressed interest in revisiting several aspects of the Inclusionary Housing Ordinance, including:

- The ten-unit applicability threshold at which inclusionary housing requirements are triggered;
- Whether the magnitude of the in-lieu fee is adequate to meaningfully support the production or preservation of affordable housing; and
- Whether the in-lieu fee should continue to be offered as a compliance option, or whether alternative approaches should be considered.

No policy changes were adopted at that meeting. Instead, the Council directed that these topics be examined further and returned at a later date for informational purposes and potential future

consideration.

Discussion:

Windsor’s Inclusionary Housing Ordinance applies to new residential developments of ten (10) or more dwelling units or parcels. For projects meeting this threshold, the ordinance requires a set-aside of deed-restricted affordable units at one of three alternative levels, depending on income category:

- 10 percent for moderate-income units (up to 120 percent of Area Median Income);
- 7.5 percent for low-income units (up to 80 percent of AMI); or
- 5 percent for very low-income units (up to 50 percent of AMI).

Applicants may satisfy the requirement through on-site construction, payment of an in-lieu fee, land dedication, or off-site construction, subject to Town approval. Historically, most qualifying projects elected to comply through payment of the in-lieu fee rather than construction of affordable units on site.

More recently, staff has observed that some market-rate residential projects subject to the ordinance have elected to construct on-site affordable units rather than utilize the in-lieu fee option. In these cases, projects have included a set percentage of moderate-income units or a mix of moderate- and low-income units, intermixed with the “above-moderate” or market-rate units.

This shift does not reflect a change in Town policy or ordinance requirements. Instead, it appears to be influenced by broader changes in State housing law and development incentives, particularly those associated with California’s density bonus statutes.

Under California’s Density Bonus Law (Government Code §65915), qualifying residential projects may receive density increases, development standard waivers, and other incentives by providing affordable housing units beyond what is otherwise required by local zoning. Key thresholds include:

- 10 percent of units affordable to low-income households (rental);
- 5 percent of units affordable to very low-income households (rental); or
- 10 percent of units affordable to moderate-income households (for-sale developments).

Projects meeting these thresholds may be eligible for a density bonus of up to 20 percent, with additional incentives available as affordability levels increase.

By comparison, Windsor’s inclusionary requirements for projects of ten or more units are generally lower than or comparable to the minimum thresholds required to qualify for State density bonus benefits, depending on income targeting. For example:

- A project providing 10 percent moderate-income units satisfies Windsor’s highest inclusionary requirement and may also meet the minimum affordability threshold for a density bonus in a for-sale project.
- A project providing 7.5 percent low-income units satisfies Windsor’s low-income inclusionary requirement but falls below the 10-percent low-income threshold needed for density bonus eligibility.
- A project providing 5 percent very low-income units satisfies Windsor’s very low-income inclusionary requirement and aligns with the minimum density bonus threshold for rental projects.

As a result, projects that elect to include a mix of low- and moderate-income units may be structured to simultaneously satisfy local inclusionary requirements while also qualifying for State density bonus incentives.

In addition to eligibility for State density bonus incentives, staff has observed that inclusion of deed-restricted affordable units may also assist some residential projects in addressing environmental review requirements under the California Environmental Quality Act (CEQA). In particular, affordable housing units, especially those targeted to lower- and moderate-income households, tend to generate lower vehicle miles traveled (VMT) than comparable market-rate units. In certain circumstances, this reduction in VMT can lower a project's overall transportation impact and, depending on project location and composition, may result in VMT levels that fall below the applicable threshold of significance. While inclusion of affordable units does not exempt a project from CEQA, it can be a contributing factor in reducing or avoiding transportation-related impacts under the State's VMT-based CEQA framework.

Projects that include deed-restricted affordable units may also benefit from other State housing protections, including:

- SB 330 (Housing Crisis Act of 2019), which limits a local agency's ability to reduce residential density, impose new development standards, or downzone qualifying housing projects once a preliminary application has been submitted; and
- Statutory provisions allowing for development standard waivers or concessions when needed to make affordable housing financially feasible.

While SB 330 does not require inclusionary units to apply, projects that include affordable housing may be better positioned to demonstrate consistency with State housing objectives and to seek relief from development standards that would otherwise constrain project feasibility.

Staff is not aware of substantive amendments to inclusionary housing ordinances among the jurisdictions included in the Town's 2019 comparison table since that analysis was prepared, with the exception of the City of Healdsburg. In 2025, Healdsburg amended its Inclusionary Housing Ordinance to eliminate the in-lieu fee and alternative compliance options for residential projects consisting of fewer than five units. Under the amended ordinance, projects of five or more units remain subject to a 20 percent on-site inclusionary requirement, while smaller projects are no longer required to provide affordable units or pay an in-lieu fee. The City cited recent State housing legislation, rising construction costs, and the potential deterrent effect of fees on small-scale infill housing as factors supporting the amendment.

The in-lieu fee remains an available compliance option under Windsor's ordinance. The fee is calculated on a square-footage basis and is intended to represent a proportional contribution toward the cost of producing affordable housing elsewhere in the community. Fee revenues are deposited into the Inclusionary Housing Fund and may be used to support affordable housing development or preservation activities.

As discussed at the Town Council's April 3, 2024, informational meeting, several policy questions remain for future consideration. These include whether the current ten-unit applicability threshold continues to reflect contemporary development patterns in Windsor; whether the magnitude of the in-lieu fee is sufficient to meaningfully support affordable housing objectives, recognizing that any increase would likely require an updated fee study; and whether offering the in-lieu fee as a voluntary compliance option remains appropriate in light of evolving State housing law, observed development trends in Windsor, and approaches taken by other jurisdictions. This report is intended to provide context for those questions and to inform any future discussion the Council may wish to have regarding potential updates to the Town's Inclusionary Housing Ordinance.

Fiscal Impact:

There is no fiscal impact associated with the recommended action. However, future action based on direction from the Council could affect revenues associated with the Inclusionary Housing Ordinance. A more detailed financial analysis will be prepared if staff is directed to return to the Council with changes.

Environmental Review:

The recommended action does not constitute a “project” within the meaning of California Environmental Quality Act (CEQA) Guidelines Section 15378 and requires no environmental review.

Attachment(s):

- 1. Jurisdictional Comparisons
- 2. Sonoma County Area Median Income Table 2025-2026
- 13.2 PowerPoint - Inclusionary Housing Report (Distributed 2026.01.06)
- 13.2 Correspondence Received (Distributed 2026.01.07)
- 13.2 Correspondence Received (Distributed 2026.01.08)

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Approved by:

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