Santa Barbara Association of REALTORS®

June 17, 2026

Mayor Paula Perotte
Mayor Pro Tempore Jennifer Smith
Councilmember Stuart Kasdin
Councilmember James Kyriaco
Councilmember Luz Reyes-Martín
130 Cremona Drive
Goleta, CA 93117

RE: 2026 Development Impact Fee Program Update

Dear Mayor Perotte and Councilmembers,

The Santa Barbara Association of REALTORS® (SBAOR) represents about 1,200 REALTORS® throughout the South Coast and our mission includes engaging in real estate related community issues affecting our members and/or their clients who are homeowners, housing providers, tenants, and commercial owners. Thank you for the opportunity to provide input on the proposed 2026 Development Impact Fee (DIF) Program Update

SBAOR recognizes the importance of ensuring that new development contributes its fair share toward the infrastructure and public facilities necessary to serve a growing community. We appreciate the City's efforts to update its Development Impact Fee Program, comply with the requirements of AB 602, and maintain a legally defensible nexus study.

The City of Goleta has made a significant commitment to addressing California's housing shortage through its certified Housing Element and its Regional Housing Needs Allocation (RHNA). The City has recognized that increasing housing opportunities, expanding housing choice, and encouraging the development of housing for residents across all income levels are essential to maintaining a healthy and vibrant community. Those commitments should serve as the lens through which the proposed Development Impact Fee update is evaluated.

While the nexus study identifies the maximum fee the City may legally impose, it does not answer the equally important policy question of what fee level best advances Goleta's housing, economic, and community goals. The City Council retains the discretion to adopt fees below the maximum supported by the nexus study, and we respectfully encourage the Council to exercise that discretion.

The question before the City is not whether infrastructure should be funded, it absolutely should. The question is how to fund infrastructure in a manner that does not unintentionally reduce the very housing production the City has committed to encouraging.

The proposed fee increases represent a substantial increase in the upfront cost of developing housing in Goleta. These increases come at a time when housing projects are already facing unprecedented financial challenges, including rising construction costs, elevated interest rates, higher insurance premiums, labor shortages, utility connection fees, inclusionary housing requirements, permit fees, and lengthy entitlement processes. Development

Impact Fees are only one component of an already significant cumulative cost burden that ultimately determines whether a housing project moves forward or remains on the drawing board.

Goleta needs all types of housing.

Meeting the City's housing needs is not simply about producing more units, it is about producing a diverse housing inventory. Condominiums, townhomes, apartments, mixed-use developments, smaller single-family homes, workforce housing, family housing, accessory dwelling units, and ownership opportunities all play an essential role in creating a healthy and resilient housing market.

Housing diversity does not occur by accident, it occurs when projects of different sizes, product types, and price points remain financially feasible. As regulatory costs continue to increase, the housing market naturally shifts toward larger and higher-priced developments that can better absorb those costs. The result is not simply fewer housing units, it is fewer housing choices.

Higher Development Impact Fees make it increasingly difficult for smaller, more attainable housing types to be financially feasible. This disproportionately impacts first-time homebuyers, middle-income families, seniors, young professionals, and local workers seeking housing within the community. It also affects smaller local builders and infill developers who frequently deliver the missing-middle housing that cities throughout California are working to encourage.

The proposed fee increases should also be evaluated for consistency with the City's adopted Housing Element. Policies that substantially increase the cost of residential development risk making it more difficult to achieve the City's own housing objectives by reducing project feasibility and limiting the production of workforce housing, ownership opportunities, and diverse housing types.

Recent state actions reinforce the importance of reducing unnecessary barriers to housing production. While AB 602 strengthened the methodology for preparing nexus studies, it does not require local governments to adopt the maximum legally supportable fee. More recently, Governor Newsom signed AB 179 as part of California's broader effort to reduce the cost of producing housing and accelerate housing development. Together with other recent housing reforms, the State's policy direction is increasingly clear: infrastructure must be funded, but local policies should also encourage the timely construction of housing across all income levels.

Independent research supports this balanced approach. RAND Corporation's recent report, *Understanding How Impact Fees Shape Housing Development Feasibility*, evaluated how residential development impact fees affect both housing production and local government finances. Using parcel-level financial feasibility modeling, RAND found that reducing residential impact fees by **25 percent** made hundreds of additional housing projects financially feasible. Perhaps most importantly, the study concluded that the initial reduction in fee revenue could be offset within approximately **four to seven years** through increased property tax revenue, sales tax revenue, and broader economic activity generated by the additional housing that was built. While the study evaluated multiple California jurisdictions, its central finding is directly applicable here: carefully calibrated residential impact fees can improve housing feasibility while strengthening, rather than weakening, a community's long-term fiscal health.

In other words, maximizing impact fee revenue does not necessarily maximize public benefit.

Every housing project that is delayed, redesigned, or abandoned represents more than the loss of housing units. It also represents lost construction jobs, reduced purchases from local businesses, delayed property tax revenue, reduced sales tax revenue, and fewer opportunities for residents to live and work within the community. As the RAND research demonstrates, a balanced fee structure can produce greater long-term economic benefits than maximizing upfront fee collections. The City's fee policy should account for both the immediate fiscal benefits of impact fees and the long-term fiscal and economic benefits generated by successful housing production.

Recent legal developments likewise reinforce the importance of carefully calibrating development impact fees. In *Sheetz v. County of El Dorado*, the United States Supreme Court reaffirmed that legislatively adopted development exactions remain subject to constitutional scrutiny and must maintain an essential nexus and rough proportionality to the impacts of development. While we recognize that the City's updated nexus study is intended to satisfy these legal requirements, the decision serves as an important reminder that impact fees should remain carefully tailored, equitable, and proportionate.

For these reasons, SBAOR respectfully recommends that the City Council:

- Adopt residential Development Impact Fees below the maximum levels identified in the nexus study.
- Evaluate a **25 percent reduction** to the proposed residential fee schedule, consistent with the scenario modeled by RAND, to better balance infrastructure funding with long-term housing production and fiscal sustainability.
- Phase in any approved fee increases over several years to minimize impacts on projects currently in the development pipeline.
- Evaluate reduced fee structures for smaller homes, condominiums, townhomes, accessory dwelling units, and other housing types that expand ownership and workforce housing opportunities.
- Continue exploring incentives for deed-restricted affordable housing and projects that help the City meet its Regional Housing Needs Allocation (RHNA).
- Consider the cumulative impact of all local development costs, not solely Development Impact Fees, when evaluating project feasibility and housing production.

Goleta has worked diligently to position itself as a leader in thoughtful planning and housing policy. The City now has an opportunity to ensure that its Development Impact Fee Program advances, not unintentionally undermines, those efforts. We respectfully urge the City Council to adopt a balanced fee structure that funds needed infrastructure while preserving the financial feasibility necessary to produce the broad range of housing envisioned in the City's Housing Element.

Thank you for your consideration of our comments and for your continued commitment to balancing fiscal responsibility with housing opportunity.

Sincerely,

Jennifer Berger

Jennifer Berger
SBAOR President