



Memorandum

TO: RULES AND OPEN
GOVERNMENT COMMITTEE

FROM: Councilmember Ortiz
Councilmember Cohen
Councilmember Mulcahy
Councilmember Casey

SUBJECT: SEE BELOW

DATE: January 15th, 2026

Approved:

Date 1/15/2026

SUBJECT: Exploration of a Scaled Development Fee Framework and Deferred Development Impact Fees

RECOMMENDATION

Direct the City Manager to:

1. Evaluate and return to Council with options for a scaled development fee framework that aligns development fees with project characteristics such as size, affordability, public benefit, and location; and
2. Develop a deferred Development Impact Fee (DIF), Public Works Offsite Fee, and other eligible project-related fee payment programs that allow projects to remit these fees at Certificate of Occupancy instead of at earlier entitlement or permitting stages.
3. Explore aligning the cities' Notice of Funding Availability cycle with the State's Business Cycle including but not limited to providing preliminary letters of commitment at time of application for funding that are subject to final Council approval.

BACKGROUND

San José continues to face challenges related to housing affordability, economic competitiveness, and the pace of new development. Increasing housing production, particularly affordable and infill housing, is essential to expanding the City's housing stock, improving affordability, and supporting long-term economic growth.

During the City Council's Cost of Development Study Session, members of the development community identified three policy opportunities that could meaningfully improve project feasibility:

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- A scaled development fee framework to mitigate disproportionate impacts on smaller or community-serving projects; and
- Deferred Development Impact Fees, Public Works Off-Site Fees, and other eligible Project Related Fees to reduce early financing burdens by shifting payment to Certificate of Occupancy.
- Adjusting the timing of the city's Notice of Funding Availability to align with the State's Business Cycle.

These recommendations present an opportunity to support housing production, encourage economic development, and maintain the City's ability to fund essential infrastructure.

The signers of this memorandum have not had, and will not have, any private conversation with any other member of the City Council, or that member's staff, concerning any action discussed in the memorandum, and that each signer's staff members have not had, and have been instructed not to have, any such conversation with any other member of the City Council or that member's staff.